

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 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 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)
August 10, 2017

Notes to Readers

The accompanying consolidated 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.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
Consolidated Balance Sheets (the amounts as of June 30, 2017 and 2016 are unaudited)
June 30, 2017, December 31 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	%
Current assets:								Current liabilities:							
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
1110	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
1180	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
1200	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
		280,793,240	86.9	300,469,007	86.5	264,185,790	84.6	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
										192,704,685	59.6	209,232,199	60.2	187,247,775	59.9
Non-current assets:								Non-Current liabilities:							
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			25,482,637	7.9	25,500,097	7.4	17,704,805	5.7
1780	Intangible assets	1,304,876	0.4	1,291,281	0.4	1,357,584	0.4		Total liabilities	218,187,322	67.5	234,732,296	67.6	204,952,580	65.6
1840	Deferred tax assets	1,269,969	0.4	1,262,986	0.4	1,377,094	0.4		Equity:						
1985	Long-term prepaid rents	590,101	0.2	594,520	0.2	729,485	0.3		Equity attributable to owners of parent:						
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
		42,539,864	13.1	46,547,104	13.5	48,034,773	15.4	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)
										99,006,011	30.6	105,804,389	30.5	101,167,958	32.4
									Non-controlling interests	6,139,771	1.9	6,479,426	1.9	6,100,025	2.0
									Total equity	105,145,782	32.5	112,283,815	32.4	107,267,983	34.4
Total assets		\$ 323,333,104	100.0	347,016,111	100.0	312,220,563	100.0	Total liabilities and equity		\$ 323,333,104	100.0	347,016,111	100.0	312,220,563	100.0

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Unaudited)
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	Net sales revenue (notes (6)(x) and (7))								
	\$ 213,780,026	100.0	172,934,747	100.0	401,207,947	100.0	349,584,555	100.0	
5000	Cost of sales (notes (6)(h), (s), (7) and (12))								
	205,971,613	96.3	165,309,270	95.6	385,575,109	96.1	334,477,032	95.7	
	Gross profit								
	7,808,413	3.7	7,625,477	4.4	15,632,838	3.9	15,107,523	4.3	
	Operating expenses: (notes (6)(r), (s), (7) and (12))								
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	2,511,895	1.2	2,972,407	1.7	4,909,437	1.2	5,551,707	1.6
		6,916,160	3.2	5,209,582	3.0	11,791,224	3.0	9,915,220	2.8
	Net operating income	892,253	0.5	2,415,895	1.4	3,841,614	0.9	5,192,303	1.5
	Non-operating income and expenses:								
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))	207,510	0.1	98,998	0.1	196,438	-	218,580	0.1
	Total non-operating income and expenses	202,146	-	507,377	0.3	(1,292,130)	(0.3)	29,750	0.1
7900	Profit before tax	1,094,399	0.5	2,923,272	1.7	2,549,484	0.6	5,222,053	1.6
7950	Less: Tax expense (note (6)(t))	677,165	0.3	866,748	0.5	1,024,104	0.2	1,419,266	0.4
	Profit	417,234	0.2	2,056,524	1.2	1,525,380	0.4	3,802,787	1.2
8300	Other comprehensive income:								
8360	Items that may be reclassified subsequently to profit or loss								
8361	Other comprehensive income, before tax, exchange differences on translation of foreign financial statements	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))	(9,698)	-	24,260	-	(16,059)	-	19,801	-
8300	Other comprehensive income, net of tax	675,115	0.3	(52,887)	(0.1)	(3,023,151)	(0.8)	(875,164)	(0.3)
8500	Total comprehensive income	<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>
	Profit, attributable to:								
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	162,872	0.1	319,477	0.2	197,683	-	464,498	0.1
		<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>
	Comprehensive income attributable to:								
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	146,333	0.1	351,866	0.2	126,519	-	472,093	-
		<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>
	Earnings per share (note 6(w))								
9750	Basic earnings per share	<u>\$ 0.06</u>		<u>0.40</u>		<u>0.31</u>		<u>0.77</u>	
9850	Diluted earnings per share	<u>\$ 0.06</u>		<u>0.40</u>		<u>0.30</u>		<u>0.76</u>	

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity (Unaudited)
For the six months ended June 30, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													Total equity	
	Retained earnings						Other equity interest						Total equity attributable to owners of parent		Non-controlling interests
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee benefit and others	Total other equity interest	Treasury shares				
Balance on January 1, 2016	\$ 44,711,266	12,838,638	16,571,311	3,139,021	32,167,179	51,877,511	2,803,061	(6,010,432)	(719,510)	(3,926,881)	(1,724,739)	103,775,795	5,822,321	109,598,116	
Profit for the 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)	-	-	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	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)	
Balance on June 30, 2016	\$ 44,256,506	11,797,059	17,439,772	3,199,674	29,936,926	50,576,372	1,678,398	(5,773,051)	(486,079)	(4,580,732)	(881,247)	101,167,958	6,100,025	107,267,983	
Balance on January 1, 2017	\$ 44,241,606	11,779,274	17,439,772	3,199,674	34,649,963	55,289,409	1,324,282	(5,663,830)	(285,105)	(4,624,653)	(881,247)	105,804,389	6,479,426	112,283,815	
Profit for the 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)	
Balance on June 30, 2017	\$ 44,219,306	10,938,023	18,252,861	4,339,549	29,606,687	52,199,097	(2,321,564)	(4,951,929)	(195,675)	(7,469,168)	(881,247)	99,006,011	6,139,771	105,145,782	

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,549,484	5,222,053
Adjustments:		
Adjustments to reconcile profit (loss):		
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
Adjustments to reconcile profit (loss)	<u>5,686,766</u>	<u>2,814,623</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
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
Total changes in operating assets	<u>10,900,078</u>	<u>9,072,512</u>
Changes in operating liabilities:		
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
Total changes in operating liabilities	<u>300,288</u>	<u>(21,816,403)</u>
Total changes in operating assets and liabilities	<u>11,200,366</u>	<u>(12,743,891)</u>
Total adjustments	<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)
Net cash flows from (used in) operating activities	<u>18,271,600</u>	<u>(7,159,564)</u>
Cash flows from (used in) investing activities:		
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)
Net cash flows from (used in) investing activities	<u>1,014,112</u>	<u>(1,641,215)</u>
Cash flows from (used in) financing activities:		
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)
Net cash flows from (used in) financing activities	<u>(22,860,719)</u>	<u>3,922,723</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,138,588)</u>	<u>(421,518)</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,713,595)</u>	<u>(5,299,574)</u>
Cash and cash equivalents at beginning of period	<u>72,950,596</u>	<u>62,751,542</u>
Cash and cash equivalents at end of period	<u>\$ 67,237,001</u>	<u>\$ 57,451,968</u>

See accompanying notes to financial statements.

