

Independent Auditor' s Report

To COMPAL ELECTRONICS, INC.:

Opinion

We have audited the consolidated financial statements of COMPAL ELECTRONICS, INC. and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor' s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Account receivable valuation

Please refer to Note (4)(g) for the accounting policy of accounts receivable. Information of account receivable valuation are shown in Note (6)(g) of the consolidated financial statements.

Description of key audit matters:

The Group devotes to develop new product lines and customers in emerging countries, and the credit risks of these customers are higher than other world leading enterprises. Therefore, valuation of accounts receivable has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

In order to evaluate the reasonableness of the Group's estimations for bad debts, our key audit procedures included reviewing if the measurement of impairment loss of accounts receivable is accordance with accounting policy, examining the historical recovery records, analyzing the aging of accounts receivable, and the current credit status of customers, as well as inspecting the amount collected in the subsequent period.

2. Inventory valuation

Please refer to Note (4)(h) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in Note (6)(h) of the consolidated financial statements.

Description of key audit matters:

The inventory is measured at the lower of cost or net realizable value. The short life cycle of electronic products may cause significant changes in customers' demand and sales of related products. Consequently, the book value of inventory may be lower than the net realizable value of inventory. Therefore, the valuation of inventory is one of the key audit matters.

Our key audit procedures performed in respect of the above area included the following:

In order to verify the rationality of assessment of inventory valuation estimated by the Group, our key audit procedures included reviewing the consistency of prior year and accounting policy, inspecting the Group's inventory aging reports, analyzing the change of inventory aging, as well as verifying the inventory aging reports and the calculation of lower of cost or net realizable value.

Other Matter

Compal Electronics Inc, has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit committee) are responsible for overseeing the Group's financial reporting process.

Auditor' s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor' s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group' s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management' s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor' s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Szu Chuan Chien and Yiu Kwan Au.

KPMG

Taipei, Taiwan (Republic of China)
March 22, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2018		December 31, 2017		Liabilities and Equity		December 31, 2018		December 31, 2017	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 70,296,545	17.6	70,062,713	19.3	2100	Short-term borrowings (note (6)(q))	\$ 72,350,197	18.1	56,515,525	15.6
1110	Current financial assets at fair value through profit or loss (note (6)(b))	4,611,134	1.1	40,706	-	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	26,913	-	24,463	-
1125	Current available-for-sale financial assets (note (6)(e))	-	-	46,479	-	2130	Current contract liabilities (note (6)(aa))	1,476,304	0.4	-	-
1136	Current financial assets at amortized cost (note (6)(g))	350,000	0.1	-	-	2170	Notes and accounts payable	152,300,093	38.1	140,381,168	38.6
1147	Current bond investments without active market (note (6)(h))	-	-	350,000	0.1	2180	Notes and accounts payable to related parties (note 7)	1,976,620	0.5	1,636,656	0.5
1170	Notes and accounts receivable, net (note (6)(i))	203,715,965	51.0	177,272,731	48.8	2200	Other payables (note 7)	19,558,007	4.9	16,318,597	4.5
1180	Notes and accounts receivable due from related parties, net (notes (6)(i) and 7)	58,106	-	113,994	-	2230	Current tax liabilities	3,722,191	0.9	4,362,395	1.2
1200	Other receivables, net (notes (6)(i), (6)(j) and 7)	1,665,249	0.4	988,008	0.3	2250	Current provisions (note (6)(s))	426,981	0.1	1,827,439	0.5
1310	Inventories (note (6)(k))	79,148,922	19.8	69,512,712	19.1	2300	Other current liabilities	3,255,135	0.8	3,071,238	0.8
1470	Other current assets (note 8)	2,899,329	0.7	3,395,311	0.9	2313	Unearned revenue	-	-	1,617,626	0.4
		<u>362,745,250</u>	<u>90.7</u>	<u>321,782,654</u>	<u>88.5</u>	2365	Current refund liabilities (note (6)(t))	1,579,832	0.4	-	-
						2322	Long-term borrowings, current portion (note (6)(r))	<u>17,535,625</u>	<u>4.4</u>	<u>6,200,625</u>	<u>1.7</u>
								<u>274,207,898</u>	<u>68.6</u>	<u>231,955,732</u>	<u>63.8</u>
Non-current assets:							Non-Current liabilities:				
1550	Investments accounted for using equity method (note (6)(l))	7,364,485	1.9	11,807,622	3.2	2540	Long-term borrowings (note (6)(r))	10,998,438	2.7	21,252,263	5.8
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	69,390	-	-	-	2570	Deferred tax liabilities	478,169	0.1	614,437	0.2
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	5,172,295	1.3	-	-	2640	Non-current net defined benefit liability	710,146	0.2	705,810	0.2
1523	Non-current available-for-sale financial assets (note (6)(e))	-	-	7,646,667	2.1	2670	Non-current liabilities, others	238,324	0.1	180,207	-
1543	Non-current financial assets at cost (note (6)(f))	-	-	53,982	-			<u>12,425,077</u>	<u>3.1</u>	<u>22,752,717</u>	<u>6.2</u>
1546	Non-current bond investments without active market (note (6)(h))	-	-	350,000	0.1			<u>286,632,975</u>	<u>71.7</u>	<u>254,708,449</u>	<u>70.0</u>
1600	Property, plant and equipment (notes (6)(p) and 8)	20,418,228	5.1	18,179,367	5.0		Total liabilities				
1780	Intangible assets	1,516,253	0.4	1,284,660	0.4						
1840	Deferred tax assets	1,023,948	0.3	1,351,371	0.4		Equity:				
1985	Long-term prepaid rents	891,147	0.2	571,133	0.2		Equity attributable to owners of parent:				
1990	Other non-current assets (note 8)	593,827	0.1	328,965	0.1	3110	Ordinary share (note (6)(x))	44,071,466	11.0	44,191,916	12.2
		<u>37,049,573</u>	<u>9.3</u>	<u>41,573,767</u>	<u>11.5</u>	3200	Capital surplus (note (6)(x))	9,932,434	2.5	10,938,773	3.0
						3300	Retained earnings (note (6)(x))	60,060,381	15.0	56,557,146	15.6
						3400	Other equity interest (notes (6)(x) and (6)(y))	(7,459,388)	(1.8)	(8,911,004)	(2.5)
						3500	Treasury shares (note (6)(x))	(881,247)	(0.2)	(881,247)	(0.2)
								<u>105,723,646</u>	<u>26.5</u>	<u>101,895,584</u>	<u>28.1</u>
						36XX	Non-controlling interests	7,438,202	1.8	6,752,388	1.9
							Total equity	<u>113,161,848</u>	<u>28.3</u>	<u>108,647,972</u>	<u>30.0</u>
Total assets		<u>\$ 399,794,823</u>	<u>100.0</u>	<u>363,356,421</u>	<u>100.0</u>		Total liabilities and equity	<u>\$ 399,794,823</u>	<u>100.0</u>	<u>363,356,421</u>	<u>100.0</u>

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
4000 Net sales revenue (notes (6)(aa), (6)(ab) and 7)	\$ 967,706,411	100.0	887,656,959	100.0
5000 Cost of sales (notes (6)(v), 7 and 12)	<u>937,139,320</u>	96.8	<u>855,692,390</u>	96.4
Gross profit	<u>30,567,091</u>	3.2	<u>31,964,569</u>	3.6
Operating expenses: (notes (6)(u), (6)(v) and 12)				
6100 Selling expenses	4,319,991	0.4	7,167,461	0.8
6200 Administrative expenses	4,204,419	0.4	4,050,028	0.5
6300 Research and development expenses	<u>12,780,935</u>	1.4	<u>11,538,651</u>	1.3
	<u>21,305,345</u>	2.2	<u>22,756,140</u>	2.6
Net operating income	<u>9,261,746</u>	1.0	<u>9,208,429</u>	1.0
Non-operating income and expenses:				
7020 Other gains and losses, net (notes (6)(e), (6)(l) and (6)(ad))	2,256,958	0.2	(1,897,072)	(0.2)
7050 Finance costs	(2,636,443)	(0.3)	(1,297,965)	(0.1)
7190 Other income (notes (6)(u) and (6)(ad))	2,132,864	0.2	1,566,475	0.2
7590 Miscellaneous disbursements	(22,908)	-	(52,752)	-
7670 Impairment loss (notes (6)(d), (6)(e) and (6)(m))	-	-	(19,405)	-
7770 Share of profit of associates and joint ventures accounted for using equity method (note (6)(l))	<u>797,368</u>	0.1	<u>606,567</u>	-
Total non-operating income and expenses	<u>2,527,839</u>	0.2	<u>(1,094,152)</u>	(0.1)
7900 Profit before tax	11,789,585	1.2	8,114,277	0.9
7950 Less: Tax expense (note (6)(w))	<u>2,200,284</u>	0.2	<u>1,956,240</u>	0.2
Profit	<u>9,589,301</u>	1.0	<u>6,158,037</u>	0.7
8300 Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Other comprehensive income, before tax, remeasurement of defined benefit obligation	(16,260)	-	(84,394)	-
8316 Other comprehensive income, before tax, equity instruments at fair value through other comprehensive income	(1,188,635)	(0.1)	-	-
8320 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(124,949)	-	(561)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(w))	<u>75,832</u>	-	<u>14,348</u>	-
Components of other comprehensive income that will not be reclassified to profit or loss	<u>(1,254,012)</u>	(0.1)	<u>(70,607)</u>	-
8360 Items that will be reclassified subsequently to profit or loss				
8361 Other comprehensive income, before tax, exchange differences on translation of foreign financial statement	1,807,381	0.1	(4,808,866)	(0.5)
8362 Other comprehensive income, before tax, available-for-sale financial assets	-	-	326,490	-
8363 Gains (losses) on effective portion of cash flow hedges (note (6)(ae))	-	-	-	-
8368 Gains (losses) on hedging instrument (note (6)(ae))	-	-	-	-
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(162,189)	-	(30,076)	-
8399 Income tax relating to components of other comprehensive income that will be reclassified to profit or loss (note (6)(w))	<u>(3,293)</u>	-	<u>(21,353)</u>	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>1,641,899</u>	0.1	<u>(4,533,805)</u>	(0.5)
8300 Other comprehensive income (loss), net	<u>387,887</u>	-	<u>(4,604,412)</u>	(0.5)
8500 Total comprehensive income	<u>\$ 9,977,188</u>	<u>1.0</u>	<u>\$ 1,553,625</u>	<u>0.2</u>
Profit, attributable to:				
8610 Profit, attributable to owners of parent	8,913,365	0.9	5,749,525	0.7
8620 Profit, attributable to non-controlling interests	<u>675,936</u>	0.1	<u>408,512</u>	-
	<u>\$ 9,589,301</u>	<u>1.0</u>	<u>\$ 6,158,037</u>	<u>0.7</u>
Comprehensive income attributable to:				
8710 Comprehensive income (loss), attributable to owners of parent	9,278,187	1.0	1,189,818	0.1
8720 Comprehensive income (loss), attributable to non-controlling interests	<u>699,001</u>	0.1	<u>363,807</u>	-
	<u>\$ 9,977,188</u>	<u>1.1</u>	<u>\$ 1,553,625</u>	<u>0.1</u>
Earnings per share (note 6(z))				
9750 Basic earnings per share	<u>\$ 2.05</u>		<u>\$ 1.32</u>	
9850 Diluted earnings per share	<u>\$ 2.02</u>		<u>\$ 1.31</u>	

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Retained earnings						Total other equity interest						Total equity attributable to owners of parent	Non-control interests	Total equity
	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 financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee benefit and others	Total other equity interest	Treasury shares			
Balance at 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 year ended December 31, 2017	-	-	-	-	5,749,525	5,749,525	-	-	-	-	-	-	5,749,525	408,512	6,158,037
Other comprehensive income	-	-	-	-	(68,107)	(68,107)	(4,801,658)	-	310,058	-	(4,491,600)	-	(4,559,707)	(44,705)	(4,604,412)
Total comprehensive income	-	-	-	-	5,681,418	5,681,418	(4,801,658)	-	310,058	-	(4,491,600)	-	1,189,818	363,807	1,553,625
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)
Cash dividends from capital surplus	-	(884,431)	-	-	-	-	-	-	-	-	-	-	(884,431)	-	(884,431)
Difference between consideration and carrying amount arising from acquisition or disposal subsidiaries	-	33,016	-	-	(2,179)	(2,179)	-	-	-	-	-	-	30,837	357,314	388,151
Changes in ownership interests in subsidiaries	-	142	-	-	(424)	(424)	-	-	-	-	-	-	(282)	-	(282)
Changes in equity of associates and joint ventures accounted for using equity method	-	14,217	-	-	(194)	(194)	-	-	-	-	-	-	14,023	-	14,023
Share-based payments transaction	(49,690)	(63,472)	-	-	11,269	11,269	-	-	-	205,249	205,249	-	103,356	-	103,356
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,027	-	-	-	-	-	-	-	-	-	-	60,027	-	60,027
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(448,159)	(448,159)
Balance at December 31, 2017	44,191,916	10,938,773	18,252,861	4,339,549	33,964,736	56,557,146	(3,477,376)	-	(5,353,772)	(79,856)	(8,911,004)	(881,247)	101,895,584	6,752,388	108,647,972
Effects of retrospective application	-	-	-	-	494,051	494,051	-	(5,847,823)	5,353,772	-	(494,051)	-	-	-	-
Adjusted balance at January 1, 2018	44,191,916	10,938,773	18,252,861	4,339,549	34,458,787	57,051,197	(3,477,376)	(5,847,823)	-	(79,856)	(9,405,055)	(881,247)	101,895,584	6,752,388	108,647,972
Profit for the year ended December 31, 2018	-	-	-	-	8,913,365	8,913,365	-	-	-	-	-	-	8,913,365	675,936	9,589,301
Other comprehensive income	-	-	-	-	14,094	14,094	1,624,424	(1,273,696)	-	-	350,728	-	364,822	23,065	387,887
Total comprehensive income	-	-	-	-	8,927,459	8,927,459	1,624,424	(1,273,696)	-	-	350,728	-	9,278,187	699,001	9,977,188
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	574,953	-	(574,953)	-	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,491,599	(4,491,599)	-	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	-	(4,407,147)	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	-	(881,429)	-	(881,429)
Changes in ownership interests in subsidiaries	-	(32,706)	-	-	(521,643)	(521,643)	-	489,483	-	-	489,483	-	(64,866)	-	(64,866)
Changes in equity of associates and joint ventures accounted for using equity method	-	(459)	-	-	(1,156)	(1,156)	-	1,130	-	-	1,130	-	(485)	-	(485)
Share-based payments transaction	(120,450)	(151,766)	-	-	36,141	36,141	-	-	-	79,856	79,856	-	(156,219)	-	(156,219)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	-	60,021	-	60,021
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(1,024,470)	(1,024,470)	-	1,024,470	-	-	1,024,470	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,187)	(13,187)
Balance at December 31, 2018	\$ 44,071,466	9,932,434	18,827,814	8,831,148	32,401,419	60,060,381	(1,852,952)	(5,606,436)	-	-	(7,459,388)	(881,247)	105,723,646	7,438,202	113,161,848

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 11,789,585	8,114,277
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	4,940,672	5,184,672
Increase (decrease) in expected credit loss /allowance for uncollectible accounts	(17,449)	3,007,185
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(117,677)	-
Finance cost	2,636,443	1,297,965
Interest income	(1,463,658)	(877,370)
Dividend income	(279,044)	(169,839)
Compensation cost of share-based payments	(121,765)	110,855
Share of profit of associates and joint ventures accounted for using equity method	(797,368)	(606,567)
Loss (gain) on disposal of property, plant and equipment	23,228	(110,846)
Loss (gain) on disposal of investments	(2,513,207)	4,252
Impairment loss on financial assets	-	19,405
Long-term prepaid rents	13,302	13,135
Total adjustments to reconcile profit (loss)	<u>2,303,477</u>	<u>7,872,847</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	-	45,734
Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	(3,936,569)	-
Decrease (increase) in notes and accounts receivable	(26,227,099)	(4,986,899)
Decrease (increase) in other receivable	(680,718)	(59,604)
Decrease (increase) in inventories	(9,691,835)	(21,407,587)
Decrease (increase) in other current assets	551,607	(974,717)
Decrease (increase) in other non-current assets	(101,686)	(90,471)
Total changes in operating assets	<u>(40,086,300)</u>	<u>(27,473,544)</u>
Changes in operating liabilities:		
Increase (decrease) in financial liabilities designated as at fair value through profit or loss	2,450	(113,026)
Increase (decrease) in notes and accounts payable	12,258,889	12,535,881
Increase (decrease) in other payable	1,434,494	(1,776,989)
Increase (decrease) in refund liabilities	60,526	-
Increase (decrease) in provisions	39,834	(14,655)
Increase (decrease) in unearned revenue	-	(156,532)
Increase (decrease) in contract liabilities	(189,017)	-
Increase (decrease) in other current liabilities	231,592	171,564
Others	50,649	109,229
Total changes in operating liabilities	<u>13,889,417</u>	<u>10,755,472</u>
Total changes in operating assets and liabilities	<u>(26,196,883)</u>	<u>(16,718,072)</u>
Total adjustments	<u>(23,893,406)</u>	<u>(8,845,225)</u>
Cash inflow (outflow) generated from operations	(12,103,821)	(730,948)
Interest received	1,403,559	884,079
Dividends received	414,120	313,738
Interest paid	(2,399,912)	(1,242,536)
Income taxes paid	(2,576,795)	(1,405,335)
Net cash flows from (used in) operating activities	<u>(15,262,849)</u>	<u>(2,181,002)</u>
Cash flows from (used in) investing activities:		
Redemption from financial assets at amortized cost	350,000	350,000
Acquisition of investments accounted for using equity method and financial assets at fair value through other comprehensive income	(107,877)	(97,009)
Proceeds from disposal of investments accounted for using equity method and financial assets at fair value through other comprehensive income	7,814,859	2,265,745
Acquisition of financial assets at fair value through profit or loss	(47,937)	-
Proceeds from disposal of financial assets at fair value through profit or loss	574,528	-
Net cash flow from disposal of subsidiaries	-	129,000
Proceeds from capital reduction of investments	15,082	28,615
Acquisition of property, plant and equipment	(5,154,447)	(3,378,053)
Proceeds from disposal of property, plant and equipment	48,354	183,253
Acquisition of intangible assets	(575,232)	(386,935)
Increase in long-term prepaid rents	(315,395)	-
Others	(163,176)	30,451
Net cash flows from (used in) investing activities	<u>2,438,759</u>	<u>(874,933)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	15,834,672	13,034,748
Proceeds from long-term borrowings	34,267,200	12,664,420
Repayments of long-term borrowings	(33,186,025)	(17,133,095)
Cash dividends paid	(5,228,555)	(5,246,557)
Acquisition of non-controlling interests	(1,801)	(35,699)
Disposal of ownership interests in subsidiaries	-	413,257
Change in non-controlling interests	(110,954)	(447,794)
Others	58,117	13,581
Net cash flows from (used in) financing activities	<u>11,632,654</u>	<u>3,262,861</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,425,268</u>	<u>(3,094,809)</u>
Net increase (decrease) in cash and cash equivalents	233,832	(2,887,883)
Cash and cash equivalents at beginning of period	70,062,713	72,950,596
Cash and cash equivalents at end of period	<u>\$ 70,296,545</u>	<u>70,062,713</u>

See accompanying notes to financial statements.