

Stock Ticker : 2324

# Compal Electronics, Inc.

## 2018 Annual General Shareholders' Meeting Meeting Handbook

(June 22, 2018)



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

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# Meeting Procedures

# Compal Electronics, Inc.

## 2018 Annual General Shareholders' Meeting Procedures

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

# Meeting Agenda

# Compal Electronics, Inc.

## 2018 Annual General Shareholders' Meeting Agenda

Time : 9:00 am, June 22, 2018 (Friday)

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 2017
2. Audit Committee's Review Report for the year 2017
3. Report of the distribution of compensation to employees and directors for the year 2017
4. Report on the asset impairment losses

### II. Election Item

1. Election of the 13<sup>th</sup> Term of Directors

### III. Ratification and Discussion Items

1. To ratify the Business Report and Financial Statements for the year 2017
2. To ratify the Distribution of Earnings for the year 2017
3. To approve the proposal of cash distribution from capital surplus
4. 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 2017

**Explanatory Note:**

The Business Report for the year 2017 is attached hereto as Attachment 1.



## Item 2

Proposed by the Board of Directors

### **Proposal:**

Audit Committee's Review Report for the year 2017

### **Explanatory Notes:**

1. The year 2017 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 2017 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 2017

### **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 2017, as approved by the Remuneration Committee and the Board of Directors, are NT\$ 624,296,016 and NT\$ 33,012,128, respectively. The compensations shall be distributed in the form of cash.

## Item 4

Proposed by the Board of Directors

**Proposal:**

Report on the asset impairment losses

**Explanatory Note:**

According to IFRS, Compal recognized the asset impairment losses resulted from uncollectible accounts receivables and obsolete inventory in the first half year of 2017 consolidation financial statements due to the fact of continuous loss and financial status getting worse in the operation of the China customer. Allowance for uncollectible accounts and inventory obsolescence loss amounting to NT\$3.186 billion and NT\$0.402 billion, respectively, were recognized in the aforementioned period accordingly.

# Election Item

# Item 1

Proposed by the Board of Directors

## **Proposal:**

Election of the 13<sup>th</sup> Term of Directors

## **Explanatory Notes:**

1. The 12<sup>th</sup> term of office for Directors of the Company will expire on June 25, 2018. It shall be to undertake a reelection prior to expiry of their term of office according to Article 199-1 of the Company Act. The 13<sup>th</sup> term of Directors will take office immediately after the reelection and the existing Directors shall be discharged in advance.
2. In accordance with the Articles of Incorporation of the Company and resolutions adopted by the Board of Directors, the Company should elect fifteen (15) Directors (including 3 Independent Directors and 12 Directors). The tenure of each Director shall be three (3) years, commencing from June 22, 2018 and ending on June 21, 2021.
3. According to applicable laws and the Articles of Incorporation of the Company, a candidate nomination system has been adopted by the Company for the Director election. The candidate for Director has been approved at the 18<sup>th</sup> Meeting of the 12<sup>th</sup> term of the Board of Directors of the Company, and the shareholders shall elect a Director (including Independent Director) from among those listed on the slate of director candidate. The resume of the director (including Independent Director) candidate is attached hereto as attachment (see page 12~13).

## **Result of Election:**

Title	Name	Academic Background	Work Experience & Current Positions	Shares
Director	Sheng-Hsiung Hsu	Honorary Doctorate Degree of National Normal University Bachelor's degree in National Normal University (Chinese Dept.)	Chairman of Compal Electronics, Inc. Chairman of Kinpo Electronics, Inc. Chairman of AcBel Polytech Inc.	8,975,401
Director	Jui-Tsung Chen	Bachelor's degree in National Cheng-Kung University (Electrical Engineering Dept.)	Director of Compal Electronics, Inc. Chairman of Arcadyan Technology Corporation President of Compal Electronics, Inc.	35,352,587
Director	Binpal Investment Co., Ltd. (Note)	Not Applicable	Nil	5,000,000
Director	Kinpo Electronics, Inc. (Note)	Not Applicable	Director of Compal Electronics, Inc. Director of AcBel Polytech Inc.	151,628,692
Director	Charng-Chyi Ko	Bachelor's degree in National Taiwan University (Division of Business) Doctor of the University of Lincoln, USA	Director of Compal Electronics, Inc. Director of Kinpo Electronics, Inc.	7,896,867
Director	Sheng-Chieh Hsu	Bachelor's degree in Tam- Kang University (Architectural Dept.)	Director of Compal Electronics, Inc. Director of Kinpo Electronics, Inc	9,119,297
Director	Yen-Chia Chou	Bachelor's degree in National Taiwan University (Geology Dept.)	Director of Compal Electronics, Inc. Director of Kinpo Electronics, Inc	8,022,874
Director	Chung-Pin Wong	Master's degree in Management Science of National Chiao-Tung University	Director of Compal Electronics, Inc. Director of Arcadyan Technology Corporation EVP of Compal Electronics, Inc.	6,618,618
Director	Chiung-Chi Hsu	Master's degree in San Francisco Golden Gate University.	Director of Compal Electronics, Inc.	2,000,731
Director	Ming-Chih Chang	Department of Electrical Engineering, Ming Chi University of Technology	SVP of Compal Electronics, Inc. CEO of LCFC (Hefei) Co., Ltd.	1,919,489
Director	Anthony Peter Bonadero	Texas A&M University	SVP of Auscom Engineering Inc.	0

Title	Name	Academic Background	Work Experience & Current Positions	Shares
Director	Sheng-Hua Peng	Graduate Institute of Electronics Engineering of National Taiwan University	SVP of Compal Electronics, Inc. SVP of Compal Communications, Inc.	835,000
Independent Director	Min Chih Hsuan	Bachelor's degree in Chiao Tung University Electrical Engineering	Vice Chairman of United Microelectronics Corp. Independent Director of Compal Electronics, Inc. Independent Director of Wistron Corporation	0
Independent Director	Duei Tsai	Taiwan University, PhD, Electrical Engineering	Independent Director of Compal Electronics, Inc. Independent Director of Getac Technology Corporation	0
Independent Director	Duh Kung Tsai	National Taipei University of Technology Industrial Engineering	Chairman of Powertech Technology Inc. Independent Director of Compal Electronics, Inc. Independent Director of Wistron Corporation	0

Note: The biographies of the Representative of the Corporate Director candidates are as follows:

Title	Name	Academic Background	Work Experience & Current Positions	Shares
Director	Representative of Binpal Investment Co., Ltd.: Wen-Being Hsu	National Tao-Yuan Sr. Vocational Agricultural & Industry School	Director of Compal Electronics, Inc. Director of Baotek Industrial Materials Ltd.	4,000,000
Director	Representative of Kinpo Electronics, Inc.: Shyh-Yong Shen	MBA WHITTIER Director and President of Kinpo Electronics Inc.	Vice Chairman of Cal-Comp Electronics (Thailand) Public Company Limited Director of Kinpo Electronics, Inc. President of Kinpo Electronics, Inc.	0

# Ratification and Discussion Items



## Item 1

Proposed by the Board of Directors

### **Proposal:**

To ratify the Business Report and Financial Statements for the year 2017

### **Explanatory Notes:**

1. The Company's 2017 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 2017" and "Financial Statements for the Year 2017" 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 2017

### **Explanatory Notes:**

1. The 2017 Earnings Distribution Proposal (see page 17) 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 2017 available for distribution to shareholders as dividend and bonus is NT\$ 4, 407, 146, 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 2018 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, 2018, the number of shares issued by the Company that is eligible to receive dividends is 4, 407, 146, 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 2017

Unit: NT\$

Item	Amount
Unappropriated retained earnings of previous years	28,274,846,114
Add:	
Net income of 2017	5,749,525,193
Reversal of special reserve for the net debit balance of other equity interest in the previous year	4,339,549,197
Adjustments of retained earnings due to share-based payment transaction	11,269,275
Subtract:	
Other comprehensive income of 2017 - remeasurement of defined benefit plans	(68,108,122)
10% Legal reserve	(574,952,519)
Special reserve retained for the net debit balance of other equity interest in this year	(8,831,148,024)
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	(2,178,682)
Changes in ownership interests in subsidiaries	(424,190)
Changes in equity interests in associates and joint ventures accounted for using equity method	(193,931)
Retained earnings available for distribution as of December 31, 2017	28,898,184,311
Distribution item:	
Subtract:	
Dividends to common shares holders <Note 1>	(4,407,146,625)
Unappropriated retained earnings as of December 31, 2017	24,491,037,686

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

## Item 3

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\$ 881,429,325 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 2018 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, 2018, the number of shares issued by the Company which is eligible to receive cash distribution is 4, 407, 146, 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 4

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 Director candidates who concurrently serve in a position of other companies is attached hereto as attachment (see page 20~22). To approve the release of non-competition restrictions for Directors.

### **Resolved That :**

Compal Electronics, Inc.  
Current Positions of Director and Independent Director Candidates

Title	Name	Current Positions of Director and Independent Director Candidates
Director	Sheng-Hsiung Hsu	<p><b>Chairman</b> : Kinpo Electronics, Inc. ∙ AcBel Polytech Inc. ∙ Cal-Comp Electronics (Thailand) Public Company Limited ∙ Teleport Access Services, Inc. ∙ Cal-Comp Electronics And communications Co., Ltd. ∙ Jipo Investment Inc. ∙ Kinpo Group Management Consultant Company ∙ Breeze Integrated Development Co., Ltd. ∙ NTNU Innovation Investment Holding Company ∙ Kinpo Electronics (China) Co., Ltd.</p> <p><b>Managing Director</b> : Taiwan Biotech Co., Ltd.</p> <p><b>Director</b> : Baotek Industrial Materials Ltd. ∙ Crownpo Technology Inc. ∙ Cal-Comp Optical Electronics (Suzhou) Co., Ltd. ∙ Cal-Comp Technology (Suzhou) Co., Ltd. ∙ Cal-Comp Electronics and Communications (Suzhou) Co., Ltd. ∙ Acbel Polytech Holdings Inc. ∙ Acbel Polytech (Singapore) Pte. Ltd. ∙ Ascendant Private Equity Investment Ltd. ∙ Forward International Ltd. ∙ Global Strategic Investment Inc. ∙ HengHao Holdings A Co., Ltd. ∙ HengHao Holdings B Co., Ltd. ∙ HengHao Trading Co., Ltd. ∙ Kinpo International (Singapore) Pte. Ltd. ∙ Kinpo International Ltd. ∙ Lipo Holding Co., Ltd. ∙ Ranashe International Ltd.</p> <p><b>President</b> : Kinpo Group Management Consultant Company</p>
Director	Jui-Tsung Chen	<p><b>Chairman</b> : Arcadyan Technology Corporation ∙ General Life Biotechnology Co., Ltd. ∙ Raycore Biotech Co., Ltd.</p> <p><b>Director</b> : Kinpo Electronics, Inc. ∙ Compal Broadband Networks, Inc. ∙ HengHao Technology Co. Ltd. ∙ Mactech Co., Ltd. ∙ Infinno Technology Corp. ∙ Kinpo Group Management Consultant Company ∙ Ascendant Private Equity Investment Ltd. ∙ Arcadyan Technology N.A. Corporation ∙ Arcadyan Holding (BVI) Corp. ∙ Arch Holding (BVI) Corp. ∙ Sinoprime Global Inc. ∙ Wah Yuen Technology Holding Ltd.</p>
Director	Kinpo Electronics, Inc	<p><b>Director</b> : AcBel Polytech Inc. ∙ CastleNet Technology Inc. ∙ Baotek Industrial Materials Ltd. ∙ Teleport Access Services, Inc. ∙ Crownpo Technology Inc. ∙ Cal-Comp Biotech Co., Ltd. ∙ iHELPER Inc. ∙ Cal-Comp Big Data, Inc. ∙ XYZprinting, Inc. ∙ Norm Pacific Automation Corp. ∙ Kinpo Group Management Consultant Company ∙ Jipo Investment Inc. ∙ PK Venture Capital Corp. ∙ Prudence Venture Investment Corp. ∙ NTNU Innovation Investment Holding Company</p> <p><b>Supervisors</b> : Cal-Comp Biotech Co., Ltd. ∙ Jipo Investment Inc.</p>

Title	Name	Current Positions of Director and Independent Director Candidates
Director	Charng-Chyi Ko	<p><b>Chairman</b> : Baotek Industrial Materials Ltd. ∙ Taiwan Biotech Co., Ltd. ∙ Evergene Biotech Industrial Co., Ltd. ∙ Weck Tech Biotech Co., Ltd. ∙ Global BioPharma, Inc. ∙ Genhealth Pharma Co., Ltd. ∙ Taiwan Veterans Pharmaceutical Co., Ltd. ∙ Young &amp; Health Care Resorts Inc. ∙ Taiwan Venture Capital Co., Ltd. ∙ Long Yee Investment Co. Ltd. ∙ Yinfeng International, Inc. ∙ Taiwan Chariston AMC Corp., Ltd. ∙ Twin Luck Global Company Ltd.</p> <p><b>Director</b> : Kinpo Electronics, Inc. ∙ Formosan Union Chemical Corp. ∙ Chang Yao Technology Inc. ∙ OmniHealth Group, Inc. ∙ Aseptic Innovative Medicine Co., Ltd. ∙ Spiregene Biotech Co., Ltd. ∙ Chipgene International Enterprise Co., Ltd. ∙ Minsheng AM Inc. ∙ Minsheng Medical Holding Inc. ∙ Global Strategic Investment Inc. (Samoa) ∙ Gold Precision Ltd. ∙ KKXC Intergrated Management Holding (CYPRUS) Ltd. ∙ Optics Lab Inc. ∙ Syn Pharm Inc.</p> <p><b>Supervisors</b> : Teleport Access Services, Inc. ∙ Kenly Precision Industrial Co., LTD. ∙ Sunny Special Dyeing &amp; Finishing Co. Ltd. ∙ Commonwealth Magazine Co, Ltd.</p> <p><b>President</b> : Baotek Industrial Materials Ltd ∙ Yinfeng International, Inc.</p>
Director	Sheng-Chieh Hsu	<p><b>Chairman</b> : Integrate Investment Corp.</p> <p><b>Director</b> : Kinpo Electronics, Inc. ∙ Cal-Comp Electronics(Thailand) Public Company Limited ∙ Cal-Comp Electronics And communications Co., Ltd. ∙ Jipo Investment Inc. ∙ Kinpo Electronics (China) Co., Ltd. ∙ Tung-WAN Kai-Bao Co., Ltd. ∙ Kinpo International Ltd.</p>
Director	Yen-Chia Chou	<p><b>Chairman</b> : Sceptre Industry Co.,Ltd.</p> <p><b>Director</b> : Kinpo Electronics, Inc. ∙ Micro Metal Electronics Co.,Ltd.</p> <p><b>Supervisors</b> : Full Power Investment Co.,Ltd</p> <p><b>President</b> : Sceptre Industry Co.,Ltd.</p>
Director	Chung-Pin Wong	<p><b>Chairman</b> : Compal Broadband Networks, Inc. ∙ HengHao Technology Co. Ltd. ∙ Wah Yuen Technology Holding Ltd.</p> <p><b>Director</b> : Arcadyan Technology Corporation ∙ Allied Circuit Co., Ltd. ∙ Mactech Co., Ltd. ∙ General Life Biotechnology Co., Ltd. ∙ Taiwan Sanga Co., Ltd. ∙ Maxima Ventures I, Inc., Taiwan ∙ Compal Connector Manufacture Ltd. ∙ HengHao Holdings A Co., Ltd. ∙ HengHao Holdings B Co., Ltd. ∙ HengHao Trading Co., Ltd ∙ Sirqul Inc.</p> <p><b>Supervisors</b> : Hong Ya Technology Corporation</p>

Title	Name	Current Positions of Director and Independent Director Candidates
Director	Chiung-Chi Hsu	<b>Chairman</b> : Full Power Investment Co.,Ltd <b>Director</b> : Plank Optoelectronics Inc., ∙ E-Bow Bearing Co., Ltd. ∙ Juan Hsin Bao Hardware co., Ltd.
Director	Ming-Chih Chang	<b>Director</b> : LC Future Center Ltd.
Independent Director	Min Chih Hsuan	<b>Chairman</b> : Taiwan Memory Company ∙ Meridigen Biotech Co., Ltd. ∙ Meribank Biotech Co., Ltd. ∙ Fusionvax, Inc. ∙ TC-1 Culture Fund ∙ Vital First Investment Corporation ∙ Maxima Ventures I, Inc., Taiwan ∙ Maxima Ventures II, Inc. <b>Director</b> : General Biologicals Corporation ∙ SIPP, Inc. ∙ Clientron Corp. ∙ Elevant Biopharma Co., Ltd. ∙ Tonghua United Capsules Co., Ltd. ∙ Angeluca Science Ltd. (Republic of Seychelles) ∙ Ikala Global Online Corp. ∙ Pacgen Biopharmaceuticals Corporation (Canada) <b>Independent Director</b> : Wistron Corporation
Independent Director	Duei Tsai	<b>Independent Director</b> : Getac Technology Corp. ∙ Taiwan Taxi Co. ,Ltd. Inc. ∙ TTY Biopharm Company Ltd.
Independent Director	Duh Kung Tsai	<b>Chairman</b> : Powertech Technology Inc. ∙ Greatek Electronics Inc. <b>Director</b> : Powertech Technoloyg (Suzhou) Ltd. ∙ Powertech Technology Akita Inc. ∙ Powertech Holding (B.V.I.) Inc. ∙ Powertech Technology (Singapore) Pte. Ltd. ∙ PTI Technology (Singapore) Pte. Ltd. ∙ Tera Probe, Inc. <b>Representative of Business Executive</b> : Powertech Technology Japan Ltd. <b>Independent Director</b> : Wistron Corporation ∙ Chicony Power Technology Co., Ltd. <b>CEO</b> : Powertech Technology Inc.



# Special Motion(s)

## Special Motion(s)

# Attachments

## Attachment 1

# Business Report for the Year 2017

Looking back at 2017, political and economic situations around the world have continued on their tumultuous path from the preceding year as many challenges remain in terms of industry developments. Issues such as the fluctuations in global exchange rates, the shortage of labor in China, tightness and increase in prices for component parts have meant significant impact on the entire manufacturing as a whole. As a member of the global supply chain, Compal has not been spared from the effects of these circumstances. Fortunately, with the collaborative efforts from all Compal employees, the company managed to achieve some breakthrough in terms of sales for 2017 to achieve a growth of 16% in consolidated revenue compared to 2016, with the total shipping volume for 5C related electronic products reaching 80 million units. Compal has also continued to reap fruits of success from its Innovation and new business developments. We would like to present a summary of our operational results for last year as follows:

### **2017 Financial and Business Performance**

Compal's 2017 consolidated revenue came to NT\$ 887,657 million, which translated to an increase by 16% compared to the previous year thanks to the growth in computing products and progress of multiple smart devices. Consolidated operating income was NT\$ 9,208 million, which was down by 17% compared to 2016. The decline was mainly attributed to the one-time inventory and accounts receivable bad debt losses for Chinese smartphone customers that totaled at NT\$ 3,588 million. With non-operating income and income tax accounted for, the net profit attributed to the parent company came to NT\$ 5,750 million, with the EPS at NT\$ 1.32.

With regards to business development, computing products have benefitted from the trend of commercial replacement demand. Coupled with Compal's efforts in client cultivation and relevant collaborations in the development of innovative design for products with high added-values, the company has achieved the growth in shipping volumes in 2017 with performance superior to the market and other industry peers. As for non-computing products, after Compal has made breakthrough developments in technology and mass-production for various internet connected devices in 2016, the company initiated more extended collaborations with customers in 2017 to achieve modest progress in the development of Smart Home applications, such as AI speaker and Home gateway, as well as Wearable devices. All in all, Compal's non-NB business has contributed in excess of 30% of the company's revenue in 2017 and reached a short-term milestone in Compal's record of active transition in recent years. Our next step is to ensure further improvement in the company's profit through better management and efficacy as Compal diversifies its operations.

### **Honors and Awards**

With our continual effort towards innovation, Compal has kept up with its impressive performance in the German iF product designs in 2017 by receiving a total of 43 awards over the past six years, thereby firmly securing Compal's place in the iF Top 100 Global Innovation Corp. Ranking. Compal's commitment to Corporate Social Responsibilities (CRS) and Corporate Governance has once again been acknowledged by the Gold Medal Award in

TCSA given by Taiwan Institute for Sustainable Energy along with the company's placement in the top 20% in Corporate Governance Evaluation by Taiwan Stock Exchange Corporation in 2017. Not only that, Compal is once again selected as a Taiwan Stock Exchange Corporate Governance Index constituent stock.

### **2018 Business Outlook**

For 2018, Compal will be focusing on a few key developments, including to continue strengthening collaboration with customers to achieve higher market share in the company's core business in order to attain higher economy of scale; in terms of technology, Compal will invest in the deployment for Artificial Intelligence and next-generation 5G technologies in order to create more opportunities for new product and service development. For manufacturing, we will accelerate automation and optimize the overall processes to achieve better productivity. With regards to management, we will continue to push cross-organization integration and resource sharing while nurturing more talents to achieve our goal of sustainable developments. Looking ahead to the global economy for 2018, while many variables of uncertainty remain at play, after careful assessment of market situations and Compal's business development, there is a good chance that the total shipping volume of 5C related electronic products could continue the trend of growth as we have seen in 2017. Pertaining to the percentage of revenue from non-NB products, we expect to see continued growth. At the same time, Compal shall persevere to improve upon the company's organizational fortitude to vie for better leverage in the competition.

### **New Business Development of Smart Medical**

Ever since the company's foray into the smart medical and healthcare industry in 2015, we have witnessed many collaborations of horizontal alliance unfold. In 2017, Compal unveiled its "Smart Healthcare Solution for Senior Citizens" – a joint-effort with Taoyuan City Government, Department of Social Welfare along with several long-term care centers to serve seniors with smart healthcare technology. At the same time, the company has also developed its "Smart Fitness Solution" to introduce a platform of physical exercise for people of all ages through the use of the featured smart matt to help users incorporate health management into their day-to-day lives. In early 2018, the cooperative program between the Unicore Animal Hospital (operated by Unicore BioMedical Co. Ltd. – a 100%-owned subsidiary of Compal) and National Pingtung University of Science and Technology has been officially commence, while "iDiabCare®-Remote Healthcare Solution for Chronic Illnesses and Diabetes" developed by Compal's internal Smart Medical team has also been officially adopted at Changhua Christian Hospital, with more horizontal alliance collaborations currently ongoing. We believe that our investment in Smart medical and healthcare will serve as the next key propellant that drives the company towards long-term growth. 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 statements of financial position as of December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Account receivable valuation

Please refer to Note (4)(f) for the accounting policy of accounts receivable. Information of account receivable valuation are disclosed in Note (6)(e) of the parent company only financial reports.

Description of key audit matters:

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

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

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

#### 2. Inventory valuation

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

Description of key audit matters:

The inventory is measured at the lower of cost or net realizable value. The short life cycle of electronic products may cause significant changes in customers' demand and sales of related products.

Consequently, the book value of inventory may be lower than the net realizable value of inventory. Therefore, the valuation of inventory is one of the key audit matters.

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

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

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial reports. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 19, 2018

#### **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.



# 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, 2017 and 2016, 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, 2017 and 2016, 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 of December 31, 2017 and 2016, 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 other ethical responsibilities in accordance with the Code have been fulfilled. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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)(g) for the accounting policy of accounts receivable. Information of account receivable valuation are shown in Note (6)(g) of the consolidated financial statements.

Description of key audit matters:

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

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

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

### 2. Inventory valuation

Please refer to Note (4)(h) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in Note (6)(h) of the consolidated 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 respect of the above area included the following:

In order to verify the rationality of assessment of inventory valuation estimated by the Group, our key audit procedures included reviewing the consistency of accounting policy, inspecting the Group'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, 2017 and 2016, on which we have issued an unqualified opinion.

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

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 (including members of the Audit Committee) 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 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)

March 19, 2018

#### **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.

## Attachment 3

# Audit Committee's Review Report

The Company's 2017 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 2017 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:

A handwritten signature in black ink, appearing to be 'Kuan Ying Kuo', written over a faint horizontal line.

May 9, 2018

# Attachment 4

(English Translation of Financial Report Originally Issued in Chinese)

## COMPAL ELECTRONICS, INC.

### Balance Sheets

December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016				December 31, 2017		December 31, 2016	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents	\$ 28,343,534	8.6	43,392,135	13.2	2100	Short-term borrowings	\$ 41,386,000	12.6	30,443,750	9.3
1125	Current available-for-sale financial assets	46,479	-	48,631	-	2170	Notes and accounts payable	72,212,035	22.0	72,535,568	22.0
1147	Current bond investments without active market	350,000	0.1	350,000	0.1	2180	Notes and accounts payable to related parties	71,456,277	21.9	73,903,066	22.5
1170	Notes and accounts receivable, net	165,540,785	50.5	162,701,780	49.5	2200	Other payables	7,052,029	2.1	7,725,946	2.4
1180	Notes and accounts receivable due from related parties, net	2,095,570	0.7	2,177,705	0.7	2230	Current tax liabilities	1,644,175	0.5	1,024,690	0.3
1200	Other receivables	711,293	0.2	314,439	0.1	2250	Current provisions	1,440,292	0.5	1,532,250	0.5
1310	Inventories	42,985,363	13.1	27,969,011	8.5	2300	Other current liabilities	664,918	0.2	926,734	0.3
1470	Other current assets	<u>604,564</u>	<u>0.2</u>	<u>458,714</u>	<u>0.1</u>	2313	Unearned revenue	1,617,626	0.5	1,774,158	0.5
		<u>240,677,588</u>	<u>73.4</u>	<u>237,412,415</u>	<u>72.2</u>	2320	Long-term liabilities, current portion	<u>6,018,750</u>	<u>1.8</u>	<u>7,700,000</u>	<u>2.3</u>
								<u>203,492,102</u>	<u>62.1</u>	<u>197,566,162</u>	<u>60.1</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1550	Investments accounted for using equity method	77,919,870	23.7	80,626,717	24.5	2540	Long-term borrowings	21,114,450	6.4	23,635,000	7.2
1523	Non-current available-for-sale financial assets	5,735,334	1.8	6,349,202	1.9	2570	Deferred tax liabilities	543,621	0.2	699,875	0.2
1543	Non-current financial assets at cost	2,333	-	2,333	-	2640	Non-current net defined benefit liabilities	612,131	0.2	541,693	0.2
1546	Non-current bond investment without active market	350,000	0.1	700,000	0.2	2670	Other non-current liabilities	<u>438,178</u>	<u>0.1</u>	<u>373,801</u>	<u>0.1</u>
1600	Property, plant and equipment	2,092,272	0.7	2,132,114	0.8			<u>22,708,380</u>	<u>6.9</u>	<u>25,250,369</u>	<u>7.7</u>
1780	Intangible assets	146,813	-	268,316	0.1			<u>226,200,482</u>	<u>69.0</u>	<u>222,816,531</u>	<u>67.8</u>
1840	Deferred tax assets	1,065,112	0.3	1,012,590	0.3	<b>Total liabilities</b>					
1990	Other non-current assets	<u>106,744</u>	<u>-</u>	<u>117,233</u>	<u>-</u>	<b>Equity attributable to owners of parent:</b>					
		<u>87,418,478</u>	<u>26.6</u>	<u>91,208,505</u>	<u>27.8</u>	3110	Ordinary share	44,191,916	13.5	44,241,606	13.5
						3200	Capital surplus	10,938,773	3.3	11,779,274	3.6
						3300	Retained earnings	56,557,146	17.2	55,289,409	16.8
						3400	Other equity interest	(8,911,004)	(2.7)	(4,624,653)	(1.4)
						3500	Treasury shares	<u>(881,247)</u>	<u>(0.3)</u>	<u>(881,247)</u>	<u>(0.3)</u>
								<u>101,895,584</u>	<u>31.0</u>	<u>105,804,389</u>	<u>32.2</u>
						<b>Total equity</b>					
						<b>Total liabilities and equity</b>		<u>\$ 328,096,066</u>	<u>100.0</u>	<u>328,620,920</u>	<u>100.0</u>
	<b>Total assets</b>	<u>\$ 328,096,066</u>	<u>100.0</u>	<u>328,620,920</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, 2017 and 2016**

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

	2017		2016	
	Amount	%	Amount	%
4000 Net sale revenue	\$ 841,309,602	100.0	725,653,095	100.0
5000 Cost of sales:	819,765,642	97.4	704,371,443	97.1
<b>Gross profit</b>	21,543,960	2.6	21,281,652	2.9
5910 Less: Unrealized profit from sales	(480)	-	481	-
<b>Gross profit</b>	21,544,440	2.6	21,281,171	2.9
<b>Operating expenses:</b>				
6100 Selling expenses	5,979,101	0.7	4,060,832	0.6
6200 Administrative expenses	2,100,602	0.2	2,395,657	0.3
6300 Research and development expenses	8,294,188	1.0	8,851,828	1.2
	16,373,891	1.9	15,308,317	2.1
<b>Net operating income</b>	5,170,549	0.7	5,972,854	0.8
<b>Non-operating income and expenses:</b>				
7020 Other gains and losses, net	(1,615,111)	(0.1)	(581,031)	-
7050 Finance costs	(975,175)	(0.1)	(719,294)	(0.1)
7190 Other income	937,671	0.1	933,004	0.1
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	3,160,786	0.4	3,766,213	0.5
<b>Total non-operating income and expenses</b>	1,508,171	0.3	3,398,892	0.5
7900 <b>Profit before tax</b>	6,678,720	1.0	9,371,746	1.3
7950 <b>Less: tax expense</b>	929,195	0.1	1,240,856	0.2
<b>Profit</b>	5,749,525	0.9	8,130,890	1.1
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Other comprehensive income, before tax, remeasurement of defined benefit obligation	(79,683)	-	(82,021)	-
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	(1,970)	-	(6,375)	-
8349 Income tax relating to items that will not be reclassified to profit or loss	13,546	-	13,944	-
Items that will not be reclassified subsequently to profit or loss	(68,107)	-	(74,452)	-
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361 Other comprehensive income, before tax, exchange differences on translation of foreign financial statements	(4,606,117)	(0.5)	(1,004,076)	(0.1)
8362 Other comprehensive income, before tax, available-for-sale financial assets	147,849	-	362,179	-
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that may be reclassified subsequently to profit or loss	(21,111)	-	(521,847)	-
8399 Income tax relating to items that may reclassified to profit or loss	(12,221)	-	23,868	-
Items that may reclassified subsequently to profit or loss	(4,491,600)	(0.5)	(1,139,876)	(0.1)
8300 <b>Other comprehensive income, net of tax</b>	(4,559,707)	(0.5)	(1,214,328)	(0.1)
8500 <b>Total comprehensive income</b>	<b>\$ 1,189,818</b>	<b>0.4</b>	<b>6,916,562</b>	<b>1.0</b>
<b>Earnings per share:</b>				
9750 <b>Basic earnings per share</b>	<b>\$ 1.32</b>		<b>1.88</b>	
9850 <b>Diluted earnings per share</b>	<b>\$ 1.31</b>		<b>1.84</b>	

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, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings					Other equity interest					Treasury shares	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	Others	Total other equity interest		
<b>Balance at January 1, 2016</b>	\$ 44,711,266	12,838,638	16,571,311	3,139,021	32,167,179	51,877,511	2,803,061	(6,010,432)	(719,510)	(3,926,881)	(1,724,739)	103,775,795
Profit for the year ended December 31, 2016	-	-	-	-	8,130,890	8,130,890	-	-	-	-	-	8,130,890
Other comprehensive income	-	-	-	-	(74,452)	(74,452)	(1,478,779)	346,602	(7,699)	(1,139,876)	-	(1,214,328)
Total comprehensive income	-	-	-	-	8,056,438	8,056,438	(1,478,779)	346,602	(7,699)	(1,139,876)	-	6,916,562
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	868,461	-	(868,461)	-	-	-	-	-	-	-
Special reversal 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)	-	-	-	-	-	(658)
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 company's cash dividends received by subsidiaries	-	60,048	-	-	-	-	-	-	-	-	-	60,048
Retirement of treasury share	(438,160)	(194,977)	-	-	(210,355)	(210,355)	-	-	-	-	843,492	-
<b>Balance at December 31, 2016</b>	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
Profit for the year ended December 31, 2017	-	-	-	-	5,749,525	5,749,525	-	-	-	-	-	5,749,525
Other comprehensive income	-	-	-	-	(68,107)	(68,107)	(4,801,658)	310,058	-	(4,491,600)	-	(4,559,707)
Total comprehensive income	-	-	-	-	5,681,418	5,681,418	(4,801,658)	310,058	-	(4,491,600)	-	1,189,818
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	813,089	-	(813,089)	-	-	-	-	-	-	-
Special reversal appropriated	-	-	-	1,139,875	(1,139,875)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,422,153)	(4,422,153)	-	-	-	-	-	(4,422,153)
Cash dividends from capital surplus	-	(884,431)	-	-	-	-	-	-	-	-	-	(884,431)
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	-	33,016	-	-	(2,179)	(2,179)	-	-	-	-	-	30,837
Changes in ownership interests in subsidiaries	-	142	-	-	(424)	(424)	-	-	-	-	-	(282)
Changes in equity of associates and joint ventures accounted for using equity method	-	14,217	-	-	(194)	(194)	-	-	-	-	-	14,023
Share-based payments transaction	(49,690)	(63,472)	-	-	11,269	11,269	-	-	205,249	205,249	-	103,356
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,027	-	-	-	-	-	-	-	-	-	60,027
<b>Balance at December 31, 2017</b>	\$ 44,191,916	10,938,773	18,252,861	4,339,549	33,964,736	56,557,146	(3,477,376)	(5,353,772)	(79,856)	(8,911,004)	(881,247)	101,895,584

Note: Employee bonuses amounting to \$624,296 and \$876,028, director's compensation amounting to \$33,012 and \$46,323 were recognized in the statements of comprehensive income for the years ended December 31, 2017 and 2016, respectively.

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, 2017 and 2016**

(Expressed in Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 6,678,720	9,371,746
<b>Adjustments:</b>		
Depreciation and amortization	480,523	609,655
Increase in allowances for uncollectible accounts	2,928,547	714,682
Finance costs	975,175	719,294
Interest income	(239,394)	(119,754)
Dividend income	(117,742)	(133,485)
Compensation cost arising from share-based payment transaction	103,356	373,429
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(3,160,786)	(3,766,213)
Loss on disposal of investments	1,804	-
Impairment loss on financial assets	-	13,403
<b>Adjustments to reconcile profit</b>	<u>971,483</u>	<u>(1,588,989)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in notes and accounts receivable	(5,685,417)	(15,775,684)
Decrease (increase) in other receivable	(223,698)	175,486
Decrease (increase) in inventories	(15,016,352)	(2,624,036)
Decrease (increase) in other current assets	(145,850)	144,401
<b>Total changes in operating assets</b>	<u>(21,071,317)</u>	<u>(18,079,833)</u>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in notes and accounts payable	(2,770,322)	20,079,788
Increase (decrease) in other payables	(686,997)	(1,220,679)
Increase (decrease) in provisions	(91,958)	(502,427)
Increase (decrease) in unearned revenue	(156,532)	26,584
Increase (decrease) in other current liabilities	(261,816)	498,132
Others	(9,639)	(9,738)
<b>Total changes in operating liabilities</b>	<u>(3,977,264)</u>	<u>18,871,660</u>
<b>Total changes in operating assets and liabilities</b>	<u>(25,048,581)</u>	<u>791,827</u>
<b>Total adjustments</b>	<u>(24,077,098)</u>	<u>(797,162)</u>
Cash flows from (used in) operations	(17,398,378)	8,574,584
Interest received	221,027	110,209
Dividends received	660,913	359,324
Interest paid	(962,095)	(730,294)
Income taxes paid	(517,161)	(2,097,820)
<b>Net cash flows from (used in) operating activities</b>	<u>(17,995,694)</u>	<u>6,216,003</u>
<b>Cash flows from (used in) investing activities:</b>		
Redemption from bond investment without active market	350,000	350,000
Acquisition of investments accounted for using equity method and available-for-sale financial assets	(503,112)	(303,702)
Proceeds from disposal of available-for sale financing assets	809,196	-
Proceeds from capital reduction and liquidation of investments	1,459,043	25,630
Acquisition of property, plant and equipment	(126,108)	(159,703)
Decrease (Increase) in other receivables due from related parties	(293,029)	(20,939)
Acquisition of intangible assets	(193,154)	(290,200)
Others	10,495	(11,811)
<b>Net cash flows from (used in) investing activities</b>	<u>1,513,331</u>	<u>(410,725)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	10,942,250	8,356,550
Proceeds from long-term borrowings	12,691,630	23,515,000
Repayments of long-term borrowings	(16,893,430)	(19,770,000)
Cash dividends paid	(5,306,584)	(5,312,005)
Others	(104)	-
<b>Net cash flows from (used in) financing activities</b>	<u>1,433,762</u>	<u>6,789,545</u>
Net increase (decrease) in cash and cash equivalents	(15,048,601)	12,594,823
Cash and cash equivalents at beginning of period	43,392,135	30,797,312
Cash and cash equivalents at end of period	<u>\$ 28,343,534</u>	<u>43,392,135</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, 2017 and 2016**

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2017</u>		<u>December 31, 2016</u>				<u>December 31, 2017</u>		<u>December 31, 2016</u>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and Equity</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents	\$ 70,062,713	19.3	72,950,596	21.0	2100	Short-term borrowings	\$ 56,515,525	15.6	43,480,777	12.5
1110	Current financial assets at fair value through profit or loss	40,706	-	86,440	-	2120	Current financial liabilities at fair value through profit or loss				
1125	Current available-for-sale financial assets	46,479	-	48,631	-			24,463	-	137,489	-
1147	Current bond investments without active market	350,000	0.1	350,000	0.1	2170	Notes and accounts payable	140,381,168	38.6	127,523,732	36.7
1170	Notes and accounts receivable, net	177,272,731	48.8	175,318,313	50.5	2180	Notes and accounts payable to related parties	1,636,656	0.5	1,958,211	0.6
1180	Notes and accounts receivable due from related parties, net	113,994	-	70,972	-	2200	Other payables	16,318,597	4.5	17,853,264	5.1
1200	Other receivables, net	988,008	0.3	1,082,607	0.3	2230	Current tax liabilities	4,362,395	1.2	3,795,925	1.1
1310	Inventories	69,512,712	19.1	48,105,125	13.9	2250	Current provisions	1,827,439	0.5	1,842,094	0.5
1470	Other current assets	3,395,311	0.9	2,456,323	0.7	2300	Other current liabilities	3,071,238	0.8	2,899,674	0.9
		<u>321,782,654</u>	<u>88.5</u>	<u>300,469,007</u>	<u>86.5</u>	2313	Unearned revenue	1,617,626	0.4	1,774,158	0.5
						2320	Long-term borrowings, current portion	6,200,625	1.7	7,966,875	2.3
								<u>231,955,732</u>	<u>63.8</u>	<u>209,232,199</u>	<u>60.2</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1550	Investments accounted for using equity method	11,807,622	3.2	11,726,370	3.4	2540	Long-term borrowings	21,252,263	5.8	23,954,688	7.0
1523	Non-current available-for-sale financial assets	7,646,667	2.1	9,556,461	2.8	2570	Deferred tax liabilities	614,437	0.2	746,962	0.2
1543	Non-current financial assets at cost	53,982	-	71,820	-	2640	Non-current net defined benefit liabilities	705,810	0.2	631,821	0.2
1546	Non-current investments without active market	350,000	0.1	700,000	0.2	2670	Non-current liabilities	180,207	-	166,626	-
1600	Property, plant and equipment	18,179,367	5.0	20,952,677	6.0			<u>22,752,717</u>	<u>6.2</u>	<u>25,500,097</u>	<u>7.4</u>
1780	Intangible assets	1,284,660	0.4	1,291,281	0.4			<u>254,708,449</u>	<u>70.0</u>	<u>234,732,296</u>	<u>67.6</u>
1840	Deferred tax assets	1,351,371	0.4	1,262,986	0.4	<b>Total liabilities</b>					
1985	Long-term prepaid rents	571,133	0.2	594,520	0.2	<b>Equity attributable to owners of parent:</b>					
1990	Other non-current assets	328,965	0.1	390,989	0.1	3110	Ordinary share	44,191,916	12.2	44,241,606	12.8
		<u>41,573,767</u>	<u>11.5</u>	<u>46,547,104</u>	<u>13.5</u>	3200	Capital surplus	10,938,773	3.0	11,779,274	3.4
						3300	Retained earnings	56,557,146	15.6	55,289,409	15.9
						3400	Other equity interest	(8,911,004)	(2.5)	(4,624,653)	(1.3)
						3500	Treasury shares	(881,247)	(0.2)	(881,247)	(0.3)
								<u>101,895,584</u>	<u>28.1</u>	<u>105,804,389</u>	<u>30.5</u>
						36XX	<b>Non-controlling interests</b>	6,752,388	1.9	6,479,426	1.9
							<b>Total equity</b>	<u>108,647,972</u>	<u>30.0</u>	<u>112,283,815</u>	<u>32.4</u>
<b>Total assets</b>		<b><u>\$ 363,356,421</u></b>	<b><u>100.0</u></b>	<b><u>347,016,111</u></b>	<b><u>100.0</u></b>		<b>Total liabilities and equity</b>	<b><u>\$ 363,356,421</u></b>	<b><u>100.0</u></b>	<b><u>347,016,111</u></b>	<b><u>100.0</u></b>

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, 2017 and 2016

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

	2017		2016	
	Amount	%	Amount	%
4000 Net sales revenue	\$ 887,656,959	100.0	766,810,035	100.0
5000 Cost of sales	855,692,390	96.4	733,973,065	95.7
<b>Gross profit</b>	<b>31,964,569</b>	<b>3.6</b>	<b>32,836,970</b>	<b>4.3</b>
<b>Operating expenses:</b>				
6100 Selling expenses	7,167,461	0.8	5,270,267	0.7
6200 Administrative expenses	4,050,028	0.5	4,541,630	0.6
6300 Research and development expenses	11,538,651	1.3	11,961,428	1.6
	<u>22,756,140</u>	<u>2.6</u>	<u>21,773,325</u>	<u>2.9</u>
<b>Net operating income</b>	<b>9,208,429</b>	<b>1.0</b>	<b>11,063,645</b>	<b>1.4</b>
<b>Non-operating income and expenses:</b>				
7020 Other gains and losses	(1,897,072)	(0.2)	(1,042,285)	(0.1)
7050 Finance costs	(1,297,965)	(0.1)	(946,893)	(0.1)
7190 Other income	1,566,475	0.2	1,961,554	0.3
7590 Miscellaneous disbursements	(52,752)	-	(54,672)	-
7670 Impairment loss	(19,405)	-	(239,989)	-
7770 Share of profit of associates and joint ventures accounted for using equity method	606,567	-	1,071,985	0.1
<b>Total non-operating income and expenses</b>	<b>(1,094,152)</b>	<b>(0.1)</b>	<b>749,700</b>	<b>0.2</b>
7900 <b>Profit before tax</b>	<b>8,114,277</b>	<b>0.9</b>	<b>11,813,345</b>	<b>1.6</b>
7950 <b>Less: Tax expense</b>	<b>1,956,240</b>	<b>0.2</b>	<b>2,845,339</b>	<b>0.4</b>
<b>Profit</b>	<b>6,158,037</b>	<b>0.7</b>	<b>8,968,006</b>	<b>1.2</b>
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Other comprehensive income, before tax, remeasurement of defined benefit obligation	(84,394)	-	(97,739)	-
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method	(561)	-	(1,673)	-
8349 Income tax relating to items that will not be reclassified	14,348	-	16,616	-
Items that will be reclassified subsequently to profit or loss	<u>(70,607)</u>	<u>-</u>	<u>(82,796)</u>	<u>-</u>
8360 <b>Items that will be reclassified subsequently to profit or loss</b>				
8361 Other comprehensive income, before tax, exchange differences on translation of foreign financial statement	(4,808,866)	(0.5)	(938,426)	(0.1)
8362 Other comprehensive income, before tax, available-for-sale financial assets	326,490	-	458,015	-
8363 Gains (losses) on effective portion of cash flow hedges	-	-	(21,360)	-
Other components of other comprehensive income that will be				
8370 reclassified to profit or loss	(30,076)	-	(702,159)	(0.1)
8399 Income tax relating to items that will be reclassified to profit or loss	(21,353)	-	21,180	-
Items that will be reclassified subsequently to profit or loss	<u>(4,533,805)</u>	<u>(0.5)</u>	<u>(1,182,750)</u>	<u>(0.2)</u>
8300 <b>Other comprehensive income, net</b>	<b>(4,604,412)</b>	<b>(0.5)</b>	<b>(1,265,546)</b>	<b>(0.2)</b>
8500 <b>Comprehensive income</b>	<b>\$ 1,553,625</b>	<b>0.2</b>	<b>7,702,460</b>	<b>1.0</b>
<b>Profit, attributable to:</b>				
8610 Profit, attributable to owners of parent	\$ 5,749,525	0.7	8,130,890	1.2
8620 Profit, attributable to non-controlling interests	408,512	-	837,116	-
	<u>\$ 6,158,037</u>	<u>0.7</u>	<u>8,968,006</u>	<u>1.2</u>
<b>Comprehensive income attributable to:</b>				
8710 Comprehensive income, attributable to owners of parent	\$ 1,189,818	0.1	6,916,562	1.0
8720 Comprehensive income, attributable to non-controlling interests	363,807	-	785,898	-
	<u>\$ 1,553,625</u>	<u>0.1</u>	<u>7,702,460</u>	<u>1.0</u>
<b>Earnings per share</b>				
9750 <b>Basic earnings per share</b>	<b>\$ 1.32</b>		<b>1.88</b>	
9850 <b>Diluted earnings per share</b>	<b>\$ 1.31</b>		<b>1.84</b>	

See accompanying notes to financial statements.

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

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
	Retained earnings						Total 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	Others	Total other equity interest	Treasury shares			
<b>Balance at January 1, 2016</b>	\$ 44,711,266	12,838,638	16,571,311	3,139,021	32,167,179	51,877,511	2,803,061	(6,010,432)	(719,510)	(3,926,881)	(1,724,739)	103,775,795	5,822,321	109,598,116
Profit for the year ended December 31, 2016	-	-	-	-	8,130,890	8,130,890	-	-	-	-	-	8,130,890	837,116	8,968,006
Other comprehensive income	-	-	-	-	(74,452)	(74,452)	(1,478,779)	346,602	(7,699)	(1,139,876)	-	(1,214,328)	(51,218)	(1,265,546)
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 company's cash dividends received by subsidiaries	-	60,048	-	-	-	-	-	-	-	-	-	60,048	-	60,048
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(128,793)	(128,793)
Retirement of treasury share	(438,160)	(194,977)	-	-	(210,355)	(210,355)	-	-	-	-	843,492	-	-	-
<b>Balance at December 31, 2016</b>	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	6,479,426	112,283,815
Profit for the year ended December 31, 2017	-	-	-	-	5,749,525	5,749,525	-	-	-	-	-	5,749,525	408,512	6,158,037
Other comprehensive income	-	-	-	-	(68,107)	(68,107)	(4,801,658)	310,058	-	(4,491,600)	-	(4,559,707)	(44,705)	(4,604,412)
Total comprehensive income	-	-	-	-	5,681,418	5,681,418	(4,801,658)	310,058	-	(4,491,600)	-	1,189,818	363,807	1,553,625
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	813,089	-	(813,089)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	1,139,875	(1,139,875)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,422,153)	(4,422,153)	-	-	-	-	-	(4,422,153)	-	(4,422,153)
Cash dividends from capital surplus	-	(884,431)	-	-	-	-	-	-	-	-	-	(884,431)	-	(884,431)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	33,016	-	-	(2,179)	(2,179)	-	-	-	-	-	30,837	357,314	388,151
Changes in ownership interests in subsidiaries	-	142	-	-	(424)	(424)	-	-	-	-	-	(282)	-	(282)
Changes in equity of associates and joint ventures accounted for using equity method	-	14,217	-	-	(194)	(194)	-	-	-	-	-	14,023	-	14,023
Share-based payments transaction	(49,690)	(63,472)	-	-	11,269	11,269	-	-	205,249	205,249	-	103,356	-	103,356
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,027	-	-	-	-	-	-	-	-	-	60,027	-	60,027
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(448,159)	(448,159)
<b>Balance at December 31, 2017</b>	<b>\$ 44,191,916</b>	<b>10,938,773</b>	<b>18,252,861</b>	<b>4,339,549</b>	<b>33,964,736</b>	<b>56,557,146</b>	<b>(3,477,376)</b>	<b>(5,353,772)</b>	<b>(79,856)</b>	<b>(8,911,004)</b>	<b>(881,247)</b>	<b>101,895,584</b>	<b>6,752,388</b>	<b>108,647,972</b>

See accompanying notes to financial statements.

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

## COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

## Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 8,114,277	11,813,345
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	5,184,672	5,668,112
Increase (decrease) in allowance for uncollectible accounts	3,007,185	643,362
Finance cost	1,297,965	946,893
Interest income	(877,370)	(561,897)
Dividend income	(169,839)	(191,333)
Compensation cost of share-based payment	110,855	398,302
Share of profit of associates and joint ventures accounted for using equity method	(606,567)	(1,071,985)
Loss (gain) on disposal of property, plant and equipment	(110,846)	(87,995)
Loss (gain) on disposal of investments	4,252	(112,448)
Impairment loss on financial assets	19,405	239,989
Long-term prepaid rents	13,135	14,171
Adjustments to reconcile profit (loss)	7,872,847	5,885,171
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Changes in financial assets at fair value through profit or loss	45,734	(61,028)
Decrease (increase) in notes and accounts receivable	(4,986,899)	(11,651,155)
Decrease (increase) in other receivable	(59,604)	(306,896)
Decrease (increase) in inventories	(21,407,587)	(1,605,047)
Decrease (increase) in other current assets	(974,717)	127,598
Decrease (increase) in other non-current assets	(90,471)	153,782
Total changes in operating assets	(27,473,544)	(13,342,746)
Changes in operating liabilities:		
Changes in financial liabilities at fair value through profit or loss	(113,026)	108,274
Increase (decrease) in notes and accounts payable	12,535,881	953,860
Increase (decrease) in other payable	(1,776,989)	(52,699)
Increase (decrease) in provisions	(14,655)	(546,616)
Increase (decrease) in unearned revenue	(156,532)	26,584
Increase (decrease) in other current liabilities	171,564	(607,250)
Others	109,229	197,107
Total changes in operating liabilities	10,755,472	79,260
Total changes in operating assets and liabilities	(16,718,072)	(13,263,486)
<b>Total adjustments</b>	(8,845,225)	(7,378,315)
Cash flows from (used in) operations	(730,948)	4,435,030
Interest received	884,079	552,344
Dividends received	313,738	313,080
Interest paid	(1,242,536)	(905,672)
Income taxes paid	(1,405,335)	(3,107,120)
<b>Net cash flows from (used in) operating activities</b>	(2,181,002)	1,287,662
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method, available-for-sale financial assets and financial assets at cost	(97,009)	(186,052)
Proceeds from disposal of investments accounted for using equity method and available-for-sale financial assets	2,265,745	345,026
Redemption from bond investments without active market	350,000	350,000
Net cash flow from disposal of subsidiaries	129,000	(139,401)
Proceeds from capital reduction and liquidation of investments	28,615	47,695
Acquisition of property, plant and equipment	(3,378,053)	(3,595,770)
Proceeds from disposal of property, plant and equipment	183,253	519,243
Acquisition of intangible assets	(386,935)	(579,740)
Others	30,451	57,033
<b>Net cash flows from (used in) investing activities</b>	(874,933)	(3,181,966)
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	13,034,748	13,999,601
Proceeds from long-term borrowings	12,664,420	23,515,000
Repayments of long-term borrowings	(17,133,095)	(20,166,617)
Cash dividends paid	(5,246,557)	(5,251,957)
Acquisition of non-controlling interests	(35,699)	(8,643)
Proceed of disposal of ownership interests in subsidiaries (without losing control)	413,257	-
Change in non-controlling interests	(447,794)	(153,961)
Others	13,581	(20,238)
<b>Net cash flows from (used in) financing activities</b>	3,262,861	11,913,185
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(3,094,809)	180,173
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,887,883)	10,199,054
<b>Cash and cash equivalents at beginning of period</b>	72,950,596	62,751,542
<b>Cash and cash equivalents at end of period</b>	<u>\$ 70,062,713</u>	<u>72,950,596</u>

See accompanying notes to financial statements.

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

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

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

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

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

The 6<sup>th</sup> amendment was made on June 13, 1987;

The 7<sup>th</sup> amendment was made on June 18, 1988;

The 8<sup>th</sup> amendment was made on May 27, 1989;

The 9<sup>th</sup> amendment was made on May 4, 1990;

The 10<sup>th</sup> amendment was made on June 23, 1990;

The 11<sup>th</sup> amendment was made on March 20, 1991;

The 12<sup>th</sup> amendment was made on April 30, 1992;

The 13<sup>th</sup> amendment was made on April 13, 1993;

The 14<sup>th</sup> amendment was made on April 23, 1994;

The 15<sup>th</sup> amendment was made on March 31, 1995;

The 16<sup>th</sup> amendment was made on March 27, 1996;

The 17<sup>th</sup> amendment was made on May 29, 1997;

The 18<sup>th</sup> amendment was made on April 8, 1998;

The 19<sup>th</sup> amendment was made on April 8, 1999;

The 20<sup>th</sup> amendment was made on March 30, 2000;

The 21<sup>st</sup> amendment was made on April 3, 2001;

The 22<sup>nd</sup> amendment was made on May 24, 2002;

The 23<sup>rd</sup> amendment was made on June 10, 2003;

The 24<sup>th</sup> amendment was made on June 10, 2005;

The 25<sup>th</sup> amendment was made on June 9, 2006;

The 26<sup>th</sup> amendment was made on June 15, 2007;

The 27<sup>th</sup> amendment was made on June 13, 2008;

The 28<sup>th</sup> amendment was made on June 19, 2009;

The 29<sup>th</sup> amendment was made on June 18, 2010;

The 30<sup>th</sup> amendment was made on June 24, 2011;

The 31<sup>st</sup> amendment was made on June 22, 2012.

The 32<sup>nd</sup> amendment was made on June 21, 2013.

The 33<sup>rd</sup> amendment was made on June 20, 2014.

The 34<sup>th</sup> amendment was made on June 26, 2015.

The 35<sup>th</sup> amendment was made on June 24, 2016.



## Appendix 3

### **Regulations for Election of Directors of Compal Electronics, Inc.**

1. Unless otherwise prescribed by applicable laws and regulations and the Company's Articles of Incorporation, these Regulations shall govern the election of the Company's Directors (including independent directors).
2. Election of Directors shall be held at the shareholders' meeting.  
When selecting and electing the Company's Directors, the overall composition of the Board of Directors shall be taken into consideration.  
The composition of the Board of Directors shall be diversified, and shall give weight to the principle of gender equality, the professional background or areas of the members, and whether they have necessary knowledge, skill, and experience for performance of their duties.
3. The professional qualifications and election, and other matters for compliance with respect to Independent Directors shall be in compliance with applicable laws and regulations.
4. Directors of the Company are elected by adapting the single-mark ballot accumulation voting system. Each voting share is entitled to have votes equivalent to the number of Directors to be elected. The total number of votes may be used to elect a single candidate or be allocated among several candidates.  
The Board of Directors shall prepare ballots equal to the number of Directors to be elected and distribute these ballots to the attending shareholders. The names of voters may be represented by shareholders' numbers.
5. The Company's Directors shall be elected by a candidate nomination system whereby the shareholders elect directors from nominees listed in the roster of Directors candidates. The election of independent directors and non-independent directors shall proceed as one election and number of the elected shall be calculated separately.  
According to the seats regulated in the Articles of Incorporation, the candidates who receive more votes shall be respectively elected in order of number of votes received.  
If two or more persons have received the same number of votes, and the number of persons would exceed the number to be elected, the persons with the same number of votes shall draw lots to decide election; the chairman shall draw lots on behalf of any elected person who are not present.

6. The Board of Directors shall, upon preparing the ballots, have the ballots serial numbered and note the voting rights on each ballot.
7. Before the beginning of the election, the chairman shall appoint several persons to check and record the ballots.
8. The ballot boxes used for voting shall be prepared by the Board of Directors and checked in public by the person to check the ballots before voting.
9. If the candidate is a shareholder of the Company, voters shall fill in the “candidate” column the candidate’s name and shareholder’s number. However, if the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name(s) of their representative(s) should be filled in the column. If the candidate is not a shareholder, voters shall fill in the “candidate” column the candidate’s name and the candidate’s ID number.
10. Ballots shall be deemed void under any of the following conditions:
  - (1) Ballots not prepared in accordance with these Regulations;
  - (2) Blank ballots not completed by the voters;
  - (3) The writing is unclear and illegible or the alteration is made without sealing thereon as required by law;
  - (4) If the candidate is a shareholder of the Company, the name or shareholder’s number of the candidate filled in the ballot is inconsistent with the roster of shareholders. If the candidate is not a shareholder of the Company, the name or ID number of the candidate filled in the ballot is incorrect;
  - (5) The number selected candidates filled in the ballot exceeds the prescribed number of available seats;
  - (6) Ballot with other written characters or symbols in addition to candidate’s name and shareholder’s number/ID number;
  - (7) Any of the candidate’s name or shareholder’s number is failed to fill in the ballot.
11. The ballot box will be opened by the persons checking and recording the ballots after the vote casting for the election of the Directors.
12. The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the chairman.
13. The Board of Directors shall issue letters of elected notification to the elected Directors.
14. These Regulations shall be effective after approval at the shareholders’ meeting. The same applies to amendments.

15. These Regulations were approved by the Annual General Shareholders Meeting and entered into force on May 4, 1990.

The 1<sup>st</sup> amendment was adopted by the Annual General Shareholders Meeting on April 23, 1994.

The 2<sup>nd</sup> amendment was adopted by the Annual General Shareholders Meeting on March 27, 1996.

The 3<sup>rd</sup> amendment was adopted by the Annual General Shareholders Meeting on March 24, 2002.

The 4<sup>th</sup> amendment was adopted by the Annual General Shareholders Meeting on June 24, 2011.

The 5<sup>th</sup> amendment was adopted by the Annual General Shareholders Meeting on June 20, 2014.

The 6<sup>th</sup> amendment was adopted by the Annual General Shareholders Meeting on June 26, 2015.

## Appendix 4

### Compal Electronics, Inc. Shareholding of Directors

Book closure date: April 24, 2018

Position	Name	Shares
Chairman	Sheng-Hsiun Hsu	8,975,401
Director	Jui-Tsung Chen	35,352,587
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	6,735,968
Director	Yung-Ching Chang	2,206,587
Director	Chung-Pin Wong	6,618,618
Director	Chiung-Chi Hsu	2,000,731
Director	Chao-Cheng Chen	4,785,000
Independent Director	Min Chih Hsuan	0
Independent Director	Duei Tsai	0
Independent Director	Duh Kung Tsai	0
Shareholding of all Directors		247,342,622

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 106,060,599 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 2018 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. According to the Articles of Incorporation of the Company and Article 192-1 of the Company Act, the candidate nomination system has been adopted by the Company for the Director election. Any shareholder holding 1% or more of the total number of outstanding shares issued by the Company may submit to the Company in writing a roster of director candidates, provided that the total number of director candidates so nominated shall not exceed the quota to be elected.
3. The proposal and candidate nomination accepting period of 2018 Annual General Shareholders Meeting is from April 9, 2018 to April 19, 2018.
4. Other than nominated as directors and independent directors candidates in writing by Kinpo Electronics, Inc., a shareholder holding 3.43 % of outstanding shares issued by the Company, no proposals are raised by shareholders during the said accepting period.