

Independent Auditors' Report

To Compal Electronics, Inc.:

We have reviewed the accompanying consolidated balance sheets of Compal Electronics, Inc. and its subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2017 and 2016, changes in equity and cash flows for the nine months ended September 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\$24,237,086,000 and NT\$22,572,413,000, constituting 6.5% and 6.7% of the total consolidated assets as of September 30, 2017 and 2016, respectively. The total liabilities of these subsidiaries amounted to NT\$4,354,583,000 and NT\$3,688,847,000, constituting 1.6% and 1.6% of the total consolidated liabilities, respectively. The comprehensive income (loss) of these subsidiaries amounted to NT\$226,456,000, NT\$150,230,000, NT\$293,730,000 and NT\$520,934,000, constituting 10.8%, 31.6%, 49.2% and 15.3% of the total consolidated comprehensive income (loss) for the three months and nine months ended September 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)
November 9, 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 September 30, 2017 and 2016 are unaudited)
September 30, 2017, December 31 and September 30, 2016
(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2017		December 31, 2016		September 30, 2016		September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Assets												
Current assets:												
1100	Cash and cash equivalents (note (6)(a))	\$ 71,633,492	19.3	72,950,596	21.0	47,251,266	14.1					
1110	Current financial assets at fair value through profit or loss (note (6)(b))	6,680	-	86,440	-	83,431	-					
1125	Current available-for-sale financial assets (note (6)(d))	41,179	-	48,631	-	45,493	-					
1135	Current derivative financial assets used for hedging (note (6)(c))	-	-	-	-	20,481	-					
1147	Current bond investments without active market (note (6)(f))	350,000	0.1	350,000	0.1	350,000	0.1					
1170	Notes and accounts receivable, net (notes (6)(g) and (8))	177,246,721	47.6	175,318,313	50.5	182,134,816	54.5					
1180	Notes and accounts receivable due from related parties, net (notes (6)(g) and (7))	71,905	-	70,972	-	92,751	-					
1200	Other receivables, net (notes (6)(g), (l) and (7))	1,899,229	0.5	1,082,607	0.3	591,825	0.2					
1310	Inventories (note (6)(h))	75,724,662	20.4	48,105,125	13.9	54,672,061	16.3					
1470	Other current assets (note 8)	3,166,678	0.9	2,456,323	0.7	3,316,664	1.0					
		<u>330,140,546</u>	<u>88.8</u>	<u>300,469,007</u>	<u>86.5</u>	<u>288,558,788</u>	<u>86.2</u>					
Non-current assets:												
1550	Investments accounted for using equity method (note (6)(i))	11,583,881	3.1	11,726,370	3.4	11,040,968	3.3					
1523	Non-current available-for-sale financial assets (note (6)(d))	7,838,876	2.1	9,556,461	2.8	9,443,450	2.8					
1543	Non-current financial assets at cost (note (6)(e))	71,820	-	71,820	-	136,680	-					
1546	Non-current investments without active market (note (6)(f))	350,000	0.1	700,000	0.2	700,000	0.2					
1600	Property, plant and equipment (notes (6)(n) and (8))	18,593,627	5.0	20,952,677	6.0	21,108,045	6.3					
1780	Intangible assets	1,297,537	0.3	1,291,281	0.4	1,274,442	0.4					
1840	Deferred tax assets	1,275,248	0.3	1,262,986	0.4	1,274,344	0.4					
1985	Long-term prepaid rents	584,047	0.2	594,520	0.2	581,830	0.2					
1990	Other non-current assets (note 8)	356,600	0.1	390,989	0.1	454,840	0.2					
		<u>41,951,636</u>	<u>11.2</u>	<u>46,547,104</u>	<u>13.5</u>	<u>46,014,599</u>	<u>13.8</u>					
	Total assets	\$ 372,092,182	100.	347,016,111	100.	334,573,387	100.					
Liabilities and Equity												
Current liabilities:												
2100	Short-term borrowings (note (6)(o))	\$ 46,014,325	12.4	43,480,777	12.5	43,955,752	13.2					
2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	59,696	-	137,489	-	127,187	-					
2125	Current derivative financial liabilities for hedging (note (6)(c))	25,419	-	-	-	-	-					
2170	Notes and accounts payable	158,884,373	42.7	127,523,732	36.7	124,989,851	37.4					
2180	Notes and accounts payable to related parties (note 7)	1,705,438	0.5	1,958,211	0.6	2,005,687	0.6					
2200	Other payables	16,811,014	4.5	17,853,264	5.1	18,216,155	5.5					
2230	Current tax liabilities	3,828,677	1.0	3,795,925	1.1	3,308,853	1.0					
2250	Current provisions (note (6)(q))	1,670,160	0.4	1,842,094	0.5	2,172,193	0.6					
2300	Other current liabilities	3,013,972	0.8	2,899,674	0.9	3,509,392	1.0					
2313	Unearned revenue	1,683,285	0.5	1,774,158	0.5	1,840,136	0.5					
2320	Long-term borrowings, current portion (note (6)(p))	8,227,685	2.2	7,966,875	2.3	5,208,125	1.6					
		<u>241,924,044</u>	<u>65.0</u>	<u>209,232,199</u>	<u>60.2</u>	<u>205,333,331</u>	<u>61.4</u>					
Non-Current liabilities:												
2540	Long-term borrowings (note (6)(p))	21,132,656	5.7	23,954,688	7.0	20,245,781	6.0					
2570	Deferred tax liabilities	780,176	0.2	746,962	0.2	460,639	0.1					
2640	Non-current net defined benefit liabilities	633,665	0.2	631,821	0.2	536,393	0.2					
2670	Non-current liabilities	139,667	-	166,626	-	169,958	0.1					
		<u>22,686,164</u>	<u>6.1</u>	<u>25,500,097</u>	<u>7.4</u>	<u>21,412,771</u>	<u>6.4</u>					
	Total liabilities	<u>264,610,208</u>	<u>71.1</u>	<u>234,732,296</u>	<u>67.6</u>	<u>226,746,102</u>	<u>67.8</u>					
Equity:												
Equity attributable to owners of parent:												
3110	Ordinary share (note (6)(u))	44,202,806	11.9	44,241,606	12.8	44,245,106	13.2					
3200	Capital surplus (note (6)(u))	10,935,795	2.9	11,779,274	3.4	11,779,820	3.5					
3300	Retained earnings (note (6)(u))	54,527,790	14.7	55,289,409	15.9	52,756,254	15.8					
3400	Other equity interest (notes (6)(u) and (v))	(7,790,395)	(2.1)	(4,624,653)	(1.3)	(6,334,043)	(1.9)					
3500	Treasury shares (note (6)(u))	(881,247)	(0.2)	(881,247)	(0.3)	(881,247)	(0.3)					
		<u>100,994,749</u>	<u>27.2</u>	<u>105,804,389</u>	<u>30.5</u>	<u>101,565,890</u>	<u>30.3</u>					
36XX	Non-controlling interests	<u>6,487,225</u>	<u>1.7</u>	<u>6,479,426</u>	<u>1.9</u>	<u>6,261,395</u>	<u>1.9</u>					
	Total equity	<u>107,481,974</u>	<u>28.9</u>	<u>112,283,815</u>	<u>32.4</u>	<u>107,827,285</u>	<u>32.2</u>					
	Total liabilities and equity	\$ 372,092,182	100.	347,016,111	100.	334,573,387	100.					

See accompanying notes to the consolidated interim financial statements.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Unaudited)
For the three months and nine months ended September 30, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	For the three months ended September 30				For the nine months ended September 30				
	2017		2016		2017		2016		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Net sales revenue (notes (6)(x) and (7))								
	\$ 231,608,520	100.0	197,886,564	100.0	632,816,467	100.0	547,471,119	100.0	
5000	Cost of sales (notes (6)(h), (s), (7) and (12))								
	223,668,179	96.6	189,193,478	95.6	609,243,288	96.3	523,670,510	95.7	
	Gross profit								
	7,940,341	3.4	8,693,086	4.4	23,573,179	3.7	23,800,609	4.3	
	Operating expenses: (notes (6)(r), (s), (7) and (12))								
6100	Selling expenses	876,518	0.4	1,116,927	0.6	5,917,386	0.9	3,219,730	0.6
6200	Administrative expenses	1,012,687	0.4	1,083,036	0.5	2,853,606	0.5	3,343,746	0.6
6300	Research and development expenses	3,130,615	1.4	3,030,555	1.5	8,040,052	1.3	8,582,262	1.6
		5,019,820	2.2	5,230,518	2.6	16,811,044	2.7	15,145,738	2.8
	Net operating income	2,920,521	1.2	3,462,568	1.8	6,762,135	1.0	8,654,871	1.5
	Non-operating income and expenses:								
7020	Other gains and losses (notes (6)(d) and (z))	(55,107)	-	(823,243)	(0.4)	(1,811,825)	(0.3)	(1,689,889)	(0.3)
7050	Finance costs	(297,505)	(0.1)	(222,849)	(0.1)	(863,995)	(0.1)	(676,203)	(0.1)
7190	Other income (note (6)(z))	294,140	0.1	343,873	0.1	1,186,079	0.2	1,504,429	0.3
7590	Miscellaneous disbursements	(1,662)	-	(17,020)	-	(58,961)	-	(46,406)	-
7770	Share of profit of subsidiaries associates and joint ventures accounted for using equity method (note 6(i))	117,728	0.1	102,017	0.1	314,166	-	320,597	-
	Total non-operating income and expenses	57,594	0.1	(617,222)	(0.3)	(1,234,536)	(0.2)	(587,472)	(0.1)
7900	Profit before tax	2,978,115	1.3	2,845,346	1.5	5,527,599	0.8	8,067,399	1.4
7950	Less: Tax expense (note (6)(t))	531,459	0.2	466,302	0.2	1,555,563	0.2	1,885,568	0.3
	Profit	2,446,656	1.1	2,379,044	1.3	3,972,036	0.6	6,181,831	1.1
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	(249,629)	(0.1)	(1,754,787)	(0.9)	(3,778,116)	(0.6)	(2,636,590)	(0.5)
8362	Other comprehensive income, before tax, unrealized gain on valuation of available-for-sale financial assets	(210,063)	(0.1)	71,104	-	510,863	0.1	339,940	0.1
8363	Gains (losses) on effective portion of cash flow hedges (note (6)(aa))	31,475	-	(19,533)	-	(25,419)	-	(879)	-
8370	Other components of other comprehensive income that will be reclassified to profit or loss	97,161	-	(204,978)	(0.1)	(45,476)	-	(505,630)	(0.1)
8399	Income tax relating to items that may be reclassified to profit or loss (note 6(t))	(20,815)	-	4,720	-	(36,874)	-	24,521	-
8300	Other comprehensive income, net of tax	(351,871)	(0.2)	(1,903,474)	(1.0)	(3,375,022)	(0.5)	(2,778,638)	(0.5)
8500	Total comprehensive income	\$ 2,094,785	0.9	475,570	0.3	597,014	0.1	3,403,193	0.6
	Profit, attributable to:								
8610	Profit, attributable to owners of parent	\$ 2,323,844	1.0	2,179,674	1.2	3,651,541	0.5	5,517,963	1.0
8620	Profit, attributable to non-controlling interests	122,812	0.1	199,370	0.1	320,495	0.1	663,868	0.1
		\$ 2,446,656	1.1	2,379,044	1.3	3,972,036	0.6	6,181,831	1.1
	Comprehensive income attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$ 1,949,221	0.8	314,736	0.2	324,931	0.1	2,770,266	0.6
8720	Comprehensive income, attributable to non-controlling interests	145,564	0.1	160,834	0.1	272,083	-	632,927	-
		\$ 2,094,785	0.9	475,570	0.3	597,014	0.1	3,403,193	0.6
	Earnings per share (note 6(w))								
9750	Basic earnings per share	\$ 0.53		0.50		0.84		1.27	
9850	Diluted earnings per share	\$ 0.53		0.50		0.83		1.25	

See accompanying notes to the consolidated interim financial statements.

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

	Equity attributable to owners of parent												Total equity attributable to owners of parent	Non-control 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-sa le 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 nine months ended September 30, 2016	-	-	-	-	5,517,963	5,517,963	-	-	-	-	-	5,517,963	663,868	6,181,831	
Other comprehensive income	-	-	-	-	-	-	(3,066,362)	320,037	(1,372)	(2,747,697)	-	(2,747,697)	(30,941)	(2,778,638)	
Total comprehensive income	-	-	-	-	5,517,963	5,517,963	(3,066,362)	320,037	(1,372)	(2,747,697)	-	2,770,266	632,927	3,403,193	
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	-	321	-	-	-	-	-	-	-	-	-	321	-	321	
Changes in equity of associates and joint ventures accounted for using equity method	-	(2,510)	-	-	(5,164)	(5,164)	-	-	-	-	-	(7,674)	-	(7,674)	
Share-based payments transaction	(28,000)	(36,366)	-	-	2,970	2,970	-	-	340,535	340,535	-	279,139	-	279,139	
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	60,048	-	-	-	-	-	-	-	-	-	60,048	-	60,048	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(193,853)	(193,853)	
Balance on September 30, 2016	\$ 44,245,106	11,779,820	17,439,772	3,199,674	32,116,808	52,756,254	(263,301)	(5,690,395)	(380,347)	(6,334,043)	(881,247)	101,565,890	6,261,395	107,827,285	
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 nine months ended September 30, 2017	-	-	-	-	3,651,541	3,651,541	-	-	-	-	-	3,651,541	320,495	3,972,036	
Other comprehensive income	-	-	-	-	-	-	(3,792,657)	473,005	(6,958)	(3,326,610)	-	(3,326,610)	(48,412)	(3,375,022)	
Total comprehensive income	-	-	-	-	3,651,541	3,651,541	(3,792,657)	473,005	(6,958)	(3,326,610)	-	324,931	272,083	597,014	
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)	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	16,038	-	-	-	-	-	-	-	-	-	16,038	-	16,038	
Changes in ownership interests in subsidiaries	-	57	-	-	(359)	(359)	-	-	-	-	-	(302)	-	(302)	
Changes in equity of associates and joint ventures accounted for using equity method	-	14,176	-	-	-	-	-	-	-	-	-	14,176	-	14,176	
Share-based payments transaction	(38,800)	(49,346)	-	-	9,352	9,352	-	-	160,868	160,868	-	82,074	-	82,074	
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	60,027	-	-	-	-	-	-	-	-	-	60,027	-	60,027	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(264,284)	(264,284)	
Balance on September 30, 2017	\$ 44,202,806	10,935,795	18,252,861	4,339,549	31,935,380	54,527,790	(2,468,375)	(5,190,825)	(131,195)	(7,790,395)	(881,247)	100,994,749	6,487,225	107,481,974	

See accompanying notes to the consolidated interim financial statements.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the nine months ended September 30, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	\$ 5,527,599	8,067,399
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	4,046,905	4,144,980
Increase (decrease) in allowance for uncollectible accounts	3,014,172	(91,068)
Finance cost	863,995	676,203
Interest income	(617,437)	(426,632)
Dividend income	(169,837)	(191,332)
Compensation cost of share-based payment	89,006	283,282
Share of profit of associates and joint ventures accounted for using equity method	(314,166)	(320,597)
Loss (gain) on disposal of property, plant and equipment	(82,134)	2,151
Loss (gain) on disposal of investments	(6,525)	(61,949)
Impairment loss on financial assets	-	104,622
Long-term prepaid rents	9,815	10,786
Adjustments to reconcile profit (loss)	<u>6,833,794</u>	<u>4,130,446</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Changes in financial assets at fair value through profit or loss	79,760	(58,019)
Decrease (increase) in notes and accounts receivable	(4,924,611)	(17,294,892)
Decrease (increase) in other receivables	(989,021)	293,529
Decrease (increase) in inventories	(27,619,537)	(8,171,096)
Decrease (increase) in other current assets	(746,084)	(45,994)
Decrease (increase) in other non-current assets	(27,851)	89,696
Total changes in operating assets	<u>(34,227,344)</u>	<u>(25,186,776)</u>
Changes in operating liabilities:		
Changes in financial liabilities at fair value through profit or loss	(77,793)	97,972
Increase (decrease) in notes and accounts payable	31,107,868	(1,630,261)
Increase (decrease) in other payables	(1,408,188)	202,149
Increase (decrease) in provisions	(171,934)	(216,517)
Increase (decrease) in unearned revenue	(90,873)	92,562
Increase (decrease) in other current liabilities	114,298	(419,681)
Others	52,246	53,960
Total changes in operating liabilities	<u>29,525,624</u>	<u>(1,819,816)</u>
Total changes in operating assets and liabilities	<u>(4,701,720)</u>	<u>(27,006,592)</u>
Total adjustments	<u>2,132,074</u>	<u>(22,876,146)</u>
Cash flows from (used in) operations	7,659,673	(14,808,747)
Interest received	641,934	365,408
Dividends received	313,736	313,079
Interest paid	(843,775)	(648,699)
Income taxes paid	(1,430,129)	(2,787,188)
Net cash flows from (used in) operating activities	<u>6,341,439</u>	<u>(17,566,147)</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)	(168,440)
Proceeds from disposal of investments accounted for using equity method and available-for-sale financial assets	2,276,522	333,334
Redemption from bond investment without active market	350,000	350,000
Net cash flow from disposal of subsidiary	129,000	-
Proceeds from capital reduction and liquidation of investments	26,080	41,751
Acquisition of property, plant and equipment	(2,305,928)	(2,600,948)
Proceeds from disposal of property, plant and equipment	127,224	228,730
Acquisition of intangible assets	(318,973)	(447,059)
Others	4,453	63,416
Net cash flows from (used in) investing activities	<u>191,369</u>	<u>(2,199,216)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	2,533,548	14,474,576
Proceeds from long-term borrowings	8,578,598	16,105,000
Repayments of long-term borrowings	(11,139,820)	(19,224,274)
Cash dividends paid	(5,246,557)	(5,251,957)
Acquisition of non-controlling interests	(6,675)	(8,438)
Change in non-controlling interests	(248,802)	(189,195)
Others	(26,959)	(16,906)
Net cash flows from (used in) financing activities	<u>(5,556,667)</u>	<u>5,888,806</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,293,245)</u>	<u>(1,623,719)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,317,104)</u>	<u>(15,500,276)</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>\$ 71,633,492</u>	<u>47,251,266</u>

See accompanying notes to the consolidated interim financial statements.

(Continued)