

# Compal Electronics, Inc.

## 2016 Annual Report

### Notice to readers

*This English-version annual report is a summary translation of the Chinese version and is not an official document approved in a shareholders' meeting in accordance with Taiwanese laws. Should any discrepancy arise between the English and Chinese versions, the Chinese version shall prevail.*



Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

Company Annual Report is available at: <http://www.compal.com>

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## **I. Spokesperson**

Spokesperson: Gary Lu / Vice President

Deputy Spokesperson: Jack Wang / Director of Accounting Dept.

Tel: 886-2-8797-8588

E-mail: Investor@compal.com

## **II. Headquarters, Branches and Plant**

Headquarters

Address: No.581& 581-1, Ruiguang Rd., Neihu District, Taipei, Taiwan

Tel: 886-2- 8797-8588

Manufacturing Site

Address: No. 8, South East Rd., Pingzhen City, Taoyuan County

Tel: 886-3-439-1707

## **III. Share Administration Agency**

Chinatrust Transfer Agent

Address: 5F, No. 83, Sec 1, Chung Ching Nan Road, Taipei, Taiwan

Tel: 886-2-6636-5566

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## **IV. Auditors**

CPA Firm: KPMG

Auditors: Kuo, Kuan Ying and Au, Yiu Kwan

Address: 68F, No. 7, Sec. 5, Xinyi Road, Taipei, Taiwan

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## **V. Overseas Securities Exchange**

Luxembourg Stock Exchange: <http://www.bourse.lu>

London Stock Exchange <http://www.londonstockexchange.com>

## **VI. Corporate Website**

<http://www.compal.com>

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# I. Letter to Shareholders

## Dear Shareholders:

Thank you for your support to Compal Electronics, Inc. (hereafter referred to as “Compal”) over the past years! The year 2016 was a year of changes. The global political and economic situations have brought along new changes, and industry developments have been facing new challenges. The growth of the hardware device markets stagnated; the demands even went into recession; and that made Compal experience a hard year. However, many internal efforts have been made, which including actively adoption of systematic management and full implementation has been driven all the way from R&D side to the production process. Thus our operational efficiency and costmanagement have been further improved in 2016. In addition, the investment in innovation and new business has started to pay off at the customers; therefore, on the way to year 2017, we gradually to see some light inside the tunnel of doom. We herein summarize the operational results of the last year and the business outlook of this year as follows:

### **2016 Financial Performance**

Compal’s 2016 consolidated revenue was NT\$766,810 million, declined 9.5% year-over-year, given the impact of consumer demand recession. However, owing to the efforts of all the company employees to actively improve the efficiency, the 2016 consolidated gross margin has reached 4.3%, and the consolidated operating profit margin has reached 1.4%, both were improved over the previous year. The non-operating incomes were increased year-over-year, due to higher contribution from equity-investments. Therefore, Compal’s 2016 consolidated pre-tax profits were NT\$11,813 million, which maintained at the previous year’s NT\$11,792 million level, of which the net profit attributed to the parent company was NT\$8,131 million, and the earnings per share (EPS) was NT\$1.88.

### **Business Development**

As to the business development, due to the demand declines of the notebook and tablet market, and the smartphone market growth stagnation last year, Compal’s total shipment of 5C-related electronic products decreased 4% from the previous year. However, given the commercial PC replacement demand has been gradually warming up since this year, and Compal’s continued efforts in innovation designs and efficient manufacturing to attract customer cooperation, we expect Compal’s computer related business to regain growth momentum in 2017. For the Smart Device business, to fully implement the risk control and efficiency improvement, and achieve better profits across all the product lines will be the main goal of this year.

With the rapid growth of the Internet of Things (IoT) market, Compal is putting full efforts into the developments of new business, including the fields of Wearable Devices, Smart Homes, Auto Electronics, Servers, and Industrial PCs and so on, and has started to pay off at the customer side, particularly in the wearable business. The alliance and co-development with Google and Qualcomm on the wearable devices has brought the successful results, therefore, we have wonover the top-tier customers andachieved

breakthrough in shipments in 2016. The primary target of the new business development remains to be continuously developing innovative technologies and diversifying product lines for more business opportunities in 2017.

In addition, Compal has continued to invest in Smart Medical and Healthcare since it has engaged in the medical business in year 2015. According to the estimates of the National Development Council, in 2018, the percentage of senior persons (over 65 ages) will account for 14% of the population in Taiwan and it will enter into an “aged society”. In 2025, the percentage will be weighing up to 20% for a “super-aged society”. Based on that, we believe the consumer consumptions and industrial developments will have big change in the future. While, for the medical investment, we realize it needs to involve in more cross industry collaboration. Therefore, starting from 2016, we began to talk with hospitals, medical institutions, and long-term caring centers in Taiwan regarding the establishment of the medical platform system and the cooperation of medical equipment. Compal’s smart medical team has also actively participated in public health issues and became the co-developer for New Taipei City’s “Fit for Age” Project in 2016. We believe our investment in Smart Medical and Healthcare will become the company’s new business driver over the next 3-5 years.

### **Honors and awards**

With all the continuous efforts invested in innovations, Compal has won 10 awards from the German 《iF》 product designs in 2016. The total 39 awards accumulated over the past 5 years have made Compal become the 15th in the Global Innovation ranking. With regard to the corporate governance, Compal received the award for top 20% ranking in the Corporate Governance Evaluation by the Taiwan Stock Exchange Corporation (TWSE) in 2016, and it has been consecutively selected as a Stock Exchange Corporate Governance Index constituent stock for many years. Moreover, the CommonWealth Magazine ranked the Company No. 26 in the “CSR Corporate Citizen Awards” for large corporations in 2016. With regard to the green environment, Compal was on the list of participants of the United Nations Climate Change Framework Convention 2050 greenhouse gas reduction path platform for the first time, and became one of the three Taiwanese companies in it. Compal was once again recognized by the public for its investments towards sustainability.

### **2017 Business Outlook**

Looking ahead to 2017, although the global macro still have uncertainties, for Compal, we think the most difficult year has passed, and we are ready to greet some light in the business. According to the market research firm (IDC), the global notebook, tablet, smartphone, and wearable device market in 2017 will grow +0.6%, -8.0%, +4.2% and +28.6%, respectively comparing to the previous year. With the consideration of the global market condition and the company’s business development itself, we expect Compal’s total shipment of 5C-related electronic products to grow 10% year-over-year in 2017. Furthermore, we expect the revenue of non-PC products to continuously march for exceeding 30% contribution.

Meanwhile, Compal is committed to strengthen the enterprise constitution continually, to put efforts in the comprehensive organization innovations, collaborations, resource integrations, efficiency improvement, and

to further enhance profitability and competitive position in the industry. Once again, we sincerely appreciate your support and advice for Compal and wish you a peaceful and prosperous year!

Sincerely yours,

Chairman: ***Sheng-Hsiun Hsu (Rock Hsu)***



Chief Executive Officer (CEO): ***Jui-Tsung Chen (Ray Chen)***



Chief Finance Officer (CFO): ***Ching-Hsiung Lu (Gary Lu)***



## II. Company Profile

### 2.1 Date of Incorporation: June 1, 1984

### 2.2 Company History

#### Company history in the past two years:

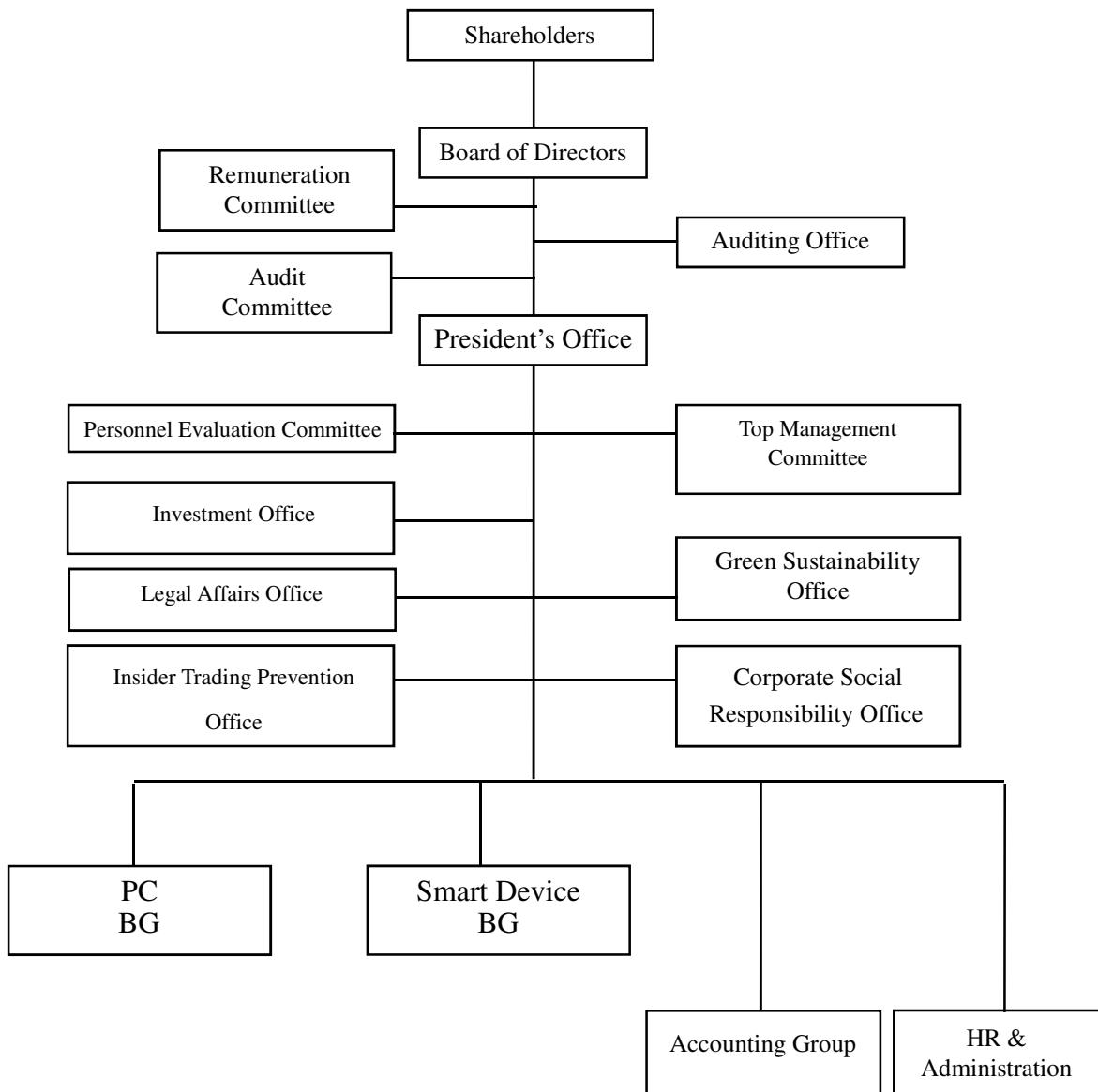
Year	Milestones
2015	<ul style="list-style-type: none"><li>• Won 6 awards of 2015 “iF design” and ranked 18th on Global Innovation.</li><li>• Ranked 423rd on the Fortune Global 500.</li><li>• Ranked 1412nd on the Forbes Global 2000.</li><li>• Ranked 6th in CommonWealth Magazine’s “Top-2000 Manufacturers” and 44th in the “Cross-strait Top-1000 Survey.”</li><li>• Top 5% TWSE –listed companies of the “First Round of Corporate Governance Evaluation” conducted by TWSE.</li><li>• Ranked 16th on CommonWealth Magazine’s Top 50 CSR in Corporate Citizen Awards.</li><li>• Ranked 34th on The 100 most sustainable companies in Asia by CSR Asia Summit.</li><li>• 4th National Industrial Innovation Award of Ministry of Economic Affairs, R.O.C for Innovative Trailblazer Award.</li><li>• Received Taiwan Corporate Sustainability Report Awards in “2015 Taiwan Corporate Sustainability Awards.” – ICT Manufacturing - The Bronze Medal.</li><li>• First-time being included in the 2015 Climate Disclosure Leadership Index (CDLI) by Carbon Disclosure Project CDP (CDP).</li><li>• First-time completion of the inspections and verifications of the emissions produced by staff business flights of GHG Protocol Scope 3.</li><li>• The Company’s share capital reached NTD 44.7 billion by the end of 2015.</li><li>• The Company earned NTD 847.3 billion in consolidated revenues in 2015.</li></ul>
2016	<ul style="list-style-type: none"><li>• Won 10 awards of 2016 “iF design” and ranked 15th on Global Innovation.</li><li>• Ranked within top 6%~20% TWSE-listed companies of the “Second Round of Corporate Governance Evaluation” by TWSE</li><li>• Ranked 4th in CommonWealth Magazine’s “Top-2000 Manufacturers.”</li><li>• Ranked 48th in CommonWealth Magazine’s “Cross-strait Top 1000 Survey.”</li><li>• Ranked 400th on the Fortune Global 500.</li><li>• Ranked 1467th on the Forbes Global 2000.</li><li>• Ranked 26th on CommonWealth Magazine’s Top 50 CSR in Corporate Citizen Awards.</li><li>• Ranked 25th on The 100 most sustainable companies in Asia by CSR Asia Summit.</li><li>• Received Taiwan Corporate Sustainability Report Awards in “2016 TCSA” – ICT Manufacturing – The Silver Medal.</li><li>• The Company’s share capital reached NTD 44.2 billion by the 2016.</li><li>• The Company earned NTD 766.8 billion in consolidated revenues in 2016.</li></ul>

2017	<ul style="list-style-type: none"><li>• Won 4 awards of 2017 “iF design” and ranked 31th on Global Innovation.</li><li>• Ranked within top 6%~20% TWSE-listed companies of the “Third Round of Corporate Governance Evaluation” by TWSE.</li><li>• Ranked 5th in CommonWealth Magazine’s “Top-2000 Manufacturers”.</li><li>• Ranked 53th in CommonWealth Magazine’s “Cross-strait Top 1000 Survey.</li></ul>
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### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart (As of Jan 1, 2017)



### **3.1.2 Major Corporate Functions**

Department	Functions
President's Office	Responsible for the Company's operation
Investment Office	Responsible for investment-related activities
Auditing Office	Conducts internal audits
Legal Affairs Office	Handles the Company's legal affairs
Green Sustainability Office	Executes "Green Life" projects
Insider Trading Prevention Office	Implements preventive measures against insider trading
Corporate Social Responsibility Office	Promotes and executes CSR-related affairs
PC BG	Responsible for the R&D, production, quality control and sale of PC products
Smart Device BG	Responsible for the R&D, production, quality control and sale of smart devices
Accounting Group	Handles accounting, share administration, and funding affairs
HR & Administration Group	Responsible for human resource, training, education, employee relations, procurement and building management

## 3.2 Directors, Supervisors and Management Team

### 3.2.1 Directors and Supervisors

April 24, 2017

Title	Name/ Nationality/Gender (Note 1)	Elected Date	Ter m	First Elected Date (Note 3)	Shareholding as of elected date		Current shareholding		Shares held by spouse and underage children Current shareholding		Shares held by proxy		Major career (academic) achievements	Selected Current Positions held concurrently in the company and/or any other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or department heads		
					Shares	Shareho lding Percent age (%)	Shares	Shareh olding Percent age (%)	Shares	Shareh olding Percent age (%)	Shares	Shareh olding Percent age (%)			Title	Name	Relations hip
Chairman	Hseng-Hsiun Hsu	2015.6.26	3 years	1984.04.16	17,775,401	0.40%	8,975,401	0.20%	17,107,025	0.39%	0	0.00%	Honorary Doctorate, National Taiwan Normal University Chairman of Kinpo and Compal Electronics Inc.	(Note 4)	Director	Sheng-Chieh Hsu	Brothers Father and son in law
Director	Jui-Tsung Chen	2015.6.26	3 years	1992.04.30	50,782,587	1.14%	40,352,587	0.91%	1,069,405	0.02%	0	0.00%	Department of Electrical Engineering, National Cheng Kung University Chairman of Compal Communication Inc. & Arcadyan Technology Corp.	(Note 4)	N/A	N/A	N/A
Director	Wen-Being Hsu	2015.6.26	3 years	1984.04.16	4,000,000	0.09%	4,000,000	0.09%	0	0.00%	(Note3)	(Note 3)	National Tao-Yuan Sr. Vocational Agricultural & Industrial School Director of BAOTEK, Inc.	(Note 4)	N/A	N/A	N/A
Director	Kinpo Electronics, Inc.	2015.6.26	3 years	1990.06.22	151,628,692	3.39%	151,628,692	3.43%	-	-	0	0.00%	M.B.A., University of Southern California; PhD, Whittier Law School MBA WHITTIER	(Note 4)	Chairman	Hseng-Hsiun Hsu	Father and son in law
	Representative: Shyh-Yong Shen			2012.03.14	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Director and President of Kinpo Electronics Inc.				
Director	Chang-Chyi Ko(Note 2)	2015.6.26	3 years	1984.04.16	7,896,867	0.18%	7,896,867	0.18%	10,645	0.00%	0	0.00%	National Taiwan University College of Management Chairman and President of Taiwan Biotech Co., Ltd.	(Note 4)	N/A	N/A	N/A
Director	Sheng-Chieh Hsu (Note 2)	2015.6.26	3 years	1997.05.29	9,119,297	0.20%	9,119,297	0.21%	8,834,928	0.20%	(Note 3)	(Note 3)	Department of Architecture, Tam-Kang University Managing Director of Kinpo Electronics Inc.	(Note 4)	Chairman	Hseng-Hsiun Hsu	Brothers
Director	Yung-Chia Chou (Note 2)	2015.6.26	3 years	1987.06.13	8,022,874	0.18%	8,022,874	0.18%	2,502,768	0.06%	0	0.00%	Department of Geosciences, National Taiwan University Supervisor of Kinpo Electronics Inc.	(Note 4)	N/A	N/A	N/A
Director	Wen-Chung Shen	2015.6.26	3 years	1998.04.08	11,935,968	0.27%	11,935,968	0.27%	101,931	0.00%	0	0.00%	Department of Electrical Engineering, National Taiwan University Director of Arcadyan Technology Corp.	(Note 4)	N/A	N/A	N/A

Title	Name/ Nationality/Gender (Note 1)	Elected Date	Ter m	First Elected Date (Note 3)	Shareholding as of elected date		Current shareholding		Shares held by spouse and underage children Current shareholding		Shares held by proxy		Major career (academic) achievements	Selected Current Positions held concurrently in the company and/or any other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or department heads		
					Shares	Shareho lding Percent age (%)	Shares	Shareh olding Percent age (%)	Shares	Shareh olding Percent age (%)	Shares	Shareh olding Percent age (%)			Title	Name	Relations hip
Director	Yung-Ching Chang	2015.6.26	3 years	2000.03.30	3,898,587	0.09%	3,178,587	0.07%	7,259	0.00%	0	0.00%	Master's Degree in Graduate School of Management, Yuan Ze University Chairman of Allied Circuit Co., Ltd.	(Note 4)	N/A	N/A	N/A
Director	Chung-Pin Wong	2015.6.26	3 years	2007.06.15	4,833,618	0.11%	5,853,618	0.13%	1,398	0.00%	0	0.00%	Graduate Institute of Management Science, National Chiao Tung University Chairman of Rayonnant Technology Holdings Ltd.	(Note 4)	N/A	N/A	N/A
Director	Chiung-Chi Hsu	2015.6.26	3 years	1994.04.23	2,000,731	0.04%	2,000,731	0.05%	30,000	0.00%	0	0.00%	Master's Degree, Golden Gate University, San Francisco, USA Director of I PAO Bearing Co., Ltd.	(Note 4)	N/A	N/A	N/A
Director	Chao-Cheng Chen	2015.6.26	3 years	2014.6.20	4,850,000	0.11%	4,020,000	0.09%	1,428	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University President of Compal Communication Inc.	(Note 4)	N/A	N/A	N/A
Independent Director	Min-Chih Hsuan	2015.6.26	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Honorary Doctorate, National Chiao Tung University Chairman of United Microelectronics Corp. & Faraday Technology Corp.	(Note 4)	N/A	N/A	N/A
Independent Director	Duei Tsai	2015.6.26	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD, Graduate Institute of Electrical Engineering,National Taiwan University Minister of Transportation and Communications R.O.C.	(Note 4)	N/A	N/A	N/A
Independent Director	Duh-Kung Tsai	2015.6.26	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Industrial Engineering, National Taipei Institute of Technology Chairman of Powertech Technology Inc.	(Note 4)	N/A	N/A	N/A

Note: All directors are Republic of China nationals and male.

2. The previous supervisors Charng-Chyi Ko, Sheng-Chieh Hsu and Yung-Chia Chou resigned as of June 26, 2015 and were elected as directors in 2015 shareholders meeting. The service of Supervisor Sheng-Chieh Hsu was temporarily discontinued between June 22, 1990 and April 22, 1994.

3. Director Wen-Being Hsu held 5,000,000 shares (0.11%) through proxies, while Supervisor Sheng-Chieh Hsu held 3,500,000 shares (0.08%) through proxies.

4. Selected Current Positions as below:

Title	Name	Selected Current Positions
Chairman	Sheng-Hsiun Hsu	<p>Chairman: Kinpo Electronics, Inc, Acbel Polytech Holdings Inc., Teleport Access Services Inc., New Kinpo Group, TAS - Teleport Access Services Gempal Technology Corp., Panpal Technology Corporation, Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd., Zhaopal Investment Co., Ltd., Yongpal Investment Co., Ltd., Kaipal Investment Co., Ltd., Jipo Investment Inc., Kinpo Group Management Consultant Company, Breeze Integrated Development Co., Ltd. and China Productivity Center, Compal Electronics Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information Research &amp; Development (Nanjing) Co., Ltd., Kunshan Botai Electronics Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronics (Chongqing) Co., Ltd., Compal Electronics (China) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Kunshan Botai Electronics Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Management (Chengdu) Co., Ltd., Kinpo Electronics (China) Co., Ltd.,</p> <p>Managing Director: Taiwan Biotech Co., Ltd.</p> <p>Director: Baotek Industrial Materials Ltd., Crownpo Technology Inc., Compal System Trading (Kunshan) Co., Ltd., Cal-Comp Optical Electronics (Suzhou) Co., Ltd., Cal-Comp Technology (Suzhou) Co., Ltd., Cal-Comp Electronics and Communication (Suzhou) Co., Ltd., Acbel Polytech Holdings Inc., Acbel Polytech (Singapore) Pte. Ltd., Ascendant Private Equity Investment Ltd., Billion Sea Holdings Limited, Big Chance International Co., Ltd., Center Mind International Co., Ltd., Compal Display Holding (HK) Limited, Compal Electronics (Holding) Ltd., Compal Electronics International Ltd., Compal International Ltd, Compal International Holding (HK) Limited., Compal International Holding Co., Ltd., Compal Rayonnant Holding Ltd., Core Profit Holdings Limited, Flight Global Holding Inc., Forward International Ltd., Fortune Way Technology Corp., Global Strategic Investment Inc., Goal Reach Enterprises Ltd., HengHao Holding A Co., Ltd., HengHao Holding B Co., Ltd., HengHao Trading Co., Ltd., High Shine Industrial Corp., Intelligent Universal Enterprise Ltd., Jenpal International Ltd., Just International Ltd., Kingbolt International (Singapore) Pte. Ltd., Kinpo International Ltd., Lipo Holding Co., Ltd., Prospect Fortune Group Ltd., Prisco International Co., Ltd., Ranashe International Ltd., Smart International Trading Ltd.and so forth</p> <p>President: Kinpo Group Management Consultant Company</p> <p>Other: Chinese National Federation of Industries President, Importers and Exporters Association of Taipei Honorary President,, Taiwan Electrical and Electronic Manufacturers' Association Strategy Consultant, China Productivity Center Chairman, Straits Exchange Foundation Vice Chairman,SINOCON Industrial Standards Foundation Vice Chairman,Taiwan Design Center Managing Director, Management Institute in Taipei Director</p>
Director	Jui-Tsung Chen	<p>Chairman: Arcadyan Technology Corp., Ripal Optoelectronics Co., Ltd. Infinno Technology Corporation, Huang Feng Communication Co., Ltd., UNICOM GLOBAL INC., General life Biotechnology Co., Ltd., Unico Cell Biomed Co., Ltd., Compal System Trading (Kunshan) Co., Ltd., Amexcom Electronics, Inc.</p> <p>Director: New Kinpo Group, Compal Broadband Networks, Inc., Henghao Technology Co., Ltd., Mactech Co., Ltd., Gempal Technology Corp., Panpal Technology Corp., Reber Biotech Co., Ltd., Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd., Zhaopal Investment Co., Ltd., Yongpal Investment Co., Ltd., Kaipal Investment Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information Research &amp; Development (Nanjing) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronics (ChongQing) Co., Ltd., Compal Electronics (China) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Network Information (Kunshan) Co., Ltd., Kunshan Botai Electronic Services Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Management (Chengdu) Co., Ltd., Compal (Vietnam) Co., Ltd., Compal Development &amp; Management (Vietnam) Co., Ltd., Ascendant Private Equity Investment Ltd., Arcadyan Technology N.A. Corporation, Arcadyan Holding (BVI) Corp., Arch Holding (BVI) Corp., Billion Sea Holdings Limited, Big Chance International Co., Ltd., Bizcom Electronics, Inc., Center Mind International Co., Ltd., Compal Display Holding (HK) Limited, Compal Electronics International Ltd., Compal Electronics (Holding) Ltd., Compal International Ltd., Compal International Holding Co., Ltd., Compal International Holding (HK) Limited, Compal Rayonnant Holding Ltd., Compalead Electronics B.V., Core Profit Holdings Limited, Etrade Management Co., Ltd., Flight Global Holding Inc., Forever Young Technology Inc., Fortune Way Technology Corp., Giant Rank Trading Ltd., Goal Reach Enterprises Ltd., HengHao Holding A Co., Ltd., HengHao Holding B Co., Ltd., HengHao Trading Co., Ltd., High Shine Industrial Corp., Intelligent Universal Enterprise Ltd., Jenpal International Ltd., Just International Ltd., Prospect Fortune Group Ltd., Prisco International Co., Ltd., Smart International Trading Ltd., Sinoprime Global Inc., Wah Yuen Technology Holding Ltd., Webtek Technology Co., Ltd.</p> <p>President: Compal Electronics, Inc., Gempal Technology Corp., Panpal Technology Corp., Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd., Zhaopal Investment Co., Ltd., Yongpal Investment Co., Ltd., Kaipal Investment Co., Ltd.</p>

Title	Name	Selected Current Positions
Director	Wen-Being Hsu	Director: Baotek Industrial Materials Ltd.
Director	Kinpo Electronics Inc. Representative: Shyh-Yong Shen	<p>Chairman: CastleNet Technology Inc., Cal-Comp Biotech Co., Ltd. , Cal-Comp Big Data, Inc, XYZprinting Co., Ltd., Kaipo Electronics Co., Ltd. Cal-Comp Optoelectronic (Suzhou) Co., Ltd., Cal-Comp Technology (Suzhou) Co., Ltd., Cal-Comp Electronics &amp; Communications (Suzhou) Co., Ltd., Peifeng (Kunshan) Co., Ltd., Xinli (Shanghai) Network Technology Co., Ltd., Cal-Comp Precision (Wujiang) Co., Ltd, Cal-Comp Precision (Dongguan) Co., Ltd., Avaplas Precision Plastics (Shanghai) Co., Ltd, XYZprinting (Suzhou) Co., Ltd., Cal Comp (Malaysia) SDN. BHD., Cal-Comp Electronics de Mexico Co. S.A. de CV, Cal-Comp Precision (Philippines) Ltd., Cal-Comp Precision (Singapore) Ltd., Cal-Comp Technology (Philippines), INC., Kinpo Electronics (Philippines) Inc., XYZLife (Philippines) Inc., XYZprinting Japan, Inc.</p> <p>Vice Chairman: Cal-Comp Technology Co., Ltd., and PChome (Thailand) Co., Ltd.</p> <p>Director: New Kinpo Group, AcBel Polytech Inc., Cal-Comp Electronics &amp; Communications (Suzhou) Co., Ltd., Qbit Semiconductor Ltd., Dawning Leading Technology Inc., Jipo Investment Inc., Kinpo Group Management Consultant Company, Kinpo Electronics (China) Co., Ltd., Ascendant Private Equity Investment Ltd., Cal-Comp Big Data International Ltd., Cal-Comp Electronics (USA) Co., Ltd., Cal-Comp Holding (Brasil) S.A., Cal-Comp Industria De Semicondutores S.A., Cal-Comp Precision (Malaysia) Sdn. Bhd., Cal-Comp Precision (Thailand) Ltd., Cal-Comp USA (San Diego) Co., Ltd., Castlenet Techology (BVI) Inc., Kinbolt International (Singapore) Pte. Ltd., Kinpo International Ltd., Power Station Holdings Ltd., QBit Semiconductor Holding, Ltd., XYZprinting, Inc. (Korea), XYZprinting, Inc. (Samoa), XYZprinting, Inc. (U.S.A), XYZprinting Netherlands, B.V., XYZprinting (Thailand) Co. Ltd.</p> <p>President: New Kinpo Group, Cal-Comp Electronics &amp; Communications Co., Ltd., Cal-Comp Big Data, Inc, Kinpo Electronics (China) Co., Ltd., Cal-Comp Optoelectronic (Suzhou) Co., Ltd., Cal-Comp Technology (Suzhou) Co., Ltd., Cal-Comp Electronics &amp; Communications (Suzhou) Co., Ltd., Xinli (Shanghai) Network Technology Co., Ltd., Avaplas Precision Plastics (Shanghai) Co., Ltd., , XYZprinting (Suzhou) Co., Ltd., Cal-Comp Electronics (USA) Co., Ltd., Cal-Comp USA (Indiana) Co., Ltd., Cal-Comp USA (San Diego) Co., Ltd., XYZprinting, Inc. (U.S.A)</p>
Director	Charng-Chyi Ko	<p>Chairman: Baotek Industrial Materials Ltd., Taiwan Biotech Co., Ltd., SMARTINT, INC., Evergene Biotech Industrial Co., Ltd., Wei Ke Biotech Co., Ltd., Global BioPharma, Inc. ,Genhealth Pharma Co., Ltd., Taiwan Veterans Pharmaceutical Co., Ltd., Chao Chien Industrial Co., Ltd., You Yuen Co., Ltd., Taiwan Venture Capital Association, Chang Yi Investment Co., Ltd., Yin Feng International Co., Ltd., Charleston Asset Management Co., Ltd., Twin Luck Global Co., Ltd.</p> <p>Director: New Kinpo Group, Tong Tong Information Co., Ltd., Sintong Animal Pharmaceutical Co., Ltd., OmniHealth Group, Inc., AIM PIC/S GMP, Chi Ji International Co., Ltd., Min-Sheng Asset Management Co., Ltd., Min-Sheng Healthcare Co., Ltd., Global Strategic Investment Inc. (Samoa), Gold Precision Ltd., KKXC Intergrated Management Holding (CYPRUS) Ltd., Medinox Inc., Optics Lab Inc., Syn Pharm Inc.</p> <p>Supervisor: Teleport Access Services Inc., Cal-Comp Electronics &amp; Communications Co., Ltd., Kenly Precision Industrial Co., Ltd., Formosan Union Chemical Corp., Sunny Special Dyeing &amp; Finishing Co., Ltd., Zhaopal Investment Co., Ltd., Yongpal Investment Co., Ltd., Kaipal Investment Co., Ltd., CommonWealth Magazine Group</p> <p>President: Baotek Industrial Materials Ltd., Yin Feng International Co., Ltd.</p>
Director	Sheng-Chieh Hsu	<p>Chairman: Cheng Chi Investment Co., Ltd.</p> <p>Director: New Kinpo Group, Cal-Comp Technology Co., Ltd., Cal-Comp Electronics &amp; Communications Co., Ltd., Jipo Investment Inc., Kinpo Electronics (China) Co., Ltd., , Kaipo Electronics Co., Ltd., Kinpo International Ltd.</p> <p>Supervisor: Gempal Technology Corp., Panpal Technology Corp., Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd.</p>
Director	Yen-Chia Chou	<p>Chairman: Sceptre Industry Co., Ltd.</p> <p>Director: New Kinpo Group, Micro Metal Electronics Co., Ltd.</p> <p>Supervisor: Full Power Investment Co., Ltd.</p> <p>President: Sceptre Industry Co., Ltd.</p>

Title	Name	Selected Current Positions
Director	Wen-Chung Shen	Director: Arcadyan Technology Corp., Topower Co., Ltd., Arcadyan Technology (Shanghai) Corp., Maxima Ventures I, LC Future Center Ltd Senior Consultant: Compal Electronics, Inc.
Director	Yung-Ching Chang	Chairman: Allied Circuit Co., Ltd., Mactech Co., Ltd. Director: Kunshan Allied Circuit Co., Ltd., Wei Chu Holding Co., Ltd., Bo Feng Capital Management Co., Ltd., Senior Consultant: Compal Electronics, Inc.
Director	Chung-Pin Wong	Chairman: Henghao Technology Co., Ltd., Jui Hong Technology Co., Ltd., Kunshan Botai Electronic Services Co., Ltd., Auscom Engineering Inc., Wah Yuen Technology Holding Ltd. Director: Arcadyan Technology Corp., Allied Circuit Co., Ltd, Mactech Co., Ltd., Panpal Technology Corp., Ripal Optoelectronics Co., Ltd., UNICOM GLOBAL INC., General life Biotechnology Co., Ltd., Unico Cell Biomed Co., Ltd., Sanga Taiwan Co., Ltd., Hong Ji Capital Co., Ltd., Zhaopal Investment Co., Ltd., Yongpal Investment Co., Ltd., Kaipal Investment Co., Ltd., Compal System Trading (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronic Technology (Chongqing) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Management (Chengdu) Co., Ltd., Changbao Electronic Technology (Chongqing) Co., Ltd., Allied Power Holding Corp., Amexcom Electronics, Inc., Bizcom Electronics, Inc., Compal Connector Manufacture Ltd., Compal Europe (Poland) Sp. z o.o., Primetek Enterprises Ltd., Sirql Inc. Supervisor: Hong Ye Technology Corporation Executive Vice President: Compal Electronics Inc.
Director	Chiung-Chi Hsu	Chairman: Full Power Investment Co., Ltd. Director: Plank Optoelectronics Inc., Eb Bearing Co., Ltd., Chienhsinbao Hardware Co., Ltd.
Director	Chao-Cheng Chen	Chairman: Compal Broadband Networks Inc., Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Compal Communications (Nanjing) Co. Ltd., HANHELT Communications (Nanjing) Co., Ltd. Director: Mactech Co., Ltd., Henghao Technology Co., Ltd., Gempal Technology Corp., Huang Feng Communication Co., Ltd., Ripal Optoelectronics Co., Ltd., General Life Biotechnology Co., Ltd., Unico Cell Biomed Co., Ltd., Hong Jing Co., Ltd., Kinpo Group Management Consultant Company, Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Electronics (China) Co., Ltd., Kunshan Botai Electronic Services Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Amexcom Electronics, Inc., Bizcom Electronics, Inc., CENA Electromex S. A. de C. V., Compalead Electronics, B. V., Mexcom Electronics, LLC, Mexcom Technologies, LLC, Speedlink Tradings Ltd. President: Compal Investment (Jiangsu) Co., Ltd. Executive Vice President: Compal Electronics Inc.
Independent Director	Min Chih Hsuan	Chairman: Taiwan Memory Corporation, Meridigen Biotech Co., Ltd., Maxima Ventures I, Inc., Maxima Ventures II, Inc. Director: D-Link Corporation, Alpha Networks Inc., Murad Chia Jei Biotechnology Co., Ltd., General Biologicals Corporation, SIPP Technology Corporation, Clientron Corp., Pacgen Biopharmaceuticals Corporation (Canada) Independent Director: Wistron Corporation, Siliconware Precision Industries Co., Ltd. Remunerate Committee member: Compal Electronics, Inc., Wistron Corporation, Siliconware Precision Industries Co., Ltd. Audit Committee member :Compal Electronics, Inc., Wistron Corporation, Siliconware Precision Industries Co., Ltd.
Independent Director	Duei Tsai	Independent Director: Getec Technology Corporation,TaiwanTaxi Corp., TTY Biopharm Remunerate Committee member: Compal Electronics, Inc.,Getec Technology Corporation, TaiwanTaxi Corp., TTY Biopharm Audit Committee member:Compal Electronics, Inc., TTY Biopharm
Independent Director	Duh Kung Tsa	Chairman: Powertech Technology Inc., Greatek Electronics Inc. Director: Powertech Technology (Suzhou) Ltd., Powertech Holding (B.V.I.) Inc., Powertech Technology (Singapore) Pte. Ltd. and PTI Technology (Singapore) Pte. Ltd. Independent Director: Wistron Corporation, Chicony Power Technology Co., Ltd. Remunerate Committee member: Compal Electronics, Inc., Wistron Corporation, Chicony Power Technology Co., Ltd. Audit Committee member: Compal Electronics, Inc., Wistron Corporation,

## **Major shareholders of the Company's corporate shareholders**

April 25, 2017

Name of corporate shareholder	Major shareholders of the corporate shareholder (Note)
Kinpo Electronics, Inc.	Compal Electronics, Inc. (8.52%), Jipo Investment Inc.(3.17%), Nan Shan Life Insurance Company Ltd. (2.85%), Lai-Shun Shen Tsai (2.84%), Panpal Technology Corporation(1.59%), Citibank Taiwan in its Capacity as Trustee of NBIM Investment Account (1.58%)、Hebao Investment Co., Ltd. (1.50%), Li-Chu Tsai (1.49%), Standard Chartered in custody of CITIC Hong Kong accounts (1.44%), Kun-Chao Shen (1.39%)

Note: If the major shareholder is also a corporate entity, please refer to the following table.

## **Major shareholders of the Company's major corporate shareholders**

Name of corporate shareholder	Major shareholders of corporate shareholders
Jipo Investment Inc.	Kinpo Electronics Inc. (100%)
Nan Shan Life Insurance Company Ltd.	First Commercial Bank in its Capacity as Trustee of Ruen Chen Investment Holding (76.46%), Ruen Chen Investment Holding (14.16%), Ying-Zong Tu (3.25%), Ruen Hua Dyeing & Weaving Co., Ltd.(0.28%), Ruentax Leasing Co., Ltd.(0.15%), Wen-De Kuo (0.11%), Jipin Investment Co., Ltd.(0.11%), Bao Chi Investment Co., Ltd. (0.05%), Bao Yi Investment Co., Ltd.(0.05%), Bao Hui Investment Co., Ltd. (0.05%) and Bao Huang Investment Co., Ltd. (0.05%)
Panpal Technology Corporation	Compal Electronics Inc. (100%)
Hebao Investment Co., Ltd.	Chieh-Li Hsu (41.52%), Li-Chu Tsai (27.83%), Yong-Hsu Hsu (12.50%), Chun-Chi Hsu (12.50%), Huang-Hsin Hsu(2.83%), Yue-Hsia Huang Hsu(1.41%), Yue-Chen Hsu (1.41%)

## Professional qualifications and independence analysis of directors and supervisors

Name	Having Met One of the Following Professional Qualifications, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Sheng-Hsiun Hsu			✓	✓		✓	✓			✓		✓	✓	0
Jui-Tsung Chen			✓			✓	✓			✓	✓	✓	✓	0
Wen-Being Hsu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Kinpo Electronics Inc. Representative: Shyh-Yong Shen			✓			✓	✓			✓		✓		0
Charng-Chyi Ko		✓	✓	✓		✓	✓			✓	✓	✓	✓	0
Sheng-Chieh Hsu			✓	✓		✓	✓			✓		✓	✓	0
Yen-Chia Chou			✓	✓		✓	✓			✓	✓	✓	✓	0
Wen-Chung Shen			✓			✓	✓	✓		✓	✓	✓	✓	0
Yung-Ching Chang			✓			✓	✓	✓		✓	✓	✓	✓	0
Chung-Pin Wong			✓			✓	✓	✓		✓	✓	✓	✓	0
Chiung-Chi Hsu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Chao-Cheng Chen			✓			✓	✓	✓		✓	✓	✓	✓	0
Min Chih Hsuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Duei Tsai	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Duh Kung Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: Tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.

2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not a person of any conditions defined in Article 30 of the Company Act.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

### 3.2.2 Management Team

April 24, 2017

Title	Name/ National ity/ Gender (Note 1)	Date elected / appointed	Shares held		Shares held by spouse and underage children Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)	Shares	Sharehol ding Percentag e (%)			Title	Name	Relatio nship
President	Jui-Tsung Chen	1989.06.01	40,352,587	0.91%	1,069,405	0.02%	0	0.00%	Department of Electrical Engineering, National Cheng Kung University Chairman of Compal Communication Inc. & Arcadyan Technology Corp.	Refer to Page 12-14	Vice President	Bo-Tang Wang	Relative by affinity
Executive Vice President	Chung-Pin Wong	2007.04.01	5,853,618	0.13%	1,398	0.00%	0	0.00%	Graduate Institute of Management Science, National Chiao Tung University Rayonnant Technology Co., Ltd.Chairman	Refer to Page 12-14	N/A	N/A	N/A
Executive Vice President	Chao-Cheng Chen	2014.02.27	4,020,000	0.09%	1,428	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University President of Compal Communication Inc.	Refer to Page 12-14	N/A	N/A	N/A
Executive Vice President	Chen-Chang Hsu	2011.08.31	0	0.00%	0	0.00%	0	0.00%	National Chiao Tung University EMBA Executive Vice President of WINTEK Corporation	(Note 3)	N/A	N/A	N/A
Senior Advisor	Wen-Chung Shen	2002.01.01	11,935,968	0.27%	101,931	0.00%	0	0.00%	Department of Electrical Engineering, National Taiwan University Director of Arcadyan Technology Corp.	Refer to Page 12-14	N/A	N/A	N/A
Senior Advisor	Yung-Ching Chang	2003.01.01	3,178,587	0.07%	7,259	0.00%	0	0.00%	Master's Degree in Graduate School of Management, Yuan Ze University Director and President of Toppoly Optoelectronics Corp.	Refer to Page 12-14	N/A	N/A	N/A
Senior Vice President	Chun-De Shen	2007.01.01	2,638,700	0.06%	900,000	0.02%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Director of Kinpo Electronics Inc.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Kuo-Chuan Chen	2007.01.01	1,140,823	0.03%	10,924	0.00%	0	0.00%	Department of Physics, Chung Yuan Christian University Senior Vice President of Compal	N/A	N/A	N/A	N/A

Title	Name/ National ity/ Gender (Note 1)	Date elected / appointed	Shares held		Shares held by spouse and underage children		Total shares held in the names of others		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)	Shares	Sharehol ding Percentag e (%)			Title	Name	Relatio nship
									Communication Inc.				
Senior Vice President	Pei-Yuan Chen	2009.10.06	3,487,698	0.08%	1,045,585	0.02%	0	0.00%	Department of International Trade, Hsingwu College Director of Kinpo Electronics Inc.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Chiu-Rui Wei	2010.03.18	200,000	0.00%	142,966	0.00%	0	0.00%	Master of Business Administration, University of Washington, USA Senior Vice President of Toppoly Optoelectronics Corp.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Ying Chang	2011.02.24	420,000	0.01%	0	0.00%	0	0.00%	MBA, University Of Georgia President of Swenc Technology Co., Ltd.	N/A	N/A	N/A	N/A
Senior Vice President	Ming-Chih Chang	2011.08.01	1,919,489	0.04%	0	0.00%	0	0.00%	Department of Electrical Engineering, Ming Chi University of Technology LCFC (Hefei) Co., Ltd. CEO	N/A	N/A	N/A	N/A
Senior Vice President	Sheng-Hua Peng	2014.02.27	520,000	0.01%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Senior Vice President of Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Wen-Da Hsu	2014.02.27	1,093,000	0.02%	0	0.00%	0	0.00%	Department of Media Administration, Shih Hsin University Senior Vice President of Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Wei-Cheng Chen	2004.04.01	630,656	0.01%	0	0.00%	0	0.00%	Department of Electronic Engineering, Taipei College of Maritime Technology Vice President of Cheong Tat Technology	N/A	N/A	N/A	N/A
Senior Vice President	Hsi-Kuan Chen	2009.05.01	0	0.00%	0	0.00%	0	0.00%	Master of Industrial Design, Cranbrook Academy of Art Director of Design and Customer Affairs, Philips (Hong Kong)	(Note 3)	N/A	N/A	N/A
Senior Vice President	Chih-Wei Wen	2017.05.10	0	0.00%	0	0.00%	0	0.00%	Department of Electrical Engineering, Fu Jen Catholic University	N/A	N/A	N/A	N/A

Title	Name/ National ity/ Gender (Note 1)	Date elected / appointed	Shares held		Shares held by spouse and underage children		Total shares held in the names of others		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)	Shares	Sharehol ding Percentag e (%)			Title	Name	Relatio nship
									Inventec Corp. Vice President				
Vice President	Chih-Chuan Cheng	2003.01.01	1,923,786	0.04%	51,194	0.00%	0	0.00%	Department of Electronic Engineering, Lunghwa University of Science and Technology Deputy Manager of Research and Development, Top Information Technologies Co., Ltd.	N/A	N/A	N/A	N/A
Vice President and head of finance	Ching-Hsiu ng Lu	2003.01.01	8,762,007	0.20%	0	0.00%	0	0.00%	Department of Accounting, Feng Chia University Director Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Vice President	Shih-Tung Wang	2003.01.01	10,197	0.00%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, San Jose State University KC Technology Inc. Vice President	N/A	N/A	N/A	N/A
Vice President	Bo-Hsiung Chang	2006.02.21	132,000	0.00%	270	0.00%	0	0.00%	Department of Electrical Engineering, National Taipei Institute of Technology UNICOM GLOBAL., Inc. Director	(Note 3)	N/A	N/A	N/A
Vice President	Bo-Tang Wang	2007.07.10	459,548	0.01%	486	0.00%	0	0.00%	Department of Computer Science and Information Engineering, National Taiwan University President of Vibo Telecom Inc.	N/A	President	Jui-Tsung Chen	Relative by affinity
Vice President	Zong-Ming Wang	2009.07.16	318,184	0.01%	0	0.00%	0	0.00%	National Taipei Institute of Technology Head of Research and Development, CLEVO Company	N/A	N/A	N/A	N/A
Vice President	Fu-Chuan Chang	2009.07.16	124,662	0.00%	0	0.00%	0	0.00%	National Chin-Yi University of Technology Production Manager, ADI Corp	(Note 3)	N/A	N/A	N/A

Title	Name/ National ity/ Gender (Note 1)	Date elected / appointed	Shares held		Shares held by spouse and underage children		Total shares held in the names of others		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)	Shares	Sharehol ding Percentag e (%)			Title	Name	Relatio nship
Vice President	Chi-Hsiang Ma	2011.01.01	52,624	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Fu Jen Catholic University Product Manager, MiTAC International Corporation	N/A	N/A	N/A	N/A
Vice President	Yung-Nan Chang	2011.01.01	0	0.00%	0	0.00%	0	0.00%	MBA, Pacific Western University Factory Manager, Delta Electronics Inc.	N/A	N/A	N/A	N/A
Vice President	Sheng-Hung Li	2011.07.01	324,574	0.01%	0	0.00%	0	0.00%	Department of Electronics, National Taipei Institute of Technology	N/A	N/A	N/A	N/A
Vice President	Yung-He Su	2011.07.01	320,401	0.01%	0	0.00%	0	0.00%	Department of Electrical Engineering, National Taipei Institute of Technology Vice President of Arima Photovoltaic & Optical Corp.	N/A	N/A	N/A	N/A
Vice President	Ming-Hsian Kan	2011.08.31	0	0.00%	0	0.00%	0	0.00%	University of Leicester(U.K.)MBA Vice President of NB R&D, Flextronics International (Taiwan) Ltd.	N/A	N/A	N/A	N/A
Vice President	Chih-Hsien Liang	2011.10.31	160,000	0.00%	0	0.00%	0	0.00%	University of Colorado Postgraduate Institute of Digital Communication/Vice President of Wireless Communication, Altek Corporation	N/A	N/A	N/A	N/A
Vice President	Lung-Hua Shen	2012.08.29	240,000	0.01%	0	0.00%	0	0.00%	Department of Civil Engineering,Tamkang University Vice President of Procurement, ASUS Ltd.	N/A	N/A	N/A	N/A
Vice President	Ming-Dong Wong	2013.01.31	383,786	0.01%	0	0.00%	0	0.00%	Master of Business Administration, University of Washington, USA Deputy Manager of Sales, Kapok Computer Company	N/A	N/A	N/A	N/A
Vice President	Yue-Chun Li	2014.02.17	240,000	0.01%	0	0.00%	0	0.00%	Department of Electronic Engineering, Lee-Ming Institute of Technology Chairman's Special Assistant, Mag Technology Co., Ltd.	N/A	N/A	N/A	N/A

Title	Name/ National ity/ Gender (Note 1)	Date elected / appointed	Shares held		Shares held by spouse and underage children		Total shares held in the names of others		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percent age (%)	Shares	Shareholding Percent age (%)	Shares	Shareholding Percentag e (%)			Title	Name	Relatio nship
Vice President	Chiao-Lieh Huang	2014.02.27	118,992	0.00%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Vice President of Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Vice President	Chung-Hsing Tan	2014.02.27	250,000	0.01%	5,320	0.00%	0	0.00%	Department of Electrical Engineering, Tatung University Vice President of Compal Communication Inc.	N/A	N/A	N/A	N/A
Vice President	Yi-Yun Chang	2014.08.13	350,246	0.01%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Senior Manager of Compal Communication Inc.	N/A	N/A	N/A	N/A
Vice President	Hsin-Kung Mao	2014.11.13	240,714	0.01%	0	0.00%	0	0.00%	Master of Business Administration, University of Lincoln Head of Business, Display BU	N/A	N/A	N/A	N/A
Vice President	Ling-Sheng Wu	2015.01.22	285,000	0.01%	0	0.00%	0	0.00%	U. of Southern California; Senior Manager of Compal Communication Inc.	N/A	N/A	N/A	N/A
Vice President	Hsin-Hsiung Huang	2015.01.22	299,001	0.01%	0	0.00%	0	0.00%	Department of Electronics, Chung Yuan Christian University Senior Manager of Compal Communication Inc.	N/A	N/A	N/A	N/A
Vice President	Shih-Hung Huang	2016.02.24	160,000	0.00%	0	0.00%	0	0.00%	Master in Control Engineering, National Chiao Tung University Director - Coretronic Corporation	N/A	N/A	N/A	N/A
Vice President	Yi-Chiang Chiu	2016.02.24	160,000	0.00%	0	0.00%	0	0.00%	Master in Earth Sciences, National Central University	N/A	N/A	N/A	N/A
Vice President	Ching-Fa Li	2016.02.24	200,690	0.00%	0	0.00%	0	0.00%	Information Engineering Ph.D., National Tsing Hua University Vice General Manager – Eten Technology Inc.	N/A	N/A	N/A	N/A
Vice President	Bo-Heng Chen	2016.02.24	160,010	0.00%	0	0.00%	0	0.00%	COLUMBIA UNIVERSITY Master of Industrial Engineering and Operations Management	N/A	N/A	N/A	N/A

Title	Name/ National ity/ Gender (Note 1)	Date elected / appointed	Shares held		Shares held by spouse and underage children		Total shares held in the names of others		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percentag (%)	Shares	Shareholding Percentag (%)	Shares	Sharehol ding Percentag (%)			Title	Name	Relatio nship
Vice President	Jui-Chun Hsu	2016.05.11	0	0.00%	0	0.00%	0	0.00%	PhD, Graduate Institute of Electrical Engineering, National Taiwan University Photonics Industries International, Inc.President	N/A	N/A	N/A	N/A
Vice President	Shih-An Li	2016.06.29	76,071	0.00%	4,259	0.00%	0	0.00%	Department of Navigation, Taipei College of Maritime Technology LCFC Taiwan Branch Vice CEO	N/A	N/A	N/A	N/A
Vice President	Ta-Chun Wang	2016.06.29	204,200	0.00%	4,119	0.00%	0	0.00%	Master of Industrial Engineering, University of Illinois Shanghai Real Industrial Co., Ltd. Managing Vice President	N/A	N/A	N/A	N/A
Vice President	Fei-Long Chen	2016.06.29	9,000	0.00%	0	0.00%	0	0.00%	PhD, Industrial Engineering, Auburn Uni., USA Kunshan MYZY Technology Co., Ltd. CTO	N/A	N/A	N/A	N/A
Advisor	Tian-Yuan Tsai	2006.06.28	712,715	0.02%	0	0.00%	0	0.00%	Graduate Institute of Public Finance, National Chengchi University Accountant of KPMG	(Note 3)	N/A	N/A	N/A
Head of Audit	Bo-Wen Hsieh	2010.10.27	0	0.00%	0	0.00%	0	0.00%	Department of Accounting, National Taiwan University Audit Manager, KGT Telecom	N/A	N/A	N/A	N/A

Note: 1. All managers are ROC nationals; with the exception of Senior Vice President Chui-Rui Wei, all other managers are male.

2. Senior Vice President Min-Hsing Hsu and Vice President Chin-Wen Liao resigned in 2016.

3. Concurrent positions in other companies

Title	Name	3. Concurrent positions in other companies
Executive Vice President	Chen-Chang Hsu	Chairman: Henghao Technology (Kunshan) Co., Ltd., Lucom Display Technology (Kunshan) Ltd. Vice Chairman: Henghao Technology Co., Ltd., Optronics Corporation Director: Mactech Co., Ltd. President: Henghao Technology Co., Ltd., Henghao Technology (Kunshan) Co., Ltd., Lucom Display Technology (Kunshan) Ltd.
Senior Vice President	Chun-De Shen	Director: Kinpo Electronics Inc., Compal Information Research & Development (Nanjing) Co., Ltd., Auscom Engineering Inc. President: Compal Information Research & Development (Nanjing) Co., Ltd.
Senior Vice President	Pei-Yuan Chen	Director: Kinpo Electronics In., Infinno Technology Corporation, Full Power Investment Co., Ltd.
Senior Vice President	Chiu-Rui Wei	Chairman: Allmedi Electronic Co., Ltd. Rapha Bio Ltd. Director: Chipbond Technology Corporation, Taiwan Star Telecom Corporation Limited, Suyin Optronics Corp., Trust Bio-Sonic Co., Ltd. ,Maxima Ventures I, Inc., HWA VI Venture Capital Corp., Hwa Chi Venture Capital Corp., CDIB Partners Investment Holding Corp., Zhengying Electronics (Chongqing) Co., Ltd., Compal Precision Model (Jiangsu) Co., ShengBao Precision Electronics (Taicang) Co., Ltd. , Rayonnant Technology (HK) Holdings Limited, LC Future Center Ltd Supervisor: Henghao Technology Co., Ltd., Infinno Technology Corporation, Rayonnant Technology Co., Ltd., Ripal Optoelectronics Co., Ltd., Mactech Co., Ltd., Unicom Global Inc., General life Biotechnology Co., Ltd., Global Pharma Co., Ltd., Unico Cell Biomed Co., Ltd., Rayonnant Precision Technology (Taicang) Co., Ltd. Independent Director: Synergy Scientech Corp. Remunerate Committee member: Synergy Scientech Corp.
Senior Vice President	Sheng-Hua Peng	Director: Huang Feng communication Co., Ltd., Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Compal Communications (Nanjing) Co. Ltd., HANHELT Communications (Nanjing) Co., Ltd., CENA Electromex S. A. de C. V., Compal Electronics India Private Limited President: Compal Display Electronics (Kunshan) Co., Ltd., Kunshan Botai Electronic Services Co., Ltd.
Senior Vice President	Wen-Da Hsu	Director: HANHELT Communications (Nanjing) Co., Ltd.
Senior Vice President	Ming-Chih Chang	Director: Kunshan Botai Electronic Services Co., Ltd., LC Future Center Ltd. President: Compal System Trading (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronic Technology (Chongqing) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Kunshan Botai Electronic Services Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Management (Chengdu) Co., Ltd.
Vice President	Hsi-Kuan Chen	Director: Rayonnant Technology Holdings Ltd., Rayonnant Technology (Taicang) Co., Ltd.
Vice President and head of finance	Ching-Hsiung Lu	Director: ZHI-PAL Technology Inc., Arcadyan Technology (Shanghai) Corp., Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Compal Communications (Nanjing) Co. Ltd., Kunshan Botai Electronic Services Co., Ltd., Great Arch Group Ltd., Leading Images Limited Supervisor: Compal Broadband Networks Inc., Accesstek Inc., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd.,

Title	Name	3. Concurrent positions in other companies
		Compal Information Technology (Kunshan) Co., Ltd., Compal Electronics (China) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronic Technology (Chongqing) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Network Information (Kunshan) Co., Ltd., Kunshan Botai Electronic Services Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Management (Chengdu) Co., Ltd.
Vice President	Bo-Hsiung Chang	Director: Unicom Global Inc., Avalue Technology Inc.
Vice President	Fu-Chuan Chang	President: Compal Optoelectronics (Kunshan) Co., Ltd., Compal Electronics (China) Co., Ltd.
Vice President	Chiao-Lieh Huang	Supervisor: HANHELT Communications (Nanjing) Co., Ltd.
Advisor	Tian-Yuan Tsai	Chairman: Crownpo Technology Inc. Managing Director: LIZ Electronics (Kunshan) Co., Ltd., LIZ Electronics (Nantong) Co., Ltd. President: Crownpo Technology Inc. Remuneration Committee member: Sanyang Motor Co., Ltd.

### 3.2.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

#### Remuneration of Directors

Unit: NTD thousand; thousand shares; %

Title	Name	Directors' remuneration								The sum of A, B, C and D as a percentage of after-tax profit	Remuneration as an employee								Remuneration from invested businesses other than the subsidiaries (H)			
		Remuneration (A)		Pension (B)		Remuneration from earnings appropriation (C)		Business department implementation Fees for services rendered (D)			Salaries, bonuses, special allowances etc (E)		Retirement Pension (F)		Share of profit as an employee (G)							
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements		The Company	All companies included in the financial statement s	The Company	All companies included in the financial statement s	Cash Amount	Stock Amount	Cash	Stock				
Chairman	Sheng-Hsiun Hsu	4,320	4,320	0	0	46,323	46,323	2,759	3,419	0.66%	0.66%	146,994	147,059	678	678	14,795	0	14,795	0	2.65%	2.66%	68,139
Director	Jui-Tsung Chen																					
Director	Wen-Being Hsu																					
Director	Representative of Kinpo Electronics Inc.: Shyh-Yong Shen																					
Director	Charng-Chyi Ko																					
Director	Sheng-Chieh Hsu																					
Director	Yen-Chia Chou																					
Director	Wen-Chung Shen																					
Director	Yung-Ching Chang																					
Director	Chung-Pin Wong																					

Title	Name	Directors' remuneration					The sum of A, B, C and D as a percentage of after-tax profit	Remuneration as an employee					The sum of A, B, C, D, E, F, and G as a percentage of after-tax profit	Remuneration from invested businesses other than the subsidiaries (H)	
		Remuneration (A)		Pension (B)		Remuneration from earnings appropriation (C)		Salaries, bonuses, special allowances etc (E)		Retirement Pension (F)		Share of profit as an employee (G)			
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	
Director	Chiung-Chi Hsu														
Director	Chao-Cheng Chen														
Independent Director	Min Chih Hsuan														
Independent Director	Duei Tsai														
Independent Director	Duh Kung Tsai														

Note: 1. In 2016, the Company made pension contributions totaling NTD 678,000 (including NTD 216,000 under the new system and NTD 462,000 under the old system) for directors who also assumed managerial roles as employees; meanwhile, all companies reported in the financial statements had made pension contributions totaling NTD 678,000 (including NTD 216,000 under the new system and NTD 462,000 under the old system).

2. Directors' compensation refers to the estimated directors' compensation approved by the Board of Directors meeting on March 28, 2017.

Range of Remuneration	Number of Directors				
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G+H)		
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	
Under NT\$ 2,000,000	4 (Note 1)	4 (Note 4)	4 (Note 7)	3 (Note 14)	
NT\$2,000,000 ~ NT\$5,000,000	11 (Note 2)	10 (Note 5)	6 (Note 8)	4 (Note 15)	
NT\$5,000,000 ~ NT\$10,000,000	1 (Note 3)	2 (Note 6)	1 (Note 9)	2 (Note 16)	
NT\$10,000,000 ~ NT\$15,000,000			1 (Note 10)	1 (Note 17)	
NT\$15,000,000 ~ NT\$30,000,000			1 (Note 11)	1 (Note 18)	
NT\$30,000,000~ NT\$50,000,000			2 (Note 12)	4 (Note 19)	
NT\$50,000,000 ~ NT\$100,000,000			1 (Note 13)	1 (Note 20)	
Over NT\$100,000,000					
Total	16	16	16	16	16

Note: 1. Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai and Shyh-Yong Shen- 4 positions

2. Jui-Tsung Chen, Wen-Being Hsu, Charng-Chi Ko, Sheng-Chieh Hsu, Yung-Chia Chou, Wen-Chung Shen, Yung-Ching Chang, Chung-Pin Wong, Chiung-Chi Hsu, Chao-Cheng Chen, Kinpo Electronics Inc.- 11 positions

3. Sheng-Hsiun Hsu - 1 positions

4. Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai and Shyh-Yong Shen - 4 positions

5. Wen-Being Hsu, Charng-Chi Ko, Sheng-Chieh Hsu, Yen-Chia Chou, Wen-Chung Shen, Yung-Ching Chang, Chung-Pin Wong, Chiung-Chi Hsu, Chao-Cheng Chen, Kinpo Electronics Inc. - 10 positions

6. Sheng-Hsiun Hsu and Jui-Tsung Chen - 2 positions

7. Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai and Shyh-Yong Shen - 4 positions

8. Wen-Being Hsu, Charng-Chi Ko, Sheng-Chieh Hsu, Yen-Chia Chou, Chiung-Chi Hsu, Kinpo Electronics Inc. - 6 positions

9. Sheng-Hsiun Hsu - 1 positions

10. Wen-Chung Shen - 1 positions

11. Yung-Ching Chang - 1 positions

12. Chung-Pin Wong, Chao-Cheng Chen - 2 positions

13. Jui-Tsung Chen - 1 positions

14. Min-Chih Hsuan, Duei Tsai and Duh-Kung Tsai - 3 positions

15. Wen-Being Hsu, Yen-Chia Chou, Chiung-Chi Hsu, Kinpo Electronics Inc. - 4 positions

16. Charng-Chi Ko, Sheng-Chieh Hsu - 2 positions

17. Wen-Chung Shen - 1 positions

18. Yung-Ching Chang - 1 positions

19. Sheng-Hsiun Hsu, Chung-Pin Wong, Chao-Cheng Chen and Shyh-Yong Shen - 4 positions

20. Jui-Tsung Chen - 1 positions

#### **Remuneration of Supervisors: Not Applicable (The Company adopts an Audit Committee system)**

## Remuneration of the President and Vice Presidents

Unit: NTD thousand; thousand shares; %

Title	Name	Salary (A)		Pension (B)		Bonus and special allowances (C)		Share of profit as an employee (D)				Sum of A, B, C and D as a percentage of after-tax profit (%)	Remuneration from invested businesses other than the subsidiaries (E)		
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements					
		Cash Amount	Stock Amount	Cash Amount	Stock Amount	The Company	All companies included in the financial statements								
50 employees including President Jui-Tsung Chen (Note1)	124,608	131,767	6,163	6,163	426,690	427,042	69,501	0	69,501	0	7.71%	7.80%	3,915		

Note: 1.Managers' titles and names

- President: Jui-Tsung Chen – 1 position
- Executive Vice Presidents and Senior Advisors: Chung-Pin Wong, Cheng-Chao Chen, Chen-Chang Hsu, Wen-Chung Shen and Yung-Ching Chang – 5 positions
- Senior Vice Presidents: Chun-De Shen, Kuo-Chuan Chen, Pei-Yuan Chen, Chiu-Rui Wei, Ying Chang, Ming-Chih Chang, Shen-Hua Peng, Wen-Da Hsu, Wei-Cheng Chen, Hsi-Kuan Chen, Chih-Wei Wen, Ming-Hsing Hsu – 12 positions
- Vice Presidents and Advisors: Chih-Chuan Cheng, Ching-Hsiung Lu, Shih-Tung Wang, Bo-Hsiung Chang, Bo-Tang Wang, Zong-Ming Wang, Fu-Chuan Chang, Chi-Hsiang Ma, Yung-Nan Chang, Sheng-Hung Li, Yung-He Su, Ming-Hsiang Kan, Chih-Hsien Liang, Lung-Hua Shen, Ming-Dong Wen, Yue-Chun Li, Chiao-Lieh Huang, Chung-Hsing Tan, Yi-Yun Chang, Hsin-Kung Mao, Ling-Sheng Wu, Hsin-Hsiung Huang, Shih-Hung Huang, Yi-Chiang Chiu, Ching-Fa Li, Bo-Heng Chen, Jui-Chun Hsu, Shih-An Li, Ta-Chun Wang, Fei-Lung Chen, Tian-Yuan Tsai, Chin-Wen Liao – 32 positions

2. In 2016, Ming-Chih Chang, Senior Vice President, Hsi-Kuan Chen, Senior Vice President, Shih-Hung Huang, Vice President, Yi-Chiang Chiu, Vice President, Bo-Heng Chen, Vice President were either transferred back or promoted. Jui-Chun Hsu, Vice President, Shih-An Li, Vice President, Ta-Chun Wang, Vice President and Fei-Lung Chen, Vice President took office while Ming-Hsing Hsu, Senior Vice President and Chin-Wen Liao, Vice President resigned. In 2017, Chih-Wei Wen, Senior Vice President, took office.

3. No pension benefit was paid in 2016. In the mean time, the Company made pension contributions totaling NTD 6,163,000 (including NTD 4,367,000 under the new system and NTD 1,796,000 under the old system); while all companies reported in the financial statements made pension contributions totaling NTD 6,163,000 (including NTD 4,367,000 under the new system and NTD 1,796,000 under the old system).

4. Employees' compensation appropriation was approved by Board of Directors on meeting on March 28, 2017. The compensations of the aforementioned managers were not yet final and will be reviewed based on the list of the date of distribution.

Range of Remuneration	Number of President and Vice Presidents	
	Total of (A+B+C+D)	Total of (A+B+C+D+E)
	The Company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	3 人(註 1)	3 persons (Note 8)
NT\$2,000,000 ~ NT\$5,000,000	9persons (Note2)	5 persons (Note 9)
NT\$5,000,000 ~ NT\$10,000,000	8persons(Note3)	12 persons (Note 10)
NT\$10,000,000 ~ NT\$15,000,000	17persons(Note4)	17 persons (Note 11)
NT\$15,000,000 ~ NT\$30,000,000	10persons(Note5)	10 persons (Note 12)
NT\$30,000,000 ~ NT\$50,000,000	2persons(Note6)	2 persons (Note 13)
NT\$50,000,000 ~ NT\$100,000,000	1 persons (Note 7)	1 persons (Note 14)
Over NT\$100,000,000		
Total	50	50

Note: 1. Ming-Hsing Hsu, Chin-Wen Liao and Chih-Wei Wen - 3 positions

2. Pei-Yuan Chen, Fu-Chuan Chang, Chi-Hsiang Ma, Yung-Nan Chang, Jui-Chun Hsu, Shih-An Li, Ta-Chun Wang, Fei-Lung Chen and Tian-Yuan Tsai – 9 positions
3. Shih-Tung Wang, Ming-Hsiang Kan, Chih-Hsien Liang, Ling-Sheng Wu, Shih-Hung Huang, Yi-Chiang Chiu, Ching-Fa Li and Bo-Heng Chen – 8 positions
4. Wen-Chung Shen, Yung-Ching Chang, Chiu-Jui Wei, Wei-Chang Chen, Hsi-Kuan Chen, Chih-Chuan Cheng, Ching-Hsiung Lu, Bo-Hsiung Chang, Bo-Tang Wang, Zong-Ming Wang, Sheng-Hung-Li, Yung-He Su, Lung-Hua Shen, Chiao-Lieh Huang, Yi-Yun Chang, Hsin-Kong Mao and Hsin-Hsiung Huang – 17 positions
5. Chen-Chang Hsu, Chun-De Shen, Kuo-Chuan Chen, Ying Chang, Min-Chih Chang, Sheng-Hua Peng, Wen-Da Hsu, Min-Tung Wong, Yue-Chun Li and Chung-Hsing Tan – 10 positions
6. Chung-Pin Wong and Chao-Cheng Chen – 2 positions
7. Jui-Tsung Chen – 1 position
8. Ming-Hsing Hsu, Chin-Wen Liao and Chih-Wei Wen – 3 positions
9. Chi-Hsiang Ma, Jui-Chun Hsu, Shih-An Li, Ta-Chun Wang and Fei-Lung Chen - 5 positions
10. Pei-Yuan Chen, Shih-Tung Wang, Fu-Chuan Chang, Yung-Nan Chang, Ming-Hsiang Kan, Chih-Hsien Liang, Ling-Sheng Wu, Shih-Hung Huang, Yi-Chiang Chiu, Ching-Fa Li, Bo-Heng Chen and Tian-Yuan Tsai – 12 positions
11. Wen-Chung Shen, Yung-Ching Chang, Chiu-Jui Wei, Wei-Chang Chen, Hsi-Kuan Chen, Chih-Chuan Cheng, Ching-Hsiung Lu, Bo-Hsiung Chang, Bo-Hsiung Chang, Bo-Tang Wang, Zong-Ming Wang, Sheng-Hung-Li, Yung-He Su, Lung-Hua Shen, Chiao-Lieh Huang, Yi-Yun Chang, Hsin-Kong Mao and Hsin-Hsiung Huang – 17 positions
12. Chen-Chang Hsu, Chun-De Shen, Kuo-Chuan Chen, Ying Chang, Min-Chih Chang, Sheng-Hua Peng, Wen-Da Hsu, Min-Tung Wong, Yue-Chun Li and Chung-Hsing Tan – 10 positions
13. Chung-Pin Wong and Chao-Cheng Chen – 2 positions
14. Jui-Tsung Chen – 1 position

## Employee profit sharing granted to the management team

Unit: NTD thousand

Title	Name	Stock dividends	Cash dividends	Total	Total as a percentage to after-tax profit (%)
49 employees including President Jui-Tsung Chen (Note 1)		0	69,646	69,646	0.86%

Note: 1.Managers' titles and names

- President: Jui-Tsung Chen -1 position
  - Executive Vice Presidents and Senior Advisors: Chung-Pin Wong, Cheng-Chao Chen, Chen-Chang Hsu, Wen-Chung Shen and Yung-Ching Chang – 5 positions
  - Senior Vice Presidents: Chun-De Shen, Kuo-Chuan Chen, Pei-Yuan Chen, Chiu-Rui Wei, Ying Chang, Ming-Chih Chang, Shen-Hua Peng, Wen-Da Hsu, Wei-Chang Chen, Hsi-Kuan Chen and Chih-Wei Wen – 11 positions
  - Vice Presidents and Advisors: Chih-Chuan Cheng, Ching-Hsiung Lu, Shih-Tung Wang, Bo-Hsiung Chang, Bo-Tang Wang, Zong-Ming Wang, Fu-Chuan Chang, Chi-Hsiang Ma, Yung-Nan Chang, Sheng-Hung Li, Yung-He Su, Ming-Hsiang Kan, Chih-Hsien Liang, Lung-Hua Shen, Min-Tung Wong, Yue-Chun Li , Chiao-Lieh Huang, Chung-Hsing Tan, Yi-Yun Chang, Hsin-Kong Mao, Ling-Sheng Wu, Hsin-Hsiung Huang, Shih-Hung Huang, Yi-Chiang Chiu, Ching-Fa Li, Bo-Heng Chen, Jui-Chun Hsu, Shih-An Li, Ta-Chun Wang, Fei-Lung Chen and Tian-Yuan Tsai – 31 positions
  - Head of Audit: Bo-Wen Hsieh - 1 position
2. In 2016, Ming-Chih Chang, Senior Vice President, Hsi-Kuan Chen, Senior Vice President, Shih-Hung Huang, Vice President, Yi-Chiang Chiu, Vice President, Bo-Heng Chen, Vice President were either transferred back or promoted. Jui-Chun Hsu, Vice President, Shih-An Li, Vice President, Ta-Chun Wang, Vice President and Fei-Lung Chen, Vice President took office while Ming-Hsing Hsu, Senior Vice President and Chin-Wen Liao, Vice President resigned. In 2017, Chih-Wei Wen, Senior Vice President, took office.
3. Employees' compensation appropriation was approved by the Board of Directors at the March 28, 2017 meeting. The compensations of the aforementioned managers have not been finalized and will be reviewed based on the list upon the date of distribution.

### 3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

- A. The percentage of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, relative to net income.

Unit: NT\$ thousands

Analysis	2016		2015 (Note)		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Directors	688,535	8.47%	701,829	8.08%	(13,294)	(1.89)%
Supervisors						
Presidents and Vice Presidents						
Net Income	8,130,890		8,684,610		(553,720)	

Note: 2015 is the actual amount.

- B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and correlation with business performance.

- All remuneration to directors, supervisors and managers are proposed according to the Articles of Incorporation and HR policies, reviewed by the Remuneration Committee, and resolved by the Board of Directors and shareholders' Meeting before proceeding.
- The above remuneration is determined mainly based on the Company's earnings, while taking into account each individual's participation, contribution and performance, as well as the level of remuneration paid by peers. These decisions are also adjusted according to changes in the global economy, the financial market, industry cycles, future prospects, and business risks in ways that ensure sustainability of the Company's business and maximize shareholders' interests.

### **3.3 Implementation of Corporate Governance**

#### **3.3.1 Board of Directors**

- The term of the Board of Directors is from June 26, 2015 to June 25, 2018.
- There were six Board meetings during 2016 (A). Director's attendance records are as shown below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)[B/A]	Remarks
Chairman	Sheng-Hsiun Hsu	6	0	100%	
Director	Jui-Tsung Chen	6	0	100%	
Director	Wen-Being Hsu	5	1	83%	
Director	Kinpo Electronics, Inc. Representative: Shyh-Yong Shen	3	3	50%	
Director	Charng-Chyi Ko	6	0	100%	
Director	Sheng-Chieh Hsu	6	0	100%	
Director	Yen-Chia Chou	5	1	83%	
Director	Wen-Chung Shen	5	1	83%	
Director	Yung-Ching Chang	6	0	100%	
Director	Chung-Pin Wong	5	1	83%	
Director	Chiung-Chi Hsu	5	1	83%	
Director	Chao-Cheng Chen	5	1	83%	
Independent Director	Min Chih Hsuan	6	0	100%	
Independent Director	Duei Tsai	6	0	100%	
Independent Director	Duh Kung Tsai	4	2	67%	

- A. Enhance the valuation regarding the target achievement and execution by the Board of Directors in the current and most recent year:

The Company established a "Remuneration Committee" since 2011. During the election of the 11th Board of Directors and Supervisors in 2012 shareholders' meeting, 3 independent directors were elected and appointed to be the committee members of the Remuneration Committee. Supervisors were replaced with the Audit committee after the 12th Board of Directors was chosen in 2015 shareholders' meeting.

- B. Other notes:

Please refer to page 23-25 of the Chinese annual report.

#### **3.3.2 Audit Committee**

- The Company's Audit Committee has three members.
- The term of the committee members is from June 26, 2015 to June 25, 2018.
- There were four Audit Committee meetings during 2016 (A). The attendance records of the Independent Directors are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Independent Director	Min Chih Hsuan	4	0	100%	-
Independent Director	Duei Tsai	4	0	100%	-
Independent Director	Duh Kung Tsai	3	1	75%	-

Other notes:

1. The Company should record the date of the Board of Directors' meeting, the term, content of discussion, the result of the Audit Committee's decision and the actions the Company has taken in response should any of the following situations arise in the operation of the Audit Committee:

(1) Matters listed in Item 5, Article 14 of the Security Act:

Board of Directors	Content of discussion and actions taken in response	Matters listed in Item 5, Article 14 of the Security Act	Not approved by the Audit Committee but had the consent of more than two-thirds of all directors.
5th Meeting of the 12th term of Board of Directors 2016.3.30	1. To review and approve the consolidated and individual financial statements for 2015.	V	N/A
	2. To review and approve the independence and fitness of the CPA engaged by the Company for the financial statements.	V	N/A
	• Decisions by the Audit Committee (2016.3.30): The motion was moved with unanimous support from all committee members in attendance when inquired by the Chair.		
	• Actions taken by the Company in response to the Audit Committee's decision: The motion was moved with unanimous support from all board members in attendance when inquired by the Chair.		
6th Meeting of the 12th term of Board of Directors 2016.5.11	1. To approve the motion of changing the Company's CPA.	V	N/A
	2. To review and approve the independence and fitness of the CPA engaged by the Company for the financial statements.	V	N/A
	• Decisions by the Audit Committee (2016.5.11): The motion was moved with unanimous support from all committee members in attendance when inquired by the Chair.		
	• Actions taken by the Company in response to the Audit Committee's decision: The motion was moved with unanimous support from all board members in attendance when inquired by the Chair.		
8th Meeting of the 12th term of Board of Directors 105.8.11	1. The consolidated financial statement for the 1st half of 2016 was presented to the Board for review and approval.	V	N/A
	2. To review and approve the loan to be made to Henghao Technology Co., Ltd.	V	N/A
	• Decisions by the Audit Committee (2016.8.11): The motion was moved with unanimous support from all committee members in attendance when inquired by the Chair.		
	• Actions taken by the Company in response to the Audit Committee's decision for motion No. 1: not applicable (the motion was a report intended for the board of directors) • Actions taken by the Company in response to the Audit Committee's decision for motion No. 2: As directors Jui-Tsung Chen, Wen-Chung Shen and Chung-Pin Wong were also serving concurrently as directors of Henghao Technology Co., Ltd., they were excluded from the discussion and voting in order to avoid conflicts of interest per rules and procedures of board of directors meeting. The motion was moved with unanimous support from the remaining board members in attendance when inquired by the Chair.		

Board of Directors	Content of discussion and actions taken in response	Matters listed in Item 5, Article 14 of the Security Act	Not approved by the Audit Committee but had the consent of more than two-thirds of all directors.
9th Meeting of the 12th term of Board of Directors 2016.11.9	1. To review and approve the draft of “Annual Audit Plan for 2017”.	V	N/A
	2. To review and approve the request by a spinoff business for a letter of support from the Company needed for a loan from a financial institution.	V	N/A
	3. To review and approve the release of the Company’s guaranteed obligation to Compalead Eletrônica do Brasil Indústria e Comércio Ltda.	V	N/A
	<ul style="list-style-type: none"> <li>• Decisions by the Audit Committee (2016.11.9): The motion was moved with unanimous support from all committee members in attendance when inquired by the Chair.</li> </ul>		
	<ul style="list-style-type: none"> <li>• Actions taken by the Company in response to the Audit Committee’s decision: The motion was moved with unanimous support from all board members in attendance when inquired by the Chair.</li> </ul>		
	1. To review and approve the consolidated and individual financial statements for 2016.	V	N/A
	2. To review and approve the Company’s internal control declaration for 2016.	V	N/A
11th Meeting of the 12th term of Board of Directors 2017.3.28	3. To review and approve the independence and fitness of the CPA engaged by the Company for the financial statements.	V	N/A
	4. To review and approve Compal Information Technology (Kunshan) Co., Ltd. (100% owned by the Company)’s investment in Leshi Zhixin Electronic Technology (Tianjin) Limited.	V	N/A
	<ul style="list-style-type: none"> <li>• Decisions by the Audit Committee (2017.3.28): The motion was moved with unanimous support from all committee members in attendance when inquired by the Chair.</li> </ul>		
	<ul style="list-style-type: none"> <li>• Actions taken by the Company in response to the Audit Committee’s decision: The motion was moved with unanimous support from all board members in attendance when inquired by the Chair.</li> </ul>		
	1. To review and approve the motion to revise the “Procedures for Acquisition or Disposal of Assets”.	V	N/A
	2. To review and approve the motion to lift the non-competition restriction for directors and managers.	V	N/A
	3. To review and approve the request by Compal Europe (Poland) Sp.z o.o. (100% owned by the Company) for a letter of support from the Company needed for factory lease escrow.	V	N/A
12th Meeting of the 12th term of Board of Directors 106.5.10	<ul style="list-style-type: none"> <li>• Decisions by the Audit Committee (2017.5.10): The motion was moved with unanimous support from all committee members in attendance when inquired by the Chair.</li> </ul>		
	<ul style="list-style-type: none"> <li>• Actions taken by the Company in response to the Audit Committee’s decision for motions No. 1 and 3: The motions were moved with unanimous support from all board members in attendance when inquired by the Chair.</li> </ul>		
	<ul style="list-style-type: none"> <li>• Actions taken by the Company in response to the Audit Committee’s decision for motion No.2: As directors and managers Jui-Tsung Chen, Chung-Pin Wong and Chao-Cheng Chen were directly involved in the matter, they were excluded from the discussion and voting in order to avoid conflicts of interest per rules and procedures of board of directors meeting. The motion was moved with unanimous support from the remaining board members in attendance when</li> </ul>		

Board of Directors	Content of discussion and actions taken in response inquired by the Chair.	Matters listed in Item 5, Article 14 of the Security Act	Not approved by the Audit Committee but had the consent of more than two-thirds of all directors.
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(2) With the exception of the aforementioned matter, other matters not approved by the Audit Committee but had the consent of more than two-thirds of all directors: none.

2. The actions of the independent directors with respect to the avoidance of conflict of interest should be disclosed including the name of the independent director, the matter, the reasons for the avoidance and the voting and attendance status: none.

3. Status of communication between independent directors, internal audit supervisor and accountant:

1. Method of communication between independent directors, internal audit supervisor and accountant:

- After the internal audit supervisor has submitted an audit report and follow-up report, he/she should provide the completed audited items to the independent directors for their review by the end of the following month. Should the independent directors require clarification of the audit and follow-up, they should contact the internal audit supervisor at any time. The internal auditor shall report audit results to the Audit Committee on a quarterly basis and discuss relevant matters in person with the committee.
- The independent directors must communicate with the CPA on a yearly basis through the Audit Committee or Board of Directors' Meeting. The CPA shall report to the independent directors on the results of financial statement audit and other pertinent legal requirements while the Audit Committee shall also evaluate the selection, independence, and fitness of the CPA engaged by the Company.

2. Summary of the communications between independent directors and internal audit supervisor:

Date	Key point of communication
2016 March 30	Report on audits carried out between 2015/11/1~2016/3/4
2016 May 11	Report on audits carried out between 2016/3/5~2016/5/4
2016 August 11	Report on audits carried out between 2016/5/5~2016/7/31
2016 November 9	Report on audits carried out between 2016/8/1~2016/10/31 and the compilation of Audit Plan for 2017
2017 March 28	Report on audits carried out between 2016/11/1~2017/1/31, internal audit self-evaluation review results and internal audit declaration
2017 May 10	Report on audits carried out between 2017/2/1~2017/4/20

3. Summary of the communications between independent directors and accountant:

Date	Key point of communication
2016 March 30	Report on the outcome of audit for 2015 consolidated and individual financial statements
2017 February 8	Report on the key audit items for 2016 consolidated and individual financial statements
2017 March 28	Report on the outcome of audit for 2016 consolidated and individual financial statements

### 3.3.3 Corporate Governance Implementation and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?"	Yes		The Company's corporate governance principles were approved by the Board of Directors on August 11, 2015, and have been disclosed on its official website and MOPS.	No deviations were found
II. Shareholding structure and shareholders' interests				
1. Has the company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	Yes		The Company has a spokesperson and acting spokesperson that represent the interest of the shareholders and a unit that specializes in addressing shareholders' suggestions, queries, disputes and litigations.	No deviations were found
2. Is the company constantly informed of the identities of its major shareholders and the ultimate controller?	Yes		The Company keeps track of the identity of its ultimate controller by monitoring insider shareholding positions (including that of directors, supervisors, managers, and shareholders with more than 10% ownership interest), with the shareholder registry is held by the share administration agency.	No deviations were found
3. Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	Yes		The Company has established “Internal Control Policy - Non-trade Activities - Supervision and Management of Subsidiaries”, “Internal Control Policy - Trade Activities – Invstment Management,” and “Guidelines on Financial and Business Dealings Between Affiliated Enterprises” to set up and execute firewalls and risk controls over related parties.	No deviations were found
4. Has the company established internal policies that prevent insiders from trading securities against non-public information?	Yes		To prevent insider trading, the “CO10 Insider Trading Prevention Management” and “Insider Trading Prevention Procedures” have been included as part of internal control of the company and details are published on the intranet and linked to the TWSE website to which employees have access. Both policies have been included	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			as part of the compulsorye-Learning courses for departmental heads, and eCSA questionnaires are issued on a yearly basis to facilitate self-assessment. Insiders such as directors, supervisors and managers are given a copy of the TWSE “Insider Share Trading Manual” when they come aboard to make them aware of the company insider rules.	
III. Assembly and obligations of the board of directors				
1. Has the board devised and implemented policies to ensure diversity of its members?	Yes		The Company has established rules and regulations such as the “Corporate Governance Guidelines” and “Rules for Director Election” to ensure diversified board member composition in addition to drafting suitable guidelines for diversification based on the Board’s operation, the Company’s operating format and its needs and developments. And as such, board members are required to possess the required knowledge, skills and character in order to accomplish the goal of ideal corporate governance. For more information on the diversification of board members, please refer to page 42.	No deviations were found
2. Apart from the Remuneration Committee and Audit Committee, has the company assembled other functional committees at its own discretion?		No	Apart from the Remuneration and Audit Committees, the Company has also established a CSR Committee headed by Advisor Wen-Chung Shen, who in turn reports to the Board of Directors regarding the operating status and results of the committee on a yearly basis.	No deviations were found
3. Has the Company established a set of policies and assessment tools to evaluate the board’s performance? Is performance evaluated regularly at least on an annual basis?		No	At present, the Company has yet to establish any policy or assessment tool to evaluate Board performance.	Such policies and tools will be created after careful consideration.
4. Are external auditors’ independence assessed on a regular basis?	Yes		The CPA issues an “Independent Auditor’s Report” on an annual basis and is required to decline engagement should he/she be involved in any direct or indirect material interest. The Company evaluates the independence and suitability of the	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			CPA at least once a year, in accordance with Article 47 of the CPA Law and Bulletin 10 of the Norm of Ethics for Certified Public Accountants. The CPA cannot be a director, supervisor or shareholder of the company and may not be on the payroll or be a related party to the Company. The Company then submits the "CPA Independence and Fitness Evaluation Form" along with the "Independent Auditor's Report" to the Audit Committee for review before it is submitted to the Board of Directors for examination and discussion. The same principles apply to whenever there is an internal rotation within the accounting firm.	
IV. Has the company established dedicated unit or full time (or part time) personnel responsible for corporate governance related affairs (including but not limited to providing the requisite information/data to directors or supervisors to perform their duties, organizing director and shareholder meetings as required by pertinent regulations, processing company registration and/or changes in registration, preparing the agendas for board of directors' meeting/shareholders' meeting)?	Yes		VP Ching-Hsiung Lu has been appointed to take charge of and supervise affairs pertaining to corporate governance in accordance with the Company's "Corporate Governance Guidelines", while the HQ Accounting Department was assigned as the Company's responsible unit for corporate governance to handle relevant affairs including organizing director and shareholder meetings as required by pertinent regulations, preparing the agendas for board of directors' meeting/shareholders' meeting, processing changes in company registration, periodically examining and revising the Company's corporate governance guidelines and relevant procedures, providing the requisite information/data to directors or auditors to perform their duties and ensuring legal compliance so as to improve disclosure transparency, safeguard shareholder rights and promote better corporate governance .	No deviations were found
V. Has the company provided proper communication channels and created	Yes		The Company has created a "Stakeholder Communication Area" on its website to address stakeholder relations. Separate contact persons, phone numbers, and email	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?			addresses have been provided to each type of stakeholder relation to ensuring that queries are directed to the relevant departments. In addition, a “Material Aspects” questionnaire has also been created, through which stakeholders may identify issues that are of serious concern. The Company will address stakeholders’ responses properly and take their suggestions as part of the Company’s goals.	
VI. Does the company engage a share administration agency to handle shareholder meeting affairs?	Yes		The Chinatrust Commercial Bank – Securities Trust has been appointed as the share administration agency responsible for handling shareholder affairs and meetings while offering share administration services.	No deviations were found
VII. Information disclosure				
1. Has the company established a website that discloses financial, business and corporate governance-related information?	Yes		The Company website at ( <a href="http://www.compal.com">www.compal.com</a> ) is regularly updated with information such as financial performance, corporate governance and shareholder meetings.	No deviations were found
2. Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	Yes		<ul style="list-style-type: none"> <li>• The Company website has both Chinese and English pages. The information is gathered and disclosed by a dedicated department.</li> <li>• The Company has also appointed a spokesperson and an acting spokesperson in place.</li> <li>• Investor conferences are held regularly and whenever deemed necessary. The proceedings are posted on the Company’s website and also broadcasted on the TWSE platform (at <a href="http://webpro2.twse.com.tw/webportal/schedule/">http://webpro2.twse.com.tw/webportal/schedule/</a>).</li> </ul>	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
VIII. Does the company offer other vital information (including but not limited to employee rights, employee care, investor relationship, supplier relationship, stakeholders' interests, continuing education of directors/supervisors, risk management policies, risk assessment standard implementation status, implementation status of customer policies, insuring against liabilities of company directors and supervisors) that would enable a better understanding of the company's corporate governance practices?	Yes		<ul style="list-style-type: none"> <li>• Employee welfare and care to employees</li> <li>• Directors and Managers code of conduct; Employee code of conduct</li> <li>• Investor relations</li> <li>• Supplier relations and execution of customer policy</li> <li>• Stakeholders' interests</li> <li>• Risk management execution and framework; risk analysis and evaluation</li> <li>• Insuring against liabilities of company directors and supervisors</li> <li>• Directors', supervisors' and managers' ongoing education</li> <li>• Qualification of personnel involved in financial transparency</li> </ul>	No deviations were found
IX. State the improvements that have been made with regards to the results of the latest Corporate Governance Evaluation conducted by TWSE in the most recent year; for items that have yet to be improved upon, state the company's priorities and measures for improvement.				<p>In the “3rd Round of Corporate Governance Evaluation” by TWSE, Compal was placed in the top 6%~20% listed companies. Units responsible for the promotion of ethical operation have reported to the Board of Directors routinely regarding the status of ethical operation. The Company will make improvements by increasing the frequency of reporting to the Board of Directors. With regards to the continuing education for directors (including independent directors), the Company will promote and encourage directors to participate while having the affiliate Kinpo Group Management Consultant Company to organize relevant courses that are compliant with pertinent regulations or other external organizations to host relevant training. Pursuant to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies (revised on September 30, 2016), the Company has already amended its “Corporate Governance Guidelines” and appointed relevant personnel to be responsible for affairs relating to corporate governance and include the status of liability insurance coverage for directors, supervisors and other key personnel in the latest Board of Directors’ Meeting Minutes.</p>

**A. Status of board member diversification :**

Core items for diversification Name of director	Gender	Operation management	Leadership and decision-making	Knowledge of the industry	International market perspective	Finance and accounting
Sheng-Hsiun Hsu	Male	V	V	V	V	V
Jui-Tsung Chen	Male	V	V	V	V	V
Wen-Being Hsu	Male	V	V	V	V	V
Shyh-Yong Shen	Male	V	V	V	V	V
Charng-Chyi Ko	Male	V	V	V	V	V
Sheng-Chieh Hsu	Male	V	V	V	V	V
Yen-Chia Chou	Male	V	V	V	V	V
Wen-Chung Shen	Male	V	V	V	V	V
Yung-Ching Chang	Male	V	V	V	V	V
Chung-Pin Wong	Male	V	V	V	V	V
Chiung-Chi Hsu	Male	V	V	V	V	V
Chao-Cheng Chen	Male	V	V	V	V	V
Min-Chih Hsuan	Male	V	V	V	V	V
Duei Tsai	Male	V	V	V	V	V
Duh-Kung Tsai	Male	V	V	V	V	V

**B. Other vital information on the operating status of corporate governance:**

Please refer to page 31-35 of the Chinese annual report.

**(1) Purchasing liability coverage for the Company's directors, supervisors and managers**

Starting from 2002, the Company has been purchasing liability coverage for directors, supervisors and managers. The amount for their liability insurance in 2016 came to USD 50,000 thousand, which was roughly equivalent to NTD 1,612,500 thousand. Vital information relating to their liability insurance was reported to the Board of Directors on February 8, 2017.

**(2) Continuing education for directors, supervisors and managers**

All directors and managers are equipped with relevant professional knowledge and skills. In addition to offering relevant information both on a regular and irregular basis to directors and managers, the Company would also organize seminars and workshops when deemed necessary. Trainings completed by directors and managers in 2016 include:

Title	Name	Date of training	Organized by	Course title	Hours of training
Independent Director	Min-Chih Hsuan	2016.11.3	Securities and Futures Institute	Case study of recognized revenue fraud in financial statements	3
		2016.12.2	Taiwan Corporate Governance Association	The offense and defense of hostile merger – from the perspective of merger and litigation	6
Head of Finance	Ching-Hsiung Lu	105.12.26~105.12.27	Accounting Research and Development Foundation	Continuing Education for Principal Accounting Officers of Issuers, Securities Firms and Stock Exchanges	12

Title	Name	Date of training	Organized by	Course title	Hours of training
Head of Audit	Bo-Wen Hsieh	105.01.13	Accounting Research and Development Foundation	Corporate Governance Evaluation and CSR Report	6
		105.03.09	Accounting Research and Development Foundation	Accounting and Tax Audit Practice and Case Studies for Taiwanese Businesses in China	6
		105.05.25	Accounting Research and Development Foundation	Internal audit and control practice for ERP system corresponding to enterprise transaction cycles	6

(3) Certificate and qualification acquisition status for personnel involved in financial information transparency

Name of certificate	No. of persons
CPA qualification	7 persons
USCPA qualification	2 persons
Senior Securities Specialist	12 persons
Securities Specialist	8 persons
Futures Specialist	7 persons
Securities Investment Trust and Consulting Professional	5 persons
Certified Internal Auditor - Taiwan	4 persons
Certified Internal Auditor	4 persons
Chartered Financial Analyst	1 person

### 3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

#### A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Name	Having Met One of the Following Professional Qualifications, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Min Chih Hsuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent Director	Duei Tsai	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-
Independent Director	Duh Kung Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-

Note 1: Please fill in director, independent director, or other in the identification.

Note 2: Please check “✓” in the box for a member, who during the two years before being elected or during the term of office, any of the following applied:

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.)
- (3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.
- (4) Not a spouse, relative within a second degree of kinship, or lineal relative within the third degree of kinship, or a person in compliance with any of the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking within the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional individual who, as an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or the spouse thereof.
- (8) No matters as noted in Article 30 of Company Law.

## B. Attendance of Members at Remuneration Committee Meetings

- The Company elected three members of the Remuneration Committee.
- The term of the committee members is from June 26, 2015 to June 25, 2018.
- There were five Remuneration Committee meetings during 2016(A) and the committee member qualifications and attendance records are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Min Chih Hsuan	5	0	100%	
Committee Member	Duei Tsai	5	0	100%	
Committee Member	Duh Kung Tsai	4	1	80%	

Other notes:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, the session, the nature of motion, the resolution made by the board of directors, and the Company's response to the remuneration committee's opinion (eg., if the amount of remuneration passed by the Board of Directors exceeds the remuneration committee's recommended amount, the circumstances and cause for the difference shall be specified): None.
2. If resolutions of the remuneration committee are objected by members or become subject to a qualified opinion, which have been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions and the response to members' opinion should be specified: None.

### 3.3.5 Corporate Social Responsibility

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Sound corporate governance				
1. Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?	Yes		The Company's corporate social responsibility policy was passed by the Board of Directors. CSR progress is reported to and reviewed by the board on a regular basis.	No deviations were found
2. Does the company organize social responsibility training on a regular basis?	Yes		The Company organizes annual CSR training courses in accordance with its Employee Code of Conduct and CSR-related policies. These training courses cover a broad variety of topics including corporate policies, HR system, employee code of conduct, personal information protection act and other areas as the law may require. All training courses are accessible online and have been made as requisites for new employees. Existing employees may complete courses online at their own discretion at any time. In 2016, 2,457 employees had completed their training for a total of 12,304 hours.	No deviations were found
3. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	Yes		The Company has a CSR Office that specializes in CSR-related matters. The Board of Directors has authorized its senior management to perform CSR-related tasks and to update the board on the overall progress.	No deviations were found
4. Has the company implemented a reasonable remuneration system that associates employees' performance appraisals with CSR? Is the remuneration system supported	Yes		Employees' salary levels are set based upon those of similar responsibilities, with adjustments made based on individual work performance. Different salary levels may be granted depending on education, experience, job grade and the assigned duties, but are higher than the statutory minimum in any case. Furthermore, employees are entitled to a portion of share of the Company's current year profits.  The Company has set clear guidelines to reward and penalize employees' conducts and performance.	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
by an effective reward/discipline system?			Rewards and penalties are decided to depend on the severity and impact of the event involved	
II. Fostering a sustainable environment				
1. Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	Yes		The R&D and production teams are well aware of how the design and production of more environmentally friendly, green, low-carbon products contribute to mitigating climate changes and impacts. They respond quickly to customers' needs in terms of certifications such as Energy Star, US EPEAT, US & WW EPEAT, China CECP & CEC and Taiwan Green Mark.	No deviations were found
2. Has the company developed an appropriate environmental management system, given its distinctive characteristics?	Yes		The Company began its implementation of ISO 14001 Environment Management System in April 1997; quality and environmental safety policies were created in 2005 to guide the Company's efforts on employee workplace safety and corporate responsibilities. Operating procedures and environmental/safety/health management systems have been established based on government regulations and international standards such as ISO, OHSAS etc. The Company adopts proper communication channels to convey its environmental and safety policies and goals to employees, suppliers, contractors, surrounding neighbors and interest groups.	No deviations were found
3. Is the company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?	Yes		The Company began its greenhouse gas surveys (scopes 1 and 2) and carbon footprint inventory as early as 2010. Starting from 2014, the Company has conducted greenhouse gas inventory and validation on a yearly basis. In 2015, Compal was included in the CDP Climate Disclosure Leadership Index for the first time (CDLI). The Company has actively participated in the Carbon Disclosure Project (CDP) as a means to improve its response to climate changes . The CDP achieves its purpose by assessing a company's carbon emission, reduction progress, compliance risks and exposure to physical risks such as supply disruption, shortage of resources, extreme weather, rising sea levels and diseases etc. And as such, Compal participated in UNFCCC's 2050 pathways platform initiative in 2016 in the hopes of reducing operational risks and costs through autonomous carbon reduction or even turn risks into opportunities to ensure the Company's sustainability.	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
III. Enforcement of public welfare				
1. Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	Yes		<p>The Company places great emphasis on equal opportunities and business ethics. It has policies and systems in place to ensure compliance with international conventions.</p> <p>The Company and all its subsidiaries throughout the world have established employment guidelines according to international human rights conventions and local labor regulations. All employment terms have been assured to conform with the laws of the local country or region. Out of respect towards labor rights, the Company changes its policies and rules in line with the latest regulations, and announces them to the understanding of all its employees. For the purpose of maintaining harmonic employer-employee relations, a communication platform has been created to enable exchange of opinions and information between the Company and its employees.</p>	No deviation was found
2. Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?	Yes		<p>The Company has set up email contacts through which employees may express their opinions and offer suggestions. These opinions and suggestions are referred to appropriate units within the Company; progress and outcomes are reported back to employees as they become available.</p>	No deviations were found
3. Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	Yes		<p>The Company is well-aware of how significantly “workplace safety and health” affects a company, its employees and stakeholders. This was the reason why the Company has enhanced its environmental, safety and quality policies and obtained OHSAS 18001 certification since 2005, which requires all departments to implement proper safety and health practices as well as regular training on matters such as fire safety equipment, utility plans, waste disposal, emergency response procedures etc. The Company organizes health and safety training for employees on a regular basis as a means to prevent occupational hazards and ensure workplace safety. In 2016, 2,384 employees had completed their training for a total of 5,442 hours.</p>	No deviations were found
4. Does the company have means to communicate with employees on a regular basis, and inform them of operational changes that may be of	Yes		<p>The Company is committed to creating communication platforms where employees may exchange opinions and information. “Employee opinion boxes” have been made available at the headquarter and at various plant sites to receive employees’ complaints; “Sunshine Group” and hotlines have been set up in all plant sites and are run by compassionate people who promptly respond to employees’ opinions so that the Company can rectify its flaws and help solve employees’ problems immediately.</p>	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
significant impact?			Townhall Meetings are organized regularly at the turn of the year. During which, the CEO will personally address employees on the Company's new business developments. Key points of this meeting are also summarized and delivered to all employees via email.	
5. Has the company implemented an effective training program that helps employees develop skills over their career?	Yes		Annual training programs are tailored to suit the needs of different employees, based on the Company's business strategies, policy guidelines, and career roadmaps. The Company constantly aims to establish itself as a learning organization and coaching management.	No deviations were found
6. Has the company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	Yes		The Company is an OEM/ODM manufacturer, manufacturing TV sets, notebooks, cell phones and electronics for top brands. There is a dedicated unit responsible for every step in the production process such as product development and design, shippings, and maintenance and service. Once customers have launched their products, the Company will continue to support them with services and parts until the product no longer requires after-sale responsibilities. Customers are given the option to visit Compal's website, click on Stakeholder Communication Area and leave messages using an exclusive link; these messages will then be handled by the appropriate departments.	No deviations were found
7. Has the company complied with laws and international standards with regards to the marketing and labeling of products and services?	Yes		The Company is an OEM/ODM. It manufactures TV sets, notebooks, cell phones and electronics for the world's top brands. All products are printed with customers' trademarks, names, and labeling that conform with relevant laws and international guidelines; however, the Company does not print its own logos or names on the products it produces.	No deviations were found
8. Does the company evaluate suppliers' environmental and social conducts before commencing business relationships?	Yes		The Company requests all its suppliers to fulfill their responsibilities with respect to the environment, labor, management, and ethics. Furthermore, the Company also demands its suppliers to sign and comply with EICC® (Electronics Industry Supply Chain Code of Conduct) and evaluates suppliers' performance by their contribution to corporate social responsibilities.	No deviations were found
9. Is the company entitled to terminate supply agreement at any time with a major supplier,	Yes		The Company requires all major suppliers to comply with local regulations and fulfill their duties to the environment and the society. They are demanded to immediately rectify any violations found to ensure the business relationship with the Company.	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or the society?			The Company's standard procurement contract specifically requires suppliers to comply with EICC® (Electronics Industry Supply Chain Code of Conduct) and environmental protection laws. The contract empowers the Company to terminate procurement relationship with any supplier that is found to have violated the above rules.	
IV. Enhanced information disclosure				
1. Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	Yes		A “CSR” section is created on the Company’s website to disclose information in different categories. A “News” section is also available on the home page where stakeholders are given access to the latest information. The Company prepares CSR reports on an annual basis to disclose how it has fulfilled its social responsibilities. This report may be downloaded from the Company’s website and from Market Observation Post System (MOPS).	No deviations were found

V. If the company has established the corporate social responsibility principles based on “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies,” please describe any discrepancy between the Principles and their implementation:

- The Company has established “Compal Corporate Social Responsibility Best Practices” based on “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.” A “CSR Office” has also been introduced specifically for the purpose of promoting social responsibilities, environmental sustainability, public welfare, and information disclosure. The Company has adopted the principles of EICC by including corporate social responsibilities as part of its overall business plan, thereby making sure that everything it does confirms with EICC. The CSR Office reports its progress regularly to the Board of Directors, and publishes annual CSR reports to ensure proper disclosure of CSR information.
- To contribute to the sustainability of our environment, the Company publishes green knowledge materials on a monthly basis and organizes regular environmental training courses for the management and general employees. It adopts green product management starting from the design stage and covering all aspects of the supply chain, which aims to: reduce resource and energy consumption, minimize discharge of pollutants and toxic waste, ensure proper waste disposal, enhance recyclability and reusability of raw materials and products, maximize usage of available resources, extend product durability, and enhance product/service efficiency. The green management also aims to prevent pollution to water, air and soil, and embodies a series of strategies to reduce the level of greenhouse gas and carbon emitted during the Company’s operations. It is our hope to minimize adverse impacts on health and the environment by adopting the best and most feasible pollution controls available.

VI. Other important information to facilitate better understanding of the company’s corporate social responsibility practices:

There is a specific CSR section on the corporate website containing CSR policy, target and management procedures. Please refer to: <http://www.compal.com>

VII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:

■ Criteria undertaken by institutions to certify the Company's products:

The Company adopts the green concept right from the design and development stage for all products it manufactures. In addition to making sure that all manufactured products conform with compulsory regulations and voluntary certifications in countries where they are distributed, the Company also takes the initiative in developing talents and technologies in relation to energy-saving issues and thereby keeping up with world's latest trends and challenges. Apart from knowing the latest news in environmental regulations and certifications, Compal also possesses adequate R&D and execution capacity to quickly respond to customers' needs for certification such as IECQ QC 080000, Energy Star, US & EPEAT, US & WW EPEAT, China CECP & CEC, Taiwan Green Mark and Indoor Air Quality Testing & Certification.

■ Criteria undertaken by institutions to certify the Company's CSR report:

The Company has been preparing annual CSR reports and disclosing them to stakeholders on its website since 2010. The CSR report was first certified by an external institution in 2012, and later in 2016, the Company adopted Global Reporting Initiative's G4 guidelines (GRI G4, published in 2013) to prepare its CSR report. The 2014 report was compiled based on stakeholders' concerned issues and the Company's key objectives. To ensure the credibility of reported contents, the Company commissioned SGS to provide independent assurance based on the criteria specified in AA 1000 AS and GRI G4. After their assurance, the report was certified to meet AA 1000 AS Standard Type 2, mid-level accountability and GRI G4 application core requirements. The Company was awarded a Silver or Bronze Awards by Taiwan Institute for Sustainable Energy in three consecutive years for its "Taiwan Corporate Sustainability Report Award".

### 3.3.6 Ethical Corporate Management

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Establishment of integrity policies and solutions				
1. Has the company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	Yes		<p>The Company has clearly outlined the procedures for ethical management and guidelines for conduct in its HR policies, social responsibility policies, the integrity principles and code of conduct for directors, supervisors, managers, and the general code of conduct. The Board of Directors and the management have committed themselves to business integrity. The Company's "Board of Directors Meeting Guidelines" contain a conflicting interest clause that requires directors to disassociate from all discussion and voting of any agenda that poses a conflict of interest between the Company and themselves or the entities they represent.</p>	No deviations were found
2. Does the company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	Yes		<p>The Company has established the "Ethical Corporate Management Best Practice Principles" and "Business Integrity Procedures and Behaviors" (hereinafter, "Procedures and Behaviors") as an incentive to insiders and outsiders to report unethical or unseemly conduct. Any insider who makes a false report or a malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned have substance.</p> <p>This Company has appointed a contact person, and has established a hotline and mailbox that can be used either through the Intranet of the company website. Any person involved in unethical conduct will be referred to an authorized department and processed according to the "Business Integrity Procedures and Behaviors".</p>	No deviations were found
3. Has the company taken steps to prevent occurrences listed in Article 7, Paragraph	Yes		<p>The Company's "Business Integrity Procedures and Behaviors" govern the following</p> <ul style="list-style-type: none"> <li>• Prohibition against offering and acceptance of improper gains</li> </ul>	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
2 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies” or business conducts that are prone to integrity risks?			<ul style="list-style-type: none"> <li>• Prohibition against lobbying</li> <li>• Prohibition against illegal political donations</li> <li>• Prohibition against improper donations or sponsorships</li> <li>• Prohibition against inappropriate gifts, treatments and illegitimate benefits</li> <li>• Prohibition against unfair competition</li> <li>• Prohibition against leakage of commercial secrets and infringement of intellectual property rights</li> <li>• Prohibition against insider trading and rules of confidentiality</li> </ul> <p>Furthermore, the “Information Security Policy” has introduced measures to prevent violation of commercial secrets.</p>	
<b>II. Integrity actions</b>				
1. Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	Yes		The Company requires all suppliers to sign commitments to EICC® (Electronic Industry Citizenship Coalition), which binds them to local regulations on workers', environment, safety, health, management, and moral conducts, and prevents them against corruptive and unethical behaviors.	No deviations were found
2. Does the company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?	Yes		The Company has appointed its Human Resources, Administrative management and Legal Affairs Office as the competent unit in charge of the Company's ethical matters. Together, these units set the guidelines and policies, which are monitored by the auditors and reports to the Board of Directors on a yearly basis. To prevent potential conflicts of interest, the Company has established the “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors” in 2014 and 2015 respectively. In addition, the Company has also designed relevant course for its	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			online e-Learning, including legal affairs related training on information security, personal information protection act, relevant company policies and employees' code of conduct so as to familiarize all employees with the aforementioned guidelines and thereby facilitate the promotion of honest management. In 2016, a total of 2,457 trainees participated in the trainings and completed a total of 12,304 hours of training.	
3. Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	Yes		<p>The Company has established the “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors” (hereinafter, “Procedures and Behaviors”); a Company director, officer or other stakeholder attending, or present at a board meeting, or a juristic representative whose presence infers a likelihood that company interests might be prejudiced, may not participate in a discussion or vote on that proposal, shall recuse themselves from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in any inappropriate manner. If, in the course of conducting company business, an employee of this Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefit, the matter shall be reported to their immediate supervisor and the responsible unit, and the supervisor shall provide the employee with the proper instructions.</p> <p>No employee of this Corporation may use company resources for commercial activities other than those of this Corporation, nor may his or her job performance be affected by involvement in commercial activities other than those of this Corporation.</p> <p>The Company’s HR policy and employee code of conduct have introduced rules to identify, supervise and manage conflicts of interest for business activities that are more highly prone to dishonest</p>	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>behaviors. There are channels in place for directors, supervisors, managers, stakeholders, and board meeting participants to state their conflicting interests with the Company.</p> <p>To prevent leakage of material non-public information, the Company has established “CO10 Insider Trading Prevention Management” as part of its internal control and demanded strict compliance from directors, supervisors, managers, employees, and any party that gains knowledge to the Company’s material non-public information whether because of their identity, job responsibility or controlling relationships.</p>	
4. Has the company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	Yes		<p>The Company has set “Ethical Corporate Management Best Practice Principles” and focuses on creating an effective accounting system and internal control system to avoid high-risk or unethical business activities and the use of external or secret accounts. Self-evaluation is done on a regular basis to make sure the design and execution of the system is effective.</p> <p>The Company’s internal audit unit oversees compliance of the system and prepares routine audit reports for the Board of Directors.</p>	No deviations were found
5. Does the company organize internal or external training on a regular basis to maintain business integrity?	Yes		<p>The Company organizes training courses in accordance with “Regulations Governing Establishment of Internal Control Systems by Public Companies” and the board-approved “Insider Trading Prevention Principles.” Insider training prevention courses are organized for vice president-grade employees and above, while general employees are subjected to training on ethical behaviors on a yearly basis.</p>	No deviations were found
III. Implementation of whistleblowing system				
1. Does the company provide incentives and means for	Yes		The Company has mailboxes in place to receive malpractice reports from within or outside the	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices?			Company. Once a report has been sent to the mailbox, it will be referred to the appropriate department and personnel depending on the nature of the underlying issue. The identity of the informer and details of the report will be kept confidential, and may involve internal auditors if the situation requires it.	
2. Has the company implemented any standard procedures or confidentiality measures for handling reported malpractices?	Yes		The Company has specifically instructed case handlers to strictly follow procedures when building, assigning and investigating cases, and to exercise discretion during the investigation process.	No deviations were found
3. Does the company assure malpractice reporters that they will not be mistreated for making such reports?	Yes		The Company has confidentiality procedures built into its management policies and employee code of conduct to protect informers and investigators from improper treatments or retaliation.	No deviations were found
IV Enhanced information disclosure				
1. Has the company disclosed its integrity principles and progress onto its website and MOPS?	Yes		The Company has disclosed corporate governance and business integrity matters and updated the progress of such efforts in its annual reports, CSR reports and “Investor Relations-corporate governance” and “CSR” sections of its website.	No deviations were found
V If the company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies,” please describe its current practices and any deviations from the Best Practice Principles:  The Company’s “Business Integrity Principles” and “Business Integrity Procedures and Behaviors” have been passed by the Board of Directors and disclosed at the Company’s website and MOPS. A specialized unit will be empowered to enforce these policies and ensure employees’ compliance.				
VI Other information relevant to understanding the company’s business integrity (e.g. reviews over business integrity principles):  Courses have been introduced to the e-Learning system so that employees are made aware of the Company’s “Business Integrity Principles” and “Business Integrity Procedures and Behaviors.”				

### **3.3.7 Corporate Governance Guidelines and Regulations**

Please refer to the Company's website→ Investor Relations → Corporate Governance → Major Internal Policies <http://www.compal.com/investor-relations/corporate-governance/#major-internal>

- Framework of Corporate Governance
- Articles of Incorporation
- Rules of Procedure for Shareholders' Meetings
- Regulations for Election of Directors
- Procedures for Acquisition or Disposal of Assets
- Procedures for Financial Derivatives Transactions
- Procedures for Lending Funds to Other Parties
- Procedures for Endorsement and Guarantee
- Board of Directors Meeting Guidelines
- The Responsibilities and Rules for Independent Directors
- Audit Committee Procedures
- Remuneration Committee Procedures
- Corporate Governance Best-Practice Procedures
- Code of Conduct for Directors and Managers
- Code of Conduct for Employees
- Ethical Corporate Management Best Practice Principles
- Business Integrity Procedures and Behaviors
- Insider Trading Prevention Procedures
- Corporate Social Responsibility Best Practice Principles
- Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises
- Procedures of Application to Suspend and Resume Trading

### **3.3.8 Other Important Information Regarding Corporate Governance**

Please refer to the Company's website→ CSR <http://www.compal.com/CSR/>

- Sustainable Management
- Employee Relationship
- Charity
- Environment
- Supply Chain Management
- Stakeholders
- Download CSR Report

Please refer to the Company's website→ Stakeholder Communication

<http://www.compal.com/stakeholder-communication-area/>

- Issues of Concern
- Employee Relations
- Customer Relations
- Supplier Relations
- Investor Relations
- Other Affiliates

### 3.3.9 Internal Control Systems

Compal Electronics, Inc.  
Statement of the Internal Control System

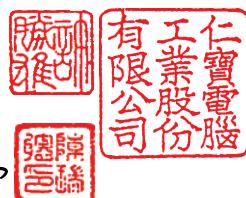
Date: March 28 2017

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system for the year of 2016:

1. The Company is fully aware that the establishment, operation, and maintenance of an internal control system is the responsibility of the Board of Directors and management. The Company has established such a system. It is aimed at providing reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations (including profitability, performance, and the safeguard of assets); Reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with all the applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, it can only provide some reasonable assurance of the accomplishment of the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and corrective action is taken whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control System by Public Companies” (herein below, the “Regulations”). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, on December 31 2016, its internal control system (including the supervision and management of subsidiaries), as well as internal controls to monitor the effectiveness of its own objectives concerning operational effectiveness and efficiency, reliability, timeliness, transparency, and regulatory compliance in reporting, and compliance with applicable laws and regulations, were effective in design and operation, and provided reasonable assurance that the above-stated objectives would be achieved.
6. This Statement will be an integral part of the Company’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality of content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors at a meeting held on March 28, 2017, with 0 of the 14 attending directors expressing dissenting opinions; the remainder all affirmed the content of this Statement.

Compal Electronics, Inc.

Chairman:



President:

**3.3.10 Penalties imposed against the company and its staff, or penalties imposed by the company against its staff for violations of internal control or regulations; state any corrective actions taken in the most recent years up till the date of the annual report:** None.

**3.3.11 Major Resolutions Made in Shareholders' Meeting and Board Meetings**

1. Shareholders' meeting

■ Time: 9 AM, June 24, 2016 (Friday)

Venue: B1, No. 581, Ruiguang Road, Neihu District, Taipei City

■ Major resolutions:

- (1) Passed amendments to the Company's "Articles of Incorporation."
- (2) Passed to distribute capital reserves in cash.
- (3) Passed amendments to the Company's "Derivative Trading Procedures."
- (4) Passed the removal of restrictions imposed against directors for involving in competing businesses.
- (5) Ratified the Financial Statement for the year 2015.
- (6) Ratified the Distribution of Earnings for the year 2015.

■ Post-meeting execution:

(1) The amendments to the Company's Articles of Incorporation were approved and registered on file by the Ministry of Economic Affairs on July 21, 2016.

(2) The 2016 distribution of cash dividend and capital reserve are summarized as follows:

- The adjustment of the dividend ratio and the ratio of cash distributed from capital reserve results from cancellation of new restricted employee shares because the criteria were not met by the intended employees and the impact on outstanding shares is as follows:
- Cash dividend: Initial NTD 1 per share, adjusted to NTD 1.00044974 per share.
- Cash distributed from capital reserve: Initial NTD 0.2 per share, adjusted to NTD 0.20008994 per share.
- Ex-dividend date: August 1, 2016.
- Declaration date: August 23, 2016.

## 2. Board meetings

Date	Major resolutions
12th term 4th meeting 105.2.24	<ol style="list-style-type: none"> <li>1. Approved management changes.</li> <li>2. Approved amendment to the Company's Articles of Incorporation.</li> <li>3. Approved 2015 Statement of Internal Control System.</li> <li>4. Approved the cancellation of new restricted employee shares because the criteria were not met by the intended employees</li> <li>5. Approved of the Company's financing authorization from financial institute.</li> </ol>
12th term 5th meeting 105.3.30	<ol style="list-style-type: none"> <li>1. Approved 2015 appropriation rate and amount for employees and directors.</li> <li>2. Approved the distribution of the first 2016 mid-year bonus (Dragon Boat Festival).</li> <li>3. Approved the 2016 compensation adjustments</li> <li>4. Approved the 2015 consolidated and individual financial statements.</li> <li>5. Approved the evaluation of the independence and fitness of the Company's CPA.</li> <li>6. Approved the call of 2016 shareholders' meeting.</li> <li>7. Approved the 2016 CSR goal.</li> <li>8. Approved of the Company's financing authorization from financial institute.</li> </ol>
12th term 6th meeting 105.5.11	<ol style="list-style-type: none"> <li>1. Approved the appointment of the manager.</li> <li>2. Approved the change of CPA.</li> <li>3. Approved the evaluation of the independence and fitness of the Company CPA.</li> <li>4. Approved the 2015 operation report.</li> <li>5. Approved the 2016 operation plan.</li> <li>6. Approved the 2015 distribution of earnings.</li> <li>7. Approved capital surplus to shareholders.</li> <li>8. Approved the proposal to partially amend the Articles of Incorporation.</li> <li>9. Resolved to remove non-competition for directors and managers.</li> <li>10. Approved the 2016 appropriation of directors and employees compensation ratio.</li> <li>11. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee.</li> <li>12. Approved and authorized the re-investment company to name after Compal.</li> <li>13. Approved of the Company's financing authorization from financial institute.</li> </ol>
12th term 7th meeting 105.6.29	<ol style="list-style-type: none"> <li>1. Approved the appointment of manager.</li> <li>2. Approved the distribution of 2015 cash dividend and capital reserve in cash to shareholders.</li> <li>3. Approved the retirement of treasury stocks.</li> <li>4. Approved the financing of re-investment companies through the issue of a Company Letter of Support.</li> <li>5. Approved the termination of the Company's liabilities and obligations as a guarantor of Compalead Eletrônica do Brasil Indústria e Comércio Ltda.</li> <li>6. Approved of the Company's financing authorization from financial institute.</li> </ol>
12th term 8th meeting 105.8.11	<ol style="list-style-type: none"> <li>1. Approved the 2015 director compensation.</li> <li>2. Approved the distribution of the second 2016 mid-year bonus (Mid-Autumn Festival).</li> <li>3. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee.</li> <li>4. Approved the loan to Henghao Technology Co., Ltd.</li> <li>5. Approved of the Company's financing authorization from financial institute.</li> </ol>
12th term 9th meeting 105.11.9	<ol style="list-style-type: none"> <li>1. Approved the 2015 employee bonus.</li> <li>2. Approved the 2016 year-end bonus.</li> <li>3. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee.</li> <li>4. Approved the proposal to partially amend the Procedures of Application to Suspend and Resume Trading.</li> <li>5. Approved the proposal to partially amend the Corporate Governance Best-Practice Principles.</li> </ol>

Date	Major resolutions
	<p>6. Approved the Company's new registered address.</p> <p>7. Approved the submission of application for the business license for "F108031 Wholesale of Drugs, Medical Goods" and "F208031 Retail Sale of Medical Equipments" to the competent authority.</p> <p>8. Approved the 2017 audit plan.</p> <p>9. Approved the financing of the re-investment company through the issue of a Company Letter of Support.</p> <p>10. Approved the termination of the Company's liabilities and obligations as a guarantor of Compalead Eletrônica do Brasil Indústria e Comércio Ltda.</p> <p>11. Approved financing for suppliers.</p> <p>12. Approved of the Company's financing authorization from financial institute.</p>
12th term 10th meeting 106.2.8	<p>1. Approved the promotion of managers.</p> <p>2. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee.</p> <p>3. Approved the settlement of CPT shares between the Company along with subdiairies Zhaopal Investment Co., Ltd., Yongpal Investment Co., Ltd., and Kaipal Investment Co., Ltd with Tatung Company Per arbitration No. 103814 issued in 2014.</p> <p>4. Approved the cap of short-term loans from financial institutions.</p> <p>5. Approved of the Company's financing authorization from financial institute.</p>
12th term 11th meeting 106.3.28	<p>1. Approved the 2016 employee and director compensation.</p> <p>2. Approved the distribution of the first 2017 mid-year bonus (Dragon Boat Festival).</p> <p>3. Approved the 2017 salary adjustment.</p> <p>4. Approved the 2016 consolidated and individual financial statements.</p> <p>5. Approved 2016 Statement of Internal Control System.</p> <p>6. Approved the call of 2017 shareholders' meeting.</p> <p>7. Approved the 2017 CSR goal.</p> <p>8. Approved the evaluation of the independence and suitability of the Company CPA.</p> <p>9. Approved the submission of application for the business license for "CF01011 Medical Materials and Equipment Manufacturing" to the competent authority.</p> <p>10. Approved the investment in Leshi Zhixin Electronic Technology (Tianjin) Limited. through Compal Information Technology (Kunshan) Co., Ltd. (100% owned by the Company).</p> <p>11. Approved the amendment of Corporate Governance Best-Practice Principles.</p> <p>12. Approved the change of endorsement and guarantee seal custodian.</p> <p>13. Approved the financing of the re-investment company through the issue of a Company Letter of Support.</p> <p>14. Approved of the Company's financing authorization from financial institute.</p>
12th term 12th meeting 106.5.10	<p>1. Approved the appointment of the manager.</p> <p>2. Approved the 2016 operation report.</p> <p>3. Approved the 2017 operation plan.</p> <p>4. Approved the 2016 distribution of earnings.</p> <p>5. Approved capital surplus to shareholders.</p> <p>6. Approved the amendments to "Guidelines for Handling Acquisition and Disposal of Assets".</p> <p>7. Resolved to remove non-competition for directors and managers.</p> <p>8. Approved the 2017 appropriation of director and employee compensation ratio.</p> <p>9. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee.</p> <p>10. Approved the issuance of Corporate Guarantee by the Company to extend factory lease fulfillment guarantee for Compal Europe (Poland) Sp.z o.o. (100% owned subsidiary in Europe).</p>

**3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors:** None.

**3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D:** None.

### 3.4 Information Regarding the Company's Audit Fee and Independence

#### 3.4.1 Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Kuo, Kuan-Ying		Au, Yiu Kwan	2016.01.01~2016.12.31

Unit: NT\$ thousands

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1 Under NT\$ 2,000,000				
2 NT\$2,000,000 ~ NT\$4,000,000				
3 NT\$4,000,000 ~ NT\$6,000,000				
4 NT\$6,000,000 ~ NT\$8,000,000				
5 NT\$8,000,000 ~ NT\$10,000,000			8,515	8,515
6 Over NT\$100,000,000	10,095			10,095

- (1) Non-audit fees paid to CPA, accounting firm and affiliated companies thereof that amount to more than 1/4 of audit fees:

Unit: NT\$ thousands

Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Kuo, Kuan-Ying	10,095		275		8,240	8,515	2016.01.01~2016.12.31	
	Au, Yiu-Kwan								

Note: Other non-audit fees: Transfer pricing report of \$525,000, tax consultation of \$7,620,000, and others of \$95,000.

- (2) Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year: None

- (3) Reduction of audit fees by more than 15% compared to the previous year: None

### 3.4.2 Replacement of CPA

#### (I) About the former CPA

Date of replacement	Approved by the Board of Directors on May 11, 2016		
Reason and explanation for replacement	Due to adjustments in work and duties at KPMG in 2016, the CPAs were changed from Kuo, Kuan-Ying and Lo, Jui-Lan to Kuo, Kuan-Ying and Au, Yiu-Kwan.		
State whether the commissioner or the CPA terminated the service or declined the commission	Party involved Situation	CPA	Commissioner
	Voluntarily terminated the commission	Not applicable	Not applicable
	Will no longer accept (continue) the commission	Not applicable	Not applicable
Other audit report opinions and causes issued within the last two years other than unqualified opinion	N/A		
Did he/she have opinions that differed from that of the publisher?	Yes	Accounting principles or practices	
		Disclosure of financial report	
		Scope or step of auditing	
		Other	
		N/A	V
	Description		
Other items of disclosure (Contents that should be disclosed as covered in Clauses 1.4~1.7, Section 6, Article 10 of this guideline)	N/A		

#### (II) About the succeeding CPA

Name of accounting firm	KPMG
Name of CPA	Kuo, Kuan-Ying, Au, Yiu-Kwan
Date commissioned	Approved by the Board of Directors on May 11, 2016
Items of consultation and results on the accounting methods for specific transactions, accounting principles and potential opinions for financial report prior to commissioning	N/A
Written opinion from succeeding CPA on items of disagreement with the former CPA	N/A

(3) Response from the former CPA on Clauses 1 and Clause 2.3, Section 6, Article 10 of this guideline:

None.

**3.4.3 If the chairman, president, and financial or accounting manager of the Company had worked for the accounting firm or related parties thereof in the most recent year, the name, title, and the term of service with the accounting firm or the related party must be disclosed:** None.

### 3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: shares

Title	Name	2016		Up till April 24, 2017	
		Shares held Increase (Decrease)	Shares pledged Increase (Decrease)	Shares held Increase (Decrease)	Shares pledged Increase (Decrease)
Chairman	Sheng-Hsiun Hsu	0	(1,172,555)	(8,800,000)	0
Director and President	Jui-Tsung Chen	(200,000)	0	(10,230,000)	0
Director	Wen-Being Hsu	0	0	0	0
Director	Kinpo Electronics , Inc.	0	0	0	0
	Representative: Shyh-Yong Shen	0	0	0	0
Director	Charng-Chyi Ko	0	0	0	0
Director	Sheng-Chieh Hsu	0	0	0	0
Director	Yen-Chia Chou	0	0	0	0
Director and Senior Advisor	Wen-Chung Shen	0	0	0	0
Director and Senior Advisor	Yung-Ching Chang	(252,000)	0	(396,000)	0
Director and Executive Vice President	Chung-Pin Wong	0	0	1,020,000	0
Director	Chiung-Chi Hsu	0	0	0	0
Director and Executive Vice President	Chao-Cheng Chen	0	0	1,020,000	0
Independent Director	Min-Chih Hsuan	0	0	0	0
Independent Director	Duei Tsai	0	0	0	0
Independent Director	Duh-Kung Tsai	0	0	0	0
Executive Vice President	Chen-Chang Hsu	0	0	0	0
Senior Vice President	Chun-De Shen	0	0	420,000	0
Senior Vice President	Kuo-Chuan Chen	(135,000)	0	320,000	0
Senior Vice President	Pei-Yuan Chen	(1,000,000)	0	0	0
Senior Vice President	Chiu-Rui Wei	(133,764)	0	200,000	0
Senior Vice President	Ying Chang	0	0	420,000	0
Senior Vice President	Ming-Chih Chang	1,900,000	0	0	0
Senior Vice President	Sheng-Hua Peng	0	0	420,000	0
Senior Vice President	Wen-Da Hsu	0	0	320,000	0
Senior Vice President	Wei-Cheng Chen	0	0	240,000	0
Senior Vice President	Hsi-Kuan Chen	0	0	0	0
Senior Vice President	Chih-Wei Wen	-	-	0	0
Vice President	Chih-Chuan Cheng	0	0	240,000	0
Vice President and head of finance	Ching-Hsiung Lu	(120,000)	0	240,000	0
Vice President	Shih-Tung Wang	0	0	0	0
Vice President	Bo-Hsiung Chang	0	0	132,000	0
Vice President	Bo-Tang Wang	(10,000)	0	230,000	0
Vice President	Zong-Ming Wang	(50,000)	0	210,000	0
Vice President	Fu-Chuan Chang	0	0	(10,000)	0
Vice President	Chi-Hsiang Ma	(30,000)	0	0	0
Vice President	Yung-Nan Chang	0	0	0	0
Vice President	Sheng-Hung Li	0	0	240,000	0

Title	Name	2016		Up till April 24, 2017	
		Shares held Increase (Decrease)	Shares pledged Increase (Decrease)	Shares held Increase (Decrease)	Shares pledged Increase (Decrease)
Vice President	Yung-He Su	0	0	200,000	0
Vice President	Ming-Hsiang Kan	0	0	0	0
Vice President	Chih-Hsien Liang	0	0	160,000	0
Vice President	Lung-Hua Shen	0	0	240,000	0
Vice President	Ming-Dong Wong	0	0	320,000	0
Vice President	Yue-Chun Li	0	0	240,000	0
Vice President	Chiao-Lieh Huang	0	0	95,000	0
Vice President	Chung-Hsing Tan	(120,529)	0	250,000	0
Vice President	Yi-Yun Chang	0	0	240,000	0
Vice President	Hsin-Kung Mao	0	0	240,000	0
Vice President	Ling-Sheng Wu	(30,000)	0	50,000	0
Vice President	Hsin-Hsiung Huang	0	0	160,000	0
Vice President	Shih-Hung Huang	0	0	160,000	0
Vice President	Yi-Chiang Chiu	0	0	160,000	0
Vice President	Ching-Fa Li	0	0	160,000	0
Vice President	Bo-Heng Chen	0	0	160,000	0
Vice President	Jui-Chun Hsu	0	0	0	0
Vice President	Shih-An Li	0	0	0	0
Vice President	Ta-Chun Wang	0	0	0	0
Vice President	Fei-Lung Chen	0	0	9,000	0
Advisor	Tian-Yuan Tsai	0	0	0	0
Head of Audit	Bo-Wen Hsieh	0	0	0	0
Senior Vice President	Ming-Hsing Hsu	0	0	-	-
Vice President	Chin-Wen Liao	0	0	-	-

Note: In 2016, the following five people, Ming-Chih Chang, Senior VP, His-Kuan Chen, Senior VP, Shih-Hung Huang, VP, Yi-Chiang Chiu, VP and Bo-Heng Chen, VP were called back or promoted. Jui-Chun Hsu, VP, Shih-An Li, Ta-Chun Wang, Fei-Lung Chen took office. Ming-Hsing Hsu, VP and Chin-Wen Liao, VP, resigned. In 2017, Chih-Wei Wen, Senior VP, took office.

### 3.5.1 Shares Trading with Related Parties:

Name	Reason for transfer	Transaction date	Counterparty	Counterparty's relationship with the Company, Directors, Supervisors, and shareholders with more than 10% ownership interest	Shares	Transaction price
Jui-Tsung Chen	Gift	106.03.24	Hsin-Chong Chen	Father and son	10,230,000	19.15
Ching-Hsiung Lu	Gift	105.07.07	Shao-Hsuan Lu	Father and Daughter	120,000	20.25

### 3.5.2 Shares Pledge with Related Parties: None

## 3.6 Relationship among the Top Ten Shareholders

April 24, 2017

Unit: Shares

Name	Self Shares held		Shareholdings of spouse and underage children		Total shares held in the names of others Shares held		Spouse, relative of second degree or closer, and relationships among top 10 shareholders.	
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Name	Relationship
Kinpo Electronics Inc.	151,628,692	3.43%	-	-	0	0%	N/A	N/A
Representative: Sheng-Hsiun Hsu	8,975,401	0.20%	17,107,025	0.39%	0	0%		
Bank of Taiwan in custody for Silchester International Investors International Value	76,904,000	1.74%	-	-	0	0%	N/A	N/A
Standard Chartered in custody for Vanguard Stock Index Fund	75,897,629	1.72%	-	-	0	0%	N/A	N/A
Standard Chartered in custody for Fidelity Puritan Fund: Fidelity Low-Priced Stock Fund	72,000,000	1.63%	-	-	0	0%	N/A	N/A
Citi (Taiwan) Commercial Bank in custody for Dimensional Emerging Markets Value Fund	67,242,333	1.52%	-	-	0	0%	N/A	N/A
Yung-Kun Hsieh	64,598,000	1.46%	(Note)					
FuBon Insurance	64,200,991	1.45%	-	-	0	0%	N/A	N/A
Representative: Ming-Hsing Tsai	0	0%	0	0%				

Name	Self Shares held		Shareholdings of spouse and underage children		Total shares held in the names of others Shares held		Spouse, relative of second degree or closer, and relationships among top 10 shareholders.	
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Name	Relationship
Shin Kong Life Insurance Co., Ltd.	62,330,500	1.41%	-	-	0	0%	N/A	N/A
Representative: Eugene Wu	0	0%	0	0%				
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	55,367,000	1.25%	-	-	0	0%	N/A	N/A
Citi (Taiwan) Commercial Bank in custody for Norges Bank	53,620,697	1.21%	-	-	0	0%	N/A	N/A

Note: The Company has sent the request to Yung-Kun Hsieh for the relevant infoamtion, but did not receive the reply until the annual report was published.

### 3.7 Ownership of Shares in Affiliated Enterprises

December 31, 2016

Unit: Shares; %

Investees (Note)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregate investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Panpal Technology Corp.	500,000,000	100.00	-	-	500,000,000	100.00
Gempal Technology Corp.	90,000,000	100.00	-	-	90,000,000	100.00
Hong Ji Capital Co., Ltd.	100,000,000	100.00	-	-	100,000,000	100.00
Hong Jin Investment Co., Ltd.	29,500,000	100.00	-	-	29,500,000	100.00
Zhaopal Investment Co., Ltd.	200,100,000	100.00	-	-	200,100,000	100.00
Yongpal Investment Co., Ltd.	175,100,000	100.00	-	-	175,100,000	100.00
Kaipal Investment Co., Ltd.	75,100,000	100.00	-	-	75,100,000	100.00
Rayonnant Technology Co., Ltd.	29,500,000	100.00	-	-	29,500,000	100.00
RiPAL Optotronics Co., Ltd.	6,000,000	100.00	-	-	6,000,000	100.00
Unicom Global Inc.	10,000,000	100.00	-	-	10,000,000	100.00
Huang Feng Communication Co., Ltd.	10,000,000	100.00	-	-	10,000,000	100.00
Henghao Technology Co., Ltd.	205,795,414	96.98	-	-	205,795,414	96.98
Compal Broadband Networks Inc.,	26,418,342	49.61	24,384,413	45.79	50,802,755	95.40
Crownpo Technology Co., Ltd.	3,738,668	33.23	6,243,082	55.49	9,981,750	88.72

Investees (Note)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregate investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Kinpo Group Management Consultant Company	300,000	37.50	300,000	37.50	600,000	75.00
Mactech Co., Ltd.	21,756,192	52.88	274,954	0.67	22,031,146	53.55
General life Biotechnology Co., Ltd.	15,000,000	50.00	-	-	15,000,000	50.00
Li Hong Optoelectronic Co., Ltd.	2,772,000	42.00	-	-	2,772,000	42.00
Infinno Technology Corporation	10,983,719	41.03	-	-	10,983,719	41.03
Accesstek Inc.	899,160	27.78	319,707	9.88	1,218,867	37.66
Allied Circuit Co., Ltd.	10,157,730	20.42	8,212,152	16.50	18,369,882	36.92
Arcadyan Technology Corp.,	41,304,504	21.84	27,192,437	14.37	68,496,941	36.21
Maxima Ventures I, Inc.	126,000	22.55	3,000	0.54	129,000	23.09
Avalue Technology Inc.	14,600,070	21.07	672,000	0.97	15,272,070	22.04
Core Profit Holdings Ltd.	147,000,000	100.00	-	-	147,000,000	100.00
Flight Global Holding Inc.	89,755,495	100.00	-	-	89,755,495	100.00
Just International Ltd.	48,010,000	100.00	-	-	48,010,000	100.00
High Shine Industrial Corp.	42,700,000	100.00	-	-	42,700,000	100.00
Compal International Holding Co., Ltd.	47,001,000	100.00	-	-	47,001,000	100.00
Big Chance International Co., Ltd.	90,820,000	100.00	-	-	90,820,000	100.00
Compal Rayonnant Holdings Limited	12,500,000	100.00	-	-	12,500,000	100.00
Auscom Engineering Inc.	3,000,000	100.00	-	-	3,000,000	100.00
Compal Europe (Poland) Sp. z o.o.	136,080	100.00	-	-	136,080	100.00
Bizcom Electronics, Inc.	100,000	100.00	-	-	100,000	100.00
Compal Electronics (Holding) Ltd.	1,000	100.00	-	-	1,000	100.00
Compalead Electronics B.V.	6,426,516	100.00	-	-	6,424,516	100.00
Etrade Management Co., Ltd.	46,900,000	90.37	5,000,000	9.63	51,900,000	100.00
Webtek Technology Co., Ltd.	100,000	100.00	-	-	100,000	100.00
Forever Young Technology Inc.	50,000	100.00	-	-	50,000	100.00
Lipo Holding Co., Ltd.	98,000	49.00	102,000	51.00	200,000	100.00

Investees (Note)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregate investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Ascendant Private Equity Investment Ltd.	31,253,125	34.72	37,253,825	42.50	68,506,950	77.22

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

May 15, 2017

Year	Month	Issuance Price	Authorized capital		Paid-up capital		Remarks		
			Shares	Amount (NTD)	Shares	Amount (NTD)	Source of capital	Paid in properties other than cash	Others
2015	1	10	6,000,000,000	60,000,000,000	4,423,236,625	44,232,366,250	Exercise of employee warrants totaling NTD 20,266,000	N/A	Change of capital approved by the Ministry of Economic Affairs on February 10, 2015
2015	2	10	6,000,000,000	60,000,000,000	4,472,596,625	44,725,966,250	Issuance of employees' restricted shares NTD493,600,000	N/A	Change of capital approved by the Ministry of Economic Affairs on March 23, 2015
2015	8	10	6,000,000,000	60,000,000,000	4,472,196,625	44,721,966,250	Cancellation of Restricted Employee Shares of \$4,000,000	N/A	Change of capital approved by the Ministry of Economic Affairs on September 2, 2015
2015	9	10	6,000,000,000	60,000,000,000	4,471,126,625	44,711,266,250	Cancellation of Restricted Employee Shares of \$10,700,000	N/A	Change of capital approved by the Ministry of Economic Affairs on December 11, 2015
2016	2	10	6,000,000,000	60,000,000,000	4,470,636,625	44,706,366,250	Cancellation of Restricted Employee Shares of \$4,900,000	N/A	Change of capital approved by the Ministry of Economic Affairs on March 14, 2016
2016	5	10	6,000,000,000	60,000,000,000	4,470,486,625	44,704,866,250	Cancellation of Restricted Employee Shares of \$1,500,000	N/A	Change of capital approved by the Ministry of Economic Affairs on June 2, 2016
2016	6	10	6,000,000,000	60,000,000,000	4,426,670,625	44,266,706,250	Retirement of treasury stock \$438,160,000	N/A	Change of capital approved by the Ministry of Economic Affairs on July 21, 2016
2016	8	10	6,000,000,000	60,000,000,000	4,424,680,625	44,246,806,250	Cancellation of Restricted Employee Shares of \$19,900,000	N/A	Change of capital approved by the Ministry of Economic Affairs on August 29, 2016
2016	11	10	6,000,000,000	60,000,000,000	4,424,510,625	44,245,106,250	Cancellation of Restricted Employee Shares of \$1,700,000	N/A	Change of capital approved by the Ministry of Economic Affairs on November 29, 2016
2017	2	10	6,000,000,000	60,000,000,000	4,422,464,625	44,224,646,250	Cancellation of Restricted Employee Shares of \$20,460,000	N/A	Change of capital approved by the Ministry of Economic Affairs on February 24, 2017

Share Type	Authorized capital			Remarks
	Outstanding shares (public listed)	Unissued shares	Total	
Ordinary shares	4,422,464,625 (Note)	1,577,535,375	6,000,000,000	Approved to include 100,000,000 shares of employees shares and corporate bonds with warrant in capital.

Note: Unconcealed restricted employee shares (RSA) are 312, 000 shares.

- Shelf registration system information: None

#### 4.1.2 Status of Shareholders

April 24, 2017

Analysis	Government Agencies	Financial Institutions	Other Institutions	Foreign Institutions & Natural Persons	Domestic Natural Persons	Treasury stocks	Total
Number of Shareholders	3	42	242	1,009	159,113	1	160,410
Shareholding (shares)	8	246,855,469	344,505,872	2,433,096,828	1,397,694,448	312,000	4,422,464,625
Percentage	0.00%	5.58%	7.79%	55.02%	31.60%	0.01%	100.00%

#### 4.1.3 Share Ownership Distribution

April 24, 2017

Range of Shareholding (Unit: Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	49,981	9,779,162	0.22%
1,000 ~ 5,000	71,868	163,997,690	3.71%
5,001 ~ 10,000	18,921	136,610,284	3.09%
10,001 ~ 15,000	6,742	81,005,069	1.83%
15,001 ~ 20,000	3,372	60,596,826	1.37%
20,001 ~ 30,000	3,331	82,047,829	1.86%
30,001 ~ 40,000	1,537	54,059,597	1.22%
40,001 ~ 50,000	935	42,858,140	0.97%
50,001 ~ 100,000	1,809	127,919,729	2.89%
100,001 ~ 200,000	827	115,854,490	2.62%
200,001 ~ 400,000	413	115,748,714	2.62%
400,001 ~ 600,000	156	76,533,792	1.73%
600,001 ~ 800,000	80	55,508,252	1.26%
800,001 ~ 1,000,000	49	44,383,320	1.00%
1,000,001 and over	389	3,255,561,731	73.61%
Total	160,410	4,422,464,625	100.00%

#### 4.1.4 List of Major Shareholders

April 24, 2017

Shareholder's name	Shares	Shares held	Percentage (%)
Kinpo Electronics Inc.		151,628,692	3.43%
Bank of Taiwan in custody for Silchester International Investors International Value		76,904,000	1.74%
Standard Chartered in custody for Vanguard Stock Index Fund		75,897,629	1.72%
Standard Chartered in custody for Fidelity Puritan Fund: Fidelity Low-Priced Stock Fund		72,000,000	1.63%
Citi (Taiwan) Commercial Bank in custody for Dimensional Emerging Markets Value Fund		67,242,333	1.52%
Yung-Kun Hsieh		64,598,000	1.46%
FuBon Insurance		64,200,991	1.45%
Shin Kong Life Insurance Co., Ltd.		62,330,500	1.41%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency		55,367,000	1.25%
Citi (Taiwan) Commercial Bank in custody for Norges Bank		53,620,697	1.21%

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Measurement		Year	2015	2016	Year-to-date March 31, 2017
Per-share market price	High		29.30	21.65	20.25
	Low		15.10	16.55	18.45
	Average		22.23	19.24	19.20
Per-share net worth (Note)	Before dividend		23.71	24.19	23.62
	After dividend		22.49	22.98	-
Earnings per share	Before adjustment	Weighted average outstanding shares	4,329,403,194	4,329,403,194	4,341,770,936
		Earnings per share	2.01	1.88	0.25
	After adjustment	Weighted average outstanding shares	4,329,403,194	4,329,403,194	-
		Earnings per share	2.01	1.88	-
Per-share dividend	Cash dividends		1.20	1.20	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends		-	-	-
Analysis of investment returns	P/E ratio		11.06	10.23	-
	Price to dividends ratio		18.53	16.03	-
	Cash dividend yield		5.40%	6.24%	-

Note: The 2016 distribution of earning was resolved at the May 10, 2017 Board of Directors' Meeting and will be submitted to the 2017 shareholders' meeting for final approval.

#### **4.1.6 Dividend Policy and Implementation Status**

##### **(1) Dividend Policy**

When the Company makes a profit during the year, 10% of annual net income after appropriating income tax expense, offsetting any prior deficit, is to be set aside as legal reserve and a special reserve is set aside or reserved in accordance with pertinent laws and regulations. The balance of earning available for distribution is composed of the remainder of the said profit and the retained earning from previous years. The earnings appropriation, distribution of dividends and bonuses shall be proposed by the Board of Directors and approved at a Shareholder's Meeting. The rest of the unappropriated earning shall be reserved.

The Company is in a growth period of its life cycle. And as such, for the consideration of future capital needs and to meet cash flow needs of its shareholders, the Company's distribution of cash dividend, after closing and has distribution of earning, shall be no less than 10% of the total cash and stock dividends.

Although a dividend ratio has not been specified in the Company's articles of incorporation, the Company shall not appropriate less than 30% of its income after tax for dividends, after taking into account factors such as the Company's capital needs, the capital budget, long term financial plans, domestic and international competition and the interests of the shareholders. The board of directors shall propose the distribution of earnings and submit them to the shareholders' meeting for approval.

##### **(2) Proposed Distribution of Dividend**

- The proposed 2016 distribution of earning of shareholders' dividend in the amount of NTD 4,422,152,625 will be discussed at the 2017 shareholders' meeting. The aforementioned amount is set to be distributed as an all cash dividend of NTD 1 per share and incurred capital surplus generated from the excess of the issuance price over the par value of the capital stock in the amount of NTD 884,430,525, or NTD 0.2 per share. The total cash distribution amounts to NTD 5,306,583,150.
- Should the Company decide to buy back/recover outstanding shares, transfer treasury stock to employees, reduce share capital or in any other way alter the number of outstanding shares sometime later, the Board of Directors shall be authorized to adjust the payment rate of cash dividends and cash capital surplus as deemed necessary at its discretion.

##### **(3) Impact to 2016 Business Performance and EPS resulting from Stock Dividend Distribution: Not Applicable.**

#### **4.1.7 Employees' and Directors' Compensation**

##### **(1) Employees' and directors' compensation policies as stated in the Articles of Incorporation**

When the Company makes a profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to the deduction of compensation to employees and directors, shall be distributed to employees as compensation in the amount of no less than two percent (2%) thereof and to director as compensation in an amount of no more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset the accumulated losses.

The compensation to employees as mentioned above may be distributed in the form of stock or cash and employees entitled to receive said stock/cash may include the employees of the Company's subordinate companies pursuant to the Company Act.

##### **(2) Basis for estimating employees' and directors' compensation and stock dividends, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid.**

- Compensation to directors and employees, as denoted in the Articles of Incorporations, shall be estimated based on income before tax prior to the subtraction of directors and employees compensation during the current year and multiplied by the ratio as denoted in the Article of Incorporation (shall not be more than 2% or less than 2% of the remainder, respectively.)
- If the compensation approved for distribution to employees is to be in the form of common shares, the number of shares is determined by dividing the amount of the compensation by the closing price of the shares on the day preceding the Board of Directors' meeting.
- If the actual amounts differ from the amounts estimated, the differences are recorded as gains/losses in the subsequent year as a change in accounting estimate.

##### **(3) 2016 employees compensation proposal passed by the board of directors**

- Accrued employees compensation is NTD \$876,027,690 and directors compensation is NTD \$46,323,438.
- If the estimated distribution amount differs from the amounts estimated in accrued expense, the variance, reason and resolution should be disclosed: No variance.
- The proposed distribution of employee stock compensation, and the size of such an amount as a percentage of the sum of the after-tax net income stated in the individual financial reports for the current period and total employee compensation: Not applicable (no employee stock compensation).

##### **(4) Actual distribution of 2015 employee and directors compensation:**

- The employee compensation is NTD \$949,980,218 and the directors compensation is NTD \$50,233,972.
- The 2015 actual distribution of employee and directors compensation was approved at the 2016 shareholders' meeting and remained as proposed by the board of directors.

#### 4.1.8 Company Buyback of Own Shares

Per resolution reached at the 8th Board of Directors Meeting (11th term) on March 25, 2013, the Company planned to buy back its own shares for transferring to employees. Between April 1, 2013 and May 17, 2013, the Company bought a total of 58,516,000 shares. Up to May 16, 2016, i.e., three years have passed since the buyback of Company's own shares for transferring to employees, a total of 14,700,000 shares have been transferred to employees. The expiration date for the remaining 43,816,000 has elapsed. The resolutions to cancel the registration of these shares and perform the amendment to corporate registration for capital reduction and the cancellation of shares with the competent authority were passed at the 7th Board of Directors Meeting (12th term) on June 29, 2016. The amendment to corporate registration was completed and the Company has received the MOEA's approval dated July 21, 2016 (MOEA's Notice No. 10501169070).

#### 4.2 Bonds: None

#### 4.3 Global Depository Receipts

Details \ Date of issue:	November 9, 1999	May 21, 2001
Issuance and trading location	Luxembourg	Luxembourg
Total sum issued	USD 122,160,000	USD 174,816,000
Issuance price per unit	USD 15.27	USD 6.07
Number of units issued	8,000,000 units	28,800,000 units
Source of represented securities	Participating shareholder(s): Kinpo Electronics, Inc.	<ol style="list-style-type: none"> <li>Participating shareholder(s): 44,000,000 shares contributed by (1) Kinpo Electronics, Inc. (2) Panpal Technology Corporation (3) Gempal Technology Corporation</li> <li>New cash issue of Compal shares: 1,000,000,000 shares</li> </ol>
Quantity of represented securities	40,000,000 ordinary shares of Compal Electronics	144,000,000 ordinary shares of Compal Electronics
GDR holders' rights and obligations	<ol style="list-style-type: none"> <li>Voting rights: According to the terms of the depository agreement and the laws of the Republic of China, the beneficiary certificate holder is entitled to the voting rights of shares represented under the beneficiary certificate.</li> <li>Rights to dividend distribution, share subscription and other rights: Unless otherwise specified in the agreement, the GDR carries identical rights as do ordinary shares</li> </ol>	
Trustee	N/A	N/A
Depository bank	The Bank of New York	The Bank of New York
Custodian	Mega International Commercial Bank	Mega International Commercial Bank
Unredeemed balance	6,624,177 units (May 15, 2017)	
Allocation of expenses incurred at issuance and over the duration	Borne by participating shareholder(s)	Allocated proportionally between the Company and participating shareholders

Details		Date of issue:	November 9, 1999	May 21, 2001
Key terms of the depository and custodian agreements		See descriptions below		
Per Unit Market Price	2016	High	USD \$3.38	
		Low	USD \$2.53	
		Average	USD \$2.98	
	Year-to-date May 10, 2017	High	USD \$3.42	
		Low	USD \$2.89	
		Average	USD \$3.17	

#### 4.4 Employee Warrants: None

#### 4.5 Subscription of New Shares by Employees and Restricted Shares

##### 4.5.1 Issuance of Restricted Employee Shares

May 15, 2017

Type of restricted employee shares	2014 1 <sup>st</sup> issue New restricted employee shares
Effective date of application	October 30, 2014
Date of issue:	February 25, 2015
Number of new restricted employee shares issued	49,360,000 shares
Issue price	NTD 0 (issued without subscription)
New restricted shares issued as a percentage to total outstanding shares	1.12% (Note)
Criteria of entitlement to restricted employee shares	<p>1. Employees may receive the following percentages of the restricted shares they have been allocated, if they remain employed by the Company after the duration specified below and satisfy their target performance appraisals (i.e. a performance grade of B or higher in the latest year before the duration is due). However, the actual percentage of shares entitled to employees will be subject to the Company's performance criteria, as calculated in Subparagraph 2 of this Paragraph.</p> <p>After 2 years: 40%</p> <p>After 3 years: 30%</p> <p>After 4 years: 30%</p> <p>2. The Company's performance criteria is calculated based on the weighted score of net income and ROE taken from the latest full-year consolidated financial statements before the duration is due. The following performance criteria applies:</p> <ul style="list-style-type: none"> <li>A. Net Income: increase by 10% or more compared to the Company's 3-year average</li> <li>B. Return on equity (ROE): surpass the Company's 3-year average</li> </ul> <p>Net income is defined as: "current net profit attributable to parent company shareholders" as shown in audited financial statements; whereas ROE is defined as: "current net profit attributable to parent company shareholders" divided by "equity attributable to parent company shareholders" as shown in audited financial statements.</p> <p>To align the interests of employees who have participated in this program and the interests of shareholders, the two performance indicators above are each assigned a 50% weight. If indicators A and B are both achieved, employees will be entitled to receive the full percentage mentioned in Subparagraph 1 of this Paragraph. If only A or B is achieved, employees will be entitled to receive half the percentage mentioned in Subparagraph 1 of this Paragraph.</p>
Restricted rights to restricted	1. Employees may not sell, pledge, transfer, gift, charge or in any way

Type of restricted employee shares	2014 1 <sup>st</sup> issue New restricted employee shares
employee shares	<p>dispose the restricted shares for the duration of entitlement.</p> <p>2. For citizens of the Republic of China, any restricted employee shares received must be placed immediately under the custody of a custodian appointed by the Company. Employees may not request to collect restricted shares for any reason or through any means. For employees of all other nationalities, any restricted employee shares received will be placed under the custody of a custodian bank.</p> <p>3. Restricted employee shares may be allocated cash and stock dividends for the duration of entitlement. Any cash or stock dividends allocated on restricted shares will be transferred from the custodian account to employees' personal accounts on the date of distribution.</p>
Custody of restricted employee shares	Held in trust
If the criteria of entitlement is not met after employees are allocated or have subscribed to restricted shares	<ol style="list-style-type: none"> <li>Once employees have been allocated restricted shares, the Company may recover and retire restricted shares that have yet to satisfy their criteria of entitlement, or from employees who have committed severe mistakes or violations against their employment contracts or work rules, or from those who have willingly surrendered entitlement of restricted employee shares in writing.</li> <li>The Company may recover allocated but unreceived shares from employees who resign, retire, or are dismissed, made redundant, or decease for causes unrelated to occupational hazards within 4 years after the date of distribution.</li> <li>The Company will recover (without compensation) allocated shares from employees who violate the terms of issuance before the criteria of entitlement is met.</li> <li>The Company will recover (without compensation) allocated shares that fail to meet the required criteria over the duration of entitlement. In which case, the Company shall instruct the custodian institution or custodian bank to complete book-entry transfers at least 15 business days before the book closure date of any stock dividend/cash dividend/cash issue.</li> </ol>
Number of restricted employee shares recovered	6,718,000Shares
Number of restricted shares with restrictions removed	16,200,000Shares
Number of restricted shares with restrictions intact	26,442,000Shares
Number of restricted shares with restrictions remaining as a percentage to total outstanding shares (%)	0.60% (Note)
Impacts on shareholders' equity	<p><b>Possible expenses:</b>  A total of 49,360,000 restricted shares have been issued; the issuance price per share is NTD0. The fair value of shares is measured on the day they are distributed; expenses shall be recognized over the duration of entitlement. If all criteria is met, total expenses of this restricted share scheme should approximate to NTD1,009,493,000; of which NTD400,262,000 is recognized in 2015, NTD373,429,000 in 2016, NTD147,897,000 in 2017, NTD 83,520,000 in 2018, and NTD4,385,000 in 2019.</p> <p><b>Dilution of EPS and other impacts on shareholders' equity:</b>  Based on the 4,422,464,625 shares outstanding as at May 11, 2017, the restricted share scheme, once expensed, should dilute earnings per share by NTD0.09 in 2015, NTD0.08 in 2016, NTD0.03 in 2017, NTD0.02 in 2018, and NTD0.00 in 2019. This issue produced limited dilutive effects on the Company's EPS, and hence should not cause any significant impacts on shareholders' equity.</p>

Note: Calculations were based on share capital registered with the Ministry of Economic Affairs as at May 15, 2017

#### 4.5.2 Information on Name of Managers and Top 10 Employees obtaining Restricted Employee Shares

May 15, 2017

Title	Name	Number of new restricted shares acquired as an employee (shares)	New restricted shares acquired as a percentage to total outstanding shares (Note 1)	Restrictions removed				Restrictions intact			
				Number of restricted shares with restrictions removed (shares)	Issuance Price (NTD)	Issuance Amount (NTD)	Number of restricted shares with restrictions removed as a percentage of total outstanding shares (Note 1)	Number of restricted shares with restrictions intact (shares)	Issuance Price (NTD)	Issuance Amount (NTD)	Number of restricted shares with restrictions intact as a percentage of total outstanding shares (Note 1)
Managers 32 persons (Note 2)	24,200,000	0.55%	9,020,000	18.90	170,478,000	0.20%	15,180,000	0	0	0	0.34%
Employees with top-10 holding 12 persons (Note 3)	3,200,000	0.07%	1,280,000	18.90	24,192,000	0.03%	1,920,000	0	0	0	0.04%

Note:

1. Calculations were based on share capital registered with the Ministry of Economic Affairs as at May 15, 2017.

2. Managers' titles and names

- Executive VP and Senior Advisors: Chung-Pin Wong, Chao-Cheng Chen and Yung-Ching Chang – 3 persons.
- Senior VP: Chun-De Shen, Chiu-Rui Wei, Ying Chang, Kuo-Chuan Chen, Sheng-Hua Peng, Wen-Da Hsu, Wei-Chang Chen – 7 persons.
- VP: Chih-Chuan Cheng, Ching-Hsiung Lu, Bo-Hsiung Chang, Bo-Tang Wang, Zong-Ming Wang, Yung-Nan Chang, Sheng-Hung Li, Yung-He Su, Chih-Hsien Liang, Lung-Hua Shen, Min-Dong Wong, Yue-Chun Li, Chiao-Lieh Huang, Chung-Hsing Tan, Yi-Yun Chang, Hsin-Kung Mao, Ling-Sheng Wu, Hsin-Hsiung Huang, Yi-Chiang Chiu, Shih-Hung Huang, Ching-Fa Li and Bo-Heng Chen – 22 persons.

3. Titles and names of employees with top – 10 holding

- Director: Jen-Liang Lin, Hsin-Chih Huang, Yao-Chung Tsai, Cheng-Chiang Wang, Yung-Ching Tian and De-Chi Hsia – 6 persons.
- Deputy Director: Nai-Ping Chen, Hsin-Shu Wang, Chi-Bin Li, Bo-An Lin, Chang-Wen Lin and Chao-Bin Huang – 6 persons.

4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

4.7 Financing Plans and Implementation: None

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### (1) Main areas of business operations

The development, designed, manufacture and sales of Notebook PCs, Ultrabook PCs, 2-in-1 PCs, AIO PCs, Tablet PCs, Server, AE, Smart Home, LCD TVs, LCD Monitor, Public Display, Smart Phone and other Smart Accessory and Wearable Devices.

##### (2) Revenue distribution

		Unit: NTD thousands
Major Divisions	(%) of Total Sales in 2016	
5C electronics	99.4%	
Other products	0.6%	
Total	100.0%	

##### (3) New products development

The development and design of IoT Vertical Solution, EMR and hospital management system, Point of Care management system, and smart Sport.

###### ■ Notebook PCs

For notebook PC hardware, Compal has adopted the most efficient R&D methods in 2016 to launch the latest (6th generation) Intel Core i3, i5 and i7 series processors and AMD central processors, with graphics incorporated in single silicon chip in the development of the APU on top of launching a new generation of laptop which is compatible with the Windows 10 operating system. Compal possesses special expertise in system integration, R&D and manufacturing to assist customers in developing and mass-producing new products with the latest specifications under relatively short time. Compal's price-competitive, slim-type notebooks were launched a time when the market favored more affordable and portable devices, and for which it received positive responses from consumers. The purchase signal in high-end gaming laptop market has been relatively stable, making gaming laptops a new ground for brand name companies to vie for growth. These companies have injected more investments in the gaming notebook market and launched the global market for gaming notebook into intense competition. After years of operation as an OEM of gaming notebooks for our brand partners, Compal has accumulated profound experience in design and development and in 2017, the Company shall continue to keep up with the market trends by introducing high-end technical specifications, multi-dimensional graphics chips and Intel's 7th generation high-end H series central processor to launch a new brand of gaming computer. Together with our clients, we shall secure our share in the gaming laptop market. Compal has also been improving its ability to design customized models for customers across different countries and markets. A significant amount of resources has been devoted to developing commercial notebooks, given how their demands are resilience against economic downturns. Overall, Compal aims to attain industry-leading R&D capabilities in both consumer and commercial markets.

###### ■ Ultrabook PCs

Innovative technology and extensive R&D capabilities allow Compal to maintain a leading position in the industry. Compal produces an ultra-thin notebook (Ultrabook), that uses the latest generation of the Intel industry-leading 15 Watt standard voltage processor. Not only is it slim and light but it has the most excellent

performance and allows users to stay productive. More Windows 10 Ultrabooks equipped with standard voltage processors are scheduled for launch in 2017. Apart from compatibility with Intel's design specifications for its latest generation products, we will also be introducing products of a slimmer design at a lower price to meet market demand. The product will feature the stylish and elegant body that is typical of Compal products yet offer powerful computing power that can rival high-performance PCs. Compal will also continue to develop newer and more competitive technologies so that not only consumers around the world will get to enjoy Compal's innovations but also enables our customers to access this market more quickly.

#### ■ 2-in-1 PCs

The 2-in-1 laptop is a novel product that borrows the concept of "Transformers" – in addition to having a standard laptop keyboard for diverse functional operations, the product also features Tablet PC touch versatility. With a touch-sensing display module coupled with Microsoft's latest Windows 10 OS, the product is aimed at attracting the consumer base for standard laptops and tablet PCs. Utilizing our rich R&D experience, Compal has presented a number of innovative concepts to incorporate the Company's exclusive technologies, materials and fan-less design in 2-in-1 PCs of different designs and form factors, the Company is poised to create new market demands and earn unanimous praises from customers and consumers alike.

#### ■ AIO PCs

AIO has been on the market for years. It is an elegant combination of screen and computer with a thin, special shape, and elegant design. The product has replaced the desktop in many households and corporations. Compal has also enhanced the design to allow the AIO to lie flat and also be portable (Portable AIO). Since Compal possess the fundamental technical capabilities required for notebook PCs featured in the AIOs, the Company is therefore able to commence production in the shortest time possible. Our AIO product lines have been very well received by clients.

#### ■ Smart Home

Smart Home has been in development for many years and with the dawn of the IoT (Internet of Things) era, the central control platform for smart home will no doubt become the focal point of competition for relevant industries. Compal has ventured into the development of Home Gateway platform using our production and design capacity for mobile computers and devices. We have also developed new products and business lines by cultivating wireless technology and sensor network technologies, integrating background cloud computing services and focusing on smart energy saving, smarter safety and smart home care. In the future, Compal will also rely on its core capabilities to gradually expand its products width and depth in different domains of IoT in order to locate corresponding niche markets to expand product coverage.

#### ■ Server

Cloud application has been a growing market. A significant portion of data storage and computing analytics have shifted to cloud servers in the back-end. In order to meet the demand from both Enterprises and Data Centers, Compal has mastered the R&D of High-density computing power and precision performance management, with the capacity to design and manufacture servers of higher C/P value.

#### ■ Tablet PCs

Compal has long cultivated tablet PC technology for industrial, commercial and consumer users. We will continue to develop a series of tablet PCs and LTE compatible products at affordable price points in order to satisfy the needs of our clients while winning the support and recognition from consumers. We will also extend our product lines to eBooks and deliver more competitive solutions to name brand clients.

#### ■ LCD TVs

As consumers change their viewing habits, the interaction experience between users of Smart TVs (or smart phones) is also redefined by seamless extension of the content on the devices, such as simplification of TV

network setup. This improves user convenience to meet new expectations from such devices as smart TVs.

#### ■ LCD Monitor

Existing UHD products have advanced to HDMI 2.0 specification and now supports up to 4K2K 60Hz input signal and USB Type-C connectivity to achieve comprehensive connection interface in order to accommodate the demand for professional graphics design and B2B market.

#### ■ Smartphone

Compal continues to strengthen the operational efficiency of R&D, develop core communications technologies, and continue the development of innovative technologies to maintain an industry-leading position. In the near future, we will continue to develop high-end smart mobile devices that feature multi-core, frameless, multi-camera image integration and special feature camera. We will also increase the speed for TDD-LTE/FDD-LTE carrier aggregation. Apart from continuing to strengthen the competitiveness of low-priced entry-level products, we will also actively develop cost-effective, visually appealing products to cope with the rapid growth and customer needs in emerging markets.

#### ■ Smart Accessory+Wearable Devices

Compal began shipping its wearable devices in 2016 and with our design capacity for smart products and capabilities for mass production, we have made significant progress in terms of shipping quantity for Android Wear smart watches. Apart from continuing to develop even more compact and energy efficient smart watches in the near future, we will also aggressively expand our production lines for other wearable products in the hopes of achieving greater success in the future.

#### ■ AE

Car PCs consists of in-car communication system (Telematics) and in-car AV entertainment system (in-Vehicle-Infotainment). As telematics systems are governed by special regulations on safety and communication control, we have long been working with car manufacturers to ensure relevant processes were in sync. Due to the similarity in system framework between in-car AV entertainment and PCs, the field became a natural starting point for Compal's foray into the car PC market. After years of hard work in the field, Compal products have been adopted by several major car manufacturers around the world.

#### ■ IoT Vertical Solution

Vertical solutions have been one of the key demands in the development of IoT with an extensive range of applications covering smart cities, Industry 4.0, smart buildings, smart retail and smart medical care. Such solutions feature integrated software and hardware and are designed specifically to accommodate clients' needs. Demands from B2B customers not only account for a higher portion in the existing IoT market but also bring Compal more immediate profit. Compal offers competitive products to address the primary needs of development in many different fields not just as a hardware manufacturer, but also as a full Service Provider.

#### ■ Smart Medical and Healthcare

The aging population, China's new two-child policy, the flourishing health care industry, and the rise of sports fashion, especially the popularity of convenience smart devices, have all contributed to smart healthcare becoming a focus of attention. It has also become a major matter of cross industry cooperation. Compal has responded to market demand and the rapid advent of the IoT era by actively foraying into the healthcare market by reaching out to major hospitals and point of care (POC)s such as long-term care centers and post-partum care centers through our strengths in integration and profound experience in product development. The designs, which include science, technology, and humanity, help caregivers to provide higher quality services and also give hope of a better quality of life and personal dignity to those who need healthcare.

## 5.1.2 Industry Overview

Please refer to page 74-82 of the Chinese annual report.

## 5.1.3 Research and Development

Research and Development Expenses in the past year:

Year	R&D expenses	Operating revenues	Unit: NTD thousands; %
			R&D expenses as a percentage to operating revenues
2016	11,961,428	766,810,035	1.6%
2017 first quarter	2,397,542	187,427,921	1.3%

## 5.1.4 Long-term and Short-term Development

### (1) Short-term Development

- We will adapt to market changes, follow current trends, strengthen new design concepts, maintain the focus on product difference, and launch ahead of our competitors.
- We will enhance operation efficiency, to further increase our product competitiveness and push the sales growth rate higher than the market average.
- We will improve logistics management and flexibility to shorten delivery time.
- We will elaborate different market strategies for different product markets. Main stream products will be bundled with new technology and modular features to boost the added value and diversity of products. For featured products, we will adopt a prospective standpoint in our design concept for new products in order to become the focal point of the product market. For low-price products, apart from pricing competitiveness, user functionality should also be taken into consideration.
- Production bases will be diversified to spread the risk of a single production, reduce the cost of manufacturing and improve product competitiveness.
- We will pay closer attention to market trends and evolution in smart devices and develop product concepts suitable for OEM customers and the market. We will help customers create differentiated products with feasible designs.
- Product development times will be further shortened to optimize supply chain management, maintain persistent high quality, and provide customers with more competitive products.
- More effort will be made to maintain existing customer relations. Apart from maintaining a high degree of customer satisfaction, we will work towards increasing the volume of product cooperation. We will also seek other opportunities for cooperation with new customers in order to achieve a growth rate that is superior to the market average for smart device products.
- We will improve product profitability to achieve the maximum utilization of capacity and enhance overall operational efficiency and profitability.
- We will tap our accumulated communications industry R&D energy resources to quickly and efficiently cut into the high-growth networking market.
- A number of different industry alliance strategies will be used for the rapid development of a diversified product line that will strengthen customer relationships in the shortest possible time.

### (2) Long-term Development

- A spirit of innovation will strengthen the value-added Company products and improve long-term core competitiveness.
- Cooperation with our customers will be improved to allow better product planning, development and manufacture as well as comprehensive after-sales service.
- Horizontal and vertical integration of all parts and products of the Group's affiliates will be strengthened strategically and aligned with customers, to give them more convenient and complete services.
- Optimization of the quality of sophisticated products will be enhanced by new development and cost structures and strategic alliances with main parts providers in the supply chain to give customers better and more competitive products and services.
- Closer horizontal and vertical integration will be made with affiliates in the Group to create and improve the

loyalty of long-term customers.

- Our ability to innovate will be further cultivated, aiming to be able to more accurately predict market trends, before the client does, and provide them with products and services and high value-added solutions to improve long-term core competitiveness.
- The Company has established a service-oriented business model and new revenue sources through careful long-term upstream and downstream integration and cooperation.
- We are strengthening the breadth of learning of our team in preparation for future new business and product development through cross-industry alliances.
- We are cultivating the ability to control key technology, strategize high-end product lines, and gain cooperation opportunities with big manufacturers around the world.
- In addition, we will continue to strengthen our core R&D capability and capacity for technical services for smart devices

## 5.2 Market and Sales Overview

### 5.2.1 2016 Sales (Service) by Regions

Area	Percentage
Americas	38.5%
Europe	27.1%
Asia (Including Taiwan)	31.6%
Other Area	2.8%
Total	100.0%

### 5.2.2 Major Products and Their Main Uses

#### ■ Notebook PCs

Analog-digital application hardware platform combined with dedicated software to enable a variety of applications such as data editing/processing, word processing, layout, graphics application, web browsing, communications, digital multimedia entertainment, gaming and so forth.

#### ■ Ultrabook PCs

Emphasize laptop that is thin and light-weighted and take into account the performance of the battery performance to meet the consumer's needs of portable and productivity.

#### ■ 2-in-1 PCs

The device uses the Windows 10 operating system, has an optional stylus, and satisfies the growing consumer demand for mobile computing. In addition to multiple operating modes, the laptop has a touch screen that enables it to be used as a tablet.

#### ■ AIO PCs

Beautiful aesthetics suited for home use, with emphasis on touch screen input interface, software applications and high computing power.

#### ■ Smart Home

Smart appliances, controls and sensors that provide users with diversified services for smart lifestyle.

■ Server

Designed with high computing power, capable of storing massive amount of data and compatible with different processing programs for data analysis; built to accommodate different applications required at enterprises, data centers and cloud platforms.

■ Tablet PCs

Portable touch screen multimedia, mobile viewing and online information applications.

■ Displays

Graphics display and audio output.

■ Smartphone

Personal communication and internet access.

■ AE

- Touch screen Car multimedia player.
- Voice controlled natural sound navigation.
- Bluetooth wireless phone to answer calls.
- WiFi smartphone that enables two-way communications.
- Accident alarm
- Integrated peripheral safety warning systems such as wireless tire pressure and collision avoidance radar.

■ IoT Vertical Solution

Through flexible hardware design and a range of customized software applications along with cloud and big data analysis for horizontal alliance, we offer clients with complete solutions and services by creating novel applications.

■ Smart Medical and Healthcare

The penetration of households and point-of-care areas using technology, including that of the IoT, and gradual integration with our own peripheral software products to provide comprehensive solutions, and give convenient and instant smart health care that will enhance dependence on the products as well as user brand loyalty.

### 5.2.3 Supply Status of Main Materials

Main materials include CPU/Chipset, HDD, Memory, ODD, Battery, LCD Panel, and Touch Panel Module. Regarding their supply status, please refer to page 96-98 of the Chinese annual report.

## 5.2.4 Major Suppliers and Clients

### (1) Major Suppliers in the Last Two Calendar Years

Unit: NTD thousand

Party	2015				2016				2017 first quarter			
	Name	Amount	As a percentage to 2015 net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to 2016 net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to 2017 first quarter net purchases (%)	Relationship with the issuer
1	Company E	223,294,338	27.43	N/A	Company E	235,953,445	32.15	N/A	Company E	63,144,635	35.16	N/A
2	Company B	112,207,244	13.79	N/A	Company B	102,218,447	13.93	N/A	Company B	23,186,399	12.91	N/A
	Others	478,425,759	58.78		Others	395,801,173	53.92		Others	93,272,462	51.93	
	Net Purchase	813,927,341	100.00		Net Purchase	733,973,065	100.00		Net Purchase	179,603,496	100.00	

### (2) Major Clients in the Last Two Calendar Years

Unit: NTD thousand

Party	2015				2016				2017 first quarter			
	Name	Amount	As a percentage to 2015 net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to 2016 net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to 2017 first quarter net sales (%)	Relationship with the issuer
1	Company a	133,830,636	15.79	N/A	Company a	119,219,545	15.55	N/A	Company a	27,986,164	14.93	N/A
2	Company d	288,523,817	34.05	N/A	Company d	306,571,029	39.98	N/A	Company d	81,253,846	43.35	N/A
3	Company e	103,644,690	12.23	N/A	Company e	93,254,993	12.16	N/A	Company e	23,620,097	12.60	N/A
4	Company f	97,984,283	11.57	N/A	Company f	95,357,708	12.44	N/A	Company f	24,711,557	13.18	N/A
	Others	223,322,272	26.36		Others	152,406,760	19.87		Others	29,856,257	15.94	
	Net sales	847,305,698	100.00		Net sales	766,810,035	100.00		Net sales	187,427,921	100.00	

### 5.2.5 Production in the Last Two Years

Unit: thousand devices; NTD thousands

Year Production volume/ value	2015			2016		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products						
5C electronics	114,324	101,644	829,209,071	125,442	100,575	734,512,835

### 5.2.6 Shipments and Sales in the Last Two Years

Unit: devices; NTD thousands

Year Sales volume	2015				2016			
	Domestic sales		Export sales		Domestic sales		Export sales	
Main products	Volume	Value	Volume	Value	Volume	Value	Volume	Value
5C electronics	651	3,481,047	99,902	843,824,651	456	1,938,470	100,429	764,871,565

### 5.3 Human Resources

Year	December 31, 2015	December 31, 2016	March 31, 2017
Number of employees	72,796	64,728	74,956
Average age	26.63	27.36	27.53
Average years of service	1.94	1.99	1.86
Academic qualifications	Doctoral Degree	0.07%	0.07%
	Master Degree	3.78%	4.24%
	University	19.75%	21.81%
	High school	53.86%	53.84%
	Below high school/others	22.54%	20.04%

### 5.4 Environmental Protection Expenditure

#### (1) The Company is an assembler of electronic products, and produces no significant pollution:

To protect the environment and fulfill our social responsibility as well as reduce carbon emissions and the impact on global warming. The Taiwan and Mainland China plants together incurred expenses of NT\$23,680 thousand (excluding regular maintenance and green R&D) in 2016. We are keeping the promises we made as an earth citizen, hoping to make substantial contribution to protection of the global environment. We will continue our commitment to efforts in this respect.

#### (2) Compliance with EU RoHS directives:

- All Compal products are 100% compliant with EU RoHS Directives. There have been no cases of any

returns for non-compliance with RoHS standards. In addition, Compal has begun demanding that suppliers make timely adjustments for any RoHS exclusions that are scheduled for the near future and restrict the use of substances such as DEHP, BBP, DBP and DIBP, the ban on these comes into effect in 2019.

- In order to manufacture environmentally friendly green products and meet the requirements of both international environmental laws and client demand, the Company has implemented “Management Standards for the Control of Environment-Related Substances in Parts and Materials” that covers all hazardous substances currently prohibited by law and banned by customers. We have implemented efficient and effective methods of inspection for hazardous substances using recognized component classification and risk control to establish a plant monitoring mechanism for oversight and verification. All the products manufactured by the Company comply with the validation IECQ QC 080000 Electrical and Electronic Components and Products Hazardous Substance Process Management System Requirements.

### **(3) Responsive strategies and possible expenses:**

- In the future, the Company will continue to implement its environmental responsibilities including the boosting of staff knowledge of environmental matters, the advocacy of updated green living knowledge, Company response to government policy with respect to green consumption, and the regular priority assessment of green product content in procurement as well as continuous improvement in the energy efficiency of our plants. This includes scrutiny for all kinds of possible violations of environmental regulations in the operations management system, and the mandate to make timely response to all environmental laws.

## **5.5 Labor Relations**

### **(1) Availability and execution of employee welfare, education, training and retirement policies. Elaborate on the agreements between employers and employees, and protection of employees' rights**

#### **■ Employee welfare:**

In addition to all their statutory labor rights and to help employees find a balance between work and personal life, both physical and mental, and to improve their vitality in the workplace, the Company has established an Employee Benefits Committee, a Life Committee, and other groups responsible for promoting worker welfare. The employee health benefits and activities include a fitness center, a medical facility, periodic health checks, recreational team competitions, family activities, travel, the arts, and leisure and all kinds. Group Life Insurance is covered by the Company that includes accident, medical, and cancer. The employees' dependents may also join the scheme at a discounted rate, but at their own expense. We also have benefits such as scholarships for employees and their children.

The Company actively supports the government in resolving the low birth rate crisis and childcare policy in Taiwan. Since 2011, we have provided generous maternity grants for employees and their spouses and children. By the end of 2016, the Company had provided NT\$113.25 million in maternity allowances and bonuses. There were 39 counts of employees who took parenting leave, with the right to return, in 2016.

#### **■ Education and training:**

The Company set training credits and outlined the credit system according to the needs of each level. The Company also integrates all training records in online learning platform to further assist the

competent staff in keeping abreast of the learning progress.

In 2016, a total of 1,668 training sessions (both internal and external) were organized; these courses delivered 104,062 hours of training and 31,940 persons enrolled. The total training expenses were NT\$10,080 thousand. The training courses included:

**Orientation:** Organized new hire seminars and corporate culture experience camp to help the new hires better understand the Company's culture, the current status of the industry, and the Company strategy and visions.

**Language training:** Basic to advance English and Japanese courses that train the employees' ability to respond to customers and equip them with a global vision through workspace situational training.

Managerial skills Training: To establish a comprehensive blueprint of development level, strengthen the core competency at all levels in such aspects as teamwork, problem analysis, innovative thinking... and soon, and also to conduct planning for Company talent training in various stages.

**Professional training:** Categorized new professional knowledge lectures, courses, and experiences heritage job training to enhance employees' expertise and technology. Also enhance the Company's core competitiveness through systematic management.

**E-learning:** Offers related courses in new hire requisites, IT, 6 sigma, language, management, CSR and occupational safety. The Company uses Internet learning and resource sharing to offer real-time learning, maximizing the effect with a complete learning and training mechanism that utilizes a comprehensive knowledge management system.

- Retirement system

The Company has developed its retirement system in accordance with the Labor Standards Act and the Labor Pension Act. For employees who are transferred to affiliated companies, pension benefits are paid according to employees' years of service in their respective departments, and out of pension fund accounts that each department has contributed over the course of employees' service.

- Employer-employee communications and enforcement of workers' rights

The Company has always valued employer-employee relations, and has communication channels available to facilitate two-way communication between the two parties, thereby allowing the Company to respond to employees' thoughts and opinions in a prompt manner. The Company not only has policies in place to protect employees' rights, but also makes decisions in the best interests of its employees.

## (2) Personnel management

The Company has clear policies in place to manage human resources and to guide employees' behaviors. There are specific levels of approval authority and detailed rules to guide decisions concerning employees' recruitment, promotion, appraisal, assignment, leave of absence, resignation, confidentiality agreement, reward and discipline. These policies and rules exist to eliminate subjective judgments and to create a fair, open, and systematic corporate culture.

## (3) Work environment

- Buildings are subjected to annual fire safety inspections and reports.
- Buildings, plants and equipment are inspected daily and maintained on a regular basis.
- The Company hires regular cleaning services to ensure the cleanliness of its work environment.

## (4) Employees' safety

- Personnel entry and exit are controlled by security system.
- Security personnel are stationed 24 hours a day to patrol plant premise and monitor the surveillance system.

- Lectures and rehearsals are organized annually to demonstrate the proper responses in case of an emergency.

**(5) Actual or estimated losses arising as a result of employment disputes in the recent year up till the publication date of this annual report, and any responsive measures taken:**

- The Company did not suffer any losses due to employment dispute in the recent year, and nor does it expect any occurrence in the coming year.
- Responsive strategies and possible expenses: none.

## 5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Patent licensing agreement	Phoenix Technologies Ltd.	Since 2010.1.1 Auto-renewed upon expiry	1. Tool Licenses 2. Source Code licenses 3. Maintenance	N/A
Trading and manufacturing agreement	Dell Products L.P.	Since 1997.06.26 Auto-renewed upon expiry	Under this agreement, the buyer will procure computer products developed and manufactured by the seller, while the seller will give the buyer proper licenses to use the products and provide after-sale technical services thereafter.	N/A
Trading agreement	Toshiba Co.	Since 1999.09.09 Yearly Auto-renewed upon expiry	Under this agreement, the buyer will procure computer products developed and manufactured by the seller, along with after-sale technical services provided by the seller.	N/A
Trading and manufacturing agreement	Acer Inc.	Since 2001.10.01 Yearly Auto-renewed upon expiry	Under this agreement, the buyer will procure computer products developed and manufactured by the seller, along with after-sale technical services provided by the seller.	N/A

# VI. Financial Information

## 6.1 Five-Year Financial Summary

### 6.1.1 Condensed Balance Sheet and Statement of Comprehensive Income – Based on IFRS

#### (1) Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Analysis		Financial Summary for The Last Five Years (Note 1)					As of March 31, 2017
		2012	2013	2014	2015	2016	
Current assets		259,133,608	287,380,820	324,845,249	277,783,476	300,469,007	289,710,910
Property, plant, and equipment		20,772,790	21,209,228	24,472,732	24,308,631	20,952,677	19,289,173
Intangible assets		1,451,181	1,293,643	1,035,162	1,194,193	1,291,281	1,205,308
Other assets		30,431,001	26,219,123	28,397,575	24,639,275	24,303,146	21,747,346
Total assets		311,788,580	336,102,814	378,750,718	327,925,575	347,016,111	331,952,737
Current liabilities	Prior to distribution	195,000,133	220,597,261	250,264,267	202,757,075	209,232,199	197,483,353
	After distribution	199,333,956	224,902,606	256,832,412	208,009,032	(Note 2)	-
Non-current assets		1,995,177	15,314,137	22,266,514	15,570,384	25,500,097	24,737,741
Total liabilities	Prior to distribution	196,995,310	235,911,398	272,530,781	218,327,459	234,732,296	222,221,094
	After distribution	201,329,133	240,216,743	279,098,926	223,579,416	(Note 2)	-
Equity attributable to parent company shareholders		106,039,633	95,102,289	101,386,923	103,775,795	105,804,389	103,268,810
Ordinary shares		44,126,526	44,134,467	44,232,366	44,711,266	44,241,606	44,224,346
Capital reserves		16,122,810	16,193,087	14,296,445	12,838,638	11,779,274	11,769,686
Retained earnings	Prior to distribution	55,053,941	44,489,978	47,721,872	51,877,511	55,289,409	56,366,197
	After distribution	50,669,755	42,312,310	43,293,091	47,450,840	(Note 2)	-
Other equity interests		(8,382,397)	(7,707,518)	(3,139,021)	(3,926,881)	(4,624,653)	(8,210,172)
Treasury stock		(881,247)	(2,007,725)	(1,724,739)	(1,724,739)	(881,247)	(881,247)
Non-controlling interests		8,753,637	5,089,127	4,833,014	5,822,321	6,479,426	6,462,833
Total equity	Prior to distribution	114,793,270	100,191,416	106,219,937	109,598,116	112,283,815	109,731,643
	After distribution	110,459,447	95,886,071	99,651,792	104,346,159	(Note 2)	-

- Note: 1. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2017, has not yet been audited by the CPA.
2. 2016 annual financial statements have not been approved at a shareholders' meeting. Therefore, the amount after allocation is not listed.
3. The Company has retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

## (2) Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Year Analysis	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2017
	2012	2013	2014	2015	2016	
Net sales revenue	683,913,713	692,748,293	845,700,752	847,305,698	766,810,035	187,427,921
Gross profit	28,749,803	28,110,391	32,364,662	33,378,357	32,836,970	7,824,425
Net operating income	10,054,894	9,234,044	11,664,922	11,312,452	11,063,645	2,949,361
Non-operating income and expense	(631,049)	(4,873,662)	(1,937,570)	479,641	749,700	(1,494,276)
Net income before tax	9,423,845	4,360,382	9,727,352	11,792,093	11,813,345	1,455,085
Net income from continuing operations	7,240,147	2,903,732	7,545,381	9,007,147	8,968,006	1,108,146
Net loss from discounting operations	-	-	-	-	-	-
Net income (loss)	7,240,147	2,903,732	7,545,381	9,007,147	8,968,006	1,108,146
Other comprehensive income (loss) (net of tax)	(59,127)	711,298	4,555,499	(101,970)	(1,265,546)	(3,698,266)
Net income	7,181,020	3,615,030	12,100,880	8,905,177	7,702,460	(2,590,120)
Net income attributes to shareholders of the Parent	6,399,958	2,467,211	7,024,461	8,684,610	8,130,890	1,073,335
Net income attributes to non-controlling interests	840,189	436,521	520,920	322,537	837,116	34,811
Comprehensive income attributed to owners of parent	6,406,588	3,160,663	11,548,480	8,552,926	6,916,562	(2,570,306)
Comprehensive income attributed to non-controlling interests	774,432	454,367	552,400	352,251	785,898	(19,814)
Earning per share (unit: dollar)	1.47	0.57	1.63	2.01	1.88	0.25

Note: 1. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2017, has not yet been audited by the CPA.

2. The 2016 annual financial statement for the current year has not yet been approved at a shareholders' meeting
3. The Company has retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

### (3) Parent-Company-Only Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Analysis	Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2017
		2012	2013	2014	2015	2016	
Current assets		194,403,691	210,646,593	255,609,554	207,496,808	237,412,415	N/A
Property, plant, and equipment		2,295,444	2,218,316	2,230,023	2,181,737	2,132,114	
Intangible assets		724,106	617,739	412,185	378,454	268,316	
Other assets		76,775,902	82,728,525	85,179,353	86,182,040	88,808,075	
Total assets		274,199,143	296,211,173	343,431,115	296,239,039	328,620,920	
Current liabilities	Prior to distribution	167,275,463	187,574,634	220,791,532	177,664,877	197,566,162	
	After distribution	171,659,649	191,929,970	227,434,703	182,976,882	(Note 2)	
Non-current assets		884,047	13,534,250	21,252,660	14,798,367	25,250,369	
Total liabilities	Prior to distribution	168,159,510	201,108,884	242,044,192	192,463,244	222,816,531	
	After distribution	172,543,696	205,464,220	248,687,363	197,775,249	(Note 2)	
Equity attributable to parent company shareholders		-	-	-	-	-	
Ordinary shares		44,126,526	44,134,467	44,232,366	44,711,266	44,241,606	
Capital reserves		16,122,810	16,193,087	14,296,445	12,838,638	11,779,274	
Retained earnings	Prior to distribution	55,053,941	44,489,978	47,721,872	51,877,511	55,289,409	
	After distribution	50,669,755	42,312,310	43,293,091	47,450,840	(Note 2)	
Other equity interests		(8,382,397)	(7,707,518)	(3,139,021)	(3,926,881)	(4,624,653)	
Treasury stock		(881,247)	(2,007,725)	(1,724,739)	(1,724,739)	(881,247)	
Non-controlling interests		-	-	-	-	-	
Total equity	Prior to distribution	106,039,633	95,102,289	101,386,923	103,775,795	105,804,389	
	After distribution	101,705,810	90,796,944	94,818,778	98,523,838	(Note 2)	

Note: 1. The financial information is audited and reviewed by the CPA every year.

2. The 2016 annual financial statements have not been approved at a shareholders' meeting. Therefore, the amount after allocation is not listed.
3. The Company retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

#### (4) Parent-Company-Only Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Analysis	Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2017
		2012	2013	2014	2015	2016	
Net sales revenue	608,702,320	632,622,772	803,504,061	802,994,930	725,653,095		N/A
Gross profit	15,258,012	16,359,240	21,288,913	22,737,590	21,281,652		
Net operating income	4,877,292	5,505,654	7,291,756	7,305,278	5,972,854		
Non-operating income and expense	2,288,536	(2,503,176)	286,853	2,857,612	3,398,892		
Net income before tax	7,165,828	3,002,478	7,578,609	10,162,890	9,371,746		
Net income from continuing operations	6,399,958	2,467,211	7,024,461	8,684,610	8,130,890		
Net loss from discounting operations	-	-	-	-	-		
Net income (loss)	6,399,958	2,467,211	7,024,461	8,684,610	8,130,890		
Income (loss) from other comprehensive income (net after tax)	6,630	693,452	4,524,019	(131,684)	(1,214,328)		
Net income	6,406,588	3,160,663	11,548,480	8,552,926	6,916,562		
Net income attributes to shareholders of the Parent	-	-	-	-	-		
Net income attributes to non-controlling interests	-	-	-	-	-		
Comprehensive income attributed to owners of parent	-	-	-	-	-		
Comprehensive income attributed to non-controlling interests	-	-	-	-	-		
Earning per share(unit: dollar)	1.47	0.57	1.63	2.01	1.88		

Note: 1.The financial information is audited and reviewed by the CPA every year.

2. The 2016 financial statement has not yet approved by the shareholders' meeting.

3. The Company retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

## 6.1.2 Condensed Balance Sheet and Statement of Comprehensive Income – Based on ROC GAAP

### (1) Consolidated Condensed balance sheet – Based on ROC GAAP

Unit: NT\$ thousands

Analysis	Year	Financial Summary for The Last Five Years					As of March 31, 2017
		2012	2013	2014	2015	2016	
Current assets		257,852,167					
Funds and investments		28,044,206					
Fixed assets		21,386,512					
Intangible assets and other assets		2,000,627					
Total assets		309,283,512					
Current liabilities	Prior to distribution	192,909,628					
	After distribution	197,243,451					
Long-term and other liabilities		1,005,337					
Total liabilities	Prior to distribution	193,914,965					
	After distribution	198,248,788					
Ordinary shares		44,126,526					
Capital reserves		15,776,692					
Retained earnings	Prior to distribution	56,373,219					
	After distribution	51,989,033					
Currency exchange rate adjustment		(3,134,299)					
Net loss not recognized as pension cost		(165,627)					
Unrealized gains and losses of financial instruments		(5,518,799)					
Treasury stock		(881,247)					
Minority interest		8,792,082					
Total Shareholder's equity	Prior to distribution	115,368,547					
	After distribution	111,034,724					

Note: All yearly financial information has been audited.

## (2) Consolidated Condensed Statement of Income – Based on ROC GAAP

Unit: NT\$ thousands

Analysis	Year	Financial Summary for The Last Five Years					As of March 31, 2017
		2012	2013	2014	2015	2016	
Net sales revenue	682,891,359						
Gross profit	29,812,097						
Net operating income	10,067,934						
Non-operating income and gains	2,261,926						
Non-operating expense and losses	2,890,453						
Income from continuing operations before income tax	9,439,407	N/A	N/A	N/A	N/A	N/A	
Income from continuing operations	7,255,485						
Consolidated total income	7,255,485						
Net income attributed to owners of parent	6,411,027						
Earning per share retroactive adjustment (Unit: dollars)	1.47						

Note: All yearly financial information has been audited.

**(3) Parent-Company-Only Condensed balance sheet – Based on ROC GAAP**

Unit: NT\$ thousands

Analysis	Year	Financial Summary for The Last Five Years					As of March 31, 2017
		2012	2013	2014	2015	2016	
Current assets		193,064,991					
Funds and long term investments		76,151,586					
Fixed assets		2,160,328					
Intangible assets		724,106					
Other assets		189,276					
Total assets		272,290,287					
Current liabilities	Prior to distribution	165,490,729					
	After distribution	169,874,915					
Long-term liabilities		-					
Other liabilities		223,093					
Total liabilities	Prior to distribution	165,713,822	N/A	N/A	N/A	N/A	N/A
	After distribution	170,098,008					
Ordinary shares		44,126,526					
Capital reserves		15,776,692					
Retained earnings	Prior to distribution	56,373,219					
	After distribution	51,989,033					
Unrealized gains and losses of financial instruments		(5,518,799)					
cumulative exchange rate adjustments		(3,134,299)					
Net loss not recognized as pension cost		(165,627)					
Total shareholder's equity	Prior to distribution	106,576,465					
	After distribution	102,242,642					

Note: All yearly financial information has been audited.

#### (4) Parent-Company-Only Condensed Statement of Income – Based on ROC GAAP

Unit: NT\$ thousands

Analysis Year	Financial Summary for The Last Five Years					As of March 31, 2017
	2012	2013	2014	2015	2016	
Net sales revenue	607,679,574					
Gross profit	16,228,493					
Net operating income	4,869,926					
Non-operating						
Income and gains	2,620,408					
Non-operating						
Expense and losses	315,184					
Continuing operations						
Net income (loss) before tax	7,175,150					
Continuing operations						
Income (loss)	6,411,027					
Income (loss) from discontinued operations	-					
Income (loss) from extraordinary items	-					
Cumulative Effect of Changes in Accounting Principle	-					
Net income	6,411,027					
Retroactively adjusted earnings per share (Unit: Dollar)	1.47					

Note: All yearly financial information has been audited.

#### 6.1.3 Auditors' Opinions

Year	Accounting Firm	CPA	Audit Opinion
2012	KPMG	Kuo, Kuan Ying; Lo, Jui Lan	Unqualified opinion
2013	KPMG	Kuo, Kuan Ying; Lo, Jui Lan	Modified unqualified opinion (Note 1)
2014	KPMG	Kuo, Kuan Ying; Lo, Jui Lan	Modified unqualified opinion (Note 1)
2015	KPMG	Kuo, Kuan Ying; Lo, Jui Lan	Modified unqualified opinion (Note 2)
2016	KPMG	Kuo, Kuan Ying; Au, Yiu Kwan	Unqualified opinion

Note: 1. Brief disclosures of Company disposal of the equity investment of VIBO Telecom Inc and a record of the impairment of equity investment in Chunghwa Picture Tubes, Ltd.

2. Impact of retroactive adjustments to the 2014 financial statement due to adoption of the 2013 version of the International Financial Reporting Standards (IFRS) endorsed by the Financial Supervisory Commission (FSC) of the ROC.

## 6.2 Five-Year Financial Analysis

### A. Consolidated Financial Analysis – Based on IFRS

Analysis	Year	Financial Analysis for the Last Five Years					As of March 31, 2017
		2012	2013	2014	2015	2016	
Capital Structure (%)	Debt ratio	63.18	70.19	71.96	66.58	67.64	66.94
	Long term fund to property, plant and equipment ratio	562.22	544.60	525.02	514.91	657.59	697.12
Liquidity analysis	Current ratio	132.89	130.27	129.80	137.00	143.60	146.70
	Quick ratio	105.61	106.85	102.70	113.71	120.22	119.52
	Interest coverage	23.88	9.83	10.54	14.11	13.47	6.99
Operating Performance Analysis	Account receivable turnover (times)	4.61	4.02	4.66	4.93	4.50	4.47
	Average collection turnover	79.18	90.76	78.25	74.03	81.11	81.65
	Inventory turnover (times)	13.29	12.91	13.73	14.31	15.51	14.22
	Account payable turnover (times)	4.82	4.67	5.13	5.42	5.68	5.67
	Average inventory turnover days	27.47	28.26	26.59	25.50	23.53	25.66
	Fixed assets turnover (times)	37.81	33.00	37.03	34.74	33.88	37.26
	Total assets turnover(times)	2.31	2.14	2.37	2.40	2.27	2.20
Profitability Analysis	Return on total assets (%)	2.55	1.00	2.33	2.74	2.87	0.38
	Return on equity (%)	6.34	2.70	7.31	8.35	8.08	0.99
	Operating income to paid-in capital ratio (%)	21.36	9.88	21.99	26.37	26.70	3.29
	Net margin (%)	1.06	0.42	0.89	1.06	1.16	0.59
	Earning per share (dollar)	1.47	0.57	1.63	2.01	1.88	0.25
Cash flow	Cash flow ratio (%)	(Note 1)	0.25	13.51	4.70	0.61	-
	Cash flow adequacy ratio (%)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	42.42	-
	Cash reinvestment ratio (%)	(Note 1)	(Note 1)	19.59	1.95	(Note 1)	-
Leverage	Operating leverage	1.58	1.66	1.57	1.58	1.57	-
	Financial leverage	1.04	1.06	1.10	1.09	1.09	-

Note: 1.The ratio is negative.

2. Not applicable as the financial information, for more than five years, in accordance with IFSR has not yet been disclosed.
3. The financial ratio has changed by up to 20% in the past two years:
  - Long term fund to property, plant and equipment ratio: mainly due to increase in long term fund compared to earlier period.
  - Cash flow adequacy ratio: mainly due to the cash inflow from operating activies
  - Cash reinvestment ratio: mainly due to the cash inflow from operating activies was lower than the earlier period.
4. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2017, has not yet audited by the CPA.
5. The Company made retroactive adjustment to previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.
6. The 2016 financial statement has not yet been approved at a shareholders' meeting.

**Formula:**

## 1. Financial Structure

- (1) Debt Ratio = Total liabilities / Total assets
- (2) Ratio of long-term capital to property, plant and equipment = (Net shareholders' equity + Long-term liability) / Net property, plant and equipment

## 2. Solvency

- (1) Current ratio = Current Assets / Current liability
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liability
- (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expense

## 3. Operating Efficiency

- (1) Account receivable (including account receivable and notes receivable from business activities) turnover = Net sales / Average account receivable balance (including account receivable and notes receivable from business activities)
- (2) A/R turnover days = 365 / account receivable turnover
- (3) Inventory turnover = Cost of Goods Sold / Average inventory balance
- (4) Account payable (including account payable and notes payable from business activities) turnover = Cost of goods sold / Average account payable balance (including account payable and notes payable from business activities)
- (5) Inventory turnover days = 365 / Inventory turnover
- (6) Property, plant and equipment turnover = Net sales / Average Net property, plant and equipment
- (7) Total assets turnover = Net sales / Average Total assets

## 4. Profitability

- (1) Return on assets = [PAT + Interest expense × (1 - interest rate)] / average asset balance
- (2) Return on equity = PAT / average net equity
- (3) Pre-tax income to paid-in capital = Net income before tax / Issued capital stock
- (4) Net profit ratio = PAT / Net sales
- (5) EPS = (PAT - preferred stock dividends) / weighted average outstanding shares

## 5. Cash Flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liability
- (2) Cash flow adequacy ratio = Most recent 5-year Cash flow from operating activities / Most recent 5-year (Capital expenditure + increases in inventory + cash dividend)
- (3) Cash reinvestment ratio = (Cash flow from operating activities - cash dividend) / (Gross fixed assets + long-term investment + other assets + working capital)

## 6. Leverage

- (1) Operating leverage = (Nest revenue - variable cost of goods sold and operating expense) / operating income
- (2) Financial leverage = Operating income / (Operating income - interest expenses)

## B. Consolidated Financial Analysis – Based on ROC GAAP

Analysis	Year	Financial Analysis for the Last Five Years					As of March 31, 2017
		2012	2013	2014	2015	2016	
Capital Structure (%)	Debt ratio	62.70					
	Long-term capital to fixed assets ratio	542.02					
Liquidity analysis	Current ratio	133.66					
	Quick ratio	106.09					
	Interest coverage	23.98					
Operating Performance Analysis	Account receivable turnover (times)	4.66					
	Average collection turnover	78.31					
	Inventory turnover (times)	13.24					
	Account payable turnover (times)	4.81					
	Average inventory turnover days	27.56					
	Fixed assets turnover (times)	35.63					
	Total assets turnover(times)	2.32					
	Return on total assets (%)	2.57	N/A	N/A	N/A	N/A	
Profitability Analysis	Return on shareholder's equity (%)	6.32					
	to paid-in capital ratio %	Operating income	22.82				
		Income before tax	21.39				
	Net margin (%)	1.06					
	Retroactively adjusted earning per share (dollar)	1.47					
	Cash flow ratio (%)	(Note 1)					
	Cash flow adequacy ratio (%)	46.44					
	Cash reinvestment ratio (%)	(Note 1)					
Leverage	Operating leverage	1.62					
	Financial leverage	1.04					

Note: 1.The ratio is negative.

2. The financial ratio has changed by up to 20% over the past two years: Not applicable.

3. The financial information is audited and reviewed by the CPA every year.

**Formula:**

## 1. Financial Structure

- (1) Debt Ratio = Total liabilities / Total assets
- (2) Long-term debts to fixed assets = (Net equity + Long-term debts) / Net fixed assets

## 2. Solvency

- (1) Current ratio = Current Assets / Current liability
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liability
- (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expense

## 3. Operating Efficiency

- (1) Account receivable (including account receivable and notes receivable from business activities) turnover = Net sales / Average account receivable balance (including account receivable and notes receivable from business activities)
- (2) A/R turnover days = 365 / account receivable turnover
- (3) Inventory turnover = Cost of Goods Sold / Average inventory balance
- (4) Account payable (including account payable and notes payable from business activities) turnover = Cost of goods sold / Average account payable balance (including account payable and notes payable from business activities)
- (5) Inventory turnover days = 365 / Inventory turnover
- (6) Fixed assets turnover = Net sales / Average Net Fixed Assets
- (7) Total assets turnover = Net sales / Average Total assets

## 4. Profitability

- (1) Return on assets = [PAT + Interest expense × (1 - interest rate)] / average asset balance
- (2) Return on equity = PAT / average net equity
- (3) Net profit ratio = PAT / Net sales
- (4) EPS = (PAT - preferred stock dividends) / weighted average outstanding shares

## 5. Cash Flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liability
- (2) Cash flow adequacy ratio = Most recent 5-year Cash flow from operating activities / Most recent 5-year (Capital expenditure + increases in inventory + cash dividend)
- (3) Cash reinvestment ratio = (Cash flow from operating activities - cash dividend) / (Gross fixed assets + long-term investment + other assets + working capital)

## 6. Leverage

- (1) Operating leverage = (Nest revenue - variable cost of goods sold and operating expense) / operating income
- (2) Financial leverage = Operating income / (Operating income - interest expenses)

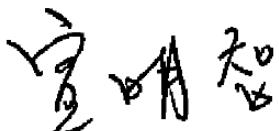
### **6.3 Audit Committee's Report for the Most Recent Year**

#### **Audit Committee's Review Report**

The Company's 2016 financial statements have been approved by the Audit Committee and by the Board of Directors. Kuan-Ying Kuo and Yiu-Kwan Au, certified public accountants of KPMG, have completed the audit of the financial statements and issued an audit report relating thereto. In addition, the Board of Directors has prepared and submitted to us the Company's 2016 business report and proposal for distribution of earnings. We, the Audit Committee members, have duly examined and determined such business report and proposal for distribution of earnings to be in line with the requirements under the Company Law and relevant laws and regulations. According to Article 14-4 of the Securities and Exchange Act and Article 219 of Company Law, we hereby submit this report.

Compal Electronics, Inc.

Chairman of the Audit Committee:



May 15, 2017

**6.4 Consolidated Financial Statements and Independent Auditors' Report**

Please refer to Attachment I.

**6.5 Parent-Company-Only Financial Statements and Independent Auditors' Report**

Please refer to Attachment II.

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Analysis	Year	2016	2015	Difference	
				Amount	%
Current Assets		300,469,007	277,783,476	22,685,531	8.17
Funds & Investments		11,726,370	11,788,042	(61,672)	(0.52)
Property, plant and equipment		20,952,677	24,308,631	(3,355,954)	(13.81)
Other Assets		13,868,057	14,045,426	(177,369)	(1.26)
<b>Total Assets</b>		<b>347,016,111</b>	<b>327,925,575</b>	<b>19,090,536</b>	<b>5.82</b>
Current Liabilities		209,232,199	202,757,075	6,475,124	3.19
Other Liabilities		25,500,097	15,570,384	9,929,713	63.77
<b>Total Liabilities</b>		<b>234,732,296</b>	<b>218,327,459</b>	<b>16,404,837</b>	<b>7.51</b>
Share capital		44,241,606	44,711,266	(469,660)	(1.05)
Capital reserves		11,779,274	12,838,638	(1,059,364)	(8.25)
Retained Earnings		55,289,409	51,877,511	3,411,898	6.58
Other Adjustments		(4,624,653)	(3,926,881)	(697,772)	17.77
Treasury stock		(881,247)	(1,724,739)	843,492	(48.91)
Non-controlling Equity		6,479,426	5,822,321	657,105	11.29
<b>Total Shareholders' Equity</b>		<b>112,283,815</b>	<b>109,598,116</b>	<b>2,685,699</b>	<b>2.45</b>

Note: Analysis of variations exceeding 20% and amounting to more than NTD10 million:

- The increase in non-current liabilities: mainly due to increase in long-term loans.
- The decrease in treasury stock: mainly due to the retirement of treasury stock.

- **Effect of changes on the company's financial position:** Judging from the aforementioned causes, the effect from changes on the Company's financial position in the last two years are normal outcomes from standard operating activities.
- **Future response actions:** Not applicable

## 7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Analysis	Year	2016	2015	Difference	
				Amount	%
Net Sales		766,810,035	847,305,698	(80,495,663)	(9.50)
Cost of Sales		733,973,065	813,927,341	(79,954,276)	(9.82)
Gross Profit		32,836,970	33,378,357	(541,387)	(1.62)
Operating Expenses		21,773,325	22,065,905	(292,580)	(1.33)
Operating Income		11,063,645	11,312,452	(248,807)	(2.20)
Non-operating Income and Expenses		749,700	479,641	270,059	56.30
Income Before Tax		11,813,345	11,792,093	21,252	0.18
Less: Tax Expense		2,845,339	2,784,946	60,393	2.17
Net Income (loss)		8,968,006	9,007,147	(39,141)	(0.43)
Other comprehensive income		(1,265,546)	(101,970)	(1,163,576)	1141.10
Total comprehensive income		7,702,460	8,905,177	(1,202,717)	(13.51)
Note: The analytics for change of more than 20%:					
<ul style="list-style-type: none"> <li>● Increase in net operating income and expenses: Mainly due to the decrease in impairment losses, an increase in foreign currency exchange losses, and the decrease of the profit recognition in affiliates and joint ventures using the equity method.</li> <li>● Increase in other comprehensive (net of tax) losses: mainly due to the decrease of exchange differences arising from the conversion of financial statements of foreign operations, increase in unrealized valuation loss of available-for-sale financial assets, the decrease of profit recognition in affiliates and joint ventures using the equity method and increase in other comprehensive losses.</li> </ul>					

## 7.3 Analysis of Cash Flow

### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands					
Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Inflow (Outflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Financing of Cash Deficit	
				Investment Plans	Financing Plans
62,751,542	1,287,662	8,911,392	72,950,596	-	-

Note: 1. Analysis of the change of 2016 cash flow changes:

- Net cash inflow in operating activities of \$1,287,662 thousand: mainly due to a decrease in profit from operating and net changes of assets and liabilities from operating activities.
- Net cash outflow in investing activities of \$3,181,966: mainly due to the purchase of real-estate property, plant and equipment.
- Net outflow of financing activities of \$11,913,185 thousand: mainly due to the increase in loan and distribution of cash dividend.

2. Financing of cash deficits: not applicable.

3. Liquidity analysis: current asset to current liability ratio is 143.6% and liquidity is healthy.

### 7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands					
Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Inflow (Outflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Financing of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
72,950,596	9,712,808	(9,969,162)	72,694,242	-	-

Note: 1. Analysis of the 2017 cash flow changes:

- Net cash inflow in operating activities of \$9,712,808 thousand: expect sales growth and profit from the operation.
- Net cash outflow in investing activities of \$1,894,059 thousand: expect to increase investment expenditures next year.
- Net cash outflow in financing activities of \$5,772,954 thousand: expect to distribute cash dividend and increase/decrease in long-term and short-term debt next year.

2. Financing of cash deficits: not applicable.

3. Liquidity analysis: The Company should be able to mainly sound liquidity, as opening cash balance plus net cash inflows from operating activities are adequate in meeting the Company's investing and financing needs.

## 7.4 Major Capital Expenditures

### 7.4.1 Major Capital Expenditures and Sources of Capital

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure
				2016
Global BioPharma Inc.	Private capital	2016	100,000	100,000

### 7.4.2 Expected Benefits

The investment in healthcare and biotechnology industries has been one of Compal's many directions of development as it gradually transitions from the ICT (information and communication technologies). In addition to establishing an R&D team to focus on the development of biotech, medical and healthcare devices, relevant healthcare software and service platforms, the Company has also invested in new drug development (Global BioPharma Inc. specializes in new cancer drug development) in 2016 and long-term care in the hopes of utilizing Compal's core software/hardware capabilities from years of operation in the ICT industry would speed up the digitization and systemization for the healthcare/biotech industry.

## 7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

### (1) Investment policy

1. Competition in the industry has accelerated and Compal is in full thrust integration mode. "Enlightened Living and Computing with a Green Connection" is the Compal vision. Our long-term investment strategies are to focus on products that relate to our core business, to provide the best quality in computing, communications, consumer, cloud and connection, to provide full solutions in cost and technology, and to put emphasis on our partner's compliance with labor regulations, and the avoidance of human trafficking and slavery. Strengthen the core resources, through vertical integration, diversification, and strategic investments or acquisitions as well as integration and horizontal competition.
2. Improve post investment performance, strengthen the integration of Group resources and strategic partnerships with investment businesses, facilitate the cooperation between the Company and invested business, and require their full compliance with labor regulations and those against human trafficking and slavery. Connect related customers to an information network, and form strategic alliances with other industries. Sustain the performance of operating output in social, economic and environmental aspects using a high standard of specification. This includes increasing the efficiency and productivity, improving the rights of the workers, proper economic development, and environmentally friendly production in a clean operating base. The Company fully supports investment companies with good performance to plan for IPO to accelerate the realization of good return on investment.

### (2) Main causes of profits or losses incurred on investments, and any corrective actions planned

The 2016 consolidated profits from investment using the equity method came to approximately NTD 1.07 billion, coming mainly from the outstanding performance of LCFC and Compal Precision Module Co., Ltd.

### (3) 2017 investment plans

The long-term investment plan next year will be based on the Company's operating policy to position ourselves as the pioneer provider of the mobile device solution and provide products, through the integration

of R&D resources and clients, of an all-in-one computer, TV, AE and enterprise servers. The Company follows the principle of steady operation and always focuses on our core businesses. We expand on the foundation of our existing businesses, make some vertical integration where appropriate and expand horizontally into related activities, while continuing to grow our core business.

In the vertical integration of upstream and downstream businesses, not involved in hardware production, we also expand the size of our developers and the proportion of software and firmware, to increase the value of their tangible assets and bring in value from additional sales.

We expect horizontal mergers and expansions to provide full IoT solutions for our clients which include applications in cross-industry automation, industrial computers, security control, the healthcare industry, cars, smart cities, smart buildings, restaurants and retail outlets, with the primary aim of providing new investment opportunities and challenges.

In practice, apart from achieving internal growth under the existing business framework, we also accept the possibility of mergers, acquisitions, joint ventures, technical calibrations and investment activities through bilateral or multi-lateral collaboration between business entities.

The Company and its affiliates will proceed with the aforementioned expansion based on the consideration of whether the expansion can strengthen the Group's advantage and assessment of reasonable risks. In terms of reinvestments, we follow the above mentioned principles and set basic principles in the following three directions:

1. The vertical integration of upstream and downstream businesses to increase the proportion of self-made parts and improve overall competitiveness.
2. Horizontal mergers and expansion of related products and services as well as other industries that provide prominent synergy or growth.
3. Develop technology which is beneficial to the Company or its affiliates, or invest in assets that provide synergy or growth.

## 7.6 Analysis of Risk Management

### 7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

Items	2016 Unit: NTD thousand; %
Net interest revenue and expense	(384,996)
Net gain on exchange (including valuation of financial instruments)	(1,242,728)
Net revenues	766,810,035
Pre-tax income (Note)	11,813,345
Net interest revenue/expense to net revenues	(0.050%)
Net interest revenue/expense to pre-tax income	(3.259%)
Net exchange gains to net revenues	(0.162%)
Net exchange gains to pre-tax income	(10.52%)

#### 1. Interest rate changes:

The most recent US Fed meeting statement showed that the US economy is experiencing a continued moderate growth, with solid growth in employment. In light of the status of the employment market and inflation, the federal fund rate has been increased by one quarter point from 0.75% to 1%. Not only that, the Fed even hinted that there would be two more hikes in 2017. As for interest rate for NTD, the Central Bank of Taiwan has noted that in light of the high degree of uncertainty in US and European economic policies and the slow recovery of domestic economy, with current inflation and future inflation forecast remaining moderate, in order to facilitate economic recovery, the Central Bank would maintain the current rate at 1.375%. The Company's cash balance, as of the end of 2016, came to approximately NTD 72.951 billion. The long and short-term bank loans came to about NTD 75.402 billion, with net interest expense for the year at NTD 384,996 thousand. The amount accounted for 0.050% and 3.259% of net sales and income before tax respectively. As of December 31, 2016, all other factors remain unchanged, the increase of 0.25% in interest will cause a decrease in income before tax by NTD 32,415 thousand. The Company will watch the change of interest rate closely and respond in a timely manner.

#### 2. Exchange rate changes:

The Company is export-oriented. And as such, the change and movement of exchange rate have a considerable impact on annual profit and loss. To minimize the impact on the Company's operating profit/loss, the Company mainly utilizes hedging such as forward foreign exchange contracts and swaps to minimize the risks of exchange rate movements. The full year net exchange gains and losses, including the valuation of financial assets, came to \$(1,242,728) thousand, accounting for (0.162%) and (10.52%) of net revenue and net profit before tax respectively. As of December 31, 2016, with all other factors remain unchanged, a 5% appreciation of USD/TWD will increase income before tax by \$1,608,957 thousand. We will take all necessary actions based on the fluctuation of the exchange rate in the future.

#### 3. Inflation:

According to relevant data published by the Central Bank, while imported raw materials such as crude oil are expected to increase in prices this year, the recent growth in NTD has effectively alleviated imported inflation. With domestic demand gradually dwindling, the output gap remained in the negative. The CPI for the year was expected to grow by 1.25% and while CP outlook should remain stable, we will continue to watch for potential impact on prices.

## **7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

1. The Company does not make high-risk, high-leveraged investments.
2. The Company only offers financing to its related parties, mainly providing short-term financing for their operating needs.
3. The Company is engaged in endorsement and guarantee activities which are only negotiated between subsidiaries and the parent company. The arrangements are covered by proper Endorsement and Guarantee Procedures.
4. The Company uses hedging strategy for assets and liabilities valued in foreign currencies. Such hedging, done through forward foreign exchange contracts and swap trading, covers the amount of net assets and liabilities to achieve the objective of risk aversion. At the end of 2016, the Company's position in open forward foreign exchange contracts amounted to USD\$ 55,000 thousand, EUR 51,000 thousand, GBP 3,000 thousand and swap contracts of USD\$ 31,600 thousand. The Company will continue to pay close attention to changes in exchange rates and execute timely hedging in the future.
5. In addition to prudent evaluation and control of the execution of related policies, the Company also relies on regulations such as "Guidelines for Handling Acquisition and Disposal of Assets", "Endorsement and Guarantee Procedures", "Third Party Lending Procedures" and "Procedures for the Handling of Derivatives Trading".

## **7.6.3 Future Research & Development Projects and Corresponding Budget**

Other than the Company's efforts in innovation and improvement of computers, TVs, and other peripheral products, the Company also deems innovative research and development works as the niche for the Company's sustainable growth. Various R&D programs are developed and proposed by R&D team based on their forecast of new technologies, understand of market trends, and intergration of add-on function. They also team with clients to meet their market planning and detail product developments.

In general, the Company's usually has less than one year product development cycle and aim to shorten the R&D cycle year after year. The IT industry is highly competitive, and the timing of product development is of vital importance. The rapid growth of sales has made the quality, experience and capacity of R&D a decisive factor that will become the key as to whether the Company can achieve its sales target in 2017 and whether the existing clients will renew their contracts. The 2017 R&D expense is expected to be more than NT\$ 12.5 billion.

## **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company's management team is paying close attention to any policies or regulations that may impact the Company's operation. In 2016, the Company made all the necessary responses to significant change in international and domestic policies and regulations, without significant impact on Company operation.

## **7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

Tech products are always being updated and this changes user habits. The demand for different types of application is mushrooming. The presence of ARM and Android has also had an impact on Wintel, which used to have a market monopoly. To cope with these changes, the Company has expanded new business to its existing product lines to embrace the industry trends. As a result, the Company has established teams for innovative products, technology and design to strengthen Company research on consumer behavior, and provide more accurate market segregation and product positioning to satisfy user need. We are also focusing on innovative technology capability and plans for future

product and market opportunities.

#### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

Compal has concentrated on the IT and Communications industry for many years and has firmly adhered to our business philosophy of transcendence, sincerity, and harmony in a culture of ethics and honesty. We aim to be the best in world-class professional design, manufacture and services. As we pursue business growth, we always remember our obligations as a corporate citizen. We have strengthened Company governance, fulfilled our social responsibility, and have established a good corporate image. In recent years, Company business has expanded, the number of employees has increased and our global production branches have increased in number. We have become acutely aware of the need for periodic checks of the external environment, a self-management system and operational strategies for the early detection of potential corporate crises and the need for concrete and positive response plans and corrective measures.

For many years, Compal has placed amongst the top 500, top 2000 businesses and top 2000 manufacturers in Taiwan by Fortune, Forbes Magazine and CommonWealth Magazine respectively. In 2016, the Company placed within the top 20% in the TWSE-listed Companies in the second round of "Corporate Governance Evaluation" and ranked 26th in CSR CRopraote Citizenship by CommonWealth Magazine. These prestigious awards once again reaffirmed the Company's corporate image. There had been no company crisis in 2016 nor was there any significant event that affected the company image in any way.

#### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

In addition to continued cultivation of the existing information and communication technology (ICT) operations and enhancement of the core profit base, we are actively seeking out upcoming industries for merger, acquisition, joint venture, technical collaboration and other patterns, with the aim being to move into industrial computing, medical networking, IoT networking, vehicle networking and the medical equipment market. We will maintain stable development of existing business and also move ahead of the curve in other areas which have high growth momentum.

The Company will integrate resources to increase R&D capacity, improve operational efficiency, and increase competitiveness. We expect to benefit from synergy, have positive impact on future shareholder equity, and maintain adequate control of organizational integration matters and financial risks.

#### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None**

#### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None**

#### **7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None**

### **7.6.11 Effects of, Risks Relating to and Response to the Changes in Management: None**

### **7.6.12 Litigation or Non-litigation Matters**

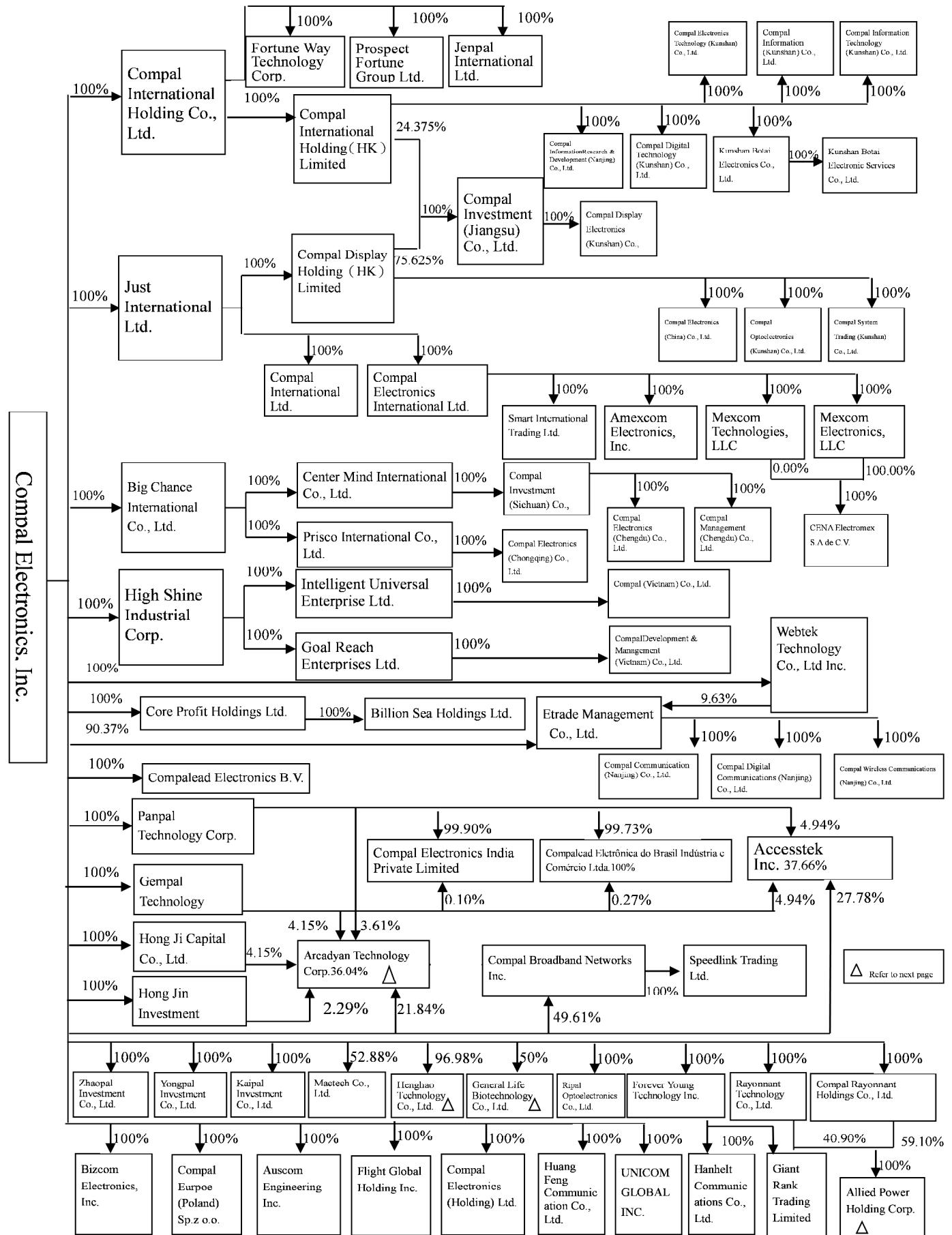
The Company and the Company's subsidiaries, Zhaopal Investment Co., Ltd, Yongpal Investment Co., Ltd, and Kaipal Investment Co. Ltd. (The Company and its subsidiaries) purchased newly issued shares of Chunghwa Picture Tubes, Ltd. ("CPT") through private placement in 2009. The Company and its subsidiaries purchased newly issued common stocks via the private placement at the cost of NTD \$2.5 dollars per share, amount to a total of NTD \$7 billion. The Company signed an agreement with Tatung Company ("Tatung") on such matter. In accordance with the agreement, the Company has the right to request Tatung to purchase all the CPT shares obtained via the private placement within certain agreed periods at the price the Company and its subsidiaries originally paid for the CPT shares plus interest. Despite many requests sent from the Company, Tatung has not fulfilled its obligation in accordance with the contract. The Company filed an arbitration based on the agreement on March 29, 2013, requesting Tatung to perform its obligations. The Company received the verdict on May 12, 2014. According to the verdict, Tatung should pay NTD \$2,118,607 thousand to the Company and its subsidiaries for the purchase of all the CPT shares held by the Company and its subsidiaries. Also, Tatung should pay the interest which is calculated at an annual rate of 5% for the period from April 3, 2013 to the actual date of payment. Also, Tatung is responsible for one-third of the legal expenses. With respect to the part which is not favorable to the Company, a civil complaint was lodged with the Taiwan Taipei District Court on June 13, 2014, to revoke the arbitration award. The Taiwan Supreme Court dismissed the third instance of the Company's appeal on January 11, 2017 and per arbitration, the Company and its subsidiaries has sold all CPT shares to Tatung on February 9 2017 at a total of NTD \$ 2,272,104 thousand (including interest) at a loss of NTD\$ 4,252 thousand. The aforementioned amount has been recovered in full.

### **7.6.13 Other Major Risks**

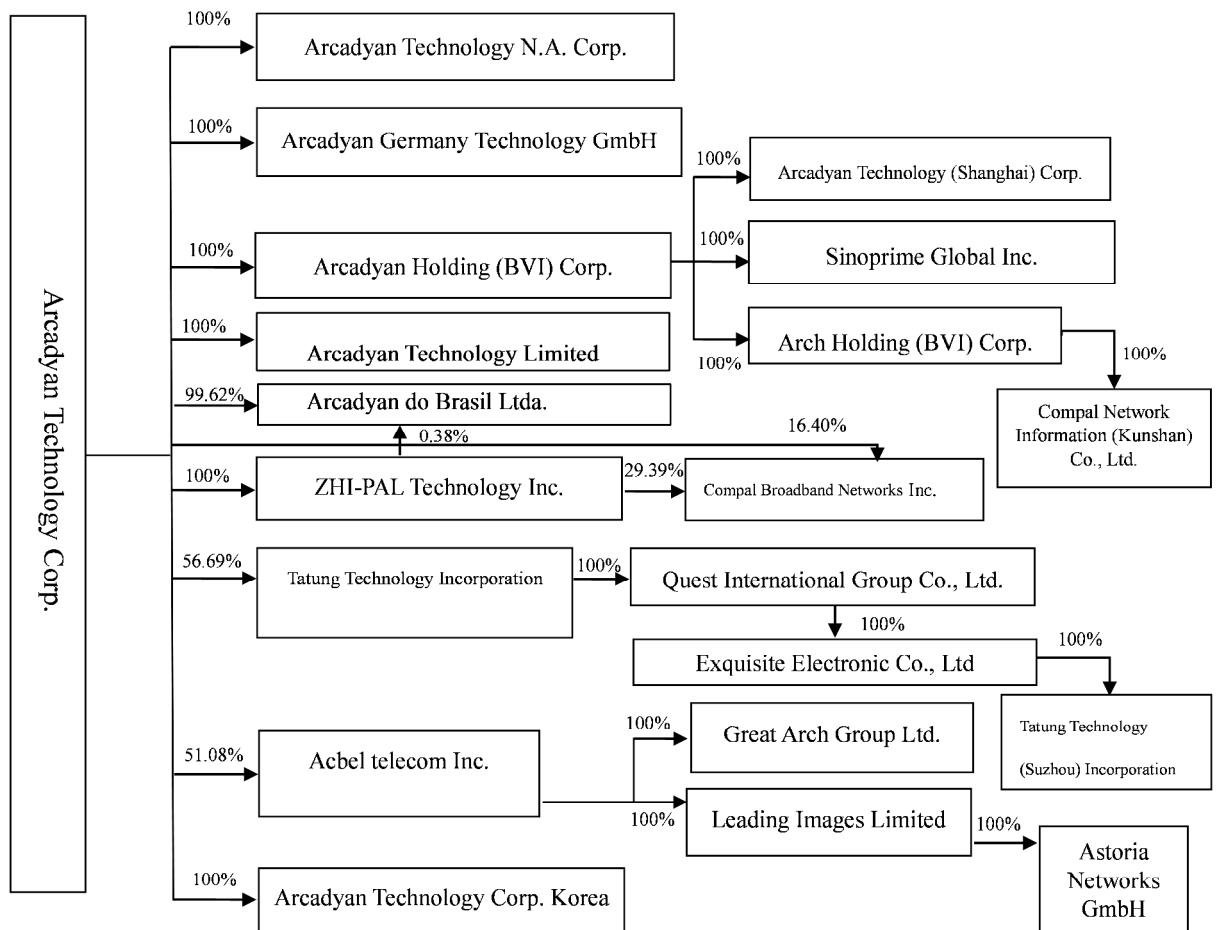
International conglomerates face many risks such as regulatory compliance, business competition, localization, and globalization. It is the responsibility of each Company employee to turn such challenges into future opportunity. Ex ante risk identification, weekly risk assessment and prevention, and post-crisis management, have all been added to the Company target management cycle (PDCA), key performance indicators (KPI), and control system for internal use. Such processes allow the dedicated units responsible for these specific risks to establish rigorous and rapid means for response and a problem-solving culture. By working through regular and irregular reviews and combining education, training and a performance risk appraisal system, they can cope with significantly different kinds of risk management based on local conditions. The company was not faced by any significant risk in 2016.

## VIII. Special Disclosure

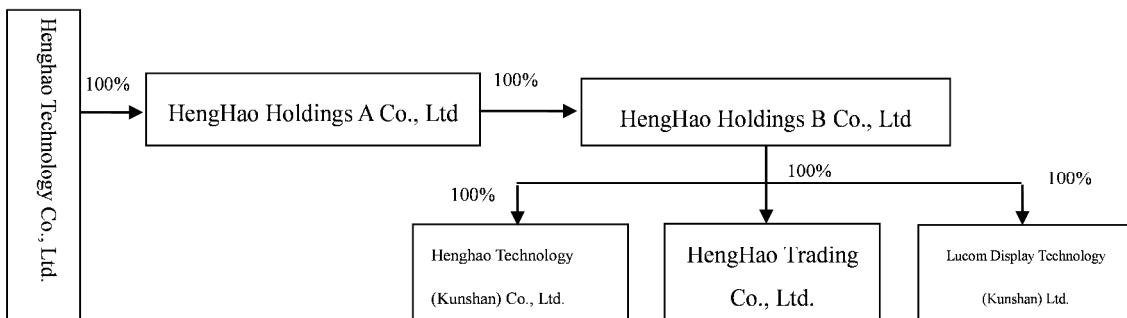
### 8.1 Summary of Affiliated Companies (As of Dec 31, 2016)



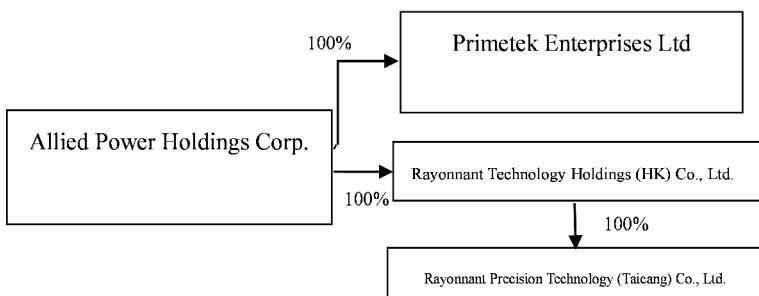
## Arcadyan Technology Affiliated Business Organization Chart



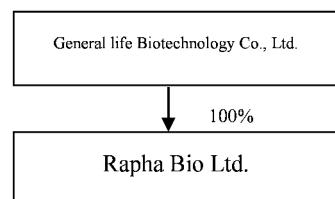
## Henghao Technology Affiliated Business Organization Chart



## Allied Power Affiliated Business Organization Chart



## General life Biotechnology Affiliated Business Organization Chart



Overview of Operating Status for Affiliated Companies in 2016

Unit: NTD thousand

Company Name	Capital	Net asset value	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
Compal Electronics, Inc.	44,241,606	328,620,920	222,816,531	105,804,389	725,653,095	5,972,854	8,130,890	1.88
Compal International Holding Co., Ltd. and its subsidiaries	1,606,780	85,960,669	54,200,407	31,760,262	88,993,461	2,963,367	2,335,151	49.68
Just International Ltd. and its subsidiaries	1,480,509	15,393,029	6,820,486	8,572,543	21,161,984	1,180,223	768,478	16.01
Big Chance International Co., Ltd. and its subsidiaries	2,636,051	12,424,050	6,858,662	5,565,388	7,436,027	(3,370)	133,413	1.47
Core Profit Holdings Ltd.	4,318,860	5,147,628	-	5,147,628	-	-	400,455	2.72
High Shine Industrial Corp. and its subsidiaries	1,346,814	1,124,503	241,932	882,571	-	(53,086)	(44,935)	(1.05)
Panpal Technology Corporation and its subsidiaries	5,000,000	8,162,452	2,622,524	5,539,928	5,466,931	1,462	130,900	0.26
Gempal Technology Co., Ltd.	900,000	1,923,116	131	1,922,985	-	(293)	97,287	1.08
Hong Ji Capital Co., Ltd.	1,000,000	1,034,048	105	1,033,943	-	(232)	63,243	0.63
Hong Jin Investment Co., Ltd.	295,000	338,634	71	338,563	-	(222)	31,699	1.07
Accessstek Inc. and its subsidiaries	32,369	37,969	866	37,103	-	(104)	80	0.02
Arcadyan Technology Corp. and its subsidiaries	1,891,190	15,217,137	6,121,974	9,095,163	23,910,479	1,794,183	1,357,473	7.19
Compal Broadband Networks Inc. and its subsidiaries	532,525	4,968,537	3,595,136	1,373,401	5,221,031	120,614	133,949	2.52
Zhaopal Investment Co., Ltd.	2,001,000	648,100	51	648,049	-	(76)	(76)	-
Yongpal Investment Co., Ltd.	1,751,000	568,156	50	568,106	-	(76)	(76)	-

Company Name	Capital	Net asset value	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
Kaipal Investment Co., Ltd.	751,000	243,384	50	243,334	-	(76)	(76)	-
Henghao Technology Co., Ltd. and its subsidiaries	2,122,127	6,920,203	5,573,203	1,347,000	8,000,828	(585,666)	(784,892)	(3.70)
Mactech Co., Ltd.	411,458	584,315	165,568	418,747	260,698	(100,990)	(31,325)	(0.76)
Ripal Optoelectronics Co., Ltd.	60,000	30,123	8,634	21,489	26,047	(8,238)	(8,073)	(1.35)
General life Biotechnology Co., Ltd.	300,000	319,768	67,061	252,707	211,946	(11,465)	(11,447)	(0.38)
Rayonnant Technology Holdings Ltd.,	295,000	171,187	37,502	133,685	-	(30,990)	(5,500)	(0.19)
Compal Rayonnant Holdings Ltd. and its subsidiaries	377,328	1,373,649	1,138,542	235,107	1,777,939	(54,033)	(8,781)	(0.70)
Bizcom Electronics, Inc.	3,031	555,004	112,150	442,854	565,697	28,324	19,092	190.92
Compal Europe (Poland) Sp.z o.o.	90,156	210,512	208,699	1,813	726,056	53,478	38,427	282.39
Auscom Engineering Inc.	101,747	192,662	74,789	117,873	172,055	11,256	1,820	0.61
Flight Global Holding Inc.	2,754,741	4,114,094	86,868	4,027,226	-	(119)	384,469	4.28
Compalead Electronics B.V.	197,463	558,302	-	558,302	1,579,087	15,089	398,853	62.06
Etrade Management Co., Ltd and its subsidiaries	1,693,279	10,221,162	10,589,033	(367,871)	35,295,560	(444,216)	(436,731)	(8.41)
Webtek Technology Co., Ltd	3,340	5,864,181	4,468,685	1,395,496	35,238,625	(10,940)	(18,108)	(181.08)
Forever Young Technology Inc. and its subsidiaries	1,575	18,689,073	17,130,918	1,558,155	70,578,185	(5,222)	587	11.74
Unicom Global Inc.,	100,000	207,620	330,297	(122,677)	100,116	(147,311)	(147,223)	(14.72)
Huang Feng Communication Co., Ltd.	100,000	142,424	31,587	110,837	74,370	3,776	4,001	0.40
Compal Electronics (Holding) Ltd.	34	3,798,619	-	3,798,619	-	-	-	-

**8.2 Private Placement of Securities in the Most Recent Year:** None

**8.3 Company Shares Held or Disposed by Subsidiaries in the Most Recent Year:**

Unit: NT\$ thousands; Shares; %

Name of Subsidiary	Share Capital Acquired	Funding Source	Percentage of Shares Held by the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed	Investment Gain (Loss)	Shareholdings and Amount as of March 31, 2017	Collateralized	Amount of Endorsements Made for the Subsidiary	Amount Loaned to the Subsidiary
Panpal Technology Corporation	NTD 5,000,000,000	Proprietary capital	100%	-	-	-	-	31,648,082 shares NTD 559,812,000	N/A	-	-
Gempal Technology Co., Ltd.	NTD 900,000,000	Proprietary capital	100%	-	-	-	-	18,369,349 shares NTD 321,435,000	N/A	-	-

Note: Impacts on the Company's financial performance and position: none of the subsidiaries had acquired or disposed the Company's shares in the current year up till the publication date of this annual report, hence there were no impacts.

**8.4 Any Events in 2016 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Interests or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan:** None

# **Attachment I**

## **Independent Auditor's Report**

To COMPAL ELECTRONICS, INC.:

### **Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASSs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

#### 1. Account receivable valuation

Please refer to Note (4)(f) and Note (5) for the accounting policy of accounts receivable, as well as the estimation and assumption uncertainty of the valuation of accounts receivable, respectively. Information of account receivable valuation are shown in Note (6)(e) of the parent company only financial statements.

Description of key audit matters:

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

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

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

## 2. Provision of sales returns and allowances

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

Description of key audit matters:

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

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

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

## 3. Inventory valuation

Please refer to Note (4)(g) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are shown in Note (6)(f) of the parent company only financial statements.

Description of key audit matters:

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

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

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

## **Other Matter**

Compal Electronics Inc, has prepared the annual parent company only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified opinion.

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

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

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

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

The engagement partners on the audit resulting in this independent auditor's report are Kuan Ying Kuo and Yiu Kwan Au.

KPMG

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

#### Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditor's report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditor's report and consolidated financial statements, the Chinese version shall prevail.

## (English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

## COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

## Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2016				December 31, 2015				December 31, 2016		December 31, 2015	
		Amount	%	Amount	%		Amount	%		Amount	%	
<b>Assets</b>												
<b>Current assets:</b>												
1100 Cash and cash equivalents (note (6)(a))	\$ 72,950,596	21.0		62,751,542	19.1	2100						
1110 Current financial assets at fair value through profit or loss (note (6)(b))	86,440	-		25,412	-	2120	Short-term borrowings (note (6)(o))			\$ 43,480,777	12.5	29,481,176 9.0
1125 Current available-for-sale financial assets (note (6)(d))	48,631	-		29,738	-	2170	Current financial liabilities at fair value through profit or loss (note (6)(b))			137,489	-	29,215 -
1135 Current derivative financial assets used for hedging (note (6)(c))	-	-		21,360	-	2180	Notes and accounts payable			127,523,732	36.7	127,152,784 38.8
1147 Current bond investments without active market (note (6)(f))	350,000	0.1		350,000	0.1	2200	Notes and accounts payable to related parties (note (7))			1,958,211	0.6	1,473,760 0.4
1170 Notes and accounts receivable, net (notes (6)(g) and 8)	175,318,313	50.5		164,799,743	50.3	2230	Other payables			17,853,264	5.1	18,141,188 5.5
1180 Notes and accounts receivable due from related parties, net (notes (6)(g) and 8)	70,972	-		62,245	-	2250	Current tax liabilities			3,795,925	1.1	4,196,978 1.3
1200 Other receivables, net (notes (6)(g) and 8)	1,082,607	0.3		824,160	0.3	2300	Current provisions (note (6)(q))			1,842,094	0.5	2,388,710 0.7
1310 Inventories (note (6)(h))	48,105,125	13.9		46,520,021	14.2	2313	Other current liabilities			2,899,674	0.9	3,929,073 1.2
1470 Other current assets (note 8)	2,456,323	0.7		2,399,255	0.7	2320	Unearned revenue			1,774,158	0.5	1,747,574 0.5
	<u>300,469,007</u>	<u>86.5</u>		<u>277,783,476</u>	<u>84.7</u>		Long-term borrowings, current portion (note (6)(f))			<u>7,966,875</u>	<u>2.3</u>	<u>14,216,617</u> <u>4.3</u>
<b>Non-current assets:</b>										<u>209,232,199</u>	<u>60.2</u>	<u>202,757,075</u> <u>61.7</u>
1550 Investments accounted for using equity method (note (6)(i))	11,726,370	3.4		11,788,042	3.6	2540	Long-term borrowings (note (6)(p))			23,954,688	7.0	14,356,563 4.4
1523 Non-current available-for-sale financial assets (note (6)(d))	9,556,461	2.8		9,063,101	2.8	2570	Deferred tax liabilities (note (6)(t))			746,962	0.2	481,497 0.2
1543 Non-current financial assets at cost (note (6)(e))	71,820	-		103,867	-	2640	Non-current net defined benefit liabilities (note (6)(s))			631,821	0.2	545,460 0.2
1546 Non-current investments without active market (note (6)(f))	700,000	0.2		1,050,000	0.3	2670	Non-current liabilities			166,626	-	186,864 0.1
1600 Property, plant and equipment (notes (6)(n) and (8))	20,952,677	6.0		24,308,631	7.4		Total liabilities			25,500,097	7.4	15,570,384 4.9
1780 Intangible assets	1,291,281	0.4		1,194,193	0.4		<b>Equity attributable to parent company shareholders:</b>			234,732,296	67.6	218,327,459 66.6
1840 Deferred tax assets (note (6)(t))	1,262,986	0.4		1,377,465	0.4	3110	Ordinary share (notes (6)(u) and (t))			44,241,606	12.8	44,711,266 13.6
1985 Long-term prepaid rents (note (6)(r))	594,520	0.2		747,066	0.2	3200	Capital surplus (note (6)(u))			11,779,274	3.4	12,838,638 3.9
1990 Other non-current assets (note (6)(s))	390,989	0.1		509,734	0.2	3300	Retained earnings (note (6)(u))			55,289,409	15.9	51,877,511 15.8
	<u>46,547,104</u>	<u>13.5</u>		<u>50,142,099</u>	<u>15.3</u>	3400	Other equity interest (note (6)(u))			(4,624,653)	(1.3)	(3,926,881) (1.2)
						3500	Treasury shares (note (6)(u))			(881,247)	(0.3)	(1,724,739) (0.5)
<b>Total assets</b>	<u>\$ 347,016,111</u>	<u>100.</u>		<u>327,925,575</u>	<u>100.</u>					<u>(5,505,900)</u>	<u>(1.6)</u>	<u>(5,651,620)</u> <u>(1.7)</u>
										<u>105,804,389</u>	<u>30.5</u>	<u>103,775,795</u> <u>31.6</u>
										6,479,426	1.9	5,822,321 1.8
										112,283,815	32.4	109,598,116 33.4
										<u>\$ 347,016,111</u>	<u>100.</u>	<u>327,925,575</u> <u>100.</u>

## (English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

## COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

			2016	2015		
			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Net sales revenue (notes (6)(x) and 7)</b>		\$ 766,810,035	100.0	847,305,698	100.0
5000	<b>Cost of sales (notes (6)(h), (s), 7 and 12)</b>		<u>733,973,065</u>	<u>95.7</u>	<u>813,927,341</u>	<u>96.1</u>
	<b>Gross profit</b>		<u>32,836,970</u>	<u>4.3</u>	<u>33,378,357</u>	<u>3.9</u>
6100	<b>Operating expenses: (notes (6)(r), (s) and 12)</b>					
6100	Selling expenses		5,270,267	0.7	5,011,950	0.6
6200	Administrative expenses		4,541,630	0.6	4,804,295	0.6
6300	Research and development expenses		<u>11,961,428</u>	<u>1.6</u>	<u>12,249,660</u>	<u>1.4</u>
			<u>21,773,325</u>	<u>2.9</u>	<u>22,065,905</u>	<u>2.6</u>
	<b>Net operating income</b>		<u>11,063,645</u>	<u>1.4</u>	<u>11,312,452</u>	<u>1.3</u>
7020	<b>Non-operating income and expenses:</b>					
7020	Other gains and losses (notes (6)(d), (i), (l) and (z))		(1,042,285)	(0.1)	(323,839)	-
7050	Finance costs		(946,893)	(0.1)	(899,702)	(0.1)
7190	Other income (notes (6)(r) and (z))		1,961,554	0.3	1,495,156	0.2
7590	Miscellaneous disbursements		(54,672)	-	(37,562)	-
7670	Impairment loss (notes(6)(d), (e) and (n))		(239,989)	-	(121,574)	-
7770	Share of profit of associates and joint ventures accounted for using equity method (note 6(i))		<u>1,071,985</u>	<u>0.1</u>	<u>367,162</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>		<u>749,700</u>	<u>0.2</u>	<u>479,641</u>	<u>0.1</u>
7900	<b>Profit before tax</b>		<u>11,813,345</u>	<u>1.6</u>	<u>11,792,093</u>	<u>1.4</u>
7950	<b>Less: Tax expense (note (6)(t))</b>		<u>2,845,339</u>	<u>0.4</u>	<u>2,784,946</u>	<u>0.3</u>
	<b>Profit</b>		<u>8,968,006</u>	<u>1.2</u>	<u>9,007,147</u>	<u>1.1</u>
8300	<b>Other comprehensive income:</b>					
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>					
8311	Other comprehensive income, before tax, remeasurement of defined benefit obligation		(97,739)	-	(93,596)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method		(1,673)	-	(794)	-
8349	Income tax relating to items that will not be reclassified (note 6(t))		<u>16,616</u>	<u>-</u>	<u>15,911</u>	<u>-</u>
	Items that will be reclassified subsequently to profit or loss		<u>(82,796)</u>	<u>-</u>	<u>(78,479)</u>	<u>-</u>
8360	<b>Items that will be reclassified subsequently to profit or loss</b>					
8361	Other comprehensive income, before tax, exchange differences on translation of foreign financial statement		(938,426)	(0.1)	1,766,330	0.2
8362	Other comprehensive income, before tax, available-for-sale financial assets		458,015	-	(1,629,927)	(0.2)
8363	Gains (losses) on effective portion of cash flow hedges		(21,360)	-	21,360	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method		(702,159)	(0.1)	(146,939)	-
8399	Income tax relating to items that will be reclassified (note 6(t))		<u>21,180</u>	<u>-</u>	<u>(34,315)</u>	<u>-</u>
	Items that will be reclassified subsequently to profit or loss		<u>(1,182,750)</u>	<u>(0.2)</u>	<u>(23,491)</u>	<u>-</u>
8300	<b>Other comprehensive income, net</b>		<u>(1,265,546)</u>	<u>(0.2)</u>	<u>(101,970)</u>	<u>-</u>
8500	<b>Comprehensive income</b>		<u>\$ 7,702,460</u>	<u>1.0</u>	<u>8,905,177</u>	<u>1.1</u>
	<b>Profit, attributable to:</b>					
8610	Profit, attributable to parent company shareholders		\$ 8,130,890	1.2	8,684,610	1.1
8620	Profit, attributable to non-controlling interests		<u>837,116</u>	<u>-</u>	<u>322,537</u>	<u>-</u>
			<u>\$ 8,968,006</u>	<u>1.2</u>	<u>9,007,147</u>	<u>1.1</u>
	<b>Comprehensive income attributable to:</b>					
8710	Comprehensive income, attributable to parent company shareholders		\$ 6,916,562	1.0	8,552,926	1.0
8720	Comprehensive income, attributable to non-controlling interests		<u>785,898</u>	<u>-</u>	<u>352,251</u>	<u>-</u>
			<u>\$ 7,702,460</u>	<u>1.0</u>	<u>8,905,177</u>	<u>1.0</u>
	<b>Earnings per share (note 6(w))</b>					
9750	<b>Basic earnings per share</b>		<u>\$ 1.88</u>			<u>2.01</u>
9850	<b>Diluted earnings per share</b>		<u>\$ 1.84</u>			<u>1.97</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2016 and 2015**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to parent company shareholders												Total equity attributable to owners of parent	Non-control ling interests	Total equity			
	Retained earnings				Other equity items													
	Ordinary shares	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sa le financial assets	Unearned employee benefit and others	Total other equity interest	Treasury stock							
<b>Balance at January 1, 2015</b>	\$ 44,232,366	14,296,445	15,867,903	7,707,518	24,146,451	47,721,872	1,178,307	(4,317,328)	-	(3,139,021)	(1,724,739)	101,386,923	4,833,014	106,219,937				
Profit for the year ended December 31, 2015	-	-	-	-	8,684,610	8,684,610	-	-	-	-	-	8,684,610	322,537	9,007,147				
Other comprehensive income	-	-	-	-	(71,032)	(71,032)	1,624,754	(1,693,104)	7,698	(60,652)	-	(131,684)	29,714	(101,970)				
Comprehensive income	-	-	-	-	8,613,578	8,613,578	1,624,754	(1,693,104)	7,698	(60,652)	-	8,552,926	352,251	8,905,177				
Appropriation and distribution of retained earnings:																		
Legal reserve appropriated	-	-	703,408	-	(703,408)	-	-	-	-	-	-	-	-	-	-			
Reversal of special reserve	-	-	-	(4,568,497)	4,568,497	-	-	-	-	-	-	-	-	-	-			
Cash dividends on ordinary shares	-	-	-	-	(4,428,781)	(4,428,781)	-	-	-	-	-	(4,428,781)	-	(4,428,781)				
Cash dividends from capital surplus	-	(2,214,390)	-	-	-	-	-	-	-	-	-	(2,214,390)	-	(2,214,390)				
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	258	-	-	-	-	-	-	-	-	-	258	-	258				
Changes in ownership interests in subsidiaries	-	28,275	-	-	(14,572)	(14,572)	-	-	-	-	-	13,703	-	13,703				
Changes in equity of associates and joint ventures accounted for using equity method	-	5,824	-	-	(15,956)	(15,956)	-	-	-	-	-	(10,132)	-	(10,132)				
Share-based payments transaction	478,900	647,200	-	-	1,370	1,370	-	-	(727,208)	(727,208)	-	400,262	-	400,262				
Adjustments of capital surplus for the company's cash dividends received by subsidiaries	-	75,026	-	-	-	-	-	-	-	-	-	75,026	-	75,026				
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	637,056	637,056				
<b>Balance at December 31, 2015</b>	44,711,266	12,838,638	16,571,311	3,139,021	32,167,179	51,877,511	2,803,061	(6,010,432)	(719,510)	(3,926,881)	(1,724,739)	103,775,795	5,822,321	109,598,116				
Profit for the year ended December 31, 2016	-	-	-	-	8,130,890	8,130,890	-	-	-	-	-	8,130,890	837,116	8,968,006				
Comprehensive income	-	-	-	-	(74,452)	(74,452)	(1,478,779)	346,602	(7,699)	(1,139,876)	-	(1,214,328)	(51,218)	(1,265,546)				
Total comprehensive income	-	-	-	-	8,056,438	8,056,438	(1,478,779)	346,602	(7,699)	(1,139,876)	-	6,916,562	785,898	7,702,460				
Appropriation and distribution of retained earnings:																		
Legal reserve appropriated	-	-	868,461	-	(868,461)	-	-	-	-	-	-	-	-	-	-			
Special reserve appropriated	-	-	-	60,653	(60,653)	-	-	-	-	-	-	-	-	-	-			
Cash dividends on ordinary shares	-	-	-	-	(4,426,671)	(4,426,671)	-	-	-	-	-	(4,426,671)	-	(4,426,671)				
Cash dividends from capital surplus	-	(885,334)	-	-	-	-	-	-	-	-	-	(885,334)	-	(885,334)				
Changes in ownership interests in subsidiaries	-	22	-	-	(658)	(658)	-	-	-	-	-	(636)	-	(636)				
Changes in equity of associates and joint ventures accounted for using equity method	-	1,723	-	-	(10,527)	(10,527)	-	-	-	-	-	(8,804)	-	(8,804)				
Share-based payments transaction	(31,500)	(40,846)	-	-	3,671	3,671	-	-	442,104	442,104	-	373,429	-	373,429				
Adjustments of capital surplus for the company's cash dividends received by subsidiaries	-	60,048	-	-	-	-	-	-	-	-	-	60,048	-	60,048				
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(128,793)	(128,793)				
Retirement of treasury share	(438,160)	(194,977)	-	-	(210,355)	(210,355)	-	-	-	-	-	843,492	-	-				
<b>Balance at December 31, 2016</b>	<b>\$ 44,241,606</b>	<b>11,779,274</b>	<b>17,439,772</b>	<b>3,199,674</b>	<b>34,649,963</b>	<b>55,289,409</b>	<b>1,324,282</b>	<b>(5,663,830)</b>	<b>(285,105)</b>	<b>(4,624,653)</b>	<b>(881,247)</b>	<b>105,804,389</b>	<b>6,479,426</b>	<b>112,283,815</b>				

See accompanying notes to financial statements.

**(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)**

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2016 and 2015  
(Expressed in Thousands of New Taiwan Dollars)**

	<b>2016</b>	<b>2015</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 11,813,345	11,792,093
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization	5,668,112	5,924,610
Increase (decrease) in allowance for uncollectible accounts	643,362	64,736
Interest expense	946,893	899,702
Interest income	(561,897)	(599,764)
Dividend income	(191,333)	(237,232)
Compensation cost of employee share-based payment	398,302	431,627
Share of profit of associates and joint ventures accounted for using equity method	(1,071,985)	(367,162)
Loss (gain) on disposal of property, plant and equipment	(87,995)	(3,560)
Loss (gain) on disposal of investments	(112,448)	20,718
Impairment loss on financial assets	239,989	121,574
Long-term prepaid rents	14,171	15,790
<b>Adjustments to reconcile profit (loss)</b>	<u>5,885,171</u>	<u>6,271,039</u>
<b>Changes in working capital assets and liabilities:</b>		
<b>Changes in working capital assets:</b>		
Changes in financial assets at fair value through profit or loss	(61,028)	158,681
Decrease (increase) in notes and accounts receivable	(11,651,155)	14,112,057
Decrease (increase) in other receivable	(306,896)	29,017
Decrease (increase) in inventories	(1,605,047)	20,977,572
Decrease (increase) in other current assets	127,598	235,139
Decrease (increase) in other non-current assets	153,782	(46,752)
<b>Total changes in operating assets</b>	<u>(13,342,746)</u>	<u>35,465,714</u>
<b>Changes in operating liabilities:</b>		
Changes in financial liabilities at fair value through profit or loss	108,274	(10,223)
Increase (decrease) in notes and accounts payable	953,860	(43,388,753)
Increase (decrease) in other payable	(52,699)	251,855
Increase (decrease) in provisions	(546,616)	313,461
Increase (decrease) in unearned revenue	26,584	(729,446)
Increase (decrease) in other current liabilities	(607,250)	653,199
Other	197,107	46,899
<b>Total changes in working capital liabilities</b>	<u>79,260</u>	<u>(42,863,008)</u>
<b>Total changes in working capital assets and liabilities</b>	<u>(13,263,486)</u>	<u>(7,397,294)</u>
<b>Total adjustments</b>	<u>(7,378,315)</u>	<u>(1,126,255)</u>
Cash flows from (used in) operations	4,435,030	10,665,838
Interest received	552,344	597,659
Dividends received	313,080	418,826
Interest paid	(905,672)	(938,675)
Income taxes paid	(3,107,120)	(1,209,392)
<b>Net cash flows from (used in) operating activities</b>	<u>1,287,662</u>	<u>9,534,256</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method, available-for-sale financial assets and financial assets at cost	(186,052)	(187,700)
Proceeds from disposal of investments accounted for using equity method and available-for-sale financial assets	345,026	1,718,652
Redemption from bond investments without active market	350,000	350,000
Net cash flow from acquisition of subsidiaries	-	250,273
Net cash flow from disposal of subsidiaries	(139,401)	-
Proceeds from capital reduction and liquidation of investments	47,695	68,125
Acquisition of property, plant and equipment	(3,595,770)	(5,492,667)
Proceeds from disposal of property, plant and equipment	519,243	128,388
Acquisition of intangible assets	(579,740)	(616,124)
Other	57,033	(40,682)
<b>Net cash flows from (used in) investing activities</b>	<u>(3,181,966)</u>	<u>(3,821,735)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	13,999,601	(17,330,697)
Proceeds from long-term borrowings	23,515,000	12,930,000
Repayments of long-term borrowings	(20,166,617)	(8,555,354)
Cash dividends paid	(5,251,957)	(6,568,145)
Acquisition of non-controlling interests	(8,643)	(13,518)
Change in non-controlling interests	(153,961)	282,154
Other	(20,238)	22,998
<b>Net cash flows from (used in) financing activities</b>	<u>11,913,185</u>	<u>(19,232,562)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>180,173</u>	<u>1,563,453</u>
Net increase (decrease) in cash and cash equivalents	10,199,054	(11,956,588)
Cash and cash equivalents at beginning of period	62,751,542	74,708,130
Cash and cash equivalents at end of period	<b>\$ 72,950,596</b>	<b>62,751,542</b>

See accompanying notes to financial statements.

## **Attachment II**

### **Independent Auditor's Report**

To COMPAL ELECTRONICS, INC.:

#### **Opinion**

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

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

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

##### **1. Account receivable valuation**

Please refer to Note (4)(f) and Note (5) for the accounting policy of accounts receivable, as well as the estimation and assumption uncertainty of the valuation of accounts receivable, respectively. Information of account receivable valuation are disclosed in Note (6)(e) of the parent company only financial statements.

Description of key audit matters:

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

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

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

## 2. Provision of sales returns and allowances

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

Description of key audit matters:

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

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

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

## 3. Inventory valuation

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

Description of key audit matters:

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditor's report are Kuan-Ying Kuo and Yiu-Kwan Au.

KPMG

Taipei, Taiwan (Republic of China)

March 28, 2017

#### **Notes to Readers**

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditor's report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditor's report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**Compal Electronics, Inc.**

**Consolidated Balance Sheets**

**December 31, 2016 and 2015**

**(Expressed in New Taiwan Dollars)**

	Assets				Liabilities and Equity				December 31, 2016		December 31, 2015	
	December 31, 2016		December 31, 2015		Current liabilities:		Non-Current liabilities:		Amount	%	Amount	%
	Amount	%	Amount	%	2100	Short-term borrowings	2540	Long-term borrowings				
<b>Assets</b>												
<b>Current assets:</b>												
1100 Cash and cash equivalents	\$ 43,392,135	13.2	30,797,312	10.4	2100	Short-term borrowings			\$ 30,443,750	9.3	22,087,200	7.5
1125 Current available-for-sale financial assets	48,631	-	29,738	-	2170	Notes and accounts payable			72,535,568	22.0	63,996,915	21.6
1147 Current bond investments without active market	350,000	0.1	350,000	0.1	2180	Notes and accounts payable to related parties			73,903,066	22.5	62,361,931	21.1
1170 Notes and accounts receivable, net	162,701,780	49.5	148,844,537	50.2	2200	Other payables			7,725,946	2.4	8,957,625	3.0
1180 Notes and accounts receivable due from related parties, net	2,177,705	0.7	973,946	0.3	2230	Current tax liabilities			1,024,690	0.3	2,200,353	0.7
1200 Other receivables	314,439	0.1	553,185	0.3	2250	Current provisions			1,532,250	0.5	2,034,677	0.7
1310 Inventories	27,969,011	8.5	25,344,975	8.6	2300	Other current liabilities			926,734	0.3	428,602	0.1
1470 Other current assets	458,714	0.1	603,115	0.2	2313	Unearned revenue			1,774,158	0.5	1,747,574	0.6
	<u>237,412,415</u>	<u>72.2</u>	<u>207,496,808</u>	<u>70.1</u>	2320	Long-term liabilities, current portion			<u>7,700,000</u>	<u>2.3</u>	<u>13,850,000</u>	<u>4.7</u>
<b>Non-current assets:</b>									<u>197,566,162</u>	<u>60.1</u>	<u>177,664,877</u>	<u>60.0</u>
1550 Investments accounted for using equity method	80,626,717	24.5	78,006,762	26.3		<b>Non-Current liabilities:</b>						
1523 Non-current available-for-sale financial assets	6,349,202	1.9	5,970,903	2.0	2540	Long-term borrowings			23,635,000	7.2	13,740,000	4.6
1543 Non-current financial assets at cost	2,333	-	6,588	-	2570	Deferred tax liabilities			699,875	0.2	448,762	0.2
1546 Non-current bond investment without active market	700,000	0.2	1,050,000	0.4	2640	Non-current net defined benefit liabilities			541,693	0.2	469,846	0.2
1600 Property, plant and equipment	2,132,114	0.8	2,181,737	0.7	2670	Other non-current liabilities			<u>373,801</u>	<u>0.1</u>	<u>139,759</u>	<u>-</u>
1780 Intangible assets	268,316	0.1	378,454	0.1					<u>25,250,369</u>	<u>7.7</u>	<u>14,798,367</u>	<u>5.0</u>
1840 Deferred tax assets	1,012,590	0.3	1,042,365	0.4					<u>222,816,531</u>	<u>67.8</u>	<u>192,463,244</u>	<u>65.0</u>
1990 Other non-current assets	117,233	-	105,422	-								
	<u>91,208,505</u>	<u>27.8</u>	<u>88,742,231</u>	<u>29.9</u>		<b>Total liabilities</b>						
<b>Total assets</b>	<u>\$ 328,620,920</u>	<u>100.0</u>	<u>296,239,039</u>	<u>100.0</u>		<b>Equity attributable to parent company shareholders:</b>						
					3110	Ordinary share			44,241,606	13.5	44,711,266	15.1
					3200	Capital reserves			11,779,274	3.6	12,838,638	4.3
					3300	Retained earnings			55,289,409	16.8	51,877,511	17.5
					3400	Other equity items			(4,624,653)	(1.4)	(3,926,881)	(1.3)
					3500	Treasury stock			(881,247)	(0.3)	(1,724,739)	(0.6)
						<b>Total equity</b>			<u>105,804,389</u>	<u>32.2</u>	<u>103,775,795</u>	<u>35.0</u>
						<b>Total liabilities and equity</b>			<u>\$ 328,620,920</u>	<u>100.0</u>	<u>296,239,039</u>	<u>100.0</u>

## (English Translation of Financial Statements and Report Originally Issued in Chinese)

## COMPAL ELECTRONICS, INC.

## Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

			2016	2015		
			Amount	%	Amount	%
4000	<b>Net sale revenue</b>		\$ 725,653,095	100.0	802,994,930	100.0
5000	<b>Cost of sales:</b>		<u>704,371,443</u>	97.1	<u>780,260,207</u>	97.2
	<b>Gross profit</b>		21,281,652	2.9	22,734,723	2.8
5910	<b>Less:Unrealized profit from sales</b>		<u>481</u>	-	<u>(2,867)</u>	-
	<b>Gross profit</b>		21,281,171	2.9	22,737,590	2.8
	<b>Operating expenses:</b>					
6100	Selling expenses		4,060,832	0.6	3,798,280	0.5
6200	Administrative expenses		2,395,657	0.3	2,581,758	0.3
6300	Research and development expenses		<u>8,851,828</u>	1.2	<u>9,052,274</u>	1.1
			<u>15,308,317</u>	2.1	<u>15,432,312</u>	1.9
			<u>5,972,854</u>	0.8	<u>7,305,278</u>	0.9
	<b>Net operating income</b>					
	<b>Non-operating income and expenses:</b>					
7020	Other gains and losses, net		(581,031)	-	261,589	-
7050	Finance costs		(719,294)	(0.1)	(604,735)	-
7190	Other income		933,004	0.1	786,958	0.1
7370	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		<u>3,766,213</u>	0.5	<u>2,413,800</u>	0.3
	<b>Total non-operating income and expenses</b>		<u>3,398,892</u>	0.5	<u>2,857,612</u>	0.4
7900	<b>Profit before tax</b>		9,371,746	1.3	10,162,890	1.3
	<b>Less: tax expense</b>		<u>1,240,856</u>	0.2	<u>1,478,280</u>	0.2
7950	<b>Profit</b>		<u>8,130,890</u>	1.1	<u>8,684,610</u>	1.1
8300	<b>Other comprehensive income:</b>					
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>					
8311	Other comprehensive income, before tax, remeasurement of defined benefit obligation		(82,021)	-	(79,571)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that will not be reclassified subsequently to profit or loss		(6,375)	-	(4,988)	-
8349	Income tax relating to items that will not be reclassified		<u>13,944</u>	-	<u>13,527</u>	-
	Items that will not be reclassified subsequently to profit or loss		<u>(74,452)</u>	-	<u>(71,032)</u>	-
8360	<b>Items that maybe reclassified subsequently to profit or loss</b>					
8361	Other comprehensive income, before tax, exchange differences on translation of foreign financial statements		(1,004,076)	(0.1)	2,011,139	0.2
8362	Other comprehensive income, before tax, available-for-sale financial assets		362,179	-	(1,695,723)	(0.2)
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that maybe reclassified subsequently to profit or loss		(521,847)	-	(357,582)	-
8399	Income tax relating to items that maybe reclassified		<u>23,868</u>	-	<u>(18,486)</u>	-
	Items that maybe reclassified subsequently to profit or loss		<u>(1,139,876)</u>	(0.1)	<u>(60,652)</u>	-
8300	<b>Other comprehensive income, net of tax</b>		<u>(1,214,328)</u>	(0.1)	<u>(131,684)</u>	-
8500	<b>Total comprehensive income</b>		<u>\$ 6,916,562</u>	<b>1.0</b>	<u>8,552,926</u>	<b>1.1</b>
	<b>Earnings per share:</b>					
9750	<b>Basic earnings per share</b>		<u>\$ 1.88</u>			<b>2.01</b>
9850	<b>Diluted earnings per share</b>		<u>\$ 1.84</u>			<b>1.97</b>

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**COMPAL ELECTRONICS, INC.**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2016 and 2015**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings						Other equity items				Total other equity interest	Treasury stock	Total equity
	Ordinary shares	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Others				
<b>Balance on January 1, 2015</b>	\$ 44,232,366	14,296,445	15,867,903	7,707,518	24,146,451	47,721,872	1,178,307	(4,317,328)	-	(3,139,021)	(1,724,739)	101,386,923	
Profit for the year ended December 31, 2015	-	-	-	-	8,684,610	8,684,610	-	-	-	-	-	8,684,610	
Other comprehensive income	-	-	-	-	(71,032)	(71,032)	1,624,754	(1,693,104)	7,698	(60,652)	-	(131,684)	
Total comprehensive income	-	-	-	-	8,613,578	8,613,578	1,624,754	(1,693,104)	7,698	(60,652)	-	8,552,926	
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	703,408	-	(703,408)	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	(4,568,497)	4,568,497	-	-	-	-	-	-	-	
Cash dividends on ordinary shares	-	-	-	-	(4,428,781)	(4,428,781)	-	-	-	-	-	(4,428,781)	
Cash dividends from capital surplus	-	(2,214,390)	-	-	-	-	-	-	-	-	-	(2,214,390)	
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	-	258	-	-	-	-	-	-	-	-	-	258	
Changes in ownership interests in subsidiaries	-	28,275	-	-	(14,572)	(14,572)	-	-	-	-	-	13,703	
Changes in equity of associates and joint ventures accounted for using equity method	-	5,824	-	-	(15,956)	(15,956)	-	-	-	-	-	(10,132)	
Share-based payments transaction	478,900	647,200	-	-	1,370	1,370	-	-	(727,208)	(727,208)	-	400,262	
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	75,026	-	-	-	-	-	-	-	-	-	75,026	
<b>Balance on December 31, 2015</b>	44,711,266	12,838,638	16,571,311	3,139,021	32,167,179	51,877,511	2,803,061	(6,010,432)	(719,510)	(3,926,881)	(1,724,739)	103,775,795	
Profit for the year ended December 31, 2016	-	-	-	-	8,130,890	8,130,890	-	-	-	-	-	8,130,890	
Other comprehensive income	-	-	-	-	(74,452)	(74,452)	(1,478,779)	346,602	(7,699)	(1,139,876)	-	(1,214,328)	
Total comprehensive income	-	-	-	-	8,056,438	8,056,438	(1,478,779)	346,602	(7,699)	(1,139,876)	-	6,916,562	
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	868,461	-	(868,461)	-	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	60,653	(60,653)	-	-	-	-	-	-	-	
Cash dividends on ordinary shares	-	-	-	-	(4,426,671)	(4,426,671)	-	-	-	-	-	(4,426,671)	
Cash dividends from capital surplus	-	(885,334)	-	-	-	-	-	-	-	-	-	(885,334)	
Changes in ownership interests in subsidiaries	-	22	-	-	(658)	(658)	-	-	-	-	-	(636)	
Changes in equity of associates and joint ventures accounted for using equity method	-	1,723	-	-	(10,527)	(10,527)	-	-	-	-	-	(8,804)	
Share-based payments transaction	(31,500)	(40,846)	-	-	3,671	3,671	-	-	442,104	442,104	-	373,429	
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	60,048	-	-	-	-	-	-	-	-	-	60,048	
Retirement of treasury share	(438,160)	(194,977)	-	-	(210,355)	(210,355)	-	-	-	-	-	843,492	
<b>Balance on December 31, 2016</b>	<b>\$ 44,241,606</b>	<b>11,779,274</b>	<b>17,439,772</b>	<b>3,199,674</b>	<b>34,649,963</b>	<b>55,289,409</b>	<b>1,324,282</b>	<b>(5,663,830)</b>	<b>(285,105)</b>	<b>(4,624,653)</b>	<b>(881,247)</b>	<b>105,804,389</b>	

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

**(English Translation of Financial Statements and Report Originally Issued in Chinese)**  
**COMPAL ELECTRONICS, INC.**

**Statements of Cash Flows**

**For the years ended December 31, 2016 and 2015**  
**(Expressed in Thousands of New Taiwan Dollars)**

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

# Compal Electronics, Inc.



Chairman: **Sheng-Hsiun Hsu (Rock Hsu)**

徐錦雄  
徐瑞聰



Chief Executive Officer (CEO): **Jui-Tsung Chen (Ray Chen)**