

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

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## Independent Auditors' Report

To Compal Electronics, Inc.:

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

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

Included in the accompanying consolidated interim financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent auditors. These consolidated subsidiaries reflect the total assets amounting to NT\$23,050,187,000 and NT\$26,416,496,000, constituting 7.1% and 8.5% of the total consolidated assets as of June 30, 2017 and 2016, respectively. The total liabilities of these subsidiaries amounted to NT\$3,398,265,000 and NT\$5,243,526,000, constituting 1.6% and 2.6% of the total consolidated liabilities, respectively. The comprehensive income (loss) of these subsidiaries amounted to NT\$258,150,000, NT\$171,709,000, NT\$67,274,000 and NT\$261,322,000, constituting 23.6%, 8.6%, (4.5)% and 8.9% of the total consolidated comprehensive income (loss) for the three months and six months ended June 30, 2017 and 2016, respectively.

Based on our review, we are not aware of any modifications that should be made, in any material respects, except for the effects of the adjustments, if any, that might have emerged had the financial statements of the said consolidated subsidiaries been reviewed by independent auditors, to the accompanying consolidated 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.

A handwritten signature in black ink that reads "KPMG". The letters are stylized and connected, with a cursive-like feel.

KPMG

Taipei, Taiwan (Republic of China)

August 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 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 June 30, 2017 and 2016

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2017, December 31, 2016, and June 30, 2016

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2017		December 31, 2016		June 30, 2016		Liabilities and Equity		June 30, 2017		December 31, 2016		June 30, 2016	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note (6)(a))	\$ 67,237,001	20.8	72,950,596	21.0	57,451,968	18.4	2100	Short-term borrowings (note (6)(o))	\$ 21,470,240	6.6	43,480,777	12.5	36,869,585	11.8
	Current financial assets at fair value through profit or loss (note (6)(b))	37,974	-	86,440	-	174,823	0.1	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	84,056	-	137,489	-	143,388	-
1125	Current available-for-sale financial assets (note (6)(d))	50,336	-	48,631	-	50,063	-	2125	Current derivative financial liabilities for hedging(note (6)(c))	56,894	-	-	-	-	-
1135	Current derivative financial assets used for hedging (note (6)(c))	-	-	-	-	40,014	-	2170	Notes and accounts payable	130,539,993	40.4	127,523,732	36.7	106,767,148	34.2
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))	1,687,479	0.5	1,958,211	0.6	1,647,898	0.5
1170	Notes and accounts receivable, net (notes (6)(g) and (8))	154,871,148	47.9	175,318,313	50.5	157,651,791	50.5	2200	Other payables	16,029,044	5.0	17,852,291	5.1	16,924,547	5.4
	Notes and accounts receivable due from related parties, net (notes (6)(g) and (7))	87,020	-	70,972	-	71,304	-	2216	Dividends payable (note (6)(u))	5,727,789	1.8	973	-	5,447,880	1.7
1180	Other receivables, net (notes (6)(g), (l) and (7))	1,730,565	0.5	1,082,607	0.3	796,630	0.3	2230	Current tax liabilities	3,645,028	1.1	3,795,925	1.1	3,370,687	1.1
1310	Inventories (note (6)(h))	54,251,308	16.8	48,105,125	13.9	44,717,592	14.3	2250	Current provisions (note (6)(q))	1,486,689	0.5	1,842,094	0.5	2,264,089	0.7
1470	Other current assets (note (8))	2,177,888	0.8	2,456,323	0.7	2,881,605	0.9	2300	Other current liabilities	3,137,440	1.0	2,899,674	0.9	3,402,631	1.1
		<u>280,793,240</u>	<u>86.9</u>	<u>300,469,007</u>	<u>86.5</u>	<u>264,185,790</u>	<u>84.6</u>	2313	Unearned revenue	1,712,008	0.5	1,774,158	0.5	1,810,547	0.6
								2320	Long-term borrowings, current portion (note (6)(p))	7,128,025	2.2	7,966,875	2.3	8,599,375	2.8
										<u>192,704,685</u>	<u>59.6</u>	<u>209,232,199</u>	<u>60.2</u>	<u>187,247,775</u>	<u>59.9</u>
<b>Non-current assets:</b>								<b>Non-Current liabilities:</b>							
1550	Investments accounted for using equity method (note (6)(i))	11,430,265	3.5	11,726,370	3.4	11,265,755	3.6	2540	Long-term borrowings (note (6)(p))	23,937,500	7.4	23,954,688	7.0	16,531,875	5.3
1523	Non-current available-for-sale financial assets (note (6)(d))	8,052,813	2.5	9,556,461	2.8	9,375,526	3.0	2570	Deferred tax liabilities	755,732	0.2	746,962	0.2	466,867	0.1
1543	Non-current financial assets at cost (note (6)(e))	71,820	-	71,820	-	104,369	-	2640	Non-current net defined benefit liabilities	624,236	0.2	631,821	0.2	539,217	0.2
1546	Non-current investments without active market (note (6)(f))	350,000	0.1	700,000	0.2	700,000	0.2	2670	Non-current liabilities	165,169	0.1	166,626	-	166,846	0.1
1600	Property, plant and equipment (notes (6)(n) and (8))	19,093,153	5.9	20,952,677	6.0	22,653,985	7.3			<u>25,482,637</u>	<u>7.9</u>	<u>25,500,097</u>	<u>7.4</u>	<u>17,704,805</u>	<u>5.7</u>
1780	Intangible assets	1,304,876	0.4	1,291,281	0.4	1,357,584	0.4		<b>Total liabilities</b>	<u>218,187,322</u>	<u>67.5</u>	<u>234,732,296</u>	<u>67.6</u>	<u>204,952,580</u>	<u>65.6</u>
1840	Deferred tax assets	1,269,969	0.4	1,262,986	0.4	1,377,094	0.4		<b>Equity:</b>						
1985	Long-term prepaid rents	590,101	0.2	594,520	0.2	729,485	0.3		<b>Equity attributable to owners of parent:</b>						
1990	Other non-current assets (note (8))	376,867	0.1	390,989	0.1	470,975	0.2	3110	Ordinary share (note (6)(u))	44,219,306	13.7	44,241,606	12.8	44,256,506	14.2
		<u>42,539,864</u>	<u>13.1</u>	<u>46,547,104</u>	<u>13.5</u>	<u>48,034,773</u>	<u>15.4</u>	3200	Capital surplus (note (6)(u))	10,938,023	3.4	11,779,274	3.4	11,797,059	3.8
								3300	Retained earnings (note (6)(u))	52,199,097	16.1	55,289,409	15.9	50,576,372	16.2
								3400	Other equity interest (notes (6)(u) and (v))	(7,469,168)	(2.3)	(4,624,653)	(1.3)	(4,580,732)	(1.5)
								3500	Treasury shares (note (6)(u))	(881,247)	(0.3)	(881,247)	(0.3)	(881,247)	(0.3)
										<u>99,006,011</u>	<u>30.6</u>	<u>105,804,389</u>	<u>30.5</u>	<u>101,167,958</u>	<u>32.4</u>
								36XX	<b>Non-controlling interests</b>	6,139,771	1.9	6,479,426	1.9	6,100,025	2.0
									<b>Total equity</b>	<u>105,145,782</u>	<u>32.5</u>	<u>112,283,815</u>	<u>32.4</u>	<u>107,267,983</u>	<u>34.4</u>
<b>Total assets</b>		<u>\$ 323,333,104</u>	<u>100.0</u>	<u>347,016,111</u>	<u>100.0</u>	<u>312,220,563</u>	<u>100.0</u>	<b>Total liabilities and equity</b>		<u>\$ 323,333,104</u>	<u>100.0</u>	<u>347,016,111</u>	<u>100.0</u>	<u>312,220,563</u>	<u>100.0</u>

See accompanying notes to the consolidated interim financial statements.

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

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

**Consolidated Statements of Comprehensive Income**

**For the three months and six months ended June 30, 2017 and 2016**

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

	For the three months ended June 30				For the six months ended June 30				
	2017		2016		2017		2016		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Net sales revenue (notes (6)(x) and (7))</b>								
	\$ 213,780,026	100.0	172,934,747	100.0	401,207,947	100.0	349,584,555	100.0	
5000	<b>Cost of sales (notes (6)(h), (s), (7) and (12))</b>								
	<u>205,971,613</u>	<u>96.3</u>	<u>165,309,270</u>	<u>95.6</u>	<u>385,575,109</u>	<u>96.1</u>	<u>334,477,032</u>	<u>95.7</u>	
	<b>Gross profit</b>								
	<u>7,808,413</u>	<u>3.7</u>	<u>7,625,477</u>	<u>4.4</u>	<u>15,632,838</u>	<u>3.9</u>	<u>15,107,523</u>	<u>4.3</u>	
	<b>Operating expenses: (notes (6)(r), (s), (7) and (12))</b>								
6100	Selling expenses	3,474,107	1.6	1,079,254	0.6	5,040,868	1.3	2,102,803	0.6
6200	Administrative expenses	930,158	0.4	1,157,921	0.7	1,840,919	0.5	2,260,710	0.6
6300	Research and development expenses	<u>2,511,895</u>	<u>1.2</u>	<u>2,972,407</u>	<u>1.7</u>	<u>4,909,437</u>	<u>1.2</u>	<u>5,551,707</u>	<u>1.6</u>
		<u>6,916,160</u>	<u>3.2</u>	<u>5,209,582</u>	<u>3.0</u>	<u>11,791,224</u>	<u>3.0</u>	<u>9,915,220</u>	<u>2.8</u>
	<b>Net operating income</b>	<u>892,253</u>	<u>0.5</u>	<u>2,415,895</u>	<u>1.4</u>	<u>3,841,614</u>	<u>0.9</u>	<u>5,192,303</u>	<u>1.5</u>
	<b>Non-operating income and expenses:</b>								
7020	Other gains and losses (notes (6)(d) and (z))	(126,179)	(0.1)	(12,345)	-	(1,756,718)	(0.4)	(866,646)	(0.2)
7050	Finance costs	(323,893)	(0.2)	(242,041)	(0.1)	(566,490)	(0.1)	(453,354)	(0.1)
7190	Other income (note (6)(z))	476,331	0.2	691,918	0.3	891,939	0.2	1,160,556	0.3
7590	Miscellaneous disbursements	(31,623)	-	(29,153)	-	(57,299)	-	(29,386)	-
7770	Share of profit of subsidiaries associates and joint ventures accounted for using equity method (note 6(i))	<u>207,510</u>	<u>0.1</u>	<u>98,998</u>	<u>0.1</u>	<u>196,438</u>	<u>-</u>	<u>218,580</u>	<u>0.1</u>
	<b>Total non-operating income and expenses</b>	<u>202,146</u>	<u>-</u>	<u>507,377</u>	<u>0.3</u>	<u>(1,292,130)</u>	<u>(0.3)</u>	<u>29,750</u>	<u>0.1</u>
7900	<b>Profit before tax</b>	1,094,399	0.5	2,923,272	1.7	2,549,484	0.6	5,222,053	1.6
7950	<b>Less: Tax expense (note (6)(t))</b>	<u>677,165</u>	<u>0.3</u>	<u>866,748</u>	<u>0.5</u>	<u>1,024,104</u>	<u>0.2</u>	<u>1,419,266</u>	<u>0.4</u>
	<b>Profit</b>	<u>417,234</u>	<u>0.2</u>	<u>2,056,524</u>	<u>1.2</u>	<u>1,525,380</u>	<u>0.4</u>	<u>3,802,787</u>	<u>1.2</u>
8300	<b>Other comprehensive income:</b>								
8360	<b>Items that may be reclassified subsequently to profit or loss</b>								
8361	Other comprehensive income, before tax, exchange differences on translation of foreign financial statements	162,989	0.1	243,775	0.1	(3,528,487)	(1.0)	(881,803)	(0.3)
8362	Other comprehensive income, before tax, unrealized gain on valuation of available-for-sale financial assets	435,330	0.2	(188,385)	(0.1)	720,926	0.2	268,836	0.1
8363	Gains (losses) on effective portion of cash flow hedges (note (6)(aa))	(28,317)	-	41,255	-	(56,894)	-	18,654	-
8370	Other components of other comprehensive income that will be reclassified to profit or loss	114,811	-	(173,792)	(0.1)	(142,637)	-	(300,652)	(0.1)
8399	Income tax relating to items that may be reclassified to profit or loss (note 6(t))	<u>(9,698)</u>	<u>-</u>	<u>24,260</u>	<u>-</u>	<u>(16,059)</u>	<u>-</u>	<u>19,801</u>	<u>-</u>
8300	<b>Other comprehensive income, net of tax</b>	<u>675,115</u>	<u>0.3</u>	<u>(52,887)</u>	<u>(0.1)</u>	<u>(3,023,151)</u>	<u>(0.8)</u>	<u>(875,164)</u>	<u>(0.3)</u>
8500	<b>Total comprehensive income</b>	<u>\$ 1,092,349</u>	<u>0.5</u>	<u>2,003,637</u>	<u>1.1</u>	<u>(1,497,771)</u>	<u>(0.4)</u>	<u>2,927,623</u>	<u>0.9</u>
	<b>Profit, attributable to:</b>								
8610	Profit, attributable to owners of parent	\$ 254,362	0.1	1,737,047	1.0	1,327,697	0.4	3,338,289	1.1
8620	Profit, attributable to non-controlling interests	<u>162,872</u>	<u>0.1</u>	<u>319,477</u>	<u>0.2</u>	<u>197,683</u>	<u>-</u>	<u>464,498</u>	<u>0.1</u>
		<u>\$ 417,234</u>	<u>0.2</u>	<u>2,056,524</u>	<u>1.2</u>	<u>1,525,380</u>	<u>0.4</u>	<u>3,802,787</u>	<u>1.2</u>
	<b>Comprehensive income attributable to:</b>								
8710	Comprehensive income, attributable to owners of parent	\$ 946,016	0.4	1,651,771	1.0	(1,624,290)	(0.4)	2,455,530	0.7
8720	Comprehensive income, attributable to non-controlling interests	<u>146,333</u>	<u>0.1</u>	<u>351,866</u>	<u>0.2</u>	<u>126,519</u>	<u>-</u>	<u>472,093</u>	<u>-</u>
		<u>\$ 1,092,349</u>	<u>0.5</u>	<u>2,003,637</u>	<u>1.2</u>	<u>(1,497,771)</u>	<u>(0.4)</u>	<u>2,927,623</u>	<u>0.7</u>
	<b>Earnings per share (note 6(w))</b>								
9750	<b>Basic earnings per share</b>	<u>\$ 0.06</u>		<u>0.40</u>		<u>0.31</u>		<u>0.77</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 0.06</u>		<u>0.40</u>		<u>0.30</u>		<u>0.76</u>	

See accompanying notes to the consolidated interim financial statements.

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

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

**Consolidated Statements of Changes in Equity**

**For the six months ended June 30, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent													Non-controlling interests	Total equity
	Retained earnings					Other equity interest					Total equity attributable to owners of parent				
	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			
<b>Balance on January 1, 2016</b>	\$ 44,711,266	12,838,638	16,571,311	3,139,021	32,167,179	51,877,511	2,803,061	(6,010,432)	(719,510)	(3,926,881)	(1,724,739)	103,775,795	5,822,321	109,598,116	
Profit for the six months ended June 30, 2016	-	-	-	-	3,338,289	3,338,289	-	-	-	-	-	3,338,289	464,498	3,802,787	
Other comprehensive income	-	-	-	-	-	-	(1,124,663)	237,381	4,523	(882,759)	-	(882,759)	7,595	(875,164)	
Total comprehensive income	-	-	-	-	3,338,289	3,338,289	(1,124,663)	237,381	4,523	(882,759)	-	2,455,530	472,093	2,927,623	
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	868,461	-	(868,461)	-	-	-	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	60,653	(60,653)	-	-	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(4,426,671)	(4,426,671)	-	-	-	-	-	(4,426,671)	-	(4,426,671)	
Cash dividends from capital surplus	-	(885,334)	-	-	-	-	-	-	-	-	-	(885,334)	-	(885,334)	
Retirement of treasury stock	(438,160)	(194,977)	-	-	(210,355)	(210,355)	-	-	-	-	843,492	-	-	-	
Changes in ownership interests in subsidiaries	-	312	-	-	-	-	-	-	-	-	-	312	-	312	
Changes in equity of associates and joint ventures accounted for using equity method	-	(24)	-	-	(4,062)	(4,062)	-	-	-	-	-	(4,086)	-	(4,086)	
Share-based payments transaction	(16,600)	(21,579)	-	-	1,660	1,660	-	-	228,908	228,908	-	192,389	-	192,389	
Adjustments of capital surplus for the company's cash dividends received by subsidiaries	-	60,023	-	-	-	-	-	-	-	-	-	60,023	-	60,023	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(194,389)	(194,389)	
<b>Balance on June 30, 2016</b>	<b>\$ 44,256,506</b>	<b>11,797,059</b>	<b>17,439,772</b>	<b>3,199,674</b>	<b>29,936,926</b>	<b>50,576,372</b>	<b>1,678,398</b>	<b>(5,773,051)</b>	<b>(486,079)</b>	<b>(4,580,732)</b>	<b>(881,247)</b>	<b>101,167,958</b>	<b>6,100,025</b>	<b>107,267,983</b>	
<b>Balance on January 1, 2017</b>	\$ 44,241,606	11,779,274	17,439,772	3,199,674	34,649,963	55,289,409	1,324,282	(5,663,830)	(285,105)	(4,624,653)	(881,247)	105,804,389	6,479,426	112,283,815	
Profit for the six months ended June 30, 2017	-	-	-	-	1,327,697	1,327,697	-	-	-	-	-	1,327,697	197,683	1,525,380	
Other comprehensive income	-	-	-	-	-	-	(3,645,846)	711,901	(18,042)	(2,951,987)	-	(2,951,987)	(71,164)	(3,023,151)	
Total comprehensive income	-	-	-	-	1,327,697	1,327,697	(3,645,846)	711,901	(18,042)	(2,951,987)	-	(1,624,290)	126,519	(1,497,771)	
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	813,089	-	(813,089)	-	-	-	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	1,139,875	(1,139,875)	-	-	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(4,422,153)	(4,422,153)	-	-	-	-	-	(4,422,153)	-	(4,422,153)	
Stock dividends from capital surplus	-	(884,431)	-	-	-	-	-	-	-	-	-	(884,431)	-	(884,431)	
Changes in ownership interests in subsidiaries	-	63	-	-	-	-	-	-	-	-	-	63	-	63	
Changes in equity of associates and joint ventures accounted for using equity method	-	11,634	-	-	(318)	(318)	-	-	-	-	-	11,316	-	11,316	
Share-based payments transaction	(22,300)	(28,544)	-	-	4,462	4,462	-	-	107,472	107,472	-	61,090	-	61,090	
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	60,027	-	-	-	-	-	-	-	-	-	60,027	-	60,027	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(466,174)	(466,174)	
<b>Balance on June 30, 2017</b>	<b>\$ 44,219,306</b>	<b>10,938,023</b>	<b>18,252,861</b>	<b>4,339,549</b>	<b>29,606,687</b>	<b>52,199,097</b>	<b>(2,321,564)</b>	<b>(4,951,929)</b>	<b>(195,675)</b>	<b>(7,469,168)</b>	<b>(881,247)</b>	<b>99,006,011</b>	<b>6,139,771</b>	<b>105,145,782</b>	

See accompanying notes to the consolidated interim financial statements.

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

	<b>For the six months ended June 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 2,549,484	5,222,053
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization	2,751,555	2,860,289
Increase (decrease) in allowance for uncollectible accounts	3,113,377	(76,697)
Finance cost	566,490	453,354
Interest income	(415,434)	(273,929)
Dividend income	(156,844)	(177,438)
Compensation cost of share-based payment	67,598	196,958
Share of profit of associates and joint ventures accounted for using equity method	(196,438)	(218,580)
Loss (gain) on disposal of property, plant and equipment	(54,299)	2,599
Loss (gain) on disposal of investments	4,252	-
Impairment loss on financial assets	-	40,750
Long-term prepaid rents	6,509	7,317
<b>Adjustments to reconcile profit (loss)</b>	<u>5,686,766</u>	<u>2,814,623</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Changes in financial assets at fair value through profit or loss	48,466	(149,411)
Decrease (increase) in notes and accounts receivable	17,325,804	7,216,309
Decrease (increase) in other receivables	(568,146)	356,808
Decrease (increase) in inventories	(6,146,183)	1,802,429
Decrease (increase) in other current assets	242,706	(240,880)
Decrease (increase) in other non-current assets	(2,569)	87,257
<b>Total changes in operating assets</b>	<u>10,900,078</u>	<u>9,072,512</u>
<b>Changes in operating liabilities:</b>		
Changes in financial liabilities at fair value through profit or loss	(53,433)	114,173
Increase (decrease) in notes and accounts payable	2,745,529	(20,211,498)
Increase (decrease) in other payables	(2,209,933)	(1,136,277)
Increase (decrease) in provisions	(355,405)	(124,621)
Increase (decrease) in unearned revenue	(62,150)	62,973
Increase (decrease) in other current liabilities	237,766	(526,442)
Others	(2,086)	5,289
<b>Total changes in operating liabilities</b>	<u>300,288</u>	<u>(21,816,403)</u>
<b>Total changes in operating assets and liabilities</b>	<u>11,200,366</u>	<u>(12,743,891)</u>
<b>Total adjustments</b>	<u>16,887,132</u>	<u>(9,929,268)</u>
Cash flows from (used in) operations	19,436,616	(4,707,215)
Interest received	444,414	189,788
Dividends received	16,687	54,085
Interest paid	(574,307)	(444,672)
Income taxes paid	(1,051,810)	(2,251,550)
<b>Net cash flows from (used in) operating activities</b>	<u>18,271,600</u>	<u>(7,159,564)</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method, available-for-sale financial assets and financial assets at cost	(97,009)	(109,731)
Proceeds from disposal of available-for-sale financial assets	2,265,748	-
Redemption from bond investment without active market	350,000	350,000
Net cash flow from disposal of subsidiary	129,000	-
Proceeds from liquidation of investments	13,049	31,273
Acquisition of property, plant and equipment	(1,462,497)	(1,505,705)
Proceeds from disposal of property, plant and equipment	86,988	42,643
Acquisition of intangible assets	(255,462)	(401,197)
Others	(15,705)	(48,498)
<b>Net cash flows from (used in) investing activities</b>	<u>1,014,112</u>	<u>(1,641,215)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	(22,010,537)	7,388,409
Proceeds from long-term borrowings	7,088,649	10,940,000
Repayments of long-term borrowings	(7,944,687)	(14,381,930)
Acquisition of non-controlling interests	(6,353)	(8,438)
Change in non-controlling interests	13,666	4,700
Others	(1,457)	(20,018)
<b>Net cash flows from (used in) financing activities</b>	<u>(22,860,719)</u>	<u>3,922,723</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(2,138,588)</u>	<u>(421,518)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(5,713,595)</u>	<u>(5,299,574)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>72,950,596</u>	<u>62,751,542</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 67,237,001</u>	<u>57,451,968</u>

See accompanying notes to the consolidated interim financial statements.



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

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

**Notes to the Consolidated Interim Financial Statements**

**June 30, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

COMPAL ELECTRONICS, INC. (the “Company”) was incorporated in June 1984 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No.581 and No.581-1 Ruiguang Rd., Neihu Dist., Taipei City, Taiwan. In accordance with Article 19 of the Business Mergers and Acquisitions Act, the Company merged its subsidiary, Compal Communications, Inc. (“CCI”) (the “Merger”), pursuant to the resolutions of the Board of Directors in November, 2013. The Company was the surviving company and CCI was the dissolved company. The effective date of the Merger was February 27, 2014. The Company and its subsidiaries (together referred to as the “Group” and individually as the “Group entities”) primarily is involved in the manufacture and sale of notebook personal computers (“notebook PCs”), monitors, LCD TVs, mobile phones and various components and peripherals.

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

These consolidated financial statements were authorized for issuance by the Board of Directors and issued on August 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 endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

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

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 “Recoverable Amount Disclosures for Non Financial Assets”	January 1, 2014
Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvements to IFRS Standards 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRS Standards 2012-2014 Cycle	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

Except for the following items, the Group believes that the adoption of the above IFRSs would not have a material impact on the consolidated 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) The impact of IFRS endorsed by FSC but not yet effective

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

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

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

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

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

(i) IFRS 9 “Financial Instruments”

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

1) Classification – Financial assets

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

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

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at June 30, 2017, would have had a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At June 30, 2017, the Group had equity investments classified as available-for-sale with a fair value of \$8,052,813 thousand and financial assets measured at cost of \$71,820 thousand that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group's profits.

2) Impairment – Financial assets and contract assets

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

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

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

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

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

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

3) Hedge accounting

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

(Continued)

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

4) Disclosures

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

5) Transition

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

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

(ii) IFRS 15 Revenue from Contracts with Customers

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

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

(Continued)

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

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

(iii) Amendments to IAS 7 “Disclosure Initiative”

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

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

Those which may be relevant to the Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 “Leases”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>· 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.</li> <li>· A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

(Continued)

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

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

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

**(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.

(Continued)

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

(b) Basis of consolidation

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

To list subsidiaries in the consolidated financial statements as below:

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
The Company	Panpal Technology Corp. ("Panpal")	Investment	100%	100%	100%	Panpal held 31,648 thousand shares of the Company as of June 30, 2017, which represented 0.7% of the Company's outstanding shares.
"	Gempal Technology Corp. ("Gempal")	"	100%	100%	100%	Gempal held 18,369 thousand shares of the Company as of June 30, 2017, which represented 0.4% of the Company's outstanding shares.
"	Hong Ji Capital Co., Ltd. ("Hong Ji")	"	100%	100%	100%	
"	Hong Jin Investment Co., Ltd. ("Hong Jin")	"	100%	100%	100%	
"	Zhaopal Investment Co., Ltd. ("Zhaopal")	"	100%	100%	100%	
"	Yongpal Investment Co., Ltd. ("Yongpal")	"	100%	100%	100%	
"	Kaipal Investment Co., Ltd. ("Kaipal")	"	100%	100%	100%	
The Company, Panpal, et al.	Accesstek, Inc. ("ATK")	Design, manufacturing and sales of optical disk drives and components	38%	38%	38%	The Group had the ability to control ATK. ATK was dissolved on June 30, 2009. The liquidation process has not been completed.
"	Arcadyan Technology Corp. ("Arcadyan")	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	36%	36%	36%	The Group had the ability to control Arcadyan.
The Company	Rayonnant Technology Co., Ltd. ("Rayonnant Technology")	Manufacturing and sales of PCs, computer periphery devices, and electronic components	100%	100%	100%	
"	HengHao Technology Co., Ltd. ("HengHao")	"	97%	97%	97%	

(Continued)



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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
The Company	Ripal Optoelectronics Co., Ltd. ("Ripal")	Manufacturing of electric appliance and audiovisual electric products	100%	100%	100%	
"	Mactech Co., Ltd ("Mactech")	Manufacturing of equipment and lighting, retailing of equipment and international trading	53%	53%	53%	
"	General Life Biotechnology Co., Ltd. ("GLB")	Manufacturing and sales of medical equipment	50%	50%	50%	
"	Unicore BioMedical Co., Ltd. ("Unicore")	Sales of veterinary drugs and leasing	100%	-	-	Unicore was established in January 2017.
"	Auscom Engineering Inc. ("Auscom")	R&D of notebook PC related products and components	100%	100%	100%	
"	Just International Ltd. ("Just")	Manufacturing, sales and maintenance of monitors and LCD TVs, and investment	100%	100%	100%	
"	Compal International Holding Co., Ltd. ("CIH")	Sales and manufacturing of notebook PCs and investments	100%	100%	100%	
"	Compal Electronics (Holding) Ltd. ("CEH")	Investment	100%	100%	100%	
"	Bizcom Electronics, Inc. ("Bizcom")	Warranty services and marketing of monitors and notebook PCs	100%	100%	100%	
"	Flight Global Holding Inc. ("FGH")	Investment	100%	100%	100%	
"	High Shine Industrial Corp. ("HSI")	"	100%	100%	100%	
"	Compal Europe (Poland) Sp. z o.o. ("CEP")	Maintenance and warranty services of notebook PCs	100%	100%	100%	
"	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%	

(Continued)

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

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

(Continued)

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
CIH	Fortune Way Technology Corp. ("FWT")	Investment	100%	100%	100%	
CIH (HK)	Compal Electronics Technology (Kunshan) Co., Ltd. ("CET")	Manufacturing of notebook PCs	100%	100%	100%	
"	Compal Information (Kunshan) Co., Ltd. ("CIC")	"	100%	100%	100%	
"	Compal Information Technology (Kunshan) Co., Ltd. ("CIT")	"	100%	100%	100%	
"	Kunshan Botai Electronics Co., Ltd. ("BT")	"	100%	100%	100%	
"	Compal Information Research and Development (Nanjing) Co., Ltd. ("CIN")	Software and hardware R&D of computers, mobile phones and electronic components	100%	100%	100%	
"	Compal Digital Technology (Kunshan) Co., Ltd. ("CDT")	Manufacturing and sales of notebook PCs, mobile phones, and digital products	100%	100%	100%	
BT	Compower Global Service Co., Ltd. ("CGS")	Maintenance and warranty service of notebook PCs	100%	100%	100%	
CDH (HK) and CIH (HK)	Compal Investment (Jiansu) Co., Ltd. ("CIJ")	Investment	100%	100%	100%	
CIJ	Compal Display Electronics (Kunshan) Co., Ltd. ("CDE")	Manufacturing and sales of LCD TVs	100%	100%	100%	
The Company and Webtek	Etrade Management Co., Ltd. ("Etrade")	Investment	100%	100%	100%	
The Company	Webtek Technology Co., Ltd. ("Webtek")	Sales of mobile phones	100%	100%	100%	
"	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%	

(Continued)

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
Etrade	Compal Wireless Communication (Nanjing) Co., Ltd. ("CWCN")	"	100%	100%	100%	
Forever	Hanhelt (Nanjing) Co., Ltd. ("Hanhelt")	R&D and manufacturing of electronic communication equipment	100%	100%	100%	
"	Giant Rank Trading Ltd. ("GIA")	Sales of mobile phones	100%	100%	100%	
ATK	OptoRite Inc.	Sales of optical disc drives	100%	100%	100%	
"	MSI-ATK Optics Holding Corporation ("MSI-ATK")	Investment	100%	100%	100%	
"	Maitek (BVI) Corporation ("Maitek")	"	100%	100%	100%	
Arcadyan	Arcadyan Technology N.A. Corp. ("Arcadyan USA")	Sales of wireless network products	100%	100%	100%	
"	Arcadyan Germany GmbH ("Arcadyan Germany")	Technology support of wireless network products	100%	100%	100%	
"	Arcadyan Technology Corporation Korea ("Arcadyan Korea")	Sales of wireless network products	100%	100%	100%	
"	Arcadyan Holding (BVI) Corp. ("Arcadyan Holding")	Investment	100%	100%	100%	
"	Arcadyan Technology Limited ("Arcadyan UK")	Technical support of wireless network products	100%	100%	-	Arcadyan UK was established in December 2016.
"	Arcadyan Technology Australia Pty Ltd. ("Arcadyan Australia")	Sales of wireless network products	100%	-	-	Arcadyan Australia was established in March 2017.
Arcadyan and Zhi-pal	Arcadyan do Brasil Ltda. ("Arcadyan Brasil")	Sales of wireless network products	100%	100%	100%	
Arcadyan	Zhi-pal Technology Inc. ("Zhi-pal")	Investment	100%	100%	100%	
"	Tatung Technology Inc. ("TTI")	R&D and sales of household digital electronic products	60%	60%	59%	
"	AcBel Telecom Inc. ("AcBel Telecom")	Investment	51%	51%	51%	
The Company and Arcadyan and its subsidiary	Compal Broadband Network Inc. ("CBN")	R&D and sales of communication and electronic components	93%	95%	98%	

(Continued)

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
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) Investment Corp. ("Arch Holding")	Investment	100%	100%	100%	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. ("CNC")	Manufacturing of wireless network products	100%	100%	100%	
AcBel Telecom	Leading Images Ltd. ("Leading Images")	Investment	100%	100%	100%	
"	Great Arch Group Ltd. ("Great Arch")	Sales of wireless network products	100%	100%	100%	
Leading Images	Astoria Networks GmbH ("Astoria GmbH")	"	100%	100%	100%	
TTI	Quest International Group Co., Ltd. ("Quest")	Investment	100%	100%	100%	
Quest	Exquisite Electronic Co., Ltd. ("Exquisite")	"	100%	100%	100%	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. ("THAC")	Manufacturing of household digital electronic products	100%	100%	100%	
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%	

(Continued)

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
APH	Primetek Enterprises Limited ("PEL")	"	100%	100%	100%	
"	Rayonnant Technology (HK) Co., Ltd. ("Rayonnant Technology (HK)")	"	100%	100%	100%	
Rayonnant Technology (HK)	Rayonnant Technology (Taicang) Co., Ltd. ("Rayonnant Technology (Taicang)")	Manufacturing and sales of aluminum alloy and magnesium alloy products	100%	100%	100%	
HengHao	HengHao Holdings A Co., Ltd. ("HHA")	Investment	100%	100%	100%	
HHA	HengHao Holdings B Co., Ltd. ("HHB")	"	100%	100%	100%	
HHB	HengHao Trading Co., Ltd.	Marketing and international trade	100%	100%	100%	
"	HengHao Optoelectronics Technology (Kunshan) Co., Ltd. (HengHao Kunshan)	Production of touch panels and related components	100%	100%	100%	
"	Lucom Display Technology (KunShan) Limited ("Lucom")	Manufacturing of notebook PCs and related modules	100%	100%	100%	
BCI	Center Mind International Co., Ltd. ("CMI")	Investment	100%	100%	100%	
"	Prisco International Co., Ltd. ("PRI")	"	100%	100%	100%	
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%	

(Continued)

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
CIS	Compal Electronics (Chengdu) Co., Ltd. ("CEC")	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	100%	100%	100%	
"	Compal Management (Chengdu) Co., Ltd. ("CMC")	Corporate management consulting, training and education, business information consulting, financial and tax consulting, investment consulting, and investment management services	100%	100%	100%	
CORE	Billion Sea Holdings Limited ("BSH")	Investment	100%	100%	100%	
CPE	Compal Electronics Europe Sp. z o.o. ("CEE")	Manufacturing, sales and maintenance of LCD TVs	-	-	100%	CPE disposed 100% equity ownership of CEE in December 2016.
GLB	Rapha Bio Ltd. ("RBL")	Detector and feature	100%	100%	-	GLB obtained 100% equity ownership of RBL in August 2016.

(c) **Income Taxes**

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

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

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

(d) **Provisions**

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

(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.

(Continued)

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

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

The preparation of these 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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Cash on hand	\$ 10,842	12,678	11,146
Checking accounts and demand deposits	10,627,236	11,765,328	9,513,702
Time deposits	55,746,216	57,829,886	47,256,619
Bonds purchased under resale agreements	<u>852,707</u>	<u>3,342,704</u>	<u>670,501</u>
	<u>\$ 67,237,001</u>	<u>72,950,596</u>	<u>57,451,968</u>

Please refer to note (6)(ab) for the disclosure of the exchange rate risk, the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
<b>Financial assets at fair value through profit or loss:</b>			
Financial assets held-for-trading:			
Derivative instruments not used for hedging	<u>\$ 37,974</u>	<u>86,440</u>	<u>174,823</u>
<b>Financial liabilities at fair value through profit or loss:</b>			
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging	<u>\$ 84,056</u>	<u>137,489</u>	<u>143,388</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 June 30, 2017 and December 31 and June 30, 2016 (foreign currencies were expressed in thousands):

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

				<b>June 30, 2017</b>		
				<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Derivative financial assets:</b>						
Foreign exchange contracts:						
Forward exchange sold	EUR	760		EUR to USD		October 11, 2017
Forward exchange sold	USD	72,500		USD to BRL		July 3~ September 20, 2017
Forward exchange purchased	USD	5,000		USD to MXN		September 28, 2017
<b>Swap contracts:</b>						
Currency Swap	USD	29,600		USD to TWD		July 10~ September 25, 2017
<b>Derivative financial liabilities:</b>						
Foreign exchange contracts:						
Forward exchange sold	EUR	58,700		EUR to USD		July 7~ November 29, 2017
Forward exchange sold	GBP	1,600		GBP to USD		August 4~ August 30, 2017
				<b>December 31, 2016</b>		
				<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Derivative financial assets:</b>						
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
<b>Swap contracts:</b>						
Currency swap	USD	31,600		USD to TWD		January 20~ April 25, 2017
<b>Derivative financial liabilities:</b>						
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

(Continued)

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

<b>June 30, 2016</b>				
	<b>Contract amount (in thousands)</b>		<b>Currency</b>	<b>Maturity date</b>
<b>Derivative financial assets:</b>				
Foreign exchange contracts:				
Forward exchange sold	EUR 52,010		EUR to USD	July 11~ December 30, 2016
Forward exchange sold	GBP 2,800		GBP to USD	August 12~ October 14, 2016
Forward exchange sold	USD 160,000		USD to TWD	July 5~ August 23, 2016
Forward exchange purchased	USD 48,000		USD to MXN	July 14~ October 14, 2016
Swap contracts:				
Currency swap	USD 38,000		USD to TWD	July 14~ December 23, 2016
<b>Derivative financial liabilities:</b>				
Foreign exchange contracts:				
Forward exchange sold	EUR 1,080		EUR to USD	July 29, 2016
Forward exchange purchased	USD 32,100		USD to BRL	July 15, 2016~ April 17, 2017
<b>Derivative financial assets:</b>				
Currency swap	USD 7,000		USD to TWD	November 25~ December 23, 2016

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

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

(c) Derivative financial instruments used for hedging

(i) The details were as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
<b>Cash flow hedge:</b>			
Derivative assets used for hedging:			
Forward exchange contracts	\$ -	-	40,014
Derivative financial liabilities used for hedging:			
Forward exchange contracts	\$ 56,894	-	-

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

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

<b>June 30, 2017</b>			
	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity period</b>
<b>Derivative financial liabilities used for hedging</b>			
Forward exchange sold	EUR 33,000	EUR to USD	July 28~ December 29, 2017
Forward exchange purchased	USD 10,000	USD to MXN	July 28~ August 30, 2017
<b>June 30, 2016</b>			
	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity period</b>
<b>Derivative financial assets used for hedging</b>			
Forward exchange sold	EUR 25,684	EUR to USD	July 28~ December 30, 2016
Forward exchange purchased	EUR 5,000	USD to MXN	July 28~ August 29, 2016

(iii) For the six months ended June 30, 2017 and 2016, the profits (losses) of changes in fair value of derivative financial instruments used for hedging reclassified from other equity to profit or loss is recognized as revenue in the statement of comprehensive income. Please refer to note (6)(aa).

(d) Available-for-sale financial assets

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Stocks listed in domestic markets (including stocks acquired via private placement)	\$ 5,069,689	6,781,745	6,609,259
Stocks listed in foreign markets	644,607	582,303	589,492
Stocks unlisted in domestic markets	2,259,871	2,172,000	2,144,140
Stocks unlisted in foreign markets	128,982	69,044	82,698
	<b>\$ 8,103,149</b>	<b>9,605,092</b>	<b>9,425,589</b>

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
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	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current	\$ 50,336	48,631	50,063
Non-current	<u>8,052,813</u>	<u>9,556,461</u>	<u>9,375,526</u>
	<u><b>\$ 8,103,149</b></u>	<u><b>9,605,092</b></u>	<u><b>9,425,589</b></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.

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

- (ii) The 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%. Since the financial status and business of the Leshi Group has changed significantly, CIT has determined to terminate this investment.
- (iii) Except for the stocks acquired via private placement mentioned in (i), which are measured at the arbitration award, if there is an increase (decrease) in the market price of the equity securities by 5% on the reporting date, the increase (decrease) in other comprehensive income (pre-tax) for the six months ended June 30, 2017 and 2016, will be \$405,157 and \$357,779, respectively. These analyses are performed on the same basis for both periods and assume that all other variables remain the same.
- (iv) As of June 30, 2017 and December 31 and June 30, 2016, the Group did not provide any available-for-sale financial assets as collaterals for its loans.

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

(e) Financial assets at cost

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Unlisted common stock in domestic markets	\$ 5,273	5,273	11,528
Unlisted fund in foreign markets	48,709	48,709	-
Unlisted common stock in foreign markets	-	-	12,143
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>104,369</u>

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

(ii) As of June 30, 2017 and December 31 and June 30, 2016, the Group did not provide any financial assets at cost as collaterals for its loans.

(f) Bond investment without active market

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Common bonds – Taiwan Star Telecom Corporation Limited ("Taiwan Star")	<u>\$ 700,000</u>	<u>1,050,000</u>	<u>1,050,000</u>
Current	\$ 350,000	350,000	350,000
Non-current	<u>350,000</u>	<u>700,000</u>	<u>700,000</u>
	<u>\$ 700,000</u>	<u>1,050,000</u>	<u>1,050,000</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 for the date of issuance till the maturity of the bond in June 2019.

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

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
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(g) Notes and accounts receivable and other receivables

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Notes receivable	\$ 29,407	69,745	214,289
Accounts receivable	159,102,346	176,362,482	157,261,322
Accounts receivable pledged as collateral	-	-	641,622
Other receivables	<u>1,802,149</u>	<u>1,146,127</u>	<u>859,421</u>
	160,933,902	177,578,354	158,976,654
Less: allowance for uncollectible accounts	(4,209,332)	(1,095,955)	(376,385)
allowance for sales returns and discounts	<u>(35,837)</u>	<u>(10,507)</u>	<u>(80,544)</u>
	<b><u>\$ 156,688,733</u></b>	<b><u>176,471,892</u></b>	<b><u>158,519,725</u></b>
Notes and accounts receivable	<b><u>\$ 154,871,148</u></b>	<b><u>175,318,313</u></b>	<b><u>157,651,791</u></b>
Notes and accounts receivable – related parties	<b><u>87,020</u></b>	<b><u>70,972</u></b>	<b><u>71,304</u></b>
Other receivables – current	<b><u>\$ 1,730,565</u></b>	<b><u>1,082,607</u></b>	<b><u>796,630</u></b>

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

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Overdue 1 to 180 days	\$ 1,430,225	7,572,905	5,828,453
Overdue 181 to 365 days	1,324	3,714	39,345
Overdue 365 days and over	<u>-</u>	<u>-</u>	<u>16</u>
	<b><u>\$ 1,431,549</u></b>	<b><u>7,576,619</u></b>	<b><u>5,867,814</u></b>

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

	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance on January 1, 2017	237,143	858,812	1,095,955
Assessment category reclassified	695,014	(695,014)	-
Impairment loss recognized (reversed)	3,117,186	(3,705)	3,113,481
Effect of changes in exchange rates	<u>-</u>	<u>(104)</u>	<u>(104)</u>
Balance on June 30, 2017	<b><u>\$ 4,049,343</u></b>	<b><u>159,989</u></b>	<b><u>4,209,332</u></b>

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
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	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance on January 1, 2016	277,378	175,704	453,082
Impairment loss recognized (reversed)	(27,280)	(49,235)	(76,515)
Effect of changes in exchange rates	-	(182)	(182)
Balance on June 30, 2016	<b><u>\$ 250,098</u></b>	<b><u>126,287</u></b>	<b><u>376,385</u></b>

Allowance for uncollectible account is the balance of accounts receivable which are uncollectable. Except for evaluating the situation of the customers' payment records and widely analyzing the credit rating of customers, the Group also takes all the necessary procedures for collection. Therefore, the Group believes that there is no doubt for the recovery of the due but unimpaired account receivable, therefore, no allowance recognized. The Group had recognized full loss for the uncollectible accounts receivable of LeShi; however, the Group will make the utmost effort to recover the accounts receivable, including taking proper legal actions.

The Group entered into accounts receivable factoring agreements with banks. As of June 30, 2017 and December 31 and June 30, 2016, except for the amount used under the actual sales amount in accordance with certain agreements, the factoring amount granted by the banks was USD545,000 thousands and EUR16,000 thousands, USD265,000 thousands and EUR9,000 thousands, and USD2,377,000 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 June 30, 2017 and December 31 and June 30, 2016, the factored accounts receivable with no advance amounting to \$29,873, \$36,488 and \$62,129, respectively, are accounted for as other receivables.

The Company, customers, and banks signed the three-party contracts in which the banks purchase accounts receivable from the Company. The total amount of the accounts receivable should not exceed the facility limit provided by the banks to the Company's customers. Based on the contracts, the banks have no right to request the Company to repurchase the accounts receivable. Thus, this is a non-recourse accounts receivable transfer. As of June 30, 2017, and December 31 and June 30, 2016, account receivable factored were recovered and derecognized since the conditions of de recognition were met.

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
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As of June 30, 2017 and December 31 and June 30, 2016, the details of the factored accounts receivable were as follows:

<b>June 30, 2017</b>					
	<b>Accounts receivable factored (gross)</b>	<b>Advanced amount</b>	<b>Collateral</b>	<b>Amount derecognized</b>	<b>Interest rate</b>
Financial Institution	<b>\$ 26,110,183</b>	<b>26,080,310</b>	-	<b>26,110,183</b>	0.80%~2.21%
<b>December 31, 2016</b>					
	<b>Accounts receivable factored (gross)</b>	<b>Advanced amount</b>	<b>Collateral</b>	<b>Amount derecognized</b>	<b>Interest rate</b>
Financial Institution	<b>\$ 28,246,777</b>	<b>28,210,289</b>	-	<b>28,246,777</b>	0.80%~1.80%
<b>June 30, 2016</b>					
	<b>Accounts receivable factored (gross)</b>	<b>Advanced amount</b>	<b>Collateral</b>	<b>Amount derecognized</b>	<b>Interest rate</b>
Financial Institution	<b>\$ 11,411,339</b>	<b>11,349,210</b>	-	<b>11,411,339</b>	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

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Finished goods	\$ 13,342,659	10,495,438	11,144,546
Work in progress	3,740,432	2,974,340	3,086,966
Raw materials	35,668,599	33,353,608	29,667,491
Raw materials in transit	1,499,618	1,281,739	818,589
	<b>\$ 54,251,308</b>	<b>48,105,125</b>	<b>44,717,592</b>

(i) During the three months and six months ended June 30, 2017 and 2016, inventory cost recognized as cost of sales amounted to \$205,971,613, \$165,309,270, \$385,575,109 and \$334,477,032, respectively.

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
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- (ii) The Company reversed its allowance for inventory valuation loss amounting to \$90,628 and \$343,654 due to the sale and disposal of its obsolete inventories in the three months and six months ended June 30, 2017, respectively. The write-down of inventories to net realizable value amounted to \$137,099 and \$317,911, respectively, in the three months and six months ended June 30, 2016.
- (iii) As of June 30, 2017 and December 31 and June 30, 2016, the Group did not provide any inventories as collaterals for its loans.
- (i) Investments accounted for using equity method

A summary of the Group's financial information for equity-accounted investees at the reporting date is as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Associates	\$ 11,510,878	11,804,006	11,340,930
Joint venture	<u>39,110</u>	<u>49,076</u>	<u>51,632</u>
	11,549,988	11,853,082	11,392,562
Less: unrealized profits or losses	<u>(119,723)</u>	<u>(126,712)</u>	<u>(126,807)</u>
	<u><u>\$ 11,430,265</u></u>	<u><u>11,726,370</u></u>	<u><u>11,265,755</u></u>

(i) Associates

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Allied Circuit Co., Ltd. ("Allied Circuit")	\$ 799,627	487,408	480,470
Avalue Technology Inc. ("Avalue")	<u>774,196</u>	<u>909,584</u>	<u>1,049,781</u>
	<u><u>\$ 1,573,823</u></u>	<u><u>1,396,992</u></u>	<u><u>1,530,251</u></u>

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

	<u>Three months ended June 30, 2017</u>	<u>Three months ended June 30, 2016</u>	<u>Six months ended June 30, 2017</u>	<u>Six months ended June 30, 2016</u>
The Company's share of the gain (loss) of associates	<u><u>\$ 210,986</u></u>	<u><u>103,762</u></u>	<u><u>203,271</u></u>	<u><u>230,624</u></u>

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
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- 3) The Group's share of the operating results for equity-accounted investment in all individually immaterial associates are summarized below:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
The carrying amount of the Group's interests in all individually immaterial associates	<u>\$ 11,510,878</u>	<u>11,804,006</u>	<u>11,340,930</u>

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

	<u>Three months ended June 30, 2017</u>	<u>Three months ended June 30, 2016</u>	<u>Six months ended June 30, 2017</u>	<u>Six months ended June 30, 2016</u>
Profit (loss) from continuing operations \$	210,986	103,762	203,271	230,624
Other comprehensive income	<u>114,811</u>	<u>(173,792)</u>	<u>(142,637)</u>	<u>(300,652)</u>
Total comprehensive income	<u>\$ 325,797</u>	<u>(70,030)</u>	<u>60,634</u>	<u>(70,028)</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 share of the operating results for equity-accounted investment in all individually immaterial joint ventures are summarized below:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
The carrying amount of the Group's interests in all individually immaterial joint ventures	<u>\$ 39,110</u>	<u>49,076</u>	<u>51,632</u>

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
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The Group's share of the net income (loss) of joint ventures.

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Losses from continuing operations (the total comprehensive losses)\$	<u><b>(3,476)</b></u>	<u><b>(4,764)</b></u>	<u><b>(6,833)</b></u>	<u><b>(12,044)</b></u>

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

(j) Business combination

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

(k) Changes in subsidiaries' equity

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

(m) Material non-controlling interests of subsidiaries

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

(n) Property, plant and equipment

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

	<b>Land</b>	<b>Buildings and building improvement</b>	<b>Machinery and equipment</b>	<b>Other equipment</b>	<b>Under construction and prepayment for purchase of equipment</b>	<b>Total</b>
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	-	50,659	713,088	809,508	283,755	1,857,010
Disposals and derecognitions	-	(19,418)	(96,415)	(1,541,114)	-	(1,656,947)
Reclassifications	-	3,850	145,484	21,102	(170,436)	-
Effect of changes in exchange rates	(5,535)	(347,796)	(1,679,436)	(214,671)	(82,244)	(2,329,682)
Balance on June 30, 2017	<u><b>\$ 1,771,322</b></u>	<u><b>15,303,605</b></u>	<u><b>23,083,347</b></u>	<u><b>9,532,375</b></u>	<u><b>1,090,398</b></u>	<u><b>50,781,047</b></u>

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
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	<u>Land</u>	<u>Buildings and building improvement</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Under construction and prepayment for purchase of equipment</u>	<u>Total</u>
Balance on January 1, 2016	\$ 1,985,448	15,982,036	23,694,268	10,119,725	2,426,146	54,207,623
Additions	-	120,262	375,934	759,494	161,998	1,417,688
Disposal and derecognitions	(2,108)	(10,108)	(103,360)	(867,177)	-	(982,753)
Reclassifications	-	43,088	211,008	180,993	(435,089)	-
Effect of changes in exchange rates	(5,094)	(198,423)	(172,635)	(381,026)	(22,730)	(779,908)
Balance on June 30, 2016	<u>\$ 1,978,246</u>	<u>15,936,855</u>	<u>24,005,215</u>	<u>9,812,009</u>	<u>2,130,325</u>	<u>53,862,650</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	-	353,417	1,194,322	976,458	-	2,524,197
Disposals and derecognitions	-	(11,440)	(64,453)	(1,548,365)	-	(1,624,258)
Effect of changes in exchange rates	-	(335,865)	(140,457)	(693,712)	-	(1,170,034)
Balance on June 30, 2017	<u>\$ -</u>	<u>9,122,375</u>	<u>16,771,587</u>	<u>5,793,932</u>	<u>-</u>	<u>31,687,894</u>
Balance on January 1, 2016	\$ -	9,498,441	14,761,422	5,639,129	-	29,898,992
Depreciation for the period	-	404,269	1,188,640	1,033,356	-	2,626,265
Impairment loss	-	-	36,250	-	-	36,250
Disposals and derecognitions	-	(10,105)	(88,709)	(838,697)	-	(937,511)
Effect of changes in exchange rates	-	(102,508)	(141,918)	(170,905)	-	(415,331)
Balance on June 30, 2016	<u>\$ -</u>	<u>9,790,097</u>	<u>15,755,685</u>	<u>5,662,883</u>	<u>-</u>	<u>31,208,665</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 June 30, 2017	<u>\$ 1,771,322</u>	<u>6,181,230</u>	<u>6,311,760</u>	<u>3,738,443</u>	<u>1,090,398</u>	<u>19,093,153</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 June 30, 2016	<u>\$ 1,978,246</u>	<u>6,146,758</u>	<u>8,249,530</u>	<u>4,149,126</u>	<u>2,130,325</u>	<u>22,653,985</u>

As of June 30, 2017 and December 31 and June 30, 2016, part of the Group's property, plant and equipment are provided as collateral for long-term borrowings. Please refer to note (8).

(o) Short-term borrowings

The details of short-term borrowings were as following:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Credit loans	\$ 21,470,240	43,480,777	36,227,963
Secured bank loans	-	-	641,622
	<u>\$ 21,470,240</u>	<u>43,480,777</u>	<u>36,869,585</u>
Unused credit line for short-term borrowings	<u>\$ 115,554,000</u>	<u>98,320,000</u>	<u>117,865,000</u>
Annual range of interest rates	<u>0.69%~12.03%</u>	<u>0.67%~13.90%</u>	<u>0.63%~17.64%</u>

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

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Credit loans	\$ 30,623,650	31,335,000	24,440,000
Secured bank loans	441,875	586,563	691,250
Less: current portion	<u>(7,128,025)</u>	<u>(7,966,875)</u>	<u>(8,599,375)</u>
	<u>\$ 23,937,500</u>	<u>23,954,688</u>	<u>16,531,875</u>
Unused credit line for long-term borrowings	<u>\$ 3,843,400</u>	<u>5,069,800</u>	<u>5,973,600</u>
Annual range of interest rates	<u>0.78%~1.92%</u>	<u>1.08%~1.92%</u>	<u>1.00%~1.99%</u>

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

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

(q) Provisions

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Warranties	\$ 374,837	309,844	379,876
Sales returns and allowances	<u>1,111,852</u>	<u>1,532,250</u>	<u>1,884,213</u>
	<u>\$ 1,486,689</u>	<u>1,842,094</u>	<u>2,264,089</u>

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

Provisions relate to sales of products are assessed based on historical experience, management's judgment and other known reasons. Such allowances are recognized as a deduction of sales revenue in the same period in which sales are made. The aforementioned provisions are expected to settle over the next year.

(r) Operating lease

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

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

(i) Defined benefit plans

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

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

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Three months ended March 31, 2016</b>
Cost of sales	\$ 332	335	658	703
Selling expenses	289	291	602	597
Administrative expenses	1,060	1,040	2,114	2,096
Research and development expenses	<u>2,903</u>	<u>2,841</u>	<u>5,875</u>	<u>5,633</u>
Total	<u><u>\$ 4,584</u></u>	<u><u>4,507</u></u>	<u><u>9,249</u></u>	<u><u>9,029</u></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 \$89,634, \$82,186, \$176,715 and \$167,678 for the three months and six months ended June 30, 2017 and 2016, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$308,531, \$288,001, \$582,138 and \$576,244 for the three months and six months ended June 30, 2017 and 2016, respectively.

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

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Current tax expense	\$ <u>677,165</u>	<u>866,748</u>	<u>1,024,104</u>	<u>1,419,266</u>

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

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	\$ 1,175	1,300	(9,354)	(1,822)
Unrealized gains (losses) on available-for-sale financial assets	<u>8,523</u>	<u>(25,560)</u>	<u>25,413</u>	<u>(17,979)</u>
	<u>\$ 9,698</u>	<u>(24,260)</u>	<u>16,059</u>	<u>(19,801)</u>

- (iii) Examination and approval

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

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

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
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(iv) The Company's information related to the integrated income tax system is summarized below:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Unappropriated earnings retained after January 1, 1998	\$ <u>29,606,687</u>	<u>34,649,963</u>	<u>29,936,926</u>
Balance of the imputation credit account	\$ <u>4,965,071</u>	<u>4,694,945</u>	<u>4,731,449</u>
Creditable ratio for earnings distribution to R.O.C residents	<b>2017</b> <u>12.33 %</u> (expected)	<b>2016</b> <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 six months ended June 30, 2017 and 2016. Please refer to note (6)(u) of the consolidated financial statement for the year ended December 31, 2016.

(i) Ordinary shares

In 2015, the Company issued its employee restricted shares amounting to \$493,600, wherein the amount of \$22,300 and \$16,600 had been cancelled due to failure in meeting the vested requirements in the six months ended June 30, 2017 and 2016. As of June 30, 2017, except \$2,220, the registration procedure had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Additional paid-in capital	\$ 7,896,858	8,561,027	8,558,663
Treasury share transactions	2,361,843	2,301,816	2,301,791
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	48,269	48,206	48,496
Employee restricted shares	355,184	603,990	625,621
Changes in equity of associates and joint ventures accounted for using equity method	<u>272,119</u>	<u>260,485</u>	<u>258,738</u>
	<b><u>\$ 10,938,023</u></b>	<b><u>11,779,274</u></b>	<b><u>11,797,059</u></b>

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

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

(iii) Retained earnings

Based on the Company's articles of incorporation amended on June 24, 2016, if there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The earnings appropriation proposal to distribute dividend and bonus shall be proposed by the Board of Directors and approved by the General Shareholders Meeting. The rest of the unappropriated retained earnings shall be reserved.

The lifecycle of the industry of the Company is in the growing stage. To meet the need of the Company for the future capital and the need of shareholders for cash flow, if there is any profit after close of books, the cash dividend allocated by the Company each year shall not be lower than ten percent of the total dividend (including cash and share dividend) for such year.

According to the law, when there is a deduction from stockholders' equity (excluding treasury stock and unearned employee benefit) during the year, an amount equal to the deduction item is set aside as a special reserve before the earnings are appropriated. A special reserve is made available for earning distribution only after the deduction of the related shareholders' equity has been reversed.

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

	<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>

(iv) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the six months ended June 30, 2017 and 2016. As of June 30, 2017, Panpal and Gempal, subsidiaries of the Company, held 50,017 thousand shares of ordinary shares of the Company, recorded as the Company's treasury stock, with a book value of 17.6 New Taiwan dollars per share. The total cost was \$881,247. The fair value of the ordinary shares of the Company was 20.50, 18.45 and 20.25 New Taiwan dollars per share as of June 30, 2017 and December 31 and June 30, 2016, respectively.

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

Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. The shares purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. Furthermore, treasury stock cannot be pledged for debts, and treasury stock does not carry any shareholder rights until it is transferred.

(v) Other equity interests (net-of-taxes)

	Exchange differences on transaction of foreign operation financial statements	Unrealized gain (loss) on available-for-sale financial assets	Unearned compensation for restricted employee shares and others	Total
Balance on January 1, 2017	\$ 1,324,282	(5,663,830)	(285,105)	(4,624,653)
The Group	(3,486,821)	695,513	89,430	(2,701,878)
Associates	(159,025)	16,388	-	(142,637)
Balance on June 30, 2017	<u>\$ (2,321,564)</u>	<u>(4,951,929)</u>	<u>(195,675)</u>	<u>(7,469,168)</u>
Balance on January 1, 2016	2,803,061	(6,010,432)	(719,510)	(3,926,881)
The Group	(873,446)	286,816	233,431	(353,199)
Associates	(251,217)	(49,435)	-	(300,652)
Balance on June 30, 2016	<u>\$ 1,678,398</u>	<u>(5,773,051)</u>	<u>(486,079)</u>	<u>(4,580,732)</u>

(v) Share-based payment

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

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
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## (w) Earnings per share

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

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
<b>Basic earnings per share:</b>				
Profit attributable to ordinary shareholders of the Company	\$ <u>254,362</u>	<u>1,737,047</u>	<u>1,327,697</u>	<u>3,338,289</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>4,345,604</u>	<u>4,329,404</u>	<u>4,343,688</u>	<u>4,329,404</u>
<b>Diluted earnings per share:</b>				
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	\$ <u>254,362</u>	<u>1,737,047</u>	<u>1,327,697</u>	<u>3,338,289</u>
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares				
Weighted-average number of outstanding ordinary shares (in thousands)	4,345,604	4,329,404	4,343,688	4,329,404
Employee compensation (in thousands)	8,808	18,471	29,662	41,944
Employee restricted shares (in thousands)	<u>17,561</u>	<u>20,300</u>	<u>19,221</u>	<u>20,246</u>
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>4,371,973</u>	<u>4,368,175</u>	<u>4,392,571</u>	<u>4,391,594</u>

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

## (x) Revenue

The revenue of the Group were as follows:

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Sale of goods	\$ 213,388,039	171,809,771	400,402,221	347,513,730
Rendering of services and other	<u>391,987</u>	<u>1,124,976</u>	<u>805,726</u>	<u>2,070,825</u>
	<b><u>\$ 213,780,026</u></b>	<b><u>172,934,747</u></b>	<b><u>401,207,947</u></b>	<b><u>349,584,555</u></b>

## (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 remuneration 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 compensations of \$63,974, \$201,853, \$180,558 and \$374,031, and directors' compensations of \$3,383, \$10,673, \$9,548 and \$19,778 for the three months and six months ended June 30, 2017 and 2016. The estimated amounts mentioned above are based on the net profit before tax without the compensations to employees and directors of each respective ending period, multiplied by the percentage of the compensations 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 compensations in the form of stock, the number of the shares of the employee compensations is based on the closing price of the day before the Board of Directors' meeting, the related information can be accessed through the Market Observation Post System website.

The Company accrued and recognized its employee compensations of \$876,028 and \$949,980, and directors' compensations of \$46,323 and \$50,234 for the year ended December 31, 2016 and 2015, respectively. There is no differences between the amount approved in the Board of Directors' meeting and those recognized in the financial statements, the related information can be accessed through the Market observation Post System website.

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

(z) Non-operating income and expenses

(i) Other income

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

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Interest income				
Bond investment without an active market	\$ 4,756	6,502	9,934	13,406
Bank deposits and others	213,267	149,908	405,500	260,523
Dividend revenue	156,844	177,438	156,844	177,438
Overdue payable reversed as other income	2,152	236,444	154,226	403,693
Other revenue	<u>99,312</u>	<u>121,626</u>	<u>165,435</u>	<u>305,496</u>
	<b><u>\$ 476,331</u></b>	<b><u>691,918</u></b>	<b><u>891,939</u></b>	<b><u>1,160,556</u></b>

(ii) Other gains and losses

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

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Losses on disposal of investments	\$ -	-	(4,252)	-
Losses on financial assets and liabilities at fair value through profit or loss, net	(89,249)	(17,094)	(271,846)	(29,876)
Foreign currency exchange gains (losses), net	(77,424)	44,366	(1,534,919)	(793,421)
Gains (losses) on disposal of fixed assets	40,494	1,133	54,299	(2,599)
Impairment loss	<u>-</u>	<u>(40,750)</u>	<u>-</u>	<u>(40,750)</u>
	<b><u>\$ (126,179)</u></b>	<b><u>(12,345)</u></b>	<b><u>(1,756,718)</u></b>	<b><u>(866,646)</u></b>

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

(aa) Reclassification of the components of other comprehensive income

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

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Available-for-sale financial assets				
Net change in fair value (net of tax)	\$ 426,807	(158,325)	695,513	291,315
Net change in fair value reclassified to profit or loss (net of tax)	-	(4,500)	-	(4,500)
Net change in fair value recognized in other comprehensive income (net of tax)	<u>\$ 426,807</u>	<u>(162,825)</u>	<u>695,513</u>	<u>286,815</u>
	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Cash flow hedge:				
Profit (loss) recognized (net of tax)	\$ (63,835)	104,722	(92,412)	87,845
Less: reclassified to profit or loss	(35,518)	63,467	(35,518)	69,191
Profit (loss) recognized in other comprehensive income (net of tax)	<u>\$ (28,317)</u>	<u>41,255</u>	<u>(56,894)</u>	<u>18,654</u>

(ab) Financial instruments

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

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

(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>
<b>June 30, 2017</b>					
Non-derivative financial liabilities					
Secured loans	\$ 441,875	(441,875)	(244,375)	(79,375)	(118,125)
Unsecured loans	52,093,890	(52,093,890)	(28,353,890)	(10,966,250)	(12,773,750)
Accounts payable	132,227,472	(132,227,472)	(132,227,472)	-	-
Other payables and dividends payable	17,380,752	(17,380,752)	(17,380,752)	-	-
Derivative financial liabilities					
Forward exchange contracts:	84,056				
Outflow		(2,100,614)	(2,100,614)	-	-
Inflow		2,020,636	2,020,636	-	-
Forward exchange contracts for hedging	56,894				
Outflow		(1,485,124)	(1,485,124)	-	-
Inflow		1,427,159	1,427,159	-	-
	<u>\$ 202,284,939</u>	<u>(202,281,932)</u>	<u>(178,344,432)</u>	<u>(11,045,625)</u>	<u>(12,891,875)</u>
<b>December 31, 2016</b>					
Non-derivative financial liabilities					
Secured loans	\$ 586,563	(586,563)	(266,875)	(181,875)	(137,813)
Unsecured loans	74,815,777	(74,815,777)	(51,180,777)	(4,688,750)	(18,946,250)
Accounts payable	129,481,943	(129,481,943)	(129,481,943)	-	-
Other payables	12,730,178	(12,730,178)	(12,730,178)	-	-
Derivative financial liabilities					
Forward exchange contracts:	137,489				
Outflow		(1,813,182)	(1,813,182)	-	-
Inflow		1,659,679	1,659,679	-	-
	<u>\$ 217,751,950</u>	<u>(217,767,964)</u>	<u>(193,813,276)</u>	<u>(4,870,625)</u>	<u>(19,084,063)</u>

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>June 30, 2016</b>					
Non-derivative financial liabilities					
Secured loans	\$ 1,332,872	(1,332,872)	(890,997)	(244,375)	(197,500)
Unsecured loans	60,667,963	(60,667,963)	(44,577,963)	(5,645,000)	(10,445,000)
Accounts payable	108,415,046	(108,415,046)	(108,415,046)	-	-
Other payables and dividends payable	17,609,532	(17,609,532)	(17,609,532)	-	-
Derivative financial liabilities					
Forward exchange contracts:	141,921				
Outflow		(1,270,474)	(1,270,474)	-	-
Inflow		1,074,754	1,074,754	-	-
Forward exchange contracts for hedging	1,467				
Outflow		(226,741)	(226,741)	-	-
Inflow		225,925	225,925	-	-
	<u>\$ 188,168,801</u>	<u>(188,221,949)</u>	<u>(171,690,074)</u>	<u>(5,889,375)</u>	<u>(10,642,500)</u>

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	<u>June 30, 2017</u>			<u>December 31, 2016</u>			<u>June 30, 2016</u>		
	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets									
Monetary items									
USD to TWD	\$ 5,760,202	30.42	175,225,345	6,593,457	32.25	212,638,988	5,402,419	32.275	174,363,073
USD to CNY	12,502	6.7823	380,378	17,842	6.9563	573,036	7,179	6.6447	231,118
EUR to TWD	71,581	34.72	2,485,292	65,103	33.9	2,206,992	62,203	35.89	2,232,466
CNY to USD	1,996,241	0.1474	8,950,961	2,081,236	0.1438	9,651,836	1,954,358	0.1505	9,493,074
Non-monetary items									
THB to TWD	720,151	0.8951	644,607	647,743	0.8990	582,303	641,240	0.9193	589,492
Financial liabilities									
Monetary items									
USD to TWD	5,094,356	30.42	154,970,310	5,595,654	32.25	180,459,842	3,979,856	32.275	128,449,852
USD to CNY	13,499	6.7823	410,712	15,092	6.9563	484,713	7,470	6.6447	240,486
CNY to USD	1,633,812	0.1474	7,325,863	2,166,955	0.1438	10,049,362	1,755,154	0.1505	8,525,463

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

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 June 30, 2017 and 2016, would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
USD (against the TWD)		
Strengthening 5%	\$ 1,012,752	2,295,661
Weakening 5%	(1,012,752)	(2,295,661)
USD (against the CNY)		
Strengthening 5%	(1,517)	(468)
Weakening 5%	1,517	468
EUR (against the TWD)		
Strengthening 5%	124,265	111,623
Weakening 5%	(124,265)	(111,623)
CNY (against the USD)		
Strengthening 5%	81,255	48,381
Weakening 5%	(81,255)	(48,381)

3) Exchange gains and losses of monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and six months ended June 30, 2017 and 2016, the foreign exchange gains (losses), including both realized and unrealized, amounted to \$(77,424), \$44,366, \$(1,534,919) and \$(793,421), respectively.

(iii) Interest rate analysis

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

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

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 six months ended June 30, 2017 and 2016, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Interest increased by 0.25%	\$ (21,304)	(10,223)
Interest decreased by 0.25%	21,304	10,223

(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.

	<b>June 30, 2017</b>				
	<b>Book value</b>	<b>Fair Value</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>		
<b>Financial assets at fair value through profit or loss</b>					
Derivative financial asset for non-hedging	\$ 37,974	-	37,974	-	37,974
<b>Available-for-sale financial assets</b>					
Stocks listed on domestic markets	5,069,689	5,069,689	-	-	5,069,689
Stocks listed on foreign markets	644,607	644,607	-	-	644,607
Stocks unlisted on domestic markets	2,259,871	-	-	2,259,871	2,259,871
Stocks unlisted on foreign markets	128,982	-	-	128,982	128,982
	<u>8,103,149</u>				

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

	June 30, 2017					
	Book value	Fair Value			Total	
	Level 1	Level 2	Level 3	Total		
<b>Financial assets at cost (non-current)</b>	71,820	-	-	-	-	
<b>Loans and receivables</b>						
Cash and cash equivalents	67,237,001	-	-	-	-	
Bond investment without active market- including current and non-current	700,000	-	-	-	-	
Notes and accounts receivable, net	154,871,148	-	-	-	-	
Notes and accounts receivable due from related parties, net	87,020	-	-	-	-	
Other receivables	1,730,565	-	-	-	-	
Guarantee deposits	<u>294,561</u>	-	-	-	-	
	<u>224,920,295</u>					
Total	<b><u>\$ 233,133,238</u></b>					
<b>Financial liabilities at fair value through profit or loss</b>						
Derivative financial liabilities for non- hedging	\$ <u>84,056</u>	-	84,056	-	84,056	
<b>Derivative financial assets for hedging</b>	<u>56,894</u>	-	56,894	-	56,894	
<b>Financial liabilities at amortized cost through profit or loss</b>						
Short-term borrowings	21,470,240	-	-	-	-	
Notes and accounts payable	130,539,993	-	-	-	-	
Notes and accounts payable to related parties	1,687,479	-	-	-	-	
Other payable and dividends payable	17,380,752	-	-	-	-	
Long-term borrowings current portion	7,128,025	-	-	-	-	
Long-term borrowings	<u>23,937,500</u>	-	-	-	-	
	<u>202,143,989</u>					
Total	<b><u>\$ 202,284,939</u></b>					
		December 31, 2016				
	Book value	Fair Value			Total	
	Level 1	Level 2	Level 3	Total		
<b>Financial assets at fair value through profit or loss</b>						
Derivative financial asset for non-hedging	\$ <u>86,440</u>	-	86,440	-	86,440	
<b>Available-for-sale financial assets</b>						
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>					

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

	December 31, 2016				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at cost (non-current)</b>	71,820	-	-	-	-
<b>Loans and receivables</b>					
Cash and cash equivalents	72,950,596	-	-	-	-
Bond investment without active market-including current and non-current	1,050,000	-	-	-	-
Notes and accounts receivable, net	175,318,313	-	-	-	-
Notes and accounts receivable due from related parties, net	70,972	-	-	-	-
Other receivables	1,082,607	-	-	-	-
Guarantee deposits	280,404	-	-	-	-
	<u>250,752,892</u>				
Total	<u>\$ 260,516,244</u>				
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities for non-hedging	\$ 137,489	-	137,489	-	137,489
<b>Financial liabilities at amortized cost through profit or loss</b>					
Short-term borrowings	43,480,777	-	-	-	-
Notes and accounts payable	127,523,732	-	-	-	-
Notes and accounts payable to related parties	1,958,211	-	-	-	-
Other payable	12,730,178	-	-	-	-
Long-term borrowings current portion	7,966,875	-	-	-	-
Long-term borrowings	23,954,688	-	-	-	-
	<u>217,614,461</u>				
Total	<u>\$ 217,751,950</u>				
	June 30, 2016				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Derivative financial asset held for non-hedging	\$ 174,823	-	174,823	-	174,823
<b>Derivative financial assets for hedging</b>	40,014	-	40,014	-	40,014
<b>Available-for-sale financial assets</b>					
Stocks listed on domestic markets (including stocks acquired via private placement)	6,609,259	4,339,259	-	2,270,000	6,609,259
Stocks listed on foreign markets	589,492	589,492	-	-	589,492
Stocks unlisted on domestic markets	2,144,140	-	-	2,144,140	2,144,140
Stocks unlisted on foreign markets	82,698	-	-	82,698	82,698
	<u>9,425,589</u>				

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

	June 30, 2016				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at cost (non-current)</b>	<u>104,369</u>	-	-	-	-
<b>Loans and receivables</b>					
Cash and cash equivalents	57,451,968	-	-	-	-
Bond investment without active market- including current and non-current	1,050,000	-	-	-	-
Notes and accounts receivable, net	157,651,791	-	-	-	-
Notes and accounts receivable due from related parties, net	71,304	-	-	-	-
Other receivables	796,630	-	-	-	-
Guarantee deposits	<u>252,048</u>	-	-	-	-
	<u>217,273,741</u>				
Total	<u><b>\$ 227,018,536</b></u>				
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities held for non- hedging	\$ <u>143,388</u>	-	143,388	-	143,388
<b>Financial liabilities at amortized cost through profit or loss</b>					
Short-term borrowings	36,869,585	-	-	-	-
Notes and accounts payable	106,767,148	-	-	-	-
Notes and accounts payable to related parties	1,647,898	-	-	-	-
Other payable and dividends payable	17,609,532	-	-	-	-
Long-term borrowings current portion	8,599,375	-	-	-	-
Long-term borrowings	<u>16,531,875</u>	-	-	-	-
	<u>188,025,413</u>				
Total	<u><b>\$ 188,168,801</b></u>				

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

The Group estimates instruments that not measured at fair by method and presumption as follows:

a) Bond investment without active market and financial liabilities at amortized cost

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

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

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.

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 six months ended June 30, 2017 and 2016.

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

5) Changes in level 3

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

	<b>Available-for-sale financial assets</b>
Balance on January 1, 2017	\$ 4,511,044
Total gains and losses recognized:	
In other comprehensive income	100,678
Purchased	60,180
Proceeds of capital reduction of liquidation	(13,049)
Sold	(2,270,000)
Balance on June 30, 2017	<b><u>\$ 2,388,853</u></b>
Balance on January 1, 2016	\$ 4,406,906
Total gains and losses recognized:	
In profit or loss	(4,500)
In other comprehensive income	25,705
Purchased	100,000
Proceeds of capital reduction of liquidation	(31,273)
Balance on June 30, 2016	<b><u>\$ 4,496,838</u></b>

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

	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Total gains and losses recognized:		
In profit or loss before tax (as "other gains and losses")	\$ -	(4,500)
In other comprehensive income, before tax (as "unrealized gains and losses on available-for-sale financial assets")	\$ 100,678	25,705

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.

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

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. (1.7671~2.56, 1.7671~2.16 and 1.21~1.7671, respectively, on June 30, 2017, and December 31 and June 30, 2016)	The higher the multiples are, the higher the fair value will be.
		Lack-of-Marketability discount rate (45%~65%, 45%~65% and 45%~60%, respectively, on June 30, 2017, and December 31 and June 30, 2016)	The higher the Lack-of-Marketability Discount rate is, the lower the fair value will be.
	Earnings multiplier method	Multiples of earnings (15.0, 12.9 and 14.0, respectively, on June 30, 2017, and December 31 and June 30, 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 20%, respectively, on June 30, 2017, and December 31 and June 30, 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 the Consolidated interim 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
<b>June 30, 2017</b>				
Available-for-sale financial assets	Price-Book ratio multiples	5%	\$ <u>2,696</u>	<u>2,744</u>
	Multiples of earnings	5%	\$ <u>5,112</u>	<u>5,097</u>
	Lack-of-Marketability discount rate	5%	\$ <u>5,987</u>	<u>6,021</u>
<b>December 31, 2016</b>				
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>
<b>June 30, 2016</b>				
Available-for-sale financial assets	Price-Book ratio multiples	5%	\$ <u>2,370</u>	<u>2,490</u>
	Multiples of earnings	5%	\$ <u>4,761</u>	<u>4,778</u>
	Lack-of-Marketability discount rate	5%	\$ <u>4,556</u>	<u>4,693</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**  
**Notes to the Consolidated interim Financial Statements**

(ad) Capital management

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

**(7) Related-party transactions:**

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Compal Precision Module (Jiangsu) CO.,LTD.	An associate
LC Future Center Limited ("LCFC") and its subsidiaries	"
Avalue Technology Inc.	"
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:

	<u>Three months ended June 30, 2017</u>	<u>Three months ended June 30, 2016</u>	<u>Six months ended June 30, 2017</u>	<u>Six months ended June 30, 2016</u>
Short-term employee benefits	\$ 81,508	148,037	166,322	287,260
Post-employment benefits	2,142	1,968	4,238	5,443
Share-based payments	<u>23,365</u>	<u>52,375</u>	<u>57,834</u>	<u>113,616</u>
	<u>\$ 107,015</u>	<u>202,380</u>	<u>228,394</u>	<u>406,319</u>

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated interim 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:

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Associates	\$ 147,593	93,257	262,642	184,158
Other related parties	159	-	159	-
	<b><u>\$ 147,752</u></b>	<b><u>93,257</u></b>	<b><u>262,801</u></b>	<b><u>184,158</u></b>

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:

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Associates	\$ 1,391,734	1,031,212	2,287,223	2,077,145
Other related parties	169,395	154,484	326,310	285,543
Joint venture	13,929	5,734	24,788	11,367
	<b><u>\$ 1,575,058</u></b>	<b><u>1,191,430</u></b>	<b><u>2,638,321</u></b>	<b><u>2,374,055</u></b>

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

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

(iii) Receivables due from relate parties

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

<u>Account</u>	<u>Category of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Notes and accounts receivable	Associates	\$ 87,020	70,972	71,304
Other receivables	Joint venture	359	223	550
		<u>\$ 87,379</u>	<u>71,195</u>	<u>71,854</u>

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Category of related party</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Notes and accounts payable	Associates	\$ 1,397,966	1,586,829	1,399,084
Notes and accounts payable	Other related parties	273,455	350,199	242,254
Notes and accounts payable	Joint venture	16,058	21,183	6,560
		<u>\$ 1,687,479</u>	<u>1,958,211</u>	<u>1,647,898</u>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Subject</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Accounts receivable	Guarantee for short-term borrowings	\$ -	-	641,622
Other current assets – time deposits	Guarantee of administrative litigation	204,526	220,097	223,652
Other current assets	Bail for court mandatory execution	26,510	26,510	26,510
Property, plant and equipment	Long-term borrowings (including current portion) and long-term borrowings' credit line (note)	1,329,345	1,410,724	1,029,127
Other non-current assets	Guarantee of post-release duty payment to the Customs and guarantee of the Customs	13,775	15,086	518
		<u>\$ 1,574,156</u>	<u>1,672,417</u>	<u>1,921,429</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 the Consolidated interim 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 June 30, 2017 and December 31 and June 30, 2016, the unused balance of the Group's letters of credit was \$ 0, \$ 0 and \$55,160, respectively.
- (c) As of June 30, 2017, and December 31 and June 30, 2016, the Group's signed commitments to purchase property, plant and equipment amounted to \$315,576, \$880,942 and \$1,270,483, respectively.

**(10) Losses due to major disasters: None**

**(11) Subsequent events: None**

**(12) Other:**

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

By function	Three months ended June 30, 2017			Three months ended June 30, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
<b>By item</b>						
Employee benefits						
Salary	3,654,862	2,328,453	5,983,315	3,606,335	2,816,974	6,423,309
Labor and health insurance	194,992	168,632	363,624	192,535	156,476	349,011
Pension	293,294	109,455	402,749	266,788	107,906	374,694
Others	693,928	159,937	853,865	388,000	183,234	571,234
Depreciation	1,103,350	116,723	1,220,073	1,068,373	128,571	1,196,944
Amortization	3,907	129,266	133,173	4,430	134,473	138,903
By function	Six months ended June 30, 2017			Six months ended March 31, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
<b>By item</b>						
Employee benefits						
Salary	7,024,530	4,598,045	11,622,575	7,375,482	5,498,424	12,873,906
Labor and health insurance	377,598	347,151	724,749	397,297	343,155	740,452
Pension	547,388	220,714	768,102	534,667	218,284	752,951
Others	1,363,867	283,599	1,647,466	749,327	304,660	1,053,987
Depreciation	2,295,830	228,367	2,524,197	2,371,761	254,504	2,626,265
Amortization	8,470	218,888	227,358	9,118	224,906	234,024

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
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(b) Seasonal operations

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

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(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	197,700	197,700	1.50%	Short-term financing	-	Operating demand	-	-	-	1,064,546	39,602,404 (Note 1)
1	CIH	CEP	"	Yes	109,708	106,470	60,840	2.50%	"	-	"	-	-	-	31,760,261	31,760,261 (Note 2)
2	CPI	CEB	"	Yes	470,175	456,300	456,300	2.50%	"	-	"	-	-	-	945,164	945,164 (Note 3)
3	CET	CDE	"	Yes	1,345,800	1,345,800	179,440	4.35%	"	-	"	-	-	-	4,497,264	4,497,264 (Note 4)
4	CEC	CCI Nanjing	"	Yes	2,194,150	2,129,400	-	2.50%	"	-	"	-	-	-	3,596,144	3,596,144 (Note 5)
5	CIT	CCI Nanjing	"	Yes	2,194,150	2,129,400	2,129,400	2.50%	"	-	"	-	-	-	18,478,884	18,478,884 (Note 6)
6	Arcadyan	Arcadyan Brasil	"	Yes	242,960	242,960	48,592	1.00%	Transaction for business between two parties	303,700	-	-	-	-	242,960	3,257,176 (Note 7)

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

Note 5: According to CEC's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CEC. When a short-term financing facility with CEC is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CEC's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CEC, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 6: According to CIT's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CIT. When a short-term financing facility with CIT is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIT's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIT, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 7: According to Arcadyan's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of Arcadyan. To borrowers having business relationship with Arcadyan, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount for the current year, nor shall it exceed 20% of the net worth of Arcadyan. Also, the amount shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating. When a short-term financing facility is necessary, the borrower should be Arcadyan's investee. The total amount for lending the borrower shall not exceed 80% of the net worth of the borrower, nor shall it exceed 20% of the net worth of Arcadyan, and shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating.

Note 8: The transactions had been eliminated in the consolidated financial statements.

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(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)	24,751,502	62,690	60,840	60,840	-	0.06 %	49,503,005 (Note 1)	Y	-	-
0	"	CEP	(Note 2)	24,751,502	328,854	328,854	328,854	-	0.33 %	49,503,005 (Note 1)	Y	-	-
1	Arcadyan	Arcadyan Brasil	(Note 2)	1,085,725	242,960	242,960	-	-	2.80 %	3,257,176 (Note 4)	Y	-	-

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

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

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

Note 4: According to Arcadyan's 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 June 30, 2017 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Fair value	Shares/Units (thousands)	Percentage of ownership (%)	Carrying value	
The Company	Common bond-Taiwan Star	-	Bond investments without an active market – current and non-current	-	700,000	-	-	
	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	1,401,695	9 %	1,401,695	
	Cal Comp Electronics (Thailand) Public Co., Ltd.	"	"	239,631	644,607	5 %	644,607	
	Innolux Corporation ("Innolux")	-	"	134,877	2,144,550	1 %	2,144,550	
	Chipbond Technology Corp. ("Chipbond")	-	"	13,542	633,767	2 %	633,767	
	HWA VI Venture Capital Corp.	-	"	290	35,429	10 %	35,429	
	HWA Chi Venture Capital Corp.	-	"	1,053	30,937	11 %	30,937	
	Global BioPharma, Inc.	-	"	2,000	40,000	3 %	40,000	
	Chen Feng Optoelectronics	-	"	5,829	53,803	13 %	53,803	
	PrimeSensor Technology Inc.	-	"	233	2,333	1 %	-	(Note 1)
	Macroblock, Inc.	-	"	682	50,336	2 %	50,336	
	Others				215,794			
	Total				6,233,716			
Panpal	Compal Electronics, Inc.	The parent company	Available- for-sale financial assets – non-current	31,648	648,786	1 %	648,786	(Note 2)
	Kinpo	With the same chairman of the board	"	23,172	261,849	2 %	261,849	
	CDIB Partners Investment Holding Corp.	-	"	54,000	799,200	5 %	799,200	
	Innolux	-	"	11,836	188,190	-	188,190	

(Continued)

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated interim 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	
Gempal	AcBel Polytech Inc. ("AcBel")	With the same chairman of the board	"	5,677	134,253	1 %	134,253	
	Chipbond	-	"	5,251	245,745	1 %	245,745	
	Taiwan Biotech Co., Ltd.	-	"	4,897	46,537	3 %	46,537	
	Others	-	"		111,693			
	Total				<u>2,436,253</u>			
	Compal Electronics, Inc.	The parent company	Available- for-sale financial assets – non-current	18,369	376,572	-	376,572	(Note 2)
	Lian Hong Art. Co., Ltd.	-	"	2,140	40,977	8 %	40,977	
	Global BioPharma, Inc.	-	"	2,000	40,000	3 %	40,000	
	Others	-	"		2,980			
	Total				<u>460,529</u>			
Hong Ji	SUYIN Optronics Co., Ltd. ("SUYIN Optronics")	-	Available- for-sale financial assets – non-current	380	<u>182</u>	1 %	182	
Hong Jin	SUYIN Optronics	-	Available- for-sale financial assets – non-current	332	<u>160</u>	1 %	160	
Arcadyan	GeoThings Inc.	-	Financial assets carried at cost – non-current	200	-	9 %	-	(Note 1)
	AirHop Communication Inc.	-	"	1,152	-	7 %	-	
	Adant Technologies Inc.	-	"	349	12,960	6 %	-	"
	IOT EYE, Inc.	-	"	60	4,878	6 %	-	"
	TIEF Fund, L.P	-	"	-	48,709	-	-	"
	Total				<u>66,547</u>			
	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 (thousands)	Price	Cost	Gain (loss) on disposal (Note 1)	Shares	Amount	Shares	Amount
The Company	CPT	Available-for-sale financial assets – non-current	Tatung	-	394,086	811,000	-	-	394,086	811,466	811,000	(1,804)	-	-	-	-
Zhaopal	CPT	Available- for-sale financial assets- noncurrent	Tatung	-	315,269	648,000	-	-	315,269	649,172	648,000	(643)	-	-	-	-
Yongpal	CPT	Available-for-sale financial assets – non-current	Tatung	-	275,860	568,000	-	-	275,860	568,026	568,000	(1,563)	-	-	-	-
Kaipal	CPT	Available-for-sale financial assets – non-current	Tatung	-	118,226	243,000	-	-	118,226	243,440	243,000	(241)	-	-	-	-

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

(Continued)



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

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Company name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	CIH and its subsidiaries	Subsidiaries wholly owned by the Company	Sale	(1,309,181)	(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	200,890	0.1%	(Note 2)
	CBN	The Company's subsidiary	Sale	(3,501,348)	(0.9)%	90 days	"	There is no significant difference	1,818,975	1.2%	"
	CIH and its subsidiaries	Subsidiary wholly owned by the Company	Purchase	53,383,116	14.3 %	120 days	"	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(39,637,761)	(30.3)%	"
	BCI and its subsidiaries	"	Purchase	170,876	0.1 %	"	"	"	(274,156)	(0.2)%	"
	Webtek	"	Purchase	23,039,798	6.2 %	Net 60 days from purchase	Markup based on Webtek's cost	"	(6,618,931)	(5.1)%	"
	Forever	"	Purchase	22,106,204	5.9 %	"	Markup based on Forever's cost	"	(9,109,841)	(7.0)%	"
Just and its subsidiaries	Forever	With the same ultimate parent company	Sale	(9,475,640)	(100.0)%	Net 60 days from delivery	"	Adjustments will be made based on demand for funding	2,858,080	99.6%	"
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(53,460,698)	(79.0)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	39,637,761	46.6%	"
	Forever	With the same ultimate parent company	Sale	(12,418,831)	(18.4)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	4,214,600	5.0%	"
	CEB	"	Sale	(117,918)	(0.2)%	120 days	Similar to non-related parties	There is no significant difference	118,172	0.1%	"
CBN	Compal Electronic, Inc.	Parent company	Purchase	1,863,097	56.0 %	90 days	-	There is no significant difference	(1,839,779)	(86.0)%	"

(Continued)

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated interim 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)	
BCI and its subsidiaries	Compal Electronic, Inc.	"	Sale	(170,300)	(2.9)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	274,156	4.3%	(Note 2)
	CIH and its subsidiaries	With the same ultimate parent company	Sale	(4,834,736)	(83.1)%	"	"	"	4,736,695	75.0%	"
	CEB	"	Sale	(341,070)	(5.9)%	"	"	"	334,156	5.7%	"
	Just and its subsidiaries	"	Sale	(301,731)	(5.2)%	"	"	"	320,215	5.5%	"
Webtek	Compal Electronic, Inc.	Parent company	Sale	(23,039,798)	(100.0)%	Net 60 days from purchase	According to markup pricing	Adjustments will be made based on demand for funding	6,616,806	100.0%	"
	CWCN	With the same ultimate parent company	Purchase	23,037,691	100.0 %	Net 60 days from delivery	"	"	(6,027,054)	(100.0)%	"
CEB	BCI and its subsidiaries	"	Purchase	316,944	9.7 %	120 days	Similar to non-related parties	There is no significant difference	(335,943)	(19.6)%	"
	CIH and its subsidiaries	"	Purchase	119,014	3.6 %	"	"	"	(122,542)	(7.2)%	"
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	Purchase	1,297,247	2.3 %	"	"	"	(199,551)	-	"
	BCI and its subsidiaries	With the same ultimate parent company	Purchase	4,834,736	8.6 %	"	"	"	(4,736,695)	(12.4)%	"
	AcBel and its subsidiaries	The same chairman of the board of the ultimate parent company	Purchase	280,261	0.5 %	Net 60 days from purchase	"	"	(230,523)	(0.6)%	"
	Wan Yuen Technology Holding Ltd. and its subsidiaries	Investee which FGH accounted for using equity method	Purchase	1,985,858	3.6 %	"	"	"	(1,141,024)	(3.0)%	"
CWCN	Webtek	With the same ultimate parent company	Sale	(23,037,691)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	6,027,054	100.0%	"
Forever	Compal Electronic, Inc.	Parent company	Sale	(22,106,204)	(83.0)%	"	"	"	10,276,089	83.1%	"
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	12,418,831	47.0 %	Net 60 days from purchase	Similar to non-related parties	"	(4,213,353)	(40.8)%	"
	Just and its subsidiaries	"	Purchase	9,475,640	35.9 %	"	"	"	(2,858,080)	(27.7)%	"
THAC	TTI	With the same ultimate parent company	Sale	(296,183)	(98.0)%	Net 60 days from invoice date	According to markup pricing	-	117,219	99.0%	"
TTI	THAC	"	Purchase	296,183	12.0 %	"	-	-	(117,219)	(10.0)%	"

(Continued)

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated interim 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)	
Arcadyan	Arcadyan Germany	Arcadyan's subsidiaries	Sale	(1,225,558)	(17.0)%	Net 120 days from delivery	-	-	937,639	33.0%	(Note 2)
	Arcadyan USA	"	Sale	(419,318)	(6.0)%	Net 60 days from the end of the month of delivery	-	-	42,420	2.0%	"
Sinoprime	Arcadyan	The Company's subsidiaries	Sale	(1,319,717)	(100.0)%	Net 45 days from the end of the month of delivery	According to markup pricing	-	62,799	100.0%	(Note 1 & 2)
Arcadyan	CNC	Arcadyan's subsidiaries	Purchase	1,685,911	17.0 %	"	-	-	(869,975)	(60.0)	"
CNC	Sinoprime	With the same ultimate parent company	Sale	(1,319,717)	(22.0)%	"	-	-	59,365	4.0%	"
Arcadyan Germany	Arcadyan	The Company's subsidiaries	Purchase	1,225,558	100.0 %	Net 120 days from delivery	-	-	(937,639)	(100.0)%	(Note 2)
Arcadyan USA	Arcadyan	"	Purchase	419,318	100.0 %	Net 60 days from delivery	-	-	(42,420)	(100.0)%	"
Arcadyan	Sinoprime	Arcadyan's subsidiaries	Purchase	1,319,717	13.0 %	Net 45 days from the end of the month of delivery	-	-	(62,779)	(4.0)%	(Note 1 & 2)
Sinoprime	CNC	With the same ultimate parent company	Purchase	1,319,717	(100.0)%	"	-	-	(59,365)	(100.0)%	"
CNC	Arcadyan	The Company's subsidiaries	Sale	(1,685,911)	(28.0)%	"	According to markup pricing	-	869,975	55.0%	"

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	1,818,975	3.80	-	-	633,661 (Note 1)	-	
"	CIH and its subsidiaries	The Company's subsidiary	200,890	14.45	-	-	1,941 (Note 1)	-	
"	BCI and its subsidiaries	The Company's subsidiary	164,245	0.08	-	-	- (Note 1)	-	
"	Just and its subsidiaries	The Company's subsidiary	448,771	-	-	-	- (Note 1)	-	
"	UCGI	The Company's subsidiary	125,108	1.15	-	-	- (Note 1)	-	
Just and its subsidiaries	Forever	With the same ultimate parent company	2,858,080	8.69	-	-	1,479,811 (Note 1)	-	
"	Compal Electronic, Inc.	Parent company	368,424	0.04	-	-	- (Note 1)	-	

(Continued)

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	39,637,761	2.25	-	-	3,657,280 (Note 1)	-	
"	Forever	With the same ultimate parent company	4,214,600	4.48	-	-	1,236,938 (Note 1)	-	
"	CEB	With the same ultimate parent company	118,172	3.06	-	-	11,146 (Note 1)	-	
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	274,156	1.55	-	-	134,653 (Note 1)	-	
"	CIH and its subsidiaries	With the same ultimate parent company	4,736,695	2.08	-	-	293,834 (Note 1)	-	
"	CEB	With the same ultimate parent company	334,156	2.32	-	-	44,045 (Note 1)	-	
"	Just and its subsidiaries	With the same ultimate parent company	320,215	3.77	-	-	- (Note 1)	-	
Forever	Compal Electronic, Inc.	Parent company	10,276,089	3.44	-	-	2,719,518 (Note 1)	-	
CWCN	Webtek	With the same ultimate parent company	6,027,054	9.25	-	-	3,407,344 (Note 1)	-	
Webtek	Compal Electronic, Inc.	Parent company	6,616,806	8.24	-	-	3,407,344 (Note 1)	-	
Arcadyan	Arcadyan Germany	Arcadyan's subsidiaries	937,639	1.81	-	-	32,710 (Note 2)	-	
"	TTI	Arcadyan's subsidiaries	217,997	0.01	-	-	- (Note 2)	-	
THAC	TTI	With the same ultimate parent company	117,219	3.05	-	-	46,358 (Note 2)	-	
CNC	Arcadyan	The Company's subsidiary	869,975	1.94	-	-	336,278 (Note 2)	-	
CBN	Speedlink	With the same ultimate parent company	583,996	-	-	-	259,361 (Note 1)	-	
Speedlink	Just and its subsidiaries	With the same ultimate parent company	583,996	-	-	-	259,361 (Note 1)	-	

Note 1: Balance as of August 2, 2017.

Note 2: Balance as of July 19, 2017

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

(In Thousands of New Taiwan Dollars)

No.	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Terms	
0	The Company	CIH and its subsidiaries	1	Sales Revenue	1,309,181	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	0.33%
				Accounts Receivable	200,890	"	0.06%
0	The Company	CEP	1	Product warranty service expenses	125,892	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	0.03%
0	The Company	Auscom	1	Technical service expense	71,299	The price is based on the operating cost of Auscom. The credit period is net 120 days from invoice date, and will be adjusted if necessary.	0.02%
				Accrued expenses payable	140,626	"	0.04%

(Continued)

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

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Terms	
0	The Company	CBN	1	Sales Revenue	3,501,348	There is no significant difference of price to non-related parties. The credit period is net 90 days from delivery.	0.87%
				Accounts Receivable	1,818,975	"	0.56%
1	CIH and its subsidiaries	The Company	2	Sales Revenue	53,460,698	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.	13.32%
				Accounts Receivable	39,637,761	"	12.26%
1	CIH and its subsidiaries	Forever	3	Sales Revenue	12,418,831	The price is based on the operating cost. The credit period is net 60 days from invoice date, and will be adjusted if necessary.	3.10%
				Accounts Receivable	4,214,600	"	1.30%
1	CIH and its subsidiaries	CEB	3	Sales Revenue	117,918	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	0.03%
				Accounts Receivable	118,172	"	0.04%
2	Just and its subsidiaries	Forever	3	Sales Revenue	9,475,640	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.	2.36%
				Accounts Receivable	2,858,080	"	0.88%
3	BCI and its subsidiaries	The Company	2	Sales Revenue	170,300	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.	0.04%
				Accounts Receivable	274,156	"	0.08%
3	BCI and its subsidiaries	CIH and its subsidiaries	3	Sales Revenue	4,834,736	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.	1.21%
				Accounts Receivable	4,736,695	"	1.46%
3	BCI and its subsidiaries	CEB	3	Sales Revenue	341,070	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.	0.09%
				Accounts Receivable	334,156	"	0.10%
3	BCI and its subsidiaries	Just and its subsidiaries	3	Sales Revenue	301,731	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.	0.08%
				Accounts Receivable	320,215	"	0.10%
4	Arcadyan	Arcadyan Germany	3	Sales Revenue	1,225,558	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery.	0.31%
				Accounts Receivable	937,639	"	0.29%

(Continued)

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated interim 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	
4	Arcadyan	TTI	3	Other Accounts Receivable	217,997	There is no significant difference of price to non-related parties. The credit period is net 90 days from delivery.	0.07%
4	Arcadyan	Arcadyan USA	3	Sales Revenue	419,318	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.	0.10%
				Accounts Receivable	42,420	"	0.01%
5	Sinoprime	Arcadyan	3	Processing Revenue	1,319,717	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.	0.33%
				Accounts Receivable	62,799	"	0.02%
6	CNC	Sinoprime	3	Processing Revenue	1,319,717	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.	0.33%
				Accounts Receivable	59,365	"	0.02%
6	CNC	Arcadyan	3	Processing Revenue	1,685,911	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.	0.42%
				Accounts Receivable	869,975	"	0.27%
7	THAC	TTI	3	Processing Revenue	296,183	The price is based on the operating cost. The credit period is net 60 days from invoice date	0.07%
				Accounts Receivable	117,219	"	0.04%
8	Forever	The Company	2	Sales Revenue	22,106,204	The price is based on the operating cost. The credit period is net 60 days from delivery and will be adjusted if necessary.	5.51%
				Accounts Receivable	10,276,089	"	3.18%
9	Webtek	The Company	2	Sales Revenue	23,039,798	The price is based on the operating cost. The credit period is net 60 days from delivery and will be adjusted if necessary.	5.74%
				Accounts Receivable	6,616,806	"	2.05%
10	CWCN	Webtek	3	Sales Revenue	23,037,691	The price is based on the operating cost. The credit period is net 60 days from delivery and will be adjusted if necessary.	5.74%
				Accounts Receivable	6,027,054	"	1.86%
11	CBN	Speedlink	3	Other Accounts Receivable	583,996	The credit period is net 60 days	0.18%
12	Speedlink	Just and its subsidiaries	3	Other Accounts Receivable	583,996	The credit period is net 60 days	0.18%

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.

(Continued)

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

## (b) Information on investees:

The following is the information on investees for the six months ended June 30, 2017 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				June 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
The Company	Bizcom	Milpitas, USA	Warranty services and marketing of LCD TVs and notebook PCs	36,369	36,369	100	100 %	426,436	8,789	8,789	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 %	8,531,861	389,622	389,622	"
	CIH	British Virgin Islands	Sales and manufacturing of notebook PCs and investments	1,787,680	1,606,780	53,001	100 %	31,773,871	1,636,377	1,636,377	"
	Panpal	Taipei City	Investment	5,171,837	5,171,837	500,000	100 %	4,848,934 (Note 1)	(48,426)	(86,407)	"
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100 %	1,535,808 (Note 1)	43,386	21,341	"
	Kinpo Group management	Taipei City	Consultation, training services, etc.	3,000	3,000	300	38 %	4,577	764	287	
	Ripal	Tainan City	Manufacturing of electric appliance and audiovisual electric products	60,000	60,000	6,000	100 %	22,473	983	984	Note 2
	Avalue Technology, Inc.	New Taipei City	Manufacturing, processing, and import and export business of industrial motherboards	559,189	522,361	15,240	22 %	540,708	56,305	13,146	
	Unicore BioMedical Co., Ltd.	Taipei City	Animal medication retail and wholesale	100,000	-	10,000	100 %	96,294	(3,706)	(3,706)	Note 2
	CEH	British Virgin Islands	Investment	34	34	1	100 %	3,585,069	-	-	Note 2
	Allied Circuit	Taoyuan City	Production and sales of PCB boards	395,388	395,388	10,158	20 %	271,594	107,635	21,974	
	Maxima Ventures I, Inc. ("Maxima")	Taipei City	Investment	1,260	1,260	126	23 %	12,951	6,789	639	
	Lipo Holding Co., Ltd. ("Lipo")	Cayman Islands	Investment	489,450	489,450	98	49 %	344,912	6,474	2,004	
	CPE	Netherlands	Investment	197,463	197,463	6,427	100 %	683,495	3,232	3,232	Note 2
	ATK	Hsinchu City	Design, research & development, and selling of DVD, Combo, CD RW Drives	202,908	202,908	899	28 %	10,318	39	11	"
	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 %	49,224	(3,476)	(1,155)	
	Hong Ji	Taipei City	Investment	1,000,000	1,000,000	100,000	100 %	1,035,637	16,068	16,068	Note 2
	Hong Jin	Taipei City	Investment	295,000	295,000	29,500	100 %	314,816	6,733	6,733	"
	Auscom	Austin, TX USA	R&D of notebook PC related products and components	101,747	101,747	3,000	100 %	114,195	3,036	3,036	"
	Arcadyan	Hsinchu City	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	1,325,132	1,325,132	41,305	22 %	1,906,890	277,320	60,568	"
FGH	British Virgin Islands	Investment	2,754,741	2,754,741	89,755	100 %	4,099,907	147,396	147,396	"	
HSI	British Virgin Islands	Investment	1,346,814	1,346,814	42,700	100 %	782,135	(22,592)	(22,592)	"	

(Continued)

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note	
				June 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value				
	CEP	Poland	Maintenance and warranty services of notebook PCs	90,156	90,156	136	100 %	25,924	28,473	24,429	Note 2	
	Zhaopal	Taipei City	Investment	2,001,000	2,001,000	200,100	100 %	648,756	706	706	"	
	Yongpal	Taipei City	Investment	1,751,000	1,751,000	175,100	100 %	567,676	(431)	(431)	"	
	Kaipal	Taipei City	Investment	751,000	751,000	75,100	100 %	243,604	270	270	"	
	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 %	23,146	(10,281)	(2,938)	"	
	HengHao	Taipei City	Manufacturing of PCs, computer periphery devices, and electronic components	5,304,554	5,304,554	205,795	97 %	886,779	(380,776)	(385,090)	Note 2	
	Mactech	Taichung City	Manufacturing of equipment and lighting, retailing of equipment and international trading	219,601	219,601	21,756	53 %	220,654	74,982	33,956	"	
	BCI	British Virgin Islands	Investment	2,636,051	2,636,051	90,820	100 %	5,291,887	42,678	42,678	"	
	CBN	Hsinchu County	R&D and sales of communication and electronic components	284,827	284,827	26,418	48 %	688,745	77,815	38,304	"	
	Rayonnant	Taipei City	Manufacturing and sales of PCs, computer periphery devices, and electronic components	295,000	295,000	29,500	100 %	118,114	2	(8,049)	"	
	CRH	British Virgin Islands	Investment	377,328	377,328	12,500	100 %	212,447	(9,401)	(9,401)	"	
	Ascendant Private Equity Investment Ltd. ("APE")	British Virgin Islands	Investment	943,922	943,922	31,253	35 %	1,021,883	(39,149)	(14,595)	"	
	CORE	British Virgin Islands	Investment	4,318,860	4,318,860	147,000	100 %	4,879,213	23,892	23,892	Note 2	
	Etrade	British Virgin Islands	Investment	1,532,029	1,532,029	46,900	90 %	(565,660)	(236,027)	(214,350)	"	
	Webtek	British Virgin Islands	Selling of mobile phones	3,340	3,340	100	100 %	1,291,781	(21,677)	(21,677)	"	
	Forever	British Virgin Islands	Selling of mobile phones	1,575	1,575	50	100 %	1,473,818	4,203	4,203	"	
	UCGI	Taipei City	Manufacturing and retail sale of computers and electronic components	100,000	100,000	10,000	100 %	(204,170)	(73,576)	(81,493)	"	
	Palcom	Taipei City	Selling of mobile phones	100,000	100,000	10,000	100 %	115,242	8,007	8,007	"	
	GLB	New Taipei City	Manufacturing and wholesale of medical equipment	246,860	246,860	15,000	50 %	229,424	(14,714)	(7,318)	"	
								<b>78,161,368</b>		<b>1,649,450</b>		
	Webtek	Etrade	British Virgin Islands	Investment	152,100 (US\$5,000)	152,100 (US\$5,000)	5,000	10 %	(57,945) (US\$(1,905))	(236,027) (US\$(7,103))	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 %	363,377	277,320	Investment gain(losses) recognized by Panpal	"
	Allied Circuit Others	Taoyuan City	Production and selling of PCB boards	148,263	148,263	2,927	6 %	78,262	107,635	"	"	
				-	-	-	-	635,267	-	-	"	

(Continued)



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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				June 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
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 %	441,525	277,320	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 %	86,088	107,635	"	
Just	CDH (HK)	Hong Kong	Investment	1,895,090 (US\$62,298)	1,895,090 (US\$62,298)	62,298	100 %	1,908 (US\$203,463)	- 385,341 (US\$12,556)	- Investment gain(losses) recognized by Just	Note 2
	CII	British Virgin Islands	Investment	281,233 (US\$9,245)	281,233 (US\$9,245)	9,245	100 %	260,403 (US\$8,560)	(5,272) (US\$(172))	"	"
CII	CPI	British Virgin Islands	Sales of monitors, LCD TVs and related components.	15,210 (US\$500)	15,210 (US\$500)	500	100 %	888,643 (US\$29,212)	- (US\$-)	"	"
	AEI	U.S.A	Sales and maintenance of LCD TVs	30,420 (US\$1,000)	30,420 (US\$1,000)	1,000	100 %	55,100 (US\$1,811)	(8,446) (US\$(275))	Investment gain (losses) recognized by CII	"
MEL and MTL	MEL	U.S.A	Investment	250,478 (US\$8,234)	250,478 (US\$8,234)	-	100 %	280,708 (US\$9,228)	9,734 (US\$317)	"	"
	MTL	U.S.A	Investment	30 (US\$1)	30 (US\$1)	-	100 %	31 (US\$1)	- (US\$-)	"	"
MEL and MTL	Smart	British Virgin Islands	Sales of electronic products and related components	30 (US\$1)	30 (US\$1)	1	100 %	412 (US\$14)	(5) (US\$(-))	"	"
	CMX	Mexico	Manufacturing, sales and maintenance of LCD TVs	244,881 (US\$8,050)	244,881 (US\$8,050)	32,903	100 %	280,708 (US\$9,228)	9,734 (US\$317)	Investment gain(losses) recognized by MEL and MTL	"
CIH	CIH (HK)	Hong Kong	Investment	2,275,492 (US\$74,803)	2,275,492 (US\$74,803)	74,803	100 %	29,867,250 (US\$981,829)	1,630,250 (US\$53,120)	Investment gain(losses) recognized by CIH	"
	Jenpal	British Virgin Islands	Investment	223,587 (US\$7,350)	223,587 (US\$7,350)	7,350	100 %	100,621 (US\$3,308)	785 (US\$26)	"	"
Hong Ji	CCM	British Virgin Islands	Investment	155,142 (US\$5,100)	155,142 (US\$5,100)	5,100	51 %	57,985 (US\$1,906)	(2,048) (US\$(67))	"	"
	PFG	British Virgin Islands	Sales of notebook PCs and related components	30 (US\$1)	30 (US\$1)	1	100 %	417,749 (US\$13,733)	1 (US\$-)	"	"
Hong Jin	FWT	British Virgin Islands	Investment	453,258 (US\$14,900)	270,738 (US\$8,900)	14,900	100 %	453,257 (US\$14,900)	1 (US\$6)	"	"
	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 %	441,525	277,320	Investment gain(losses) recognized by Hong Ji	"
Hong Jin	Allied Circuit	Taoyuan City	Production and selling of PCB boards	12,274	12,274	1,041	2 %	21,873	107,635	"	
	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 %	223,643	277,320	Investment gain(losses) recognized by Hong Jin	Note 2

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				June 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
Arcadyan	Arcadyan Holding	British Virgin Islands	Investment	962,291	962,291	23,780	100 %	789,407	(22,083)	Investment gain(losses) recognized by Arcadyan	Note 2
	Arcadyan USA	U.S.A	Sales of wireless network products	23,055	23,055	1	100 %	60,317	5,590	"	"
	Arcadyan Germany	Germany	Technology support of wireless network products	1,125	1,125	0.5	100 %	47,246	4,146	"	"
	Arcadyan Korea	Korea	Sales of wireless network products	2,879	2,879	20	100 %	3,122	953	"	"
	Zhi pal	Taipei City	Investment	48,000	48,000	34,980	100 %	420,782	22,720	"	"
	TTI	Taipei City	R&D and sales of household digital products	302,782	296,429	24,769	60 %	511,302	9,751	"	"
	AcBel Telecom	Taipei City	Investment	23,000	23,000	4,379	51 %	42,384	2,540	"	"
	Golden Smart Home Technology Corp.	Taipei City	Selling of hardware and software integration of high tech systems	15,692	15,692	1,229	22 %	2,977	(12,718)	"	"
	Arcadyan Brasil	Brazil	Sales of wireless network products	81,265	81,265	965	99 %	50,207	(11,495)	"	Note 2
	Arcadyan UK	UK	Technical support of wireless network products	1,980	1,980	50	100 %	2,254	208	"	"
	CBN	Hsinchu county	R&D and sales of communication and electronic components	214,875	214,875	9,608	16 %	228,066	77,815	"	"
	Arcadyan Australia	Australia	Sales of wireless network products	1,161	-	50	100 %	1,173	8	"	"
Arcadyan Holding	Sinoprime	British Virgin Islands	Sales of wireless network products	1,519 (US\$50)	1,519 (US\$50)	50	100 %	1,458 (US\$48)	9 (US\$-)	Investment gain(losses) recognized by Arcadyan Holding	"
	Arch Holding	British Virgin Islands	Investment	334,404 (US\$11,011)	334,404 (US\$11,011)	35	100 %	676,006 (US\$22,259)	(22,914) (US\$747)	"	"
TTI	Quest	Samoa	Investment	36,444 (US\$1,200)	36,444 (US\$1,200)	1,200	100 %	50,567	3,518	Investment gain(losses) recognized by TTI	"
Quest	Exquisite	Samoa	Investment	35,533 (US\$1,170)	35,533 (US\$1,170)	1,170	100 %	49,746 (US\$1,638)	3,518 (US\$115)	Investment gain(losses) recognized by Quest	"
AcBel Telecom	Leading Images	British Virgin Islands	Investment	1,519 (US\$50)	1,519 (US\$50)	50	100 %	79,089	2,643	Investment gain(losses) recognized by AcBel Telecom	"
	Great Arch	British Virgin Islands	Sales of wireless network products	1,519 (US\$50)	1,519 (US\$50)	50	100 %	1,509	(125)	"	"
Leading Images	Astoria GmbH	Germany	Sales of wireless network products	868 (EUR25)	868 (EUR25)	25	100 %	78,749 (US\$2,593)	2,638 (US\$86)	Investment gain(losses) recognized by Leading Images	Note 2
Zhi pal	CBN	Hsinchu county	R&D and sales of communication and electronic components	48,000	48,000	17,215	29 %	408,615	77,815	Investment gain(losses) recognized by Zhi pal	"
	Arcadyan Brasil	Brazil	Sales of wireless network products	328	328	4	1 %	328	(11,495)	"	"
HSI	IUE	British Virgin Islands	Investment	912,600 (US\$30,000)	912,600 (US\$30,000)	30,000	100 %	514,882 (US\$16,926)	(22,706) (US\$740)	Investment gain(losses) recognized by HSI	"
	Goal	British Virgin Islands	Investment	386,334 (US\$12,700)	386,334 (US\$12,700)	12,700	100 %	295,214 (US\$9,705)	113 (US\$4)	"	"

(Continued)

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				June 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
IUE	CVC	Vietnam	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	912,600 (US\$30,000)	912,600 (US\$30,000)	30,000	100 %	539,332 (US\$17,730)	(22,706) (US\$740)	Investment gain(losses) recognized by IUE	Note 2
Goal	CDM	Vietnam	Construction of and investment in infrastructure in Ba Thien industrial district of Vietnam	386,334 (US\$12,700)	386,334 (US\$12,700)	12,700	100 %	353,230 (US\$11,612)	113 (US\$4)	Investment gain(losses) recognized by Goal	"
Rayonnant	APH	British Virgin Islands	Investment	312,318	312,318	8,651	41 %	141,064	808	Investment gain(losses) recognized by Rayonnant	"
CRH	Forming Co., Ltd.	Taoyuan City	R&D and manufacturing of electronic materials	27,300	27,300	1,820	21 %	-	-	"	"
	APH	British Virgin Islands	Investment	380,250 (US\$12,500)	380,250 (US\$12,500)	12,500	59 %	212,447 (US\$6,984)	808 (US\$26)	Investment gain(losses) recognized by CRH	Note 2
HengHao	HHA	British Virgin Islands	Investment	1,429,235	1,429,235	46,882	100 %	640,928	60,008	Investment gain(losses) recognized by HengHao	"
HHH	HHB	British Virgin Islands	Investment	1,426,151 (US\$46,882)	1,426,151 (US\$46,882)	46,882	100 %	658,328 (US\$21,641)	60,037 (US\$1,956)	Investment gain(losses) recognized by HHA	"
HHB	HengHao Trading Co., Ltd.	British Virgin Islands	Marketing and international trade	304 (US\$10)	304 (US\$10)	10	100 %	336 (US\$11)	17 (US\$1)	Investment gain(losses) recognized by HHB	"
CBN	Speedlink	British Virgin Islands	Import and export business	1,514	1,514	50	100 %	1,656	80	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 %	6,889	(51)	"	"
FGH	Wah Yuen Technology Holding Ltd. and its subsidiaries	Mauritius	Investment	2,730,362 (US\$89,755)	2,730,362 (US\$89,755)	95,862	37 %	4,169,949 (US\$137,079)	402,244 (US\$13,107)	Investment gain(losses) recognized by FGH	"
CORE	BSH	British Virgin Islands	Investment	4,471,740 (US\$147,000)	4,471,740 (US\$147,000)	147,000	100 %	4,879,213 (US\$160,395)	23,892 (US\$779)	Investment gain(losses) recognized by CORE	Note 2
BSH	LCFC	Hong Kong	Investment and trading	4,367,399 (US\$143,570)	4,367,399 (US\$143,570)	147,000	49 %	4,879,213 (US\$160,395)	48,760 (US\$1,603)	Investment gain(losses) recognized by BSH	"
APH	PEI	British Virgin Islands	Investment	95,853 (US\$3,151)	95,853 (US\$3,151)	3,151	100 %	72,049 (US\$2,368)	19,045 (US\$621)	Investment gain(losses) recognized by APH	Note 2
BCI	Rayonnant (HK)	Hong Kong	Investment	547,560 (US\$18,000)	547,560 (US\$18,000)	18,000	100 %	273,386 (US\$8,987)	(18,105) (US\$590)	"	"
	CMI	British Virgin Islands	Investment	2,458,544 (US\$80,820)	2,458,544 (US\$80,820)	80,820	100 %	3,425,568 (US\$112,609)	3,026 (US\$99)	Investment gain(losses) recognized by BCI	"
	PRI	British Virgin Islands	Investment	304,200 (US\$10,000)	304,200 (US\$10,000)	10,000	100 %	1,866,319 (US\$61,352)	39,653 (US\$1,292)	"	"
GLB	Rapha	New Taipei City	Detectors and test strip	15,000	15,000	1,275	100 %	12,393	(1,473)	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.

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated interim 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 June 30, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CPC	Manufacturing and sales of monitors	1,125,540 (US\$37,000)	(Note 1 )	1,125,540 (US\$37,000)	-	-	1,125,540 (US\$37,000)	110,966 (US\$3,616)	100%	110,966 (US\$3,616)	2,677,999 (US\$88,034)	-
CDT	Manufacturing and sales of notebook PCs, mobile phones, and Digital products	608,400 (US\$20,000)	(Note 2 )	608,400 (US\$20,000)	-	-	608,400 (US\$20,000)	50,170 (US\$1,635)	100%	50,170 (US\$1,635)	303,692 (US\$9,983)	-
CET	Manufacturing of notebook PCs	365,040 (US\$12,000)	(Note 2 )	365,040 (US\$12,000)	-	-	365,040 (US\$12,000)	92,462 (US\$3,013)	100%	81,522 (US\$2,656)	4,330,916 (US\$142,371)	-
BT	Manufacturing of notebook PCs	30,420 (US\$1,000)	(Note 2 )	30,420 (US\$1,000)	-	-	30,420 (US\$1,000)	(52,681) (US\$1,717))	100%	(52,681) (US\$1,717))	(84,342) (US\$2,773))	-
CGS	Maintenance and warranty service of notebook PCs	8,970 (RMB2,000)	(Note 2 )	(Note 3)	-	-	-	13,257 (US\$432)	100%	13,257 (US\$432)	(18,234) (US\$599))	-
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	973,440 (US\$32,000)	(Note 1 )	405,499 (US\$13,330)	-	-	405,499 (US\$13,330)	18,467 (US\$602)	43%	7,974 (US\$260)	306,877 (US\$10,088)	-
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	319,653 (US\$10,508)	(Note 1 )	44,717 (US\$1,470)	-	-	44,717 (US\$1,470)	(34,652) (US\$1,129))	48%	(16,584) (US\$540))	129,711 (US\$4,264)	-
CSD	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service	269,112 (RMB60,000)	(Note 2 )	(Note 3)	-	-	-	41,054 (RMB9,202)	100%	41,054 (RMB9,202)	310,384 (RMB69,202)	-

(Continued)

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated interim 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 June 30, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
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	70,759 (RMB60,000)	(Note 2)	(Note 3)	-	-	-	(11,350) (RMB(2,544))	51%	(5,789) (RMB(1,297))	(18,875) (RMB(4,208))	-
CIC	Manufacturing of notebook PCs	365,040 (US\$12,000)	(Note 2)	365,040 (US\$12,000)	-	-	365,040 (US\$12,000)	434,837 (US\$14,169)	100%	396,735 (US\$12,927)	6,596,876 (US\$216,860)	-
CPO	Manufacturing and sales of LCD TVs	368,082 (US\$12,100)	(Note 1)	368,082 (US\$12,100)	-	-	368,082 (US\$12,100)	(3,772) (US\$(123))	100%	(3,772) (US\$(123))	2,739,567 (US\$90,058)	-
CIT	Manufacturing of notebook PCs	730,080 (US\$24,000)	(Note 2)	730,080 (US\$24,000)	-	-	730,080 (US\$24,000)	1,138,181 (US\$37,086)	100%	1,065,787 (US\$34,727)	18,486,725 (US\$607,716)	-
LCFC (HeFei) Electronics Technology Co., Ltd.	Manufacturing and selling of personal computers and related components, and providing related maintenance and after sales service	8,061,300 (US\$265,000)	(Note 1)	3,950,037 (US\$129,850)	-	-	3,950,037 (US\$129,850)	320,387 (US\$10,439)	49%	156,990 (US\$5,115)	4,372,779 (US\$143,747)	-
CST	International trade and distribution of computers and electronic components	42,588 (US\$1,400)	(Note 2)	42,588 (US\$1,400)	-	-	42,588 (US\$1,400)	2,916 (US\$ 95)	100%	2,916 (US\$ 95)	50,402 (US\$1,657)	-
CIN	Software and hardware R&D of computers, mobile phones and electronic components	60,840 (US\$2,000)	(Note 2)	60,840 (US\$2,000)	-	-	60,840 (US\$2,000)	6 (US\$ -)	100%	6 (US\$ -)	871 (US\$ 29)	-
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	304,200 (US\$10,000)	(Note 2)	155,142 (US\$5,100)	-	-	155,142 (US\$5,100)	756 (US\$25)	51%	386 (US\$13)	59,093 (US\$1,943)	-
CIJ	Investment and consulting services	474,552 (US\$15,600)	(Note 2)	474,552 (US\$15,600)	-	-	474,552 (US\$15,600)	363,942 (US\$11,859)	100%	363,942 (US\$11,859)	953,895 (US\$31,358)	-
CDE	Manufacturing and sales of LCD TVs	456,300 (US\$15,000)	(Note 2)	(Note 3)	-	-	-	419,274 (US\$13,662)	100%	419,274 (US\$13,662)	756,684 (US\$24,875)	-
CIS	Outward investment and consulting services	2,458,544 (US\$80,820)	(Note 1)	2,458,544 (US\$80,820)	-	-	2,458,544 (US\$80,820)	3,026 (US\$99)	100%	3,026 (US\$99)	3,425,568 (US\$112,609)	-
CEC	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	2,433,600 (US\$80,000)	(Note 2)	(Note 3)	-	-	- (US\$-)	(59,823) (US\$(1,949))	100%	(59,823) (US\$(1,949))	3,395,214 (US\$111,611)	-

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated interim 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 June 30, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CMC	Corporate management consulting, financial and tax consulting, investment consulting, and investment management consulting services	24,336 (US\$800)	(Note 2)	(Note 3)	-	-	-	(571) (US\$19)	100%	(571) (US\$19)	24,012 (US\$789)	-
CEQ	R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services	304,200 (US\$10,000)	(Note 1)	304,200 (US\$10,000)	-	-	304,200 (US\$10,000)	39,653 (US\$1,292)	100%	39,653 (US\$1,292)	1,866,319 (US\$61,352)	-
Compal Precision Module (Jiangsu) Co., Ltd.	Manufacturing and selling of magnesium alloy injection molding	12,472,200 (US\$410,000)	(Note 2)	2,513,513 (US\$82,627)	-	-	2,513,513 (US\$82,627)	255,889 (US\$8,338)	37%	93,706 (US\$3,053)	5,282,975 (US\$173,668)	-
Changbao Electronic Technology (Chongqing) Co., Ltd.	Production and marketing of magnesium alloy injection molding	1,825,200 (US\$60,000)	(Note 2)	348,492 (US\$11,456)	-	-	348,492 (US\$11,456)	104,273 (US\$3,398)	37%	38,185 (US\$1,244)	877,867 (US\$28,858)	-
Rayonnant (Taicang)	Manufacturing and sales of aluminum alloy and magnesium alloy products	547,560 (US\$18,000)	(Note 2)	380,250 (US\$12,500)	-	-	380,250 (US\$12,500)	(18,105) (US\$590)	100%	(18,105) (US\$590)	273,978 (US\$9,007)	-
CCI Nanjing	Manufacturing and processing of mobile phones and tablet PCs	669,240 (US\$22,000)	(Note 1)	669,240 (US\$22,000)	-	-	669,240 (US\$22,000)	(58,975) (US\$1,922)	100%	(58,975) (US\$1,922)	(1,013,652) (US\$33,322)	-
CDCN	Manufacturing and processing of mobile phones and tablet PCs	176,436 (US\$5,800)	(Note 1)	176,436 (US\$5,800)	-	-	176,436 (US\$5,800)	(690) (US\$22)	100%	(690) (US\$22)	79,652 (US\$2,618)	-
CWCN	Manufacturing and processing of mobile phones and tablet PCs	882,180 (US\$29,000)	(Note 1)	577,980 (US\$19,000)	-	-	577,980 (US\$19,000)	(158,433) (US\$5,162)	100%	(158,433) (US\$5,162)	301,660 (US\$9,916)	-
Hanhelt	R&D and manufacturing of electronic communication equipment	60,840 (US\$2,000)	(Note 1)	60,840 (US\$2,000)	-	-	60,840 (US\$2,000)	4,066 (US\$132)	100%	4,066 (US\$132)	3,192 (US\$105)	-
Arcadyan												
SVA Arcadyan	R&D and sales of wireless network products	397,847 (US\$13,100)	(Note 1)	559,415 (US\$18,420) (Note 7)	-	-	559,415 (US\$18,420)	1,871 (US\$61)	100%	1,871 (US\$61)	114,100 (US\$3,757)	-
CNC	Manufacturing and wireless network products	378,107 (US\$12,450)	(Note 1)	334,404 (US\$11,011) (Note 8)	-	-	334,404 (US\$11,011)	(22,914) (US\$747)	100%	(22,914) (US\$747)	676,006 (US\$22,259)	-
THAC	Manufacturing of household electronics products	101,740 (US\$3,350)	(Note 1 - 10)	34,925 (US\$1,150)	-	-	34,925 (US\$1,150)	3,518 (US\$115)	100%	3,518 (US\$115)	49,230 (US\$1,621)	-
HengHao												

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**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Notes to the Consolidated interim 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 June 30, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
HengHao Optoelectronic Technology (Kunshan) Co., Ltd. (Heng Hao Kunshan)	Production of touch panels and related components	1,216,800 (US\$40,000)	(Note 1)	1,210,807 (US\$39,803)	-	-	1,210,807 (US\$39,803)	60,276 (US\$1,964)	100%	60,276 (US\$1,964)	507,680 (US\$16,689)	-
Lucom Display Technology (Kunshan) Limited ("Lucom")	Manufacturing of touch panels and related modules	456,300 (US\$15,000)	(Note 2)	197,700 (US\$6,499) (Note 12)	-	-	197,700 (US\$6,499)	(256) (US\$8)	100%	(256) (US\$8)	133,215 (US\$4,379)	-

(ii) Limitation on investment in Mainland China:

	Accumulated Investment in Mainland China as of June 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	16,564,816 (US\$544,537) (Note 5)	22,656,999 (US\$744,806)	Note 6
Arcadyan	928,745 (US\$30,581)	928,745 (US\$30,581)	4,885,765
HengHao	1,425,847 (US\$46,872)	1,517,107 (US\$49,872)	798,410

Note 1: Indirectly investment in Mainland China through companies registered in the third region.

Note 2: Indirectly investment in Mainland China through an existing company registered in the third region.

Note 3: Investees owned by Kunshan Botai Electronics Co., Ltd. ("BT"), Compal Investment (Jiansu) Co., Ltd. ("CIJ"), Compal Electronic (Sichuan) Co., Ltd. ("CIS"), and Compal Electronics (China) Co., Ltd. ("CPC") through their own funds.

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

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

Note 6: As the Company has obtained the certificate of being qualified for operating headquarters, issued by Industrial Development Bureau, MOEA, the upper limit on investment in mainland China is not applicable.

Note 7: Arcadyan paid US\$18,420 thousands and acquired 100% shares of SVA Arcadyan from Accton Asia through Arcadyan Holding in 2010.

Note 8: Arcadyan paid US\$8,561 thousands and acquired 100% shares of CNC from Just through Arcadyan Holding in 2007.

Note 9: SVA Arcadyan decreased its capital amounting to US\$15,000 to offset accumulated losses in March 2009.

Note 10: Arcadyan's subsidiary TTI obtained the control over THAC with US\$1,150 thousands on February 28, 2013 (the date of stock transferring).

Note 11: The amounts in New Taiwan Dollars were translated at the exchange rates at the balance sheet date or the average exchange rate.

Note 12: The Company had an accumulated investment amounting to US\$7,350 thousands in the previous years. In the first half of 2014, HengHao paid the Company and LG US\$3,184 thousands and US\$3,315 thousands, respectively, for organization restructure, to obtain 100% ownership of Lucom.

(iii) Significant transactions:

For the six months ended June 30, 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".

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

**(14) Segment information:**

	<b>Three months ended June 30, 2017</b>		
	<b>IT Product Segment</b>	<b>Strategically Integrated Product Segment</b>	<b>Total</b>
<b>Revenue</b>			
Revenue from external customers	\$ 208,895,834	4,884,192	213,780,026
Revenue from segments	-	-	-
Total revenue	<u>\$ 208,895,834</u>	<u>4,884,192</u>	<u>213,780,026</u>
<b>Reportable segment profit</b>	<u>\$ 841,465</u>	<u>252,934</u>	<u>1,094,399</u>
	<b>Three months ended June 30, 2016</b>		
	<b>IT Product Segment</b>	<b>Strategically Integrated Product Segment</b>	<b>Total</b>
<b>Revenue</b>			
Revenue from external customers	\$ 166,088,694	6,846,053	172,934,747
Revenue from segments	-	-	-
Total revenue	<u>\$ 166,088,694</u>	<u>6,846,053</u>	<u>172,934,747</u>
<b>Reportable segment profit</b>	<u>\$ 2,297,602</u>	<u>625,670</u>	<u>2,923,272</u>
	<b>Six months ended June 30, 2017</b>		
	<b>IT Product Segment</b>	<b>Strategically Integrated Product Segment</b>	<b>Total</b>
<b>Revenue</b>			
Revenue from external customers	\$ 391,569,763	9,638,184	401,207,947
Revenue from segments	-	-	-
Total revenue	<u>\$ 391,569,763</u>	<u>9,638,184</u>	<u>401,207,947</u>
<b>Reportable segment profit</b>	<u>\$ 2,256,978</u>	<u>292,506</u>	<u>2,549,484</u>
	<b>Six months ended June 30, 2016</b>		
	<b>IT Product Segment</b>	<b>Strategically Integrated Product Segment</b>	<b>Total</b>
<b>Revenue</b>			
Revenue from external customers	\$ 337,008,083	12,576,472	349,584,555
Revenue from segments	-	-	-
Total revenue	<u>\$ 337,008,083</u>	<u>12,576,472</u>	<u>349,584,555</u>
<b>Reportable segment profit</b>	<u>\$ 4,284,460</u>	<u>937,593</u>	<u>5,222,053</u>