

## **Independent Auditors' Report**

To COMPAL ELECTRONICS, INC.:

We have reviewed the accompanying consolidated balance sheets of Compal Electronics, Inc. and its subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
May 10, 2017

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Consolidated Balance Sheets (the amounts as of March 31, 2017 and 2016 are unaudited)**  
**March 31, 2017, December 31 and March 31, 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

Assets		March 31, 2017		December 31, 2016		March 31, 2016		Liabilities and Equity		March 31, 2017		December 31, 2016		March 31, 2016	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note (6)(a))	\$ 72,712,446	21.9	72,950,596	21.0	68,864,803	23.1	2100	Short-term borrowings (note (6)(o))	\$ 39,545,382	11.9	43,480,777	12.5	24,166,227	8.1
1110	Current financial assets at fair value through profit or loss (note (6)(b))	5,844	-	86,440	-	132,860	-	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	98,287	-	137,489	-	129,734	-
1125	Current available-for-sale financial assets (note (6)(d))	49,927	-	48,631	-	37,172	-	2125	Current derivative financial liabilities for hedging (note (6)(c))	33,068	-	-	-	5,454	-
1135	Current derivative financial assets used for hedging (note (6)(c))	4,490	-	-	-	4,213	-	2170	Notes and accounts payable	122,397,774	36.9	127,523,732	36.7	105,863,515	35.5
1147	Current bond investments without active market (note (6)(f))	350,000	0.1	350,000	0.1	350,000	0.1	2180	Notes and accounts payable to related parties (note 7)	1,354,552	0.4	1,958,211	0.6	1,507,421	0.5
1170	Notes and accounts receivable, net (notes (6)(g) and 8)	159,957,792	48.3	175,318,313	50.5	132,120,524	44.4	2200	Other payables	15,081,668	4.5	17,853,264	5.1	16,272,785	5.5
1180	Notes and accounts receivable due from related parties, net (notes (6)(g) and 8)	61,484	-	70,972	-	64,491	-	2230	Current tax liabilities	3,914,182	1.2	3,795,925	1.1	4,622,610	1.6
1200	Other receivables, net (notes (6)(g) and 8)	1,449,059	0.4	1,082,607	0.3	640,875	0.2	2250	Current provisions (note (6)(q))	1,891,237	0.6	1,842,094	0.5	2,145,937	0.7
1310	Inventories (note (6)(h))	52,888,800	15.9	48,105,125	13.9	43,783,915	14.7	2300	Other current liabilities	2,813,659	0.8	2,899,674	0.9	4,368,392	1.5
1470	Other current assets (note 8)	2,231,068	0.7	2,456,323	0.7	2,361,553	0.8	2313	Unearned revenue	1,700,419	0.5	1,774,158	0.5	2,084,865	0.7
		289,710,910	87.3	300,469,007	86.5	248,360,406	83.3	2320	Long-term borrowings, current portion (note (6)(p))	8,653,125	2.6	7,966,875	2.3	10,084,838	3.4
										197,483,353	59.4	209,232,199	60.2	171,251,778	57.5
<b>Non-current assets:</b>								<b>Non-Current liabilities:</b>							
1550	Investments accounted for using equity method (note (6)(i))	11,195,972	3.4	11,726,370	3.4	11,694,316	3.9	2540	Long-term borrowings (note (6)(p))	23,196,094	7.1	23,954,688	7.0	15,004,219	5.0
1523	Non-current available-for-sale financial assets (note (6)(d))	7,570,762	2.3	9,556,461	2.8	9,512,024	3.2	2570	Deferred tax liabilities	756,812	0.2	746,962	0.2	478,792	0.2
1543	Non-current financial assets at cost (note (6)(e))	71,820	-	71,820	-	103,680	-	2640	Non-current net defined benefit liabilities	624,861	0.2	631,821	0.2	542,241	0.2
1546	Non-current investments without active market (note (6)(f))	700,000	0.2	700,000	0.2	1,050,000	0.4	2670	Non-current liabilities	159,974	-	166,626	-	189,407	0.1
1600	Property, plant and equipment (notes (6)(n) and (8))	19,289,173	5.8	20,952,677	6.0	23,449,956	7.9			24,737,741	7.5	25,500,097	7.4	16,214,659	5.5
1780	Intangible assets	1,205,308	0.3	1,291,281	0.4	1,316,847	0.4		<b>Total liabilities</b>	222,221,094	66.9	234,732,296	67.6	187,466,437	63.0
1840	Deferred tax assets	1,287,514	0.4	1,262,986	0.4	1,366,020	0.5		<b>Equity attributable to owners of parent:</b>						
1985	Long-term prepaid rents	555,906	0.2	594,520	0.2	731,528	0.2	3110	Ordinary share (note (6)(u))	44,224,346	13.3	44,241,606	12.8	44,704,866	15.0
1990	Other non-current assets (note 8)	365,372	0.1	390,989	0.1	505,182	0.2	3200	Capital surplus (note (6)(u))	11,769,686	3.5	11,779,274	3.4	12,830,309	4.3
		42,241,827	12.7	46,547,104	13.5	49,729,553	16.7	3300	Retained earnings (note (6)(u))	56,366,197	17.1	55,289,409	15.9	53,479,391	17.9
								3400	Other equity interest (note (6)(u))	(8,210,172)	(2.4)	(4,624,653)	(1.3)	(4,610,550)	(1.6)
								3500	Treasury shares (note (6)(u))	(881,247)	(0.3)	(881,247)	(0.3)	(1,724,739)	(0.6)
										103,268,810	31.2	105,804,389	30.5	104,679,277	35.0
										6,462,833	1.9	6,479,426	1.9	5,944,245	2.0
								36XX	<b>Non-controlling interests</b>						
									<b>Total equity</b>	109,731,643	33.1	112,283,815	32.4	110,623,522	37.0
<b>Total assets</b>		<b>\$ 331,952,737</b>	<b>100.</b>	<b>347,016,111</b>	<b>100.</b>	<b>298,089,959</b>	<b>100.</b>	<b>Total liabilities and equity</b>		<b>\$ 331,952,737</b>	<b>100.</b>	<b>347,016,111</b>	<b>100.</b>	<b>298,089,959</b>	<b>100.</b>

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income (Unaudited)**  
**For the three months ended March 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		<u>For the three months ended March 31</u>			
		<u>2017</u>		<u>2016</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Net sales revenue (notes (6)(x) and 7)</b>	\$ 187,427,921	100.0	176,649,808	100.0
5000	<b>Cost of sales (notes (6)(h), (s), 7 and 12)</b>	179,603,496	95.8	169,167,762	95.8
	<b>Gross profit</b>	<u>7,824,425</u>	<u>4.2</u>	<u>7,482,046</u>	<u>4.2</u>
	<b>Operating expenses: (notes (6)(r), (s), 16 and 12)</b>				
6100	Selling expenses	1,566,761	0.8	1,023,549	0.6
6200	Administrative expenses	910,761	0.5	1,102,789	0.6
6300	Research and development expenses	2,397,542	1.3	2,579,300	1.5
		<u>4,875,064</u>	<u>2.6</u>	<u>4,705,638</u>	<u>2.7</u>
	<b>Net operating income</b>	<u>2,949,361</u>	<u>1.6</u>	<u>2,776,408</u>	<u>1.5</u>
	<b>Non-operating income and expenses:</b>				
7020	Other gains and losses (notes (6)(d) and (z))	(1,630,539)	(0.9)	(854,301)	(0.5)
7050	Finance costs	(242,597)	(0.1)	(211,313)	(0.1)
7190	Other income (note (6)(z))	415,608	0.2	468,638	0.3
7590	Miscellaneous disbursements	(25,676)	-	(233)	-
7770	Share of profit of subsidiaries associates and joint ventures accounted for using equity method (note 6(i))	(11,072)	-	119,582	0.1
	<b>Total non-operating income and expenses</b>	<u>(1,494,276)</u>	<u>(0.8)</u>	<u>(477,627)</u>	<u>(0.2)</u>
7900	<b>Profit before tax</b>	1,455,085	0.8	2,298,781	1.3
7950	<b>Less: Tax expense (note (6)(t))</b>	346,939	0.2	552,518	0.3
	<b>Profit</b>	<u>1,108,146</u>	<u>0.6</u>	<u>1,746,263</u>	<u>1.0</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	(3,691,476)	(2.0)	(1,125,578)	(0.6)
8362	Other comprehensive income, before tax, unrealized gain on valuation of available-for-sale financial assets	285,596	0.1	457,221	0.2
8363	Gains (losses) on effective portion of cash flow hedges	(28,577)	-	(22,601)	-
8370	Other components of other comprehensive income that will be reclassified to profit or loss	(257,448)	(0.1)	(126,860)	(0.1)
8399	Income tax relating to items that may be reclassified to profit or loss (note 6(t))	(6,361)	-	(4,459)	-
8300	<b>Other comprehensive income, net of tax</b>	<u>(3,698,266)</u>	<u>(2.0)</u>	<u>(822,277)</u>	<u>(0.5)</u>
8500	<b>Total comprehensive income</b>	<u>\$ (2,590,120)</u>	<u>(1.4)</u>	<u>923,986</u>	<u>0.5</u>
	<b>Profit, attributable to:</b>				
8610	Profit, attributable to owners of parent	\$ 1,073,335	0.6	1,601,242	0.9
8620	Profit, attributable to non-controlling interests	34,811	-	145,021	0.1
		<u>\$ 1,108,146</u>	<u>0.6</u>	<u>1,746,263</u>	<u>1.0</u>
	<b>Comprehensive income attributable to:</b>				
8710	Comprehensive income, attributable to owners of parent	\$ (2,570,306)	(1.4)	803,759	0.5
8720	Comprehensive income, attributable to non-controlling interests	(19,814)	-	120,227	-
		<u>\$ (2,590,120)</u>	<u>(1.4)</u>	<u>923,986</u>	<u>0.5</u>
	<b>Earnings per share (note 6(w))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 0.25</u>		<u>0.37</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 0.24</u>		<u>0.36</u>	

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity (Unaudited)**  
**For the three months ended March 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent											Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Retained earnings						Other equity interest							
	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	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 three months ended March 31, 2016	-	-	-	-	1,601,242	1,601,242	-	-	-	-	-	1,601,242	145,021	1,746,263
Other comprehensive income	-	-	-	-	-	-	(1,188,542)	399,184	(8,125)	(797,483)	-	(797,483)	(24,794)	(822,277)
Total comprehensive income	-	-	-	-	1,601,242	1,601,242	(1,188,542)	399,184	(8,125)	(797,483)	-	803,759	120,227	923,986
Changes in ownership interests in subsidiaries	-	12	-	-	-	-	-	-	-	-	-	12	-	12
Changes in equity of associates and joint ventures accounted for using equity method	-	(22)	-	-	-	-	-	-	-	-	-	(22)	-	(22)
Share-based payments transaction	(6,400)	(8,319)	-	-	638	638	-	-	113,814	113,814	-	99,733	-	99,733
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,697	1,697
<b>Balance on March 31, 2016</b>	<b>\$ 44,704,866</b>	<b>12,830,309</b>	<b>16,571,311</b>	<b>3,139,021</b>	<b>33,769,059</b>	<b>53,479,391</b>	<b>1,614,519</b>	<b>(5,611,248)</b>	<b>(613,821)</b>	<b>(4,610,550)</b>	<b>(1,724,739)</b>	<b>104,679,277</b>	<b>5,944,245</b>	<b>110,623,522</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 three months ended March 31, 2017	-	-	-	-	1,073,335	1,073,335	-	-	-	-	-	1,073,335	34,811	1,108,146
Other comprehensive income	-	-	-	-	-	-	(3,936,329)	303,339	(10,651)	(3,643,641)	-	(3,643,641)	(54,625)	(3,698,266)
Total comprehensive income	-	-	-	-	1,073,335	1,073,335	(3,936,329)	303,339	(10,651)	(3,643,641)	-	(2,570,306)	(19,814)	(2,590,120)
Changes in ownership interests in subsidiaries	-	804	-	-	-	-	-	-	-	-	-	804	-	804
Changes in equity of associates and joint ventures accounted for using equity method	-	11,700	-	-	-	-	-	-	-	-	-	11,700	-	11,700
Share-based payments transaction	(17,260)	(22,092)	-	-	3,453	3,453	-	-	58,122	58,122	-	22,223	-	22,223
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	3,221	3,221
<b>Balance on March 31, 2017</b>	<b>\$ 44,224,346</b>	<b>11,769,686</b>	<b>17,439,772</b>	<b>3,199,674</b>	<b>35,726,751</b>	<b>56,366,197</b>	<b>(2,612,047)</b>	<b>(5,360,491)</b>	<b>(237,634)</b>	<b>(8,210,172)</b>	<b>(881,247)</b>	<b>103,268,810</b>	<b>6,462,833</b>	<b>109,731,643</b>

See accompanying notes to financial statements.

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

**Consolidated Statements of Cash Flows (Unaudited)**

**For the three months ended March 31, 2017 and 2016**

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

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

See accompanying notes to financial statements.

