Stock Code:2324

COMPAL ELECTRONICS, INC.

FINANCIAL STATEMENTS

December 31, 2016 and 2015

(With Independent Auditor's Report Thereon)

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Independent Auditor's Report

To COMPAL ELECTRONICS, INC.:

Opinion

We have audited the financial statements of COMPAL ELECTRONICS, INC. ("the Company"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Attestation 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 section of the Auditor's Responsibilities for the Audit of the Financial Statements . We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and other ethical responsibilities in accordance with the Code have been fulfilled. 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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)(f) and Note (5) for the accounting policy of accounts receivable, as well as the estimation and assumption uncertainty of the valuation of accounts receivable, respectively. Information of account receivable valuation are disclosed in Note (6)(e) of the parent-company-only financial reports.

   Description of key audit matters:

   The Company 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 Company's estimations for bad debts, our key audit procedures included analyzing the aging of accounts receivable, examining the historical recovery records, and the current credit status of customers, as well as inspecting the amount collected in the subsequent period.

2. Provision of sales returns and allowances

Please refer to Note (4)(o) and Note (5) for the policy of the estimation of sales returns and allowance provisions, as well as the estimation and assumption uncertainty of sales returns and allowances provisions, respectively. Information on sales returns and allowances provisions are disclosed in Note (6)(m) of the parent-company-only financial reports.

Description of key audit matters:

Part of the sales need to provide allowance and return to the customers, and the estimation of the above items affects the net sales. Since the said matter is subject to management's judgment, the rationality of the basis is one of the key audit matters.

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

Our key audit procedures included reviewing the appropriateness of accounting policy and disclosure of provision for sales return and allowance, and evaluating the historical accuracy of the estimation of sales return and allowance, as well as evaluating the appropriateness of estimation in the following year. In addition, to evaluate if there is a significant misstatement, we analyzed the trend of sales by main customers and by products, to compare with the changes of provision of sales returns and allowances.

3. Inventory valuation

Please refer to Note (4)(g) 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)(f) of the parent-company-only financial reports.

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 Company, our key audit procedures included reviewing the consistency of accounting policy, inspecting the Company' 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company' 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 parent-company-only financial reports, 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial reports. We are responsible for the direction, supervision and performance of the 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 considered 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 parent-company-only financial reports 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 auditor's report are Kuan-Ying Kuo and Yiu-Kwan Au.

KPMG

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2017

Notes to Readers

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

COMPAL ELECTRONICS, INC.
Balance Sheets
December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 43,392,135	13.2	30,797,312	10.4
1125	Current available-for-sale financial assets (note (6)(b))	48,631	-	29,738	-
1147	Current bond investments without active market (note (6)(d))	350,000	0.1	350,000	0.1
1170	Notes and accounts receivable, net (note (6)(e))	162,701,780	49.5	148,844,537	50.2
1180	Notes and accounts receivable due from related parties, net (notes (6)(e) and (7))	2,177,705	0.7	973,946	0.3
1200	Other receivables (notes (6)(e) and (7))	314,439	0.1	553,185	0.3
1310	Inventories (note (6)(f))	27,969,011	8.5	25,344,975	8.6
1470	Other current assets	458,714	0.1	603,115	0.2
		237,412,415	72.2	207,496,808	70.1
	Non-current assets:				
1550	Investments accounted for using equity method (note (6)(g))	80,626,717	24.5	78,006,762	26.3
1523	Non-current available-for-sale financial assets (note (6)(b))	6,349,202	1.9	5,970,903	2.0
1543	Non-current financial assets at cost (note (6)(c))	2,333	-	6,588	-
1546	Non-current bond investment without active market (note (6)(d))	700,000	0.2	1,050,000	0.4
1600	Property, plant and equipment (note (6)(j))	2,132,114	0.8	2,181,737	0.7
1780	Intangible assets	268,316	0.1	378,454	0.1
1840	Deferred tax assets (note (6)(p))	1,012,590	0.3	1,042,365	0.4
1990	Other non-current assets	117,233	-	105,422	-
		91,208,505	27.8	88,742,231	29.9
	Total assets	$ 328,620,920	100.0	296,239,039	100.0

		December 31, 2016		December 31, 2015	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note (6)(k))	$ 30,443,750	9.3	22,087,200	7.5
2170	Notes and accounts payable	72,535,568	22.0	63,996,915	21.6
2180	Notes and accounts payable to related parties (note (7))	73,903,066	22.5	62,361,931	21.1
2200	Other payables (note (7))	7,725,946	2.4	8,957,625	3.0
2230	Current tax liabilities	1,024,690	0.3	2,200,353	0.7
2250	Current provisions (note (6)(m))	1,532,250	0.5	2,034,677	0.7
2300	Other current liabilities	926,734	0.3	428,602	0.1
2313	Unearned revenue	1,774,158	0.5	1,747,574	0.6
2320	Long-term liabilities, current portion (note (6)(l))	7,700,000	2.3	13,850,000	4.7
		197,566,162	60.1	177,664,877	60.0
	Non-Current liabilities:				
2540	Long-term borrowings (note (6)(l))	23,635,000	7.2	13,740,000	4.6
2570	Deferred tax liabilities (note (6)(p))	699,875	0.2	448,762	0.2
2640	Non-current net defined benefit liabilities (note (6)(o))	541,693	0.2	469,846	0.2
2670	Other non-current liabilities (note (6)(g))	373,801	0.1	139,759	-
		25,250,369	7.7	14,798,367	5.0
	Total liabilities	222,816,531	67.8	192,463,244	65.0
	Equity attributable to owners of parent:				
3110	Ordinary share (note (6)(q))	44,241,606	13.5	44,711,266	15.1
3200	Capital surplus (note (6)(q))	11,779,274	3.6	12,838,638	4.3
3300	Retained earnings (note (6)(q))	55,289,409	16.8	51,877,511	17.5
3400	Other equity interest (notes (6)(q) and 6(r))	(4,624,653)	(1.4)	(3,926,881)	(1.3)
3500	Treasury shares (note (6)(q))	(881,247)	(0.3)	(1,724,739)	(0.6)
	Total equity	105,804,389	32.2	103,775,795	35.0
	Total liabilities and equity	$ 328,620,920	100.0	296,239,039	100.0

See accompanying notes to the parent-company-only financial reports.

COMPAL ELECTRONICS, INC.

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2016		2015	
		Amount	**%**	**Amount**	**%**
4000	**Net sale revenue (notes (6)(t) and (7))**	$725,653,095	100.0	802,994,930	100.0
5000	**Cost of sales (notes (6)(f), (6)(o), (7) and (12)):**	704,371,443	97.1	780,260,207	97.2
	Gross profit	21,281,652	2.9	22,734,723	2.8
5910	**Less: Unrealized profit from sales**	481	-	(2,867)	-
	Gross profit	21,281,171	2.9	22,737,590	2.8
	Operating expenses (notes (6)(n), (6)(o), (7) and (12)):				
6100	Selling expenses	4,060,832	0.6	3,798,280	0.5
6200	Administrative expenses	2,395,657	0.3	2,581,758	0.3
6300	Research and development expenses	8,851,828	1.2	9,052,274	1.1
		15,308,317	2.1	15,432,312	1.9
	Net operating income	5,972,854	0.8	7,305,278	0.9
	Non-operating income and expenses:				
7020	Other gains and losses, net (note 6(v))	(581,031)	-	261,589	-
7050	Finance costs	(719,294)	(0.1)	(604,735)	-
7190	Other income (notes (6)(n), (6)(v) and (7))	933,004	0.1	786,958	0.1
7370	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (note (6)(g))	3,766,213	0.5	2,413,800	0.3
	Total non-operating income and expenses	3,398,892	0.5	2,857,612	0.4
7900	**Profit before tax**	9,371,746	1.3	10,162,890	1.3
	Less: tax expense (note 6(p))	1,240,856	0.2	1,478,280	0.2
7950					
	Profit	8,130,890	1.1	8,684,610	1.1
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	(82,021)	-	(79,571)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that will not be reclassified subsequently to profit or loss	(6,375)	-	(4,988)	-
8349	Income tax relating to items that will not be reclassified to profit or loss	13,944	-	13,527	-
	Items that will not be reclassified subsequently to profit or loss	(74,452)	-	(71,032)	-
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	(1,004,076)	(0.1)	2,011,139	0.2
8362	Other comprehensive income, before tax, available-for-sale financial assets	362,179	-	(1,695,723)	(0.2)
8380	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	(521,847)	-	(357,582)	-
8399	Income tax relating to items that may reclassified to profit or loss	23,868	-	(18,486)	-
	Items that may reclassified subsequently to profit or loss	(1,139,876)	(0.1)	(60,652)	-
8300	**Other comprehensive income, net of tax**	(1,214,328)	(0.1)	(131,684)	-
8500	**Total comprehensive income**	**$ 6,916,562**	**1.0**	**8,552,926**	**1.1**
	Earnings per share (note (6)(s)):				
9750	**Basic earnings per share**	**$**	**1.88**		**2.01**
9850	**Diluted earnings per share**	**$**	**1.84**		**1.97**

See accompanying notes to the parent-company-only financial reports.

COMPAL ELECTRONICS, INC.
Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

			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**	**Total equity**
Balance on January 1, 2015	$ 44,232,366	14,296,445	15,867,903	7,707,518	24,146,451	47,721,872	1,178,307	(4,317,328)	-	(3,139,021)	(1,724,739)	101,386,923
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:												
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 payments 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
Balance on December 31, 2015	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
Profit for the year ended December 31, 2016	-	-	-	-	8,130,890	8,130,890	-	-	-	-	-	8,130,890
Other comprehensive income	-	-	-	-	(74,452)	(74,452)	(1,478,779)	346,602	(7,699)	(1,139,876)	-	(1,214,328)
Total comprehensive income	-	-	-	-	8,056,438	8,056,438	(1,478,779)	346,602	(7,699)	(1,139,876)	-	6,916,562
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)
Cash dividends from capital surplus	-	(885,334)	-	-	-	-	-	-	-	-	-	(885,334)
Changes in ownership interests in subsidiaries	-	22	-	-	(658)	(658)	-	-	-	-	-	(636)
Changes in equity of associates and joint ventures accounted for using equity method	-	1,723	-	-	(10,527)	(10,527)	-	-	-	-	-	(8,804)
Share-based payments transaction	(31,500)	(40,846)	-	-	3,671	3,671	-	-	442,104	442,104	-	373,429
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	60,048	-	-	-	-	-	-	-	-	-	60,048
Retirement of treasury share	(438,160)	(194,977)	-	-	(210,355)	(210,355)	-	-	-	-	843,492	-
Balance on December 31, 2016	**$ 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**

Note：Employees' compensation amounting to $876,028 and $949,980 and directors' compensation amounting to $46,323 and $50,234, were recognized in the statements of comprehensive income for the years ended December 31, 2016 and 2015, respectively.

COMPAL ELECTRONICS, INC.
Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit before tax	$ 9,371,746	10,162,890
Adjustments:		
Depreciation and amortization	609,655	698,496
Increase in allowances for uncollectible accounts	714,682	27,627
Finance costs	719,294	604,735
Interest income	(119,754)	(153,268)
Dividend income	(133,485)	(170,537)
Compensation cost arising from share-based payment transaction	373,429	400,262
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(3,766,213)	(2,413,800)
Gain on disposal of investments	-	(405,885)
Impairment loss on financial assets	13,403	32,000
Adjustments to reconcile profit	(1,588,989)	(1,380,370)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Changes in financial assets at fair value through profit or loss	-	114,111
Decrease (increase) in notes and accounts receivable	(15,775,684)	19,681,148
Decrease (increase) in other receivable	175,486	(150,363)
Decrease (increase) in inventories	(2,624,036)	16,183,878
Decrease (increase) in other current assets	144,401	(80,932)
Total changes in operating assets	(18,079,833)	35,747,842
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	20,079,788	(49,432,576)
Increase (decrease) in other payables	(1,220,679)	807,475
Increase (decrease) in provisions	(502,427)	358,492
Increase (decrease) in unearned revenue	26,584	(546,111)
Increase (decrease) in other current liabilities	498,132	(216,920)
Others	(9,738)	(26,483)
Total changes in operating liabilities	18,871,660	(49,056,123)
Total changes in operating assets and liabilities	791,827	(13,308,281)
Total adjustments	(797,162)	(14,688,651)
Cash flows from (used in) operations	8,574,584	(4,525,761)
Interest received	110,209	160,900
Dividends received	359,324	900,359
Interest paid	(730,294)	(588,159)
Income taxes paid	(2,097,820)	(240,077)
Net cash flows from (used in) operating activities	6,216,003	(4,292,738)
Cash flows from (used in) investing activities:		
Redemption from bond investment without active market	350,000	350,000
Acquisition of investments accounted for using equity method and available-for-sale financial assets	(303,702)	(1,023,451)
Proceeds from disposal of investments accounted for using equity method and available-for sale financing assets	-	1,489,852
Proceeds from capital reduction and liquidation of investments	25,630	51,520
Acquisition of property, plant and equipment	(159,703)	(153,958)
Decrease (Increase) in other receivables due from related parties	(20,939)	27,733
Acquisition of intangible assets	(290,200)	(470,768)
Others	(11,811)	17,144
Net cash flows from (used in) investing activities	(410,725)	288,072
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	8,356,550	(6,580,500)
Proceeds from long-term borrowings	23,515,000	12,770,000
Repayments of long-term borrowings	(19,770,000)	(7,840,000)
Cash dividends paid	(5,312,005)	(6,643,171)
Others	-	152
Net cash flows from (used in) financing activities	6,789,545	(8,293,519)
Net increase (decrease) in cash and cash equivalents	12,594,823	(12,298,185)
Cash and cash equivalents at beginning of period	30,797,312	43,095,497
Cash and cash equivalents at end of period	$ **43,392,135**	**30,797,312**

See accompanying notes to the parent-company-only financial reports.

COMPAL ELECTRONICS, INC.

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Compal Electronics, Inc. (the “Company”) was incorporated in June 1984 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No.581 and No. 581-1, Ruiguang Rd., Neihu Dist., Taipei City, Taiwan. In accordance with Article 19 of the Business Mergers and Acquisitions Act, the Company merged its subsidiary, Compal Communications, Inc. (“CCI”) (the “Merger”), pursuant to the resolutions of the Board of Directors in November, 2013. The Company was the surviving company and CCI was the dissolved company. The effective date of the Merger was February 27, 2014. The Company primarily is involved in the manufacture and sale of notebook personal computers (“notebook PCs”), monitors, LCD TVs, mobile phones, and various components and peripherals.

(2) Approval date and procedures of the financial statements:

The accompanying parent-company-only financial reports were authorized for issuance by the Board of Directors and issued on March 28, 2017.

(3) New standards, amendments and interpretations adopted:

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014

COMPAL ELECTRONICS, INC.
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New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

Except for the following items, the Company believes that the adoption of the above IFRSs would not have a material impact on the parent-company-only financial statements:

1. Amendments to IAS 36 "Recoverable Amount Disclosures for Non Financial Assets"

   Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value less costs of disposal:

   1) the level of the fair value hierarchy within which the fair value measurement is categorized; and

   2) the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

   The Company expects the aforementioned amendments will result in a broader disclosure of the recoverable amount for non-financial assets.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

The following is a summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Company should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Company’s financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019

(Continued)

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New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" (Applicable for IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 "Investment Property"	January 1, 2018

The Company is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: · Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. · Impairment: The expected credit loss model is used to evaluate impairment. ·Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: ·For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. ·A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Company is evaluating the impact on its financial position and financial performance of the initial adoption of the above-mentioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent-company-only financial statements are summarized as follows. Except for those specifically mentioned, the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts in the statement of financial position, the parent-company-only financial statements have been prepared on the historical cost basis:

1) Financial instruments (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value;

2) Available-for-sale financial assets are measured at fair value;

3) The defined benefit asset (or liability) is recognized as plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note (4)(r).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollar, which is the Company' s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

(Continued)

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

1) available-for-sale financial assets;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent the hedge is effective

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company' s functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation differences in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

An entity shall classify a liability as current when:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not impact its classification.

An entity shall classify all other liabilities as non-current.

(e) Cash and cash equivalents

Cash comprise cash on hand and demand deposits. Cash equivalents are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

b) Performance of the financial asset is evaluated on a fair value basis

c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. Under a regular way, purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment losses, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company’s right to receive payment is established, which in the case of quoted securities is normally on the date the shareholders’ meeting approved the earning distribution. Such dividend income is included in non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. Under a regular way, purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

(Continued)

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

(Continued)

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income and accumulated in other equity.

Impairment losses and recoveries are recognized in profit or loss. Recovery and loss on doubtful debts of account receivables is included in operating expense, others are included in non-operating income and expense.

5) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and included in non-operating income or expenses.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in non-operating income or expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Interest and loss or gain related to financial liabilities are recognized as profit or loss and are reported under non-operating income and expenses. Financial liabilities are reclassified as equity when converted, and conversions do not generate profit or loss.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income or expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payable, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than significant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expenses.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in non-operating income and expenses.

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

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For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such unquoted equity instruments, such derivatives that are classified as financial assets are measured at amortized cost, and are included in financial assets measured at cost; and such derivatives that are classified as financial liabilities are measured at cost, and are included in financial liabilities measured at cost.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-cost principle and includes expenditure incurred in acquiring the inventories, production or transition costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(h) Non-current assets held for sale

When non-current assets are expected to be recovered primarily through sale rather than through continuing use are reclassified as held for sale. And it is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale. The sale is highly probable and shall take place within one year. Those classified as non-current assets held for sale are measured at the lower of their carrying value or fair value less costs to sell. An entity shall recognize an impairment loss for write-downs of non-current assets held for sale to fair value less costs to sell in the statements of income. If the fair value less costs to sell increases later on, a gain from such subsequent increase shall be recognized in the statements of income, but not in excess of the cumulative impairment loss that has been recognized. When the assets classified as held for sale, those assets are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(i) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

(Continued)

The parent-company-only financial statements include the Company’s share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Company from the date that significant influence commences until the date that significant influence ceases. When changes in an associate’s equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company’s ownership percentage of the associate, the Company recognizes the changes in ownership interests of its associate in capital surplus in proportion to its ownership.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company’s interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company’s share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company’s proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus, however, when the balance of the capital surplus arising from the investment was insufficient, the difference charged or credited to retained earnings. If the Company’s ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(j) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statement are equal to those in the consolidated financial statements.

Changes in the Company’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

(Continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized under non-operating income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings: 35~50 years

2) Building improvement: 8~15 years

3) Research equipment: 3 years

4) Other equipment: 0.5~5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

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(l) Leases

(i) The Company as lessor

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) The Company as lessee

Operating leases are not recognized in the Company's balance sheets.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(m) Intangible assets

(i) Goodwill

1) Initial recognition

Goodwill arising from acquisition of subsidiaries is included in intangible assets. The measurement of initial recognition of goodwill, please refer to note (4)(u).

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Goodwill related to an investment accounted for using equity method is included in the carrying amount of the investment, and not allocated to any asset, including goodwill, forms part of the carrying amount of the investment accounted for using the equity method.

(ii) Research & Development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) Its intention to complete the intangible asset and use or sell it.

3) Its ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized expenditure arising from the development phase is measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(v) Amortization

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1) Patents: the shorter of contract period and estimated useful lives

2) Computer software: 1~3 years

The residual value, the amortization period, and the amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(n) Impairment – non-derivative financial assets

Non-derivative financial assets except for inventories, deferred tax assets, assets arising from employee benefits and non-current assets classified as held for sale are assessed at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset' s cash-generating unit.

The Company assesses goodwill and intangible assets, which have indefinite useful lives and are not available for use, on an annual basis and recognizes an impairment loss on excess of carrying value over the recoverable amount.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer' s cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units. If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(Continued)

(p) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs), and net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(q) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(Continued)

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

Re-measurement of net defined benefit liability (asset) (including actuarial gains, losses and the return on plan asset and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(Continued)

(t) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

The 10% surtax on unappropriated earnings is recoded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(Continued)

(u) Business combination

Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and as an amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for the business combination are recognized immediately as the Company's expenses when incurred, except for the issuance of debt or equity instruments.

If the business combination is achieved in stages, the Company shall measure any non-controlling equity interest in the acquire, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other non-controlling interest is measured (1) at fair value at the acquisition date or (2) by using other valuation techniques acceptable under the IFRS as endorsed by the FSC.

In a business combination achieved in stages, the Company shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Company had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(v) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise restricted employee stock and employee compensation not yet approved by the Board of Directors.

(Continued)

(w) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent-company-only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent-company-only financial statements in conformity with IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the parent-company-only financial statements. In addition, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of account receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The future cash flows is determined by reference to the customer's past recovery records, analysis of its current financial position and analysis of the aging of account receivable. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to note (6)(e) for further description of the impairment of account receivable.

(b) Recognition and measurement of provisions

Because of the sales returns and allowances, the Company records a provision for estimated returns and other allowances in the same period the related revenue is recorded. The estimate is made based on historical experience and it could be different from actual sales returns and allowances, therefore, the management periodically reviews the adequacy of the estimation used. Refer to note 6(m) for further description of the recognition of provisions.

(c) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial changes, there may be significant differences in the net realizable value of inventories. Refer to note (6)(f) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 1,308	1,659
Checking accounts and demand deposits	6,664,502	21,925,414
Time deposits	33,383,621	8,209,439
Bonds purchased under resale agreements	3,342,704	660,800
	$ 43,392,135	**30,797,312**

Please refer to note (6)(x) for the disclosure of the exchange rate risk, the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

(b) Available-for-sale financial assets

	December 31, 2016	December 31, 2015
Stocks listed in domestic markets (including stocks acquired via private placement)	$ 4,524,669	4,021,762
Stocks listed in foreign markets	582,303	738,063
Stocks unlisted in domestic markets	1,221,817	1,171,944
Stocks unlisted in foreign markets	69,044	68,872
	$ 6,397,833	**6,000,641**
Current	$ 48,631	29,738
Non-current	6,349,202	5,970,903
	$ 6,397,833	**6,000,641**

(i) The Company and its subsidiaries, Zhaopal Investment Co., Ltd. (“ Zhaopal”), Yongpal Investment Co., Ltd. (“Yongpal”) and Kaipal Investment Co., Ltd. (“Kaipal”) (“the Company and its subsidiaries”), purchased newly issued shares of Chunghwa Picture Tubes, Ltd. (“CPT”) via private placement in 2009. The cost was 2.5 New Taiwan dollars per share, totally amounting to $7,000,000. The Company signed an agreement with Tatung Company (“Tatung”, the parent company of CPT) on such matter. In accordance with the agreement, the Company and its subsidiaries have the right to request Tatung to purchase all the CPT shares obtained via the private placement within certain agreed periods, at the price the Company and its subsidiaries originally paid for the CPT shares plus interest. Accordingly, since the fair value of CPT shares obtained via the private placement were below the original costs, the Company measured the book value of the shares at its original cost.

The Company filed an arbitration based on the agreement on March 29, 2013, requesting Tatung to perform its obligations. The Company received the verdict on May 12, 2014. According to the verdict, Tatung should pay $2,118,607 to the Company and its subsidiaries for purchasing all the CPT shares held by the Company and its subsidiaries. Additionally, Tatung should pay the interest which is calculated by the annual rate of 5% in the period from April 3, 2013 to the actual payment date. Therefore, the Company recognized both the impairment loss of $1,689,000 and the related share of loss of associates and joint ventures accounted for using equity method of $3,041,000 in the first quarter of 2014 accordingly. On June 13, 2014, the Company filed a civil complaint with the Taiwan Taipei District Court to revoke the arbitration award. At the end, the Taiwan Supreme Court dismissed the appeal on January 11, 2017. The Company and its subsidiaries sold total shares of CPT to Tatung on February 9, 2017 in accordance with the arbitration. The selling prices of the Company and its subsidiaries amounted to $811,466 (including the interest) and $1,460,638 (including the interest), respectively, totaling $2,272,104 (including the interest). The loss of sale was $1,804 and $2,448, respectively, and the total loss was $4,252. The total price has been fully recovered.

(ii) Except for the stocks acquired via private placement mentioned above, which are measured at the arbitration award, if there is an increase (decrease) in the market price of the equity securities by 5% on the reporting date, the increase (decrease) in other comprehensive income (pre-tax) for the years ended December 31, 2016 and 2015, will be $279,342 and $259,482, respectively. These analyses are performed on the same basis for both periods and assume that all other variables remain the same.

(iii) Parts of the value of the Company's available-for-sale financial assets declined materially and permanently; therefore, the Company recognized the impairment losses amounting to $4,604 and $32,000 for the years ended December 31, 2016 and 2015, respectively.

(iv) For the year ended 2015, the Company disposed parts of its available-for-sale financial assets for $1,489,852, and the gain on disposal amounting to $405,885, was recognized as other gains and losses.

(v) As of December 31, 2016 and 2015, the Company did not provide any available-for-sale financial assets as collaterals for its loans.

(c) Financial assets at cost

	December 31, 2016	December 31, 2015
Common stock unlisted in domestic markets	$ 2,333	6,588

(i) The aforementioned stock unlisted on domestic markets held by the Company are measured at cost less accumulated impairment losses on the reporting date. The fair values of these investments cannot be measured reliably because the range of reasonable fair value estimates is large and the probabilities for each estimate cannot be reasonably determined.

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(ii) The value of the financial assets at cost held by the Company has declined, and the impairment loss recognized in 2016 was $4,255, which was recognized as other gains and losses.

(iii) As of December 31, 2016 and 2015, the Company did not provide any financial assets at cost as collaterals for its loans.

(d) Bond investment without active market

		December 31, 2016	December 31, 2015
Common bonds – Taiwan Star Telecom Corporation Limited (“Taiwan Star”)	$	**1,050,000**	**1,400,000**
Current	$	350,000	350,000
Non-current		700,000	1,050,000
	$	**1,050,000**	**1,400,000**

The Company subscribed a five-year common bond issued by Taiwan Star via private placement for $1,750,000 in June 2014 with an interest rate of 2%. Taiwan star will repay the amount of $350,000 per annum from the date of issuance till the maturity of the bond in June 2019.

As of December 31, 2016 and 2015, the Company did not provide the aforementioned financial assets as collaterals for its loans.

(e) Notes and accounts receivable and other receivables

		December 31, 2016	December 31, 2015
Notes receivable	$	133	7,035
Accounts receivable		165,668,300	149,885,714
Other receivables		314,439	553,185
		165,982,872	150,445,934
Less: allowance for uncollectible accounts		(788,948)	(74,266)
	$	**165,193,924**	**150,371,668**
Notes and accounts receivable	$	**162,701,780**	**148,844,537**
Notes and accounts receivable – related parties	$	**2,177,705**	**973,946**
Other receivables – current	$	**314,439**	**553,185**

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The aging analysis of accounts receivable and other receivables which were past due but not impaired was as follows:

	December 31, 2016	December 31, 2015
Overdue 1 to 180 days	$ 5,839,244	880,673
Overdue 181 to 365 days	-	12,088
	$ 5,839,244	**892,761**

The change of allowance for accounts receivable and other receivables for the years ended December 31, 2016 and 2015, were as follows:

	Collectively assessed impairment	
	2016	**2015**
Balance on January 1	74,266	46,639
Impairment loss recognized	714,682	27,627
Balance on December 31	**$ 788,948**	**74,266**

Allowance for uncollectible account is the balance of accounts receivable which are uncollectable. Except for evaluating the situation of the customers' payment records and widely analyzing the credit rating of customers, the Company also takes all the necessary procedures for collection. Therefore, the Company believes that there is no doubt for the recovery of the due accounts receivable, therefore, no allowance recognized.

The Company entered into accounts receivable factoring agreements with banks. As of December 31, 2016 and 2015, the factoring amount granted by the banks was USD 200,000 thousands and USD 2,750,000 thousands, respectively. Based on the agreements, the Company is not responsible for guaranteeing the ability of the accounts receivable obligor to make payment when it is affected by credit risk. Thus, this is non-recourse accounts receivable factoring. After the transfer of the accounts receivable, the Company can request partial advanced amount, while the interest calculated at an agreed rate is paid to the bank in the period during the time of receiving advance and the accounts receivable is collected. The remaining amounts with no advance are received when the accounts receivable are settled by the customers. As of December 31, 2016 and 2015, the factored accounts receivable with no advance amounting to $0 and $149,428, respectively, are accounted for as other receivables.

The Company, customers, and banks signed the three-party contracts in which the banks purchase accounts receivable from the Company. The total amount of the accounts receivable should not exceed the facility limit provided by the banks to the Company's customers. Based on the contracts, the banks have no right to request the Company to repurchase the accounts receivable. Thus, this is a non-recourse accounts receivable transfer. As of December 31, 2016 and 2015, accounts receivable factored were fully recovered and derecognized since the conditions of derecognition were met.

As of December 31, 2016 and 2015, the details of the factored accounts receivable were as follows:

	December 31, 2016				
	Accounts receivable factored (gross)	**Advanced amount**	**Collateral**	**Amount derecognized**	**Interest rate**
Financial Institution	$ 27,835,398	27,835,398	-	27,835,398	1.19%~1.79488%

	December 31, 2015				
	Accounts receivable factored (gross)	**Advanced amount**	**Collateral**	**Amount derecognized**	**Interest rate**
Financial Institution	$ 33,766,041	33,616,613	-	33,616,613	0.9405%~1.9403%

(f) Inventories

	December 31, 2016	**December 31, 2015**
Finished goods	$ 2,636,338	3,344,837
Work in progress	32,001	11,304
Raw materials	24,204,321	21,732,807
Raw materials in transit	1,096,351	256,027
	$ 27,969,011	25,344,975

(i) During the years ended December 31, 2016 and 2015, inventory cost recognized as cost of sales amounting to $704,371,443 and $780,260,207, respectively.

(ii) In the year ended December 31, 2016, due to the write-down of inventories to net realizable value, the Company recognized the inventory valuation loss amounting to $328,895. In the year ended December 31, 2015, the Company reversed its allowance for inventory valuation loss amounting to $40,753 due to the sale and disposal of its obsolete inventories.

(iii) As of December 31, 2016 and 2015, the Company did not provide any inventories as collaterals for its loans.

(Continued)

(g) Investments accounted for using equity method

A summary of the Company's financial information for equity-accounted investees at the reporting date is as follows:

	December 31, 2016	December 31, 2015
Subsidiaries	$ 77,812,904	75,513,652
Associates	2,353,659	2,360,316
	80,166,563	77,873,968
Plus: Other receivables – related parties	93,954	209
Credit balance of investment in equity method (other non-current liability)	373,433	139,389
Less: unrealized profits or losses	(7,233)	(6,804)
	$ 80,626,717	**78,006,762**

(i) Subsidiaries

Please refer to the consolidated financial statement for the years ended December 31, 2016 and 2015.

(ii) Associates

1) The fair value of investments in associates of the Company for which there are public price quotations were as follow:

	December 31, 2016	December 31, 2015
Allied Circuit Co., Ltd. ("Allied Circuit")	$ 285,432	175,729
Avalue Technology Inc. ("Avalue")	909,584	924,564
	$ 1,195,016	**1,100,293**

2) For the years ended December 31, 2016 and 2015, the Company's share of the net gain (loss) of associates was as follows:

	2016	2015
The Company's share of the gain (loss) of associates	**$ 279,811**	**169,206**

3) The Company's financial information for investments accounted for using equity method that are individually insignificant was as follows:

	December 31, 2016	December 31, 2015
The carrying amount of individually immaterial associates	**$ 2,353,659**	**2,360,316**

The Company's share of the net income (loss) of associates:

	2016	2015
Profit from continuing operations	$ 279,811	169,206
Other comprehensive income	(195,183)	973
Total comprehensive income	**$ 84,628**	**170,179**

(iii) As of December 31, 2016 and 2015, the Company did not provide any investments accounted for using equity method as collaterals for its loans.

(h) Business combination

(i) Mactech Co., Ltd. ("Mactech")

The Company and Mactech signed an agreement of purchasing 51% of Mactech's equity for cash amounted to $177,709 through cash injection. The effective date of the aforementioned cash injection was on January 5, 2015, in which the Company started to have control over Mactech.

As of the acquisition date, the identifiable assets acquired and liabilities assumed ware as follows:

Cash and cash equivalents	$ 273,066
Financial assets at cost	2,940
Notes and accounts receivable, net	178,346
Inventories	184,310
Other receivables	1,021
Other current assets	21,187
Property, plant and equipment	164,833
Intangible assets	2,567
Deferred tax assets	21,478
Other non-current assets	17,624
Short-term borrowings	(119,500)
Notes and accounts payable	(87,190)
Long-term borrowings, current portion	(15,000)
Provisions－current	(8,668)
Other payables	(52,711)
Current Tax liability	(151)
Other current liabilities	(190,630)
Long-term borrowings	(45,000)
Other non-current liabilities	(73)
Total net identifiable assets	**$ 348,449**

(Continued)

(ii) General Life Biotechnology Co., Ltd. ("GLB")

The Company purchased newly issued shares of GLB and acquired shares from its original stockholders amounting to $246,860 in total in October 2015, which was accounted for 50% equity ownership of GLB. Starting October 2015, the Company has control over GLB.

As of the acquisition date, the identifiable assets acquired and liabilities assumed were as follows:

Cash and cash equivalents	$	224,067
Notes and accounts receivable, net		25,843
Inventories		33,656
Other current assets		5,430
Property, plant and equipment		35,093
Other non-current assets		4,745
Notes and accounts payable		(21,822)
Other current liabilities		(34,068)
Total net identifiable assets	**$**	**272,944**

The difference between the consideration transferred of $246,860 and the fair value of GLB's 50% equity ownership was $110,388. The goodwill was generated from the diversity of the Group's business.

(i) Changes in subsidiaries' equity

(i) Changes in ownership interests while retaining control (increase in ownership interest)

The Company and its subsidiaries purchased newly issued shares of Compal Broadband Networks, Inc ("CBN") amounting to $447,702 in the fourth quarter of 2016, and reduced their ownership of CBN by 2.65%, due to the investment was not purchased in accordance with the original shareholding percentage. In addition, the Company's subsidiaries purchased shares of other subsidiaries from non-controlling interest amounting to $8,643 in 2016.

The Company and its subsidiaries purchased newly issued shares of Arcadyan amounting to $315,158 in the first quarter of 2015, and increased its ownership of Arcadyan by 0.03%. The Company and its subsidiaries purchased shares of the subsidiaries from non-controlling interest amounting to $13,518 in 2015.

Mactech merged with Synchro Seiki Co., Ltd. ("Synchro") through issuing new shares in 2015. Mactech was the surviving company and Synchro was the dissolved company. The Company increased its ownership in Mactech by 1.75%.

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The following summarizes the effect of changes in equity of the parent due to changes in the ownership interest of the subsidiaries:

		2016	2015
Acquisition of non-controlling interest (carrying amount)	$	455,358	381,918
Consideration paid for the non-controlling interest		(456,345)	(368,993)
Difference	$	**(987)**	**12,925**
Capital surplus – difference between consideration and carrying amount of subsidiaries acquired or disposed	$	-	258
Capital surplus – changes in ownership interests in subsidiaries		(329)	26,603
Retained earnings		(658)	(13,936)
	$	**(987)**	**12,925**

(ii) Changes in subsidiaries' equity did not result in the Company's loss of control

1) Subsidiaries' employee stock options exercised

CBN issued a total of 249 thousand shares and 308 thousand shares for the exercise of the common stock options in 2016 and 2015, respectively, which resulted in the reduce of the Company's ownership of CBN by 0.74% and 0.82%, respectively.

2) Cancellation of subsidiaries' restricted shares

Arcadyan cancelled 25 and 39 thousand restricted shares in the years ended December 31, 2016 and 2015, respectively, which resulted in the increase of 0.0047% and 0.0074% of the Company and its subsidiaries' ownership interest of Arcadyan.

3) The following summarizes the effect of changes in equity of the parent due to changes in the ownership interest of subsidiaries:

		2016	2015
Capital surplus – changes in ownership interest in subsidiaries	$	351	1,672
Retained earnings		-	(636)
	$	**351**	**1,036**

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2016 and 2015, were as follows:

	Land	Buildings and building improvement	Other equipment	Under construction and prepayment for purchase of equipment	Total
Cost:					
Balance on January 1, 2016	$ 1,047,797	1,903,246	2,127,855	42,119	5,121,017
Additions	-	5,275	118,490	35,938	159,703
Disposal and derecognitions	-	(2,456)	(50,270)	-	(52,726)
Reclassifications	-	12,941	62,638	(75,579)	-
Balance on December 31, 2016	**$ 1,047,797**	**1,919,006**	**2,258,713**	**2,478**	**5,227,994**
Balance on January 1, 2015	$ 1,047,797	1,885,915	2,123,135	9,745	5,066,592
Additions	-	8,764	64,647	80,547	153,958
Disposal and derecognitions	-	(2,320)	(97,405)	-	(99,725)
Reclassifications	-	10,887	37,478	(48,173)	192
Balance on December 31, 2015	**$ 1,047,797**	**1,903,246**	**2,127,855**	**42,119**	**5,121,017**
Depreciation and impairments loss:					
Balance on January 1, 2016	$ -	1,009,961	1,929,319	-	2,939,280
Depreciation for the period	-	41,127	168,190	-	209,317
Disposals and derecognitions	-	(2,455)	(50,262)	-	(52,717)
Balance on December 31, 2016	**$ -**	**1,048,633**	**2,047,247**	**-**	**3,095,880**
Balance on January 1, 2015	$ -	973,599	1,862,970	-	2,836,569
Depreciation for the period	-	38,682	155,316	-	193,998
Disposals and derecognitions	-	(2,320)	(89,159)	-	(91,479)
Reclassifications	-	-	192	-	192
Balance on December 31, 2015	**$ -**	**1,009,961**	**1,929,319**	**-**	**2,939,280**
Carrying amounts:					
Balance on December 31, 2016	**$ 1,047,797**	**870,373**	**211,466**	**2,478**	**2,132,114**
Balance on January 1, 2015	**$ 1,047,797**	**912,316**	**260,165**	**9,745**	**2,230,023**
Balance on December 31, 2015	**$ 1,047,797**	**893,285**	**198,536**	**42,119**	**2,181,737**

As of December 31, 2016 and 2015, the Company did not provide property, plant and equipment as collateral for its borrowings.

(Continued)

(k) Short-term borrowings

The details of short-term borrowings were as following:

	December 31, 2016	December 31, 2015
Credit loans	$ 30,443,750	22,087,200
Unused credit line for short-term borrowings	$ 45,918,000	60,344,000
Annual range of interest rates	0.67%~1.40%	0.69%~1.2%

For information on the Company's interest risk, foreign currency risk and liquidity risk, please refer to note (6)(x).

(l) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2016			
	Currencies	Annual interest rate	Expiration year	Amount
Unsecured bank loans	TWD	1.08%~1.35%	2017~2020	$ 31,335,000
Less: current portion				7,700,000
				$ 23,635,000
Unused credit line for long-term borrowings				$ 5,069,800

	December 31, 2015			
	Currencies	Annual interest rate	Expiration year	Amount
Unsecured bank loans	TWD	1.23%~1.50%	2016~2018	$ 27,590,000
Less: current portion				13,850,000
				$ 13,740,000
Unused credit line for long-term borrowings				$ 1,407,600

For information on the Company's interest risk and liquidity risk, please refer to note (6)(x).

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Notes to Financial Statements

(m) Provisions

	2016	2015
	Sales return and allowances	Sales return and allowances and others
Balance on January 1	$ 2,034,677	1,676,185
Provisions made during the period	1,551,439	1,004,715
Provisions used during the period	(205,730)	(385,855)
Provisions reversed during the period	(1,848,136)	(260,368)
Balance on December 31	$ 1,532,250	2,034,677

Provisions related to sales of products are assessed based on historical experience, management's judgement and other known reasons. Such allowances are recognized as a deduction of sales revenue in the same period in which sales are made. The aforementioned provisions are expected to settle over the next year.

(n) Operating lease

(i) The Company as lessee

The rental payables of the non-cancellable operating lease are as follows:

	December 31, 2016	December 31, 2015
Less than one year	$ 252,029	267,704
Between one and five years	252,849	426,419
	$ 504,878	694,123

The Company leased several office areas and plants under operating leases with the leasing terms from 1 to 5 years and had an option to renew the leases when the leases expired.

For the years ended December 31, 2016 and 2015, expenses recognized in profit or loss under operating leases amounted to $251,070 and $259,977, respectively.

(ii) The Company as lessor

The Company leased out a few offices buildings, plants and equipments to third parties under operating lease with lease terms of 3 to 5 years. For the years ended December 31, 2016 and 2015, rentals recognized in profit or loss amounted to $13,807 and $13,855, respectively. The future minimum lease receivables under non-cancellable leases are as follows:

	December 31, 2016	December 31, 2015
Less than one year	$ 10,218	9,749
Between one and five years	2,357	11,688
	$ 12,575	21,437

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

(o) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets of the Company were as follows:

		December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$	(1,172,961)	(1,175,610)
Fair value of plan assets		631,268	705,764
Net defined benefit obligations	**$**	**(541,693)**	**(469,846)**

The Company makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company’ s labor pension reserve account in the Bank of Taiwan amounted to $624,625 as of December 31, 2016. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in the present value of the defined benefit obligations

The movements in the present value of defined benefit obligations for the Company were as follows:

		2016	2015
Balance on January 1	$	(1,175,610)	(1,095,931)
Current service costs and interest		(25,838)	(30,702)
Remeasurements of net benefit liabilities		(75,573)	(84,758)
Benefit paid by the plan		104,060	35,781
Balance on December 31	**$**	**(1,172,961)**	**(1,175,610)**

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

3) Movements of the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company were as follows:

	2016	2015
Fair value of plan assets on January 1	$ 705,764	696,801
Expected return on plan assets	11,066	13,656
Remeasurements of net benefit plan assets	(6,448)	5,187
Contributions made	24,946	25,901
Benefits paid by the plan assets	(104,060)	(35,781)
Fair value of plan assets on December 31	**$ 631,268**	**705,764**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Current service cost	$ 7,466	9,306
Net interest on the net defined benefit liability (asset)	7,306	7,740
	$ 14,772	**17,046**
Cost of sales	$ 424	227
Selling expenses	834	1,033
Administrative expenses	3,967	4,704
Research and development expenses	9,547	11,082
	$ 14,772	**17,046**

5) The remeasurements of the net defined benefit liability (asset) recognized in other comprehensive income

The Company’s remeasurements of the net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Cumulative amount on January 1	$ 245,206	165,635
Recognized during the period	82,021	79,571
Cumulative amount on December 31	**$ 327,227**	**245,206**

(Continued)

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting date:

	December 31, 2016	December 31, 2015
Discount rate on December 31	1.60 %	1.60 %
Future salary increases	2.50 %	2.50 %

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was $25,570.

The weighted-average duration of the defined benefit obligation is 11 years.

7) Sensitivity analysis

If the main actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Effects to the defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
December 31, 2016		
Discount rate	(30,125)	31,309
Future salary increasing rate	30,962	(29,945)
December 31, 2015		
Discount rate	(31,908)	33,207
Future salary increasing rate	32,838	(31,718)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation on the net defined benefit liabilities in the balance sheets.

The method and assumption used in the sensitivity analysis is consistent with prior period.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates the labor pension at a specific percentage to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to $277,348 and $264,002 for the years ended December 31, 2016 and 2015, respectively. Payment was made to the Bureau of Labor Insurance.

(p) Income taxes

(i) Income tax expenses

1) The amount of income tax for the years ended December 31, 2016 and 2015, was as follows:

		2016	2015
Current tax expense			
Recognized during the period	$	829,587	1,623,546
10% surtax on unappropriated earnings		325,779	643,950
Tax credit of investment		(233,210)	(410,510)
		922,156	1,856,986
Deferred tax expense			
Recognition and reversal of temporary differences		318,700	(378,706)
		318,700	(378,706)
Income tax expense	$	**1,240,856**	**1,478,280**

2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2016 and 2015, was as follows:

		2016	2015
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of the defined benefit liability	$	**(13,944)**	**(13,527)**
Items that will be reclassified subsequently to profit or loss:			
Unrealized gain (loss) of available-for-sale financial assets	$	**(23,868)**	**18,486**

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

3) The income tax expense that was reconciled between the actual income tax expense and profit before tax for the years ended December 31, 2016 and 2015, was as follows:

	2016	2015
Profit before tax	$ 9,371,746	10,162,890
Income tax calculated based on tax rate	$ 1,593,197	1,727,691
Estimated tax effect of tax exemption on investment income, net	26,154	67,825
Realized investment loss	(202,085)	(2,491)
Investment tax credit	(233,210)	(410,510)
Changes in temporary differences	(649,057)	(575,198)
Adjustment of estimated difference and other	380,078	27,013
10% surtax on unappropriated earnings	325,779	643,950
	$ 1,240,856	1,478,280

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 were as follows:

	Exchange differences on translation	Provision-sales return and allowance	Unearned revenue	Unrealized exchange losses, net	Others	Total
Deferred tax assets:						
Balance on January 1, 2016	$ 9,823	551,219	198,374	56,583	226,366	1,042,365
Recognized in profit or loss	-	(255,319)	4,519	189,663	20,029	(41,108)
Recognized in other comprehensive income	-	-	-	-	11,333	11,333
Balance on December 31, 2016	$ 9,823	295,900	202,893	246,246	257,728	1,012,590
Balance on January 1, 2015	9,823	370,295	291,213	446,963	218,625	1,336,919
Recognized in profit or loss	-	180,924	(92,839)	(390,380)	(7,562)	(309,857)
Recognized in other comprehensive income	-	-	-	-	15,303	15,303
Balance on December 31, 2015	$ 9,823	551,219	198,374	56,583	226,366	1,042,365

(Continued)

		Unrealized exchange gains, net	Others	Total
Deferred tax liabilities:				
Balance on January 1, 2016	$	(62,751)	(386,011)	(448,762)
Recognized in profit or loss		(277,592)	-	(277,592)
Recognized in other comprehensive income		-	26,479	26,479
Balance on December 31, 2016	$	**(340,343)**	**(359,532)**	**(699,875)**
Balance on January 1, 2015		(752,149)	(364,914)	(1,117,063)
Recognized in profit or loss		689,398	(835)	688,563
Recognized in other comprehensive income		-	(20,262)	(20,262)
Balance on December 31, 2015	$	**(62,751)**	**(386,011)**	**(448,762)**

(iii) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2016	December 31, 2015
Tax effect of deductible temporary differences	$	**383,552**	**347,934**

(iv) Unrecognized deferred tax assets and liabilities related to investments in subsidiaries.

The temporary differences associated with investment in subsidiaries were not recognized as deferred income tax assets and liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

As of December 31, 2016 and 2015, the aggregate deductible temporary differences relating to investments in subsidiaries not recognized as deferred tax assets amounted to $2,244,905 and $2,838,492, respectively.

As of December 31, 2016 and 2015, the aggregate taxable temporary differences relating to investments in subsidiaries not recognized as deferred tax liabilities amounted to $48,333,470 and $45,795,019, respectively.

(v) The ROC tax authorities have examined the Company’s income tax returns through 2014 except 2012.

COMPAL ELECTRONICS, INC.
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(vi) The Company's information related to the integrated income tax system is summarized below:

	December 31, 2016	December 31, 2015
Unappropriated earnings retained after January 1, 1998	$ 34,649,963	32,167,179
Balance of the imputation credit account	$ 4,694,945	3,105,405

	2016	2015
Creditable ratio for earnings distribution to R.O.C residents	12.15 %(expected)	12.60 %(actual)

The above stated information was prepared in accordance with the information letter No. 10204562810 announced by the Ministry of Finance of R.O.C. on October 17, 2013.

(q) Capital and other equities

As of December 31, 2016 and 2015, the Company' s authorized common stock consisting of 6,000,000 thousand shares with a par value of 10 New Taiwan dollar per share amounted to $60,000,000 of which 4,424,161 thousand shares and $4,471,127 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

In 2015, the Company issued its employee restricted shares amounting to $493,600. In 2016 and 2015, the Company issued its employee restricted shares amounting to wherein the amount of $31,500 and $14,700 had been cancelled due to failure in meeting the vested requirements. As of December 31, 2016, except $3,500, the registration procedure had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2016	December 31, 2015
Additional paid-in capital	$ 8,561,027	9,529,585
Treasury share transactions	2,301,816	2,351,157
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	3,750	3,750
Recognition of changes in ownership interests in subsidiaries	48,206	48,184
Employee restricted shares	603,990	647,200
Changes in equity of associates and joint ventures accounted for using equity method	260,485	258,762
	$ 11,779,274	12,838,638

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

The Company's shareholders' meeting held on June 24, 2016 and June 26, 2015, approved to distribute the cash dividend of $885,334 and $2,214,390, respectively, representing 0.2 and 0.5 New Taiwan dollars per share by using the additional paid-in capital, respectively.

(iii) Retained earnings

Based on the Company's articles of incorporation amended on June 24, 2016, if there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The earnings appropriation proposal to distribute dividend and bonus shall be proposed by the Board of Directors and approved by the General Shareholders Meeting. The rest of the unappropriated retained earnings shall be reserved.

The lifecycle of the industry of the Company is in the growing stage. To meet the need of the Company for the future capital and the need of shareholders for cash flow, if there is any profit after close of books, the cash dividend allocated by the Company each year shall not be lower than ten percent of the total dividend (including cash and share dividend) for such year.

According to the law, when there is a deduction from stockholders' equity (excluding treasury stock and unearned employee benefit) during the year, an amount equal to the deduction item is set aside as a special reserve before the earnings are appropriated. A special reserve is made available for earning distribution only after the deduction of the related shareholders' equity has been reversed.

1) Legal reverse

In accordance with the Company Act, 10% of net income should be set aside as legal reserve until it is equal to the paid-in capital. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares and distributing stock dividends or distributing cash to shareholders. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current earnings and previous unappropriated earnings shall be set aside as a special reserve during earnings distribution. The amount to be set aside should equal the total amount of contra accounts that are accounted for as deductions to other equity interests. A portion of previous unappropriated earnings shall be set aside as a special reserve, which should not be distributed, to account for cumulative changes to other equity interests pertaining to prior periods. The special reserve shall be made available for appropriation when the net deductions of other equity interests are reversed in the subsequent periods.

3) Earnings distribution

Earnings distribution for 2015 and 2014 was approved by the shareholders during their annual meeting held on June 24, 2016 and June 26, 2015, respectively. The relevant information was as follows:

	2015		2014	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Cash dividends distributed to common shareholders	$ 1.0	4,426,671	1.0	4,428,781

The earnings distribution for the year ended December 31, 2016 had not yet been approved by the Board of Directors nor decided by the shareholders. The related information can be accessed through the Market Observation Post System website after the shareholders' meeting.

4) Treasury stock

The subsidiaries of the Company did not sell the ordinary share of the Company in the years ended December 31, 2016 and 2015. As of December 31, 2016, Panpal and Gempal, subsidiaries of the Company, held 50,017 thousand shares of ordinary shares of the Company, recorded as the Company's treasury stock, with a book value of 17.6 New Taiwan dollars per share. The total cost was $881,247 as of December 31, 2016. The fair value of the ordinary share of the Company was 18.45 and 18.50 New Taiwan dollars per share as of December 31, 2016 and 2015, respectively.

Pursuant to Article 28-2 of the Securities and Exchange Act, in order to transfer its own shares to employees, the Company purchased 58,516 thousand shares of treasury stock amounting to $1,126,478 in the year ended December 31, 2013. At a meeting held on August 13, 2014, the Company's Board of Directors decided to transfer 14,700 thousand shares of treasury stock, which were purchased in 2013, to employees. The Company cancelled the rest of the 43,816 thousand shares of treasury stock purchased in 2013 at the directors' meeting held on June 29, 2016 because the legal transfer period had matured. The registration procedure had been completed.

Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. The shares purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. Furthermore, treasury stock cannot be pledged for debts, and treasury stock does not carry any shareholder rights until it is transferred.

(Continued)

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5) Other equity interests (net-of-taxes)

		Exchange differences on transaction of foreign operation financial statements	Unrealized gain (loss) on available-for-sale financial assets	Unearned compensation for restricted employee shares and others	Total
Balance on January 1, 2016		2,803,061	(6,010,432)	(719,510)	(3,926,881)
The Company		(1,004,076)	386,047	442,104	(175,925)
Subsidiaries		103,675	84,336	(7,699)	180,312
Associates		(578,378)	(123,781)	-	(702,159)
Balance on December 31, 2016	**$**	**1,324,282**	**(5,663,830)**	**(285,105)**	**(4,624,653)**
Balance on January 1, 2015	$	1,178,307	(4,317,328)	-	(3,139,021)
The Company		2,011,139	(1,714,209)	(727,208)	(430,278)
Subsidiaries		(276,241)	57,900	7,698	(210,643)
Associates		(110,144)	(36,795)	-	(146,939)
Balance on December 31, 2015	**$**	**2,803,061**	**(6,010,432)**	**(719,510)**	**(3,926,881)**

(r) Share-based payment

At the meeting held on June 20, 2014, the Company's Shareholders' Meeting adopted a resolution to issue 100,000 thousand new shares of employee restricted stock with no consideration to those full time employees who meet certain requirements. The first issuance of 50,000 thousand shares had been approved by the FSC on October 30, 2014. Moreover, the Company' s Board of Directors resolved to issue 49,980 thousand shares on January 22, 2015, and 49,360 thousand shares had actually been issued, in which the effective date of the share issuance was on February 25, 2015.

40%, 30% and 30% of the aforementioned restricted shares are vested, respectively, when the employees continue to provide service for at least 2 year, 3 years and 4 years from the registration and effective date and in the meantime, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on law and regulations. If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could receive cash and stock dividends. The aforementioned new shares are not considered as restricted shares.

(Continued)

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The information of the Company's restricted shares (in thousands) is as follows:

	2016	2015
Outstanding shares on January 1	47,890	-
Granted during the period	-	49,360
Canceled during the period	(3,150)	(1,470)
Outstanding shares on December 31	**44,740**	**47,890**

The fair value of the restricted employee shares are evaluated by using the market price of $23.50 on the grant date. As of December 31, 2016 and 2015, the unearned employee benefits were $285,104 and $727,208, respectively. The compensation cost related to the restricted shares amounted to $373,429 and $400,262, respectively, for the years ended December 31, 2016 and 2015.

(s) Earnings per share

The Company's basic and diluted earnings per share are calculated as follows:

	2016	2015
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ **8,130,890**	**8,684,610**
Weighted-average number of outstanding ordinary shares (in thousands)	**4,329,404**	**4,329,404**
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	$ **8,130,890**	**8,684,610**
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares (in thousands)		
Weighted-average number of outstanding ordinary shares (in thousands)	4,329,404	4,329,404
Effect of dilutive ordinary shares		
Employee bonuses (in thousands)	-	19,335
Employee compensation (in thousands)	59,347	51,350
Employee restricted shares (in thousands)	29,826	14,504
Weighted-average number of ordinary shares (in thousands) (after adjustment of potential diluted ordinary shares)	**4,418,577**	**4,414,593**

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(t) Revenue

The revenue for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Sale of goods	$ 724,791,301	801,866,027
Rendering of services	861,794	1,128,903
	$ 725,653,095	802,994,930

(u) Employees' and directors' compensations

Based on the Company' s articles of incorporation, if there is any profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to deduction of compensations to employees and directors, shall be distributed to employees as compensations in an amount of not less than two percent (2%) thereof and to directors as compensations in an amount of not more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset accumulated losses. The compensations to employees as mentioned above may be distributed in the form of stock or cash. Employees entitled to receive the said stock or cash may include the employees of the Company' s subordinate companies pursuant to the Company Act.

The Company accrued and recognized its employee compensation of $876,028 and $949,980, and directors' compensation of $46,323 and $50,234 for the years ended December 31, 2016 and 2015. The estimated amounts mentioned above are based on the net profit before tax without the compensations to employees and directors of each respective ending period, multiplied by the percentage of the compensation to employees and directors, which was approved by the management. The estimations are recorded under operating expenses and cost. The differences between the amounts estimated and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approve to distribute employee compensation in the form of stock, the number of the shares of the employee compensation is based on the closing price of the day before the Board of Directors meeting, the related information can be accessed through the Market Observation Post System website. There is no difference between the amount approved in the Board of Directors meeting and those recognized in the financial statements in 2016 and 2015.

There is no difference between the amount estimated and recognized in the financial statements in 2015. The related information can be accessed through the Market Observation Post System website.

(Continued)

(v) Non-operating income and expenses

(i) Other income

The other income for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Interest income			
Bond investment without an active market	$	23,992	30,992
Bank deposits		83,589	112,977
Others		12,173	9,299
Dividend revenue		133,485	170,537
Overdue payable reversed as other income		422,269	203,878
Sales of expensed assets		186,367	80,919
Other revenue		71,129	178,356
	$	**933,004**	**786,958**

(ii) Other gains and losses

The other gains and losses for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Gains on disposal of investments	$	-	405,885
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net		92,999	(209,972)
Foreign currency exchange gains (losses), net		(660,732)	97,464
Impairment loss		(13,403)	(32,000)
Other		105	212
	$	**(581,031)**	**261,589**

(w) Reclassification of the components of other comprehensive income

The details of reclassification of the components of other comprehensive income for the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Available-for-sale financial assets			
Net change in fair value (net of tax)	$	381,443	(1,325,773)
Net change in fair value reclassified to profit or loss (net of tax)		4,604	(388,436)
Net change in fair value recognized in other comprehensive income (net of tax)	**$**	**386,047**	**(1,714,209)**

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

(x) Financial instruments

(i) Credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

The Company's customers are mainly from the high-tech industry. The Company does not concentrate on a specific customer and the sales regions are widely spread, thus there should be no concern on the significant concentrations of accounts receivable credit risk. And in order to mitigate accounts receivable credit risk, the Company constantly assesses the financial status of the customers.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
December 31, 2016					
Non-derivative financial liabilities					
Unsecured borrowings	$ 61,778,750	(61,778,750)	(38,143,750)	(4,688,750)	(18,946,250)
Accounts payable	146,438,634	(146,438,634)	(146,438,634)	-	-
Other payables	4,606,674	(4,606,674)	(4,606,674)	-	-
	$ 212,824,058	**(212,824,058)**	**(189,189,058)**	**(4,688,750)**	**(18,946,250)**
December 31, 2015					
Non-derivative financial liabilities					
Unsecured borrowings	$ 49,677,200	(49,677,200)	(35,937,200)	(9,950,000)	(3,790,000)
Accounts payable	126,358,846	(126,358,846)	(126,358,846)	-	-
Other payables	5,907,402	(5,907,402)	(5,907,402)	-	-
	$ 181,943,448	**(181,943,448)**	**(168,203,448)**	**(9,950,000)**	**(3,790,000)**

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Continued)

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2016			December 31, 2015		
	Foreign Currency	Exchange rate	TWD	Foreign Currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD to TWD	$ 6,330,638	32.25	204,163,076	5,554,587	32.825	182,329,318
Non-monetary items						
THB to TWD	647,743	0.8990	582,303	806,098	0.9156	738,063
Financial liabilities						
Monetary items						
USD to TWD	5,348,135	32.25	172,477,354	4,137,126	32.825	135,801,161

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a strengthening (weakening) 5% of appreciation (depreciation) of the USD against the TWD as of December 31, 2016 and 2015, would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	December 31, 2016	December 31, 2015
USD (against the TWD)		
Strengthening 5%	$ 1,584,286	2,326,408
Weakening 5%	(1,584,286)	(2,326,408)

3) Exchange gains and losses of monetary items

As the Company deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. In 2016 and 2015, the foreign exchange gain (loss), including both realized and unrealized, amounted to a loss of $660,732 and a gain of $97,464, respectively.

(iv) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25%, when reporting to management internally, which also represents the assessment of the Company's management for the reasonably possible interval of interest rate change.

Assuming all other variable factors remaining constant, if the interest rate had increased or decreased by 0.25%, the impact to the net profit before tax would be as follows for the years ended December 31, 2016 and 2015, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

	2016	2015
Interest increased by 0.25%	$ (43,700)	18
Interest decreased by 0.25%	43,700	(18)

(v) Fair value information

1) Valuation procedures

The Company' s accounting policies and disclosure include fair value method on financial assets, financial liabilities, non-financial assets and non-financial liabilities. The Company' s management is responsible in performing independent test on fair value by using independent source of information to obtain the fair value which is close to the market status. The management also confirms the independence, reliability and matching of the information source, and regularly test the valuation model, update the input and other information, and make necessary adjustment to ensure the output of valuation is reasonable.

2) Fair value hierarchy

The Company uses observable market data to evaluate assets and liabilities when it is possible. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

(Continued)

3) The categories and fair value of financial instruments

The Company's available- for-sale financial assets measured at fair value on a recurring basis. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	December 31, 2016				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Stocks listed on domestic markets (including stocks acquired via private placement)	$ 4,524,669	3,713,669	-	811,000	4,524,669
Stocks listed on foreign markets	582,303	582,303	-	-	582,303
Stocks unlisted on domestic markets	1,221,817	-	-	1,221,817	1,221,817
Stocks unlisted on foreign markets	69,044	-	-	69,044	69,044
	6,397,833				
Financial assets at cost (non-current)	2,333	-	-	-	-
Loans and receivables					
Cash and cash equivalents	43,392,135	-	-	-	-
Bond investment without active market-including current and non-current	1,050,000	-	-	-	-
Notes and accounts receivable, net	162,701,780	-	-	-	-
Notes and accounts receivable due from related parties, net	2,177,705	-	-	-	-
Other receivables	314,439	-	-	-	-
Guarantee deposits	117,233	-	-	-	-
	209,753,292				
Total	**$ 216,153,458**				
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	$ 30,443,750	-	-	-	-
Notes and accounts payable	72,535,568	-	-	-	-
Notes and accounts payable to related parties	73,903,066	-	-	-	-
Other payable	4,606,674	-	-	-	-
Long-term borrowings current portion	7,700,000	-	-	-	-
Long-term borrowings	23,635,000	-	-	-	-
Total	**$ 212,824,058**				

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	December 31, 2015				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Stocks listed on domestic markets (including stocks acquired via private placement)	$ 4,021,762	3,210,762	-	811,000	4,021,762
Stocks listed on foreign markets	738,063	738,063	-	-	738,063
Stocks unlisted on domestic markets	1,171,944	-	-	1,171,944	1,171,944
Stocks unlisted on foreign markets	68,872	-	-	68,872	68,872
	6,000,641				
Financial assets at cost (non-current)	6,588	-	-	-	-
Loans and receivables					
Cash and cash equivalents	30,797,312	-	-	-	-
Bond investment without active market-including current and non-current	1,400,000	-	-	-	-
Notes and accounts receivable, net	148,844,537	-	-	-	-
Notes and accounts receivable due from related parties, net	973,946	-	-	-	-
Other receivables	553,185	-	-	-	-
Guarantee deposits	105,422	-	-	-	-
	182,674,402				
Total	$ 188,681,631				
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	$ 22,087,200	-	-	-	-
Notes and accounts payable	63,996,915	-	-	-	-
Notes and accounts payable to related parties	62,361,931	-	-	-	-
Other payable	5,907,402	-	-	-	-
Long-term borrowings current portion	13,850,000	-	-	-	-
Long-term borrowings	13,740,000	-	-	-	-
Total	$ 181,943,448				

4) Fair value valuation technique of financial instruments not measured at fair value

The Company estimates financial instruments that not measured at fair value by methods and assumptions as follows:

a) Bond investment without active market and financial liabilities at amortized cost

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

5) Fair value valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade in active markets is based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a base to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of the listed company is determined by reference to the market quotation.

The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of its competitors. Fair value measured using the valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation techniques which include the model used in calculating the observable market data at the balance sheet date.

The measurement of fair value of a non-active market financial instruments held by the Company which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

(Continued)

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6) Transfer from one level to another

There was no transfer from one level to another in 2016.

The stocks of Uniflex Technology Inc. ("Uniflex") were recorded as available-for-sale financial assets. As of December 31, 2016 and 2015, the fair values were $2,084 and $4,359, respectively. Uniflex started to be a listed company in December 2015, therefore, the Company transferred the equity investment of Uniflex from level 3 to level 1 because the quoted prices in an active market is available.

7) Changes in level 3

	Available-for-sale financial assets
Balance on January 1, 2016	$ 2,051,816
Total gains and losses recognized:	
In profit or loss	(4,604)
In other comprehensive income	15,032
Purchased	65,247
Proceeds of capital reduction of investments	(25,630)
Balance on December 31, 2016	**$ 2,101,861**
Balance on January 1, 2015	$ 2,105,718
Total gains and losses recognized:	
In profit or loss	(17,449)
In other comprehensive income	(49,375)
Purchased	69,234
Proceeds of capital reduction of investments	(51,520)
Transfer from level 3 to level 1	(4,792)
Balance on December 31, 2015	**$ 2,051,816**

The aforementioned total gains and losses related to the assets held during the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Total gains and losses recognized:		
In profit or loss before tax (as "other gains and losses" and "other income")	**$ (4,604)**	**(17,449)**
In other comprehensive income, before tax (as "unrealized gains and losses on available-for-sale financial assets ")	**$ 15,032**	**(49,375)**

(Continued)

8) The quantified information for significant unobservable inputs (level 3) used in fair value measurement

The Company' s financial instruments that use level 3 input to measure fair values include available-for-sale financial assets – equity investments and available-for-sale-privately equity fund.

Most of fair value measurements of the Company which are categorized as equity investment into level 3 have several significant unobservable inputs. Significant unobservable inputs of equity investments without quoted price are independent of each other.

The quantified information for significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Available-for-sale financial assets-equity investment without quoted price	Price-Book ratio method	Price-Book ratio multiples. (1.7671~2.16 and 1.21~1.59 on December 31, 2016 and 2015, respectively) Lack-of-Marketability discount rate (45%~65% and 45%~50% on December 31, 2016 and 2015, respectively)	The higher the multiple is, the higher the fair value will be. The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Available-for-sale financial assets-investment in privately equity fund	Net asset value method	Net asset value	Inapplicable

9) Sensitivity analysis for fair value of financial instruments using level 3 inputs

The Company's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impact on other comprehensive income or loss are as follows:

	Input	Move up or down	Other comprehensive income Favorable change	Unfavorable change
December 31, 2016				
Available-for-sale financial assets	Price-Book ratio multiples.	5%	$ 2,276	2,294
	Lack-of-Marketability discount rate	5%	$ 4,084	4,066
December 31, 2015				
Available-for-sale financial assets	Price-Book ratio multiples.	5%	$ 3,499	3,399
	Lack-of-Marketability discount rate	5%	$ 2,969	2,870

The favorable and unfavorable impacts reflect the movement of the fair value, in which the fair value is calculated by using the different unobservable inputs in the valuation technique. The table above shows the effects of one unobservable input, without considering the inter-relationships with another unobservable input for financial instrument, if there are one or more unobservable inputs.

(y) Financial risk management

(i) Briefings

The Company is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Company' s finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative financial instruments in accordance with the Company's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Company continue with the review of the amount of the risk exposure in accordance with the Company' s policies and the risk management policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company’s standard payment and delivery terms and conditions are offered. The Company’s review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically.

2) Investments

The credit risks exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Company’s finance department. Since the Company’ s transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk.

3) Guarantees

Pursuant to the Company’s policies, it is only permissible to provide financial guarantees to subsidiaries and companies that the Company has business with. As of December 31, 2016 and 2015, the guarantees provided to the subsidiaries amounted to $131,259 and $6,849,639, respectively.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities which be settled by delivering cash or another financial asset.

The Company manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company’ s management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. Please refer to notes (6)(k) and (6)(l) for unused credit lines of short-term and long-term borrowings as of December 31, 2016 and 2015.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Continued)

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Company, primarily USD.

As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Company buys or sells foreign currencies at spot rate to ensure that the net exposure is kept on an acceptable level.

2) Interest rate risk

The Company borrows funds on fixed and variable interest rates, which has a risk exposure to changes in fair value and cash flow. Therefore, the Company manages the interest rates risk by maintaining an adequate combination of fixed and variable interest rates.

3) Other price risk

The Company is exposed to equity price risk arising from investments in listed equity investments.

(z) Capital management

The policy of capital management made by the Board of Directors is to maintain a strong capital base so as to stabilize the confidence of the investors, creditors and the public market and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings and non-controlling interests. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company monitors the capital structure by way of periodical review the debt ratio. As of December 31, 2016 and 2015, the debt ratio was as follows:

	December 31, 2016	December 31, 2015
Total liabilities	$ 222,816,531	192,463,244
Total assets	$ 328,620,920	296,239,039
Debt ratio	68%	65%

The Company could purchase its own shares in the public market in accordance with the corresponding rules and regulations. The timing of the purchases depends on market prices.

As of December 31, 2016, there were no changes in the Company' s approach of capital management.

(7) Related-party transactions:

(a) Relationships between parent company and its subsidiaries

	Country of incorporation	Ownership interest December 31, 2016	Ownership interest December 31, 2015
Panpal Technology Corp. (“Panpal”)	Republic of China	100 %	100 %
Gempal Technology Corp. (“Gempal”)	Republic of China	100 %	100 %
Hong Ji Capital Co., Ltd. (“Hong Ji”)	Republic of China	100 %	100 %
Hong Jin Investment Co., Ltd. (“Hong Jin”)	Republic of China	100 %	100 %
Zhaopal	Republic of China	100 %	100 %
Yongpal	Republic of China	100 %	100 %
Kaipal	Republic of China	100 %	100 %
Accesstek, Inc. (“ATK”)	Republic of China	38 %	38 %
Arcadyan	Republic of China	36 %	36 %
Rayonnant Technology Co., Ltd. (“Rayonnant Technology”)	Republic of China	100 %	100 %
HengHao Technology Co., Ltd. (“HengHao”)	Republic of China	97 %	97 %
Ripal Optortronics Co., Ltd. (“Ripal”)	Republic of China	100 %	100 %
Auscom Engineering Inc. (“Auscom”)	USA	100 %	100 %
Just International Ltd. (“Just”)	British Virgin Island	100 %	100 %
Compal International Holding Co., Ltd. (“CIH”)	British Virgin Island	100 %	100 %
Compal Electronics (Holding) Ltd. (“CEH”)	British Virgin Island	100 %	100 %
Bizcom Electronics, Inc. (“Bizcom”)	USA	100 %	100 %
Flight Global Holding Inc. (“FGH”)	British Virgin Island	100 %	100 %
High Shine Industrial Corp. (“HSI”)	British Virgin Island	100 %	100 %
Compal Europe (Poland) Sp. z o.o. (“CEP”)	Poland	100 %	100 %
Big Chance International Co., Ltd. (“BCI”)	British Virgin Island	100 %	100 %
Compal Rayonnant Holdings Limited (“CRH”)	British Virgin Island	100 %	100 %
Core Profit Holdings Limited (“CORE”)	British Virgin Island	100 %	100 %
Compalead Electronics B.V. (“CPE”)	Netherlands	100 %	100 %
Compalead Eletronica do Brasil Industria e Comercio Ltda. (“CEB”)	Brazil	100 %	100 %
Compal Display Holding (HK) Limited (“CDH (HK)”)	Hong Kong	100 %	100 %
Compal Electronics International Ltd. (“CII”)	British Virgin Island	100 %	100 %
Compal International Ltd. (“CPI”)	British Virgin Island	100 %	100 %

(Continued)

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	Country of incorporation	Ownership interest December 31, 2016	Ownership interest December 31, 2015
Compal Electronics (China) Co., Ltd. (“CPC”)	People’s of Republic of China	100 %	100 %
Compal Optoelectronics (Kunshan) Co., Ltd. (“CPO”)	People’s of Republic of China	100 %	100 %
Compal System Trading (Kunshan) Co., Ltd. (“CST”)	People’s of Republic of China	100 %	100 %
Smart International Trading Ltd. (“Smart”)	British Virgin Island	100 %	100 %
Amexcom Electronics Inc. (“AEI”)	USA	100 %	100 %
Mexcom Electronics, LLC (“MEL”)	USA	100 %	100 %
Mexcom Technologies, LLC (“MTL”)	USA	100 %	100 %
CENA Electromex, S.A. de C.V. (“CMX”)	Mexico	100 %	100 %
Compal International Holding (HK) Limited (“CIH (HK)”)	Hong Kong	100 %	100 %
Jenpal International Ltd.	British Virgin Island	100 %	100 %
Prospect Fortune Group Ltd. (“PFG”)	British Virgin Island	100 %	100 %
Compal Electronics Technology (Kunshan) Co., Ltd. (“CET”)	People’s of Republic of China	100 %	100 %
Compal Information (Kunshan) Co., Ltd. (“CIC”)	People’s of Republic of China	100 %	100 %
Compal Information Technology (Kunshan) Co., Ltd. (“CIT”)	People’s of Republic of China	100 %	100 %
Kunshan Botai Electronics Co., Ltd. (“BT”)	People’s of Republic of China	100 %	100 %
Compal Information Research and Development (Nanjing) Co., Ltd. (“CIN”)	People’s of Republic of China	100 %	100 %
Compal Digital Technology (Kunshan) Co., Ltd. (“CDT”)	People’s of Republic of China	100 %	100 %
Compower Global Service Co., Ltd. (“CGS”)	People’s of Republic of China	100 %	100 %
Compal Investment (Jiansu) Co., Ltd. (“CIJ”)	People’s of Republic of China	100 %	100 %
Compal Display Electronics (Kunshan) Co., ltd. (“CDE”)	People’s of Republic of China	100 %	100 %
Etrade Management Co., Ltd. (“Etrade”)	British Virgin Island	100 %	100 %
Webtek Technology Co., Ltd. (“Webtek”)	British Virgin Island	100 %	100 %
Forever Young Technology Inc. (“Forever”)	British Virgin Island	100 %	100 %
Unicom Global, Inc. (“UCGI”)	Republic of China	100 %	100 %

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	Country of incorporation	Ownership interest December 31, 2016	Ownership interest December 31, 2015
Palcom International Corporation ("Palcom")	Republic of China	100 %	100 %
Compal Communication (Nanjing) Co., ltd. ("CCI Nanjing")	People's of Republic of China	100 %	100 %
Compal Digital Communication (Nanjing) Co., Ltd. ("CDCN")	People's of Republic of China	100 %	100 %
Compal Wireless Communication (Nanjing) Co., Ltd. ("CWCN")	People's of Republic of China	100 %	100 %
Hanhelt Communication (Nanjing) Co., Ltd. ("Hanhelt")	People's of Republic of China	100 %	100 %
Giant Rank Trading Ltd. ("GIA")	British Virgin Island	100 %	100 %
OptoRite Inc.	British Virgin Island	100 %	100 %
MSI-ATK Otpics Holding Corporation ("MSI-ATK")	British Virgin Island	100 %	100 %
Maitek (BVI) Corporation ("Maitek")	British Virgin Island	100 %	100 %
Arcadyan Technology N.A. Corp. ("Arcadyan USA")	USA	100 %	100 %
Arcadyan Germany Technology GmbH ("Arcadyan Germany")	Germany	100 %	100 %
Arcadyan Technology Corporation Korea ("Arcadyan Korea")	Korea	100 %	100 %
Arcadyan Holding (BVI) Corp. ("Arcadyan Holding")	British Virgin Island	100 %	100 %
Arcadyan do Brasil Ltda. ("Arcadyan Brasil")	Brazil	99 %	99 %
Arcadyan Technology Limited ("Arcadyan UK")	United Kingdom	100 %	-
Zhi-pal Technology Inc. ("Zhi-pal")	Republic of China	100 %	100 %
Tatung Technology Inc. ("TTI")	Republic of China	60 %	59 %
AcBel Telecom Inc. ("AcBel Telecom")	Republic of China	51 %	51 %
CBN	Republic of China	95 %	99 %
Speedlink Tradings Limited ("Speedlink")	British Virgin Island	100 %	100 %
Sinoprime Global Inc. ("Sinoprime")	British Virgin Island	100 %	100 %
Arcadyan Technology (Shanghai) corp. ("SVA Arcadyan")	People's of Republic of China	100 %	100 %
Arch Holding (BVI) Corp. ("Arch")	British Virgin Island	100 %	100 %
Compal Networking (Kunshan) Co., Ltd. ("CNC")	People's of Republic of China	100 %	100 %
Leading Images Ltd. ("Leading Images")	British Virgin Island	100 %	100 %

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

	Country of incorporation	Ownership interest December 31, 2016	Ownership interest December 31, 2015
Great Arch Group Ltd. ("Great Arch")	British Virgin Island	100 %	100 %
Astoria Networks GmbH ("Astoria GmbH")	Germany	100 %	100 %
Quest International Group Co., Ltd. ("Quest")	Samoa	100 %	100 %
Exquisite Electronic Co., Ltd. ("Exquisite")	Samoa	100 %	100 %
Tatung Home Appliances (Wujiang) Co., Ltd. ("THAC")	People's of Republic of China	100 %	100 %
Intelligent Universal Enterprise Ltd. ("IUE")	British Virgin Island	100 %	100 %
Goal Reach Enterprises Ltd. ("Goal")	British Virgin Island	100 %	100 %
Compal (Vietnam) Co., Ltd. ("CVC")	Vietnam	100 %	100 %
Compal Development &Management (Vietnam) Co., Ltd. ("CDM")	Vietnam	100 %	100 %
Allied Power Holding Corp. ("APH")	British Virgin Island	100 %	100 %
Primetek Enterprises Limited ("PEL")	British Virgin Island	100 %	100 %
Rayonnant Technology (HK) Co., Ltd. ("Rayonnant Technology (HK)")	Hong Kong	100 %	100 %
Royonnant Technology (Taicang) Co., Ltd. ("Rayonnant Technology (Taicang)")	People's of Republic of China	100 %	100 %
HengHao Holdings A Co., Ltd. ("HHA")	British Virgin Island	100 %	100 %
HengHao Holdings B Co., Ltd. ("HHB")	British Virgin Island	100 %	100 %
HengHao Trading Co., Ltd.	British Virgin Island	100 %	100 %
HengHao Optoelectronics Technology (Kunshan) Co., Ltd.	People's of Republic of China	100 %	100 %
LUCOM Display Technology (Kunshan) Limited ("Lucom")	People's of Republic of China	100 %	100 %
Center Mind International Co., Ltd. ("CMI")	British Virgin Island	100 %	100 %
Prisco International Co., Ltd. ("PRI")	British Virgin Island	100 %	100 %
Compal Electronic (Sichuan) Co., Ltd. ("CIS")	People's of Republic of China	100 %	100 %
Compal Electronic (Chongqing) Co., Ltd. ("CEQ")	People's of Republic of China	100 %	100 %
Compal Electronic (Chengdu) Co., Ltd. ("CEC")	People's of Republic of China	100 %	100 %
Compal Management (Chengdu) Co., Ltd. ("CMC")	People's of Republic of China	100 %	100 %

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

	Country of incorporation	Ownership interest December 31, 2016	Ownership interest December 31, 2015
Billion Sea Holdings Limited (“BSH”)	British Virgin Island	100 %	100 %
Compal Electronics Europe Sp. z. o.o. (“CEE”)	Poland	-	100 %
Fortune Way Technology Corp. (“FWT”)	British Virgin Island	100 %	100 %
GLB	Republic of China	50 %	50 %
Mactech	Republic of China	53 %	53 %
Rapha Bio Ltd. (“Rapha”)	Republic of China	50 %	-
Compal Electronics India Private Limited (“CEIN”)	India	100 %	-

(b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company and its subsidiaries.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	2016	2015
Short-term employee benefits	$ 484,022	472,352
Post-employment benefits	6,163	5,510
Share-based payments	190,179	228,416
	$ 680,364	**706,278**

There are no termination benefits and other long-term benefits. Please refer to notes (6)(r) for share-based payment.

(d) Significant related-party transactions

(i) Sale of goods to related parties

The amounts of significant sales transactions between the Company and related parties were as follows:

	2016	2015
Subsidiaries	$ 13,497,674	12,720,237
Associates	300	300
	$ 13,497,974	**12,720,537**

Sales prices for related parties were similar to those of the third-party customers. The collection period was 45~180 days for related parties.

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

(ii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Company and related parties were as follows:

	2016	2015
Subsidiaries	$ 206,093,571	215,705,847
Associates	623	-
	$ 206,094,194	**215,705,847**

Purchase prices for finished goods and raw materials from related parties were similar to those from third-party suppliers. The payment period was 60~120 days for related parties.

(iii) Product warranty service expenses

The product warranty service expenses paid to related parties for the years ended December 31, 2016 and 2015, amounted to $287,040 and $219,010, respectively. As of December 31, 2016 and 2015, the unpaid warranty service expenses were record as other payables.

(iv) Technical service expense

The Company engaged its subsidiaries and associates to research and develop notebooks, and the related technical service expenses for the years ended December 31, 2016 and 2015, amounted to $171,795 and $206,809, respectively. As of December 31, 2016 and 2015, the unpaid technical service expenses were recorded as other payables.

(v) Rental income

The Company entered into agreements with related parties to lease a portion of its office space, plant and equipments. The rental income is collected monthly. The related rental income for the years ended December 31, 2016 and 2015, amounted to $137 and $411, respectively. As of December 31, 2016 and 2015, the unreceived rental income receivables were recorded as other receivables.

(vi) Loan to related parties

The interest rate of unsecured loans to subsidiaries was 1.5%, and the Company did not recognize the bad debt expenses. As of December 31, 2016 and 2015, the loans due to related parties were recorded as other receivables.

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

(vii) Receivables due from relate parties

The receivables arising from the transactions mentioned above, the sale of machinery and equipment to related parties, and the purchasing of machinery, equipment and others on behalf of the related parties as of December 31, 2016 and 2015, were as follows:

Account	Related party categories	December 31, 2016	December 31, 2015
Notes and accounts receivable	Subsidiaries	$ 2,177,705	973,946
Other receivables	Subsidiaries	325,242	304,187
Other receivables	Associates	223	339
		2,503,170	1,278,472
Less: Credit balance of investments accounted for using equity method		(93,954)	(209)
		$ 2,409,216	1,278,263

As of December 31, 2016 and 2015, the Company's investment accounted for using the equity method in subsidiaries was a credit balance, recorded as a deduction from other receivables – related party (other financial assets – current). The credit balance of investment was $93,954 and $209, respectively. Please refer to note (6)(g).

(viii) Payables to related parties

The payables to related parties as of December 31, 2016 and 2015, were as follows:

Account	Related party categories	December 31, 2016	December 31, 2015
Notes and accounts payable	Subsidiaries	$ 73,903,066	62,361,931
Other payables	Subsidiaries	193,021	208,552
Other payables	Associates	474	15,925
		$ 74,096,561	62,586,408

(ix) Guarantees

As of December 31, 2016 and 2015, the guarantees provided to subsidiaries were $131,259 and $6,849,639, respectively.

(8) Pledged assets: None

(9) Commitments and contingencies:

The Company entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.

(10) Losses due to major disasters: None

(11) Subsequent events:

(a) The appeal between of the Company and Tatung in respect of the CPT shares obtained via the private placement was final dismissed on January 11, 2017. The Company and its subsidiaries have sold the entire shares of CPT to Tatung on February 9, 2017. Please refer to note (6)(b).

(b) The Company is optimistic about the future growth of IoT, Smart Cloud and the smart products market, and to deepen customer relationship, the Board of Directors of CIT, a 100% subsidiary of the Company, decided to purchase the newly issued shares of Leshi Zhixin Electronic Technology (Tianijn) Limited. on March 28, 2017. The total amount of the investment is CNY 700,000 thousands, and the expected ownership interest will be 2.1507%. The investment will be completed by June 21, 2017 (or other date with mutual consent).

(12) Other:

The employee benefits, depreciation and amortization expenses by categorized function are summarized as follows:

By function	2016			2015		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	292,568	7,879,161	8,171,729	159,642	7,931,699	8,091,341
Labor and health insurance	22,532	487,662	510,194	9,961	478,879	488,840
Pension	10,556	281,564	292,120	6,501	274,547	281,048
Others	100,553	383,597	484,150	9,649	358,310	367,959
Depreciation	11,563	197,754	209,317	2,392	191,606	193,998
Amortization	10,067	390,271	400,338	11,482	493,016	504,498

The Company had 6,474 and 6,101 employees as of December 31, 2016 and 2015, respectively.

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Notes to Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
0	The Company	HengHao	Other receivables	Y	426,987	209,594	209,594	1.50%	Short-term financing	-	Operating demand	-	-	-	1,718,585	42,321,755 (Note 1)
1	CIH	CEP	〃	Y	117,075	112,875	64,500	2.50%	〃	-	〃	-	-	-	31,760,261	31,760,261 (Note 2)
2	CPI	CEB	〃	Y	498,600	483,750	483,750	2.50%	〃	-	〃	-	-	-	945,164	945,164 (Note 3)
3	Bizcom	CEP	〃	Y	50,175	-	-	2.00%	〃	-	〃	-	-	-	442,853	442,853 (Note 4)
4	CPC	CDE	〃	Y	915,120	-	-	3.00%	〃	-	〃	-	-	-	2,713,573	2,713,573 (Note 5)
5	CIC	CWCN	〃	Y	2,491,160	-	-	3.00%	〃	-	〃	-	-	-	6,576,827	6,576,827 (Note 6)
6	CEC	CCI Nanjing	〃	Y	4,599,000	2,257,500	-	2.50%	〃	-	〃	-	-	-	3,596,144	3,596,144 (Note 7)
7	CIT	CCI Nanjing	〃	Y	2,257,500	2,257,500	2,257,500	2.50%	〃	-	〃	-	-	-	18,478,884	18,478,884 (Note 8)
8	Arcadyan Holding	CNC	〃	Y	567,120	-	-	1.00%	〃	-	Cash flow demand	-	-	-	873,126	873,126 (Note 9)
9	Arcadyan	Acradyan Brasil	〃	Y	261,000	258,000	29,025	1.00%	Transaction for business between two parties	322,500	-	-	-	-	258,000	3,480,511 (Note 10)
10	Mactech	WINTEK Corporation	〃	Y	60,000	60,000	60,000	2.41%	〃	78,626	-	60,000	-	-	62,900	227,828 (Note 11)

Note 1: According to the Company's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of the Company. When a short-term financing facility with the Company is necessary, the total amount for lending to any company shall not exceed 80% of the borrower's net worth, nor shall it be more than 50% of the Company's lendable amount limit, and shall be combined with the company's endorsements/guarantees for calculation. In addition, the total amount lendable to 100% directly or indirectly owned subsidiaries by the Company is unrestricted by the aforesaid restriction of 80%, but the maximum amount shall not exceed 50% of the Company's lendable limit, and shall be combined with the company's amount of loans to others when calculating.

Note 2. According to CIH's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CIH. When a short-term financing facility with CIH is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIH's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIH, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 3. According to CPI's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CPI. When a short-term financing facility with CPI is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CPI's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPI, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 4. According to Bizcom's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of Bizcom. When a short-term financing facility with Bizcom is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of Bizcom's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of Bizcom, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 5. According to CPC's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CPC. When a short-term financing facility with CPC is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CPC's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPC, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

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Note 6. According to CIC's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CIC. When a short-term financing facility with CIC is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIC's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIC, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 7. According to CEC's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CEC. When a short-term financing facility with CEC is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CEC's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CEC, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 8. According to CIT's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CIT. When a short-term financing facility with CIT is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIT's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIT, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 9. According to Arcadyan Holding's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of Arcadyan Holding. When a short-term financing facility with Arcadyan Holding is necessary, the borrower should be its investee. The total amount for lending the borrower shall not exceed the net worth of Arcadyan Holding, and shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating.

Note 10. According to Arcadyan's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of Arcadyan. To borrowers having business relationship with Arcadyan, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount for the current year, nor shall it exceed 20% of the net worth of Arcadyan. Also, the amount shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating. When a short-term financing facility is necessary, the borrower should be Arcadyan's investee. The total amount for lending the borrower shall not exceed 80% of the net worth of the borrower, nor shall it exceed 20% of the net worth of Arcadyan, and shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating.

Note 11: According to Mactech's Procedures for Lending Funds to Other Parties and Endorsements/Guarantees, the total amount of loans to others shall not exceed 10% of the net worth of Mactech as of the last fiscal year. To companies having business relationship with Mactech, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount for the current year, not shall it exceed 50% of the net worth of the borrower. Also, the amount shall be combined with the Mactech's endorsements/guarantees for the borrower when calculating.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CEB	(Note 3)	26,451,097	5,723,445	64,500	64,500	-	0.06 %	52,902,194 (Note 1)	Y	-	-
0	〃	CEP	(Note 2)	26,451,097	94,644	66,759	66,759	-	0.06 %	52,902,194 (Note 1)	Y	-	-
1	Arcadyan	Arcadyan Brasil	(Note 2)	1,160,170	261,000	258,000	-	-	2.97 %	3,480,511 (Note 4)	Y	-	-

Note 1: According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsements/ guarantees the Company or the Group is permitted to make shall not exceed 50% of the Company's net worth. Endorsements/ guarantees the Company and the Group is permitted to make for a single company shall not exceed 25% of the Company's net worth. For entities having business relationship with the Company, the amount of endorsements/guarantees for a single company shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount of the current year, and shall be combined with the amount lend to others when calculating. The amount of endorsements/ guarantees permitted to make between subsidiaries whose over 90% of its voting shares are owned, directly or indirectly, by the Company shall be no more than 10% of the net worth of the Company. The amount of endorsements/ guarantees permitted to make between directly or indirectly wholly owned subsidiaries is not limited by the aforementioned restriction, only the maximum amount shall be no more than 25 % of the net worth of the Company.

Note 2: Subsidiary whose over 50% common stock is directly owned.

Note 3: Subsidiary whose over 50% common stock is indirectly owned.

Note 4: According to Arcadyan's Procedures for Endorsements and Guarantee, the total amount shall not exceed 40% of the net worth for latest financial statements audited or reviewed by Certified Public Accountants, and the amount for a single company shall not exceed 1/3 of the total amount.

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(iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	
The Company	Common bond-Taiwan Star	－	Bond investment without an active market-current and non-current	-	1,050,000	-	-	
	Taiwan Star	－	Available- for-sale financial assets－non-current	98,046	980,465	3%	980,465	
	CPT	－	〃	394,086	811,000	6%	811,000	
	Kinpo Electronics, Inc. (“Kinpo”)	The same chairman of the board of the Company	〃	124,044	1,476,121	9%	1,476,121	
	Cal-Comp Electronics (Thailand) Public Co., Ltd.	〃	〃	239,631	582,303	5%	582,303	
	Innolux Corporation (“Innolux”)	－	〃	134,877	1,564,577	1%	1,564,577	
	Chipbond Technology Corp. (“Chipbond”)	－	〃	13,542	622,257	2%	622,257	
	HWA VI Venture Capital Corp.	－	〃	290	28,330	10%	28,330	
	HWA Chi Venture Capital Corp.	－	〃	1,053	29,916	11%	29,916	
	Global BioPharma, Inc.	－	〃	2,000	40,000	3%	40,000	
	Chen Feng Optoelectronics	－	〃	5,829	41,329	13%	41,329	
	PrimeSensor Technology Inc.	－	Financial assets at cost－non-current	233	2,333	1%	-	(Note 1)
	Macroblock, Inc.	－	Available- for-sale financial assets－current	682	48,631	2%	48,631	
	Others				172,904			
	Total				6,400,166			
Panpal	Compal Electronics, Inc.	The parent company	Available- for-sale financial assets－non-current	31,648	583,907	1%	583,907	
	Kinpo	With the same chairman of the board	〃	23,172	275,753	2%	275,753	
	CDIB Partners Investment Holding Corp.	－	〃	54,000	711,180	5%	711,180	
	Innolux	－	〃	11,836	137,296	-	137,296	
	AcBel Polytech Inc. (“AcBel”)	With the same chairman of the board	〃	5,677	136,524	1%	136,524	
	Chipbond	－	〃	5,251	241,282	1%	241,282	
	Taiwan Biotech Co., Ltd.	－	〃	4,897	46,537	3%	46,537	
	Others				112,263			
	Total				2,244,742			
Gempal	Compal Electronics, Inc.	The parent company	Available- for-sale financial assets－non-current	18,369	338,914	-	338,914	
	Lian Hong Art. Co., Ltd.	－	〃	2,140	44,101	8%	44,101	
	Global BioPharma, Inc.	－	〃	2,000	40,000	3%	40,000	
	Others				2,981			
	Total				425,996			
Hong Ji	SUYIN Optronics Co., Ltd. (“Suyin Optronics”)	－	Available- for-sale financial assets－non-current	380	182	1%	182	
Hong Jin	Suyin Optronics	－	Available- for-sale financial assets－non-current	332	160	1%	160	

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Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	
Zhaopal	CPT	–	Available- for-sale financial assets－non-current	315,269	648,000	5%	648,000	
Yongpal	CPT	–	Available- for-sale financial assets－non-current	275,860	568,000	4%	568,000	
Kaipal	CPT	–	Available- for-sale financial assets－non-current	118,226	243,000	2%	243,000	
Arcadyan	GeoThings Inc.	–	Financial assets carried at cost－non-current	200	-	9%	-	(Note 1)
	AirHop Communication Inc.	–	〃	1,152	-	7%	-	〃
	Adant Technologies Inc.	–	〃	349	12,960	6%	-	〃
	IOT EYE, Inc.	–	〃	60	4,878	6%	-	〃
	TIEF Fund, L.P	–	〃	-	48,709	-	-	〃
	Total				66,547			
Mactech	Taichung International Golf Country Club	–	Financial assets carried at cost－non-current	-	2,940	-	-	〃
CET	Changchun Trarrii Electronic Technology Co., Ltd	–	Financial assets carried at cost－non-current	1,000	-	17%	-	〃
HHB	HWALLAR OPTRONICS (FUZHOU) CO. LTD.	–	Available- for-sale financial assets－non-current	-	-	19%	-	

Note 1: The carrying value is the balance after deducting accumulated impairment.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Others		Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal (Note 2)	Shares	Amount (Note 1)	Shares	Amount
Panpal	Compliance Certification Services Inc.	Investments accounted for using equity method	SGS Taiwan	-	13,217	256,028	-	-	13,217	345,026	221,385	71,882	-	(34,643)	-	-

Note 1: Others are cash dividends, capital reserve, adjustments of foreign currency exchange, and investment income (loss) accounted for using equity method.
Note 2: Excluding unrecognized gains on disposals amounting to $51,754 and others.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

COMPAL ELECTRONICS, INC.
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(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Company Name	Counter party	Nature of relationship	Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	Note
The Company	CIH and its subsidiaries	Subsidiaries wholly owned by the Company	Sale	(6,531,355)	(0.9)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	161,599	0.1 %	
	UCGI	〃	Sale	(144,517)	-	〃	〃	〃	118,056	0.1 %	
	CBN	The Company's subsidiary	Sale	(6,676,590)	(0.9)%	90 days	〃	There is no significant difference	1,863,084	1.1 %	
	CIH and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	106,575,472	15.1 %	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(55,486,861)	(37.9)%	
	Just and its subsidiaries	〃	Purchase	2,863,979	0.4 %	〃	〃	〃	(545,751)	(0.4)%	
	BCI and its subsidiaries	〃	Purchase	371,809	0.1 %	〃	〃	〃	(165,944)	(0.1)%	
	CEE	The Company's subsidiary	Purchase	490,666	0.1 %	90 days	〃	〃	-	-	
	Webtek	Subsidiary wholly owned by the Company	Purchase	35,190,480	5.0 %	Net 60 days from purchase	Markup based on Webtek's cost	〃	(4,569,577)	(3.1)%	
	Forever	〃	Purchase	60,596,643	8.6 %	〃	Markup based on Forever's cost	〃	(13,093,945)	(8.9)%	
Just and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(2,767,997)	(13.1)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	545,751	16.1 %	
	Forever	With the same ultimate parent company	Sale	(18,216,812)	(86.4)%	Net 60 days from delivery	〃	Adjustments will be made based on demand for funding	1,504,592	45.5 %	
CIH and its subsidiaries	Compal Electronic, Inc.	Parent Company	Sale	(106,842,119)	(70.4)%	120 days	〃	There is no significant difference, and adjustments will be made based on demand for funding if necessary	55,486,861	87.2 %	
	Forever	With the same ultimate parent company	Sale	(42,288,665)	(28.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	6,862,123	10.8 %	

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COMPAL ELECTRONICS, INC.
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Company Name	Counter party	Nature of relationship	Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	Note
CBN	Compal Electronic, Inc.	Parent company	Purchase	4,035,219	62.0 %	90 days	Similar to non-related parties	There is no significant difference	(1,871,773)	(81.0)%	
BCI and its subsidiaries	Compal Electronic, Inc.	〃	Sale	(368,550)	(5.0)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	165,944	3.0 %	
	CIH and its subsidiaries	With the same ultimate parent company	Sale	(6,538,895)	(87.9)%	〃	〃	〃	4,577,855	83.0 %	
	CEB	〃	Sale	(504,831)	(7.1)%	〃	〃	〃	254,936	14.0 %	
CEE	Compal Electronic, Inc.	Parent company	Sale	(373,335)	(23.5)%	90 days	〃	〃	-	- %	
Webtek	Compal Electronic, Inc.	〃	Sale	(35,190,480)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	4,569,567	100.0 %	
	CWCN	With the same ultimate parent company	Purchase	35,190,480	100.0 %	Net 60 days from delivery	〃	〃	(3,938,080)	(100.0)%	
CEB	BCI and its subsidiaries	Parent company	Purchase	507,200	9.9 %	120 days	Similar to non-related parties	There is no significant difference	(243,656)	(42.7)%	
CIH and its subsidiaries	Compal Electronic, Inc.	〃	Purchase	6,567,047	4.9 %	〃	〃	〃	(159,998)	(0.4)%	
	BCI and its subsidiaries	With the same ultimate parent company	Purchase	6,538,895	4.9 %	〃	〃	〃	(4,577,855)	(10.6)%	
	AcBel and its subsidiaries	The same chairman of the board of the ultimate parent company	Purchase	703,441	0.5 %	Net 60 days from purchase	〃	〃	(345,946)	(0.8)%	
	Wan Yuen Technology Holding Ltd. and its subsidiaries	Investee which FGH accounted for using equity method	Purchase	4,427,581	3.3 %	Net 60 days from purchase	Similar to non-related parties	There is no significant difference	(1,321,702)	(3.1)%	
CWCN	Webtek	With the same ultimate parent company	Sale	(35,190,480)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	3,938,080	100.0 %	
Forever	Compal Electronic, Inc.	Parent company	Sale	(60,596,643)	(86.2)%	〃	〃	〃	15,459,779	84.4 %	
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	42,288,665	60.2 %	Net 60 days from purchase	Similar to non-related parties	〃	(6,861,091)	(42.2)%	
	Just and its subsidiaries	〃	Purchase	18,216,812	26.0 %	〃	〃	〃	(1,504,237)	(9.3)%	
UCGI	Compal Electronic, Inc.	Parent company	Purchase	151,443	100.0 %	Net 120 days from delivery	〃	There is no significant difference	(40,843)	(100.0)%	
THAC	TTI	With the same ultimate parent company	Sale	(438,749)	(77.0)%	Net 60 days from invoice date	According to markup pricing	–	77,193	88.0 %	
TTI	THAC	〃	Purchase	438,749	14.0 %	〃	–	–	(77,193)	(8.0)%	
THAC	TTI	〃	Purchase	127,045	36.0 %	Net 90 days from the end of the month of delivery	–	–	(13,809)	(12.0)%	
TTI	THAC	〃	Sale	(127,045)	(4.0)%	〃	According to markup pricing	–	13,809	1.0 %	

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Company Name	Counter party	Nature of relationship	Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	Note
Arcadyan	Arcadyan Germany	Arcadyan's subsidiaries	Sale	(1,533,209)	(7.0)%	Net 120 days from delivery	−	−	415,593	10.0 %	
	Arcadyan USA	〃	Sale	(426,175)	(2.0)%	Net 60 days from the end of the month of delivery	−	−	125,458	3.0 %	
Sinoprime	Arcadyan	The Company's subsidiaries	Sale	(10,340,227)	(100.0)%	Net 45 days from the end of the month of delivery	According to markup pricing	−	1,515,688	65.0 %	(Note 1)
CNC	Sinoprime	With the same ultimate parent company	Sale	(10,340,227)	(100.0)%	〃	〃	−	1,439,174	31.0 %	〃
Arcadyan Germany	Arcadyan	The Company's subsidiaries	Purchase	1,533,209	100.0 %	Net 120 days from delivery	−	−	(415,593)	(100.0)%	
Arcadyan USA	Arcadyan	〃	Purchase	426,175	100.0 %	Net 60 days from the end of the month of delivery	−	−	(125,458)	(100.0)%	
Arcadyan	Sinoprime	Arcadyan's subsidiaries	Purchase	10,340,227	40.0 %	Net 45 days from the end of the month of delivery	According to markup pricing	−	(1,515,688)	(42.0)%	(Note 1)
Sinoprime	CNC	With the same ultimate parent company	Purchase	10,340,227	100.0 %	〃	〃	−	(1,439,174)	(100.0)%	〃

Note 1: The ending balance is from the transactions of processing and sales of raw material.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
The Company	CBN	The Company's subsidiary	1,863,084	5.16	-	-	472,274 (Note 1)	-	
〃	CIH and its subsidiaries	The Company's subsidiary	161,599	39.53	-	-	728 (Note 1)	-	
〃	UCGI	The Company's subsidiary	118,056	1.22	-	-	- (Note 1)	-	
Just and its subsidiaries	Compal Electronic, Inc.	Parent company	545,751	2.27	-	-	- (Note 1)	-	
〃	Forever	With the same ultimate parent	1,504,592	12.11	-	-	1,493,498 (Note 1)	-	
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	55,486,861	2.28	-	-	35,091,024 (Note 1)	-	
〃	Forever	With the same ultimate parent	6,862,123	4.49	-	-	6,862,123 (Note 1)	-	
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	165,944	1.66	-	-	54,252 (Note 1)	-	
〃	CIH and its subsidiaries	With the same ultimate parent company	4,577,855	1.61	-	-	2,069,546 (Note 1)	-	
〃	CEB	With the same ultimate parent company	254,936	1.75	-	-	90,360 (Note 1)	-	
Forever	Compal Electronic, Inc.	Parent company	15,459,779	4.07	-	-	13,034,160 (Note 1)	-	
CWCN	Webtek	With the same ultimate parent company	3,938,080	6.66	-	-	3,937,725 (Note 1)	-	
Webtek	Compal Electronic, Inc.	Parent company	4,569,567	5.93	-	-	4,569,212 (Note 1)	-	

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
Arcadyan	Arcadyan Germany	Arcadyan's subsidiary	415,593	2.62	-	-	- (Note 2)	-	
〃	Arcadyan USA	Arcadyan's subsidiary	125,458	3.40	-	-	29,589 (Note 2)	-	
〃	TTI	Arcadyan's subsidiary	163,745	0.03	-	-	- (Note 2)	-	
Sinoprime	Arcadyan	The Company's subsidiary	1,515,688	6.97	-	-	891,527 (Note 2)	-	
CNC	Sinoprime	With the same ultimate parent company	1,439,174	7.32	-	-	891,527 (Note 2)	-	
CBN	Speedlink	With the same ultimate parent company	751,288	-	48,288	-	751,288 (Note 1)	-	
Speedlink	Just and its subsidiaries	With the same ultimate parent company	751,288	-	48,288	Enhanced the collection	751,288 (Note 1)	-	

Note 1: Balance as of March 17, 2017.
Note 2: Balance as of February 9, 2017.

(ix) Trading in derivative instruments: Please refer to notes (6)(b) and (6)(c).

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2016 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars or US Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2016	December 31, 2015	Shares (thousand)	Percentage of Ownership	Carrying Value			
The Company	Bizcom	Milpitas, USA	Warranty services and marketing of LCD TV s and notebook PCs	36,369	36,369	100	100%	442,854	19,092	23,529	
	Just	British Virgin Islands	Manufacturing, sales and maintenance of monitors and LCD TVs, and investment	1,480,509	1,480,509	48,010	100%	8,572,543	768,478	768,478	
	CIH	British Virgin Islands	Sales and manufacturing of notebook PCs and investments	1,606,780	1,603,518	47,001	100%	31,773,109	2,335,151	2,335,151	
	Panpal	Taipei City	Investment	5,171,837	5,171,837	500,000	100%	4,958,913 (Note 1)	130,900	92,905	
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100%	1,586,168 (Note 1)	97,287	75,234	
	Kinpo Group management consultant company ("Kinpo Group management")	Taipei City	Consultation, training services, etc.	3,000	3,000	300	38%	4,291	182	69	
	Ripal	Tainan City	Manufacturing of electric appliance and audiovisual electric products	60,000	60,000	6,000	100%	21,489	(8,073)	(8,112)	
	Avalue Technology, Inc.	New Taipei City	Manufacturing, processing, and import and export business of industrial motherboards	522,361	519,996	14,600	21%	552,125	323,864	68,995	
	Gallery Management Ltd. ("Gallery")	British Virgin Islands	Investments in high-tech business in Taiwan and other regions or countries	-	116,354	-	-	-	-	(409)	
	CEH	British Virgin Islands	Investment	34	34	1	100%	3,800,619	-	-	
	Allied Circuit	Taoyuan City	Production and sales of PCB boards	395,388	395,388	10,158	20%	279,405	162,631	33,201	

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2016	Original Investment Amount December 31, 2015	Ending Balance Shares (thousand)	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Maxima Ventures I, Inc. ("Maxima")	Taipei City	Investment	1,260	1,260	126	23%	12,514	(14,002)	(2,749)	
	Lipo Holding Co., Ltd. ("Lipo")	Cayman Islands	Investment	489,450	489,450	98	49%	353,821	75,051	36,775	
	CPE	Netherlands	Investment	197,463	197,463	6,427	100%	711,972	398,853	229,413	
	ATK	Hsinchu City	Design, research & development, and selling of DVD, Combo, CD-RW Drives	202,908	202,908	899	28%	10,307	80	23	
	Crownpo Technology Inc. ("Crownpo")	Taipei City	Manufacturing, processing, and selling resistor chips, networking chips, diodes, multilayer ceramic capacitors, semiconductor devices, and selling electronic products	149,547	149,547	3,739	33%	51,174	10,383	3,451	
	Hong Ji	Taipei City	Investment	1,000,000	1,000,000	100,000	100%	1,033,943	63,243	63,228	
	Hong Jin	Taipei City	Investment	295,000	295,000	29,500	100%	338,563	31,699	31,699	
	Auscom	Austin, TX USA	R&D of notebook PC related products and components	101,747	101,747	3,000	100%	117,873	1,820	1,866	
	Arcadyan	Hsinchu City	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	1,325,132	1,325,132	41,305	22%	2,028,833	1,357,473	296,450	
	FGH	British Virgin Islands	Investment	2,754,741	2,754,741	89,755	100%	4,027,226	384,469	384,469	
	HSI	British Virgin Islands	Investment	1,346,814	1,346,814	42,700	100%	854,609	(44,935)	(44,935)	
	CEP	Poland	Maintenance and warranty services of notebook PCs	90,156	90,156	136	100%	1,813	38,427	38,005	
	Zhaopal	Taipei City	Investment	2,001,000	2,001,000	200,100	100%	648,049	(76)	(76)	
	Yongpal	Taipei City	Investment	1,751,000	1,751,000	175,100	100%	568,106	(76)	(76)	
	Kaipal	Taipei City	Investment	751,000	751,000	75,100	100%	243,334	(76)	(76)	
	Lead-Honor Optronics. Co., Ltd. ("Lead-Honor")	Taoyuan City	Manufacturing of electric appliance and audiovisual electric products	42,000	42,000	2,772	42%	-	(30,358)	(12,409)	
	Infinno Technology Corporation ("Infinno")	Hsinchu County	Manufacturing of electronic components, wholesale and retail sale of precision instruments and electronic materials	109,837	109,837	10,984	41%	10,409	(32,494)	(13,333)	
	HengHao	Taipei City	Manufacturing of PCs, computer periphery devices, and electronic components	5,304,554	5,304,554	205,795	97%	1,306,267	(784,892)	(778,578)	
	Mactech	Taichung City	Manufacturing of equipment and lighting, retailing of equipment and international trading	219,601	219,601	21,756	53%	186,698	(31,325)	(22,607)	
	BCI	British Virgin Islands	Investment	2,636,051	2,636,051	90,820	100%	5,565,388	133,413	133,413	
	CBN	Hsinchu County	R&D and sales of communication and electronic components	284,827	52,000	26,418	50%	663,964	133,949	68,475	
	Rayonnant	Taipei City	Manufacturing and sales of PCs, computer periphery devices, and electronic components	295,000	295,000	29,500	100%	133,685	(5,500)	(15,481)	
	CRH	British Virgin Islands	Investment	377,328	377,328	12,500	100%	235,107	(8,781)	(8,781)	
	Ascendant Private Equity Investment Ltd. ("APE")	British Virgin Islands	Investment	943,922	943,922	31,253	35%	1,089,920	478,720	166,220	
	CORE	British Virgin Islands	Investment	4,318,860	4,318,860	147,000	100%	5,147,628	400,455	400,455	
	Etrade	British Virgin Islands	Investment	1,532,029	1,532,029	46,900	90%	(344,710)	(436,731)	(418,623)	
	Webtek	British Virgin Islands	Selling of mobile phones	3,340	3,340	100	100%	1,395,496	(18,108)	(18,108)	
	Forever	British Virgin Islands	Selling of mobile phones	1,575	1,575	50	100%	1,558,155	587	587	

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Investor	Investee		Main	Original Investment Amount		Ending Balance			Net income	Share of	
Company	Company	Location	Businesses and Products	December 31, 2016	December 31, 2015	Shares (thousand)	Percentage of Ownership	Carrying Value	(losses) of investee	profits/losses of investee	Note
The Company	UCGI	Taipei City	Manufacturing and sale of computers and electronic components	100,000	100,000	10,000	100%	(122,677)	(147,223)	(140,950)	
	Palcom	Taipei City	Selling of mobile phones	100,000	100,000	10,000	100%	110,837	4,001	4,001	
	GLB	New Taipei City	Manufacturing and sales of medical equipment	246,860	246,860	15,000	50%	236,743	(11,447)	(4,576)	
								80,166,563		3,766,213	
Webtek	Etrade	British Virgin Islands	Investment	161,250 (US$5,000)	-	5,000	10%	(35,426) (US$(1,098))	(436,731) (US$(14,204))	Investment gain(losses) recognized by Webtek	
Forever	GIA	British Virgin Islands	Sales of mobile phones	-	-	-	100%	-	-	Investment gain(losses) recognized by Forever	
Panpal	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	180,968	180,968	6,827	4%	383,533	1,357,473	Investment gain(losses) recognized by Panpal	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	148,263	148,263	2,927	6%	80,513	162,631	〃	
	Others							849,306			
Gempal	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	203,500	203,500	7,846	4%	464,689	1,357,473	Investment gain(losses) recognized by Gempal	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	53,645	53,645	3,220	6%	88,564	162,631	〃	
	Others							4,218			
Just	CDH (HK)	Hong Kong	Investment	2,009,094 (US$62,298)	2,009,094 (US$62,298)	62,298	100%	6,093,612 (US$188,949)	771,300 (US$23,911)	Investment gain(losses) recognized by Just	
	CII	British Virgin Islands	Investment	298,151 (US$9,245)	298,151 (US$9,245)	9,245	100%	281,609 (US$8,732)	(15,416) (US$(478))	〃	
	CPI	British Virgin Islands	Sales of monitors, LCD TVs and related components.	16,125 (US$500)	16,125 (US$500)	500	100%	942,102 (US$29,212)	- (US$-)	〃	
CII	AEI	U.S.A	Sales and maintenance of LCD TVs	32,250 (US$1,000)	32,250 (US$1,000)	1,000	100%	67,290 (US$2,087)	10,579 (US$328)	Investment gain(losses) recognized by CII	
	MEL	U.S.A	Investment	265,547 (US$8,234)	265,547 (US$8,234)	-	100%	287,366 (US$8,911)	(12,203) (US$(378))	〃	
	MTL	U.S.A	Investment	32 (US$1)	32 (US$1)	-	100%	32 (US$1)	- (US$-)	〃	
	Smart	British Virgin Islands	Sales of electronic products and related components	32 (US$1)	32 (US$1)	1	100%	442 (US$14)	(11) (US$-)	〃	
MELand MTL	CMX	Mexico	Manufacturing, sales and maintenance of LCD TVs	259,613 (US$8,050)	259,613 (US$8,050)	32,903	100%	287,366 (US$8,911)	(12,203) (US$(378))	Investment gain(losses) recognized by MEL and MTL	
CIH	CIH (HK)	Hong Kong	Investment	2,412,381 (US$74,803)	2,412,381 (US$74,803)	74,803	100%	29,952,501 (US$928,760)	2,325,033 (US$72,077)	Investment gain(losses) recognized by CIH	
	Jenpal	British Virgin Islands	Investment	237,038 (US$7,350)	237,038 (US$7,350)	7,350	100%	105,849 (US$3,282)	1,496 (US$46)	〃	
	CCM	British Virgin Islands	Investment	164,475 (US$5,100)	164,475 (US$5,100)	5,100	51%	62,571 (US$1,940)	2,834 (US$88)	〃	
	PFG	British Virgin Islands	Sales of notebook PCs and related components	32 (US$1)	32 (US$1)	1	100%	442,880 (US$13,733)	- (US$-)	〃	
	FWT	British Virgin Islands	Investment	287,025 (US$8,900)	283,800 (US$8,800)	8,900	100%	287,025 (US$8,900)	- (US$-)	〃	

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2016	December 31, 2015	Shares (thousand)	Percentage of Ownership	Carrying Value			
Hong Ji	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	203,500	203,500	7,846	4%	464,689	1,357,473	Investment gain(losses) recognized by Hong Ji	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	12,274	12,274	1,041	2%	22,673	162,631	〃	
Hong Jin	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	112,569	112,569	4,340	2%	236,456	1,357,473	Investment gain(losses) recognized by Hong Jin	
Arcadyan	Arcadyan Holding	British Virgin Islands	Investment	962,291	1,479,091	23,780	100%	837,009	125,946	Investment gain(losses) recognized by Arcadyan	
	Arcadyan USA	U.S.A	Sales of wireless network products	23,055	23,055	1	100%	56,477	5,145	〃	
	Arcadyan Germany	Germany	Technology support of wireless network products	1,125	1,125	0.5	100%	47,254	5,599	〃	
	Arcadyan Korea	Korea	Sales of wireless network products	2,879	2,879	20	100%	2,225	863	〃	
	Zhi-pal	Taipei City	Investment	48,000	48,000	30,000	100%	399,508	63,276	〃	
	TTI	Taipei City	R&D and sales of household digital products	296,429	287,786	24,474	60%	519,049	19,242	〃	
	AcBel Telecom	Taipei City	Investment	23,000	23,000	3,652	51%	40,281	15,822	Investment gain(losses) recognized by Arcadyan	
	Golden Smart Home Technology Corp.	Taipei City	Selling of hardware and software integration of high-tech systems	15,692	6,961	1,229	22%	5,738	(3,185)	〃	
	Arcadyan Brasil	Brazil	Sales of wireless network products	81,265	81,265	965	99%	65,710	(29,851)	〃	
	Arcadyan UK	UK	Technical support of wireless network products	1,980	-	50	100%	2,052	73	〃	
	CBN	Hsinchu county	R&D and sales of communication and electronic components	214,875	-	8,735	16%	219,723	133,949	〃	
Arcadyan Holding	Sinoprime	British Virgin Islands	Sales of wireless network products	1,613 (US$50)	1,613 (US$50)	50	100%	1,547 (US$48)	19 (US$1)	Investment gain(losses) recognized by Arcadyan Holding	
	Arch Holding	British Virgin Islands	Investment	355,105 (US$11,011)	355,105 (US$11,011)	35	100%	741,934 (US$23,006)	117,466 (US$3,641)	〃	
TTI	Quest	Samoa	Investment	38,700 (US$1,200)	38,700 (US$1,200)	1,200	100%	49,999	1,714	Investment gain(losses) recognized by TTI	
Quest	Exquisite	Samoa	Investment	37,733 (US$1,170)	37,733 (US$1,170)	1,170	100%	49,149 (US$1,524)	1,742 (US$54)	Investment gain(losses) recognized by Quest	
AcBel Telecom	Leading Images	British Virgin Islands	Investment	1,613 (US$50)	1,613 (US$50)	50	100%	74,577	15,101	Investment gain(losses) recognized by AcBel Telecom	
	Great Arch	British Virgin Islands	Sales of wireless network products	1,613 (US$50)	1,613 (US$50)	50	100%	1,601	66	〃	

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2016	Original Investment Amount December 31, 2015	Ending Balance Shares (thousand)	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	Net income (losses) of investee	Share of profits/losses of investee	Note
Leading Images	Astoria GmbH	Germany	Sales of wireless network products	848 (EUR25)	848 (EUR25)	25	100%	74,219 (US$2,301)	15,101 (US$468)	Investment gain(losses) recognized by Leading Images	
Zhi-pal	CBN	Hsinchu county	R&D and sales of communication and electronic components	48,000	48,000	15,650	29%	393,669	133,949	Investment gain(losses) recognized by Zhi-pal	
	Arcadyan Brasil	Brazil	Sales of wireless network products	328	328	4	1%	328	(29,851)	〃	
HSI	IUE	British Virgin Islands	Investment	967,500 (US$30,000)	967,500 (US$30,000)	30,000	100%	569,716 (US$17,666)	(44,735) (US$(1,387))	Investment gain(losses) recognized by HSI	
	Goal	British Virgin Islands	Investment	409,575 (US$12,700)	409,575 (US$12,700)	12,700	100%	312,855 (US$9,701)	(924) (US$(29))	〃	
IUE	CVC	Vietnam	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	967,500 (US$30,000)	967,500 (US$30,000)	30,000	100%	595,637 (US$18,469)	(44,735) (US$(1,387))	Investment gain(losses) recognized by IUE	
Goal	CDM	Vietnam	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	409,575 (US$12,700)	409,575 (US$12,700)	12,700	100%	374,361 (US$11,608)	(924) (US$(29))	Investment gain(losses) recognized by Goal	
Rayonnant	APH	British Virgin Islands	Investment	312,318	312,318	8,651	41%	156,380	(14,857)	Investment gain(losses) recognized by Rayonnant	
	Forming Co., Ltd.	Taoyuan City	R&D and manufacturing of electronic materials	27,300	27,300	1,820	21%	-	(24,331)	〃	
CRH	APH	British Virgin Islands	Investment	403,125 (US$12,500)	403,125 (US$12,500)	12,500	59%	235,106 (US$7,290)	(14,857) (US$(461))	Investment gain(losses) recognized by CRH	
HengHao	HHA	British Virgin Islands	Investment	1,429,235	1,429,235	46,882	100%	632,079	67,843	Investment gain(losses) recognized by HengHao	
HHA	HHB	British Virgin Islands	Investment	1,511,945 (US$46,882)	1,511,945 (US$46,882)	46,882	100%	650,526 (US$20,171)	67,831 (US$2,103)	Investment gain(losses) recognized by HHA	
HHB	HengHao Trading Co., Ltd.	British Virgin Islands	Marketing and international trade	323 (US$10)	323 (US$10)	10	100%	338 (US$10)	8 (US$-)	Investment gain(losses) recognized by HHB	
CPE	CEE	Poland	Manufacturing, sales and maintenance of LCD TVs	-	206,288 (US$6,397)	-	-	-	26,152 (US$811)	Investment gain(losses) recognized by CPE	(Note 2)
CBN	Speedlink	British Virgin Islands	Import and export business	1,514	1,514	50	100%	1,656	29	Investment gain(losses) recognized by CBN	
FGH	Wah Yuen Technology Holding Ltd. and its subsidiaries	Mauritius	Investment	2,894,615 (US$89,755)	2,894,615 (US$89,755)	95,862	37%	4,101,571 (US$127,180)	1,049,954 (US$32,549)	Investment gain(losses) recognized by FGH	
CORE	BSH	British Virgin Islands	Investment	4,740,750 (US$147,000)	4,740,750 (US$147,000)	147,000	100%	5,147,629 (US$159,616)	400,455 (US$12,414)	Investment gain(losses) recognized by CORE	
BSH	LC Future Center Ltd.	Hong Kong	Investment and trading	4,630,133 (US$143,570)	4,630,133 (US$143,570)	147,000	49%	5,147,629 (US$159,616)	854,934 (US$26,503)	Investment gain(losses) recognized by BSH	
APH	PEL	British Virgin Islands	Investment	101,620 (US$3,151)	101,620 (US$3,151)	3,151	100%	56,371 (US$1,748)	42,241 (US$1,309)	Investment gain(losses) recognized by APH	
	Rayonnant (HK)	Hong Kong	Investment	580,500 (US$18,000)	580,500 (US$18,000)	18,000	100%	326,422 (US$10,122)	(57,038) (US$(1,768))	〃	

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount: December 31, 2016	Original Investment Amount: December 31, 2015	Ending Balance: Shares (thousand)	Ending Balance: Percentage of Ownership	Ending Balance: Carrying Value	Net income (losses) of investee	Share of profits/losses of investee	Note
BCI	CMI	British Virgin Islands	Investment	2,606,445 (US$80,820)	2,606,445 (US$80,820)	80,820	100%	3,628,463 (US$112,510)	(45,908) (US(1,423))	Investment gain(losses) recognized by BCI	
	PRI	British Virgin Islands	Investment	322,500 (US$10,000)	322,500 (US$10,000)	10,000	100%	1,936,924 (US$60,060)	179,320 (US$5,559)	〃	
GLB	RBL	New Taipei City	Detectors and test strip	15,000	-	1,275	100%	13,865	(2,112)	Investment gain(losses) recognized by GLB	

Note 1: The carrying value had deducted $559,812 and $321,435 of the Company's stock held by Panpal and Gempal, respectively.
Note 2: CEE had been sold in December 2016.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars/ US Dollars/ RMB)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2015	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2016 (Note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
CPC	Manufacturing and sales of monitors	1,193,250 (US$37,000)	(Note 1)	1,193,250 (US$37,000)	-	-	1,193,250 (US$37,000)	257,840 (US$7,993)	100 %	257,840 (US$7,993)	2,722,494 (US$84,418)	-
CDT	Manufacturing and sales of notebook PCs, mobile phones, and Digital products	645,000 (US$20,000)	(Note 2)	645,000 (US$20,000)	-	-	645,000 (US$20,000)	(25,162) (US$(780))	100 %	(25,162) (US$(780))	269,241 (US$8,349)	-
CET	Manufacturing of notebook PCs	387,000 (US$12,000)	(Note 2)	387,000 (US$12,000)	-	-	387,000 (US$12,000)	(420,026) (US$(13,021))	100 %	(394,884) (US$(12,242))	4,505,789 (US$139,714)	-
BT	Manufacturing of notebook PCs	32,250 (US$1,000)	(Note 2)	32,250 (US$1,000)	-	-	32,250 (US$1,000)	(52,203) (US$(1,618))	100 %	(52,203) (US$(1,618))	(32,437) (US$(1,006))	-
CGS	Maintenance and warranty service of notebook PCs	9,272 (RMB2,000)	(Note 2)	(Note 3)	-	-	-	(22,605) (US$(701))	100 %	(22,605) (US$(701))	(32,624) (US$(1,012))	-
LIZ Electronics (Kunshan) Co., Ltd.	Production and processing chip-resistors, ceramic capacitors, diodes, and other latest electronic components and related precision electronic equipment; selling self-produced products	1,032,000 (US$32,000)	(Note 1)	429,893 (US$13,330)	-	-	429,893 (US$13,330)	85,776 (US$2,659)	43 %	37,038 (US$1,148)	308,891 (US$9,578)	-
LIZ Electronics (Nantong) Co., Ltd.	Research & development, and manufacturing chip components (chip resistors, ceramic chip diode; selling self-produced products and providing after-sales service. Performing wholesale and trading business of electronic components, semiconductors, special materials for electronic components, and spare parts	338,883 (US$10,508)	(Note 1)	47,408 (US$1,470)	-	-	47,408 (US$1,470)	(4,805) (US$(149))	48 %	(2,300) (US$(71))	151,317 (US$4,692)	-
Zheng Ying Electronics (Chongqing) Co., Ltd.	Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self-produced products	73,139 (RMB15,776)	(Note 2)	(Note 3)	-	-	-	(31,842) (RMB(6,556))	51 %	(16,239) (RMB(3,343))	(13,495) (RMB(2,911))	-
CIC	Manufacturing of notebook PCs	387,000 (US$12,000)	(Note 2)	387,000 (US$12,000)	-	-	387,000 (US$12,000)	527,719 (US$16,360)	100 %	600,742 (US$18,623)	6,576,827 (US$203,933)	-

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2015	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2016 (Note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
CPO	Manufacturing and sales of LCD TVs	390,225 (US$12,100)	(Note 1)	390,225 (US$12,100)	-	-	390,225 (US$12,100)	47,797 (US$1,482)	100 %	47,797 (US$1,482)	2,845,189 (US$88,223)	-
CIT	Manufacturing of notebook PCs	774,000 (US$24,000)	(Note 2)	774,000 (US$24,000)	-	-	774,000 (US$24,000)	1,958,735 (US$60,722)	100 %	2,045,770 (US$63,420)	18,478,884 (US$572,989)	-
LCFC (He Fei) Electronics Technology Co., Ltd.	Manufacturing and selling of personal computers and related components, and providing related maintenance and after-sales service	8,546,250 (US$265,000)	(Note 1)	4,187,663 (US$129,850)	-	-	4,187,663 (US$129,850)	780,148 (US$24,185)	49 %	382,272 (US$11,851)	4,522,885 (US$140,244)	-
CST	International trade and distribution of computers and electronic components	45,150 (US$1,400)	(Note 2)	45,150 (US$1,400)	-	-	45,150 (US$1,400)	(2,296) (US$(71))	100 %	(2,296) (US$(71))	50,370 (US$1,562)	-
CIN	Software and hardware R&D of computers, mobile phones and electronic components	64,500 (US$2,000)	(Note 2)	64,500 (US$2,000)	-	-	64,500 (US$2,000)	(58) (US$(2))	100 %	(58) (US$(2))	917 (US$28)	-
ShengBao Precision Electronics (Taicang) Co., Ltd.	Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self-produced products	322,500 (US$10,000)	(Note 2)	164,475 (US$5,100)	-	-	164,475 (US$5,100)	2,501 (US$78)	51 %	1,276 (US$40)	60,680 (US$1,882)	-
CIJ	Investment and consulting services	503,100 (US$15,600)	(Note 2)	503,100 (US$15,600)	-	-	503,100 (US$15,600)	618,788 (US$19,183)	100 %	618,788 (US$19,183)	628,839 (US$19,499)	-
CDE	Manufacturing and sales of LCD TVs	483,750 (US$15,000)	(Note 2)	(Note 3)	-	-	-	494,019 (US$15,315)	100 %	494,019 (US$15,315)	346,454 (US$10,743)	-
CIS	Outward investment and consulting services	2,606,445 (US$80,820)	(Note 1)	2,606,445 (US$80,820)	-	-	2,606,445 (US$80,820)	(45,908) (US$(1,423))	100 %	(45,908) (US$(1,423))	3,628,463 (US$112,510)	-
CEC	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	2,580,000 (US$80,000)	(Note 2)	(Note 3)	-	-	-	204,365 (US$6,335)	100 %	204,365 (US$6,335)	3,571,593 (US$110,747)	-
CMC	Corporate management consulting, financial and tax consulting, investment consulting, and investment management consulting services	25,800 (US$800)	(Note 2)	(Note 3)	-	-	-	1,412 (US$44)	100 %	1,412 (US$44)	25,414 (US$788)	-
CEQ	R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services	322,500 (US$10,000)	(Note 1)	322,500 (US$10,000)	-	-	322,500 (US$10,000)	179,320 (US$5,559)	100 %	179,320 (US$5,559)	1,936,924 (US$60,060)	-
Compal Precision Module (Jiangsu) Co., Ltd.	Manufacturing and selling of magnesium alloy injection molding	13,222,500 (US$410,000)	(Note 2)	2,664,721 (US$82,627)	-	-	2,664,721 (US$82,627)	397,391 (US$12,319)	37 %	145,525 (US$4,511)	5,366,670 (US$166,408)	-
Changbao Electronic Technology (Chongqing) Co., Ltd.	Production and marketing of magnesium alloy molding	1,935,000 (US$60,000)	(Note 2)	369,456 (US$11,456)	-	-	369,456 (US$11,456)	461,486 (US$14,306)	37 %	168,996 (US$5,239)	901,025 (US$27,939)	-
Rayonnant (Taicang)	Manufacturing and sales of aluminum alloy and magnesium alloy products	580,500 (US$18,000)	(Note 2)	403,125 (US$12,500)	-	-	403,125 (US$12,500)	(56,902) (US$(1,764))	100 %	(56,902) (US$(1,764))	327,049 (US$10,141)	-
CCI Nanjing	Manufacturing and processing of mobile phones and tablet PCs	709,500 (US$22,000)	(Note 1)	709,500 (US$22,000)	-	-	709,500 (US$22,000)	(318,802) (US$(9,883))	100 %	(318,802) (US$(9,883))	(969,596) (US$(30,065))	-

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2015	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2016 (Note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CDCN	Manufacturing and processing of mobile phones and tablet PCs	187,050 (US$5,800)	(Note 1)	187,050 (US$5,800)	-	-	187,050 (US$5,800)	(22,193) (US$(688))	100 %	(22,193) (US$(688))	83,044 (US$2,575)	-
CWCN	Manufacturing and processing of mobile phones and tablet PCs	935,250 (US$29,000)	(Note 1)	612,750 (US$19,000)	-	-	612,750 (US$19,000)	(119,063) (US$(3,691))	100 %	(119,063) (US$(3,691))	486,298 (US$15,079)	-
Hanhelt	R&D and manufacturing of electronic communication equipment	64,500 (US$2,000)	(Note 1)	64,500 (US$2,000)	-	-	64,500 (US$2,000)	452 (US$14)	100 %	452 (US$14)	(935) (US$(29))	-
Arcadyan												
SVA Arcadyan	R&D and sales of wireless network products	422,475 (US$13,100)	(Note 1)	594,045 (US$18,420) (Note 7)	-	-	594,045 (US$18,420)	3,566 (US$111)	100 %	3,566 (US$111)	119,185 (US$3,696)	-
CNC	Manufacturing and wireless network products	401,513 (US$12,450)	(Note 1)	355,105 (US$11,011) (Note 8)	-	-	355,105 (US$11,011)	117,466 (US$3,641)	100 %	117,466 (US$3,641)	741,928 (US$23,006)	-
THAC	Manufacturing of household electronics products	108,038 (US$3,350)	(Notes 1、10)	37,088 (US$1,150)	-	-	37,088 (US$1,150)	1,774 (US$55)	100 %	1,774 (US$55)	48,601 (US$1,507)	-
HengHao												
HengHao Optoelectronic Technology Kunshan Co., Ltd. ("HengHao Kunshan")	Production of touch panels and related components	1,290,000 (US$40,000)	(Note 1)	1,283,647 (US$39,803)	-	-	1,283,647 (US$39,803)	93,224 (US$2,890)	100 %	93,224 (US$2,890)	490,565 (US$15,211)	-
Lucom Display Technology (Kunshan) Limited ("Lucom")	Manufacturing of notebook PCs and related modules	483,750 (US$15,000)	(Note 2)	209,593 (US$6,499) (Note 12)	-	-	209,593 (US$6,499)	(25,401) (US$(787))	100 %	(25,401) (US$(787))	141,498 (US$4,388)	-

(ii) Limitation on investment in Mainland China:

Names of Company	Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	17,561,318 (USD 544,537) (Note 5)	24,019,994 (USD 744,806)	(Note 6)
Arcadyan	986,237 (USD 30,581)	986,237 (USD 30,581)	5,220,767
HengHao	1,511,623 (USD 46,872)	1,608,373 (USD 49,872)	1,288,939

Note 1: Indirectly investment in Mainland China through companies registered in the third region.

Note 2: Indirectly investment in Mainland China through an existing company registered in the third region.

Note 3: Investees held by Kunshan Botai Electronics Co., Ltd. ("BT"), Compal Investment (Jiansu) Co., Ltd. ("CIJ"), Compal Electronic (Sichuan) Co., Ltd. ("CIS"), Compal Electronics Technology (Kunshan) Co., Ltd.("CET"), and Compal Electronics (China) Co., Ltd. ("CPC") through their own funds.

Note 4: The investment income (loss) was determined based on the financial report audited by CPA.

Note 5: Including the investment amount of sold or dissolved company, Beijing Compower Xuntong Electronic Technology CO., LTD. VAP Optoelectronics (NanJing) Corp., Flextronics Technology (Shanghai) Ltd. Lucom and the increased investment amount from merging with Compal Communication Co., Ltd.

Note 6: As the Company has obtained the certificate of being qualified for operating headquarters, issued by Industrial Development Bureau, MOEA, the upper limit on investment in mainland China is not applicable.

Note 7: Arcadyan paid US$18,420 thousands and acquired 100% shares of SVA Arcadyan from Accton Asia through Arcadyan Holding in 2010.

Note 8: Arcadyan paid US$8,561 thousands and acquired 100% shares of CNC from Just through Arcadyan Holding in 2007.

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Financial Statements

Note 9: SVA Arcadyan decreased its capital amounting to US$15,000 to offset accumulated losses in March 2009.
Note 10: Arcadyan's subsidiary TTI obtained the control over THAC with US$1,150 thousands on February 28, 2013 (the date of stock transferring).
Note 11: The amounts in New Taiwan Dollars were translated at the exchange rates at the balance sheet date or the average exchange rate.
Note 12: The Company had an accumulated investment amounting to US$7,350 thousands in the previous years. In the first half of 2014, HengHao paid the Company and LG US$3,184 thousands and US$3,315 thousands, respectively, for organization restructure, to obtain 100% ownership of Lucom.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in " Information on significant transactions".

(14) Segment information:

Please refer to the consolidated financial report of 2016.

COMPAL ELECTRONICS, INC.

STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2016

(Expressed in thousands of New Taiwan Dollars; in dollars of Foreign Currency)

Item	Description	Amount
Cash on hand		$ 1,308
Checking account and demand deposits	TWD	3,281,726
	Foreign currency (US$104,546,394.15、EUR$93,676.49 and others)	3,382,776
		6,664,502
Time deposits	Foreign currency (US$1,034,000,000, Maturity date: 2017.1.3~ 2017.3.1)	33,346,500
	(CNY$8,040,000, Maturity date: 2017.1.5~ 2017.7.11)	37,121
		33,383,621
Cash equivalents:		
Bonds purchased under resale agreements	TWD (2017.1.3~2017.1.10)	117,704
	Foreign currency (US$100,000,000, Maturity date: 2017.1.19~ 2017.1.20)	3,225,000
		3,342,704
Total		**$ 43,392,135**

Note: The exchange rate is 32.25 New Taiwan dollars for 1 US dollar; 33.9 New Taiwan dollars for 1 EUR dollar; 4.617 New Taiwan dollars for 1 CNY dollar.

COMPAL ELECTRONICS, INC.

STAEMENTS OF NOTES AND ACCOUNTS RECEIVABLE

December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
D Company	Non-related-party sales	$ 94,154,975
E Company	〃	21,334,490
A Company	〃	10,799,240
H Company	〃	7,818,846
Others (Note)	〃	29,383,177
		163,490,728
Less: allowance for uncollectible accounts		(788,948)
Notes and accounts receivable, net		**$ 162,701,780**

Note: The amount of individual client included in others does not exceed 5% of the account balance.

COMPAL ELECTRONICS, INC.

STATEMENTS OF INVENTORY

December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Cost	Net Realizable Value
Finished goods	$ 2,636,338	2,670,375
Work in progress	32,001	32,001
Raw materials	24,204,321	24,449,348
Raw materials in transit	1,096,351	1,096,351
Total	**$ 27,969,011**	**28,248,075**

COMPAL ELECTRONICS, INC.

STATEMENT OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the year ended December 31, 2016

(Expressed in thousands of New Taiwan Dollars; thousands of shares)

	Beginning Balance		Increase (Note 1)		Decrease (Note 2)			Ending Balance (including impairment loss)				
Investee Company	Number of shares	Amount (excluding exchange differences on transaction of foreign financial statements)	Number of shares	Amount	Number of shares	Amount	Share of profit recognized	Number of shares	Amount (excluding exchange differences on transaction of foreign financial statements)	Exchange differences on transaction of foreign financial statements	Ending Balance (including exchange differences on transaction of foreign statements)	Market Price / Net Value
Auscom	3,000	$ 120,242	-	-	-	-	1,866	3,000	122,108	(4,235)	117,873	117,873
Panpal	500,000	5,665,618	-	126,211	-	34,045	92,905	500,000	5,850,689	(331,964)	5,518,725	5,539,928
Just	48,010	7,688,248	-	-	-	-	768,478	48,010	8,456,726	115,817	8,572,543	8,572,543
CIH	46,901	28,520,739	100	3,262	-	-	2,335,151	47,001	30,859,152	913,957	31,773,109	31,760,262
CEH	1	3,906,656	-	-	-	-	-	1	3,906,656	(106,037)	3,800,619	3,798,619
Gempal	90,000	1,827,362	-	22,625	-	1,672	75,234	90,000	1,923,549	(15,946)	1,907,603	1,922,985
Hong Ji	100,000	975,925	-	-	-	3,884	63,228	100,000	1,035,269	(1,326)	1,033,943	1,033,943
Hong Jin	29,500	322,683	-	-	-	15,087	31,699	29,500	339,295	(732)	338,563	338,563
Maxima Ventures l, Inc.	126	28,003	-	-	-	11,340	(2,749)	126	13,914	(1,400)	12,514	12,514
ATK	899	10,287	-	-	-	-	23	899	10,310	(3)	10,307	10,307
Allied Circuit	10,158	267,339	-	-	-	21,077	33,201	10,158	279,463	(58)	279,405	285,432 (Note 4)
Bizcom	100	412,417	-	-	-	-	23,529	100	435,946	6,908	442,854	442,854
LIPO	98	323,374	-	4,737	-	-	36,775	98	364,886	(11,065)	353,821	354,468
Crownpo	3,739	48,184	-	-	-	85	3,451	3,739	51,550	(376)	51,174	51,174
Gallery	3,829	409	-	-	3,829	-	(409)	-	-	-	-	-
Arcadyan	41,305	1,807,402	-	-	-	73,620	296,450	41,305	2,030,232	(1,399)	2,028,833	2,354,357 (Note 3)
FGH	89,755	3,894,977	-	-	-	373	384,469	89,755	4,279,073	(251,847)	4,027,226	4,027,226
HSI	42,700	859,495	-	-	-	-	(44,935)	42,700	814,560	40,049	854,609	882,571
Zhaopal	200,100	648,125	-	-	-	-	(76)	200,100	648,049	-	648,049	648,049
Yongpal	175,100	568,182	-	-	-	-	(76)	175,100	568,106	-	568,106	568,106
Kaipal	75,100	243,410	-	-	-	-	(76)	75,100	243,334	-	243,334	243,334
Lead-Honor Optronics Co., Ltd	2,772	16,950	-	-	-	4,544	(12,409)	2,772	(3)	3	-	-
CBN	16,954	397,150	9,464	232,827	-	34,531	68,475	26,418	663,921	43	663,964	680,120
Kinpo	300	4,222	-	-	-	-	69	300	4,291	-	4,291	5,449
Rayonnant Technology	29,500	142,539	-	-	-	-	(15,481)	29,500	127,058	6,627	133,685	133,685
CRH	12,500	228,542	-	-	-	-	(8,781)	12,500	219,761	15,346	235,107	235,107
HengHao	317,310	2,069,497	-	-	111,515	-	(778,578)	205,795	1,290,919	15,348	1,306,267	1,306,267
Infinno Technology Corp.	10,984	23,742	-	-	-	-	(13,333)	10,984	10,409	-	10,409	10,409
CEP	136	(28,217)	-	-	-	-	38,005	136	9,788	(7,975)	1,813	1,813
BCI	90,820	4,995,187	-	-	-	-	133,413	90,820	5,128,600	436,788	5,565,388	5,565,388
APE	31,253	979,514	-	-	-	123,781	166,220	31,253	1,021,953	67,967	1,089,920	1,089,978
CORE	147,000	4,321,126	-	-	-	-	400,455	147,000	4,721,581	426,047	5,147,628	5,147,628
Ripal	6,000	29,601	-	-	-	-	(8,112)	6,000	21,489	-	21,489	21,489
CPE	6,427	473,778	-	-	-	-	229,413	6,427	703,191	8,781	711,972	558,302
Avalue	14,560	541,654	40	2,365	-	62,101	68,995	14,600	550,913	1,212	552,125	909,584 (Note 4)
Etrade	46,900	10,307	-	177,112	-	-	(418,623)	46,900	(231,204)	(113,506)	(344,710)	(333,745)
Webtek	100	1,600,866	-	-	-	177,112	(18,108)	100	1,405,646	(10,150)	1,395,496	1,395,496
Forever	50	1,562,514	-	-	-	-	587	50	1,563,101	(4,946)	1,558,155	1,558,155
UCGI	10,000	18,273	-	-	-	-	(140,950)	10,000	(122,677)	-	(122,677)	(122,677)
Palcom	10,000	107,563	-	-	-	727	4,001	10,000	110,837	-	110,837	110,837
Mactech	21,756	209,305	-	-	-	-	(22,607)	21,756	186,698	-	186,698	186,698
GLB	15,000	241,319	-	-	-	-	(4,576)	15,000	236,743	-	236,743	126,354
		76,084,509		569,139		563,979	3,766,213		79,855,882	1,191,928	81,047,810	
Exchange differences on transaction of foreign financial statements		2,670,706		-		1,478,778	-		1,191,928		-	
Less: Treasury shares held by subsidiaries		(881,247)		-		-	-		(881,247)		(881,247)	
Unrealized profits or losses		(6,804)		-		429	-		(7,233)		(7,233)	
		77,867,164		569,139		2,043,186	3,766,213		80,159,330		80,159,330	
Plus: Deduction of other receivable－related parties		209									93,954	
Plus: Credit balance of investment in equity method		139,389									373,433	
Total		$ 78,006,762									80,626,717	

Note 1：Increase in current period included purchasing long-term investments, adjusting by using equity method of capital surplus, unrealized gains on available-for sale financial instruments, and subsidiaries received cash dividends from the parent company.
Note 2：Decrease in current period included cash dividends distributed from long-term investments for using equity method, adjustment by equity method of capital surplus, cash flow hedge, retained earnings, remeasurement of defined benefit plans, impairment loss, and unrealized loss on available-for-sale financial instrument.
Note 3：The unit price is calculated by the closing price of the Taiwan Stock Exchange as of December 30, 2016.
Note 4：The unit price is calculated by the closing price of Gre Tai Securities Market as of December 30, 2016.

COMPAL ELECTRONICS, INC.

STATEMENT OF NON-CURRENT AVAILABLE-FOR-SALE FINANCIAL ASSETS

For the year ended December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Increase (Note 1)		Decrease (Note 2)		Ending Balance		
Investee Company	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Collaterals or Pledged Assets
Kinpo	124,044	$ 1,192,061	-	284,060	-	-	124,044	1,476,121	None
Cal-Comp Electronics (Thailand) Public Co., Ltd.	239,631	738,063	-	-	-	155,760	239,631	582,303	None
Innolux	134,877	1,340,681	-	223,896	-	-	134,877	1,564,577	None
Chipbond	13,542	643,924	-	-	-	21,667	13,542	622,257	None
CPT	394,086	811,000	-	-	-	-	394,086	811,000	None
Taiwan Star	98,046	980,465	-	-	-	-	98,046	980,465	None
Others	-	264,709	-	97,357	-	49,587	-	312,479	None
Total		$ 5,970,903		605,313		227,014		6,349,202	

Note 1：Increase included purchasing available-for-sale financial assets and unrealized gains on financial instruments at fair value through profit or loss.

Note 2：Decrease included impairment loss, unrealized loss on financial instruments at fair value through profit or loss and proceeds of capital reduction of investments.

COMPAL ELECTRONICS, INC.

STATEMENT OF PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note (6)(j).

STATEMENT OF SHORT-TERM LOANS

December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Contract Period	Interest Rate	Loan Commitments	Collaterals or Pledged Assets	Ending balance
Bank of China Limited	Credit Loans	2016.12~2017.01	1.15%	$ 6,450,000	None	5,482,500
Ta Chong Bank	〃	2016.12~2017.01	1.00%	1,000,000	None	967,500
The Bank of Tokyo-Mitsubishi UFJ	〃	2016.12~2017.02	1.13%~1.23%	3,225,000	None	3,225,000
Credit Agricole Corporate & Investment Bank	〃	2016.12~2017.02	1.35%~1.39%	4,837,500	None	4,515,000
Sumitomo Mitsui Banking Corporation	〃	2016.11~2017.01	1.08%	3,225,000	None	3,225,000
Citibank Taiwan, Ltd.	〃	2016.12~2017.03	0.78%~1.12%	9,513,750	None	6,063,750
HSBC Bank (Taiwan) Limited	〃	2016.12~2017.02	1.16%~1.40%	4,515,000	None	4,515,000
Taipei Fubon Commercial Bank Co., Ltd.	〃	2016.12~2017.01	0.67%	2,096,250	None	2,000,000
Mizuho Bank	〃	2016.12~2017.01	0.67%	3,225,000	None	450,000
				$ 38,087,500		**30,443,750**

COMPAL ELECTRONICS, INC.

STATEMENT OF ACCOUNTS PAYABLE－NON-RELATED PARTY

December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Suppliers	Amount
E Company	$ 22,660,535
J Company	16,709,217
B Company	8,208,158
A Company	3,898,520
I Company	4,180,169
H Company	3,646,710
Others (Note)	13,232,259
Total	**$ 72,535,568**

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

COMPAL ELECTRONICS, INC.

STATEMENT OF LONG-TERM LOANS

December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

		Amount					
Creditor	**Loan Commitments**	**Loan within 1 year**	**Loan more than 1 year**	**Contract Period**	**Interest Rate**	**Amount**	**Collaterals or Pledged Assets**
Hua Nan Commercial Bank	$ 3,000,000	3,000,000	-	2015.11~2017.11	1.14 %	3,000,000	None
Sumitomo Mitsui Banking Corporation	1,800,000	-	1,790,000	2015.11~2018.11	1.12 %	1,790,000	None
O-Bank (Originally named Industrial Bank of Taiwan)	1,000,000	-	1,000,000	2015.12~2018.12	1.12 %	1,000,000	None
CTBC Bank Co., Ltd.	2,000,000	-	2,000,000	2016.04~2018.04	1.08 %	2,000,000	None
KGI Bank	2,500,000	-	2,500,000	2016.05~2019.05	1.10 %	2,500,000	None
Taipei Fubon Commercial Bank Co., Ltd.	2,000,000	-	1,950,000	2016.09~2019.07	1.15 %	1,950,000	None
E. Sun Bank	2,500,000	-	2,495,000	2016.08~2019.08	1.10 %	2,495,000	None
Bank SinoPac	3,500,000	-	3,500,000	2016.03~2020.03	1.18 %	3,500,000	None
The Shanghai Commercial & Savings Bank	2,300,000	-	2,300,000	2016.06~2020.06	1.14 %	2,300,000	None
Bank of Taiwan	3,000,000	-	2,200,000	2016.09~2020.09	1.16 %	2,200,000	None
Taiwan Corporative Bank	2,000,000	-	300,000	2016.11~2019.11	1.14 %	300,000	None
Mega International Commercial Bank	1,000,000	-	600,000	2016.11~2020.11	1.17 %	600,000	None
Chang Hwa Bank	3,000,000	-	3,000,000	2016.12~2020.12	1.14 %	3,000,000	None
Bank of America	5,160,000	4,700,000	-	2015.05~2017.06	1.35 %	4,700,000	None
	$ 34,760,000	7,700,000	23,635,000			31,335,000	

COMPAL ELECTRONICS, INC.

STATEMENT OF OTHER PAYABLES

December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Payroll payables and year-end bonuses payable	2016/12 payroll expense, estimated 2016 year-end bonuses, and employees and directors' compensations	$ 3,070,706
Technical service fee payables		1,145,711
Sales allowance payables		798,233
Others (Note)	Export expense payables and others	2,711,296
Total		**$ 7,725,946**

Note: The amount of each item in others does not exceed 5% of the account balance.

COMPAL ELECTRONICS, INC.

STATEMENT OF NET REVENUE

For the year ended December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount
Sales revenue:		
5C electronic products	Note	$ 728,360,161
Others		298,035
Less: Sales return		(619,894)
Sales allowance		(3,247,001)
Net sales		724,791,301
Other operating revenue:		
Service and processing revenue		861,794
Net sales revenue		**$ 725,653,095**

Note: Due to multiple-categories, to be subdivided is difficult.

COMPAL ELECTRONICS, INC.

STATEMENT OF OPERATING COSTS

For the year ended December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Raw materials, beginning of the year	$ 23,263,290
Plus: Purchases	510,271,051
Less: Raw materials, end of the year	(26,908,231)
Transferred to operating expense	(122,272)
Cost of material sold	(1,178,464)
Scraps and others	(495,765)
Raw materials used	504,829,609
Direct labor	143,859
Manufacturing expenses	513,932
Total Manufacturing costs	505,487,400
Plus: Work-in-process, beginning of the year	11,304
Less: Work-in-process, end of the year	(32,001)
Scraps	(357)
Cost of finished goods	505,466,346
Plus: Finished goods, beginning of the year	3,349,683
Purchases	194,696,474
Others	50,905
Less: Finished goods, end of the year	(2,636,975)
Scraps	(15,621)
Income from technical service and manpower support	(103,398)
Transferred to operating expense	(1,184,180)
Costs of sales of finished goods and processing costs	699,623,234
Maintenance costs	2,739,934
Cost of material sold	1,178,464
Allowance for obsolescence loss and inventory valuation	328,895
Scrap loss of raw materials and finished goods	500,916
Cost of sales	**$ 704,371,443**

COMPAL ELECTRONICS, INC.

STATEMENT OF OPERATING EXPENSES

For the year ended December 31, 2016

(Expressed in thousands of New Taiwan Dollars)

Item		Selling expenses	Administrative expenses	Research and development expenses
Payroll expenses	$	343,451	1,544,536	5,991,174
Export expenses		166,452	60	52
Royalty expenses		320,385	-	-
Research expenses		-	-	816,300
Material requisition		699	3,489	295,524
Shipping expenses		2,011,392	1,486	356
Sample expenses		352,701	26	1,894
Bad debts		714,682	-	-
Others (Note)		151,070	846,060	1,746,528
Total	$	**4,060,832**	**2,395,657**	**8,851,828**

Note: The amount of each item in others does not exceed 5% of the account balance.