

Stock Ticker : 2324

# Compal Electronics, Inc.

## 2012 Annual General Shareholders' Meeting Meeting Handbook

(June 22, 2012)



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

# Table of Contents

---

- I . Meeting Procedures ..... 3
  
- II . Meeting Agenda ..... 5
  - 1. Report Items ..... 7
  - 2. Ratification Items ..... 10
  - 3. Discussion and Election Items ..... 14
  - 4. Special Motion..... 21
  
- III . Attachments
  - 1. Report on Business Operation for the year 2011
  - 2. Independent Auditors’ Report
  - 3. Supervisors’ Examination Report
  - 4. Financial Statements for the year 2011
  - 5. Comparison Table Before and After Amendment to the Articles of Incorporation of Compal Electronics, Inc.
  - 6. Comparison Table Before and After Amendment to the Procedures for Acquisition or Disposal of Assets
  - 7. Comparison Table Before and After Amendment to the Procedures for Financial Derivatives Transactions
- IV . Appendices
  - 1. Rules and Procedures of Shareholders Meeting
  - 2. Articles of Incorporation
  - 3. Procedures for Acquisition or Disposal of Assets
  - 4. Procedures for Financial Derivatives Transactions
  - 5. Regulations for Election of Directors and Supervisors
  - 6. Shareholding of Directors and Supervisors
  - 7. The Impact of Non-compensated Distribution of Shares on the Company’s Business Performance, Earnings Per Share, and Shareholder Return Rate
  - 8. Others

# Meeting Procedures

# Compal Electronics, Inc.

## 2012 Annual General Shareholders' Meeting Procedures

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

# Meeting Agenda

# Compal Electronics, Inc.

## 2012 Annual General Shareholders' Meeting Agenda

Time : 9:00 am, June 22, 2012 (Friday)

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

### I . Report Items

1. Report on Business Operation for the year 2011
2. Report of Supervisors' Examination for the year 2011 Financial Statements

### II . Ratification Items

1. To ratify the Financial Statements Report for the year 2011
2. To ratify the Distribution of Earnings for the year 2011

### III . Discussion and Election Items

1. To approve the amendment to the Articles of Incorporation
2. To approve the amendment to the Procedures for Acquisition or Disposal of Assets
3. To approve the amendment to the Procedures for Financial Derivatives Transactions
4. Election of the 11<sup>th</sup> Term of Directors and Supervisors
5. To approve the release of non-compete restriction for Directors

### IV . Special Motion(s)

### V . Meeting Adjourned

# Report Items

## Item 1

Proposed by the Board of Directors

**Proposal :**

Report on Business Operation for the year 2011

**Explanatory Note:**

The Business Report for the year 2011 is attached hereto as Attachment 1.



## Item 2

Proposed by the Board of Directors

### **Proposal :**

Report of Supervisors' Examination for the year 2011 Financial Statements

### **Explanatory Notes:**

1. The year 2011 financial statements have been audited by the Independent Auditors and the Independent Auditors' Report was issued.  
In addition, these financial statements have been examined by Supervisors; the Examination Report was issued accordingly.
2. Independent Auditors' Report is attached hereto as Attachment 2.
3. Supervisors' Examination Report is attached hereto as Attachment 3.

# Ratification Items

## Item 1

Proposed by the Board of Directors

### **Proposal :**

To ratify the Financial Statements Report for the year 2011

### **Explanatory Notes:**

1. The “Report on Business Operation for the Year 2011” and “Financial Statements for the Year 2011” were approved by the Board of Directors; and examined by Supervisors (“Distribution of Earnings for the Year 2011” is listed in the Ratification Item 2).
2. The “Report on Business Operation for the Year 2011” and “Financial Statement for the Year 2011” 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 2011

### **Explanatory Notes:**

1. The 2011 Earnings Distribution Proposal (see Page 13) was prepared by the Board of Directors according to the ROC Company Act and Articles of Incorporation of the Company.
2. The amount of earnings for the year 2011 available for distribution to shareholder as dividend and bonus is NT\$6,175,350,755. It is proposed that such NT\$6,175,350,755 be distributed in cash and each shareholder will be entitled to receive a cash dividend of NT\$1.4 per share.
3. With respect to the base date of cash dividend distribution, it is proposed that, after the resolutions adopted by the Annual General Shareholders Meeting 2012, the Board of Directors be authorized by the General Shareholders Meeting to determine the base date of dividend distribution.
4. As of April 24, 2012, the number of shares issued by the Company that is eligible to receive dividends is 4,410,964,825. However, if the amount of shares outstanding is changed due to the share buy-back by the Company, transfer of treasury stock to employees, share cancellation, exercise of stock option by the employees and other factors afterward and thus the distribution ratio for the cash dividend must be adjusted, it is proposed that the Board of Directors be authorized by the General Shareholders Meeting to handle this matter with full authority.

### **Resolved That :**

Compal Electronics, Inc.  
Earnings Distribution Proposal For the Year 2011

Unit: NT\$

Item	Amount
Net Income of 2011	11,014,680,348
Add:	
Undistributed Retained Earnings of Previous Years	27,189,863,903
Reversal of Special Reserve for Unrealized Foreign Currency Exchange Gain in the Previous Year	1,478,876,019
Reversal of Special Reserve for The Net Debit Balance of The Other Components of Shareholders' Equity in the Previous Year	3,346,821,540
Subtract:	
Special Reserve Retained for the Net Debit Balance of the Other Components of Shareholders' Equity in this Year	(8,713,017,838)
Adjustment for Changes in Investment in Investee Company's Stockholders' Equity	(14,397,943)
Retained Earnings Write-off after Purchase and Cancellation of Treasury Stock	(754,673,012)
Retained Earnings Available for Distribution as of December 31, 2011	33,548,153,017
Subtract:	
10% Legal Reserve	(1,101,468,035)
Dividends to Common Shares Holders <Note>	(6,175,350,755)
Undistributed Retained Earnings as of December 31, 2011	26,271,334,227
Note:	
Employee Bonuses in Cash: NT\$ 1,402,500,000	
Directors' and Supervisors' Remuneration: NT\$ 97,500,000	

Note: NT\$1.4 cash dividend per share

# Discussion and Election Items

## Item 1

Proposed by the Board of Directors

### **Proposal :**

To approve the amendment to the Articles of Incorporation

### **Explanatory Notes:**

1. Amendment to the Articles of Incorporation is proposed to accommodate the business need of the Company and the requirements of applicable laws and regulations.
2. The Comparison Table Before and After Amendment to the Articles of Incorporation is attached hereto as Attachment 5.

### **Resolved That :**

## Item 2

Proposed by the Board of Directors

### **Proposal :**

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

### **Explanatory Notes:**

1. Amendment to the Procedures for Acquisition or Disposal of Assets is proposed to accommodate the requirements of applicable laws and regulations.
2. The Comparison Table Before and After Amendment to the Procedures for Acquisition or Disposal of Assets is attached hereto as Attachment 6.

### **Resolved That :**



## Item 3

Proposed by the Board of Directors

### **Proposal :**

To approve the amendment to the Procedures for Financial Derivatives Transactions

### **Explanatory Notes:**

1. Amendment to the Procedures for Financial Derivatives Transactions is proposed to accommodate the requirements of applicable laws and regulations.
2. The Comparison Table Before and After Amendment to the Procedures for Financial Derivatives Transactions is attached hereto as Attachment 7.

### **Resolved That :**

## Item 4

Proposed by the Board of Directors

### **Proposal :**

Election of the 11<sup>th</sup> Term of Directors and Supervisors.

### **Explanatory Notes:**

1. The 10<sup>th</sup> term of office for Directors and Supervisors of the Company will expire on June 18, 2012.
2. Pursuant to Article 195, Paragraph II and Article 217, Paragraph II of the Company Act, in case no election of new directors/supervisors after expiration of the term of office of existing directors/supervisors, the term of office of out-going directors/supervisors shall be extended until new directors/supervisors have been elected and assumed their office.
3. In accordance with the Articles of Incorporation of the Company and resolutions adopted by the Board of Directors, the Company should elect twelve (12) Directors (including 3 Independent Directors and 9 Directors) and three (3) Supervisors. The tenure of each Directors and Supervisor shall be three (3) years, commencing from June 22, 2012 and ending on June 21, 2015.
4. According to the Articles of Incorporation of the Company and governmental regulations, a candidate nomination system has been adopted by the Company for the Independent Director election. The candidates for Independent Directors have been approved at the 24<sup>th</sup> Meeting of the 10<sup>th</sup> Board of Directors of the Company, and the shareholders shall elect Independent Directors from among those listed on the slate of independent director candidates. The resume of each independent director candidate is referred as follows (see Page 19).

### **Result of Election :**

Nam	Education	Work Experience	Shares
Min Chih Hsuan	Honorary Doctorate Degree of Chiao Tung University Bachelor's degree in Chiao Tung University Electrical Engineering	Chairman of United Microelectronics Corp. Chairman of Faraday Technology Corp. Independent Director of Wistron Corporation	0
Duei Tsai	Taiwan University, PhD, Electrical Engineering	Minister of Transportations and Communications Independent Director of Taiwan Taxi Co. , Ltd. INC.	0
Duh Kung Tsai	Taipei College of Industrial, Industrial Engineering	Chairman of Powertech Technology Inc. Chairman of. Kingston Technology Company Independent Director of Compal Communications, Inc.	0

## Item 5

Proposed by the Board of Directors

### **Proposal :**

To approve the release of non-compete restriction for Directors

### **Explanatory Notes:**

1. As certain Directors of Compal invest in or operate a business which is identical or similar to the business of Compal, without prejudice to any interest of Compal, it is proposed to approve the release of non-compete restriction for these Directors and/or managers in accordance with Article 209 of the Company Act.
2. For information of newly elected Directors who concurrently serve in a position of other companies will be posted after Directors election is completed by the annual general shareholders' meeting.
3. To approve the release of non-compete restriction for Directors.

### **Resolved That :**

# Special Motion(s)

## **Special Motion(s)**

# Attachments

## **Attachment 1**

# **Business Report for the Year 2011**

Year 2011 was a year full of macro economic difficulties to the IT industry. Throughout the year, we had experienced the weaker consumer demand from US and European markets, due to the debt and credit downgrade crisis. Major PC OEMs' management team reshuffles, Netbook market decline, and nature disasters, attacked Japan (Earthquake and Tsunami) and Thailand (Flooding), also bring the huge impact to the PC supply chain over the past year.

In the face of above external challenges, 2011 was a year for Compal to do the introspection and further strengthen our internal fundamentals, which include enhancing customer supports, completing R&D capability, bringing sophisticated product design, and improving manufacturing efficiency. We believe the efforts we have done during the business downturn will surely bring the laugh harvest in the coming years.

### **Financial Performance**

Given the impact of weaker macro demand and customers' strategic adjustment, Compal's 3C product (Computers, Communications, and Consumers) shipments declined 13% YoY to 46.81 million units in 2011. Revenue for 2011 totaled NT\$649.477 billion, a decrease of 23% YoY. Net profit after tax was NT\$11.015 billion, a decrease of 53% YoY. Earnings per share (EPS) was NT\$2.53.

### **R&D Enhancement and Innovation**

Guided by the business philosophy of "Innovation, Harmony, Transcendence", Compal actively invested resources in R&D talent recruiting and technological innovation in 2011. We believe that the deeply rooted culture of innovation will be the important core value for the company, and ensure our competence in the long term. Compal emphasize on "Innovation at anytime and anywhere" and actively apply the concept from R&D, technology, operation, procedure, product, to strategic thinking.

In addition to actively recruiting software talents and establishing completed R&D capability in the past year, Compal also significantly enhanced the function of "Experience Design" to promote ODM 2.0+ concept and deliver market-and- innovation-driven design process to our customers. In 2011, there were many new converging devices emerged and become popular in the market. Compal's efforts on developing non-NB PC products (i.e. LCD TV, Tablets, and All-In-One PCs) also delivered results and contributed larger revenue in 2011.

### **Commit Corporate Social Responsibility**

Well undertaking Corporate Social Responsibility (CSR) has always been Compal's commitment since the founding of Compal. With the spirit of "Taking from the community; Giving back to the community", Compal devotes its effort in three focus areas, which are environmental protection, employee welfare, and social care. In 2011, Compal continued to garner recognition from *CommonWealth Magazine* to win "Corporate Citizen Award" (ranked at 16<sup>th</sup> place from 27<sup>th</sup> place in 2010).



For the environmental protection, we continued to carry “Green Technology” concept to both our customers and upstream suppliers on energy saving and carbon reduction. In addition, Compal also regularly organized environmental protection activities to encourage our internal colleagues’ participation and take practical action to show the love to our environment.

For the employee welfare, Compal established a friendly and fair working environment to allow our employees, who have ability, ambition, and idea, can deliver their talents and willing to grow with the company. This “people-oriented” business culture is the key for Compal can sustain the business in the long term. With our consistency efforts, Compal have received the honor of “Employment Contribution Award” from Ministry of Economic Affairs and Council of Labor Affairs in 2011.

### **Global Expansion and Deployment**

Compal continuously expand worldwide landscape by setting up global logistics and manufacturing bases over the past year, given the trend of globalization and the needs from customers’ product and market strategy. We believe our steady global expansion and deployment will bring the business benefits in the mid-to-long term.

In 2011, Compal has established the new production bases in China –Chengdu (Sichuan Province) and Chongqing and conducted the mass production plan. We view inland China deployment as the effective solution for the problems of labor supply shortage and higher labor costs in China’s costal area. In addition, Compal also announced a Join Venture (JV) in China Hefei (Anhui Province) to cooperate with customer’s market strategy. In 2011, Compal acquired Toshiba’ LCD TV manufacturing site in Mexico last year, to enlarge global logistics for the LCD business. We believe this strategic movement will fuel the future growing momentum to Compal in the long term.

### **Corporate Vision and Outlook**

Year 2012 will be still a year remains macro uncertainties and variables for the business environment. However, Compal will continuously deliver our best efforts under corporate vision of “Enlighten Living with Green Connecting and Computing”. Looking forward, we expect the achievement on each product categories, with the mission of “Persistent dominance in NB; Full-force charging in Tablet; Accelerated growth in TV with diversified customer base”.

We believe our emphasizing on technology and innovation culture will be the basis for Compal to outperform peers in the industry. In the best efforts of all the Directors, Supervisors, and employees, Compal should create more value to the enterprise and share fruitful results for our shareholders.

We hereby wish you a peaceful and prosperity year!

Chairman of the Board : Sheng-Hsiung Hsu

President and Chief Executive Officer : Jui-Tsung Chen

Accounting Officer : Ching-Hsiung Lu

## Attachment 2



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)  
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei, 11049, Taiwan, R.O.C.

Telephone 電話 + 886 (2) 8101 6666  
Fax 傳真 + 886 (2) 8101 6667  
Internet 網址 www.kpmg.com.tw

### Independent Auditors' Report

Compal Electronics, Inc.:

We have audited the accompanying balance sheets of Compal Electronics, Inc. as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compal Electronics, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and the accounting principles generally accepted in the Republic of China.

Compal Electronics, Inc. has prepared consolidated financial statements as of and for the years ended December 31, 2011 and 2010, on which we have issued an unqualified audit report.

March 30, 2012

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

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

## Attachment 3

# Supervisors' Examination Report

Date: April 30, 2012

The Board of Directors has prepared and submitted to us the Company's 2011 balance sheet, income statement, statements of changes in shareholder equity and cash flow statement which have been audited and certified by Daisy Kuo, & Isabella Lou, certified public accountants from KPMG, along with business report and proposal for distribution of earnings. We, the Supervisors, have duly examined the same as correct and accurate. We hereby report to the 2012 Annual General Shareholders Meeting in accordance with Article 219 of the Company Act.

Compal Electronics, Inc.

Supervisors:

*Ko, Changdyi*

*Yen Chia-chou*

*Sheng-chih. Bao*

# Attachment 4

## COMPAL ELECTRONICS, INC. Balance Sheets December 31, 2011 and 2010 (expressed in thousands of New Taiwan dollars)

Assets	2011		2010		Liabilities and Stockholders' Equity	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (note 4)	\$ 23,223,185	9.8	34,831,662	11.6	Short-term loans (note 10)	\$ 1,816,500	0.8	24,643,980	8.2
Financial assets measured at fair value through profit or loss					Notes and accounts payable	79,842,239	33.7	103,322,516	34.4
– current (notes 5 and 16)	161,020	-	110,000	-	Notes and accounts payable – related parties (note 17)	39,452,910	16.6	46,128,869	15.4
Notes and accounts receivable, net (note 6)	114,932,901	48.5	165,641,433	55.2	Income tax payable	542,892	0.2	2,544,062	0.9
Notes and accounts receivable, net – related parties (note 17)	4,438,987	1.9	2,773,538	0.9	Accrued expenses and other current liabilities (notes 5, 16 and 17)	6,171,127	2.6	6,427,230	2.1
Other current financial assets (note 17)	123,807	0.1	163,410	0.1	Accrued product warranty liability	<u>3,046,469</u>	<u>1.3</u>	<u>3,896,671</u>	<u>1.3</u>
Inventories, net (note 7)	22,040,251	9.3	26,380,409	8.8		130,872,137	55.2	186,963,328	62.3
Prepayment and other current assets (note 14)	<u>681,853</u>	<u>0.3</u>	<u>1,089,909</u>	<u>0.4</u>	<b>Other liabilities</b>				
	<u>165,602,004</u>	<u>69.9</u>	<u>230,990,361</u>	<u>77.0</u>	<b>Total liabilities</b>	<u>25,002</u>	<u>-</u>	<u>20,343</u>	<u>-</u>
<b>Investments:</b>					<b>Stockholders' equity (note 13):</b>				
Long-term investment under equity method (note 8)	58,592,903	24.7	50,444,759	16.8	Common stock	<u>44,002,554</u>	<u>18.6</u>	<u>44,280,998</u>	<u>14.8</u>
Available-for-sale financial assets – non-current					Capital surplus:				
(notes 5 and 16)	4,497,669	1.9	10,196,851	3.4	Paid-in capital in excess of par value	13,656,502	5.7	13,586,249	4.5
Financial assets carried at cost – non-current (notes 5 and 16)	3,031,256	1.3	3,194,531	1.1	Other	<u>1,855,899</u>	<u>0.8</u>	<u>1,717,345</u>	<u>0.6</u>
Debt investments without quoted price in active markets						<u>15,512,401</u>	<u>6.5</u>	<u>15,303,594</u>	<u>5.1</u>
(notes 5 and 16)	1,680,835	0.7	1,582,257	0.5	Retained earnings:				
Other non-current financial assets (notes 5 and 16)	<u>118,586</u>	<u>0.1</u>	<u>53,224</u>	<u>-</u>	Legal reserve	13,878,611	5.9	11,551,432	3.8
	<u>67,921,249</u>	<u>28.7</u>	<u>65,471,622</u>	<u>21.8</u>	Special reserve	4,825,698	2.0	798,081	0.3
					Unappropriated retained earnings	<u>37,435,473</u>	<u>15.8</u>	<u>45,450,010</u>	<u>15.1</u>
<b>Property, plant and equipment (note 9):</b>						<u>56,139,782</u>	<u>23.7</u>	<u>57,799,523</u>	<u>19.2</u>
Land	881,578	0.4	894,459	0.3	Equity adjustment:				
Buildings	1,823,311	0.8	1,813,908	0.6	Foreign currency translation adjustments	(1,234,071)	(0.5)	(2,443,732)	(0.8)
Research equipment	614,850	0.2	462,145	0.2	Unrealized losses on financial instruments (notes 5 and 8)	(7,478,947)	(3.1)	(903,090)	(0.3)
Other equipment	<u>399,778</u>	<u>0.2</u>	<u>371,663</u>	<u>0.1</u>	Treasury stock (note 13)	<u>(881,247)</u>	<u>(0.4)</u>	<u>(881,247)</u>	<u>(0.3)</u>
	3,719,517	1.6	3,542,175	1.2		<u>(9,594,265)</u>	<u>(4.0)</u>	<u>(4,228,069)</u>	<u>(1.4)</u>
Less: accumulated depreciation	(1,541,173)	(0.7)	(1,390,261)	(0.5)	<b>Total stockholders' equity</b>	106,060,472	44.8	113,156,046	37.7
Prepayment for purchase of equipment	<u>5,170</u>	<u>-</u>	<u>24,730</u>	<u>-</u>	<b>Commitments and contingencies (notes 17 and 19)</b>				
	<u>2,183,514</u>	<u>0.9</u>	<u>2,176,644</u>	<u>0.7</u>					
<b>Intangible assets – patent licenses and others</b>	<u>743,568</u>	<u>0.3</u>	<u>894,909</u>	<u>0.3</u>	<b>Total liabilities and stockholders' equity</b>	<u>\$ 236,957,611</u>	<u>100.0</u>	<u>300,139,717</u>	<u>100.0</u>
<b>Other assets – leased assets, net, and others (notes 9, 12 and 14)</b>	<u>507,276</u>	<u>0.2</u>	<u>606,181</u>	<u>0.2</u>					
<b>Total assets</b>	<u>\$ 236,957,611</u>	<u>100.0</u>	<u>300,139,717</u>	<u>100.0</u>					

See accompanying notes to financial statements.

# COMPAL ELECTRONICS, INC.

## Statements of Income

For the years ended December 31, 2011 and 2010

(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2011		2010	
	Amount	%	Amount	%
<b>Net sales (note 17)</b>	\$ 649,477,507	100.0	844,508,265	100.0
<b>Cost of sales (notes 7, 17 and 20)</b>	<u>628,904,717</u>	<u>96.8</u>	<u>812,469,949</u>	<u>96.2</u>
	20,572,790	3.2	32,038,316	3.8
Change in unrealized inter-company profits	<u>614</u>	<u>-</u>	<u>(1,199)</u>	<u>-</u>
<b>Gross profit</b>	<u>20,573,404</u>	<u>3.2</u>	<u>32,037,117</u>	<u>3.8</u>
<b>Operating expenses (notes 13, 17 and 20):</b>				
Selling	3,647,047	0.6	4,624,780	0.5
General and administrative	2,346,747	0.4	2,711,859	0.3
Research and development	<u>6,820,678</u>	<u>1.0</u>	<u>6,416,571</u>	<u>0.8</u>
	<u>12,814,472</u>	<u>2.0</u>	<u>13,753,210</u>	<u>1.6</u>
<b>Operating income</b>	<u>7,758,932</u>	<u>1.2</u>	<u>18,283,907</u>	<u>2.2</u>
<b>Non-operating income and gains:</b>				
Interest income	455,540	0.1	323,563	-
Investment income under the equity method, net (note 8)	4,055,268	0.6	3,983,892	0.5
Other investment income, net (note 5)	204,284	-	4,137,590	0.5
Gain on valuation of financial instruments, net (notes 5 and 16)	13,061	-	-	-
Other (note 17)	<u>449,706</u>	<u>0.1</u>	<u>389,519</u>	<u>-</u>
	<u>5,177,859</u>	<u>0.8</u>	<u>8,834,564</u>	<u>1.0</u>
<b>Non-operating expenses and losses:</b>				
Interest expense	135,535	-	120,906	-
Foreign currency exchange loss, net	608,534	0.1	173,632	-
Impairment losses (note 5)	90,389	-	218,918	-
Loss on valuation of financial instruments, net (note 5)	<u>-</u>	<u>-</u>	<u>42,185</u>	<u>-</u>
	<u>834,458</u>	<u>0.1</u>	<u>555,641</u>	<u>-</u>
<b>Net income before income tax expense</b>	12,102,333	1.9	26,562,830	3.2
Income tax expense (note 14)	<u>1,087,653</u>	<u>0.2</u>	<u>3,291,034</u>	<u>0.4</u>
<b>Net income</b>	<u>\$ 11,014,680</u>	<u>1.7</u>	<u>23,271,796</u>	<u>2.8</u>
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>income tax</b>	<b>income tax</b>	<b>income tax</b>	<b>income tax</b>
<b>Basic net income per share (note 15)</b>	<u>\$ 2.78</u>	<u>2.53</u>	<u>6.15</u>	<u>5.38</u>
<b>Diluted net income per share</b>	<u>\$ 2.72</u>	<u>2.48</u>	<u>5.93</u>	<u>5.20</u>

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

	2011		2010	
	Before	After	Before	After
	income tax	income tax	income tax	income tax
<b>Net income</b>	<u>\$ 12,237,840</u>	<u>11,150,187</u>	<u>26,678,960</u>	<u>23,387,926</u>
<b>Basic net income per share</b>	<u>\$ 2.78</u>	<u>2.53</u>	<u>6.10</u>	<u>5.35</u>

See accompanying notes to financial statements.

## COMPAL ELECTRONICS, INC.

### Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2010

(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Retained earnings Special reserve	Unappropriated	Unrealized losses on financial instruments	Foreign currency translation adjustments	Treasury stock	Total
<b>Balance on January 1, 2010</b>	\$ 41,243,688	12,727,636	9,630,627	1,448,771	33,715,153	126,028	(224,588)	(881,247)	97,786,068
Appropriation of 2009 net income (note):									
Reversal of special reserve	-	-	-	(650,690)	650,690	-	-	-	-
Legal reserve	-	-	1,920,805	-	(1,920,805)	-	-	-	-
Cash dividends	-	-	-	-	(10,264,535)	-	-	-	(10,264,535)
Capital surplus transferred to common stock	855,378	(855,378)	-	-	-	-	-	-	-
Convertible bonds payable transferred to common stock and capital surplus	2,020,721	3,620,482	-	-	-	-	-	-	5,641,203
Adjustment for changes in investee company's stockholders' equity	-	(56,887)	-	-	(2,289)	-	-	-	(59,176)
Equity adjustment due to investee companies being merged	-	(507,437)	-	-	-	8,304	(3,117)	-	(502,250)
Issuance of stock for employee stock options exercised	161,211	259,048	-	-	-	-	-	-	420,259
Cash dividends paid to subsidiaries holding the Company's shares	-	116,130	-	-	-	-	-	-	116,130
Net income for the year ended December 31, 2010	-	-	-	-	23,271,796	-	-	-	23,271,796
Foreign currency translation adjustment	-	-	-	-	-	-	(2,216,027)	-	(2,216,027)
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	(1,037,422)	-	-	(1,037,422)
<b>Balance on December 31, 2010</b>	<u>44,280,998</u>	<u>15,303,594</u>	<u>11,551,432</u>	<u>798,081</u>	<u>45,450,010</u>	<u>(903,090)</u>	<u>(2,443,732)</u>	<u>(881,247)</u>	<u>113,156,046</u>
Appropriation of 2010 net income (note):									
Special reserve	-	-	-	4,027,617	(4,027,617)	-	-	-	-
Legal reserve	-	-	2,327,179	-	(2,327,179)	-	-	-	-
Cash dividends	-	-	-	-	(11,905,350)	-	-	-	(11,905,350)
Adjustment for changes in investee company's stockholders' equity	-	3,047	-	-	(14,398)	-	-	-	(11,351)
Issuance of stock for employee stock options exercised	142,446	200,556	-	-	-	-	-	-	343,002
Cash dividends paid to subsidiaries holding the Company's shares	-	135,507	-	-	-	-	-	-	135,507
Net income for the year ended December 31, 2011	-	-	-	-	11,014,680	-	-	-	11,014,680
Purchase and retirement of treasury stock	(420,890)	(130,303)	-	-	(754,673)	-	-	-	(1,305,866)
Foreign currency translation adjustment	-	-	-	-	-	-	1,209,661	-	1,209,661
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	(6,575,857)	-	-	(6,575,857)
<b>Balance on December 31, 2011</b>	<u>\$ 44,002,554</u>	<u>15,512,401</u>	<u>13,878,611</u>	<u>4,825,698</u>	<u>37,435,473</u>	<u>(7,478,947)</u>	<u>(1,234,071)</u>	<u>(881,247)</u>	<u>106,060,472</u>

Note: Directors' and supervisors' remuneration amounting to \$130,000 and employee bonuses amounting to \$1,870,000 were recognized in the 2010 and 2009 statements of income, respectively.

See accompanying notes to financial statements.

# COMPAL ELECTRONICS, INC.

## Statements of Cash Flows

For the years ended December 31, 2011 and 2010

(expressed in thousands of New Taiwan dollars)

	2011	2010
<b>Cash flows from operating activities:</b>		
Net income	\$ 11,014,680	23,271,796
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	629,454	635,802
Decrease in allowance for doubtful accounts and inventory obsolescence provision	(541,486)	(1,511,174)
Other investment income, net	(30,522)	(4,099,069)
Impairment losses of financial assets carried at cost	90,389	218,918
Cash dividends received from long-term equity investments	724,715	612,239
Investment income under the equity method, net	(4,055,268)	(3,983,892)
Decrease (increase) in notes and accounts receivable	49,582,361	(11,821,335)
Decrease in inventories	4,342,366	21,505,445
Decrease (increase) in prepayment, other current assets, and other current financial assets	304,088	(194,250)
Decrease in notes and accounts payable	(30,156,236)	(10,098,469)
Increase (decrease) in accrued expenses, other current liabilities, and accrued product warranty liability	(1,127,062)	1,610,336
Increase (decrease) in income tax payable	(2,001,170)	960,247
Change in net deferred income tax assets	138,873	(349,522)
Increase in financial assets measured at fair value through profit or loss – current	(51,020)	(39,168)
Foreign currency exchange gain on bonds payable	-	(44,546)
Others	(178,344)	(131,033)
<b>Net cash provided by operating activities</b>	<u>28,685,818</u>	<u>16,542,325</u>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(199,313)	(152,629)
Increase in intangible assets	(281,021)	(559,134)
Decrease in restricted assets	-	142,000
Acquisition of long-term equity investments and financial assets carried at cost	(4,763,808)	(2,577,576)
Capital refund from investees and distribution from investees after completion of liquidation	538,856	70,692
Proceeds from sale of investments	134,208	257,821
Increase in long-term receivables – related parties	(4,195)	(20,201)
Others	(23,460)	(7,146)
<b>Net cash used in investing activities</b>	<u>(4,598,733)</u>	<u>(2,846,173)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	(22,827,480)	10,832,420
Cash dividends paid	(11,905,350)	(10,264,535)
Proceeds from issuance of stock for employee stock options exercised	343,002	420,259
Repayment of bonds payable	-	(16,005)
Purchase of treasury stock	(1,305,866)	-
Others	132	170
<b>Net cash provided by (used in) financing activities</b>	<u>(35,695,562)</u>	<u>972,309</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(11,608,477)	14,668,461
<b>Cash and cash equivalents at beginning of period</b>	<u>34,831,662</u>	<u>20,163,201</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 23,223,185</u>	<u>\$ 34,831,662</u>
<b>Supplementary disclosures of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest	<u>\$ 145,599</u>	<u>113,494</u>
Income taxes	<u>\$ 2,949,949</u>	<u>2,680,309</u>
<b>Supplementary disclosures of financing activities not affecting cash flows:</b>		
Convertible bonds payable transferred to common stock and capital surplus	<u>\$ -</u>	<u>5,641,203</u>

See accompanying notes to financial statements.

## Attachment 5

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

Number of Article	Before Amendment	After Amendment	Amendment Reason
Article 13	A shareholder who is unable to attend a shareholders' meeting may authorize a proxy to attend the meeting by a power of attorney printed by the Company duly signed/sealed and setting forth the vested power in accordance with the [Regulations Governing the Use of Proxy for Attending Shareholders' Meetings of Public Companies] prescribed by the competent authority.	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.	Change of Chinese characters
Article 17	Minutes of proceedings shall be prepared for all resolutions adopted at a shareholders' meeting, stating the date and place of the meeting, the abstract and results of proceedings, name of the chairman and the means by which a resolution is adopted, number of shareholders present and number of shares represented. A copy of the minutes of proceedings duly signed and sealed by the chairman shall be forwarded to each shareholder within twenty (20) days after the meeting. However, the shareholders whose registered share certificates are under 1,000 shares shall be publicly announced.	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.	Revision is made to reflect changes to the law.
Article 18	The Company shall have ten (10) to fifteen (15) directors, and three (3) supervisors, to be elected by the shareholders' meeting from among persons with legal capacity. There shall be at least two independent directors among the Company's directors, and the independent directors shall represent at least one-fifth of the total number of directors.	The Company shall have ten (10) to fifteen (15) directors, and three (3) supervisors. Directors and supervisor shall be elected by adopting candidate nomination system and being elected by the shareholders' meeting from among the list of nominees with legal capacity. There shall be at least two independent directors among the Company's directors, and the independent directors shall	Revised to meet the regulation



Number of Article	Before Amendment	After Amendment	Amendment Reason
	<p>The directors and supervisors' 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. Independent directors shall be elected by adopting the candidate nomination system. The shareholders' meeting shall elect independent directors from among those listed on the slate of independent director candidates. 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.</p>	<p>represent at least one - fifth of the total number of directors. The directors and supervisors' 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.</p>	
Article 21	<p>The Company shall have three to five managing directors, to be elected from among the directors with the concurrence of a majority of the directors present at a board of directors' meeting attended by more than two-thirds (2/3) of the directors. A board chairman and vice chairman shall be elected by and from among the managing directors in accordance with the same procedure. The board chairman shall conduct all the business of the Company pursuant to the laws and regulations, Article of incorporation, and resolutions adopted at shareholders' meetings and board of directors' meetings. There shall be at least one independent director among the Company's managing directors, and the independent directors shall represent at least one - fifth of the total number of managing director.</p>	<p>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.</p>	For business operation needs

Number of Article	Before Amendment	After Amendment	Amendment Reason
Article 35	These Articles of Incorporation were prescribed by the promoters on April 16, 1984. 1st~30th (omitted)	These Articles of Incorporation were prescribed by the promoters on April 16, 1984. 1st~30th (omitted) The 31 <sup>st</sup> amendment was made on June 22, 2012.	Added the amendment date

**Attachment 6**

**Compal Electronics, Inc.**

**Comparison Table Before and After Amendment to the Procedures for Acquisition or Disposal of Assets**

Before amendment	After amendment	Reason for amendment
<p>Article 4 Decision-Making and Delegation of Authorization to Approve Transaction Terms</p> <p>1. ~ 3. (omitted)</p> <p>(Omitted)</p>	<p>Article 4 Decision-Making and Delegation of Authorization to Approve Transaction Terms</p> <p>1~ 3. (omitted)</p> <p>4. Related party transactions shall be handled in accordance with the provisions of Article 7 herein.</p> <p>(Omitted)</p>	<p>Added to meet the law requirement</p>
<p>Article 5 Processing Procedure for the Acquisition or Disposition of Securities Investment</p> <p>1. ~ 2. (omitted)</p> <p>3. Expert Opinion</p> <p>For the acquisition or disposition of the securities with a transaction amount reaching or beyond 20% of the Company’s paid-in capital or NT\$300 million, the Company shall also engage a certified public accountant (“CPA”) to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authorities.</p>	<p>Article 5 Processing Procedure for the Acquisition or Disposition of Securities Investment</p> <p>1. ~ 2. (omitted)</p> <p>3. Expert Opinion</p> <p>For the acquisition or disposition of the securities with a transaction amount reaching or beyond 20% of the Company’s paid-in capital or NT\$300 million, or the transaction value for a related party transaction reaches 10 % or more of the Company’s total assets, the Company shall also engage a certified public accountant (“CPA”) prior to the date of occurrence of the event to render an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authorities.</p>	<p>Revised to meet the law requirement</p>
<p>Article 6 Processing Procedure of the Acquisition or Disposition of Real Property, Other Fixed Assets, Memberships, Patents, Copyrights, Trademarks, Franchise Rights, and Other Intangible Assets, etc.</p>	<p>Article 6 Processing Procedure of the Acquisition or Disposition of Real Property, Other Fixed Assets, Memberships, Patents, Copyrights, Trademarks, Franchise Rights, and Other Intangible Assets, etc.</p>	<p>Revised to meet the law requirement</p>

Before amendment	After amendment	Reason for amendment
<p>1. ~ 2. (omitted)</p> <p>3. Appraisal or Assessment Report</p> <p>(1) Report on Appraisal of Real Property or Other Fixed Assets In acquiring or disposing real property or other fixed assets where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business machinery and equipment, shall obtain an appraisal report in advance from a professional appraiser and shall further comply with the following provisions:</p> <p>i. ~ ii(omitted)</p> <p>iii. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p>	<p>1. ~ 2. (omitted)</p> <p>3. Appraisal or Assessment Report</p> <p>(1) Report on Appraisal of Real Property or Other Fixed Assets In acquiring or disposing real property or other fixed assets where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, or the transaction value for a related party transaction reaches 10 % or more of the Company's total assets, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business machinery and equipment, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>i. ~ ii(omitted)</p> <p>iii. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the</p>	

Before amendment	After amendment	Reason for amendment
<p>(i) (omitted) (ii) (omitted)</p> <p>iv. Where an appraisal is conducted before a contract execution date, no more than three months may pass between the date of the appraisal report and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>(2) Expert Assessment Report on the Memberships or Intangible Assets Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% of more of paid-in capital or NT\$300 million or more, the company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>transaction price: (i) (omitted). (ii)(omitted)</p> <p>iv. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>(2) Expert Assessment Report on the Memberships or Intangible Assets Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% of more of paid-in capital or NT\$300 million or more or the transaction value for a related party transaction reaches 10 % or more of the Company's total assets, the Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>4. The calculation of the transaction amounts referred to in the preceding Article and this Article shall be done in accordance with Article 10, Paragraph 1, Sub-paragraph 5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for</p>	

Before amendment	After amendment	Reason for amendment
	which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	
<p>Article 7 Processing Procedure for the Acquisition of the Real Property From Related Parties:</p> <p>1. The Company that acquires real property from a related party through purchase or swap shall ensure that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, and other relevant matters are carried out, in compliance with the provisions of the preceding Article and this Article.</p> <p>2. Acquiring real property from a related party may not proceed with the transaction until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>(1) The purpose, necessity and anticipated benefit of the real property acquisition.</p>	<p>Article 7 Related Party Transactions:</p> <p>1. The Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Article and this Article.</p> <p>The calculation of the transaction amount referred to above in this Paragraph shall be made in accordance with Article 6, Paragraph 4herein.</p> <p>2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the Supervisors:</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of</p>	<p>Revised to meet the law requirement</p>

Before amendment	After amendment	Reason for amendment
<p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) Information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with paragraph 3 and 4 of this Article.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) Restrictive covenants and other important stipulations associated with the transaction.</p>	<p>assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraphs 3 and 4 of this Article.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Paragraph 1 of this Article.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to above in this Paragraph shall be made in accordance with Article 10, Paragraph 1, Sub-paragraph 5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the Supervisors need not be counted toward the transaction amount.</p>	

Before amendment	After amendment	Reason for amendment
(Omitted)	<p>With respect to the acquisition or disposal of business-use machinery and equipment between the Company and its parent company or subsidiaries, the Company's Board of Directors may, pursuant to Article 3 through Article 5, delegate the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board meeting.</p> <p>(Omitted)</p>	
<p>Article 9 Processing Procedure of the Merger, Demerger, Acquisition, or Transfer of Share</p> <p>1. (omitted)</p> <p>2. Other Matters</p> <p>(1) ~(7) (omitted)</p> <p>(8) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within two days of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in Paragraph 2, Sub0paragraph 7, Items a &amp; b of this Article to the competent authorities for recordation.</p> <p>(Omitted)</p>	<p>Article 9 Processing Procedure of the Merger, Demerger, Acquisition, or Transfer of Share</p> <p>1. (omitted)</p> <p>2. Other Matters</p> <p>(1) ~(7) (omitted)</p> <p>(8) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in Paragraph 2, Sub-paragraph 7, Items a &amp; b of this Article to the competent authorities for recordation.</p> <p>(Omitted)</p>	Revised to meet the law requirement
<p>Article 10 Information Transparency and Disclosure Procedure</p> <p>1. Items to be announced and the standards of announcement and declaration</p> <p>(1) Acquisition of real property from a related party.</p>	<p>Article 10 Information Transparency and Disclosure Procedure</p> <p>1. Items to be announced and the standards of announcement and declaration</p> <p>(1) Acquisition or disposal of real property from or to a related</p>	Revised to meet the law requirement



Before amendment	After amendment	Reason for amendment
<p>(2) Investment in the mainland area.</p> <p>(3) Merger, demerger, acquisition, or transfer of shares.</p> <p>(4) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures adopted by the company.</p> <p>(5) Where an asset transaction other than any of those referred to in the preceding four subparagraphs reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>i~iii. (Omitted)</p> <p>iv. Where land is acquired under an arrangement for commissioned construction on self-owned land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p>(6) The following are the ways to calculate the transaction amounts as mentioned in the previous</p>	<p>party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>(4) Where an asset transaction, other than any of those referred to in the preceding three subparagraphs, or investment in the mainland area reaches 20% or more of paid-in capital of the Company or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>i~iii. (Omitted)</p> <p>iv. Where real property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>(5) The following are the ways to calculate the transaction amounts as mentioned in the preceding</p>	

Before amendment	After amendment	Reason for amendment
<p>paragraph, in which, the so-called within one year is calculated from one year ahead of the fact occurrence date of this transaction. However, the part which has been announced according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” can be exempted from re-calculation.</p> <p>i ~iv. (Omitted)</p> <p>(7) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the tenth day of each month.</p> <p>2. Time limit for processing the announcement and declaration. For the assets acquired or disposed by the company requiring to be announced as regulated in Paragraph 1 of this Article and with the transaction amounts reaching the standards required to be announced and declared as regulated in this Article, the announcement and declaration shall be processed within two days after the date of occurrence of such transaction.</p> <p>3. The announcement and declaration procedure.</p> <p>(1) (Omitted)</p> <p>(2) (Omitted).</p> <p>(3) (Omitted)</p> <p>(4) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the following</p>	<p>Sub-paragraphs 1 &amp; 4, in which, the so-called within one year is calculated from one year ahead of the fact occurrence date of this transaction. However, the part which has been announced according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” can be exempted from re-calculation.</p> <p>i ~iv. (Omitted)</p> <p>(6) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authorities by the tenth day of each month.</p> <p>2. Time limit for processing the announcement and declaration. For the assets acquired or disposed by the company requiring to be announced as regulated in Paragraph 1 of this Article and with the transaction amounts reaching the standards required to be announced and declared as regulated in this Article, the announcement and declaration shall be processed within two days commencing immediately from the date of occurrence of such transaction.</p> <p>3. The announcement and declaration procedure.</p> <p>(1) (Omitted)</p> <p>(2) (Omitted).</p> <p>(3) (Omitted)</p> <p>(4) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with</p>	

Before amendment	After amendment	Reason for amendment
<p>paragraph, a public report of relevant information shall be made on the information reporting website designated by the FSC within two days from the day of occurrence of such event:</p> <ul style="list-style-type: none"> <li>i. Change, termination, or rescission of a contract signed in regard to the original transaction.</li> <li>ii. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</li> </ul>	<p>this Article, a public report of relevant information shall be made on the information reporting website designated by the competent authorities within two days from the day of occurrence of such event:</p> <ul style="list-style-type: none"> <li>i. Change, termination, or rescission of a contract signed in regard to the original transaction.</li> <li>ii. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</li> <li>iii. Change to the originally publicly announced and reported information.</li> </ul>	
<p>Article 12 Provisions to be Followed by the Subsidiaries of the Company</p> <p>The Company shall give announcement and declaration if its subsidiaries are not the public listed companies and their acquired or disposed assets reach the standard requiring announcement and declaration. The so-called “reaching 20% of Company’s paid-in capital” as referred to in the announcement and declaration standard for the subsidiary is based on the company’s paid-in capital.</p>	<p>Article 12 Provisions to be Followed by the Subsidiaries of the Company</p> <p>The Company shall urge its subsidiaries to enact their own procedures for acquisition and disposal of assets in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and implement such procedures accordingly.</p> <p>The Company shall give announcement and declaration if its subsidiaries are not the public listed companies and their acquired or disposed assets reach the standard requiring announcement and declaration. The so-called “reaching 20% of Company’s paid-in capital or 10% of the total assets.” as referred to in the announcement and declaration standard for the subsidiary is based on the Company’s paid-in capital or total assets.</p>	<p>Revised to meet the law requirement</p>
<p>Article 16 Additional Provisions These Procedures were approved by the Board of Directors Meeting and entered into force on June 23, 1989.</p> <p>The 1<sup>st</sup> to 7<sup>th</sup> amendments (omitted)</p>	<p>Article 16 Additional Provisions These Procedures were approved by the Board of Directors Meeting and entered into force on June 23, 1989.</p> <p>The 1<sup>st</sup> to 7<sup>th</sup> amendments (omitted) 8<sup>th</sup> Amendment was approved by the</p>	<p>Added the amendment date</p>

Before amendment	After amendment	Reason for amendment
	Board of Directors Meeting on April 30, 2012 and entered into force after it was approved by the General Shareholders' Meeting on June 22, 2012.	

**Attachment 7**

**Compal Electronics, Inc.**

Comparison Table Before and After Amendment to  
the Procedures for Financial Derivatives Transactions

Before amendment	After amendment	Reason for amendment
<p><b>Article 15 Implementation and Amendment</b> The Procedures shall be adopted by the Board of Directors, be submitted to each Supervisor and entered into force after the approval by the Shareholders Meeting. The same procedure applies to amendment.</p>	<p><b>Article 15 Implementation and Amendment</b> These Procedures shall be adopted by the Board of Directors, be submitted to each Supervisor and entered into force after the approval of resolution by the Shareholders Meeting. If any Director expresses his/her dissent and such dissent is recorded in the minutes or a written statement of dissent is presented, the dissenting opinion shall be submitted to each Supervisor and reported to the Shareholders' Meeting for discussion. This paragraph applies to amendment of these Procedures. Where the Company has established the position of Independent Director and when it submits these Procedures for Financial Derivatives Transactions to the Board of Directors' Meeting for discussion in accordance with the provisions prescribed herein, it shall take into full consideration the opinions of each Independent Director; Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors' Meeting. The regulations regarding the Independent Director contained herein shall become enforceable upon the establishment of the Independent Director by the Company.</p>	<p>Added to meet the law requirement</p>
<p><b>ARTICLE 17 Supplementary Provisions</b> These Procedures were approved by the Board of Directors' Meeting and entered into force on July 25, 1996. The 1<sup>st</sup> to 2<sup>nd</sup> amendments (omitted)</p>	<p><b>ARTICLE 17 Supplementary Provisions</b> These Procedures were approved by the Board of Directors' Meeting and entered into force on July 25, 1996. The 1<sup>st</sup> to 2<sup>nd</sup> amendments (omitted) The third amendment was adopted by</p>	<p>Added the amendment date</p>

Before amendment	After amendment	Reason for amendment
	the Board of Directors' Meeting on April <b>30</b> , 2012 and was implemented after it was approved by the General Shareholders' Meeting on <b>June 22</b> , 2012.	

# 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. 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, branch offices or factories may be set up within or outside the Republic of China by resolutions of the board of directors.

##### **Article 5(Deleted)**

##### **Article 6**

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

#### **CHAPTER 2 SHARES**

##### **Article 7**

The total capital of the Company shall be NT\$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/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. However, the shareholders whose registered share certificates are under 1,000 shares shall be publicly announced.

### **CHAPTER 4 DIRECTORS AND SUPERVISORS**

#### **Article 18**

The Company shall have ten (10) to fifteen (15) directors, and three (3) supervisors, to be elected by the shareholders' meeting from among persons with legal capacity. There shall be at least two 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 and supervisors' 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.

Independent directors shall be elected by adopting the candidate nomination system. The shareholders' meeting shall elect independent directors from among those listed on the slate of independent director candidates. 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 and supervisors 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 supervisors are discharged, the special shareholders' meeting shall be called by the board of directors within sixty (60) days for election of directors and supervisors to fill the vacancies until the original

term expires.

#### **Article 21**

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

#### **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**

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

#### **Article 25**

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

#### **Article 26**

Functions of the board of directors shall be as follows:

1. Appoint and remove managerial personnel;

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

## **CHAPTER 5 OFFICERS**

### **Article 27**

A board of directors' meeting shall be called with a seven days prior written notice setting forth the cause(s) of such meeting to all directors and supervisors, except there is an urgent need. In 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.

### **Article 28**

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

## **CHAPTER 6 FINANCIAL ACCOUNTS AND DISTRIBUTION OF PROFITS**

### **Article 29**

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

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

### **Article 30**

If there is any profit after closing of books, the Company shall first defray tax due, cover losses in the past years and set aside ten percent (10%) of it as legal reserve and set aside or reverse a special reserve in accordance with laws and regulations, then an amount not more than two percent (2%) of the balance shall be paid to directors and supervisors as remuneration and an amount no less than two percent (2%) shall be allocated as employees' bonus. Not less than ten percent (10%) of the remainder shall be distributed as dividend and bonus; however, if the annual net profit per share for such year is lower than One New Taiwan Dollar (NT\$1), the Company may decide not to make any distribution.

The object of the said allocation of share certificates and bonus to employees includes the employees of the Company's subordinate companies pursuant to the Company Law. The lifecycle of the industry of the Company is in the growing stage. To meet the need of the Company for the future capital and the need of shareholders for cash flow, if there is any profit after close of books, the cash dividend allocated by the Company each year shall not be lower than ten percent (10%) of the total dividend (including cash and share dividend) for such year.

**Article 31**

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

**CHAPTER 7 SUPPLEMENTAL PROVISIONS**

**Article 32**

Matters not provided herein shall be governed by the Company 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.  
1<sup>st</sup> amendment was made on May 16, 1984;  
2<sup>nd</sup> amendment was made on December 27, 1984;  
3<sup>rd</sup> amendment was made on April 6, 1986;  
4<sup>th</sup> amendment was made on July 18, 1986;  
5<sup>th</sup> amendment was made on May 10, 1987;  
6<sup>th</sup> amendment was made on June 13, 1987;  
7<sup>th</sup> amendment was made on June 18, 1988;  
8<sup>th</sup> amendment was made on May 27, 1989;  
9<sup>th</sup> amendment was made on May 4, 1990;  
10<sup>th</sup> amendment was made on June 23, 1990;  
11<sup>th</sup> amendment was made on March 20, 1991;  
12<sup>th</sup> amendment was made on April 30, 1992;  
13<sup>th</sup> amendment was made on April 13, 1993;  
14<sup>th</sup> amendment was made on April 23, 1994;  
15<sup>th</sup> amendment was made on March 31, 1995;  
16<sup>th</sup> amendment was made on March 27, 1996;  
17<sup>th</sup> amendment was made on May 29, 1997;  
18<sup>th</sup> amendment was made on April 8, 1998;  
19<sup>th</sup> amendment was made on April 8, 1999;  
20<sup>th</sup> amendment was made on March 30, 2000;  
21<sup>st</sup> amendment was made on April 3, 2001;  
22<sup>nd</sup> amendment was made on May 24, 2002;  
23<sup>rd</sup> amendment was made on June 10, 2003;  
24<sup>th</sup> amendment was made on June 10, 2005;  
25<sup>th</sup> amendment was made on June 9, 2006.



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

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

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

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

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

## Appendix 3

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

#### Article 1 Purpose and Legal Basis:

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

#### Article 2 Definition and Scope:

1. The term "assets" as used in these Processing Procedures includes the following:
  - (1) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
  - (2) Real property, other fixed assets, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets.
  - (3) Derivatives.
  - (4) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law.
  - (5) Other major assets.
2. The term "derivatives" as used herein refers to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
3. The term "assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law" as used herein are the ones acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 6 of the Company Act.
4. The term "related party" as used herein refers to the one defined in Statement of Financial Accounting Standards (SFAS) No. 6 published by the ROC Accounting Research and Development Foundation (hereinafter "ARDF").
5. The term "subsidiary" as used herein refers to the one defined in SFAS Nos. 5 and 7 published by the ARDF.
6. The term "professional appraiser" as used herein refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or other fixed assets.
7. The term "date of occurrence" as used herein refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authority is required, the earlier of the above date or the date of receipt of approval by the Competent Authority shall apply.

8. The term “Mainland area investment” as used herein refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

### **Article 3 Authorized Limit:**

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

#### **1. Limit Authorized by the Company**

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

#### **2. Subsidiary’s Authorized Limit:**

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

The net value as mentioned above is based on the amount shown in the most recent financial report audited and certified or approved by the CPA.

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

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

As provided for in this Article, while submitting relevant materials to the Board of Directors for discussion, full account shall be taken of the comments made by the respective independent director. If the independent director has any opposition or qualified opinion, such opposition or opinion shall be recorded in the Board meeting minutes.

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

1. Appraisal and Operating Procedures

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

2. The Units Responsible for Implementation

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

3. Expert Opinion

For the acquisition and disposition of the securities with a transaction amount reaching or beyond 20% of the company’s paid-in capital or NT\$300 million, the company shall also engage a certified public accountant to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authorities.

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

1. Appraisal and Operating Procedures

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

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

2. The Units Responsible for Implementation

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

3. Appraisal or Assessment Report

(1) Report on Appraisal of Real Property or Other Fixed Assets

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

- i. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- ii. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- iii. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (i) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - (ii) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- iv. Where an appraisal is conducted before a contract execution date, no more than

three months may pass between the date of the appraisal report and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.

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

Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, the company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

**Article 7 Processing Procedure for the Acquisition of the Real Property From Related Parties:**

1. The Company that acquires real property from a related party through purchase or swap shall ensure that the necessary resolutions are adopted the reasonableness of the transaction terms is appraised, and other relevant matters are carried out, in compliance with the provisions of the preceding Article and this Article.
2. Acquiring real property from a related party may not proceed with the transaction until the following matters have been approved by the board of directors and recognized by the supervisors:
  - (1) The purpose, necessity and anticipated benefit of the real property acquisition.
  - (2) The reason for choosing the related party as a trading counterparty.
  - (3) Information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with paragraph 3 and 4 of this Article.
  - (4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
  - (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
  - (6) Restrictive covenants and other important stipulations associated with the transaction.

As regulated previously, when an acquisition of real property from a related party is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

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

more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

4. When acquiring real property from a related party and appraises the cost of the real property in accordance with the preceding paragraph shall also engage a CPA to check the appraisal and render a specific opinion.
5. When acquiring real property from a related party, the regulations stipulated in the preceding two paragraphs can be exempted in any of the following conditions. However, what is regulated in paragraph 2 shall still be followed:
  - (1) The related party acquired the real property through inheritance or as a gift.
  - (2) More than five years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
  - (3) The real property is acquired through signing of a joint development contract with the related party.
6. In the case that the transaction price of the real property acquiring from a related party is higher than the result of the assessment made according to paragraph 3 of this Article, it shall be processed in compliance with paragraph 7 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
  - (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - i. Where undeveloped land is appraised in accordance with the means set out in paragraph 3 of this Article, and structures are appraised according to the related party's construction cost plus reasonable construction profit, and the aggregate appraised value of such land and structures is in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
    - ii. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or properties in the neighboring area, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
    - iii. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
  - (2) Acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of properties of a similar size in the neighboring area by unrelated parties within the preceding year.
  - (3) Completed transactions for properties in the neighboring area in paragraph (1) and (2) in principle refers to properties located on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within one year refers to one year from the actual

date of acquisition of the real property.

7. Acquiring real property from a related party and the results of appraisals conducted in accordance with the paragraph 3 and 6 of this Article are uniformly lower than the transaction price, or if there is any evidence suggesting the transaction is not in line with normal business practice, the following steps shall be taken:
  - (1) A special reserve shall be set aside in accordance with the provisions of Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. The special reserve set aside in accordance with the preceding provision shall not be utilized until the Company has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or based on other evidence confirming that there was nothing unreasonable about the transaction, and approval for utilization has been granted by the competent authority.
  - (2) Supervisors shall comply with the provisions of Article 218 of the Company Act.
  - (3) The processing status of (1) and (2) shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

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

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

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

1. Assessment and operation procedure

- (1) When implementing the merger, demerger, acquisition, or transfer of shares, the Company shall invite the attorney, CPA and securities underwriter to work out a time table for legal proceedings, and set up a panel to implement the legal procedure. At the same time, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.
- (2) The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in subparagraph (1) of paragraph 1 of this Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.



## 2. Other Matters

- (1) **Board Meeting Date:** A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the same day to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the same day, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- (2) **Non-Disclosure Agreement:** Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (3) **The Principle to Decide on the Share Exchange Ratio or Acquisition Price and the Change Thereof:** Before convening the board of directors for resolution, all of the companies participating in the merger, demerger, acquisition, or transfer of shares shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. In principle, the share exchange ratio or acquisition price shall not be discretionarily changed, unless the terms of change have been regulated in the contract. The following are the terms that allow the change of the share exchange ratio or acquisition price:
  - i. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
  - ii. An action, such as a disposal of major assets, that affects the company's financial operations.
  - iii. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  - iv. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - v. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - vi. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (4) **Contents Required to be Stated in a Contract:** In addition to provisions governing the merger, demerger, acquisition or transfer of shares under Article 317-1 of the Company Act and Article 22 of Business Mergers and Acquisition Act, and shall also record the following:
  - i. Handling of breach of contract.
  - ii. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - iii. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and

- the principles for handling thereof.
  - iv. The manner of handling changes in the number of participating entities or companies.
  - v. Preliminary progress schedule for plan execution, and anticipated completion date.
  - vi. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (5) Change of the Number of the Companies Participating in the Merger, Demerger, Acquisition, or Transfer of Shares: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (6) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the paragraph 2 (1) of this Article (Date of Board Meeting), paragraph 2(2) of this Article (Non-Disclosure Agreement), and paragraph 2 (5) of this Article (Change of the Number of the Companies Participating in the Merger, Demerger, Acquisition, or Acquisition of Shares ).
- (7) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:
  - i. Basic identification data for personnel:
    - Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
  - ii. Dates of material events:
    - Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
  - iii. Important documents and minutes:
    - Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.
- (8) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within two days of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in paragraph 2 (7) a and b of this Article to the competent authorities for recordation.
- (9) Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its

shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraph 2 (7) and (8).

**Article 10 Information Transparency and Disclosure Procedure:**

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

- (1) Acquisition of real property from a related party.
- (2) Investment in the mainland area.
- (3) Merger, demerger, acquisition, or transfer of shares.
- (4) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures adopted by the company.
- (5) Where an asset transaction other than any of those referred to in the preceding four subparagraphs reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - i. Trading of government bonds.
  - ii. Trading of bonds under repurchase/resale agreements.
  - iii. Where the type of asset acquired or disposed is equipment/machinery for operational use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
  - iv. Where land is acquired under an arrangement for commissioned construction on self-owned land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.
- (6) The following are the ways to calculate the transaction amounts as mentioned in the previous paragraph, in which, the so-called within one year is calculated from one year ahead of the fact occurrence date of this transaction. However, the part which has been announced according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” can be exempted from re-calculation.
  - i. The amount of any individual transaction.
  - ii. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year.
  - iii. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.
  - iv. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.
- (7) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authorities by the tenth day of each month..

2. Time limit for processing the announcement and declaration

For the assets acquired or disposed by the Company requiring to be announced as regulated in paragraph 1 of this Article and with the transaction amounts reaching the standards required to be announced and declared as regulated in this Article, the announcement and declaration shall be processed within two days after the fact occurrence date.

3. The announcement and declaration procedure.

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

**Article 11 Announcement formats and contents:**

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

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

The Company shall give announcement and declaration if its subsidiaries are not the public listed companies and their acquired or disposed assets reach the standard requiring announcement and declaration. The so-called “reaching 20% of company’s paid-in capital” as referred to in the announcement and declaration standard for the subsidiary is based on the Company’s paid-in capital.

**Article 13 Penalty:**

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

**Article 14 Other matters**

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

### **Article 15 Enforcement and revision:**

After the approval of the Board of Directors, the procedure shall be sent to all the Supervisors and submitted to the shareholders' meeting for approval before enforcement. The same also applies to revision. The data of any written or recorded objections from any of the Directors shall also be delivered to each Supervisor.

For the Company which has placed the Independent Director as statutorily regulated, the Independent Director's opinions shall be fully taken account when submitting the transaction of asset acquisition or disposition to the Board of Directors for discussion. If the independent director has any different opinions or qualified opinions, they shall be stated in the board meeting's minute book.

For the Company which has placed the audit committee as statutorily regulated, if the processing procedure for asset acquisition or disposition is required to be instituted or revised, it shall be approved by more than half of the audit committee members and submitted to the Board of Directors for the resolution.

If the preceding processing procedure fails to be approved by more than half of all the audit committee members, the approval of 2/3 of all the Directors can be replaced to pass the procedure. However, in this case, the resolution made by the audit committee members shall be stated in the Board meeting's minute book.

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

These Regulations regarding the Independent Director and audit committee in the processing procedure shall be enforced after the Company has them available.

### **Article 16 Additional Provisions**

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

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

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

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

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

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

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

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

# Appendix 4

## Procedures for Financial Derivatives Transactions of Compal Electronics, Inc.

### Article 1 Objective

These Procedures for Financial Derivatives Transactions (hereinafter referred to as the “Procedures”) are enacted in accordance with applicable laws and regulations to protect shareholders’ rights and interest, fulfill the requirement of public disclosure of information and establish a risk management policy governing the operation of financial derivatives transactions by the Company.

### Article 2 Definition

“Financial derivative” referred herein is defined as financial instrument having all of the following characters:

1. Its value changes in response to the changes in a specific variable (sometimes called the “underlying”), such as interest rate, foreign exchange rate, financial instrument price, commodity price, credit rating, price index, rate index or other variables.
2. It requires no initial net investment or an initial net investment that is smaller than would be required for other type of contracts that would be expected to have a similar response to changes in market factors;
3. It is settled at a future date.

### Article 3 Principles and Strategies

When operating financial derivatives, the Company shall follow the principles and the operating strategies as follows:

1. Principles:  
The Company’s financial derivative operation is mainly to eliminate currency risk, interest rate risk, etc. arising out of operating activities and shall take steady and hedging approach.
2. Strategies:
  - (1) Asset or liability positions currently held by the Company and those required in the future will be used as hedging operations in consideration of the future market changes.
  - (2) As a result of changes in the environment, engaging in financial derivative trading operations to avoid business financial risk and minimize the Company’s losses.

### Article 4 Type of Instruments

The major financial derivatives operated by the Company in the financial market are listed below:

Type of Instruments trading on the spot market	Forward Contract	Option	Swap
Exchange Rate	Forward Exchange Contract	FX Option	1. Currency Swap 2. Cross Currency Swap
Interest Rate	Forward Rate Agreement	Interest Rate Option	1. Interest Rate Swap 2. Cross Currency Swap

The Company's engagement in any other financial instruments not set forth above shall be subject to special approval of the Chairman.

#### **Article 5 Boundary / Scope**

Operations of financial derivatives by the Company shall fall within the scope of the following items:

1. Sales revenue.
2. Expenses for purchasing material, product and equipment.
3. Long-term and short-term loans.
4. Other operating and non-operating transactions.

#### **Article 6 Responsibility**

To facilitate the trading operations, the respective department concerned shall complete cash budget material on time or be responsible for implementation of relevant works.

#### **Article 7 Level of Authority**

1. Total Authorized Contract Dollar Amount
  - (1) Transactions to hedge exchange rate risk: The authorized dollar amount of total contracts outstanding shall not exceed the aggregate import and export amount of each relevant year.
  - (2) Transactions to hedge interest rate risk: The authorized dollar amount of total contracts outstanding shall not exceed the total amount of liabilities.
  - (3) Transactions to hedge project risk: The authorized dollar amount of total contracts outstanding shall not exceed total project budget.
2. Levels of authorization and delegation, contract amount limits and deputy appointment are handled in accordance with the "Authorization and Delegation Form" and applicable regulations.

#### **Article 8 Operating Procedures**

The "Operating Instructions to Engage in Financial Derivatives Transactions" shall expressly set forth the operating procedures.

#### **Article 9 Internal Control**

1. Risk Management
  - (1) Credit Risk Control

The corresponding banks that the Company deals with should be the financial institutions with outstanding credit rating, sizable business and capable to provide professional information.
  - (2) Market/Price Risk Management

Considering the fact that the fluctuation in the market price of derivative products may result in loss, after conclusion of the position, it is required to strictly conform to the established stop-loss points for hedging and non-hedging transactions.
  - (3) Liquidity Risk Control
    - i. Liquidity of Financial Products: It is necessary to consider whether the traded products are common and universal in the market.
    - ii. Liquidity of Cash Flow: It is necessary to pay attention to the Company's cash flow from time to time to ensure the successful settlement upon maturity of the various transactions.
  - (4) Operating Risk Control

It is necessary to strictly comply with the authorized limit, operating procedure for transactions, and entry and control related to the transaction record.

(5) **Legal Risk Control**

Any contract in respect of transactions shall first be reviewed by the Legal Department before being signed to avoid any risk arising therefrom.

(6) **Product Risk Control**

Personnel in charge of operating financial derivatives must possess complete and accurate professional knowledge to avoid loss arising from the misuse of financial derivatives.

2. **Internal Control**

The purposes of internal control are to prevent and detect any unauthorized transactions, transactions beyond the scope of authorization, unrecorded transactions and unrecognized loss. Requirements are including the following:

- (1) The Company shall, in the name of the Company, officially inform the corresponding banks in writing of the trader being assigned. The same shall apply where the trader is changed.
- (2) After completion of each transaction, the form about transaction shall be filled in after completion of each transaction and forwarded to the Accounting Department for entry, and bank confirmation letter shall be subsequently provided to the Accounting Department for reference.
- (3) The functions of trading, confirmation and settlement shall be performed by different personnel. Each responsible personnel must not hold a concurrent post or acting as each other's deputy.
- (4) Personnel responsible for confirmation shall check the transaction records truly and control the transaction positions.
- (5) Accounting personnel shall check the account with the corresponding banks or ask for the statement of account periodically. .
- (6) Audit and accounting personnel shall check whether the total transaction amount exceeds the total authorized contract amount under these Procedures from time to time.
- (7) Audit personnel shall conduct an independent post-audit for the entire operation process of each trading.

3. **Regular Evaluation**

- (1) The department implementing the transactions shall require the respective corresponding bank to provide a list of pricing and price evaluation information about the undue transactions of each type of instruments.
- (2) The department implementing the transactions will prepare an assessment report on each type of instruments based on such information accordingly.
- (3) The assessment report shall be submitted to the high-level management authorized by the Board of Directors and the Accounting Department for review.
- (4) The Board of Directors and the authorized high-level management authorized by the Board of Directors will handle this matter in accordance with Article 14 herein.

**Article 10 Setting Stop-Loss Point**

The loss ceilings of the total contracts and that of each individual contract for non-economic hedging operation are set as follows:

1. The loss ceiling of the total contracts: 5% of the total contracts dollar amount.
2. The loss ceiling of each individual contract: 5% of each individual contract dollar amount.



### **Article 11 Disciplinary Sanction**

In case where an employee of the Company is in violation of these Procedures and other applicable laws and regulations, a proper disciplinary punishment may be imposed on such employee based on the seriousness of the case and in accordance with the Reward and Punishment Rules under the Regulations of Personnel Administration adopted by the Company.

### **Article 12 Public Announcement and Reporting**

The reporting standard, content and deadlines for public announcement and reporting of financial derivative transactions shall be handled in accordance with regulations enacted by the competent authorities.

### **Article 13 Internal Audit**

1. Internal audit personnel is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a regular basis, to conduct monthly auditing on how well the related departments follow these Procedures, and to produce report accordingly. Should there be any serious violation found, a written report must be submitted to each of Supervisors.
2. Internal audit personnel is required to submit the foresaid report and the implementation status of the annual audit plan to the competent authorities no later than the end of February in the following year and the unusual item improvement status to competent authorities for records no later than the end of May in the following year.

### **Article 14 Supervision and Management**

1. **The supervision and management conducted by the Board of Directors shall meet the following principles:**
  - (1) Appointing high-level management to monitor and control the financial derivatives transaction risk from time to time.
  - (2) Evaluating regularly whether the financial derivatives performance meet the established business and operating strategies of the Company and whether the associated risks thereof have exceed the Company's risk tolerance.
2. **The high-level management authorized by the Board of Directors shall manage the financial derivative transactions according to the following principles:**
  - (1) Evaluating, on a regular basis, whether the risk management measures currently adopted by the Company is appropriate and whether the risk management measures are taken in accordance with these Procedures herein.
  - (2) Monitoring transactions and the status of profit and loss, taking necessary countermeasures and reporting to the Board of Directors immediately if abnormal events are detected. If the Company has established the position of Independent Directors, such Independent Director(s) must attend the Board of Directors' Meeting and express their comments.
3. **Personnel authorized to engage in the financial derivatives transactions in accordance with these Procedures shall report the transaction status to the Board of Directors afterward.**

### **Article 15 Implementation and Amendment**

These Procedures shall be adopted by the Board of Directors, be submitted to each Supervisor and entered into force after the approval of resolution by the Shareholders Meeting. If any Director expresses his/her dissent and such dissent is recorded in the minutes or a written statement of dissent is presented, the dissenting opinion shall be submitted to each Supervisor

and reported to the Shareholders' Meeting for discussion.

**Article 16 Enactment of Operating Instructions**

Detailed operating instructions are drafted by Financial Department and then decided by the Chairman duly authorized by the Board of Directors.

**Article 17 Supplementary Provisions**

These Procedures were approved by the Board of Directors' Meeting and entered into force on July 25, 1996.

The first amendment was adopted by the Board of Directors' Meeting on March 17, 2003 and was implemented after it was approved by the General Shareholders' Meeting on June 10, 2003.

## Appendix 5

### Regulations for Election of Directors and Supervisors of Compal Electronics, Inc.

Passed by the General Shareholders Meeting on June 24, 2011

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 and Supervisors.
2. Election of Directors and that of Supervisors shall be held at the shareholders' meeting respectively.
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 and Supervisors of the Company are elected by adapting the accumulative voting system. Each voting share is entitled to have votes equivalent to the number of Directors/Supervisors 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/Supervisors 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 and Supervisors shall be elected by the Shareholders' meeting from among the persons with capacity to make juridical acts. According to the seats regulated in the Articles of Incorporation, the candidates who receive more votes shall be elected in order of number of votes received.  
If a candidate is simultaneously elected a Director and Supervisor for the same term, he/she shall decide to serve as Director or Supervisor by himself/herself prior to the announcement and reporting the list of winners as required by law. He/she shall not serve concurrently as Director and Supervisor. This regulation shall also apply when other applicable laws and regulations prohibit a person from being simultaneously elected a Director and Supervisor. 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 boxes shall be respectively prepared for the election of Directors and that of Supervisors. These ballot boxes will be opened by the persons to check and record the ballots after the vote casting.
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 and Supervisors.
14. These Regulations shall be effective after approval at the shareholders' meeting. The same applies to amendments.

## Appendix 6

### Compal Electronics, Inc. Shareholding of Directors and Supervisors

Book closure date: April 24, 2012

Position	Name	Shares
Chairman	Sheng-Hsiun Hsu	17,775,401
Vice Chairman	Medica John Kevin	3,061,452
Managing Director	Jui-Tsung Chen	49,282,587
Managing Director	Wen Being Hsu	3,100,000
Director	Wen-Chung Shen	12,735,968
Director	Kuang Nan Lin	1,807,195
Director	Kinpo Electronics, inc.	151,628,692
Director	Yung-Ching Chang	4,672,587
Director	Chung-Pin Wong	4,833,618
Director	Shao-Tsu Kung	6,335,648
Director	Chiung-Chi Hsu	1,944,731
Director	Chi-Lin Wea	0
<b>Shareholding of all Directors</b>		<b>257,177,879</b>
Standing Supervisor	Charng-Chyi Ko	7,896,867
Supervisor	Yen-Chia Chou	8,022,874
Supervisor	Sheng-Chieh Hsu	9,119,297
<b>Shareholding of all Supervisors</b>		<b>25,039,038</b>

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 132,328,944 shares;
- The aggregate number of the registered shares held by all Supervisors shall not less than 13,232,894 shares.

## **Appendix 7**

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

The Company does not disclose the financial forecast of 2012; it is not required to produce this table.

## Appendix 8

### Other

Acceptance of proposals submitted by shareholders and receiving nominations of candidates of the Independent Directors at this General Shareholders Meeting

1. In accordance with Article 172-1 of the Company Act, shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a general shareholders' meeting, provided that only one matter shall be allowed in each single proposal. The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words (including proposal, explanatory notes and punctuation marks), and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the general shareholders' meeting where at his proposal is to be discussed and shall take part in the discussion of such proposal.
2. 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 Independent 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 independent director candidates, provided that the total number of independent director candidates so nominated shall not exceed the quota of 3 Independent Directors to be elected.
3. The proposal and candidate nomination accepting period of 2012 General Shareholders Meeting is from April 3, 2012 to April 13, 2012.
4. Other than Messrs. Min Chih Hsuan, Duei Tsai and Duh Kung Tsai, nominated as independent directors candidates in writing by Kinpo Electronics, Inc., a shareholder holding 3.44 % of outstanding shares issued by the Company, no proposals are raised by shareholders during the said accepting period.