

Stock Ticker : 2324

# Compal Electronics, Inc.

## 2010 Annual General Shareholders' Meeting Meeting Handbook

(June 18, 2010)



B1, No. 581, Ruiguang Rd., Neihu District,  
Taipei City 11492, Taiwan (R.O.C.)

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# Meeting Procedures

# Compal Electronics, Inc.

## 2010 Annual General Shareholders' Meeting Procedure

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
4. Ratification Items
5. Discussion Items
6. Special Motion
7. Meeting Adjourned

# Meeting Agenda

# Compal Electronics, Inc.

## 2010 Annual General Shareholders' Meeting Agenda

Time : 9:00 am, June 18, 2010 (Friday)

Place : B1, No. 581, Ruiguang Rd., Neihu District, Taipei City 11492, Taiwan  
(R.O.C.)

### I . Report Items

1. Report on Business Operation for the year 2009
2. Report of Supervisors' Examination for year 2009 Financial Statements.

### II . Ratification Items

1. To ratify the Financial Statements Report for year 2009.
2. To ratify the Distribution of Earnings for year 2009.

### III . Discussion Items

1. To approve the increase of capital by issuing new shares from capitalization of capital surplus
2. To approve the amendment to the Articles of Incorporations
3. To approve the amendment to the "Procedures for Endorsement and Guarantee"
4. To approve the amendment to the "Procedures for Lending Funds to Other Parties"
5. To approve the release of non-compete clause for Directors

### IV. Special Motion

### V. Meeting Adjourned

# Report Items

## Item 1

Proposed by the Board of Directors

### **Proposal :**

Report on Business Operation for the year 2009

### **Explanatory Note :**

The Business Report for year 2009 is attached hereto as Attachment 1.



## Item 2

Proposed by the Board of Directors

### **Proposal :**

Report of Supervisors' Examination for year 2009 Financial Statements

### **Explanatory Notes:**

1. The year 2009 financial statements have been audited by the Independent Auditors and the Independent Auditors' Report was issued.  
In addition, the financial statements have been examined by Supervisors; the Examination Report was issued accordingly.
2. Independent Auditors' Report is attached hereto as Attachment 2.
3. Supervisors' Examination Report is attached hereto as Attachment 3.

# Ratification Items

## Item 1

Proposed by the Board of Directors

### **Proposal :**

To ratify the Financial Statements Report for year 2009

### **Explanatory Notes:**

1. The “Report on Business Operation for the year 2009” and “Financial Statements for the year 2009” were approved by the Board of Directors; and, examined by Supervisors. (“Distribution of Earnings for year 2009” is listed in the Ratification Item 2)
2. The “Report on Business Operation for the Year 2009” and “Financial Statement for the Year 2009” are attached hereto as Attachments 1 and 4.

### **Resolved That :**

## Item 2

Proposed by the Board of Directors

### **Proposal :**

To ratify the Distribution of Earnings for year 2009

### **Explanatory Notes:**

1. The 2009 Earnings Appropriation Proposal (see page 13) was prepared by the Board of Directors according to the ROC Company Act and Articles of Incorporation of the Company.
2. The amount of earnings for year 2009 available for distribution to shareholder as dividend and bonus is NT\$10,264,535,424, in which NT\$10,264,535,424 is distributed in cash dividend. Each shareholder will be entitled to receive a cash dividend of NT\$2.4 per share.
3. With respect to the base date of cash dividend distribution, it is proposed that, after the resolutions adopted by the Annual General Shareholders Meeting 2010, the Board of Directors be authorized by the General Shareholders Meeting to determine the base date of dividend distribution.
4. As of April 19, 2010, the paid in capital of the Company is NT\$42,768,897,600. However, if the amount of shares outstanding is change due to the share buy-back by the Company, transfer of treasury stock to employees, share cancellation, exercise of stock option by the employees, conversion of overseas convertible bonds into shares and other factors afterward and thus the distribution ratio for the cash dividend and stock dividend must be adjusted, it is proposed that the Board of Directors be authorized by the General Shareholders Meeting to handle this matter with full authority.

### **Resolved That :**

Compal Electronics, Inc.  
2009 Earnings Appropriation Proposal

Unit : NT\$

Item	Amount
Net income of 2009	19,208,048,788
Add :	
Unappropriated Retained Earnings of Previous Years	15,089,938,896
Reversal of Special Reserve for Unrealized Foreign Currency Exchange Gain previous year	450,488,247
Reversal of Special Reserve for The Net Debit Balance of The Other Components of Shareholders' Equity previous year	998,283,226
Subtract :	
Special Reserve Retained for Unrealized Foreign Currency Exchange Gain this year	(699,520,344)
Special Reserve Retained for The Net Debit Balance of The Other Components of Shareholders' Equity this year	(98,560,327)
Adjustment for Changes in Investment in Investee Company's Stockholders' Equity	(582,834,650)
Retained Earnings Available for Distribution as of December 31, 2009	34,365,843,836
Subtract :	
10% Legal Reserve	(1,920,804,879)
Dividends to Common Shares Holders <Note>	(10,264,535,424)
Unappropriated Retained Earnings as of December 31, 2009	22,180,503,533
Note :	
Employee Bonuses in Cash: NT\$1,870,000,000	
Directors' and Supervisors' Remuneration: NT\$130,000,000	

<Note> NT\$ 2.40 cash dividend per share.

# Discussion Items

## Item 1

Proposed by the Board of Directors

### **Proposal:**

To approve the increase of capital by issuing new shares from capitalization of capital surplus

### **Explanatory Notes:**

1. As of April 19, 2010, the Company's paid-in capital is NT\$42,768,897,600. In order to provide working capital, acquire equipment and fulfill R&D fund, it plans to appropriate NT\$855,377,950 from the capital surplus. The amount to be capitalized is NT\$855,377,950 and the new shares to be issued is 85,537,795 shares.
2. Conditions for Issuance :
  - (1)The new shares issued by capitalization of capital surplus will be distributed to the original shareholders based on the number of shares recoded in the roster of shareholders on the base date of stock dividend distribution. The original shareholders will receive 20 bonus shares for each 1,000 shares through the capitalization of capital surplus.
  - (2)In case the amount of balance of such distributable reserves/earnings is less the par value (or a fraction) of one share, shareholders are free to combine the fractions as one full share or to be paid in cash (rounded up to the nearest dollar). All of the fractions not distributed to shareholders will be subscribed by a specific person designated by the Chairman at a subscription price of NT\$10 per new share.
  - (3)Rights and obligations attached to the newly issued shares are same as the existing common shares.
3. It is proposed that, after the resolutions adopted by the General Shareholders Meeting 2010 and approval granted by the competent authorities, the Board of Directors be authorized by the General Shareholders Meeting to determine the base date of distribution.
4. If the amount of the Company's outstanding shares is changed due to the shares buy-back by the Company, the transfer of treasury stock to employees, share cancellation, exercise of stock option by the employees, conversion of overseas convertible bonds into shares and other factors, it is needed to adjust the distribution ratio accordingly, it is proposed that the Board of Directors be authorized by the General Shareholders Meeting to handle this matter and other matters relevant to this capital increase project.

### **Resolved That :**

## Item 2

Proposed by the Board of Directors

### **Proposal :**

To approve the amendment to the Articles of Incorporation

### **Explanatory Notes:**

1. Amendment to the Articles of Incorporation is proposed to accommodate the business need of the Company, laws and regulations and the dissemination of policy by the competent authority.
2. The Comparison Table Before and After Amendment to the Articles of Incorporation is attached hereto as Attachment 5.

### **Resolved That :**



## Item 3

Proposed by the Board of Directors

### **Proposal :**

To approve the amendment to the “Procedures for Endorsement & Guarantee”

### **Explanatory Notes:**

1. Amendment to the Procedures for Endorsement & Guarantee is proposed to accommodate the laws and regulations and business need.
2. The Comparison Table Before and After Amendment to the Procedures for Endorsement & Guarantee is attached hereto as Attachment 6.

### **Resolved That :**

## Item 4

Proposed by the Board of Directors

### **Proposal :**

To approve the amendment to the “Procedures for Lending Funds to Other Parties”

### **Explanatory Notes:**

1. Amendment to the Procedures for Lending Funds to Other Parties is proposed to accommodate the laws and regulations and business need.
2. The Comparison Table Before and After Amendment to the Procedures for Lending Funds to Other Parties is attached hereto as Attachment 7.

### **Resolved That :**

## Item 5

Proposed by the Board of Directors

### **Proposal :**

To approve the release of non-compete clause for Directors

### **Explanatory Notes:**

1. As certain Directors of Compal invest in or operate a business which is identical or similar to the business of Compal, without prejudice to any interest of Compal, it is proposed to approve the release of non-compete clause for these Directors in accordance with Articles 209 of the Company Act. This release shall also be applied to the re-election of these Directors.
2. For information of Directors who concurrently serve in a position of other companies, please refer to page 20~21.
3. To approve the release of non-compete clause for Directors.

### **Resolved That :**

Information of Mr. Sheng-Hsiung Hsu, the Chairman of Compal, concurrently serves in a position of other companies is listed below:

Company	Position
Zhaopal Investment Co., Ltd.	Chairman /Representative of Compal
Yongpal Investment Co., Ltd.	Chairman /Representative of Compal
Kaipal Investment Co., Ltd.	Chairman /Representative of Compal
Compal Digital Technology (Kunshan) Co., Ltd.	Chairman / Representative of a company indirectly invested by Compal

Information of Mr. Jui-Tsung Chen, the Managing Director of Compal, concurrently serves in a position of other companies is listed below:

Company	Position
Chunghwa Picture Tubes, Ltd.	Director /Representative of Compal
Compal Broadband Networks, Inc.	Director /Representative of Compal
Zhaopal Investment Co., Ltd.	Director / Representative of Compal
Yongpal Investment Co., Ltd.	Director / Representative of Compal
Kaipal Investment Co., Ltd.	Director / Representative of Compal
Compal Digital Technology (Kunshan) Co., Ltd	Director / Representative of a company indirectly invested by Compal
Zhaopal Investment Co., Ltd.	President /Invested by Compal
Yongpal Investment Co., Ltd.	President /Invested by Compal
Kaipal Investment Co., Ltd.	President /Invested by Compal

Information of Mr. Wen-Chung Shen, the Director of Compal, concurrently serves in a position of other companies is listed below:

Company	Position
Zhaopal Investment Co., Ltd.	Director /Representative of Compal
Yongpal Investment Co., Ltd.	Director / Representative of Compal
Kaipal Investment Co., Ltd.	Director / Representative of Compal

Information of Mr. Yung-Ching Chang, the Director of Compal, concurrently serves in a position of other companies is listed below:

Company	Position
Compal Digital Technology (Kunshan) Co., Ltd.	Director / Representative of a company indirectly invested by Compal
Compal Digital Technology (Kunshan) Co., Ltd.	President /Indirectly invested by Compal

■ Information of Mr. Chung-Pin Wong, the Director of Compal, concurrently serves in a position of other companies is listed below:

Company	Position
Compal Connector Manufacture Ltd.	Chairman /Indirectly invested by Compal
Shengbao Precision Electronics (Taicang) Co., Ltd.	Director / Representative of a company indirectly invested by Compal
Allied Power Holding Corp.	Director /Indirectly invested by Compal
Primetek Enterprises Limited	Director /Indirectly invested by Compal

■ Information of Mr. Wea Chi-Lin, the Director of Compal, concurrently serves in a position of other companies is listed below:

Company	Position
Oriental Happy Enterprise Co., Ltd.	Director/Representative of Fu Ding Venture Capital
Formosa Plastics Corporation	Independent Director
Fulltech Fiber Glass Corp.	Independent Director
VIBO Telecom Inc.	Supervisor
Elan Microelectronics Corp.	Supervisor

# Special Motion

**Special Motion**

# Attachments



## Attachment 1

### **Report on Business Operation for the year 2009**

As everyone here understands, our global economy barely escaped the fate of a long term recession in 2009; despite our worries and doubts toward our future following the aftermath of the previous year's financial crisis, and through many twists and turns, we have overcome this. Fortunately, governments around the world have committed to their economic stability policies, which finally contained the damages. However, last year's economy and the business environment were the most unpredictable of all.

In the past year, Compal Electronics achieved record revenues and earnings, and delivered results that exceeded the public's expectations time after time. Furthermore, with the effort of all our employees we finally fulfilled one of our ultimate goals – to become the world's largest laptop PCs ODM. Last year, Compal Electronics was honored to be ranked as one of the top 100 high-tech companies by Business Week for the ninth consecutive year; also this time we were crowned as the world's number one laptop PCs producer. Regardless of whether we are in a favorable or unfavorable environment, we have always believed that as long as we keep examining and motivating ourselves, we shall be able to overcome any obstacles and pursue our greatest improvements.

This is the reason why we kept promoting the "eagle's spirit" internally all these years. We want our staff to be aware that: corporations grow larger and more complex through time, but we must never lose our agility to adapt to the changing environment. We must learn to live like eagles that peck away old feathers before growing new wings, and tear off old claws so that sharper claws may grow. This is why Compal Electronics was able to maintain passion and energy throughout the organization and become the world's laptop PCs leader.

#### Revenues and earnings reached historical high

Compal Electronics' shipment of 3C (computer, communications, consumer electronics) products reached 42.25 million; this was a 48.6% growth compared to the previous year. Its shipment of laptop PCs ranked first in the world with a market share close to 23%. Annual revenue grew by 55% to NT\$626.2 billion; net income also increased by 52% from the previous year to NT\$19.2 billion. Compal

Electronics had achieved both record revenue and earnings and an EPS of NT\$4.91.

### Research, development, and innovation

Perpetual investments in innovation are the foundation of ensuring competitive advantage as well as ongoing business. Compal Electronics had always invested most extensively in research talents, technology, and facilities to provide the best product design for every one of our customers.

All product developments in Compal Electronics are closely aligned with customers' marketing strategies, consumers' preference towards lightweight, thin, and power saving products, as well as better video, audio, and communications processing. In addition, cost-effectiveness is factored in and optimized from the design stage to deliver products with the best market value.

Apart from its existing line of laptop PCs and LCD TVs, the company has invested in the production of All-in-One PCs, e-book readers, digital consumer devices and auto electronics. We are beginning to see positive results and will start shipping these new products currently.

### Expansion of production capacity and integrated investment in components

As the world economy stabilizes, demand for 3C products is showing significant growth. To support this year's business growth, our company plans to expand the production capacity of Kunshan factory in China, and activate production facility in Vietnam at the most suitable time.

During the previous year, our investment in Compal Precision for the production of plastic and metallic components reached economies of scale and had begun supplying to the group internally. In addition, investments in hinges, connectors, wireless communications modules, and camera modules were completed successfully. The synergies of intra-group supports and vertical integrations are starting to materialize.

### Mergers and adjustments of invested businesses

Due to the rapid changing nature of the information technology industry, every strategy and plans are subject to realignment to the demands of the new environment. This year, our major investment, TPO Displays Corp. has merged with Chimei Optoelectronics and Innolux Display Corporation, and International Semiconductor Technology Ltd has merged with Chipbond Technology Corporation.

We believe that the competitiveness of these merged entities is far greater than each one of them on their own; whereas the new entity investments may increase the physical earnings and corporate value.

### Corporate vision and business prospects

“Enlighten Living with Green, Connecting and Computing” is the corporate vision of Compal Electronics as well as our declaration for ongoing business. Under this vision, Compal Electronics targets the 5C market and makes its entry with power-saving technologies to capture the market of Cloud, Connecting, Computing, Communications, and Consumers products. The purpose of our approach is to position ourselves as the technology leader that raises the living standards of mankind, cares for the Earth, conserves energy, and enhances quality while maintaining cost effectiveness.

We believe that the business environment in the next few years will become more challenging than ever from the competition of industry peers and new comers, as well as rising components, and labor costs, etc. We also believe that Compal Electronics has established robust yet flexible policies in marketing, R&D, manufacturing, logistics, after-sales service, and even accounting, administration, and legal support; our advantage in high efficiency and economies of scale helps us attract more top talents from the market. Our continuous efforts to blend new ideas into new methods, apprehend market movements, understand customers’ needs, and to provide the fastest and best services are the foundation of our advances ahead of competitors. This year, we believe, even under intense competition, Compal Electronics will again rise to the top and share its accomplishments with everyone.

Chairman of the Board : Sheng-Hsiung Hsu

President and Chief Executive Officer : Jui-Tsung Chen

Accounting Officer : Ching-Hsiung Lu

## Attachment 2



### 安侯建業聯合會計師事務所

KPMG

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### Independent Auditors' Report

Compal Electronics, Inc.:

We have audited the accompanying balance sheets of Compal Electronics, Inc. as of December 31, 2009 and 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compal Electronics, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and accounting principles generally accepted in the Republic of China.

As stated in note 3 to the financial statements, Compal Electronics, Inc. adopted ROC Statement of Financial Accounting Standards No. 39 "Share-based Payment", effective January 1, 2008, and the Interpretation issued by the Accounting Research and Development Foundation. Accordingly, Compal Electronics, Inc. recognized the amount of employee bonuses and directors' and supervisors' remuneration for the year ended December 31, 2008, and the net income and basic net income per share calculated by adjusting dividends declared retroactively were decreased by \$1,505,903,000 and \$0.39, respectively.

February 26, 2010

The accompanying financial statements are intended only to present the financial position, results of operations and 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.

## Supervisors' Examination Report

Date: April 28, 2009

The Board of Directors has prepared and submitted to us the Company's 2009 balance sheet, income statement, statements of changes in shareholder equity and cash flow statement which have been audited and certified by Samuel Au & Chris Yen, certified public accountants from KPMG, along with business report and proposal for distribution of earnings. We, the Supervisors, have duly examined the same as correct and accurate. We hereby report to the 2010 Annual General Shareholders Meeting in accordance with Article 219 of the Company Act.

Compal Electronics, Inc.

Supervisors:

*Ko, Chang-cheng*

*Hanna Chen*

*Sheng Chieh Hsu*



COMPAL ELECTRONICS, INC.

Statements of Income

For the years ended December 31, 2009 and 2008  
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2009		2008	
	Amount	%	Amount	%
Net sales	\$ 626,217,661	100.0	404,992,910	100.0
Cost of sales	<u>597,374,668</u>	<u>95.4</u>	<u>384,605,656</u>	<u>95.0</u>
	28,842,993	4.6	20,387,254	5.0
Change in unrealized inter-company profits	<u>1,476</u>	<u>-</u>	<u>48,018</u>	<u>-</u>
<b>Gross profit</b>	<u>28,844,469</u>	<u>4.6</u>	<u>20,435,272</u>	<u>5.0</u>
<b>Operating expenses:</b>				
Selling	3,013,773	0.5	2,157,499	0.5
General and administrative	2,553,293	0.4	2,267,772	0.5
Research and development	<u>5,566,387</u>	<u>0.9</u>	<u>4,790,641</u>	<u>1.2</u>
	<u>11,133,453</u>	<u>1.8</u>	<u>9,215,912</u>	<u>2.2</u>
<b>Operating income</b>	<u>17,711,016</u>	<u>2.8</u>	<u>11,219,360</u>	<u>2.8</u>
<b>Non-operating income and gains:</b>				
Interest income	143,445	-	674,327	0.2
Investment income under the equity method, net	2,011,276	0.3	2,448,303	0.6
Other investment income, net	-	-	261,862	-
Foreign currency exchange gain, net	154,660	-	-	-
Gain on valuation of financial instruments, net	72,759	-	337,137	0.1
Other	<u>424,939</u>	<u>0.1</u>	<u>329,512</u>	<u>0.1</u>
	<u>2,807,079</u>	<u>0.4</u>	<u>4,051,141</u>	<u>1.0</u>
<b>Non-operating expenses and losses:</b>				
Interest expense	45,681	-	89,818	-
Other investment loss, net	187,376	-	-	-
Foreign currency exchange loss, net	-	-	253,191	0.1
Impairment losses	97,157	-	129,056	-
Other	<u>639</u>	<u>-</u>	<u>535</u>	<u>-</u>
	<u>330,853</u>	<u>-</u>	<u>472,600</u>	<u>0.1</u>
<b>Net income before income tax expense</b>	20,187,242	3.2	14,797,901	3.7
Income tax expense	<u>979,193</u>	<u>0.1</u>	<u>2,158,864</u>	<u>0.6</u>
<b>Net income</b>	<u>\$ 19,208,049</u>	<u>3.1</u>	<u>12,639,037</u>	<u>3.1</u>
			Before	After
			income tax	income tax
<b>Basic net income per share</b>			<u>\$ 5.16</u>	<u>4.91</u>
<b>Basic net income per share calculated by adjusting dividends declared retroactively</b>				<u>\$ 3.79</u>
				<u>3.24</u>
<b>Diluted net income per share</b>			<u>\$ 4.63</u>	<u>4.41</u>
<b>Diluted net income per share calculated by adjusting dividends declared retroactively</b>				<u>\$ 3.46</u>
				<u>2.95</u>

The pro forma information under the assumption that the Company's outstanding shares held by its subsidiaries are not regarded as treasury stock was as follows:

	2009		2008	
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Net income	\$ 20,260,449	19,281,256	14,914,452	12,755,588
Basic net income per share	\$ 5.12	4.87	3.79	3.25
Basic net income per share calculated by adjusting dividends declared retroactively			\$ 3.78	3.23

**COMPAL ELECTRONICS, INC.**

**Statements of Changes in Stockholders' Equity**  
**For the years ended December 31, 2009 and 2008**  
**(expressed in thousands of New Taiwan dollars)**

	Common stock	Capital surplus	Legal reserve	Retained earnings		Unrealized gains (losses) on financial instruments	Foreign currency translation adjustments	Treasury stock	Total
			Special reserve	Unappropriated surplus					
<b>Balance on January 1, 2008</b>	\$ 38,659,589	8,862,692	6,998,409	216,433	23,631,944	881,365	(119,878)	(881,247)	78,249,307
Appropriation of 2007 net income:									
Special reserve				28,603	(28,603)				
Legal reserve			1,368,314		(1,368,314)				
Employee bonuses (cash and stock)	554,173				(615,741)				(61,568)
Directors' and supervisors' remuneration					(246,296)				(246,296)
Dividends (cash and stock)	77,319				(9,355,620)				(9,278,301)
Capital surplus transferred to common stock	115,979	(115,979)							
Adjustment for changes in investee company's stockholders' equity		3,947			(578,206)				(574,259)
Cash dividends paid to subsidiaries holding the Company's shares		116,551							116,551
Net income for the year ended December 31, 2008		(102,054)			12,639,037				12,639,037
Purchase of treasury stock	(568,350)				(617,139)				(1,287,543)
Foreign currency translation adjustment							359,574		359,574
Adjustment for unrealized losses on financial instruments						(2,079,995)			(2,079,995)
<b>Balance on December 31, 2008</b>	<u>38,838,710</u>	<u>8,765,157</u>	<u>8,366,723</u>	<u>245,036</u>	<u>23,461,062</u>	<u>(1,198,630)</u>	<u>239,696</u>	<u>(881,247)</u>	<u>77,836,507</u>
Appropriation of 2008 net income:									
Special reserve				1,203,735	(1,203,735)				
Legal reserve			1,263,904		(1,263,904)				
Dividends (cash and stock)	77,677				(5,903,484)				(5,825,807)
Employee bonuses transferred to common stock	637,653	846,802							1,484,455
Capital surplus transferred to common stock	116,516	(116,516)							
Convertible bonds payable transferred to common stock and capital surplus	1,413,113	2,574,754							
Adjustment for changes in investee company's stockholders' equity		312,199							(270,636)
Issuance of stock for employee stock options exercised	160,019	272,032							432,051
Cash dividends paid to subsidiaries holding the Company's shares		73,208							73,208
Net income for the year ended December 31, 2009					19,208,049				19,208,049
Foreign currency translation adjustment							(464,284)		(464,284)
Adjustment for unrealized gain on financial instruments						1,324,658			1,324,658
<b>Balance on December 31, 2009</b>	<u>\$ 41,243,688</u>	<u>12,727,636</u>	<u>9,630,627</u>	<u>1,448,771</u>	<u>33,715,153</u>	<u>126,028</u>	<u>(224,588)</u>	<u>(881,247)</u>	<u>97,786,068</u>



**COMPAL ELECTRONICS, INC.**

**Statements of Cash Flows**

**For the years ended December 31, 2009 and 2008**  
(expressed in thousands of New Taiwan dollars)

	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 19,208,049	12,639,037
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	939,145	696,144
Increase in allowance for doubtful accounts and inventory obsolescence provision	825,368	520,721
Losses (gains) on disposal of long-term equity investments, available-for-sale financial assets, and financial assets carried at cost	220,546	(50,853)
Impairment losses on financial assets carried at cost	97,157	129,056
Cash dividends received from long-term equity investments	593,021	1,737,055
Investment income under the equity method, net	(2,011,276)	(2,448,303)
Decrease (increase) in notes and accounts receivable	(95,291,953)	3,695,318
Increase in inventories,	(34,420,766)	(1,166,038)
Decrease (increase) in prepayment, other current assets, and other current financial assets	92,097	(71,144)
Increase (decrease) in notes and accounts payable	110,720,572	(14,324,335)
Increase in accrued expenses, other current liabilities, and accrued product warranty liability	3,205,535	3,720,931
Decrease in income tax payable	(676,948)	(346,151)
Change in deferred income tax assets	(217,485)	511,264
Decrease (increase) in financial assets measured at fair value through profit or loss – current	131,267	(202,099)
Unrealized foreign currency exchange loss (gain) on convertible bonds payable	(181,588)	127,458
Other	(71,622)	(158,621)
<b>Net cash provided by operating activities</b>	<u>3,161,119</u>	<u>5,009,440</u>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(124,359)	(120,833)
Proceeds from sale of property, plant and equipment, and non-current assets held for sale	816	429,457
Increase in patent licenses	(851,546)	(1,153,142)
Acquisition of long-term equity investments, debt investments without quoted price in active markets, financial assets carried at cost, and other non-current financial assets	(9,418,175)	(6,753,297)
Proceeds from sale of long-term equity investments, financial assets carried at cost, and available-for-sale financial assets	234,000	476,453
Capital refund from investee and distribution from investee after completion of liquidation	20,452	264,861
Decrease (increase) in long-term receivables – related parties	118,414	(116,996)
Other	2,349	(2,512)
<b>Net cash used in investing activities</b>	<u>(10,018,049)</u>	<u>(6,976,009)</u>
<b>Cash flows from financing activities:</b>		
Increase in treasury stock	-	(1,287,543)
Increase in short-term loans	11,811,560	2,000,000
Proceeds from issuance of stock for employee stock options exercised	432,051	-
Cash dividends paid	(5,825,807)	(9,278,301)
Directors' and supervisors' remuneration and employee bonuses	-	(307,864)
Other	(132)	(7)
<b>Net cash provided by (used in) financing activities</b>	<u>6,417,672</u>	<u>(8,873,715)</u>
<b>Net decrease in cash and cash equivalents</b>	(439,258)	(10,840,284)
<b>Cash and cash equivalents at beginning of year</b>	<u>20,602,459</u>	<u>31,442,743</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 20,163,201</u>	<u>20,602,459</u>
<b>Supplementary disclosures of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest	\$ <u>42,839</u>	<u>89,331</u>
Income taxes	\$ <u>1,876,133</u>	<u>1,993,751</u>
<b>Supplementary disclosures of financing activities not affecting cash flows:</b>		
Convertible bonds payable transferred to common stock and capital surplus	\$ <u>3,987,867</u>	<u>-</u>
Employee bonuses payable transferred to common stock and capital surplus	\$ <u>1,484,455</u>	<u>-</u>

Attachment 5

Comparison Table Before and After Amendment to the Articles of Incorporation of Compal Electronics, Inc.

Number of Article	Before Amendment	After Amendment	Amendment Reason
Article 7	<p>The total capital of the Company shall be <u>NT\$46,500,000,000</u> consisting of <u>4,650,000,000</u> shares with a par value of NT\$ 10 each (including 100,000,000 shares for employees' subscription to shares according to certificates of subscription or company bonds attaching the right of subscription to shares) which may be issued in several issues, and the shares that are not issued may be issued by the board of directors according to business requirement.</p>	<p>The total capital of the Company shall be <u>NT\$60,000,000,000</u> consisting of <u>6,000,000,000</u> shares with a par value of NT\$ 10 each (including 100,000,000 shares for employees' subscription to shares according to certificates of subscription or company bonds attaching the right of subscription to shares) which may be issued in several issues, and the shares that are not issued may be issued by the board of directors according to business requirement.</p>	Revised to meet the business need
Article 8	<p>The share certificates of the Company shall be in registered form and issued after they are serially numbered, signed or sealed by at least three directors, and certified by the competent authority or by the agency approved to handle the registration of the share issue.</p> <p><u>When new shares are issued by the Company, total of the share certificates for the issue may be printed in merger, or the share certificates of it may be</u></p>	<p>The share certificates of the Company shall be in registered form and issued after they are serially numbered, signed or sealed by at least three directors, and certified by the competent authority or by the agency approved to handle the registration of the share issue.</p> <p><u>The Company may be exempted from printing any share certificate for the shares issued and shall appoint a centralized securities custody enterprise/</u></p>	Revised to meet the regulation

Number of Article	Before Amendment	After Amendment	Amendment Reason
	<u>exempted from print.</u>	<u>institution to make recordation of the issue of such shares.</u>	
Article 27	A board of directors' meeting shall be called with a seven days prior written notice setting forth the cause(s) of such meeting to all directors and supervisors, except there is an urgent need. In an urgent case a board of directors' meeting <u>can be called without prior written notice.</u>	A board of directors' meeting shall be called with a seven days prior written notice setting forth the cause(s) of such meeting to all directors and supervisors, except there is an urgent need. In an urgent case a board of directors' meeting can be called without prior written notice. <u>The meeting notice as referred to in the foregoing Paragraph shall set forth the cause(s) and be given via mail, e-mail or facsimile.</u>	Amended to accommodate the laws and regulations
Article 30	If there is any profit after closing of books, the Company shall first defray tax due, cover losses in the past years and set aside ten percent of it as legal reserve fund, then an amount not more than two percent (2%) of the balance shall be paid to directors and supervisors as remuneration and an amount no less than two percent (2%) shall be allocated as employees' bonus. The remaining balance may be retained as special reserve to meet actual needs and at least ten percent (10%) of the remainder shall be distributed as dividend and stock interest; however,	If there is any profit after closing of books, the Company shall first defray tax due, cover losses in the past years and set aside ten percent of it as legal reserve fund, then an amount not more than two percent (2%) of the balance shall be paid to directors and supervisors as remuneration and an amount no less than two percent (2%) shall be allocated as employees' bonus. The remaining balance may be retained as special reserve to meet actual needs and at least ten percent (10%) of the remainder shall be distributed as dividend and	Amended to accommodate the laws and regulations

Number of Article	Before Amendment	After Amendment	Amendment Reason
	<p>if the annual net profit per share for such year is lower than One New Taiwan Dollar (NT\$1), the Company may decide not to make any distribution. If the profit after close of books includes any exchange gains <u>listed by applying Statement No. 14 of the Financial Accounting Standards</u>, such profit shall be transferred to the entry of special surplus before distribution of dividend and bonus after realization and it shall be listed as retained earnings. (Omitted)</p>	<p>stock interest; however, if the annual net profit per share for such year is lower than One New Taiwan Dollar (NT\$1), the Company may decide not to make any distribution. If the profit after close of books includes any exchange gains <u>resulting from the translation of assets and liabilities denominated in foreign currencies</u>, such profit shall be transferred to the entry of special surplus before distribution of dividend and bonus after realization and it shall be listed as retained earnings. (Omitted)</p>	
Article 35	<p>These Articles of Incorporation were prescribed by the promoters on April 16, 1984. 1<sup>st</sup>~28<sup>th</sup> (omitted)</p>	<p>These Articles of Incorporation were prescribed by the promoters on April 16, 1984. 1<sup>st</sup>~28<sup>th</sup> (omitted) <u>The 29<sup>th</sup> amendment was made on June 18, 2010.</u></p>	Adding the date of amendment

## Attachment 6

### Compal Electronics, Inc. Comparison Table Before and After Amendment to the Procedures for Endorsement and Guarantee

Before Amendment	After Amendment	Reason for Amendment
<p>Article 3 Object to be provided endorsement and/or guarantee by the Company</p> <p>1.(Omitted)</p> <p>2. Between subsidiaries <u>wholly owned</u>, directly or indirectly, by the Company may provide endorsement and/or guarantee for each other.</p> <p>3~4 (Omitted)]</p> <p>5. The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with the Statement of Financial Accounting Standards <u>No. 5 and No. 7 announced by the Accounting Research and Development Foundation of the Republic of China.</u></p>	<p>Article 3 Object to be provided endorsement and/or guarantee by the Company</p> <p>1.(Omitted)</p> <p>2. Between subsidiaries <u>90% owned or more</u>, directly or indirectly, by the Company may provide endorsement and/or guarantee for each other.</p> <p>3~4 (Omitted)</p> <p>5. The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with the Statement of Financial Accounting Standards.</p>	<p>Revised to meet the law requirement</p> <p>Revised to meet the law requirement</p>
<p>Article 4 Limited Amounts of Endorsement and Guarantee</p> <p>The aggregate amount of endorsement and guarantee provided for by the Company and the total amount of endorsement/guarantee provided for a single enterprise by the Company is subject to the following limits:</p>	<p>Article 4 Limited Amounts of Endorsement and Guarantee</p> <p>The aggregate amount of endorsement and guarantee provided for by the Company <u>or the Company together with its subsidiaries</u>, and the total amount of endorsement/guarantee <u>provided for a single enterprise by the Company or the</u></p>	<p>Revised to meet the law requirement</p>

Before Amendment	After Amendment	Reason for Amendment
<p>1. The aggregate amount of endorsement/guarantee provided by the Company shall not exceed <u>60%</u> of net worth of the Company,</p> <p>2. The total amount of endorsement/guarantee provided for a single enterprise by the Company shall not exceed <u>30%</u> of net worth of the Company. The total amount of endorsement/guarantee provided for a single enterprise having business relationship with the Company shall also meet the requirements set forth in Article 5, <u>Subparagraph</u> 1 of the Procedures for Lending Funds to Other Parties adopted by the Company.</p>	<p><u>Company and its subsidiaries</u> is subject to the following limits:</p> <p>1. The aggregate amount of endorsement/guarantee provided by the Company or the Company together with <u>its subsidiaries</u> shall not exceed <u>50%</u> of net worth of the Company,</p> <p>2. The total amount of endorsement/guarantee provided for a single enterprise by the Company or the Company together with <u>its subsidiaries</u> shall not exceed <u>25%</u> of net worth of the Company. The total amount of endorsement/guarantee provided for a single enterprise having business relationship with the Company shall also meet the requirements set forth in Article 5, <u>Paragraph</u> 1 of the Procedures for Lending Funds to Other Parties adopted by the Company.</p> <p>3. <u>Between subsidiaries 90% owned or more, directly or indirectly, by the Company may provide endorsement and/or guarantee for each other, and the amount shall not exceed 10% of net worth of the Company. Between subsidiaries that are 100% directly or indirectly owned by the Company, the amount of endorsement/guarantee</u></p>	<p>Revised to meet the law requirement &amp; business need</p> <p>Revised to meet the law requirement &amp; business need</p> <p>Added to meet the law requirement &amp; business need</p>

Before Amendment	After Amendment	Reason for Amendment
<p><u>3.</u>(Omitted)</p>	<p><u>provided for each other is not subject to the 10% restriction as referred to in the foregoing provided, however, that such amount shall not exceed 25% of the net worth of the Company.</u></p> <p><u>4. If a subsidiary to be provided endorsement/guarantee whose net worth is lower than 50% of its paid-in capital, the management and control shall be subject to the Enforcement Rules of the Procedures for Endorsement and Guarantee.</u></p> <p><u>5.</u>(Omitted)</p>	<p>Added to meet the law requirement</p> <p>Change of the order number</p>
<p>Article 5 Decision-Making and Level of Authority</p> <p>1~3 (Omitted)</p> <p><u>4.</u>(Omitted)</p>	<p>Article 5 Decision-Making and Level of Authority</p> <p>1~3 (Omitted)</p> <p><u>4. Any subsidiary in which the Company directly or indirectly holds 90% or more voting-right-shares or capital of such subsidiary may make an endorsement and/or guarantee only after approved by a resolution of the Board of Directors of the Company. However, between direct or indirect wholly owned subsidiaries of the Company, the provision of endorsement and/or guarantee for each other is not subject to the</u></p>	<p>Added to meet the law requirement</p>

Before Amendment	After Amendment	Reason for Amendment
	<p><u>foregoing restriction.</u> 5.Omitted)</p> <p><u>When submitting the relevant documents to the Board of Directors for discussion in accordance with the provision prescribed herein, it shall take into full consideration the opinions of each Independent Director; Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors' meeting.</u></p>	<p>Change of the order number Added to meet the law requirement</p>
<p>Article 6 Procedures for Making Endorsement and/or Guarantee</p> <p>1.The department in charge of endorsement and guarantee shall make an evaluation report by carrying out the follow reviewing procedures. Such evaluation report shall be reexamined by the financial departments and be submitted to President and Chairman of the Board for approval. The evaluation report shall include:</p> <p>1) ~4) (Omitted)</p> <p>2.The department in charge of endorsement and guarantee shall complete the “Endorsement and Guarantee</p>	<p>Article 6 Procedures for Making Endorsement and/or Guarantee</p> <p>1. <u>Before providing endorsement and/or guarantee to others, the Company shall conduct a detailed review process, including:</u></p> <p>1) ~4) (Omitted)</p> <p>2. <u>The Company may make/revoke an endorsement/guarantee only after the evaluation results have been submitted to</u></p>	<p>Revised to meet the Enforcement Rules</p> <p>Revised to meet the Enforcement Rules</p>



Before Amendment	After Amendment	Reason for Amendment
<p>Application/Revocation Form” describing the entity for which the endorsement/guarantee is made, object to be provided endorsement and/or guarantee by the Company, type of endorsement/guarantee, reasons to provide the endorsement/guarantee and the endorsement/guarantee amounts, and submit said form(s) to the Chairman of the Board for approval or Board of Directors’ Meeting for resolution in accordance with the provisions set forth in Article 5 herein. The financial department shall provide accounting department the current endorsement/guarantee application information or endorsement/guarantee revocation information. The accounting department shall report to the competent authorities the Company’s endorsement/guarantee information in a proper format and within a prescribed time limit under the applicable laws and regulations.</p> <p>3.The financial department shall set up a register book to carry the endorsement/guarantee items. All such details for reference into such register</p>	<p><u>Board of Directors and approved by the Board of Directors.</u></p> <p>3 <u>The Company shall prepare a register book for recording the information about the entity for which the endorsement/guarantee is made, the</u></p>	<p>Revised to meet the Enforcement Rules</p>

Before Amendment	After Amendment	Reason for Amendment
<p>book shall include the name of entity for which the endorsement/guarantee is made, the endorsement/guarantee amounts, terms and conditions of endorsement/guarantee, the date of approval by the Board of Directors or the date of pre-determined execution by the Chairman of Board, the date of endorsement/guarantee is made, the risk assessment report, the collateral which is obtained, the release terms of and release date of endorsement/guarantee and the any matters to be carefully evaluated.</p> <p>4. The accounting department shall evaluate or recognize the potential loss of endorsement/guarantee and disclose information relating to endorsement/guarantee made by the Company in the Company's financial statements, and provide relevant information to the Company's auditing CPA for conducting necessary audit.</p>	<p><u>endorsement/guarantee amount, the date of approval resolved by the Board of Directors or the date of pre-determined execution by the Chairman of the Board, the date that the endorsement/guarantee is made and the matters to be carefully evaluated as required by the applicable Regulations and/or Procedures.</u></p> <p>4. <u>The detail operating procedures shall be provided in the Enforcement Rules of the Procedures for Endorsement and Guarantee.</u></p> <p>5. <u>The Company shall evaluate or recognize the contingent loss of endorsements/guarantees according to the Statement of Financial Accounting Standards, and shall adequately disclose information on endorsements/guarantees in its financial reports, and provide certified public accountants with relevant information for implementation of necessary</u></p>	<p></p> <p>Added to meet the Enforcement Rules</p> <p>Change of order number; Revised to meet the law requirement &amp; Change of wording</p>

Before Amendment	After Amendment	Reason for Amendment
	<u>audit procedures.</u> <u>When submitting the relevant documents to the Board of Directors for discussion in accordance with the provision prescribed herein, it shall take into full consideration the opinions of each Independent Director; Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors' meeting.</u>	Added to meet the law requirement
<p>Article 11 Implementation and Amendment</p> <p>The Procedures shall be adopted by the Board of Directors, be submitted to each Supervisor and entered into force after the approval by the Shareholders Meeting. The same procedure applies to amendment.</p>	<p>Article 11 Implementation and Amendment</p> <p>The Procedures shall be adopted by the Board of Directors, <u>be submitted to each Supervisor</u> and entered into force after the approval <u>of resolution</u> by the Shareholders Meeting. <u>If any Director expresses his/her dissent and such dissent is recorded in the minutes or a written statement of dissent is presented, the dissenting opinion shall be submitted to each Supervisor and reported to the Shareholders' Meeting for discussion.</u> The same procedure applies to amendment,  <u>Where the Company has established the position of Independent Director and when it submits the Procedures for Endorsement and Guarantee to the Board of</u></p>	<p>Revised to meet the law requirement</p> <p>Added to meet the law requirement</p>

Before Amendment	After Amendment	Reason for Amendment
	<p><u>Directors for discussion in accordance with the provisions prescribed herein, it shall take into full consideration the opinions of each Independent Director; Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors' Meeting.</u></p> <p><u>The regulations regarding the independent director and in the procedures shall be enforced after the company has them available.</u></p>	
	<p><u>Article 12 Enactment of Enforcement Rules for the Procedures of Endorsement and Guarantee shall be drafted by the financial department and approved for implementation by the Chairman dully authorized by the Board of Directors.</u></p>	<p>Added the basis for enacting the Enforcement Rules</p>
<p>Article <u>12</u> Supplementary Provisions</p> <p>These Procedures were adopted on April 3, 1990 and entered into force after the approval by the Board of Directors of the Company. The 1<sup>st</sup> ~ 6<sup>th</sup> amendments (omitted)</p>	<p>Article <u>13</u> Supplementary Provisions</p> <p>These Procedures were adopted on April 3, 1990 and entered into force after the approval by the Board of Directors of the Company. The 1<sup>st</sup> ~ 6<sup>th</sup> amendments (omitted)</p> <p><u>The 7<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 28, 2010 and entered into force after the approval by</u></p>	<p>Change of order number</p> <p>Added the amendment date</p>

Before Amendment	After Amendment	Reason for Amendment
	<u>the General Shareholders Meeting on June 18, 2010.</u>	

Attachment 7

Compal Electronics, Inc.  
 Comparison Table Before and After Amendment to the Procedures for  
 Lending Funds to Other Parties

Before Amendment	After Amendment	Reason for Amendment
<p>Article 5 Lending Limit for Each Recipient 1-3 (omitted)</p> <p>4.(omitted)</p> <p>5.The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with the Statement</p>	<p>Article 5 Lending Limit for Each Recipient 1-3 (omitted)</p> <p><u>4. For the fund lending between the Company and its subsidiary or between the subsidiaries of the Company, the Board of Directors may authorize the Chairman to approve a revolving or parcel release credit facility within a specific credit limit granted by the Board of Directors to a single enterprise and the duration of such credit facility may not exceed one year. The specific credit limit granted by such Board of Directors shall not exceed 10% of the net worth of the lending Company/subsidiary.</u></p> <p><u>5. Fund leading between overseas subsidiaries that are 100% directly or indirectly owned by the Company is not subject to the 10% restriction as referred to in the preceding Paragraph 4.</u></p> <p><u>6. (omitted)</u></p> <p><u>7. The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with the</u></p>	<p>Added to meet the law requirement</p> <p>Added to meet the law requirement</p> <p>Change of order number Change of order number &amp; Added to</p>

Before Amendment	After Amendment	Reason for Amendment
of Financial Accounting Standards <u>No. 5 and No. 7</u> announced by the <u>Accounting Research and Development Foundation of the Republic of China.</u>	Statement of Financial Accounting Standards.	meet the law requirement
Article 6 Procedures for Fund lending  <u>1~6 (omitted)</u>	Article 6 Procedures for Fund lending  1~6 (omitted) <u>When submitting the relevant documents to the Board of Directors for discussion in accordance with the provision prescribed herein, it shall take into full consideration the opinions of each Independent Director; Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors' meeting.</u>	Added to meet the law requirement
Article 10 Procedures for Handling Overdue Loans  1~2 (omitted) 3. In addition to the foregoing <u>Subparagraph</u> , the financial department shall forthwith take the following actions: (omitted)	Article 10 Procedures for Handling Overdue Loans  1~2 (omitted) 3. In addition to the foregoing <u>Paragraph</u> , the financial department shall forthwith take the following actions: (omitted)	Change of wording
Article 14 Implementation and Amendment  The Procedures shall be adopted by the Board of Directors, be submitted to each Supervisor and entered into force after the approval by the Shareholders Meeting. The same procedure applies to amendment.	Article 14 Implementation and Amendment  The Procedures shall be adopted by the Board of Directors, be submitted to each Supervisor and entered into force after the approval <u>of resolution</u> by the Shareholders Meeting. <u>If any Director expresses his/her</u>	Revised to meet the law requirement

Before Amendment	After Amendment	Reason for Amendment
	<p><u>dissent and such dissent is recorded in the minutes or a written statement of dissent is presented, the dissenting opinion shall be submitted to each Supervisor and reported to the Shareholders' Meeting for discussion. The same procedure applies to amendment.</u></p> <p><u>Where the Company has established the position of Independent Director and when it submits the Procedures for Lending Funds to Other Parties to the Board of Directors for discussion in accordance with the provisions herein, it shall take into full consideration each Independent Director's opinion; Independent Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be recorded in the minutes of the Board of Directors' Meeting.</u></p> <p><u>The regulations regarding the independent director and in the procedures shall be enforced after the company has them available.</u></p>	<p>Added to meet the law requirement</p>
<p>Article 15 Supplementary Provisions</p> <p>These Procedures were adopted on April 3, 1990 and entered into force after the approval by the Board of Directors of the Company.</p> <p>The 1<sup>st</sup> ~ 7<sup>th</sup> amendments (omitted)</p>	<p>Article 15 Supplementary Provisions</p> <p>These Procedures were adopted on April 3, 1990 and entered into force after the approval by the Board of Directors of the Company.</p> <p>The 1<sup>st</sup> ~ 7<sup>th</sup> amendments (omitted)</p> <p>The 8<sup>th</sup> amendment was adopted</p>	<p>Added the</p>



Before Amendment	After Amendment	Reason for Amendment
	<u>by the Board of Directors of the Company held on April 28, 2010 and entered into force after the approval by the General Shareholders Meeting on June 18, 2010.</u>	amendment date

# Appendices

## Appendices 1

### Compal Electronics, Inc. Rules and Procedures of Shareholders Meeting

Passed by the General Shareholders Meeting on April 8, 1998

1. The shareholders meeting of Compal Electronics, Inc. (the "Company") shall be conducted in accordance with these Rules and Procedures unless the law provides otherwise.
2. The Company shall prepare an attendance book for shareholders to sign in, or the shareholder present may hand in an attendance card in lieu of signing on the attendance book.

The number of shares representing shareholders present in the meeting shall be calculated in accordance with those indicated on the attendance book or the attendance cards.

3. The presence of shareholders in a shareholders meeting and their voting thereof shall be calculated in accordance with the number of shares. Resolutions shall be adopted at the shareholders meeting in accordance with the Company Act and Articles of Incorporation of the Company.
4. The place for convening a shareholders meeting for the Company shall be held inside the premises of the Company, or any other place convenient for presence of shareholders, and suitable for holding of the said meeting. The time for commencing the said meeting shall not be earlier than 9am or later than 3pm.
5. If a shareholders meeting is called by the Board of Directors, the Chairman of the Board shall preside at the said shareholders meeting. In case the Chairman is on leave of absence, or cannot exercise his/her powers and authority, the Vice Chairman shall act in lieu of him/her. If there is no Vice Chairman, or the Vice Chairman is also on leave of absence, or cannot exercise his/her powers and authority, the Chairman shall designate a Managing Director to act in lieu of him/her; if there is no Managing Director, the Chairman shall designate a Director to act in lieu of him/her. If the Chairman does not designate a Director, the Managing Directors or Directors shall elect one from among themselves to act in lieu of the Chairman.

If a shareholders meeting is called by a person other than the Board of Directors, who has the right to call the meeting, said person shall preside at that meeting.

6. The Company may designate its lawyer, certified public accountant or other relevant persons to attend the shareholders meeting.

Persons handling affairs of meeting shall wear identification cards or arm badges.

7. The proceeding of the meeting shall be audio recorded or videotaped in its entirety and these tapes shall be kept for at least one year.
8. The chairman of the meeting shall call the meeting to order at the time scheduled for the meeting, provided, however, that if the shareholders present do not represent a majority of the total amount of issued shares, the chairman of the meeting may postpone the meeting, provided, however, that the postponement of the said meeting shall be limited to two times, and the total time postponed shall not exceed one hour. If the meeting has been postponed for two times, but the shareholders present still do not represent a majority of the total amount of issued shares, a tentative resolution may be adopted in accordance with Paragraph 1 of Article 175 of the Company Act by shareholders representing one-third of the total amount of issued shares.

Before the close of the said meeting, if the shareholders present represent a majority of the total amount of issued shares, the chairman of the meeting may present the tentative resolution so adopted to the meeting for resolution in accordance with the provisions of Article 174 of the Company Act.

9. If a shareholders meeting is called by the Board of Directors, the meeting agenda shall be set by the Board of Directors, and the meeting shall be conducted in accordance with the said agenda. The agenda shall not be changed without a resolution made by the shareholders meeting.

If a shareholders meeting shall be called by a person, other than the Board of Directors, entitled to convene such meeting, the preceding provisions shall apply *mutatis mutandis* to the said meeting.

The chairman of the meeting shall not adjourn a meeting without resolution adopted by shareholders if the items (including extraordinary motions) listed in the agenda so arranged in the above two Paragraphs are not completed.

After close of the said meeting, shareholders shall not elect another person to serve as chairman and continue the meeting at the same place or at any other place.

10. When a shareholder present at the meeting wishes to speak, he/she shall first fill out a slip, specifying therein the major points of his/her speech, his/her serial number as a shareholder (or number of attendance) and his/her name, and the chairman of the meeting shall determine his/her order of giving a speech.

A shareholder who submits his/her slip for a speech but does not actually speak shall be considered as not having given a speech. If the contents of his/her speech shall be different from those specified on the slip, the contents of his/her speech shall prevail.

When a shareholder is giving a speech, the other shareholders shall not interrupt unless they have obtained the prior consent from the chairman of the meeting as well as the said shareholder, and the chairman of the meeting may stop such interruption.

11. Unless otherwise permitted by the chairman of the meeting, any shareholder shall not, for each discussion item, speak more than two times and each time shall not exceed 3 minutes. However, after obtaining consent of the chairman, the length of such speech may be extended for an additional 3 minutes.

If the speech of any shareholder violates the above provisions or his/her speech exceeds the scope of the discussion item, the chairman of the meeting may stop the speech of such shareholder.

12. Any legal entity designated as proxy by a shareholder(s) to be present at the shareholders meeting may appoint only one representative to attend such meeting.

If a corporate shareholder who designates two or more representatives to represent it at the shareholders meeting, only one of the representatives so designated may speak on any one discussion item.

13. After the speech of a shareholder, the chairman of the meeting may respond himself/herself or appoint an appropriate person to respond.

14. The chairman of the meeting may announce to end the discussion of any discussion item and go into voting if the chairman considers that the discussion for a motion has reached the extent for making a resolution.

15. The persons for supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairman of the meeting, provided, however, that the person supervising the casting of votes shall be a shareholder. The results of resolution(s) shall be announced in the meeting, and recorded in the meeting minutes.

16. During the meeting, the chairman of the meeting may, at his/her discretion, set time for intermission.

17. Unless otherwise specifically provided for in the Company Act or the Articles of Incorporation of the Company, resolutions shall be adopted by a majority of votes represented by the shareholders present at a meeting.

The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is raised after solicitation by the chairman of the meeting.

18. If there is amendment to or substitute for one discussion item, the chairman of the meeting may combine such amendment or substitute into the original discussion item, and determine their orders for resolution. If any one of the above has been adopted, the others shall be considered as rejected, upon which no further resolution shall be required.

19. The chairman of the meeting may direct disciplinary personnel (or security personnel) to keep the order of the meeting. Such disciplinary personnel (or security personnel) shall wear badges bearing the words of "disciplinary personnel".

In order to keep the order of the meeting, shareholders shall obey directions

made by the chairman of the meeting, disciplinary personnel (or security personnel). In case any person interrupts the meeting and, after being stopped by the chairman of the meeting three times, refuses to desist his/her interruption, the chairman of the meeting may ask the disciplinary personnel (or security personnel) to escort such shareholder to leave the meeting place.

20. These Rules and Procedures shall be effective from the date they are approved by the shareholders meeting. The same applies in case of amendments.

## Appendices 2

### **Articles of Incorporation of Compal Electronics, Inc.**

#### CHAPTER I GENERAL PROVISIONS

##### Article 1

The Company is organized under the Company Law and shall be named Compal Electronics, Inc.

##### Article 2

The business scope of the Company shall be as follows:

1. To engage in CC01110 manufacturing business of computers and their peripheral equipments;
2. To engage in CC01080 manufacturing business of electronic parts and components ;
3. To engage in CC01060 manufacturing business of wired communication machinery implements;
4. To engage in CC01070 manufacturing business of radio communication machinery implements;
5. To engage in CC01101 manufacturing business of telecom controlled radio frequency instruments;
6. To engage in F401021 import business of telecom controlled radio frequency instruments;
7. To engage in CB01010 manufacturing business of machinery equipments;
8. To engage in CB01020 manufacturing business of office machinery;
9. To engage in CE01990 manufacturing business of other optical & precision apparatus;
- 10.To engage in G801010 terminal business;
- 11.To engage in I501010 products design business;
- 12.To engage in I301010 information software services business;
- 13.To engage in F401010 international trade business;
- 14.ZZ99999 All businesses that are not prohibited or restricted by laws, except those that are subject to special approval.

##### Article 3

The Company may provide guarantee to other companies that engage in relevant business companies to meet its business needs.

##### Article 4

The head office of the Company shall be in Taipei. When deemed necessary, branch officers or factories may be set up within or outside the Republic of China by resolutions of the board of directors.

Article 5  
(Deleted)

Article 6  
The re-investment amount of the Company may exceed 40% of its paid-in capital.

## CHAPTER 2 SHARES

Article 7  
The total capital of the Company shall be NT\$46,500,000,000 consisting of 4,650,000,000 shares with a par value of NT\$ 10 each (including 100,000,000 shares for employees' subscription to shares according to certificates of subscription or company bonds attaching the right of subscription to shares) which may be issued in several issues, and the shares that are not issued may be issued by the board of directors according to business requirement.

Article 8  
The share certificates of the Company shall be in registered form and issued after they are serially numbered, signed or sealed by at least three directors, and certified by the competent authority or by the agency approved to handle the registration of the share issue.  
When new shares are issued by the Company, total of the share certificates for the issue may be printed in merger, or the share certificates of it may be exempted from print.

Article 9  
The shareholders shall fill out seal impression cards when opening accounts. The style of signature or seal impression card shall be kept by the Company or the Company's stock agency for recordation, and the same shall apply to alteration.

Article 10  
Unless otherwise provided in laws and regulations and securities rules, the shareholders shall deal with stock affairs or exercise other relevant rights in accordance with the [Guidelines Governing the Processing of Stock Affairs by Public Company].



#### Article 11

No entry for transfer of shares shall be permitted within sixty (60) days prior to a regular shareholders' meeting; thirty (30) days prior to a special shareholders' meeting; and five (5) days prior to a record date set for distributing dividends and bonuses or other benefits.

### CHAPTER 3 SHAREHOLDERS' MEETING

#### Article 12

Shareholders' meeting shall be of two types, regular shareholders' meeting and special shareholders' meeting. The regular shareholders' meeting shall be called by the board of directors once a year within six (6) months of the close of each fiscal year. The special shareholders' meeting may be called pursuant to law when deemed necessary.

#### Article 13

A shareholder who is unable to attend a shareholders' meeting may authorize a proxy to attend the meeting by a power of attorney printed by the Company duly signed/sealed and setting forth the vested power in accordance with the [Regulations Governing the Use of Proxy for Attending Shareholders' Meetings of Public Companies] prescribed by the competent authority.

#### Article 14

The chairman of the board of directors shall preside at the shareholders' meetings. If the chairman is unable to attend the meeting or to exercise his power and authority, the vice chairman of the board of directors shall act on his behalf. In case there is no vice chairman or the vice chairman is also absent or unable to exercise his power and authority, the chairman shall designate a managing director to act on his behalf, or where there is no managing director, one of the directors to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect one from among themselves an acting chairman of the board of directors.

#### Article 15

Each shareholder of the Company shall have one (1) vote for each share held, unless otherwise provided in Article 179 of Company Act.

#### Article 16

Except as otherwise provided in the Company Law, a resolution shall be adopted at a shareholders' meeting attended by shareholders holding and representing a majority of the total issued and outstanding shares and at which meeting a

majority of the votes held by the shareholders present shall be cast in favor of such resolution.

#### Article 17

Minutes of proceedings shall be prepared for all resolutions adopted at a shareholders' meeting, stating the date and place of the meeting, the abstract and results of proceedings, name of the chairman and the means by which a resolution is adopted, number of shareholders present and number of shares represented. A copy of the minutes of proceedings duly signed and sealed by the chairman shall be forwarded to each shareholder within twenty (20) days after the meeting. However, the shareholders whose registered share certificates are under 1,000 shares shall be publicly announced.

### CHAPTER 4 DIRECTORS AND SUPERVISORS

#### Article 18

The Company shall have directors no less than eleven (11) and no more than thirteen (13), and three (3) supervisors, to be elected at shareholders' meeting by and from among the shareholders of legal capacity.

The directors and supervisors' liability insurance shall be bought by the Company for the obligation of compensation they shall bear according to law in their business scope during their term of office.

#### Article 19

The directors and supervisors shall hold office for a term of three years and shall be eligible for re-election.

#### Article 20

When one-third (1/3) of the directors have vacated their offices or all of the supervisors are discharged, the special shareholders' meeting shall be called by the board of directors within sixty (60) days for election of directors and supervisors to fill the vacancies until the original term expires.

#### Article 21

The Company shall have three or four managing directors, to be elected from among the directors with the concurrence of a majority of the directors present at a board of directors' meeting attended by more than two-thirds (2/3) of the directors. A board chairman and vice chairman shall be elected by and from among the managing directors in accordance with the same procedure. The board chairman shall conduct all the business of the Company pursuant to the laws and regulations, Article of incorporation, and resolutions adopted at shareholders' meetings and board of directors' meetings.

## Article 22

The business policies and other important matters of the Company shall be performed in accordance with the resolutions of the board of directors' meetings. Except for the initial meeting of each term of the board of directors, which shall be called by the director who receives the highest votes, all the other meetings shall be called and presided by the board chairman. In the event the board chairman is absent or unable to perform his right or authority, he may designate vice chairman to act on his behalf. In case there is no vice chairman or the vice chairman is absent or unable to perform his power or authority, the chairman may designate one managing director to act on his behalf, or where there is no managing director, one of the directors to act on his behalf. In the absence of the designation, the managing directors shall elect one from among themselves.

## Article 23

Except as otherwise provided in the Company Act, a board of directors' meeting at which a resolution is adopted shall be attended by a majority of the directors and at which meeting a majority of those present shall vote in favor of such a resolution. If any director is unable to attend a board of directors' meeting, he/she may appoint another director to attend the meeting by proxy by executing a power of attorney in favor of the proxy specifying any limits on authority or powers in respect to the business to be transacted at the meeting; provided that the proxy shall accept the appointment of one director only. Minutes of proceedings shall be prepared for the resolutions adopted at a board of directors' meeting and the provisions of Article 17 herein shall apply *mutatis mutandis*.

## Article 24

In addition to performing their duties in accordance with the law, the supervisors may attend the board of directors' meetings but shall not vote.

## Article 25

In conducting the business of the Company, the directors and supervisors shall be paid remuneration, regardless of whether the Company makes a profit or sustains a loss. The remuneration of directors and supervisors shall be decided by the board of directors in accordance with personal partake-in and contribution to the Company's operation and benchmarks in the same industry

## Article 26

Functions of the board of directors shall be as follows:

1. appoint and remove managerial personnel;
2. decide and amend business policies;
3. examine budget and final account;
4. propose for distribution of profits and covering of losses;

5. approve for re-investment, extending loan to other companies, and pledge of assets;
6. approve for endorsement, guarantee, acceptance to affiliates in excess of the total specified amounts (to be decided by the board of directors);
7. approve for borrowing and financing in excess of total specified amounts (to be decided by the board of directors);
8. establish and/or withdraw any main divisions of the Company and/or its domestic or overseas branches, and to prescribe and amend Articles of Incorporation and important rules by laws;
9. approve for important contracts;
10. approve for other important business; and
11. appoint, discharge, and make payment to CPA.

## CHAPTER 5 OFFICERS

### Article 27

A board of directors' meeting shall be called with a seven days prior written notice setting forth the cause(s) of such meeting to all directors and supervisors, except there is an urgent need. In an urgent case a board of directors' meeting can be called without prior written notice.

### Article 28

The Company shall employ managing persons, their appointment and discharge shall be handled in accordance with Article 29 of the Company Law.

## CHAPTER 6 FINANCIAL ACCOUNTS AND DISTRIBUTION OF PROFITS

### Article 29

At the close of each fiscal year of the Company, the board of directors shall submit the following statements/documents to the supervisors for examination and acknowledgement by the shareholders' meeting thirty (30) days prior to the special shareholders' meeting:

1. business report;
2. financial statement;
3. proposal for distribution of profits or covering of losses.

### Article 30

If there is any profit after closing of books, the Company shall first defray tax due, cover losses in the past years and set aside ten percent of it as legal reserve fund, then an amount not more than two percent (2%) of the balance shall be paid to directors and supervisors as remuneration and an amount no less than two

percent (2%) shall be allocated as employees' bonus. The remaining balance may be retained as special reserve to meet actual needs and at least ten percent (10%) of the remainder shall be distributed as dividend and stock interest; however, if the annual net profit per share for such year is lower than One New Taiwan Dollar (NT\$1), the Company may decide not to make any distribution. If the profit after close of books includes any exchange gains listed by applying Statement No. 14 of the Financial Accounting Standards, such profit shall be transferred to the entry of special surplus before distribution of dividend and bonus after realization and it shall be listed as retained earnings.

The object of the said allocation of share certificates and bonus to employees includes the employees of the Company's subordinate companies pursuant to the Company Law.

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 (10%) of the total dividend (including cash and share dividend) for such year.

#### Article 31

Once the total legal reserve equals the total capital may resolve to stop setting aside the legal reserve.

### CHAPTER 7 SUPPLEMENTAL PROVISIONS

#### Article 32

Matters not provided herein shall be governed by the Company Law.

#### Article 33

The organizational rules and handling procedures of the Company shall be separately prescribed by resolution of the board of directors.

#### Article 34

(Deleted)

#### Article 35

These Articles of Incorporation were prescribed by the promoters on April 16, 1984.

1<sup>st</sup> amendment was made on May 16, 1984;

2<sup>nd</sup> amendment was made on December 27, 1984;

3<sup>rd</sup> amendment was made on April 6, 1986;

4<sup>th</sup> amendment was made on July 18, 1986;

5<sup>th</sup> amendment was made on May 10, 1987;

6<sup>th</sup> amendment was made on June 13, 1987;  
7<sup>th</sup> amendment was made on June 18, 1988;  
8<sup>th</sup> amendment was made on May 27, 1989;  
9<sup>th</sup> amendment was made on May 4, 1990;  
10<sup>th</sup> amendment was made on June 23, 1990;  
11<sup>th</sup> amendment was made on March 20, 1991;  
12<sup>th</sup> amendment was made on April 30, 1992;  
13<sup>th</sup> amendment was made on April 13, 1993;  
14<sup>th</sup> amendment was made on April 23, 1994;  
15<sup>th</sup> amendment was made on March 31, 1995;  
16<sup>th</sup> amendment was made on March 27, 1996;  
17<sup>th</sup> amendment was made on May 29, 1997;  
18<sup>th</sup> amendment was made on April 8, 1998;  
19<sup>th</sup> amendment was made on April 8, 1999;  
20<sup>th</sup> amendment was made on March 30, 2000;  
21<sup>st</sup> amendment was made on April 3, 2001;  
22<sup>nd</sup> amendment was made on May 24, 2002;  
23<sup>rd</sup> amendment was made on June 10, 2003;  
24<sup>th</sup> amendment was made on June 10, 2005;  
25<sup>th</sup> amendment was made on June 9, 2006.  
26<sup>th</sup> amendment was made on June 15, 2007.  
27<sup>th</sup> amendment was made on June 13, 2008.  
28<sup>th</sup> amendment was made on June 19, 2009.

## Appendices 3

### **Compal Electronics, Inc.** Procedures for Endorsement and Guarantee

#### **Article 1 Purpose**

To perfect the financial management of endorsement/guarantee by the Company to outside parties and to control the risk in operation, the following procedures, enacted in accordance with the applicable regulations announced by the competent authority, shall apply when providing endorsement and/or guarantee to outside parties.

#### **Article 2 Definition and Scope**

The terms "endorsements" or "guarantees" as used herein are defined as:

1. Financing endorsement and/or guarantee, including:
  - 1) Bill discount financing;
  - 2) Endorsement or guarantee made to meet the financing needs of another company;
  - 3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
2. Customs duty endorsement/guarantee which refers to an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees which refer to endorsements or guarantees beyond the scope of the preceding two Paragraphs.

Any creation by the Company of a pledge or mortgage on its assets and real assets as security for the loans of another company shall also comply with these Regulations.

#### **Article 3 Object to be Provided Endorsement and/or Guarantee by the Company**

1. The object to be provided endorsement and/or guarantee by the Company shall be limited as follows:
  - 1) Any company having business relationship with the Company;
  - 2) Any company in which the Company directly or indirectly holds 50% or more voting-right-shares or capital of such company; or
  - 3) Any company directly or indirectly holds 50% or more shareholding in the Company.
2. Between subsidiaries wholly owned, directly or indirectly, by the Company may provide endorsement and/or guarantee for each other.
3. If the Company fulfill its contractual obligations by providing mutual

endorsement and/or guarantee for another Company in the same industry or for the co-builders for purposes of undertaking a construction project, or if shareholders make endorsement and/or guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements and/or guarantees such endorsements and/or guarantees shall be free of the restriction of the preceding Paragraphs (1) and (2).

4. The term “shareholding” as referred to in the preceding Paragraph means the Shareholding directly held by the Company or held through wholly owned subsidiaries.
5. The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with the Statement of Financial Accounting Standards No. 5 and No. 7 announced by the Accounting Research and Development Foundation of the Republic of China.

#### **Article 4 Limited Amounts of Endorsement and Guarantee**

The aggregate amount of endorsement and guarantee provided for by the Company and the total amount of endorsement/guarantee provided for a single enterprise by the Company is subject to the following limits:

1. The aggregate amount of endorsement/guarantee provided by the Company shall not exceed 60% of net worth of the Company,
2. The total amount of endorsement/guarantee provided for a single enterprise by the Company shall not exceed 30% of net worth of the Company. The total amount of endorsement/guarantee provided for a single enterprise having business relationship with the Company shall also meet the requirements set forth in Article 5, Subparagraph 1 of the Procedures for Lending Funds to Other Parties adopted by the Company.
3. The term “net worth” as used herein shall mean the shareholders’ equity stated in the Company’s recent audited financial statements.

#### **Article 5 Decision-Making and Level of Authority**

1. The limited amount of endorsement and/or guarantee delegated to the Chairman of Board shall not exceed 20% of respective endorsement and/or guarantee amount as referred to in the foregoing Article 4.
2. A pre-determined execution of endorsement/guarantee delegated to the Chairman of Board shall be submitted to the most upcoming Board of Directors’ Meeting for ratification.
3. When providing guarantee to a foreign company, the guarantee letter should be executed by the person delegated by the Board of Directors of the Company.
4. When providing endorsement and/or guarantee, if the required amount of endorsement and/or guarantee exceeds the limit as referred to in the foregoing Article 4 to accommodate business needs, a resolution of the Board of Directors shall be obtained and over half of all the Directors shall



jointly endorse the potential loss that may be brought about by the excess of limit. The Board of Directors shall also revise these Procedures accordingly and forward these revised Procedures to the Shareholders' Meeting for ratification. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors shall withdraw the excess portion within a period of time.

#### **Article 6 Procedures for Making Endorsement and/or Guarantee**

1. The department in charge of endorsement and guarantee shall make an evaluation report by carrying out the follow reviewing procedures. Such evaluation report shall be reexamined by the financial departments and be submitted to President and Chairman of the Board for approval. The evaluation report shall include:
  - 1) The necessity of and rationality of endorsement/guarantee;
  - 2) Credit status and risk assessment of the object to be provided endorsement and/or guarantee;
  - 3) Impact on the Company's business operations, financial condition, and shareholders' equity.
  - 4) Whether collateral must be obtained and appraisal of the value thereof.
2. The department in charge of endorsement and guarantee shall complete the "Endorsement and Guarantee Application/Revocation Form" describing the entity for which the endorsement/guarantee is made, object to be provided endorsement and/or guarantee by the Company, type of endorsement/guarantee, reasons to provide the endorsement/guarantee and the endorsement/guarantee amounts, and submit said form(s) to the Chairman of the Board for approval or Board of Directors' Meeting for resolution in accordance with the provisions set forth in Article 5 herein. The financial department shall provide accounting department the current endorsement/guarantee application information or endorsement/guarantee revocation information. The accounting department shall report to the competent authorities the Company's endorsement/guarantee information in a proper format and within a prescribed time limit under the applicable laws and regulations.
3. The financial department shall set up a register book to carry the endorsement/guarantee items. All such details for reference into such register book shall include the name of entity for which the endorsement/guarantee is made, the endorsement/guarantee amounts, terms and conditions of endorsement/guarantee, the date of approval by the Board of Directors or the date of pre-determined execution by the Chairman of Board, the date of endorsement/guarantee is made, the risk assessment report, the collateral which is obtained, the release terms of and release date of endorsement/guarantee and the any matters to be carefully evaluated.
4. The accounting department shall evaluate or recognize the potential loss of

endorsement/guarantee and disclose information relating to endorsement/guarantee made by the Company in the Company's financial statements, and provide relevant information to the Company's auditing CPA for conducting necessary audit.

#### **Article 7 Procedures for Use and Custody of Corporate Seal**

Seals exclusively for use of endorsement/guarantee shall be the seals officially registered with the Ministry of Economic Affairs. Such official seals shall be kept separately by special persons. Company's internal procedures must be followed for such sealing usage and the issuance of negotiable instruments. The appointment of seal custodian shall be approved by the Board of Directors. The procedure shall apply to the change in the seal custodian.

#### **Article 8 Other matters**

1. According to these Procedures, in the event that a party endorsed and/or guaranteed by the Company previously qualified but no longer qualifies or the endorsement and/or guarantee amount resulted in exceeding the credit limits due to the basis for calculation of such amount has changed, rectification plans must be prepared by the department in charge of such endorsement and/or guarantee. Such rectification plans shall be reexamined by the financial department and be submitted to each Supervisor of the Company for approval. The department in charge of the endorsement and guarantee shall conduct the rectification based on the planned time schedule.
2. The adoption and amendment to the "Procedures for Endorsement and Guarantee" by subsidiaries of the Company shall be handled in accordance with the regulations published by the competent authorities and the endorsement and/or guarantee shall be provided in accordance with said Procedures.

#### **Article 9 Public Announcement and Report**

1. The accounting department shall prepare a statement of endorsement and guarantee provided for by the Company and its subsidiaries for previous month, and shall submit such statement to President and Chairman of the Board for review each month.
2. The accounting department shall announce and report the previous month's balance of endorsement/guarantee by the 10<sup>th</sup> day of each month.
3. If the amount of endorsement and guarantee reaches one of the following levels, the accounting department shall announce and report such event within the time period prescribed by the competent authorities:
  - 1) The aggregate amount of endorsement and guarantee provided for by the Company and its subsidiaries reaches 50% or more of the net worth of the Company,
  - 2) The amount of endorsement and guarantee provided for a single

enterprise by the Company and its subsidiaries reaches 20% or more of the net worth of the Company,

- 3) The balance of endorsement and guarantee for a single enterprise by the Company and its subsidiaries reaches NT\$ 10 Million or more and the aggregate amount of endorsement and guarantee for, long-term investment in and balance amount of fund lending to such single enterprise reaches 30% or more of the net worth of the Company,
- 4) The newly increased aggregate amount of endorsement and guarantee provided for by the Company and its subsidiaries reaches NT\$ 30 Million and such amount exceeds 5% of the net worth of the Company

If any subsidiary of the Company is not an ROC public company, the Company shall announce and report on behalf of such subsidiary any matter that such subsidiary is required to announce and report pursuant to the foregoing Paragraph 3, Item 4.

4. The accounting department shall announce and report to the competent authorities the status of endorsement/guarantee by the subsidiaries of the Company in accordance with the provisions set forth in the foregoing Paragraph 2 & 3.
5. In the event of any change in the applicable regulations, the public announcement and report shall be handled in accordance with the updated regulations.

#### **Article 10 Penal Provision**

If any employee of the Company violates these Procedures and/or other applicable laws and regulations, sanctions will be imposed on such employee depending upon his/her severity level of such violation in accordance with the punishment procedures under the personnel administration rules of the Company.

#### **Article 11 Implementation and Amendment**

The Procedures shall be adopted by the Board of Directors, be submitted to each Supervisor and entered into force after the approval by the Shareholders Meeting. The same procedure applies to amendment.

#### **Article 12 Supplementary Provisions**

These Procedures were adopted on April 3, 1990 and entered into force after the approval by the Board of Directors of the Company.

The 1<sup>st</sup> amendment was adopted by the Board of Directors of the Company held on January 31, 1991.

The 2<sup>nd</sup> amendment was adopted by the Board of Directors of the Company held on March 31, 1995.

The 3<sup>rd</sup> amendment was adopted by the Board of Directors of the Company held on March 31, 1997 and entered into force after the approval by the Regular Shareholders Meeting on May 29, 1997.

The 4<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on March 17, 2003 and entered into force after the approval by the Regular Shareholders Meeting on June 10, 1997.

The 5<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on February 21, 2006 and entered into force after the approval by the Regular Shareholders Meeting on June 9, 2006.

The 6<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 29, 2009 and entered into force after the approval by the Annual General Shareholders Meeting on June 19, 2009.

## Appendices 4

### **Compal Electronics, Inc.** Procedures for Lending Funds to Other Parties

#### **Article 1 purpose**

To perfect the financial management of lending funds to others and to control the risk in operation, the following procedures, enacted in accordance with the applicable regulations announced by the competent authority, shall apply when lending funds to others.

#### **Article 2 Recipients of Fund Lending**

Unless otherwise provided below, the Company shall not lend funds to its shareholder or any person:

1. Companies having business relationship with the Company;
2. Any of the following companies in need of funds for a short-term period:
  - 1) Subsidiaries having necessity of short-term financing for business operation;
  - 2) Other companies having necessity of short-term financing for business need.

Lend funds between overseas subsidiaries that are wholly owned, either directly or indirectly, by the Company are permitted.

#### **Article 3 Reasons and Necessity of Fund Lending**

1. For business operation need, a company or the satellite factory or subcontractor of the Company is necessary to increase its capital. Such company or the satellite factory or subcontractor of the Company applies for fund lending because of its insufficiency. After confirmed by the department in charge of fund lending, it shall report to the Company the application for fund lending.
2. Affiliates of the Company apply for fund lending to meet its business operation need. The term "affiliate" refers to any company invested by the Company.

#### **Article 4 Total Amount of Fund Lending**

1. The total amount for lending to a company having business relationship with the Company shall not exceed 50% of the net worth of the Company.
2. The total amount for lending to a company for funding for a short-term period shall not exceed 40% of the net worth of the Company.
3. Fund leading between overseas subsidiaries that are 100% directly or indirectly owned by the Company is not subject to the restriction stated in

the preceding Paragraph 2.

#### **Article 5 Lending Limit for Each Recipient**

1. The total amount for lending to a company having business relationship with the Company shall not exceed 80% of exceeds the total trading amount between the two in the most recent fiscal year or 80% of the forecast trading amount between the two companies in the then year. In addition, the lending amount shall be counted in the limit of endorsement and guarantee provided by the Company to such single entity.
2. The total amount for lending to a company for funding for a short-term period shall be no more than 80% of the net worth of the borrower and shall not exceed 50% of the total lending limit of the Company. In addition, the lending amount shall be counted in the limit of endorsement and guarantee provided by the Company to such single entity.
3. The Company may lend funds to a subsidiary wholly owned, directly or indirectly, by the Company without restriction on 80% of net worth as referred to in the foregoing Paragraph 2. However, the total lending amount to such subsidiary shall not exceed 50% of the total lending limit of the Company and such lending amount shall be counted in the limit of endorsement and guarantee provided to the Company to such subsidiary.
4. The term “net worth” as used herein shall mean the shareholders equity stated in the Company’s recent audited financial statements.
5. The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with the Statement of Financial Accounting Standards No. 5 and No. 7 announced by the Accounting Research and Development Foundation of the Republic of China.

#### **Article 6 Procedures for Fund lending**

1. Any borrower, when applying for a loan from the Company, shall submit a request letter describing the purpose, duration, loan amount requested, terms of repayment, source of fund and collateral together with certain basic information and financial data. These documents will be forwarded to the financial department of the Company to facilitate the evaluation and credit checking after approved by the head of the department in charge of fund lending. The department in charge of fund lending will issue an evaluation report based on the credit check result and the evaluation report shall include:
  - 1) The necessity of and rationality of extending loans to others;
  - 2) Borrower’s credit status and risk assessment,
  - 3) Impact on the company's business operations, financial condition, and shareholders' equity;
  - 4) Whether collateral must be obtained and appraisal of the value thereof.
2. If, after the credit evaluation, it is declined to extend funds to the borrower due to the borrower’s bad credit or the improper purpose of fund lending, the

financial department shall inform the borrower of its decline as soon as possible after the reasons for decline are submitted to the President and Chairman of the Board for review and approval. If, after the credit evaluation, the borrower's credit is good and the purpose of fund lending is appropriate, the financial department shall propose the fund lending conditions based on the credit evaluation report, submit the proposal to the President and Chairman of the Board for review after countersigned by the relevant departments, and then extend funds after the proposal is approved by the Board of Directors. Prior to the fund is extend, the borrower shall issue a promissory note to ensure the guarantee for the payment and value of such promissory note should be 1.2 times the amount of fund lending. Funding lending is not acceptable if the borrower's total liabilities are greater than the value of its total assets unless collateral of equivalent value is provided and the procedures of mortgage and/or pledge registration are completed so as to ensure that the Company's rights have been protected, or the Company holds 90% or more shareholding in the borrower.

3. For collaterals, the borrower shall procure and maintain all risk insurance for vehicles, fire and allied perils insurance for other collaterals other than land and negotiable securities. The insured amount shall, in principle, be no less than the replacement cost value of these collaterals. In addition, the Company shall be designated as beneficiary in the insurance policy. The insured object, quantity, location and policy conditions must be consistent with the fund lending conditions of the Company.
4. The department in charge of fund lending shall collect the borrowers' financial statements and fund utilization status month by month and submit them to the financial department. In the event of significant change in the borrower's financial status and fund utilization, the financial department shall promptly report to the President and Chairman of the Board, and take appropriate actions as per instructions.
5. The financial department shall establish a fund lending register book detailing the borrowers, amounts, dates on which the Board of Directors approves the fund lending and result of credit evaluation (or evaluation report).
6. The accounting department shall report to the competent authorities the information of fund lending to others in a proper format and within a prescribed time limit under the applicable laws and regulations.

#### **Article 7 Duration of Fund Lending**

1. Duration of each fund lending to a company, having business relationship with the Company and having necessity of short-term financing, shall not exceed six (6) moths and may be extended for a maximum period of six (6) month as a result of business need and only after approval by the Board of Directors of the Company.

2. Duration of each lending fund to a subsidiary 100% owned, directly or indirectly, by the Company shall not exceed one (1) year.

### **Article 8 Method of Interest Calculation**

1. For fund lending to affiliates of the Company, the interest rate shall be adjusted variably based on the capital cost of the Company.
2. For fund lending to any companies other than affiliates of the Company, approved by the Board of Directors of the Company, the interest rate shall be adjusted variably based on the capital cost of the Company provided, however, that such interest rate shall not less than the rate on short-term accommodations.
3. The interest will be collected in accordance with the terms and conditions of the facility agreement.

### **Article 9 Repayment of Loans**

Upon request of the borrower or the Company, the borrower or the Company is willing to repay or collect fund, the financial department shall take the following actions:

1. Making sure the amount of capital and accrued interest already paid by the borrower; and
2. De-registering the mortgage/pledge or return the collateral to the borrower after receiving approval from the President and Chairman of the Board.

### **Article 10 Procedures for Handling Overdue Loans**

1. The so-called “overdue loans” refers to the loan has become mature and has not been paid off (including capital and interest) or the duration of such loan has not been extended in accordance with Article 7 herein.
2. In the event of overdue, the financial department shall immediately notify the department in charge of fund lending and the legal department to evaluate the borrower’s financial and business status. If it is considered that the flow of funds is sufficient to cover the repayment, the Company may amend to the repayment terms under the original loan agreement after approval by the Board of Directors of the Company and shall obtain collateral of equivalent value if necessary.
- 3 In addition to the foregoing Subparagraph, the financial department shall forthwith take the following actions:
  - 1) The financial department shall check thoroughly any property that may be executed and apply for security procedure against such property in accordance of applicable laws if necessary;
  - 2) For overseas loans, if due to the change of foreign exchange policy by the foreign government, the repayment cannot be made as scheduled; it may be handled via a special project approved by the Board of Directors.
  - 3) Under any of the following circumstances, the overdue loans, after



deducting the estimated collectable amount, should be written off as uncollectible bad debt; and report to the most upcoming Board of Directors and Supervisors.

- (i) All or part of the overdue loans cannot be repaid due to the dissolution, running away, compromise, declaration of bankruptcy or other reasons, and has received supporting documents from the competent authorities.
- (ii) The evaluated value of the collaterals is low or, after deducting the amount collected by exercising the priority mortgage/pledge over the collaterals by others, nothing left for repayment, or the execution cost is close to or even more than the collectable amount by the Company. There is no actual benefit in execution.
- (iii) Failure to sell the collaterals after several price reductions by public auctions.
- (iv) Default in loan repayment exceeds two years and it is unable to collect such repayment through collection procedure.

#### **Article 11 Other Matters**

1. If the qualification of borrowers does not meet the provisions set forth in these Procedures or the loan balance exceeds the limit as a result of change of circumstances, rectification plans must be prepared by the department in charge of the fund lending and such plans shall be reexamined by the financial department and then be submitted to the Supervisors for approval. The department in charge of the fund lending shall conduct the rectification based on the planned time schedule.
2. The adoption and amendment to the “Procedures for Lending Funds to Other Parties” by subsidiaries of the Company shall be handled in accordance with the regulations published by the competent authorities and their fund lending activities shall be handled in accordance with said Procedures.

#### **Article 12 Public Announcement and Report**

1. The accounting department shall prepare a statement of fund lending extended by the Company and its subsidiaries for previous month and submit such statement to President and Chairman of the Board for review each month.
2. The accounting department shall announce and report the previous month’s loan balance by the 10<sup>th</sup> day of each month.
3. If the loan balance reaches one of the following levels, the accounting department shall announce and report such event within the time period prescribed by the competent authorities:
  - 1) The aggregate balance of loans extended by the Company and its subsidiaries reaches 20% or more of the net worth of the Company;
  - 2) The balance of loans to a single enterprise extended by the Company and

its subsidiaries reaches 10% or more of the net worth of the Company;

- 3) The newly increased aggregate amount of loan extended by the Company and its subsidiaries reaches NT\$10 Million and such amount exceeds 2% of the net worth of the Company.

If any subsidiary of the Company is not an ROC public company, the Company shall announce and report on behalf of such subsidiary any matter that such subsidiary is required to announce and report pursuant to the foregoing Paragraph 3, Item 3.

4. The accounting department shall announce and report to the competent authorities the status of fund lending by the subsidiaries of the Company in accordance with the provisions set forth in the foregoing Paragraphs 2 & 3.
5. In the event of any change in the applicable regulations, the public announcement and report shall be handled in accordance with the updated regulations.

### **Article 13 Penal Provision**

If any employee of the Company violates these Procedures and/or other applicable laws and regulations, sanctions will be imposed on such employee depending upon his/her severity level of such violation in accordance with the punishment procedures under the personnel administration rules of the Company.

### **Article 14 Implementation and Amendment**

The Procedures shall be adopted by the Board of Directors, be submitted to each Supervisor and entered into force after the approval by the Shareholders Meeting. The same procedure applies to amendment.

### **Article 15 Supplementary Provisions**

These Procedures were adopted on April 3, 1990 and entered into force after the approval by the Board of Directors of the Company.

The 1<sup>st</sup> amendment was adopted by the Board of Directors of the Company held on January 31, 1991.

The 2<sup>nd</sup> amendment was adopted by the Board of Directors of the Company held on April 28, 1994 and entered into force after the approval by the Regular Shareholders Meeting on March 31, 1995.

The 3<sup>rd</sup> amendment was adopted by the Board of Directors of the Company held on February 25, 2002.

The 4<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 23, 2002.

The 5<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on March 17, 2003 and entered into force after the approval by the Regular Shareholders Meeting on June 10, 2003.

The 6<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 21, 2004 and entered into force after the approval by the Regular

Shareholders Meeting on June 15, 2004.

The 7<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 29, 2009 and entered into force after the approval by the Annual General Shareholders Meeting on June 19, 2009.

## Appendices 5

**Compal Electronics, Inc.**  
**Shareholding of Directors and Supervisors**  
 Book closure date: April 20, 2010

Position	Name	Shares
Chairman	Hsu, Sheng-Hsiun	17,431,478
Vice Chairman	Medica John Kevin	7,879,000
Managing Director	Chen, Jui-Tsung	48,969,054
Managing Director	Hsu, Wen Being	5,932,175
Director	Shen, Wen-Chung	11,204,641
Director	Lin, Kuang Nan	1,772,229
Director	Kinpo Electronics, inc.	148,694,939
Director	Chang, Yung-Ching	4,077,512
Director	Wong, Chung-Pin	4,334,994
Director	Kung, Shao-Tsu	5,938,483
Director	Hsu, Chiung-Chi	1,907,104
Director	Wea Chi-Lin	0
Shareholding of all Directors		258,141,609
Standing Supervisor	Ko, Charng-Chyi	7,744,077
Supervisor	Chou, Yen-Chia	7,867,646
Supervisor	Hsu, Sheng-Chieh	8,942,855
Shareholding of all Supervisors		24,554,578

Note :

1. The above mentioned shares includes the shares under trust with discretion reserved.
2. In accordance with the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, where the paid-in capital of the company is more than NT\$10 billion but NT\$50 billion or less, the aggregate number of registered shares owned by all Directors shall not be less than three percent of the total issued shares; the aggregate number of registered shares owned by all Supervisors shall not be less than 0.3 percent of the total issued shares. The aggregate numbers of registered shares held by all Directors and Supervisors of Compal are listed below:
  - The aggregate number of the registered shares held by all Directors shall not less than 128,306,692 shares;
  - The aggregate number of the registered shares held by all Supervisors shall not less than 12,830,669 shares.

## Appendices 6

The Impact of Non-compensated Distribution of Shares on the Company's Business Performance, Earnings Per Share, and Shareholder Return Rate : Inapplicable

The Company does not disclose the financial forecast of 2010; it is not required to produce this table.

## Appendices 7

### Other

#### 1. Status of shareholder proposal to be presented at this General Shareholders Meeting

- (1) In accordance with Article 172-1 of the Company Act, shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a general shareholders' meeting, provided that only one matter shall be allowed in each single proposal. The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words (including proposal, explanatory notes and punctuation marks), and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the general shareholders' meeting where at his proposal is to be discussed and shall take part in the discussion of such proposal.
- (2) The proposal and nomination accepting period of 2010 General Shareholders Meeting is from April 6, 2010 to April 16, 2010.
- (3) No proposals are raised by shareholders during the said accepting period.