

Stock Ticker : 2324

Compal Electronics, Inc.

2017 Annual General Shareholders' Meeting Meeting Handbook

(June 22, 2017)



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

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Meeting Procedures

Compal Electronics, Inc.

2017 Annual General Shareholders' Meeting Procedures

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

Meeting Agenda

Compal Electronics, Inc.

2017 Annual General Shareholders' Meeting Agenda

Time : 9:00 am, June 22, 2017 (Thursday)

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

I. Report Items

1. Report on Business for the year 2016
2. Audit Committee's Review Report for the year 2016
3. Report of the distribution of compensation to employees and directors for the year 2016

II. Ratification Items

1. To ratify the Business Report and Financial Statements for the year 2016
2. To ratify the Distribution of Earnings for the year 2016

III. Discussion Items

1. To approve the proposal of cash distribution from capital surplus
2. To approve the amendment to the "Procedures for Acquisition or Disposal of Assets"
3. To approve the release of non-competition restrictions for Directors

IV. Special Motion(s)

V. Meeting Adjourned

Report Items

Item 1

Proposed by the Board of Directors

Proposal:

Report on Business for the year 2016

Explanatory Note:

The Business Report for the year 2016 is attached hereto as Attachment 1.

Item 2

Proposed by the Board of Directors

Proposal:

Audit Committee's Review Report for the year 2016

Explanatory Notes:

1. The year 2016 financial statements have been audited by the Independent Auditors and the Independent Auditors' Report was issued. In addition, the Business Report and Distribution of Earnings for the Year 2016 have been reviewed and examined by Audit Committee; the Review Report was issued accordingly.
2. Independent Auditors' Report is attached hereto as Attachment 2.
3. Audit Committee's Review Report is attached hereto as Attachment 3.

Item 3

Proposed by the Board of Directors

Proposal:

Report of the distribution of compensation to employees and directors for the year 2016

Explanatory Note:

- 1、In accordance with the Articles of Incorporation of the Company, if there is any profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to deduction of compensation to employees and directors, shall be distributed to employees as compensation in an amount of not less than two percent (2%) thereof and to directors as compensation in an amount of not more than two percent (2%) of such profits. Notwithstanding the foregoing, in the event that the Company has accumulated losses, the Company shall first reserve an amount to offset accumulated losses.
- 2、The distribution of compensation to employees and directors for the year 2016, as approved by the Remuneration Committee and the Board of Directors, are NT\$ 876,027,690 and NT\$ 46,323,438, respectively. The compensations shall be distributed in the form of cash.

Ratification Items

Item 1

Proposed by the Board of Directors

Proposal:

To ratify the Business Report and Financial Statements for the year 2016

Explanatory Notes:

1. The Company's 2016 financial statements have been audited by Kuan-Ying Kuo and Yiu-Kwan Au, certified public accountants from KPMG, who have issued an Audit Report. In addition, the Business Report has been reviewed and examined by the Audit Committee and the Audit Committee has issued a Review Report accordingly.
2. The "Business Report for the Year 2016" and "Financial Statements for the Year 2016" are attached hereto as Attachments 1 and 4.

Resolved That:

Item 2

Proposed by the Board of Directors

Proposal:

To ratify the Distribution of Earnings for the year 2016

Explanatory Notes:

1. The 2016 Earnings Distribution Proposal (see page 12) was prepared by the Board of Directors according to the ROC Company Act and Articles of Incorporation of the Company.
2. The amount of earnings for the year 2016 available for distribution to shareholders as dividend and bonus is NT\$ 4, 422, 152, 625. Such amount is proposed to be distributed in the form of cash dividend. Each shareholder will be entitled to receive a cash dividend of NT\$1 per share. Cash dividend shall be distributed and paid to each shareholder, rounded to the nearest NT dollar (truncate the numbers after decimal place). Fractional amounts will be aggregately recognized as other revenue in the accounting book of the Company.
3. After the resolutions adopted by the 2017 Annual General Meeting of Shareholders, it is proposed that the Board of Directors be authorized by the General Shareholders' Meeting to determine the record date of cash dividend distribution.
4. As of April 24, 2017, the number of shares issued by the Company that is eligible to receive dividends is 4, 422, 152, 625 shares. However, if the number of outstanding shares is changed afterward due to the share buy-back or redemption by the Company, share cancellation or other factors so that the distribution ratio for the cash dividend must be adjusted accordingly, it is proposed that the Board of Directors be authorized by the General Shareholders' Meeting to deal with this matter with full authority.

Resolved That:

Compal Electronics, Inc.

Earnings Distribution Proposal for the Year 2016

Unit: NT\$

Item	Amount
Unappropriated retained earnings of previous years	26,811,393,630
Add:	
Net income of 2016	8,130,890,360
Reversal of special reserve for the net debit balance of other equity interest in the previous year	3,199,674,050
Adjustments of retained earnings due to share-based payment transaction	3,670,304
Subtract:	
Other comprehensive income of 2016 - remeasurement of defined benefit plans	(74,452,562)
10% Legal reserve	(813,089,036)
Special reserve retained for the net debit balance of other equity interest in this year	(4,339,549,197)
Changes in ownership interests in subsidiaries	(658,441)
Changes in equity interests in associates and joint ventures accounted for using equity method	(10,526,155)
Retained earnings write-off after cancellation of treasury stock	(210,354,214)
Retained earnings available for distribution as of December 31, 2016	32,696,998,739
Distribution item:	
Subtract:	
Dividends to common shares holders < Note 1 >	(4,422,152,625)
Unappropriated retained earnings as of December 31, 2016	28,274,846,114

Note: Cash dividends of NT\$1 per common share

Discussion Items

Item 1

Proposed by the Board of Directors

Proposal:

To approve the proposal of cash distribution from capital surplus

Explanatory Notes:

1. In accordance with Article 241 of the Company Act, the Company proposes a cash distribution of NT\$ 884,430,525 from capital surplus derived from the amount of the subscription price in excess of par value of common shares issued by the Company. The cash is to be distributed to the registered shareholders on the record date, and the cash distribution per share will be NT\$0.2. Cash distribution from capital surplus shall be paid to each shareholder, rounded to the nearest NT dollar (truncate the numbers after decimal place). Fractional amounts will be aggregately recognized as other revenue in the accounting book of the Company.
2. After the resolutions adopted by the 2017 Annual General Meeting of Shareholders, it is proposed that the Board of Directors be authorized by the General Shareholders' Meeting to determine the record date for the cash distribution from capital surplus.
3. As of April 24, 2017, the number of shares issued by the Company which is eligible to receive cash distribution is 4, 422, 152, 625 shares. However, if the number of outstanding shares is changed afterward due to the share buy-back or redemption by the Company, shares cancellation or other factors so that the distribution ratio for the cash distribution from capital surplus must be adjusted accordingly, it is proposed that the Board of Directors be authorized by the General Shareholders' Meeting to deal with this matter with full authority.

Resolved That:

Item 2

Proposed by the Board of Directors

Proposal:

To approve the amendment to the “Procedures for Acquisition or Disposal of Assets”

Explanatory Notes:

1. Amendment to the Procedures for Acquisition or Disposal of Assets is proposed to be in line with the requirements of applicable laws and regulations.
2. The Comparison Table Before and After Amendment to the Procedures for Acquisition or Disposal of Assets is attached hereto as Attachment 5.

Resolved That:

Item 3

Proposed by the Board of Directors

Proposal:

To approve the release of non-competition restrictions for Directors

Explanatory Notes:

1. As certain Directors of the Company may invest in or operate a business which is identical or similar to the business scope of the Company, without prejudice to any interest of Compal, it is proposed to approve the release of non-competition restrictions for these Directors in accordance with Article 209 of the Company Act.
2. Information of the Directors who concurrently serve in a position of other companies is shown in the tables below (see page 17~18). The approval of the release of non-competition restrictions for Directors is proposed.

Resolved That :

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

Company	Position
RAYPAL Biomedical, Inc.	Director

■Information of Mr. Shyh-Yong Shen (Representative of the Corporate Director of Compal, Kinpo Electronics, Inc.), concurrently serves in a position of other companies is listed below:

Company	Position
Cal-Comp Big Data, Inc.	Chairman / Representative of Kinpo (Note 1)
CastleNet Technology Inc (Kunshan).	Chairman / Representative of a company indirectly invested by Kinpo
XYZprinting (Shanghai) cloud technology Co., Ltd.	Chairman / Representative of a company indirectly invested by Kinpo
XYZLife (Philippines) Inc.	Chairman / Indirectly invested by Kinpo
Cal-Comp Precision (Philippines) Ltd.	Chairman / Indirectly invested by CCET(Note 2)
QBit Semiconductor, Ltd.	Director / Representative of CCET
Cal-Comp Big Data Internation Ltd.	Director / Indirectly invested by Kinpo
Castlenet Techology (BVI) Inc.	Director / Indirectly invested by Kinpo
XYZprinting, Inc. (Korea)	Director / Indirectly invested by Kinpo
QBit Semiconductor Holding, Ltd.	Director / Indirectly invested by CCET
Cal-Comp Big Data, Inc.	President/ Invested by Kinpo
XYZprinting (Shanghai) cloud technology Co., Ltd.	President/ Indirectly invested by Kinpo

Note: 1. Kinpo Electronics, Inc. (“Kinpo”)

2. Cal-Comp Electronics (Thailand) Public Company Limited (“CCET”)

■Information of Mr. **Charng-Chyi Ko**, the Director of Compal, concurrently serves in a position of other company is listed below:

Company	Position
Kinpo Electronics, Inc.	Director

■Information of Mr. Sheng-Chieh Hsu, the Director of Compal, concurrently serves in a position of other company is listed below:

Company	Position
Tung-WAN Kai-Bao Co., Ltd.	Director / Representative of a company indirectly invested by Kinpo

■Information of Mr. Yen-Chia Chou, the Director of Compal, concurrently serves in a position of other company is listed below:

Company	Position
Kinpo Electronics, Inc.	Director

■Information of Mr. Chung-Pin Wong, the Director & Executive Vice President of Compal, concurrently serves in a position of other company is listed below:

Company	Position
Taiwan Sanga Co., Ltd.	Director / Representative of Compal

■Information of Mr. Chiung-Chi Hsu, the Director of Compal, concurrently serves in a position of other company is listed below:

Company	Position
Juan Hsin Bao Hardware co., Ltd.	Director

■Information of Mr. Chao-Cheng Chen, the Director & Executive Vice President of Compal, concurrently serves in a position of other company is listed below:

Company	Position
HengHao Technology Co. Ltd.	Director / Representative of Compal

■Information of Mr. Min Chih Hsuan, the Independent Director of Compal, concurrently serves in a position of other companies is listed below:

Company	Position
Alpha Networks Inc.	Director/Representative of D-Link Corporation
Murad Chia Jei Biotechnology Co., Ltd.	Director

■Information of Mr. Duei Tsai, the Independent Director of Compal, concurrently serves in a position of other companies is listed below:

Company	Position
Getac Technology Corp.	Independent Director
TTY Biopharm Company Ltd.	Independent Director

■Information of Kinpo Electronics, Inc., the Corporate Director of Compal, concurrently serves in a position of other companies is listed below:

Company	Position
Cal-Comp Big Data, Inc.	Director
CastleNet Technology Inc.	Director

Special Motion(s)

Special Motion(s)

Attachments

Attachment 1

Business Report for the Year 2016

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 cost management have been further improved in 2016. We herein summarize the operational results of the last year follows:

2016 Financial Performance

Compal's 2016 consolidated revenue was NT\$766,810million, 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\$ 11,813million, which maintained at the previous year's NT\$11,792million level, of which the net profit attributed to the parent company was NT\$ 8,131million, and the earnings per share (EPS) was NT\$ 1.88.

2016 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, Compal's development of new business 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 won over the top-tier customers and achieved breakthrough in shipments in 2016.

In addition, Compal has continued to invest in Smart Medical and Healthcare since it engaged with in the medical business in year 2015. 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 establish of the medical platform system and the cooperation of medical equipment.

Compal's smart medical team is also actively participated in public health issues and became the co-developer for New Taipei City's "Fit for Age" Project in 2016.

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 Development

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. 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 commit in Smart Medical and Healthcare investments. 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. We believe our investment in Smart Medical and Healthcare will become the company's new business driver over the next 3-5 years.

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 of the Board: Sheng-Hsiung Hsu

President and Chief Executive Officer: Jui-Tsung Chen

Accounting Officer: Ching-Hsiung Lu

Attachment 2

Independent Auditors' Report

To Compal Electronics, Inc.:

Opinion

We have audited the financial statements of COMPAL ELECTRONICS, INC. (“the Company”), which comprise the statement 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 at 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 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 Financial Statements section of our report. We are independent of the Company 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 for 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 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.

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 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 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 this 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 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 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 (the 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.

Independent Auditors' 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 ("IASs"), 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 uncertainly 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 (the 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.

Attachment 3

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:



空明智

May 15, 2017

Attachment 4

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

COMPAL ELECTRONICS, INC.

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	%
Assets						Liabilities and Equity			
Current assets:						Current liabilities:			
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>
Non-current assets:						<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		Non-Current liabilities:			
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	373,801	0.1	139,759	-
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	-		Total liabilities			
	<u>91,208,505</u>	<u>27.8</u>	<u>88,742,231</u>	<u>29.9</u>		Equity attributable to owners of parent:			
					3110 Ordinary share	44,241,606	13.5	44,711,266	15.1
					3200 Capital surplus	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 interest	(4,624,653)	(1.4)	(3,926,881)	(1.3)
					3500 Treasury shares	(881,247)	(0.3)	(1,724,739)	(0.6)
						<u>105,804,389</u>	<u>32.2</u>	<u>103,775,795</u>	<u>35.0</u>
						Total equity			
Total assets	<u>\$ 328,620,920</u>	<u>100.0</u>	<u>296,239,039</u>	<u>100.0</u>	Total liabilities and equity	<u>\$ 328,620,920</u>	<u>100.0</u>	<u>296,239,039</u>	<u>100.0</u>

See accompanying notes to the parent company only financial reports.

(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 Common Share)

	2016		2015	
	Amount	%	Amount	%
4000 Net sale revenue	\$ 725,653,095	100.0	802,994,930	100.0
5000 Cost of sales :	<u>704,371,443</u>	<u>97.1</u>	<u>780,260,207</u>	<u>97.2</u>
Gross profit	21,281,652	2.9	22,734,723	2.8
5910 Less: Unrealized profit from sales	<u>481</u>	<u>-</u>	<u>(2,867)</u>	<u>-</u>
Gross profit	<u>21,281,171</u>	<u>2.9</u>	<u>22,737,590</u>	<u>2.8</u>
Operating expenses :				
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>	<u>1.2</u>	<u>9,052,274</u>	<u>1.1</u>
	<u>15,308,317</u>	<u>2.1</u>	<u>15,432,312</u>	<u>1.9</u>
Net operating income	<u>5,972,854</u>	<u>0.8</u>	<u>7,305,278</u>	<u>0.9</u>
Non-operating income and expenses:				
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 associates and joint ventures accounted for using equity method	<u>3,766,213</u>	<u>0.5</u>	<u>2,413,800</u>	<u>0.3</u>
Total non-operating income and expenses	<u>3,398,892</u>	<u>0.5</u>	<u>2,857,612</u>	<u>0.4</u>
7900 Profit before tax	9,371,746	1.3	10,162,890	1.3
7950 Less: tax expense	<u>1,240,856</u>	<u>0.2</u>	<u>1,478,280</u>	<u>0.2</u>
Profit	<u>8,130,890</u>	<u>1.1</u>	<u>8,684,610</u>	<u>1.1</u>
8300 Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Other comprehensive income, before tax, remeasurement of defined benefit obligation	(82,021)	-	(79,571)	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that will not be reclassified subsequently to profit or loss	(6,375)	-	(4,988)	-
8349 Income tax relating to items that will not be reclassified	<u>13,944</u>	<u>-</u>	<u>13,527</u>	<u>-</u>
Items that will not be reclassified subsequently to profit or loss	<u>(74,452)</u>	<u>-</u>	<u>(71,032)</u>	<u>-</u>
8360 Items that will be reclassified subsequently to profit or loss				
8361 Other comprehensive income, before tax, remeasurement of defined benefit obligation	(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 will not be reclassified subsequently to profit or loss	(521,847)	-	(357,582)	-
8399 Income tax relating to items that will be reclassified	<u>23,868</u>	<u>-</u>	<u>(18,486)</u>	<u>-</u>
Items that will be reclassified subsequently to profit or loss	<u>(1,139,876)</u>	<u>(0.1)</u>	<u>(60,652)</u>	<u>-</u>
8300 Other comprehensive income, net	<u>(1,214,328)</u>	<u>(0.1)</u>	<u>(131,684)</u>	<u>-</u>
8500 Comprehensive income	<u>\$ 6,916,562</u>	<u>1.0</u>	<u>8,552,926</u>	<u>1.1</u>
Earnings per share:				
9750 Basic earnings per share	<u>\$ 1.88</u>		<u>2.01</u>	
9850 Diluted net income per share	<u>\$ 1.84</u>		<u>1.97</u>	

See accompanying notes to the parent company only financial reports.

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

Note : Director's compensation amounting to \$46,323 and \$50,234, employee bonuses amounting to \$876,028 and \$949,980 were recognized in the 2016 and 2015 statement of comprehensive income.

See accompanying notes to the parent company only financial reports.

(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)

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

See accompanying notes to the parent company only financial reports.

(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)

Assets	December 31, 2016		December 31, 2015			Liabilities and Equity	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents	\$ 72,950,596	21.0	62,751,542	19.1	2100	Short-term borrowings	\$ 43,480,777	12.5	29,481,176	9.0
1110 Current financial assets at fair value through profit or loss	86,440	-	25,412	-	2120	Current financial liabilities at fair value through profit or loss	137,489	-	29,215	-
1125 Current available-for-sale financial assets	48,631	-	29,738	-	2170	Notes and accounts payable	127,523,732	36.7	127,152,784	38.8
1135 Current derivative financial assets used for hedging	-	-	21,360	-	2180	Notes and accounts payable to related parties	1,958,211	0.6	1,473,760	0.4
1147 Current bond investments without active market	350,000	0.1	350,000	0.1	2200	Other payables	17,853,264	5.1	18,141,188	5.5
1170 Notes and accounts receivable, net	175,318,313	50.5	164,799,743	50.3	2230	Current tax liabilities	3,795,925	1.1	4,196,978	1.3
1180 Notes and accounts receivable due from related parties, net	70,972	-	62,245	-	2250	Current provisions	1,842,094	0.5	2,388,710	0.7
1200 Other receivables, net	1,082,607	0.3	824,160	0.3	2300	Other current liabilities	2,899,674	0.9	3,929,073	1.2
1310 Inventories	48,105,125	13.9	46,520,021	14.2	2313	Unearned revenue	1,774,158	0.5	1,747,574	0.5
1470 Other current assets	2,456,323	0.7	2,399,255	0.7	2320	Long-term borrowings, current portion	7,966,875	2.3	14,216,617	4.3
	<u>300,469,007</u>	<u>86.5</u>	<u>277,783,476</u>	<u>84.7</u>			<u>209,232,199</u>	<u>60.2</u>	<u>202,757,075</u>	<u>61.7</u>
Non-current assets:						Non-Current liabilities:				
1550 Investments accounted for using equity method	11,726,370	3.4	11,788,042	3.6	2540	Long-term borrowings	23,954,688	7.0	14,356,563	4.4
1523 Non-current available-for-sale financial assets	9,556,461	2.8	9,063,101	2.8	2570	Deferred tax liabilities	746,962	0.2	481,497	0.2
1543 Non-current financial assets at cost	71,820	-	103,867	-	2640	Non-current net defined benefit liabilities	631,821	0.2	545,460	0.2
1546 Non-current investments without active market	700,000	0.2	1,050,000	0.3	2670	Non-current liabilities	166,626	-	186,864	0.1
1600 Property, plant and equipment	20,952,677	6.0	24,308,631	7.4			<u>25,500,097</u>	<u>7.4</u>	<u>15,570,384</u>	<u>4.9</u>
1780 Intangible assets	1,291,281	0.4	1,194,193	0.4		Total liabilities	<u>234,732,296</u>	<u>67.6</u>	<u>218,327,459</u>	<u>66.6</u>
1840 Deferred tax assets	1,262,986	0.4	1,377,465	0.4		Equity attributable to owners of parent:				
1985 Long-term prepaid rents	594,520	0.2	747,066	0.2	3110	Ordinary share	44,241,606	12.8	44,711,266	13.6
1990 Other non-current assets	390,989	0.1	509,734	0.2	3200	Capital surplus	11,779,274	3.4	12,838,638	3.9
	<u>46,547,104</u>	<u>13.5</u>	<u>50,142,099</u>	<u>15.3</u>	3300	Retained earnings	55,289,409	15.9	51,877,511	15.8
					3400	Other equity interest	(4,624,653)	(1.3)	(3,926,881)	(1.2)
					3500	Treasury shares	(881,247)	(0.3)	(1,724,739)	(0.5)
							<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>
					36XX	Non-controlling interests	<u>6,479,426</u>	<u>1.9</u>	<u>5,822,321</u>	<u>1.8</u>
						Total equity	<u>112,283,815</u>	<u>32.4</u>	<u>109,598,116</u>	<u>33.4</u>
Total assets	\$ 347,016,111	100.0	327,925,575	100.0		Total liabilities and equity	\$ 347,016,111	100.0	327,925,575	100.0

See accompanying notes to the consolidated financial statements.

(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	
	Amount	%	Amount	%
4000 Net sales revenue	\$ 766,810,035	100.0	847,305,698	100.0
5000 Cost of sales	733,973,065	95.7	813,927,341	96.1
Gross profit	32,836,970	4.3	33,378,357	3.9
Operating expenses:				
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	11,961,428	1.6	12,249,660	1.4
	21,773,325	2.9	22,065,905	2.6
Net operating income	11,063,645	1.4	11,312,452	1.3
Non-operating income and expenses:				
7020 Other gains and losses	(1,042,285)	(0.1)	(323,839)	-
7050 Finance costs	(946,893)	(0.1)	(899,702)	(0.1)
7190 Other income	1,961,554	0.3	1,495,156	0.2
7590 Miscellaneous disbursements	(54,672)	-	(37,562)	-
7670 Impairment loss	(239,989)	-	(121,574)	-
7770 Share of profit of associates and joint ventures accounted for using equity method	1,071,985	0.1	367,162	-
Total non-operating income and expenses	749,700	0.2	479,641	0.1
7900 Profit before tax	11,813,345	1.6	11,792,093	1.4
7950 Less: Tax expense	2,845,339	0.4	2,784,946	0.3
Profit	8,968,006	1.2	9,007,147	1.1
8300 Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Other comprehensive income, before tax, rereasurement 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	16,616	-	15,911	-
Items that will be reclassified subsequently to profit or loss	(82,796)	-	(78,479)	-
8360 Items that will be reclassified subsequently to profit or loss				
8361 Other comprehensive income, before tax, exchange differences on translation of foreign financial statement	(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	21,180	-	(34,315)	-
Items that will be reclassified subsequently to profit or loss	(1,182,750)	(0.2)	(23,491)	-
8300 Other comprehensive income, net	(1,265,546)	(0.2)	(101,970)	-
8500 Comprehensive income	\$ 7,702,460	1.0	8,905,177	1.1
Profit, attributable to:				
8610 Profit, attributable to owners of parent	\$ 8,130,890	1.2	8,684,610	1.1
8620 Profit, attributable to non-controlling interests	837,116	-	322,537	-
	\$ 8,968,006	1.2	9,007,147	1.1
Comprehensive income attributable to:				
8710 Comprehensive income, attributable to owners of parent	\$ 6,916,562	1.0	8,552,926	1.0
8720 Comprehensive income, attributable to non-controlling interests	785,898	-	352,251	-
	\$ 7,702,460	1.0	8,905,177	1.0
Earnings per share				
9750 Basic earnings per share	\$ 1.88		2.01	
9850 Diluted earnings per share	\$ 1.84		1.97	

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 owners of parent													
	Retained earnings						Other equity interest					Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee benefit and others	Total other equity interest	Treasury shares			
Balance at January 1, 2015	\$ 44,232,366	14,296,445	15,867,903	7,707,518	24,146,451	47,721,872	1,178,307	(4,317,328)	-	(3,139,021)	(1,724,739)	101,386,923	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 of ordinary share	-	-	-	-	(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
Balance at December 31, 2015	44,711,266	12,838,638	16,571,311	3,139,021	32,167,179	51,877,511	2,803,061	(6,010,432)	(719,510)	(3,926,881)	(1,724,739)	103,775,795	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 of ordinary share	-	-	-	-	(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	-	-	-
Balance at December 31, 2016	<u>\$ 44,241,606</u>	<u>11,779,274</u>	<u>17,439,772</u>	<u>3,199,674</u>	<u>34,649,963</u>	<u>55,289,409</u>	<u>1,324,282</u>	<u>(5,663,830)</u>	<u>(285,105)</u>	<u>(4,624,653)</u>	<u>(881,247)</u>	<u>105,804,389</u>	<u>6,479,426</u>	<u>112,283,815</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 Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit before tax	\$ 11,813,345	11,792,093
Adjustments:		
Adjustments to reconcile profit (loss):		
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
Adjustments to reconcile profit (loss)	5,885,171	6,271,039
Changes in operating assets and liabilities:		
Changes in operating assets:		
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)
Total changes in operating assets	(13,342,746)	35,465,714
Changes in operating liabilities:		
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
Total changes in operating liabilities	79,260	(42,863,008)
Total changes in operating assets and liabilities	(13,263,486)	(7,397,294)
Total adjustments	(7,378,315)	(1,126,255)
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)
Net cash flows from (used in) operating activities	1,287,662	9,534,256
Cash flows from (used in) investing activities:		
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)	(8,555,354)
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)
Net cash flows from (used in) investing activities	(3,181,966)	(3,821,735)
Cash flows from (used in) financing activities:		
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
Net cash flows from (used in) financing activities	11,913,185	(19,232,562)
Effect of exchange rate changes on cash and cash equivalents	180,173	1,563,453
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	<u>\$ 72,950,596</u>	<u>62,751,542</u>

See accompanying notes to financial statements.

Attachment 5

Compal Electronics, Inc.
Comparison Table Before and After Amendment to the
Procedures for Acquisition or Disposal of Assets

Before amendment	After amendment	Reason for amendment
<p>Article 6 Processing Procedure of the Acquisition or Disposition of Real Property, Equipment, Memberships, Patents, Copyrights, Trademarks, Franchise Rights, and Other Intangible Assets, etc. :</p> <p>1. (omitted)</p> <p>2. (omitted)</p> <p>3. Appraisal or Assessment Report</p> <p>(1) Report on Appraisal of Real Property or Equipment In acquiring or disposing real property or equipment where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, or the transaction value for a related party transaction reaches 10 % or more of the Company's total assets, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business equipment, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (Omitted)</p> <p>(2) Expert Assessment Report on the Memberships or Intangible Assets</p>	<p>Article 6 Processing Procedure of the Acquisition or Disposition of Real Property, Equipment, Memberships, Patents, Copyrights, Trademarks, Franchise Rights, and Other Intangible Assets, etc. :</p> <p>1. (omitted)</p> <p>2. (omitted)</p> <p>3. Appraisal or Assessment Report</p> <p>(1) Report on Appraisal of Real Property or Equipment In acquiring or disposing real property or equipment where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, or the transaction value for a related party transaction reaches 10 % or more of the Company's total assets, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business equipment, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (Omitted)</p> <p>(2) Expert Assessment Report on the Memberships or Intangible Assets</p>	<p>Wordings amendment in Chinese was made; however, no need to modify description in English</p>

Before amendment	After amendment	Reason for amendment
<p>Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% of more of paid-in capital or NT\$300 million or more or the transaction value for a related party transaction reaches 10 % or more of the Company’s total assets, except in transactions with a government agency, the Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>(Omitted)</p>	<p>Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% of more of paid-in capital or NT\$300 million or more or the transaction value for a related party transaction reaches 10 % or more of the Company’s total assets, except in transactions with a government agency, the Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>(Omitted)</p>	<p>Wordings amendment in Chinese was made; however, no need to modify description in English</p>
<p>Article 7 Related Party Transactions:</p> <p>1. (omitted)</p> <p>2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been agreed by the audit committee and</p>	<p>Article 7 Related Party Transactions:</p> <p>1. (omitted)</p> <p>2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading of government bonds or bonds under repurchase and resale agreements, or subscription or buyback of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been</p>	<p>Revised to meet the law requirement</p>

Before amendment	After amendment	Reason for amendment
<p>approved by the Board of Directors.</p> <p>(Omitted)</p>	<p>agreed by the audit committee and approved by the Board of Directors.</p> <p>(Omitted)</p>	
<p>Article 9 Processing Procedure of the Merger, Demerger, Acquisition, or Transfer of Share:</p> <p>1. Assessment and operation procedure</p> <p>(1) When implementing the merger, demerger, acquisition, or transfer of shares, the Company shall invite the attorney, CPA and securities underwriter to work out a time table for legal proceedings, and set up a panel to implement the legal procedure. At the same time, prior to convening the board of directors meeting to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p>	<p>Article 9 Processing Procedure of the Merger, Demerger, Acquisition, or Transfer of Share:</p> <p>1. Assessment and operation procedure</p> <p>(1) When implementing the merger, demerger, acquisition, or transfer of shares, the Company shall invite the attorney, CPA and securities underwriter to work out a time table for legal proceedings, and set up a panel to implement the legal procedure. At the same time, prior to convening the board of directors meeting to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p> <p><u>However, the requirement of obtaining the aforesaid expert opinion on reasonableness may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the total issued shares or capital amount, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiary's total issued shares or capital</u></p>	<p>Added to meet the law requirement</p>

Before amendment	After amendment	Reason for amendment
(Omitted)	amount. (Omitted)	
<p>Article 10 Information Transparency and Disclosure Procedure:</p> <p>1. Items to be announced and the standards of announcement and declaration</p> <p>(1)Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of <u>domestic money market funds.</u></p> <p>(2)(omitted).</p> <p>(3)(omitted).</p> <p><u>(4) Where an asset transaction, other than any of those referred to in the preceding three subparagraphs, or investment in the mainland area reaches 20% or more of paid-in capital of the Company or NT\$300 million; provided, this shall not apply to the following circumstances:</u></p> <p><u>i. Trading of government bonds.</u></p> <p><u>ii. Trading of bonds under repurchase/resale agreements or subscription or redemption of domestic</u></p>	<p>Article 10 Information Transparency and Disclosure Procedure:</p> <p>1. Items to be announced and the standards of announcement and declaration</p> <p>(1)Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>buyback of money market funds issued by domestic securities investment trust enterprises.</u></p> <p>(2)(omitted).</p> <p>(3)(omitted).</p>	<p>Revised to meet the law requirement</p> <p>Re-listing on Sub-paragraph (6), which placed on Sub-paragraph (4) originally, to meet the law requirement</p>

Before amendment	After amendment	Reason for amendment
<p><u>money market funds.</u></p> <p><u>iii.</u> Where the type of asset acquired or disposed is equipment for operational use, the trading counterparty is not a related party, and the transaction amount <u>is less than NT\$500 million.</u></p> <p><u>iv.</u> Where real property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction <u>is less than NT\$500 million.</u></p> <p><u>(5)</u>The following are the ways to calculate the transaction</p>	<p><u>(4)</u>Where the type of asset acquired or disposed is equipment for operational use, the trading counterparty is not a related party, and the transaction amount <u>reaches NT\$ 1 billion or more.</u></p> <p><u>(5)</u>Where real property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction <u>reaches NT\$500 million or more.</u></p> <p><u>(6)</u>Where an asset transaction, other than any of those referred to in the preceding <u>five</u> subparagraphs, or investment in the mainland area reaches 20% or more of paid-in capital of the Company or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <ul style="list-style-type: none"> i. Trading of government bonds. ii. Trading of bonds under repurchase and resale agreements, or subscription or <u>buyback of money market funds issued by domestic securities investment trust enterprises.</u> <p><u>(7)</u>The following are the ways to calculate the transaction amounts</p>	<p>Revised to meet the law requirement</p> <p>Revised to meet the law requirement</p> <p>Listing on Sub-paragraph (6), which placed on Sub-paragraph (4) items i&ii originally, to meet the law requirement</p> <p>Change of order number and</p>

Before amendment	After amendment	Reason for amendment
<p>amounts as mentioned in the preceding Sub-paragraphs <u>1 & 4</u>, in which, the so-called within one year is calculated from one year ahead of the fact occurrence date of this transaction. However, the part which has been announced according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” can be exempted from re-calculation.</p> <p>(Omitted)</p> <p>(6)The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authorities by the tenth day of each month.</p> <p>2. (Omitted)</p> <p>3. The announcement and declaration procedure</p> <p>(1) (Omitted)</p> <p>(2) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>(Omitted)</p>	<p>as mentioned in the preceding Sub-paragraphs <u>(1), (4), (5) and (6)</u>, in which, the so-called within one year is calculated from one year ahead of the fact occurrence date of this transaction. However, the part which has been announced according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” can be exempted from re-calculation.</p> <p>(Omitted)</p> <p>(8)The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authorities by the tenth day of each month.</p> <p>2. (Omitted)</p> <p>3. The announcement and declaration procedure</p> <p>(1) (Omitted)</p> <p>(2) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days from (and inclusive of) the day when the Company becomes aware of such error or omission.</u></p> <p>(Omitted)</p>	<p>Revised to meet the law requirement</p> <p>Change of order number</p> <p>Revised to meet the law requirement</p>

Before amendment	After amendment	Reason for amendment
<p>Article 16 Additional Provisions These Procedures were approved by the Board of Directors Meeting and entered into force on June 23, 1989. The 1st ~11th amendments (Omitted)</p>	<p>Article 16 A1-37dditional Provisions These Procedures were approved by the Board of Directors Meeting and entered into force on June 23, 1989. The 1st ~11th amendments (Omitted) <u>The 12th amendment was approved by the Board of Directors Meeting on May 10, 2017 and entered into force after it was approved by the Annual General Shareholders' meeting on June 22, 2017.</u></p>	<p>Added amendment date</p>

Appendices

Appendix 1

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

Passed by the General Shareholders Meeting on April 8, 1998

1. The shareholders meeting of Compal Electronics, Inc. (the "Company") shall be conducted in accordance with these Rules and Procedures unless the law provides otherwise.
2. The Company shall prepare an attendance book for shareholders to sign in, or the shareholder present may hand in an attendance card in lieu of signing on the attendance book.
The number of shares representing shareholders present in the meeting shall be calculated in accordance with those indicated on the attendance book or the attendance cards.
3. The presence of shareholders in a shareholders meeting and their voting thereof shall be calculated in accordance with the number of shares. Resolutions shall be adopted at the shareholders meeting in accordance with the Company Act and Articles of Incorporation of the Company.
4. The place for convening a shareholders meeting for the Company shall be held inside the premises of the Company, or any other place convenient for presence of shareholders, and suitable for holding of the said meeting. The time for commencing the said meeting shall not be earlier than 9am or later than 3pm.
5. If a shareholders meeting is called by the Board of Directors, the Chairman of the Board shall preside at the said shareholders meeting. In case the Chairman is on leave of absence, or cannot exercise his/her powers and authority, the Vice Chairman shall act in lieu of him/her. If there is no Vice Chairman, or the Vice Chairman is also on leave of absence, or cannot exercise his/her powers and authority, the Chairman shall designate a Managing Director to act in lieu of him/her; if there is no Managing Director, the Chairman shall designate a Director to act in lieu of him/her. If the Chairman does not designate a Director, the Managing Directors or Directors shall elect one from among themselves to act in lieu of the Chairman.
If a shareholders meeting is called by a person other than the Board of Directors, who has the right to call the meeting, said person shall preside at that meeting.
6. The Company may designate its lawyer, certified public accountant or other relevant persons to attend the shareholders meeting.
Persons handling affairs of meeting shall wear identification cards or arm badges.
7. The proceeding of the meeting shall be audio recorded or videotaped in its entirety and these tapes shall be kept for at least one year.
8. The chairman of the meeting shall call the meeting to order at the time scheduled for the meeting, provided, however, that if the shareholders present do not

represent a majority of the total amount of issued shares, the chairman of the meeting may postpone the meeting, provided, however, that the postponement of the said meeting shall be limited to two times, and the total time postponed shall not exceed one hour. If the meeting has been postponed for two times, but the shareholders present still do not represent a majority of the total amount of issued shares, a tentative resolution may be adopted in accordance with Paragraph 1 of Article 175 of the Company Act by shareholders representing one-third of the total amount of issued shares.

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

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

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

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

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

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

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

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

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

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

the speech of such shareholder.

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

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

13. After the speech of a shareholder, the chairman of the meeting may respond himself/herself or appoint an appropriate person to respond.
14. The chairman of the meeting may announce to end the discussion of any discussion item and go into voting if the chairman considers that the discussion for a motion has reached the extent for making a resolution.
15. The persons for supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairman of the meeting, provided, however, that the person supervising the casting of votes shall be a shareholder. The results of resolution(s) shall be announced in the meeting, and recorded in the meeting minutes.
16. During the meeting, the chairman of the meeting may, at his/her discretion, set time for intermission.
17. Unless otherwise specifically provided for in the Company Act or the Articles of Incorporation of the Company, resolutions shall be adopted by a majority of votes represented by the shareholders present at a meeting.
The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is raised after solicitation by the chairman of the meeting.
18. If there is amendment to or substitute for one discussion item, the chairman of the meeting may combine such amendment or substitute into the original discussion item, and determine their orders for resolution. If any one of the above has been adopted, the others shall be considered as rejected, upon which no further resolution shall be required.
19. The chairman of the meeting may direct disciplinary personnel (or security personnel) to keep the order of the meeting. Such disciplinary personnel (or security personnel) shall wear badges bearing the words of "disciplinary personnel".
In order to keep the order of the meeting, shareholders shall obey directions made by the chairman of the meeting, disciplinary personnel (or security personnel). In case any person interrupts the meeting and, after being stopped by the chairman of the meeting three times, refuses to desist his/her interruption, the chairman of the meeting may ask the disciplinary personnel (or security personnel) to escort such shareholder to leave the meeting place.
20. These Rules and Procedures shall be effective from the date they are approved by the shareholders meeting. The same applies in case of amendments.

Appendix 2

Articles of Incorporation of Compal Electronics, Inc.

CHAPTER I GENERAL PROVISIONS

Article 1

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

Article 2

The business scope of the Company shall be as follows:

1. To engage in CC01110 manufacturing business of computers and their peripheral equipments;
2. To engage in CC01080 manufacturing business of electronic parts and components;
3. To engage in CC01060 manufacturing business of wired communication machinery implements;
4. To engage in CC01070 manufacturing business of radio communication machinery implements;
5. To engage in CC01101 manufacturing business of telecom controlled radio frequency instruments;
6. To engage in F401021 import business of telecom controlled radio frequency instruments;
7. To engage in CB01010 manufacturing business of machinery equipments;
8. To engage in CB01020 manufacturing business of office machinery;
9. To engage in CE01990 manufacturing business of other optical & precision apparatus;
10. To engage in G801010 terminal business;
11. To engage in I501010 products design business;
12. To engage in I301010 information software services business;
13. To engage in F401010 international trade business;
14. To engage in F108031 Wholesale of Drugs, Medical Goods
15. To engage in F208031 Retail sale of Medical Equipments
16. To engage in CF01011 Medical Materials and Equipment Manufacturing
17. ZZ99999 All businesses that are not prohibited or restricted by laws, except those that are subject to special approval.

Article 3

The Company may provide guarantee to other companies to meet its business needs.

Article 4

The head office of the Company shall be in Taipei. When deemed necessary, the

Company may set up branch offices or factories within or outside the Republic of China by resolutions of the Board of Directors.

Article 5(Deleted)

Article 6

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

CHAPTER 2 SHARES

Article 7

The total capital of the Company shall be NT\$60,000,000,000 consisting of 6,000,000,000 shares with a par value of NT\$10 each (including 100,000,000 shares for employees' subscription to shares according to certificates of subscription or company bonds attaching the right of subscription to shares) which may be issued in several issues, and the shares that are not issued may be issued by the board of directors according to business requirement.

Article 8

The share certificates of the Company shall be in registered form and issued after they are serially numbered, signed or sealed by at least three directors, and certified by the competent authority or by the agency approved to handle the registration of the share issue.

The Company may be exempted from printing any share certificate for the shares issued and shall appoint a centralized securities custody enterprise/ institution to make recordation of the issue of such shares.

Article 9

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

Article 10

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

Article 11

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

other benefits.

CHAPTER 3 SHAREHOLDERS' MEETING

Article 12

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

Article 13

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

Article 14

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

Article 15

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

Article 16

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

Article 17

Minutes of proceedings shall be prepared for all resolutions adopted at a shareholders' meeting, stating the date and place of the meeting, the abstract and results of proceedings, name of the chairman and the means by which a resolution is adopted, number of shareholders present and number of shares represented. A copy of the minutes of proceedings duly signed and sealed by the chairman shall be forwarded to

each shareholder within twenty (20) days after the meeting.

The distribution process of meeting minutes is made in accordance with applicable laws and regulations.

CHAPTER 4 DIRECTORS AND COMMITTEES

Article 18

The Company shall have ten (10) to nineteen (19) directors. Directors shall be elected by adopting candidate nomination system and being elected. There shall be at least three (3) independent directors among the Company's directors, and the independent directors shall represent at least one-fifth of the total number of directors.

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

The professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be in compliance with applicable laws and regulations.

Article 19

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

Re-election of independent directors shall be governed by applicable laws and regulations.

Article 20

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

Article 21

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

Article 22

The business policies and other important matters of the Company shall be performed

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

Article 23

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

Article 24

Enhancing supervision functions and strengthening management mechanisms, the board of directors of the Company may set up committees. The organizational rules for each committee shall be promulgated respectively in accordance with relevant laws and regulations as well as the regulations and rules of the Company.

An Audit Committee is established according to Article 14-4 of the Securities and Exchange Act which consists of all independent directors. The Audit Committee shall have such powers and duties as the supervisors under the Company Law, the Securities and Exchange Act and other laws and regulations.

Article 25

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

Article 26

Functions of the board of directors shall be as follows:

1. Appoint and remove managerial personnel;
2. Decide and amend business policies;
3. Examine budget and final account;
4. Propose for distribution of profits and covering of losses;
5. Approve for re-investment, extending loan to other companies, and pledge of assets;
6. Approve for endorsement, guarantee, acceptance to affiliates in excess of the total specified amounts (to be decided by the board of directors);
7. Approve for borrowing and financing in excess of total specified amounts (to be decided by the board of directors);
8. Establish and/or withdraw any main divisions of the Company and/or its domestic or overseas branches, and to prescribe and amend Articles of Incorporation and important rules by laws;
9. Approve for important contracts;
10. Approve for other important business; and
11. Appoint, discharge, and make payment to CPA.

Article 27

A board of directors' meeting shall be called with a seven days prior written notice setting forth the cause(s) of such meeting to all directors, except there is an urgent need. In case of emergency, a board of directors' meeting may be called at any time. The meeting notice as referred to in the foregoing Paragraph shall set forth the cause(s) and be given via mail, e-mail or facsimile.

CHAPTER 5 OFFICERS

Article 28

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

CHAPTER 6 FINANCIAL ACCOUNTS AND DISTRIBUTION OF PROFITS

Article 29

At the close of each fiscal year of the Company, the board of directors shall prepare the following statements/documents and present to the shareholders' meeting for ratification in accordance with the legal procedure:

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

Article 30

If there is any profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to deduction of compensation to employees and directors, shall be distributed to employees as compensation in an amount of not less than two percent (2%) thereof and to directors as compensation in an amount of not more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset accumulated losses.

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

Article 30-1

If there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent (10%) of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The earnings appropriation proposal to distribute dividend and bonus shall be proposed by the Board of Directors and approved by the General Shareholders Meeting. The rest of the unappropriated retained earnings shall be reserved.

The lifecycle of the industry of the Company is in the growing stage. To meet the need of the Company for the future capital and the need of shareholders for cash flow, if there is any profit after close of books, the cash dividend allocated by the Company each year shall not be lower than ten percent (10%) of the total dividend (including cash and share dividend) for such year.

Article 31

Once the total legal reserve equals the total capital, the Company may stop setting aside the legal reserve by shareholders' resolution.

CHAPTER 7 SUPPLEMENTAL PROVISIONS

Article 32

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

Article 33

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

Article 34 (Deleted)

Article 35

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

The 1st amendment was made on May 16, 1984;

The 2nd amendment was made on December 27, 1984;

The 3rd amendment was made on April 6, 1986;

The 4th amendment was made on July 18, 1986;

The 5th amendment was made on May 10, 1987;

The 6th amendment was made on June 13, 1987;

The 7th amendment was made on June 18, 1988;

The 8th amendment was made on May 27, 1989;

The 9th amendment was made on May 4, 1990;

The 10th amendment was made on June 23, 1990;

The 11th amendment was made on March 20, 1991;

The 12th amendment was made on April 30, 1992;

The 13th amendment was made on April 13, 1993;

The 14th amendment was made on April 23, 1994;

The 15th amendment was made on March 31, 1995;

The 16th amendment was made on March 27, 1996;

The 17th amendment was made on May 29, 1997;

The 18th amendment was made on April 8, 1998;

The 19th amendment was made on April 8, 1999;

The 20th amendment was made on March 30, 2000;

The 21st amendment was made on April 3, 2001;

The 22nd amendment was made on May 24, 2002;

The 23rd amendment was made on June 10, 2003;

The 24th amendment was made on June 10, 2005;

The 25th amendment was made on June 9, 2006;

The 26th amendment was made on June 15, 2007;

The 27th amendment was made on June 13, 2008;

The 28th amendment was made on June 19, 2009;

The 29th amendment was made on June 18, 2010;

The 30th amendment was made on June 24, 2011;

The 31st amendment was made on June 22, 2012.

The 32nd amendment was made on June 21, 2013.

The 33rd amendment was made on June 20, 2014.

The 34th amendment was made on June 26, 2015.

The 35th amendment was made on June 24, 2016.

Appendix 3

Procedures for Acquisition or Disposal of Assets of Compal Electronics, Inc.

Article 1 Purpose and Legal Basis:

In order to strengthen the Company's asset management, protect its investment and fulfill its information transparency, these Processing Procedures are adopted in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and related regulations.

Article 2 Definition and Scope:

1. The term "assets" as used in these Processing Procedures includes the following:
 - (1) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
 - (2) Real property (including land, houses and buildings, investment property and rights to use land), equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets.
 - (3) Derivatives.
 - (4) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law.
 - (5) Other major assets.
2. The term "derivatives" as used herein refers to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
3. The term "assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law" as used herein are the ones acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
4. The term "related party" as used herein refers to the one defined by the competent authority.
5. The term "subsidiary" as used herein refers to the one defined by the competent authority.
6. The term "professional appraiser" as used herein refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment.

7. The term “date of occurrence” as used herein refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authority is required, the earlier of the above date or the date of receipt of approval by the Competent Authority shall apply.
8. The term “Mainland area investment” as used herein refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
9. The term “10 percent of total assets” as used herein refers to 10 percent of total assets stated in the most recent standalone or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 3 Authorized Limit:

The Company and its subsidiaries may acquire, dispose or continue to hold the various assets as referred to in these Processing Procedures. However, the amount of the securities investment, non-operating real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall follow the limitation as regulated by the company. Any amount beyond the limitation shall be approved by the board of directors through the resolution before acquisition or disposition.

1. Limit Authorized by the Company

- (1) The total amount of the securities investment, non-operating real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed an amount equal to 1.5 times the net value of the Company.
- (2) The total amount of the investment in the securities expected to be held for one year or more shall not exceed the Company’s net value, while the amount of the singular investment in the securities expected to be held for one year or more shall not exceed 50% of the Company’s net value.
- (3) The total amount of the investment in the securities expected to be held for less than one year shall not exceed 50% of the Company’s net value, while the amount of the singular investment in the securities expected to be held for less than one year shall not exceed 20% of the Company’s net value.
- (4) The total amount of the held non-operating real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed 10% of the Company’s net value, while the amount of the held singular non-operating real property, equipment, memberships and other intangible assets shall not exceed 5% of the Company’s net value.

2. Subsidiary’s Authorized Limit:

- (1) The total amount of the investment in securities, non-operating real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed 1.5 times the net value of each subsidiary.
- (2) The total amount of the investment in the securities expected to be held for one year or more shall not exceed each subsidiary's net value, while the amount of the singular investment in the securities expected to be held of one year or more shall not exceed 50% of each subsidiary's net value.
- (3) The total amount of the investment in the securities expected to be held for less than one year shall not exceed 50% of each subsidiary's net value, while the amount of the singular investment in the securities expected to be held for less than one year shall not exceed 20% of each subsidiary's net value.
- (4) The total amount of the held non-operating real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed 10% of each subsidiary's net value, while the amount of the held singular non-operating asset items shall not exceed 5% of each subsidiary.

The term "net worth" as mentioned above shall mean the equity attributable to the stockholders of the Parent Company in the most recent audited balance sheet as prepared in accordance with the requirements of the competent authorities.

Article 4 Decision-Making and Delegation of Authorization to Approve Transaction Terms:

1. In order to meet the fast variety of the market environment, the acquisition or disposition of the securities expected to be held for less than one year shall be processed according to the approval purview regulated by the company.
2. For the acquisition or disposal of securities that are expected to, or has been, hold for at least 1 year, real estates, equipment, intangible assets including membership, patent, copyright, trademark, franchise and license in an amount for a single item of equal or greater than NT\$300 million, the action must be approved by the Board of Directors; for such action in an amount for a single item of less than NT\$300 million, the Board of Directors delegates its authorization power to the Chairman.
3. If the acquisition or disposition of the foresaid asset falls in the scope of items for special resolution of the Board of Directors as provided for in Article 185 of Company Act, the case shall be submitted to the Board of Directors for approval and then forwarded to the Meeting of Shareholders for approval before implementation.
4. Related party transactions shall be handled in accordance with the provisions of Article 7 herein.

Article 5 Processing Procedure for the Acquisition or Disposition of Securities Investment

1. Appraisal and Operating Procedures

In acquiring or disposing of securities investment, the executive unit designated by the Chairman of the Company shall form an investment evaluation panel. Such panel shall cooperate with the financial unit to complete an analysis report for the sources of fund raising and application. Unless the securities have public quotes of active market or otherwise provided by the competent authorities, the Company shall first obtain the most recent financial statement, audited and attested by a certified public accountant (“CPA”), of the underlying company for reference in appraising the transaction price. In addition, feasibility analysis and research shall also be conducted according to the investment purpose, product market, development potential, financial status, expected revenue, investment portfolio, share holding ratio and organization operation, so as to lay down a concrete investment implementation plan and submit the same to the authorization unit for approval. The respective operation procedures shall be conducted in compliance with the Company’s rules governing the investment cycle under the Company’s internal control system.

2. The Units Responsible for Implementation

The acquisition and disposition of securities shall be handled by the executive unit designated by the Chairman of the Company.

3. Expert Opinion

For the acquisition or disposition of the securities with a transaction amount reaching or beyond 20% of the Company’s paid-in capital or NT\$300 million, or the transaction value for a related party transaction reaches 10 % or more of the Company’s total assets, the Company shall also engage a certified public accountant (“CPA”) prior to the date of occurrence of the event to render an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authorities.

Article 6 Processing Procedure of the Acquisition or Disposition of Real Property, Other Fixed Assets, Memberships, Patents, Copyrights, Trademarks, Franchise Rights, and Other Intangible Assets, etc. :

1. Appraisal and Operating Procedures

For the Company’s acquisition and disposition of real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc, the executive unit shall render the department investment budget according to the Company’s internal management rules, and make evaluation as well as analysis on the underlying objects. In addition, it shall conduct the feasibility analysis and research according to pre-investment status, investment motivation and purpose, investment cost, expected years to get breakeven, analysis on the investment efficiency and etc., lay down a concrete investment implementation plan and submit such plan to the authorization unit for

approval. The respective operation procedures shall be conducted in compliance with the rules regarding the fixed assets and other investment cycle under the Company's internal control system.

2. The Units Responsible for Implementation

The acquisition or disposition of real property shall be handled by the executive unit designated by the Chairman of the Company. The acquisition or disposition of equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall be handled by the utilization unit or the unit designated by the Chairman of the Company.

3. Appraisal or Assessment Report

(1) Report on Appraisal of Real Property or Equipment

In acquiring or disposing real property or equipment where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, or the transaction value for a related party transaction reaches 10 % or more of the Company's total assets, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business equipment, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- i. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- ii. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- iii. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - (i) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 - (ii) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- iv. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period

is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser

(2) Expert Assessment Report on the Memberships or Intangible Assets

Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more or the transaction value for a related party transaction reaches 10 % or more of the Company's total assets, except in transactions with a government agency, the Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF

4. Calculation of the Transaction Amounts

The calculation of the transaction amounts referred to in the preceding Article and this Article shall be done in accordance with Article 10, Paragraph 1, Sub-paragraph 5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 7 Related Party Transactions:

1. The Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Article and this Article.

The calculation of the transaction amount referred to above in this Paragraph shall be made in accordance with Article 6, Paragraph 4 herein.

2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been agreed by the audit committee and approved by the Board of Directors.

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a trading counterparty.
- (3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraphs 3 and 4 of this Article.

- (4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Paragraph 1 of this Article.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to above in this Paragraph shall be made in accordance with Article 10, Paragraph 1, Sub-paragraph 5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been agreed by the audit committee and approved by the Board of Directors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the Company and its parent company or subsidiaries, the Company's Board of Directors may, pursuant to Article 3 through Article 5, delegate the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board meeting.

3. When acquiring real property from a related party shall evaluate the reasonableness of the transaction costs by the following means (Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below.):
 - (1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - (2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
4. When acquiring real property from a related party and appraises the cost of the real property in accordance with the preceding paragraph shall also engage a CPA to check the appraisal and render a specific opinion.

5. When acquiring real property from a related party, the regulations stipulated in the preceding two paragraphs can be exempted in any of the following conditions. However, what is regulated in paragraph 2 shall still be followed:
- (1) The related party acquired the real property through inheritance or as a gift.
 - (2) More than five years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
 - (3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's owned or rented land.
6. In the case that the transaction price of the real property acquiring from a related party is higher than the result of the assessment made according to paragraph 3 of this Article, it shall be processed in compliance with paragraph 7 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
- (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - i. Where undeveloped land is appraised in accordance with the means set out in paragraph 3 of this Article, and structures are appraised according to the related party's construction cost plus reasonable construction profit, and the aggregate appraised value of such land and structures is in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - ii. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or properties in the neighboring area, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
 - iii. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
 - (2) Acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of properties of a similar size in the neighboring area by unrelated parties within the preceding year.
 - (3) Completed transactions for properties in the neighboring area in paragraph (1)

and (2) in principle refers to properties located on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within one year refers to one year from the actual date of acquisition of the real property.

7. Acquiring real property from a related party and the results of appraisals conducted in accordance with the paragraph 3 and 6 of this Article are uniformly lower than the transaction price, or if there is any evidence suggesting the transaction is not in line with normal business practice, the following steps shall be taken:

- (1) A special reserve shall be set aside in accordance with the provisions of Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. The special reserve set aside in accordance with the preceding provision shall not be utilized until the Company has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or based on other evidence confirming that there was nothing unreasonable about the transaction, and approval for utilization has been granted by the competent authority.
- (2) The audit committee shall comply with the provisions of Article 218 of the Company Act.
- (3) The processing status of (1) and (2) shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Article 8 Processing Procedure for the Acquisition or Disposition of Derivatives:

Engaging in derivatives trading shall be subject to the relevant provisions as provided for in the Procedures for Financial Derivatives Transactions.

Article 9 Processing Procedure of the Merger, Demerger, Acquisition, or Transfer of Share:

1. Assessment and operation procedure

- (1) (1) When implementing the merger, demerger, acquisition, or transfer of shares, the Company shall invite the attorney, CPA and securities underwriter to work out a time table for legal proceedings, and set up a panel to implement the legal procedure. At the same time, prior to convening the board of directors meeting to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the

reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.

- (2) The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in subparagraph (1) of paragraph 1 of this Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

2. Other Matters

- (1) Board Meeting Date: A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the same day to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the same day, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- (2) Non-Disclosure Agreement: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (3) The Principle to Decide on the Share Exchange Ratio or Acquisition Price and the Change Thereof: Before convening the board of directors for resolution, all of the companies participating in the merger, demerger, acquisition, or transfer of shares shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. In principle, the share exchange ratio or acquisition price shall not be discretionarily changed, unless

the terms of change have been regulated in the contract. The following are the terms that allow the change of the share exchange ratio or acquisition price:

- i. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- ii. An action, such as a disposal of major assets, that affects the company's financial operations.
- iii. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- iv. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- v. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- vi. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

(4) Contents Required to be Stated in a Contract: In addition to provisions governing the merger, demerger, acquisition or transfer of shares under Article 317-1 of the Company Act and Article 22 of Business Mergers and Acquisition Act, and shall also record the following:

- i. Handling of breach of contract.
- ii. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- iii. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- iv. The manner of handling changes in the number of participating entities or companies.
- v. Preliminary progress schedule for plan execution, and anticipated completion date.
- vi. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

(5) Change of the Number of the Companies Participating in the Merger, Demerger, Acquisition, or Transfer of Shares: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a

participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

- (6) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the paragraph 2 (1) of this Article (Date of Board Meeting), paragraph 2(2) of this Article (Non-Disclosure Agreement), and paragraph 2 (5) of this Article (Change of the Number of the Companies Participating in the Merger, Demerger, Acquisition, or Acquisition of Shares).
- (7) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:
 - i. Basic identification data for personnel:
Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
 - ii. Dates of material events:
Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
 - iii. Important documents and minutes:
Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.
- (8) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in Paragraph 2, Sub-paragraph 7, Items a & b of this Article to the competent authorities for recordation.
- (9) Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraph 2 (7) and (8).

Article 10 Information Transparency and Disclosure Procedure:

1. Items to be announced and the standards of announcement and declaration

- (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
- (2) Merger, demerger, acquisition, or transfer of shares.
- (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- (4) Where an asset transaction, other than any of those referred to in the preceding three subparagraphs, or investment in the mainland area reaches 20% or more of paid-in capital of the Company or NT\$300 million; provided, this shall not apply to the following circumstances:
 - i. Trading of government bonds.
 - ii. Trading of bonds under repurchase/resale agreements or subscription or redemption of domestic money market funds.
 - iii. Where the type of asset acquired or disposed is equipment for operational use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
 - iv. Where real property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.
- (5) The following are the ways to calculate the transaction amounts as mentioned in the preceding Sub-paragraphs 1 & 4, in which, the so-called within one year is calculated from one year ahead of the fact occurrence date of this transaction. However, the part which has been announced according to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" can be exempted from re-calculation.
 - i. The amount of any individual transaction;
 - ii. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year;
 - iii. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year;
 - iv. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.
- (6) The Company shall compile monthly reports on the status of derivatives

trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authorities by the tenth day of each month.

2. Time limit for processing the announcement and declaration

For the assets acquired or disposed by the company requiring to be announced as regulated in Paragraph 1 of this Article and with the transaction amounts reaching the standards required to be announced and declared as regulated in this Article, the announcement and declaration shall be processed within two days commencing immediately from the date of occurrence of such transaction.

3. The announcement and declaration procedure

- (1) The Company shall post the related information on the website designated by the competent authorities as announcement and declaration.
- (2) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.
- (3) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company headquarters, where they shall be retained for five years except where another act provides otherwise.
- (4) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with this Article, a public report of relevant information shall be made on the information reporting website designated by the competent authorities within two days from the day of occurrence of such event:
 - i. Change, termination, or rescission of a contract signed in regard to the original transaction.
 - ii. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - iii. Change to the originally publicly announced and reported information.

Article 11 Announcement formats and contents:

The announcement formats and contents regarding asset acquisition or disposition shall be in compliance with the regulations stipulated by the competent authorities.

Article 12 For its subsidiaries, the company shall follow the regulations below to proceed with the necessary procedure:

The Company shall urge its subsidiaries to enact their own procedures for acquisition and disposal of assets in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and implement such procedures accordingly.

The Company shall give announcement and declaration if its subsidiaries are not the

public listed companies and their acquired or disposed assets reach the standard requiring announcement and declaration. The so-called “reaching 20% of Company’s paid-in capital or 10% of the total assets.” as referred to in the announcement and declaration standard for the subsidiary is based on the Company’s paid-in capital or total assets.

Article 13 Penalty:

The Company’s employees violating this processing procedure and other related statutory laws and regulations shall be punished according to the reward and punishment in the company’s personnel regulations.

Article 14 Other matters

1. The professional appraiser issuing the appraisal report for the Company, CPA, attorney, and securities underwriting firms giving opinion lists for the Company, and the Company’s transaction involving parties shall not be the related parties.
2. For the assets acquired or disposed through the court auction procedure, the Company may use the certificate documents issued by the court to replace the appraisal report or CPA’s opinions.
3. For the items not included in the procedure, please follow the related statutory laws and regulations and the company’s rules. If the original statutory laws, regulations and letter orders for the processing procedure of the acquisition or disposition of assets have been changed by the competent authorities, the Company shall follow the new statutory laws, regulations and letter orders accordingly.

Article 15 Enforcement and revision:

After agreed by no less than half of all the audit committee members, and approved by the Board of Directors, the procedure shall be submitted to the shareholders’ meeting for approval before enforcement. The same also applies to revision.

When the procedure is submitted to the Board of Directors for discussion, the independent director’s opinions shall be fully taken into consideration. If any independent director has any dissenting opinions or makes any reservation, they shall be stated in the minutes of the meeting of the Board of Directors.

If pursuant to the applicable laws and regulations, the acquisition and disposal of assets should be approved by the audit committee, such transaction should be agreed by no less than half of the audit committee members, and approved by the Board of Directors.

The independent director’s opinions shall be fully taken into consideration when, pursuant to the applicable laws and regulations, a transaction of asset acquisition or disposition is submitted to the Board of Directors for discussion. If the independent director has any dissenting opinions or makes any reservation, they shall be stated in the minutes of the meeting of the Board of Directors.

If the above processing procedure fails to be approved by more than half of all the audit committee members, the approval of 2/3 of all the Directors can be replaced to

pass the procedure. However, in this case, the resolution made by the audit committee members shall be stated in the Board meeting's minute book.

The calculation of the number of the above mentioned audit committee members and Directors is based on those who take office.

Article 16 Additional Provisions

These Procedures were approved by the Board of Directors Meeting and entered into force on June 23, 1989.

The 1st amendment was approved by the Board of Directors Meeting and entered into force on September 19, 1991.

The 2nd amendment was adopted by the Board of Directors Meeting on June 22, 1995 and entered into force after it was approved by the Annual General Shareholders' Meeting on March 27, 1996.

The 3rd amendment was approved by the Board of Directors Meeting on August 29, 1996 and entered into force after it was approved by the Annual General Shareholders' Meeting May 29, 1997.

The 4th amendment was approved by the Board of Directors Meeting on November 24, 1999 and approved by the Annual General Shareholders' Meeting on March 30, 2000.

The 5th amendment was approved by the Board of Directors Meeting on March 17, 2003 and entered into force after it was approved by the Annual General Shareholders' Meeting on June 10, 2003.

The 6th amendment approved by the Board of Directors Meeting on April 23, 2007 and entered into force after it was approved by the Annual General Shareholders' Meeting on June 15, 2007.

The 7th amendment was approved by the Board of Directors Meeting on July 23, 2008 and entered into force after it was approved by the Annual General Shareholders' Meeting on June 19, 2009.

The 8th Amendment was approved by the Board of Directors Meeting on April 30, 2012 and entered into force after it was approved by the Annual General Shareholders' Meeting on June 22, 2012.

The 9th amendment was adopted by the Board of Directors of the Company held on May 9, 2013 and entered into force after the approval by the General Shareholders Meeting on June 21, 2013.

The 10th Amendment was approved by the Board of Directors Meeting on May 8, 2014 and entered into force after it was approved by the Annual General Shareholders' Meeting on June 20, 2014.

The 11th Amendment was approved by the Board of Directors Meeting on May 11, 2015 and entered into force after it was approved by the Annual General Shareholders' meeting on June 26, 2015.

Appendix 4

Compal Electronics, Inc. Shareholding of Directors

Book closure date: April 24, 2017

Position	Name	Shares
Chairman	Sheng-Hsiun Hsu	8,975,401
Director	Jui-Tsung Chen	40,352,587
Director	Wen Being Hsu	4,000,000
Director	Kinpo Electronics, inc.	151,628,692
Director	Charng-Chyi Ko	7,896,867
Director	Sheng-Chieh Hsu	9,119,297
Director	Yen-Chia Chou	8,022,874
Director	Wen-Chung Shen	11,935,968
Director	Yung-Ching Chang	3,178,587
Director	Chung-Pin Wong	5,853,618
Director	Chiung-Chi Hsu	2,000,731
Director	Chao-Cheng Chen	4,020,000
Independent Director	Min Chih Hsuan	0
Independent Director	Duei Tsai	0
Independent Director	Duh Kung Tsai	0
Shareholding of all Directors		256,984,622

Note :

1. The above mentioned shares includes the shares under trust with discretion reserved.
2. In accordance with the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”, where the paid-in capital of the company is more than NT\$10 billion but NT\$50 billion or less, the aggregate number of registered shares owned by all Directors shall not be less than three percent of the total issued shares; the aggregate number of registered shares owned by all Supervisors shall not be less than 0.3 percent of the total issued shares. The aggregate numbers of registered shares held by all Directors and Supervisors of Compal are listed below:
 - The aggregate number of the registered shares held by all Directors shall not less than 106,139,151 shares;
 - The Company has established an Audit Committee; therefore, the supervisors’ shareholdings requirement is not applicable.

Appendix 5

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

This is not applicable as the Company did not publicly announce its financial forecast for 2017 in accordance with the regulations and Non-compensated Distribution of Shares is not proposed.

Appendix 6

Other

Acceptance of proposals submitted by shareholders and receiving nomination of candidate of the Director at this Annual General Shareholders Meeting

1. In accordance with Article 172-1 of the Company Act, shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a general shareholders' meeting, provided that only one matter shall be allowed in each single proposal. The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words (including proposal, explanatory notes and punctuation marks), and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the general shareholders' meeting where at his proposal is to be discussed and shall take part in the discussion of such proposal.
2. The proposal and nomination accepting period of 2017 Annual General Shareholders Meeting is from April 7, 2017 to April 17, 2017.
3. No proposals are raised by shareholders during the said accepting period.