

## **Independent Auditors' Report**

To Compal Electronics, Inc.:

We have audited the accompanying balance sheets of Compal Electronics, Inc. as of December 31, 2015 and 2014 (retrospectively adjusted), and the statements of comprehensive income, and changes in equity and cash flows for the years ended December 31, 2015 and 2014 (retrospectively adjusted). These annual parent company only financial reports are the responsibility of the Company's management. Our responsibility is to express an opinion on these annual parent company only financial reports based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the generally accepted auditing standards in the Republic of China. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the annual parent company only financial reports are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual parent company only financial reports. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual parent company only financial reports. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the annual parent company only financial reports referred to above present fairly, in all material respects, the financial position of Compal Electronics, Inc. as of December 31, 2015 and 2014 (retrospectively adjusted), and the results of its operations and its cash flows for the years ended December 31, 2015 and 2014 (retrospectively adjusted), in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

As stated in note (6)(c) of the annual parent company only financial reports, Compal Electronics, Inc. recognized both the impairment loss of \$1,689,000,000 on the equity investment in Chunghwa Picture Tubes, Ltd. and the related share of loss of associates and joint ventures accounted for using equity method of 3,041,000,000 for the three months ended March 31, 2014.

As stated in note (3)(a) of the annual parent company only financial reports, effective January 1, 2015, the annual parent company only financial reports of Compal Electronics, Inc. are prepared in conformity with International Financial Reporting Standards (2013), International Accounting Standards (2013), IFRIC Interpretations (2013) and SIC Interpretations (not including International Financial Reporting Standards 9) endorsed by the Financial Supervisory Commissions R.O.C., and the annual parent company only financial reports for the year ended December 31, 2014 are retrospectively adjusted accordingly. The adjustment did not have any significant impact to the annual parent company only financial reports.

March 30, 2016

**Note to Readers**

The accompanying financial reports are intended only to present the financial position, results of operations, and cash flows in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and not those of any other jurisdictions. The standards, procedures and practices to audit such financial reports are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial reports 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 financial reports, the Chinese version shall prevail.

**COMPAL ELECTRONICS, INC.**

**Balance Sheets**

**December 31, 2015 and 2014**  
(expressed in thousands of New Taiwan dollars)

	<b>December 31, 2015</b>		<b>December 31, 2014</b> (retrospectively adjusted)		<b>December 31, 2015</b>		<b>December 31, 2014</b> (retrospectively adjusted)		
<b>Assets</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and equity</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	\$ 30,797,312	10.4	43,095,497	12.5	Short-term borrowings	\$ 22,087,200	7.5	28,667,700	8.3
Current financial assets at fair value through profit or loss	-	-	114,111	-	Notes and accounts payable	63,996,915	21.6	101,637,875	29.6
Current available-for-sale financial assets	29,738	-	44,538	-	Notes and accounts payable to related parties	62,361,931	21.1	74,153,547	21.6
Current bond investment without active market	350,000	0.1	350,000	0.1	Other payables	8,957,625	3.0	8,133,574	2.4
Notes and accounts receivable, net	148,844,537	50.2	166,442,177	48.5	Current tax liabilities	2,200,353	0.7	583,444	0.2
Notes and accounts receivable due from related parties, net	973,946	0.3	3,085,099	0.9	Current provisions	2,034,677	0.7	1,676,185	0.5
Other receivables	553,185	0.3	427,096	0.1	Other current liabilities	428,602	0.1	645,522	0.2
Inventories	25,344,975	8.6	41,528,853	12.1	Unearned revenue	1,747,574	0.6	2,293,685	0.6
Other current assets	<u>603,115</u>	<u>0.2</u>	<u>522,183</u>	<u>0.2</u>	Long-term borrowings, current portion	<u>13,850,000</u>	<u>4.7</u>	<u>3,000,000</u>	<u>0.9</u>
	<u>207,496,808</u>	<u>70.1</u>	<u>255,609,554</u>	<u>74.4</u>		<u>177,664,877</u>	<u>60.0</u>	<u>220,791,532</u>	<u>64.3</u>
<b>Non-current assets:</b>					<b>Non-current liabilities:</b>				
Investments accounted for using equity method	78,006,762	26.3	73,585,998	21.4	Long-term borrowings	13,740,000	4.6	19,660,000	5.7
Non-current available-for-sale financial assets	5,970,903	2.0	8,735,528	2.6	Deferred tax liabilities	448,762	0.2	1,117,063	0.3
Non-current financial assets at cost	6,588	-	6,588	-	Non-current net defined benefit liabilities	469,846	0.2	399,130	0.1
Non-current bond investment without active market	1,050,000	0.4	1,400,000	0.4	Other non-current liabilities	<u>139,759</u>	<u>-</u>	<u>76,467</u>	<u>-</u>
Property, plant and equipment	2,181,737	0.7	2,230,023	0.7		<u>14,798,367</u>	<u>5.0</u>	<u>21,252,660</u>	<u>6.1</u>
Intangible assets	378,454	0.1	412,185	0.1	<b>Total liabilities</b>	<u>192,463,244</u>	<u>65.0</u>	<u>242,044,192</u>	<u>70.4</u>
Deferred tax assets	1,042,365	0.4	1,336,919	0.4	<b>Equity attributable to owners of parent:</b>				
Other non-current assets	<u>105,422</u>	<u>-</u>	<u>114,320</u>	<u>-</u>	Ordinary shares	44,711,266	15.1	44,232,366	12.9
	<u>88,742,231</u>	<u>29.9</u>	<u>87,821,561</u>	<u>25.6</u>	Capital surplus	12,838,638	4.3	14,296,445	4.2
<b>Total assets</b>	<b>\$ <u>296,239,039</u></b>	<b><u>100.0</u></b>	<b><u>343,431,115</u></b>	<b><u>100.0</u></b>	Retained earnings	51,877,511	17.5	47,721,872	13.9
					Other equity interest	(3,926,881)	(1.3)	(3,139,021)	(0.9)
					Treasury shares	<u>(1,724,739)</u>	<u>(0.6)</u>	<u>(1,724,739)</u>	<u>(0.5)</u>
					<b>Total equity</b>	<u>103,775,795</u>	<u>35.0</u>	<u>101,386,923</u>	<u>29.6</u>
					<b>Total liabilities and equity</b>	<b>\$ <u>296,239,039</u></b>	<b><u>100.0</u></b>	<b><u>343,431,115</u></b>	<b><u>100.0</u></b>

# COMPAL ELECTRONICS, INC.

## Statements of Comprehensive Income

**For the years ended December 31, 2015 and 2014**  
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2015		2014 (retrospectively adjusted)	
	Amount	%	Amount	%
<b>Net sales revenue</b>	\$ 802,994,930	100.0	803,504,061	100.0
<b>Cost of sales</b>	<u>780,260,207</u>	<u>97.2</u>	<u>782,209,491</u>	<u>97.4</u>
<b>Gross profit</b>	22,734,723	2.8	21,294,570	2.6
<b>Less: Unrealized profit from sales</b>	<u>(2,867)</u>	<u>-</u>	<u>5,657</u>	<u>-</u>
<b>Gross profit</b>	<u>22,737,590</u>	<u>2.8</u>	<u>21,288,913</u>	<u>2.6</u>
<b>Operating expenses:</b>				
Selling expenses	3,798,280	0.5	2,260,919	0.3
Administrative expenses	2,581,758	0.3	2,563,289	0.3
Research and development expenses	<u>9,052,274</u>	<u>1.1</u>	<u>9,172,949</u>	<u>1.1</u>
	<u>15,432,312</u>	<u>1.9</u>	<u>13,997,157</u>	<u>1.7</u>
<b>Net operating income</b>	<u>7,305,278</u>	<u>0.9</u>	<u>7,291,756</u>	<u>0.9</u>
<b>Non-operating income and expenses:</b>				
Other gains and losses	293,589	-	951,688	0.1
Finance costs	(604,735)	-	(515,563)	(0.1)
Other income	786,958	0.1	751,602	0.1
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	2,413,800	0.3	790,247	0.1
Impairment loss	<u>(32,000)</u>	<u>-</u>	<u>(1,691,121)</u>	<u>(0.2)</u>
<b>Total non-operating income and expenses</b>	<u>2,857,612</u>	<u>0.4</u>	<u>286,853</u>	<u>-</u>
<b>Profit before tax</b>	10,162,890	1.3	7,578,609	0.9
<b>Less: tax expense</b>	<u>1,478,280</u>	<u>0.2</u>	<u>554,148</u>	<u>-</u>
<b>Profit</b>	<u>8,684,610</u>	<u>1.1</u>	<u>7,024,461</u>	<u>0.9</u>
<b>Other comprehensive income:</b>				
<b>Items that may not be reclassified subsequently to profit or loss</b>				
Other comprehensive income, before tax, remeasurement of defined benefit plans	(79,571)	-	(43,607)	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that may not be reclassified subsequently to profit or loss	(4,988)	-	(289)	-
Less: income tax relating to items that may not be reclassified	<u>(13,527)</u>	<u>-</u>	<u>(6,268)</u>	<u>-</u>
Items that may not be reclassified subsequently to profit or loss	<u>(71,032)</u>	<u>-</u>	<u>(37,628)</u>	<u>-</u>
<b>Items that may be reclassified subsequently to profit or loss</b>				
Other comprehensive income, before tax, exchange differences on translation	2,011,139	0.2	2,903,749	0.3
Other comprehensive income, before tax, available-for-sale financial assets	(1,695,723)	(0.2)	1,391,202	0.2
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that may be reclassified subsequently to profit or loss	(357,582)	-	269,533	-
Less: income tax relating to items that may be reclassified	<u>18,486</u>	<u>-</u>	<u>2,837</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss	<u>(60,652)</u>	<u>-</u>	<u>4,561,647</u>	<u>0.5</u>
<b>Other comprehensive income, net of tax</b>	<u>(131,684)</u>	<u>-</u>	<u>4,524,019</u>	<u>0.5</u>
<b>Total comprehensive income</b>	<u>\$ 8,552,926</u>	<u>1.1</u>	<u>11,548,480</u>	<u>1.4</u>
<b>Earnings per share:</b>				
<b>Basic net income per share</b>	<u>\$ 2.01</u>		<u>1.63</u>	
<b>Diluted net income per share</b>	<u>\$ 1.97</u>		<u>1.61</u>	

**COMPAL ELECTRONICS, INC.**

**Statements of Changes in Equity**  
**For the years ended December 31, 2015 and 2014**  
 (expressed in thousands of New Taiwan dollars)

	Retained earnings					Other equity interest						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 available-for-sale financial assets	Unearned employee benefit and others	Total other equity interest	Treasury shares	
<b>Balance on January 1, 2014</b>	\$ 44,134,467	16,193,087	15,621,182	8,818,725	19,820,927	44,260,834	(1,846,674)	(5,860,844)	-	(7,707,518)	(2,007,725)	94,873,145
The effect of retroactive adjustment and retrospective application	-	-	-	-	229,144	229,144	-	-	-	-	-	229,145
<b>Balance on January 1, 2014 (retrospectively adjusted)</b>	<u>44,134,467</u>	<u>16,193,087</u>	<u>15,621,182</u>	<u>8,818,725</u>	<u>20,050,071</u>	<u>44,489,978</u>	<u>(1,846,674)</u>	<u>(5,860,844)</u>	<u>-</u>	<u>(7,707,518)</u>	<u>(2,007,725)</u>	<u>95,102,289</u>
Profit for the year ended December 31, 2014 (retrospectively adjusted)	-	-	-	-	7,024,461	7,024,461	-	-	-	-	-	7,024,461
Other comprehensive income	-	-	-	-	(37,628)	(37,628)	3,018,218	1,543,429	-	4,516,647	-	4,524,019
Total comprehensive income (retrospectively adjusted)	-	-	-	-	6,986,833	6,986,833	3,018,218	1,543,429	-	4,516,647	-	11,548,480
Appropriation and distribution of retained earnings (note 1):												
Legal reserve appropriated	-	-	246,721	-	(246,721)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,111,207)	1,111,207	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,177,668)	(2,177,668)	-	-	-	-	-	(2,177,668)
Cash dividends from capital surplus	-	(2,177,668)	-	-	-	-	-	-	-	-	-	(2,177,668)
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	-	3,492	-	-	(1,575,776)	(1,575,776)	6,763	87	-	6,850	-	(1,565,434)
Changes in ownership interests in subsidiaries	-	(3,720)	-	-	(1,495)	(1,495)	-	-	-	-	-	(5,215)
Changes in equity of associates and joint ventures accounted for using equity method	-	24,056	-	-	-	-	-	-	-	-	-	24,056
Issuance of shares for employee share options exercised	97,899	97,818	-	-	-	-	-	-	-	-	-	195,717
Share-based payment transaction	-	109,389	-	-	-	-	-	-	-	-	282,986	392,375
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	49,991	-	-	-	-	-	-	-	-	-	49,991
<b>Balance on December 31, 2014 (retrospectively adjusted)</b>	<u>44,232,366</u>	<u>14,296,445</u>	<u>15,867,903</u>	<u>7,707,518</u>	<u>24,146,451</u>	<u>47,721,872</u>	<u>1,178,307</u>	<u>(4,317,328)</u>	<u>-</u>	<u>(3,139,021)</u>	<u>(1,724,739)</u>	<u>101,386,923</u>
Profit for the year ended December 31, 2015	-	-	-	-	8,684,610	8,684,610	-	-	-	-	-	8,684,610
Other comprehensive income	-	-	-	-	(71,032)	(71,032)	1,624,754	(1,693,104)	7,698	(60,652)	-	(131,684)
Total comprehensive income	-	-	-	-	8,613,578	8,613,578	1,624,754	(1,693,104)	7,698	(60,652)	-	8,552,926
Appropriation and distribution of retained earnings (note 2):												
Legal reserve appropriated	-	-	703,408	-	(703,408)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(4,568,497)	4,568,497	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,428,781)	(4,428,781)	-	-	-	-	-	(4,428,781)
Cash dividends from capital surplus	-	(2,214,390)	-	-	-	-	-	-	-	-	-	(2,214,390)
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	-	258	-	-	-	-	-	-	-	-	-	258
Changes in ownership interests in subsidiaries	-	28,275	-	-	(14,572)	(14,572)	-	-	-	-	-	13,703
Changes in equity of associates and joint ventures accounted for using equity method	-	5,824	-	-	(15,956)	(15,956)	-	-	-	-	-	(10,132)
Share-based payment transaction	478,900	647,200	-	-	1,370	1,370	-	-	(727,208)	(727,208)	-	400,262
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	75,026	-	-	-	-	-	-	-	-	-	75,026
<b>Balance on December 31, 2015</b>	<u>\$ 44,711,266</u>	<u>12,838,638</u>	<u>16,571,311</u>	<u>3,139,021</u>	<u>32,167,179</u>	<u>51,877,511</u>	<u>2,803,061</u>	<u>(6,010,432)</u>	<u>(719,510)</u>	<u>(3,926,881)</u>	<u>(1,724,739)</u>	<u>103,775,795</u>

Note 1: Directors' and supervisors' remuneration amounting to \$21,761 and employee bonuses amounting to \$314,199 were recognized in the 2013 statement of comprehensive income.

Note 2: Directors' and supervisors' remuneration amounting to \$49,379 and employee bonuses amounting to \$895,790 were recognized in the 2014 statement of comprehensive income.

**COMPAL ELECTRONICS, INC.**

**Statements of Cash Flows**

**For the years ended December 31, 2015 and 2014**  
(expressed in thousands of New Taiwan dollars)

	<b>2015</b>	<b>2014</b> <b>(retrospectively adjusted)</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ <u>10,162,890</u>	<u>7,578,609</u>
<b>Adjustments:</b>		
Depreciation and amortization	698,496	855,418
Increase in allowances for uncollectible accounts	27,627	7,381
Interest expense	604,735	515,563
Interest income	(153,268)	(158,627)
Dividends income	(170,537)	(147,794)
Compensation cost arising from share-based payment transaction	400,262	110,250
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(2,413,800)	(790,247)
Loss (gain) on disposal of investments	(405,885)	46,381
Impairment loss on financial assets	<u>32,000</u>	<u>1,691,121</u>
<b>Adjustments to reconcile profit</b>	<u>(1,380,370)</u>	<u>2,129,446</u>
<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	114,111	(40,193)
Decrease (increase) in notes and accounts receivable	19,681,148	10,794,135
Decrease (increase) in inventories	16,183,878	(11,096,332)
Decrease (increase) in other current assets	(80,932)	(124,932)
Decrease (increase) in other receivable	<u>(150,363)</u>	<u>506,306</u>
<b>Total changes in operating assets</b>	<u>35,747,842</u>	<u>38,984</u>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in notes and accounts payable	(49,432,576)	23,378,885
Increase (decrease) in other payables	807,475	(926,097)
Increase (decrease) in provisions	358,492	271,965
Increase (decrease) in unearned revenue	(546,111)	410,956
Increase (decrease) in other current liabilities	(216,920)	231,895
Other	<u>(26,483)</u>	<u>48,003</u>
<b>Total changes in operating liabilities</b>	<u>(49,056,123)</u>	<u>23,415,607</u>
<b>Total changes in operating assets and liabilities</b>	<u>(13,308,281)</u>	<u>23,454,591</u>
<b>Total adjustments</b>	<u>(14,688,651)</u>	<u>25,584,037</u>
Cash flows from (used in) operations	(4,525,761)	33,162,646
Interest received	160,900	168,543
Dividends received	900,359	750,407
Interest paid	(588,159)	(489,520)
Income taxes paid	<u>(240,077)</u>	<u>(184,371)</u>
<b>Net cash flows from (used in) operating activities</b>	<u>(4,292,738)</u>	<u>33,407,705</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method, available-for-sale financial assets and bond investment without active market	(1,023,451)	(1,421,025)
Proceeds from disposal of investments accounted for using equity method and available-for sale financing assets	1,489,852	195,597
Redemption from bond investment without active market	350,000	-
Net cash outflows resulted from business combination	-	(534,954)
Proceeds from capital reduction and liquidation of investments	51,520	65,776
Acquisition of property, plant and equipment	(153,958)	(110,730)
Decrease (increase) in other receivable due from related parties	27,733	373,037
Acquisition of intangible assets	(470,768)	(307,808)
Other	<u>17,144</u>	<u>16,407</u>
<b>Net cash flows from (used in) investing activities</b>	<u>288,072</u>	<u>(1,723,700)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	(6,580,500)	(4,736,756)
Proceeds from long-term borrowings	12,770,000	10,100,000
Repayments of long-term borrowings	(7,840,000)	(240,000)
Cash dividends paid	(6,643,171)	(4,355,336)
Exercise of employee share options	-	195,717
Treasury shares convert to employee	-	282,125
Other	<u>152</u>	<u>3</u>
<b>Net cash flows from (used in) financing activities</b>	<u>(8,293,519)</u>	<u>1,245,753</u>
Net increase (decrease) in cash and cash equivalents	(12,298,185)	32,929,758
Cash and cash equivalents at beginning of period	43,095,497	10,165,739
Cash and cash equivalents at end of period	<u>\$ <b>30,797,312</b></u>	<u><b>43,095,497</b></u>