

**(English Translation of Financial Report
Originally Issued in Chinese)
COMPAL ELECTRONICS, INC.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015
(With Independent Auditor's 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 subsidiaries as of March 31, 2016, and 2015, the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the three months ended March 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

Except as described in the following paragraph, we conducted our review in accordance with the guidelines of the 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.

Also included in the accompanying consolidated financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent auditors. These consolidated subsidiaries reflect the total assets amounted to NT\$27,585,442,000 and NT\$23,827,702,000, constituting 9.3% and 7.0% of the total consolidated assets as of March 31, 2016 and 2015, respectively. The total liabilities of these subsidiaries amounted to NT\$5,418,374,000 and NT\$3,108,729,000, constituting 2.9% and 1.4% of the total consolidated liabilities as of March 31, 2016 and 2015, respectively. The comprehensive income (loss) of these subsidiaries amounted to NT\$(96,439,000) and NT\$(520,564,000), constituting (10.4)% and (29.4)% of the total consolidated comprehensive income (loss) for the three months ended March 31, 2016 and 2015, respectively.

Based on our review, we are not aware of any modifications that should be made, in any material respects, except for the effects of the adjustments, if any, that might have emerged had the financial statements of the said consolidated subsidiaries been reviewed by independent auditors, to the accompanying consolidated financial statements described in the first paragraph for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, “Interim Financial Reporting” which are endorsed by the Financial Supervisory Commission.

Taipei, Taiwan, R.O.C.
May 11, 2016

Note to Readers

The accompanying financial statements are intended only to present the consolidated financial position, results of operations, and cash flows in accordance with the International Financial Reporting Standards, International Accounting Standards and interpretations endorsed by the Financial Supervisory Commissions 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.

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

(English Translation of Financial Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (the amounts as of March 31, 2016 and 2015 are unaudited)

March 31, 2016, and December 31 and March 31, 2015
(expressed in thousands of New Taiwan dollars)

Assets	March 31, 2016		December 31, 2015		March 31, 2015		Liabilities and equity	March 31, 2016		December 31, 2015		March 31, 2015	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets:							Current liabilities:						
Cash and cash equivalents	\$ 68,864,803	23.1	62,751,542	19.1	68,027,655	20.1	Short-term borrowings	\$ 24,166,227	8.1	29,481,176	9.0	40,898,897	12.1
Current financial assets at fair value through profit or loss	132,860	-	25,412	-	250,903	0.1	Current financial liabilities at fair value through profit or loss	129,734	-	29,215	-	85,459	-
Current available-for-sale financial assets	37,172	-	29,738	-	52,177	-	Current derivative financial liabilities used for hedging	5,454	-	-	-	-	-
Current derivative financial assets used for hedging	4,213	-	21,360	-	-	-	Notes and accounts payable	105,863,515	35.5	127,152,784	38.8	134,687,330	39.8
Current bond investment without active market	350,000	0.1	350,000	0.1	350,000	0.1	Notes and accounts payable to related parties	1,507,421	0.5	1,473,760	0.4	995,700	0.3
Notes and accounts receivable, net	132,120,524	44.4	164,799,743	50.3	146,386,438	43.3	Other payables	16,272,785	5.5	18,141,188	5.5	16,313,515	4.8
Notes and accounts receivable due from related parties, net	64,491	-	62,245	-	242,352	0.1	Current tax liabilities	4,622,610	1.6	4,196,978	1.3	2,670,347	0.8
Other receivables	640,875	0.2	824,160	0.3	1,121,175	0.3	Current provisions	2,145,937	0.7	2,388,710	0.7	1,998,465	0.6
Inventories	43,783,915	14.7	46,520,021	14.2	67,000,826	19.8	Other current liabilities	4,368,392	1.5	3,929,073	1.2	4,880,779	1.4
Other current assets	2,361,553	0.8	2,399,255	0.7	2,147,676	0.6	Unearned revenue	2,084,865	0.7	1,747,574	0.5	2,412,878	0.7
	<u>248,360,406</u>	<u>83.3</u>	<u>277,783,476</u>	<u>84.7</u>	<u>285,579,202</u>	<u>84.4</u>	Long-term borrowings, current portion	10,084,838	3.4	14,216,617	4.3	3,433,042	1.0
Non-current assets:								<u>171,251,778</u>	<u>57.5</u>	<u>202,757,075</u>	<u>61.7</u>	<u>208,376,412</u>	<u>61.5</u>
Investments accounted for using equity method	11,694,316	3.9	11,788,042	3.6	11,323,358	3.3	Non-current liabilities:						
Non-current available-for-sale financial assets	9,512,024	3.2	9,063,101	2.8	11,927,420	3.5	Long-term borrowings	15,004,219	5.0	14,356,563	4.4	19,628,302	5.9
Non-current financial assets carried at cost	103,680	-	103,867	-	113,320	-	Deferred tax liabilities	478,792	0.2	481,497	0.2	1,179,283	0.3
Non-current bond investment without active market	1,050,000	0.4	1,050,000	0.3	1,400,000	0.4	Net defined benefit liabilities	542,241	0.2	545,460	0.2	459,577	0.1
Property, plant and equipment	23,449,956	7.9	24,308,631	7.4	24,286,366	7.2	Other non-current liabilities	189,407	0.1	186,864	0.1	120,183	-
Intangible assets	1,316,847	0.4	1,194,193	0.4	1,184,613	0.3		<u>16,214,659</u>	<u>5.5</u>	<u>15,570,384</u>	<u>4.9</u>	<u>21,387,345</u>	<u>6.3</u>
Deferred tax assets	1,366,020	0.5	1,377,465	0.4	1,562,205	0.5	Total liabilities	<u>187,466,437</u>	<u>63.0</u>	<u>218,327,459</u>	<u>66.6</u>	<u>229,763,757</u>	<u>67.8</u>
Long-term prepaid rents	731,528	0.2	747,066	0.2	723,259	0.2	Equity attributable to owners of parent:						
Other non-current assets	505,182	0.2	509,734	0.2	519,155	0.2	Ordinary shares	44,704,866	15.0	44,711,266	13.6	44,725,966	13.2
	<u>49,729,553</u>	<u>16.7</u>	<u>50,142,099</u>	<u>15.3</u>	<u>53,039,696</u>	<u>15.6</u>	Capital surplus	12,830,309	4.3	12,838,638	3.9	14,984,493	4.4
Total assets	\$ <u>298,089,959</u>	<u>100.0</u>	<u>327,925,575</u>	<u>100.0</u>	<u>338,618,898</u>	<u>100.0</u>	Retained earnings	53,479,391	17.9	51,877,511	15.8	49,724,086	14.7
							Other equity interest	(4,610,550)	(1.6)	(3,926,881)	(1.2)	(4,448,074)	(1.3)
							Treasury shares	(1,724,739)	(0.6)	(1,724,739)	(0.5)	(1,724,739)	(0.5)
								<u>104,679,277</u>	<u>35.0</u>	<u>103,775,795</u>	<u>31.6</u>	<u>103,261,732</u>	<u>30.5</u>
							Non-controlling interests	<u>5,944,245</u>	<u>2.0</u>	<u>5,822,321</u>	<u>1.8</u>	<u>5,593,409</u>	<u>1.7</u>
							Total equity	<u>110,623,522</u>	<u>37.0</u>	<u>109,598,116</u>	<u>33.4</u>	<u>108,855,141</u>	<u>32.2</u>
							Total liabilities and equity	\$ <u>298,089,959</u>	<u>100.0</u>	<u>327,925,575</u>	<u>100.0</u>	<u>338,618,898</u>	<u>100.0</u>

See accompanying notes to the consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Unaudited)

For the three months ended March 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	Amount	%	Amount	%
Net sales revenue	\$ 176,649,808	100.0	198,112,443	100.0
Cost of sales	<u>169,167,762</u>	<u>95.8</u>	<u>189,552,995</u>	<u>95.7</u>
Gross profit	<u>7,482,046</u>	<u>4.2</u>	<u>8,559,448</u>	<u>4.3</u>
Operating expenses				
Selling expenses	1,023,549	0.6	1,216,189	0.6
Administrative expenses	1,102,789	0.6	1,190,002	0.6
Research and development expenses	<u>2,579,300</u>	<u>1.5</u>	<u>2,931,594</u>	<u>1.5</u>
	<u>4,705,638</u>	<u>2.7</u>	<u>5,337,785</u>	<u>2.7</u>
Net operating income	<u>2,776,408</u>	<u>1.5</u>	<u>3,221,663</u>	<u>1.6</u>
Non-operating income and expenses:				
Other gains and losses	(854,301)	(0.5)	(621,590)	(0.3)
Finance costs	(211,313)	(0.1)	(248,930)	(0.1)
Other income	468,638	0.3	367,216	0.2
Miscellaneous disbursements	(233)	-	(25,732)	-
Share of gain (loss) of associates and joint ventures accounted for using equity method	<u>119,582</u>	<u>0.1</u>	<u>(117,990)</u>	<u>(0.1)</u>
Total non-operating income and expenses	<u>(477,627)</u>	<u>(0.2)</u>	<u>(647,026)</u>	<u>(0.3)</u>
Profit before tax	2,298,781	1.3	2,574,637	1.3
Less: tax expense	<u>552,518</u>	<u>0.3</u>	<u>552,876</u>	<u>0.3</u>
Profit	<u>1,746,263</u>	<u>1.0</u>	<u>2,021,761</u>	<u>1.0</u>
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Other comprehensive income, before tax, exchange differences on translation of foreign financial statements	(1,125,578)	(0.6)	(791,600)	(0.4)
Other comprehensive income, before tax, available-for-sale financial assets	457,221	0.2	651,905	0.3
Loss on effective portion of cash flow hedges	(22,601)	-	-	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(126,860)	(0.1)	(23,161)	-
Less: income tax relating to items that may be reclassified subsequently to profit or loss	<u>(4,459)</u>	<u>-</u>	<u>(87,061)</u>	<u>-</u>
Other comprehensive income, net of tax	<u>(822,277)</u>	<u>(0.5)</u>	<u>(249,917)</u>	<u>(0.1)</u>
Comprehensive income	<u>\$ 923,986</u>	<u>0.5</u>	<u>1,771,844</u>	<u>0.9</u>
Profit, attributable to:				
Profit, attributable to owners of parent	\$ 1,601,242	0.9	2,016,150	1.0
Profit, attributable to non-controlling interests	<u>145,021</u>	<u>0.1</u>	<u>5,611</u>	<u>-</u>
	<u>\$ 1,746,263</u>	<u>1.0</u>	<u>2,021,761</u>	<u>1.0</u>
Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent	\$ 803,759	0.5	1,782,866	0.9
Comprehensive income (loss), attributable to non-controlling interests	<u>120,227</u>	<u>-</u>	<u>(11,022)</u>	<u>-</u>
	<u>\$ 923,986</u>	<u>0.5</u>	<u>1,771,844</u>	<u>0.9</u>
Earnings per share:				
Basic net income per share	<u>\$ 0.37</u>		<u>0.47</u>	
Diluted net income per share	<u>\$ 0.36</u>		<u>0.46</u>	

See accompanying notes to the consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity (Unaudited)
For the three months ended March 31, 2016 and 2015
(expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent													Total equity
	Retained earnings					Other equity interest					Total equity attributable to owners of parent	Non-controlling interests		
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee benefit and others	Total other equity interest			Treasury shares	
Balance on January 1, 2015	\$ 44,232,366	14,296,445	15,867,903	7,707,518	24,146,451	47,721,872	1,178,307	(4,317,328)	-	(3,139,021)	(1,724,739)	101,386,923	4,833,014	106,219,937
Profit for the three months ended March 31, 2015	-	-	-	-	2,016,150	2,016,150	-	-	-	-	-	2,016,150	5,611	2,021,761
Other comprehensive income	-	-	-	-	-	-	(820,897)	587,613	-	(233,284)	-	(233,284)	(16,633)	(249,917)
Comprehensive income	-	-	-	-	2,016,150	2,016,150	(820,897)	587,613	-	(233,284)	-	1,782,866	(11,022)	1,771,844
Changes in ownership interests in subsidiaries	-	21,584	-	-	(13,936)	(13,936)	-	-	-	-	-	7,648	-	7,648
Changes in equity of associates and joint ventures accounted for using equity method	-	104	-	-	-	-	-	-	-	-	-	104	-	104
Share-based payment transaction	493,600	666,360	-	-	-	-	-	-	(1,075,769)	(1,075,769)	-	84,191	-	84,191
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	771,417	771,417
Balance on March 31, 2015	\$ 44,725,966	14,984,493	15,867,903	7,707,518	26,148,665	49,724,086	357,410	(3,729,715)	(1,075,769)	(4,448,074)	(1,724,739)	103,261,732	5,593,409	108,855,141
Balance on January 1, 2016	\$ 44,711,266	12,838,638	16,571,311	3,139,021	32,167,179	51,877,511	2,803,061	(6,010,432)	(719,510)	(3,926,881)	(1,724,739)	103,775,795	5,822,321	109,598,116
Profit for the three months ended March 31, 2016	-	-	-	-	1,601,242	1,601,242	-	-	-	-	-	1,601,242	145,021	1,746,263
Other comprehensive income	-	-	-	-	-	-	(1,188,542)	399,184	(8,125)	(797,483)	-	(797,483)	(24,794)	(822,277)
Comprehensive income	-	-	-	-	1,601,242	1,601,242	(1,188,542)	399,184	(8,125)	(797,483)	-	803,759	120,227	923,986
Changes in ownership interests in subsidiaries	-	12	-	-	-	-	-	-	-	-	-	12	-	12
Changes in equity of associates and joint ventures accounted for using equity method	-	(22)	-	-	-	-	-	-	-	-	-	(22)	-	(22)
Share-based payment transaction	(6,400)	(8,319)	-	-	638	638	-	-	113,814	113,814	-	99,733	-	99,733
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,697	1,697
Balance on March 31, 2016	\$ 44,704,866	12,830,309	16,571,311	3,139,021	33,769,059	53,479,391	1,614,519	(5,611,248)	(613,821)	(4,610,550)	(1,724,739)	104,679,277	5,944,245	110,623,522

See accompanying notes to the consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

For the three months ended March 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,298,781	2,574,637
Adjustments:		
Depreciation and amortization	1,524,442	1,491,384
Decrease in allowances for uncollectible accounts	(15,090)	(36,065)
Finance costs	211,313	248,930
Interest income	(117,519)	(212,542)
Dividends income	(500)	-
Compensation cost of share-based payments	103,037	91,279
Share of loss (profit) of associates and joint ventures accounted for using equity method	(119,582)	117,990
Loss (gain) on disposal of property, plant and equipment	3,732	(9,348)
Loss on disposal of investments	-	86,629
Long-term prepaid rents	3,697	4,321
Adjustments to reconcile profit	<u>1,593,530</u>	<u>1,782,578</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Changes in financial assets at fair value through profit or loss	(107,448)	(66,810)
Decrease (increase) in notes and accounts receivable	32,692,063	32,420,244
Decrease (increase) in other receivable	213,985	(241,917)
Decrease (increase) in inventories	2,736,106	504,084
Decrease (increase) in other current assets	37,680	477,553
Decrease (increase) in other non-current assets	3,610	(61,487)
Total changes in operating assets	<u>35,575,996</u>	<u>33,031,667</u>
Changes in operating liabilities:		
Changes in financial liabilities at fair value through profit or loss	100,519	46,149
Increase (decrease) in notes and accounts payable	(21,255,608)	(36,310,445)
Increase (decrease) in other payable	(1,855,667)	(1,888,211)
Increase (decrease) in provisions	(242,773)	(76,784)
Increase (decrease) in unearned revenue	337,291	(64,142)
Increase (decrease) in other current liabilities	439,319	1,638,973
Other	(17)	111,444
Total changes in operating liabilities	<u>(22,476,936)</u>	<u>(36,543,016)</u>
Total changes in operating assets and liabilities	<u>13,099,060</u>	<u>(3,511,349)</u>
Total adjustments	<u>14,692,590</u>	<u>(1,728,771)</u>
Cash flows from (used in) operations	16,991,371	845,866
Interest received	86,819	183,253
Dividend received	500	-
Interest paid	(203,243)	(247,435)
Income taxes paid	(125,811)	(123,886)
Net cash flows from (used in) operating activities	<u>16,749,636</u>	<u>657,798</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method and financial assets at cost	(8,731)	(27,300)
Proceeds from disposal of available-for-sale financial assets	-	1,032,940
Net cash flow from acquisition of subsidiaries	-	273,066
Proceeds from capital reduction and liquidation of investments	500	-
Acquisition of property, plant and equipment	(940,851)	(1,285,384)
Proceeds from disposal of property, plant and equipment	13,197	46,994
Acquisition of intangible assets	(220,507)	(302,020)
Others	942	(21,316)
Net cash flows from (used in) investing activities	<u>(1,155,450)</u>	<u>(283,020)</u>
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(5,314,949)	(5,912,976)
Proceeds from long-term borrowings	3,500,000	-
Repayments of long-term borrowings	(6,984,123)	(1,137,190)
Acquisition of non-controlling interests	(3,178)	-
Changes in non-controlling interests	1,615	575,581
Others	2,543	(43,683)
Net cash flows from (used in) financing activities	<u>(8,798,092)</u>	<u>(6,518,268)</u>
Effect of exchange rate changes on cash and cash equivalents	(682,833)	(536,985)
Net increase (decrease) in cash and cash equivalents	6,113,261	(6,680,475)
Cash and cash equivalents at beginning of period	62,751,542	74,708,130
Cash and cash equivalents at end of period	<u>\$ 68,864,803</u>	<u>68,027,655</u>

See accompanying notes to the consolidated financial statements.

