

Stock Ticker : 2324

# Compal Electronics, Inc.

## 2014 Annual General Shareholders' Meeting Meeting Handbook

(June 20, 2014)



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

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# Meeting Procedures

# Compal Electronics, Inc.

## 2014 Annual General Shareholders' Meeting Procedures

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

# Meeting Agenda

# Compal Electronics, Inc.

## 2014 Annual General Shareholders' Meeting Agenda

Time : 9:00 am, June 20, 2014 (Friday)

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

### I . Report Items

1. Report on Business for the year 2013
2. Report of Supervisors' Examination for the year 2013 Financial Statements
3. Report on the implementation status of the merger between the Company and Compal Communications Ltd.
4. Report on the asset impairment losses

### II . Ratification Items

1. To ratify the Financial Statements Report for the year 2013
2. To ratify the Distribution of Earnings for the year 2013

### III . Discussion and Election Items

1. To approve the proposal of cash distribution from capital surplus
2. To approve the amendment to the "Articles of Incorporation"
3. To approve the amendment to the "Procedures for Acquisition or Disposal of Assets"
4. To approve the amendment to the "Procedures for Financial Derivatives Transactions"
5. To approve the amendment to the "Regulations for Election of Directors and Supervisors"
6. To approve the Employee Restricted Stock Awards
7. Election of additional one (1) Director of the 11<sup>th</sup> term
8. To approve the release of non-competition restrictions for Directors

### IV.Special Motion(s)

### V.Meeting Adjourned

# Report Items

## Item 1

Proposed by the Board of Directors

**Proposal:**

Report on Business for the year 2013

**Explanatory Note:**

The Business Report for the year 2013 is attached hereto as Attachment 1.

## Item 2

Proposed by the Board of Directors

### **Proposal:**

Report of Supervisors' Examination for the year 2013 Financial Statements

### **Explanatory Notes:**

1. The year 2013 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.

## Item 3

Proposed by the Board of Directors

### **Proposal:**

Report on the implementation status of the merger between the Company and Compal Communications Ltd. (“CCI”)

### **Explanatory Notes:**

1. In light of industry development trends and future strategic development, after approved by the Board meetings respectively held by the Company and CCI on November 28, 2013, the Company merged its subsidiary, CCI (which was 90.39% owned by the Company). The record date of the merger was on February 27, 2014. The Company is the surviving company and CCI is dissolved after the merger.
2. The merger was completed, and the corporate amendment registration of the merger was approved by and registered with the Ministry of Economic Affairs on March 25, 2014.

## Item 4

Proposed by the Board of Directors

### **Proposal:**

Report on the asset impairment losses

### **Explanatory Notes:**

1. According to IFRS, Compal (including its 100%-owned subsidiaries) recognized the asset impairment losses of NT\$4,901,360,000 in 2013 consolidated financial statements for the differences between book value and fair value. The differences were resulted from the share swap between Taiwan Star Cellular Corp. and Vibo Telecom Inc., owned by Compal (including its 100% -owned subsidiaries).
2. According to IFRS, Compal (including its 100%-owned subsidiaries) recognized the asset impairment losses of NT\$4,730,000,000 in first quarter of 2014 consolidated financial statements, which is the result of the differences between book value and fair value of Chunghwa Picture Tubes, Ltd. private placement shares, owned by Compal (including its 100% -owned subsidiaries). The losses were calculated based on the arbitration award rendered by the Arbitration Association of ROC on May 12, 2014.

# Ratification Items

## Item 1

Proposed by the Board of Directors

### **Proposal:**

To ratify the Financial Statements Report for the year 2013

### **Explanatory Notes:**

1. The “Report on Business Operation for the Year 2013” and “Financial Statements for the Year 2013” were approved by the Board of Directors and examined by the Supervisors (“Distribution of Earnings for the Year 2013” is listed in the Ratification Item 2).
2. The “Business Report for the Year 2013” and “Financial Statements for the Year 2013” 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 2013

### **Explanatory Notes:**

1. The 2013 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 2013 available for distribution to shareholders as dividend and bonus is NT\$ 2,177,667,913. Such amount is proposed to be distributed in the form of cash dividend. Each shareholder will be entitled to receive a cash dividend of NT\$0.5 per share.
3. After the resolutions adopted by the 2014 Annual General Meeting of Shareholders, it is proposed that the Board of Directors will be authorized by the General Shareholders' Meeting to determine the record date of cash dividend distribution.
4. As of April 22, 2014, the number of shares issued by the Company that is eligible to receive dividends is 4,355,335,825 shares. However, if the amount of outstanding shares 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 the distribution ratio for the cash dividend must be adjusted accordingly, it is proposed that the Board of Directors be authorized by the General Shareholders Meeting to handle this matter with full authority.

### **Resolved That:**

# Compal Electronics, Inc.

## Earnings Distribution Proposal For the Year 2013

Unit: NT\$

Item	Amount
Unappropriated retained earnings of previous years (ROC GAAP)	27,549,126,783
Subtract:	
The impacts on unappropriated retained earnings as of January 1st, 2013 due to first-time adoption of the International Financial Reporting Standards (“IFRSs”)	(1,319,278,736)
Unappropriated retained earnings of previous years (IFRSs)	26,229,848,047
Add:	
Net income of 2013	2,467,211,399
Other comprehensive income of 2013 - actuarial gains	6,938,771
Reversal of special reserve for the net debit balance of other equity interest in the previous year	8,818,725,152
Subtract:	
10% Legal reserve	(246,721,140)
Special reserve retained for the net debit balance of other equity interest in this year	(7,707,517,449)
Changes in equity of associates	(4,196,217)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(8,878,875,232)
Retained earnings available for distribution as of December 31, 2013	20,685,413,331
Distribution item:	
Subtract:	
Dividends to common shares holders <Note 1>	(2,177,667,913)
Unappropriated retained earnings as of December 31, 2013	18,507,745,418

Note:

1. Cash dividends of NT\$0.5 per common share
2. Directors’ and Supervisors’ Remuneration: NT\$ 21,760,812
3. Employee Bonuses in Cash: NT\$ 314,199,480

# Discussion & Election Items

## Item 1

Proposed by the Board of Directors

### **Proposal:**

To approve the proposal of cash distribution from capital surplus

### **Explanatory Notes:**

1. In accordance with Article 241 of the Company Act, the Company proposes a cash distribution of NT\$ 2,177,667,913 from capital surplus derived from the amount of the subscription price in excess of par value of common shares issued by the Company. The cash is to be distributed to the registered shareholders on the record date, and the cash distribution per share will be NT\$0.5.
2. After the resolutions adopted by the 2014 Annual General Meeting of Shareholders, it is proposed that the Board of Directors will be authorized by the General Shareholders' Meeting to determine the record date for the cash distribution from capital surplus.
3. As of April 22, 2014, the number of shares issued by the Company that is eligible to receive cash distribution is 4,355,335,825 shares. However, if the amount of outstanding shares 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 the distribution ratio for cash distribution from capital surplus must be adjusted accordingly, it is proposed that the Board of Directors be authorized by the General Shareholders Meeting to handle this matter with full authority.

### **Resolved That:**

## Item 2

Proposed by the Board of Directors

### **Proposal:**

To approve the amendment to the “Articles of Incorporation”

### **Explanatory Notes:**

1. Amendment to the Articles of Incorporation is proposed to accommodate the business need of the Company 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 3

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 4

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 5

Proposed by the Board of Directors

### **Proposal:**

To approve the amendment to the “Regulations for Election of Directors and Supervisors”

### **Explanatory Notes:**

1. Amendment to the Regulations for Election of Directors and Supervisors is proposed to accommodate the requirements of applicable laws and regulations.
2. The Comparison Table Before and After Amendment to the Regulations for Election of Directors and Supervisors is attached hereto as Attachment 8.

### **Resolved That:**

## Item 6

Proposed by the Board of Directors

### **Proposal:**

To approve the Employee Restricted Stock Awards (“RSAs”)

### **Explanatory Notes:**

1. To attract and retain professional personnel needed by the Company, to motivate employees and enhance their performance so as to jointly create the Company’s and shareholders’ interests, the Company proposes to issue the Employee Restricted Stock Awards (each a “RSA”) (this “Plan”). Within one year from the date of receiving the effective notice issued by the competent authority, the Company may, depending on its actual need, issue in one or more tranches the restricted shares to the employees. The Chairman will be authorized by the Board of Directors to determine the actual issuance date.

2. The relevant details are set out as below:

(1) Total number of RSAs:

The total number of restricted shares to be issued and distributed to employees under this Plan is 100,000,000 ordinary shares, at the par value of NT\$10. The total amount is NT\$1 billion.

(2) Issue price:

Each RSA will be issued without consideration.

(3) Vesting Conditions:

The RSAs will be vested during a vesting period of four (4) years, starting from the date the RSA are granted. The awards will be vested to the grantee employee, who conforms with the time-based and performance-based requirements at each corresponding anniversary as below. However, the actual vested amount should be also decided by the required Company performance criteria.

- 2nd anniversary of the grant date: 40% vest
- 3rd anniversary of the grant date: 30% vest
- 4th anniversary of the grant date: 30% vest

The Company will consider its Net Income and Return on Equity (ROE), based on most recent annual consolidated financial statements, as the required Company performance criteria to decide the vesting amount on

the date the awards are scheduled to vest. Performance criteria are listed as below:

- Net Income: no less than 10% higher growth than the past three-year average
- ROE: Better than the past three-year average

(4)The eligibility of employees:

To protect shareholder interests, the Company shall cautiously manage this Plan as effectively as possible. This Plan will be limited to apply to (A) those positions deemed critical to the Company's future success, (B) individuals whose personal performance makes them highly valuable to the Company, or (C) essential new hires.

The eligible employees are limited to the employees of the Company who serve as full-time employees before the RSAs are granted to the employee. The actual employees and the number of awards to be granted will be decided according to the seniority, job level, work performance, overall contribution, special achievement, and other factors necessary for management. It is proposed that the BOD is hereby fully authorized to handle this matter. However, if awards are granted to employees who serve as managerial officers, the approval from the Remuneration Committee is required. The estimated number of eligible employees will be fewer than 250 people, which represents around 4% of the Company's indirect employees.

Individuals, who currently hold more than 10% of the outstanding stock ownership position in the Company, will be excluded from participating in the Plan. Remuneration Committee members and Directors, who do not serve as full-time employees, are not eligible to participate in the Plan.

The number of awards granted to each employee shall be dealt with in accordance with the applicable laws and regulations.

(5)Employees who have not met the vesting conditions:

In the event that employees granted RSAs under this Plan fail to meet the conditions, the Company has the right to redeem at no consideration, and then cancel such RSAs.

(6)The necessity to issue the RSAs:

To attract and retain professional personnel needed by the Company, to

motivate employees and enhance their motivation so as to combine the Company's and shareholders' interests. Also ensure that the interests of the Company executives and employees are aligned with the long-term interests of the Company's shareholders.

(7) Expected expense amount:

As of March 18, 2014, Company's issued and outstanding shares are 4,413,624,425 shares, the restricted stock awards are expected to account for 2.27% of Company's current issued and outstanding shares. If based on the closing price of March 18, 2014, NT\$20, the annual amortized expenses from 2014 to 2018 will be projected as: NT\$250 million、NT\$750 million、NT\$617 million、NT\$283 million、and NT\$100 million, respectively with the total amounts of NT\$2,000 million.

(8) Dilution of EPS and other factors affecting shareholder's equity:

If based on the closing price of March 18, 2014, NT\$20, the dilution to EPS from 2014 to 2018 will be projected as: NT\$0.06、NT\$0.17、NT\$0.14、NT\$0.06 and NT\$0.02, respectively. There should not be a material impact to the shareholder's equity.

3. If the Plan needs to be revised or modified as a result of the instructions from the competent authorities or requirements of applicable laws and regulations or change of certain external circumstances, it is proposed that the BOD be fully authorized to handle the relevant matters.

**Resolved That:**

## Item 7

Proposed by the Board of Directors

### **Proposal:**

Proposal for electing one (1) additional Director of the 11<sup>th</sup> term of the Board

### **Explanatory Notes:**

1. In accordance with the Articles of Incorporation of the Company and resolutions adopted by the Board of Directors, the Company proposes to elect one (1) additional Director of the 11<sup>th</sup> term of the Board. The tenure of the newly elected Director commencing from June 20, 2014 and ending on June 21, 2015.
2. According to applicable laws and the Articles of Incorporation of the Company, a candidate nomination system has been adopted by the Company for the Director election. The candidate for Director has been approved at the 20<sup>th</sup> Meeting of the 11<sup>th</sup> term of the Board of Directors of the Company, and the shareholders shall elect a Director from among those listed on the slate of director candidate. The resume of the director candidate is referred as follows:

Nam	Chao-Cheng Chen
Education	Graduate Institute of Electronics Engineering of National Taiwan University
Work Experience	Director and President of Compal Communications, Inc.
Shares	0

### **Result of Election:**

## Item 8

Proposed by the Board of Directors

### **Proposal:**

To approve the release of non-competition restrictions for Directors

### **Explanatory Notes:**

1. As certain Directors of the Company may invest in or operate a business which is identical or similar to the business scope of the Company, without prejudice to any interest of Compal, it is proposed to approve the release of non-competition restrictions for these Directors in accordance with Articles 209 of the Company Act.
2. Information of the Directors who concurrently serve in a position of other companies is attached hereto as attachment (see page 25).
3. For information of newly elected Director who concurrently serves in a position of other companies will be posted after Director election is completed by the annual general shareholders' meeting.
4. To approve the release of non-competition restrictions for Directors.

### **Resolved That :**

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

Company	Position
Zhi-Bao Technology Corporation.	Director / Representative of Arcadyan (Note)
Speedlink Tradings Ltd.	Director / Indirectly invested by Compal Electronics, Inc.

Note: Arcadyan Technology Corporation (“Arcadyan”)

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

Company	Position
Kunshan Allied Circuit Trading Co., Ltd.	Director / Representative of a company indirectly invested by ACCL
Utmost Power Holding Inc.	Director / Invested by ACCL.
Ubrty Capital Management Corp.	Director / Indirectly invested by ACCL

Note: Allied Circuit Co., Ltd. (“ACCL”)

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

Company	Position
XYZprinting, Inc.	Chairman / Representative of Kinpo
XYZprinting (suzhou) co., Ltd.	Chairman / Representative of a company indirectly invested by Kinpo
Kinpo Electronics (Philippines) Inc.	Chairman / Indirectly invested by Kinpo
XYZprinting Japan, Inc.	Chairman / Indirectly invested by Kinpo
Aonvision Technology Corp.	Director / Representative of Kinpo
XYZprinting, Inc. 〈U.S.A〉	Director / Indirectly invested by Kinpo
XYZprinting, Inc. 〈Samoa〉	Director / Indirectly invested by Kinpo
XYZprinting Netherlands, B.V.	Director / Indirectly invested by Kinpo
XYZprinting, Inc.	President/ Invested by Kinpo.
XYZprinting (suzhou) co., Ltd.	President/ Indirectly invested by Kinpo
XYZprinting, Inc. 〈U.S.A〉	President/ Indirectly invested by Kinpo

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

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

Company	Position
XYZprinting, Inc.	Director
Kinpo Electronics (Philippines), Inc.	Director

# Special Motion(s)

## Special Motion(s)

# Attachments

## Attachment 1

# **Business Report for the Year 2013**

We would like to thank you for your greatest support to Compal Electronics, Inc. in the past one year. Year 2013 is a year full of exciting changes, no matter for the macro environment or the Company itself. The worse economic situation has passed, as seen from European and US markets have been gradually recovered. Compal also has made some major strategic movements in 2013, which include the decision to merge Compal Communications Inc. into the Company and to simplify our investments in the subsidiaries. We believe these movements shall help Compal to enhance competence and achieve more effective resource allocation. Year 2014 is the 30<sup>th</sup> anniversary for Compal Electronics, Inc., and we believe the Company will be more prepared to cope with the external environment changes and head into the long-term growth prospects.

Below are the summary of Compal's operational performance and business outlook:

### **Financial Performance**

Compal's consolidated sales for 2013 totaled NT\$692,748 million, an increase of 1.3% YoY. Consolidated operating profits were NT\$9,234 million, a decrease of 8.2% YoY. However, given NT\$4.9 billion one-time losses from the disposal of investment subsidiary-Vibo, Compal's net profits attributed to the parent company was NT\$2,467 million, a decrease of 61.5% YoY. EPS was NT\$0.57.

### **Business and product highlights**

Compal continued its solid position at Notebook PC (NB PC) business, with the evidence shows that Compal's overall shipments grew YoY in 2013, while the global NB PC market declined 11% YoY to 179mn units. Through our resource dedication, Compal continue to gain market shares from customers. Given the trend of corporate PC segment recovery and market consolidation, we expect Compal will continue to outperform our peers in the NB PC business.

In addition, Compal also made the breakthrough in smart device business in year 2013. Benefiting from the explosive market growth and new customers wins, Compal's tablet shipments have been more than doubled and reached the economic scale. For Smartphones, the revenue contribution also become significant due to more OEM outsourcing opportunities and Compal's multi-platform deployment. Besides, 4G LTE will become the mainstream for the communication industry, and Compal's early tech involvement shall lead to another growth driver in the future. Overall speaking, Compal will continue our strategic deployment on "four screens and one cloud" theme (NB PC, Tablet, Smartphone, LCD TV, and Cloud) to enhance our technology competence and product portfolio.

### **Corporate deployment**

In order to achieve better resource integration, Compal BOD approved the merger with Compal Communications Inc. in Sep. 2013 (with record date set to be Feb 27, 2014). This integration shall help Compal to enjoy advantages of combining human capital, technology, products, and client bases. With larger scale breaking into tier-one customers, Compal is expected to achieve larger profitability. Furthermore, in Nov. 2013, Compal BOD also approved to withdraw from the telecommunication operator business through subsidiary-Vibo merger with Taiwan Star. This cooperation will sharpen Compal's strategic focus to apply future resources on the core business.

### **Awards & Corporate Social Responsibility (CSR)**

Aside from pursuing business growth, Compal also actively commits itself in participating social care activities and green promotion. Examples are, actively promoting digital center plan at countryside, encouraging employees' participation in environmental activities, promoting organic Greenmarket, evolving in worldwide carbon disclosure project, and engaging in Green product design and manufacturing. In 2013, Compal has received National Environmental Education Award from Taipei Government. In additional, Compal also continued to garner several CSR honors and recognitions from Commonwealth Magazine and Taiwan Institute for Sustainable Energy (TAISE).

## **Business Outlook**

Looking ahead, the new Compal will stand on the solid foundation of NB PC and accelerate into smart devices to the next milestone. Meanwhile, Compal will commit itself in the innovation to aggressively develop enterprise products, auto-electronic parts, and wearable devices. Through the streamline manufacturing process, automation investments, and strategic parts integration, Compal aims to achieve continued cost competency.

According to the market research data (IDC, Canalys), worldwide NBs, Tablets, Smartphones, and LCD TVs market are expected to -7%, +19%, +21%, and +3% YoY respectively, to 167 million, 261 million, 1,211 million, and 209 million units in 2014. With the consideration of global economy and company-specific conditions, Compal is expected to achieve double-digit YoY growth of its total 5C products (include computer, communication, consumer electronics, connecting, and cloud) in 2014.

Lastly, I would like to express my thanks once again. In the long-term, with the corporate philosophy of “Innovation, Harmony, and Transcendence” and the best efforts of all the management and employees, Compal is committed to creating more value to the enterprise and 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

# Independent Auditors' Report

Compal Electronics, Inc.:

We have audited the accompanying balance sheets of Compal Electronics, Inc. as of December 31, 2013 and 2012, and January 1, 2012, and the statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2013 and 2012. These annual parent company only financial reports are the responsibility of the Company's management. Our responsibility is to express an opinion on these annual parent company only financial reports based on our audits.

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

In our opinion, the annual parent company only financial report referred to above present fairly, in all material respects, the financial position of Compal Electronics, Inc. as of December 31, 2013 and 2012, and January 1, 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

As stated in note 6(h) of the parent company only financial reports, Compal Electronics, Inc. reclassified the investment of VIBO Telecom Inc. from investment accounted for using equity method to non-current assets classified as held for sale, and recognized both the an impairment loss of \$4,849,469,000 and the related share of loss of associates and joint ventures accounted for using equity method of \$51,891,000 for the three months ended September 30, 2013.

March 27, 2014

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.

# Independent Auditors' Report

Compal Electronics, Inc.:

We have audited the accompanying consolidated balance sheets of Compal Electronics, Inc. and subsidiaries as of December 31, 2013 and 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statement are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statement based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Compal Electronics, Inc. as of December 31, 2013 and 2012, and January 1, 2012, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting standards, International Accounting Standards, IFRSC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission R.O.C.

As stated in note 6(h) of the consolidated financial statements, Compal Electronics, Inc. and its subsidiaries reclassified the investment of VIBO Telecom Inc. from investment accounted for using equity method to non-current assets classified as held for sale, and recognized an impairment loss of \$4,901,360,000 for the three months ended September 30, 2013.

Compal Electronics Inc. has prepared annual parent company only financial reports as of and for the years ended December 31, 2013 and 2012, on which we have issued an modified unqualified opinion and an unqualified opinion, respectively.

March 27, 2014

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.

## Supervisors' Examination Report

Date: May 8, 2014

The Board of Directors has prepared and submitted to us the Company's 2013 financial statements which have been audited and certified by Kuan-Ying Kuo & Jui-Lan Lo, 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 2014 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, 2013 and 2012, January 1, 2012  
(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2013		December 31, 2012		January 1, 2012		Liabilities and equity	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Current assets:</b>							<b>Current liabilities:</b>						
Cash and cash equivalents	\$ 10,165,739	3.4	18,322,054	6.7	23,223,185	9.7	Short-term borrowings	\$ 32,516,060	11.0	16,571,520	6.0	1,816,500	0.8
Current financial assets at fair value through profit or loss	73,918	-	80,385	-	161,020	0.1	Notes and accounts payable	83,711,567	28.3	83,033,965	30.3	79,842,239	33.4
Current bond investment without active market	1,745,000	0.6	-	-	-	-	Notes and accounts payable to related parties	61,276,719	20.7	59,600,229	21.7	39,452,910	16.5
Notes and accounts receivable, net	169,572,297	57.3	143,017,703	52.2	116,904,305	48.9	Other payables	6,345,726	2.1	4,030,510	1.5	5,959,731	2.5
Notes and accounts receivable due from related parties, net	1,049,255	0.4	3,688,623	1.3	4,438,987	1.9	Current tax liabilities	237,778	0.1	415,445	0.2	542,892	0.2
Other receivables	315,756	0.1	720,278	0.3	123,807	-	Current provisions	1,296,188	0.4	1,655,679	0.6	1,971,404	0.8
Inventories, net	26,383,631	8.9	28,302,612	10.3	22,040,251	9.2	Other current liabilities	352,710	0.1	309,069	0.1	326,851	0.1
Non-current assets classified as held for sale	1,000,000	0.3	-	-	-	-	Unearned revenue	<u>1,837,886</u>	<u>0.6</u>	<u>1,659,046</u>	<u>0.6</u>	<u>3,046,469</u>	<u>1.3</u>
Other current assets	<u>340,997</u>	<u>0.1</u>	<u>272,036</u>	<u>0.1</u>	<u>129,438</u>	<u>-</u>		<u>187,574,634</u>	<u>63.3</u>	<u>167,275,463</u>	<u>61.0</u>	<u>132,958,996</u>	<u>55.6</u>
	<u>210,646,593</u>	<u>71.1</u>	<u>194,403,691</u>	<u>70.9</u>	<u>167,020,993</u>	<u>69.8</u>	<b>Non-current liabilities:</b>						
<b>Non-current assets:</b>							Long-term borrowings	12,800,000	4.4	-	-	-	-
Investments accounted for using equity method	73,667,974	24.9	65,596,536	23.9	58,480,480	24.5	Deferred tax liabilities	360,282	0.1	260,238	0.1	225,829	0.1
Non-current available-for-sale financial assets	8,202,426	2.8	8,688,320	3.2	7,577,456	3.2	Accrued pension liabilities	546,534	0.2	583,807	0.2	472,441	0.2
Non-current financial assets at cost	-	-	-	-	2,492	-	Other non-current liabilities	<u>56,578</u>	<u>-</u>	<u>40,002</u>	<u>-</u>	<u>7,827</u>	<u>-</u>
Non-current bond investment without active market	-	-	1,745,000	0.6	1,680,835	0.7		<u>13,763,394</u>	<u>4.7</u>	<u>884,047</u>	<u>0.3</u>	<u>706,097</u>	<u>0.3</u>
Property, plant and equipment	2,218,316	0.7	2,295,444	0.9	2,414,040	1.0	<b>Total liabilities</b>	<u>201,338,028</u>	<u>68.0</u>	<u>168,159,510</u>	<u>61.3</u>	<u>133,665,093</u>	<u>55.9</u>
Intangible assets	617,739	0.2	724,106	0.3	743,568	0.3	<b>Equity attributable to owners of parent:</b>						
Deferred tax assets	812,578	0.3	626,000	0.2	1,025,122	0.4	Ordinary shares	44,134,467	14.9	44,126,526	16.1	44,002,554	18.4
Other non-current financial assets	-	-	65,886	-	118,586	0.1	Capital surplus	16,193,087	5.5	16,122,810	5.9	15,889,855	6.7
Other non-current assets	<u>45,547</u>	<u>-</u>	<u>54,160</u>	<u>-</u>	<u>56,599</u>	<u>-</u>	Retained earnings	44,260,834	14.9	55,053,941	20.1	54,964,759	23.0
	<u>85,564,580</u>	<u>28.9</u>	<u>79,795,452</u>	<u>29.1</u>	<u>72,099,178</u>	<u>30.2</u>	Other equity interest	(7,707,518)	(2.6)	(8,382,397)	(3.1)	(8,520,843)	(3.6)
							Treasury shares	<u>(2,007,725)</u>	<u>(0.7)</u>	<u>(881,247)</u>	<u>(0.3)</u>	<u>(881,247)</u>	<u>(0.4)</u>
<b>Total assets</b>	<b>\$ <u>296,211,173</u></b>	<b><u>100.0</u></b>	<b><u>274,199,143</u></b>	<b><u>100.0</u></b>	<b><u>239,120,171</u></b>	<b><u>100.0</u></b>	<b>Total equity</b>	<u>94,873,145</u>	<u>32.0</u>	<u>106,039,633</u>	<u>38.7</u>	<u>105,455,078</u>	<u>44.1</u>
							<b>Total liabilities and equity</b>	<b>\$ <u>296,211,173</u></b>	<b><u>100.0</u></b>	<b><u>274,199,143</u></b>	<b><u>100.0</u></b>	<b><u>239,120,171</u></b>	<b><u>100.0</u></b>

See accompanying notes to the parent company only financial reports.

**COMPAL ELECTRONICS, INC.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2013 and 2012**  
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2013		2012	
	Amount	%	Amount	%
<b>Net sales revenue</b>	\$ 632,622,772	100.0	608,702,320	100.0
<b>Cost of sales</b>	<u>616,263,087</u>	<u>97.4</u>	<u>593,444,892</u>	<u>97.5</u>
<b>Gross profit</b>	16,359,685	2.6	15,257,428	2.5
<b>Less: Unrealized profit from sales</b>	<u>445</u>	<u>-</u>	<u>(584)</u>	<u>-</u>
<b>Gross profit</b>	<u>16,359,240</u>	<u>2.6</u>	<u>15,258,012</u>	<u>2.5</u>
<b>Operating expenses:</b>				
Selling expenses	1,919,880	0.3	2,149,593	0.3
Administrative expenses	1,929,551	0.3	1,736,354	0.3
Research and development expenses	<u>7,004,155</u>	<u>1.1</u>	<u>6,494,773</u>	<u>1.1</u>
	<u>10,853,586</u>	<u>1.7</u>	<u>10,380,720</u>	<u>1.7</u>
<b>Net operating income</b>	<u>5,505,654</u>	<u>0.9</u>	<u>4,877,292</u>	<u>0.8</u>
<b>Non-operating income and expenses:</b>				
Other gains and losses	101,743	-	(132,495)	-
Finance costs	(119,435)	-	(107,983)	-
Other income	700,636	0.1	978,363	0.2
Share of profit of associates and joint ventures accounted for using equity method	1,663,349	0.3	1,553,143	0.2
Impairment loss	<u>(4,849,469)</u>	<u>(0.8)</u>	<u>(2,492)</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>(2,503,176)</u>	<u>(0.4)</u>	<u>2,288,536</u>	<u>0.4</u>
<b>Profit before tax</b>	3,002,478	0.5	7,165,828	1.2
<b>Less: tax expense</b>	<u>535,267</u>	<u>0.1</u>	<u>765,870</u>	<u>0.1</u>
<b>Profit</b>	<u>2,467,211</u>	<u>0.4</u>	<u>6,399,958</u>	<u>1.1</u>
<b>Other comprehensive income:</b>				
Other comprehensive income, before tax, exchange differences on translation	1,051,125	0.2	(1,184,910)	(0.2)
Other comprehensive income, before tax, available-for-sale financial assets	(756,535)	(0.1)	1,787,262	0.2
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	14,303	-	(136,331)	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	373,878	-	(246,235)	-
Less: income tax relating to components of other comprehensive income	<u>(10,681)</u>	<u>-</u>	<u>213,156</u>	<u>-</u>
Other comprehensive income, net	<u>693,452</u>	<u>0.1</u>	<u>6,630</u>	<u>-</u>
<b>Comprehensive income</b>	<u>\$ 3,160,663</u>	<u>0.5</u>	<u>6,406,588</u>	<u>1.1</u>
<b>Earnings per share:</b>				
<b>Basic net income per share</b>	<u>\$ 0.57</u>		<u>1.47</u>	
<b>Diluted net income per share</b>	<u>\$ 0.57</u>		<u>1.44</u>	

See accompanying notes to the parent company only financial reports.

COMPAL ELECTRONICS, INC.

Statements of Changes in Equity  
For the years ended December 31, 2013 and 2012  
(expressed in thousands of New Taiwan dollars)

	Retained earnings					Other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on Available-for-sale financial assets	Total other equity interest	Treasury shares	Total equity
<b>Balance on January 1, 2012</b>	\$ 44,002,554	15,889,855	13,878,611	4,825,698	36,260,450	54,964,759	(1,234,125)	(7,286,718)	(8,520,843)	(881,247)	105,455,078
Appropriation and distribution of retained earnings (note 1):											
Legal reserve appropriated	-	-	1,101,468	-	(1,101,468)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	3,887,320	(3,887,320)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(6,175,351)	(6,175,351)	-	-	-	-	(6,175,351)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,299	-	-	(3,609)	(3,609)	-	-	-	-	(2,310)
Changes in equity of associates and joint ventures accounted for using equity method	-	2,661	-	-	-	-	-	-	-	-	2,661
Issuance of shares for employee share options exercised	123,972	158,985	-	-	-	-	-	-	-	-	282,957
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	70,010	-	-	-	-	-	-	-	-	70,010
	<u>44,126,526</u>	<u>16,122,810</u>	<u>14,980,079</u>	<u>8,713,018</u>	<u>25,092,702</u>	<u>48,785,799</u>	<u>(1,234,125)</u>	<u>(7,286,718)</u>	<u>(8,520,843)</u>	<u>(881,247)</u>	<u>99,633,045</u>
Profit for the year ended December 31, 2012	-	-	-	-	6,399,958	6,399,958	-	-	-	-	6,399,958
Other comprehensive income	-	-	-	-	(131,816)	(131,816)	(1,900,141)	2,038,587	138,446	-	6,630
Comprehensive income	-	-	-	-	6,268,142	6,268,142	(1,900,141)	2,038,587	138,446	-	6,406,588
<b>Balance on January 1, 2013</b>	\$ 44,126,526	16,122,810	14,980,079	8,713,018	31,360,844	55,053,941	(3,134,266)	(5,248,131)	(8,382,397)	(881,247)	106,039,633
Appropriation and distribution of retained earnings (note 2):											
Legal reserve appropriated	-	-	641,103	-	(641,103)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	105,707	(105,707)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,384,186)	(4,384,186)	-	-	-	-	(4,384,186)
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(1,126,478)	(1,126,478)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	22,330	-	-	(8,878,875)	(8,878,875)	(11,538)	(96)	(11,634)	-	(8,868,179)
Changes in equity of associates and joint ventures accounted for using equity method	-	(10,754)	-	-	(4,196)	(4,196)	-	-	-	-	(14,950)
Issuance of shares for employee share options exercised	7,941	8,338	-	-	-	-	-	-	-	-	16,279
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	50,363	-	-	-	-	-	-	-	-	50,363
	<u>44,134,467</u>	<u>16,193,087</u>	<u>15,621,182</u>	<u>8,818,725</u>	<u>17,346,777</u>	<u>41,786,684</u>	<u>(3,145,804)</u>	<u>(5,248,227)</u>	<u>(8,394,031)</u>	<u>(2,007,725)</u>	<u>91,712,482</u>
Profit for the year ended December 31, 2013	-	-	-	-	2,467,211	2,467,211	-	-	-	-	2,467,211
Other comprehensive income	-	-	-	-	6,939	6,939	1,299,130	(612,617)	686,513	-	693,452
Comprehensive income	-	-	-	-	2,474,150	2,474,150	1,299,130	(612,617)	686,513	-	3,160,663
<b>Balance on December 31, 2013</b>	\$ <u>44,134,467</u>	<u>16,193,087</u>	<u>15,621,182</u>	<u>8,818,725</u>	<u>19,820,927</u>	<u>44,260,834</u>	<u>(1,846,674)</u>	<u>(5,860,844)</u>	<u>(7,707,518)</u>	<u>(2,007,725)</u>	<u>94,873,145</u>

Note 1: Directors' and supervisors' remuneration amounting to \$97,500 and employee bonuses amounting to \$1,402,500 were recognized in the 2011 statement of comprehensive income.

Note 2: Directors' and supervisors' remuneration amounting to \$56,545 and employee bonuses amounting to \$816,440 were recognized in the 2012 statement of comprehensive income.

See accompanying notes to the parent company only financial reports.

**COMPAL ELECTRONICS, INC.**

**Statements of Cash Flows**

**For the years ended December 31, 2013 and 2012**  
(expressed in thousands of New Taiwan dollars)

	<b>2013</b>	<b>2012</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ <u>3,002,478</u>	<u>7,165,828</u>
<b>Adjustments:</b>		
Depreciation and amortization	680,171	578,164
Increase (decrease) in allowances for uncollectible accounts	26,911	(9,856)
Interest expense	119,435	107,983
Interest income	(139,114)	(284,968)
Dividends income	(127,910)	(149,245)
Share of loss (profit) of subsidiaries associates and joint ventures accounted for using equity method	(1,663,349)	(1,553,143)
Gain on disposal of investments	(633,911)	(72,214)
Impairment loss on financial assets	<u>4,849,469</u>	<u>2,492</u>
<b>Adjustments to reconcile profit</b>	<u>3,111,702</u>	<u>(1,380,787)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Changes in financial assets at fair value through profit or loss	6,467	80,635
Decrease (increase) in notes and accounts receivable	(23,942,137)	(25,353,178)
Decrease (increase) in inventories	1,918,981	(6,262,361)
Decrease (increase) in other current assets	(68,961)	(142,983)
Decrease (increase) in other receivable	<u>(25,986)</u>	<u>(9,711)</u>
<b>Total changes in operating assets</b>	<u>(22,111,636)</u>	<u>(31,687,598)</u>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in notes and accounts payable	2,354,092	23,339,045
Increase (decrease) in other payable	2,288,893	(1,752,362)
Increase (decrease) in provisions	(359,491)	(315,725)
Increase (decrease) in unearned revenue	178,840	(1,387,423)
Increase (decrease) in other current liabilities	43,641	(17,782)
Other	<u>43,371</u>	<u>(42,030)</u>
<b>Total changes in operating liabilities</b>	<u>4,549,346</u>	<u>19,823,723</u>
<b>Total changes in operating assets and liabilities</b>	<u>(17,562,290)</u>	<u>(11,863,875)</u>
<b>Total adjustments</b>	<u>(14,450,588)</u>	<u>(13,244,662)</u>
Cash flows from (used in) operations	(11,448,110)	(6,078,834)
Interest received	147,615	302,853
Dividends received	1,208,090	325,944
Interest paid	(93,112)	(106,152)
Income taxes paid	<u>(788,787)</u>	<u>(672,942)</u>
<b>Net cash flows from (used in) operating activities</b>	<u>(10,974,304)</u>	<u>(6,229,131)</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method and available-for-sale financial assets	(17,311,303)	(7,138,830)
Increase in non-current assets classified as held for sale	(4,052,535)	-
Proceeds from disposal of investments accounted for using equity method and available-for sale financing assets	912,601	639,676
Proceeds from capital reduction of investments and distribution from investees after completion of liquidation	215,323	71,744
Acquisition of property, plant and equipment	(102,493)	(76,860)
Decrease (increase) in other receivable due from related parties	292,066	(491,230)
Acquisition of intangible assets	(394,213)	(541,551)
Other	<u>8,634</u>	<u>2,439</u>
<b>Net cash flows from (used in) investing activities</b>	<u>(20,431,920)</u>	<u>(7,534,612)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	15,944,540	14,755,020
Proceeds from long-term borrowings	12,800,000	-
Cash dividends paid	(4,384,186)	(6,175,351)
Exercise of employee share options	16,279	282,957
Payments to acquire treasury shares	(1,126,478)	-
Other	<u>(246)</u>	<u>(14)</u>
<b>Net cash flows from (used in) financing activities</b>	<u>23,249,909</u>	<u>8,862,612</u>
Net decrease in cash and cash equivalents	(8,156,315)	(4,901,131)
Cash and cash equivalents at beginning of period	<u>18,322,054</u>	<u>23,223,185</u>
Cash and cash equivalents at end of period	<u>\$ 10,165,739</u>	<u>18,322,054</u>

See accompanying notes to the parent company financial reports.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2013, and December 31, and January 1, 2012**  
 (expressed in thousands of New Taiwan dollars)

Assets	December 31, 2013		December 31, 2012		January 1, 2012		Liabilities and equity	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Current assets:</b>							<b>Current liabilities:</b>						
Cash and cash equivalents	\$ 46,965,852	14.0	44,154,582	14.2	52,348,302	18.6	Short-term borrowings	\$ 51,971,767	15.5	36,533,793	11.7	14,907,377	5.3
Current financial assets at fair value through profit or loss	83,772	-	81,386	-	185,549	0.1	Current financial liabilities at fair value through profit or loss	11,382	-	39,963	-	3,569	-
Current available-for-sale financial assets	80,275	-	109,792	-	97,092	-	Notes and accounts payable	143,514,698	42.7	136,095,500	43.7	130,494,478	46.4
Current bond investment without active market	1,745,000	0.5	-	-	-	-	Notes and accounts payable to related parties	1,944,703	0.6	2,958,167	1.0	2,277,611	0.8
Notes and accounts receivable, net	183,481,024	54.6	159,541,841	51.2	135,893,459	48.3	Other payables	15,601,065	4.6	12,095,449	3.9	10,476,301	3.7
Notes and accounts receivable due from related parties, net	214,854	0.1	1,285,357	0.4	19,443	-	Current tax liabilities	1,006,058	0.3	1,064,261	0.3	1,192,942	0.4
Other receivables	830,638	0.3	772,840	0.2	474,562	0.2	Current provisions	1,675,765	0.5	1,939,002	0.6	2,069,789	0.8
Inventories, net	51,219,127	15.2	51,707,468	16.6	46,912,683	16.7	Other current liabilities	2,559,650	0.8	2,529,103	0.8	2,231,356	0.8
Non-current assets classified as held for sale	1,000,000	0.3	-	-	-	-	Unearned revenue	1,889,019	0.6	1,697,512	0.6	3,084,542	1.1
Other current assets	<u>1,760,278</u>	<u>0.5</u>	<u>1,480,342</u>	<u>0.5</u>	<u>1,428,395</u>	<u>0.5</u>	Long-term borrowings, current portion	<u>423,154</u>	<u>0.1</u>	<u>47,383</u>	<u>-</u>	<u>82,000</u>	<u>-</u>
	<u>287,380,820</u>	<u>85.5</u>	<u>259,133,608</u>	<u>83.1</u>	<u>237,359,485</u>	<u>84.4</u>	<b>Non-current liabilities:</b>						
<b>Non-current assets:</b>							Long-term borrowings	14,107,367	4.2	550,604	0.2	25,000	-
Investments accounted for using equity method	9,301,877	2.8	11,200,977	3.6	8,389,124	3.0	Deferred tax liabilities	678,587	0.2	668,842	0.2	375,338	0.2
Non-current available-for-sale financial assets	14,695,637	4.4	15,170,610	4.9	13,773,364	4.9	Accrued pension liabilities	658,410	0.2	693,155	0.2	553,467	0.2
Non-current financial assets at cost	6,588	-	15,000	-	17,492	-	Other non-current liabilities	<u>98,917</u>	<u>-</u>	<u>82,576</u>	<u>-</u>	<u>80,043</u>	<u>-</u>
Non-current bond investment without active market	-	-	1,745,000	0.6	1,680,835	0.6		<u>15,543,281</u>	<u>4.6</u>	<u>1,995,177</u>	<u>0.6</u>	<u>1,033,848</u>	<u>0.4</u>
Property, plant and equipment	21,209,228	6.3	20,772,790	6.7	15,406,493	5.5	<b>Total liabilities</b>	<u>236,140,542</u>	<u>70.3</u>	<u>196,995,310</u>	<u>63.2</u>	<u>167,853,813</u>	<u>59.7</u>
Intangible assets	1,293,643	0.4	1,451,181	0.5	1,461,339	0.5	<b>Equity attributable to owners of parent:</b>						
Deferred tax assets	1,174,203	0.3	1,080,126	0.3	1,216,559	0.4	Ordinary shares	44,134,467	13.1	44,126,526	14.2	44,002,554	15.6
Other non-current financial assets	-	-	65,886	-	118,586	-	Capital surplus	16,193,087	4.8	16,122,810	5.2	15,889,855	5.7
Long-term prepaid rents	707,261	0.2	703,079	0.2	761,327	0.3	Retained earnings	44,260,834	13.2	55,053,941	17.6	54,964,759	19.5
Other non-current assets	<u>333,557</u>	<u>0.1</u>	<u>450,323</u>	<u>0.1</u>	<u>1,110,244</u>	<u>0.4</u>	Other equity interest	(7,707,518)	(2.3)	(8,382,397)	(2.7)	(8,520,843)	(3.0)
	<u>48,721,994</u>	<u>14.5</u>	<u>52,654,972</u>	<u>16.9</u>	<u>43,935,363</u>	<u>15.6</u>	Treasury shares	<u>(2,007,725)</u>	<u>(0.6)</u>	<u>(881,247)</u>	<u>(0.3)</u>	<u>(881,247)</u>	<u>(0.3)</u>
								<u>94,873,145</u>	<u>28.2</u>	<u>106,039,633</u>	<u>34.0</u>	<u>105,455,078</u>	<u>37.5</u>
							<b>Non-controlling interests</b>	<u>5,089,127</u>	<u>1.5</u>	<u>8,753,637</u>	<u>2.8</u>	<u>7,985,957</u>	<u>2.8</u>
							<b>Total equity</b>	<u>99,962,272</u>	<u>29.7</u>	<u>114,793,270</u>	<u>36.8</u>	<u>113,441,035</u>	<u>40.3</u>
<b>Total assets</b>	<b>\$ 336,102,814</b>	<b>100.0</b>	<b>311,788,580</b>	<b>100.0</b>	<b>281,294,848</b>	<b>100.0</b>	<b>Total liabilities and equity</b>	<b>\$ 336,102,814</b>	<b>100.0</b>	<b>311,788,580</b>	<b>100.0</b>	<b>281,294,848</b>	<b>100.0</b>

See accompanying notes to the consolidated financial statements.

## COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

### Consolidated statements of comprehensive income

For the years ended December 31, 2013 and 2012

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

	2013		2012	
	Amount	%	Amount	%
<b>Net sales revenue</b>	\$ 692,748,293	100.0	683,913,713	100.0
<b>Cost of sales</b>	<u>664,637,902</u>	<u>95.9</u>	<u>655,163,910</u>	<u>95.8</u>
<b>Gross profit</b>	<u>28,110,391</u>	<u>4.1</u>	<u>28,749,803</u>	<u>4.2</u>
<b>Operating expenses:</b>				
Selling expenses	3,271,332	0.5	3,628,822	0.5
Administrative expenses	4,294,551	0.6	4,008,269	0.6
Research and development expenses	<u>11,310,464</u>	<u>1.7</u>	<u>11,057,818</u>	<u>1.6</u>
	<u>18,876,347</u>	<u>2.8</u>	<u>18,694,909</u>	<u>2.7</u>
<b>Net operating income</b>	<u>9,234,044</u>	<u>1.3</u>	<u>10,054,894</u>	<u>1.5</u>
<b>Non-operating income and expenses:</b>				
Other gains and losses	179,651	-	(363,491)	(0.1)
Finance costs	(493,642)	(0.1)	(411,796)	(0.1)
Other income	1,468,093	0.2	1,970,858	0.3
Miscellaneous disbursements	(10,291)	-	(77,418)	-
Impairment loss	(4,909,772)	(0.7)	(2,492)	-
Share of loss of associates and joint ventures accounted for using equity method	<u>(1,107,701)</u>	<u>(0.1)</u>	<u>(1,746,710)</u>	<u>(0.2)</u>
<b>Total non-operating income and expenses</b>	<u>(4,873,662)</u>	<u>(0.7)</u>	<u>(631,049)</u>	<u>(0.1)</u>
<b>Profit before tax</b>	4,360,382	0.6	9,423,845	1.4
<b>Less: tax expense</b>	<u>1,456,650</u>	<u>0.2</u>	<u>2,183,698</u>	<u>0.3</u>
<b>Profit</b>	<u>2,903,732</u>	<u>0.4</u>	<u>7,240,147</u>	<u>1.1</u>
<b>Other comprehensive income:</b>				
Other comprehensive income, before tax, exchange differences on translation	1,113,347	0.2	(1,591,811)	(0.2)
Other comprehensive income, before tax, available-for-sale financial assets	(765,150)	(0.1)	2,096,736	0.2
Other comprehensive income before tax actuarial gains (losses) on defined benefit plans	651	-	(170,161)	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method	391,438	-	(172,853)	-
Less: income tax relating to components of other comprehensive income	<u>28,988</u>	<u>-</u>	<u>221,038</u>	<u>-</u>
Other comprehensive income, net	<u>711,298</u>	<u>0.1</u>	<u>(59,127)</u>	<u>-</u>
<b>Comprehensive income</b>	<u>\$ 3,615,030</u>	<u>0.5</u>	<u>7,181,020</u>	<u>1.1</u>
<b>Profit, attributable to:</b>				
Profit, attributable to owners of parent	\$ 2,467,211	0.3	6,399,958	1.0
Profit, attributable to non-controlling interests	<u>436,521</u>	<u>0.1</u>	<u>840,189</u>	<u>0.1</u>
	<u>\$ 2,903,732</u>	<u>0.4</u>	<u>7,240,147</u>	<u>1.1</u>
<b>Comprehensive income attributable to:</b>				
Comprehensive income, attributable to owners of parent	\$ 3,160,663	0.4	6,406,588	1.0
Comprehensive income, attributable to non-controlling interests	<u>454,367</u>	<u>0.1</u>	<u>774,432</u>	<u>0.1</u>
	<u>\$ 3,615,030</u>	<u>0.5</u>	<u>7,181,020</u>	<u>1.1</u>
<b>Earnings per share:</b>				
<b>Basic net income per share</b>	<u>\$ 0.57</u>		<u>1.47</u>	
<b>Diluted net income per share</b>	<u>\$ 0.57</u>		<u>1.44</u>	

See accompanying notes to the consolidated financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of changes in equity  
For the years ended December 31, 2013 and 2012  
(expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent												
	Retained earnings					Other equity interest							
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on Available-for-sale financial assets	Total other equity interest	Treasury shares	Total equity	Non Controlling Interests	Total equity
<b>Balance on January 1, 2012</b>	\$ 44,002,554	15,889,855	13,878,611	4,825,698	36,260,450	54,964,759	(1,234,125)	(7,286,718)	(8,520,843)	(881,247)	105,455,078	7,985,957	113,441,035
Appropriation and distribution of retained earnings (note 1):													
Legal reserve appropriated	-	-	1,101,468	-	(1,101,468)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	3,887,320	(3,887,320)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(6,175,351)	(6,175,351)	-	-	-	-	(6,175,351)	-	(6,175,351)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,299	-	-	(3,609)	(3,609)	-	-	-	-	(2,310)	-	(2,310)
Changes in equity of associates and joint ventures accounted for using equity method	-	2,661	-	-	-	-	-	-	-	-	2,661	-	2,661
Issuance of shares for employee share options exercised	123,972	158,985	-	-	-	-	-	-	-	-	282,957	-	282,957
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	70,010	-	-	-	-	-	-	-	-	70,010	-	70,010
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(6,752)	(6,752)
	<u>44,126,526</u>	<u>16,122,810</u>	<u>14,980,079</u>	<u>8,713,018</u>	<u>25,092,702</u>	<u>48,785,799</u>	<u>(1,234,125)</u>	<u>(7,286,718)</u>	<u>(8,520,843)</u>	<u>(881,247)</u>	<u>99,633,045</u>	<u>7,979,205</u>	<u>107,612,250</u>
Profit for the year ended December 31, 2012	-	-	-	-	6,399,958	6,399,958	-	-	-	-	6,399,958	840,189	7,240,147
Other comprehensive income	-	-	-	-	(131,816)	(131,816)	(1,900,141)	2,038,587	138,446	-	6,630	(65,757)	(59,127)
Comprehensive income	-	-	-	-	6,268,142	6,268,142	(1,900,141)	2,038,587	138,446	-	6,406,588	774,432	7,181,020
<b>Balance on January 1, 2013</b>	\$ 44,126,526	16,122,810	14,980,079	8,713,018	31,360,844	55,053,941	(3,134,266)	(5,248,131)	(8,382,397)	(881,247)	106,039,633	8,753,637	114,793,270
Appropriation and distribution of retained earnings (note 2):													
Legal reserve appropriated	-	-	641,103	-	(641,103)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	105,707	(105,707)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,384,186)	(4,384,186)	-	-	-	-	(4,384,186)	-	(4,384,186)
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(1,126,478)	(1,126,478)	-	(1,126,478)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	22,330	-	-	(8,878,875)	(8,878,875)	(11,538)	(96)	(11,634)	-	(8,868,179)	(4,153,317)	(13,021,496)
Changes in equity of associates and joint ventures accounted for using equity method	-	(10,754)	-	-	(4,196)	(4,196)	-	-	-	-	(14,950)	-	(14,950)
Issuance of shares for employee share options exercised	7,941	8,338	-	-	-	-	-	-	-	-	16,279	-	16,279
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	50,363	-	-	-	-	-	-	-	-	50,363	-	50,363
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	34,440	34,440
	<u>44,134,467</u>	<u>16,193,087</u>	<u>15,621,182</u>	<u>8,818,725</u>	<u>17,346,777</u>	<u>41,786,684</u>	<u>(3,145,804)</u>	<u>(5,248,227)</u>	<u>(8,394,031)</u>	<u>(2,007,725)</u>	<u>91,712,482</u>	<u>4,634,760</u>	<u>96,347,242</u>
Profit for the year ended December 31, 2013	-	-	-	-	2,467,211	2,467,211	-	-	-	-	2,467,211	436,521	2,903,732
Other comprehensive income	-	-	-	-	6,939	6,939	1,299,130	(612,617)	686,513	-	693,452	17,846	711,298
Comprehensive income	-	-	-	-	2,474,150	2,474,150	1,299,130	(612,617)	686,513	-	3,160,663	454,367	3,615,030
<b>Balance on December 31, 2013</b>	\$ <u>44,134,467</u>	<u>16,193,087</u>	<u>15,621,182</u>	<u>8,818,725</u>	<u>19,820,927</u>	<u>44,260,834</u>	<u>(1,846,674)</u>	<u>(5,860,844)</u>	<u>(7,707,518)</u>	<u>(2,007,725)</u>	<u>94,873,145</u>	<u>5,089,127</u>	<u>99,962,272</u>

Note1: Directors' and supervisors' remuneration amounting to \$97,500 and employee bonuses amounting to \$1,402,500 were recognized in 2011 consolidated statements of comprehensive income.

Note2: Directors' and supervisors' remuneration amounting to \$56,545 and employee bonuses amounting to \$816,440 were recognized in 2012 consolidated statements of comprehensive income.

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated statements of cash flows**

**For the years ended December 31, 2013 and 2012**

**(expressed in thousands of New Taiwan dollars)**

	<b>2013</b>	<b>2012</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ <u>4,360,382</u>	<u>9,423,845</u>
<b>Adjustments:</b>		
Depreciation and amortization	5,555,712	5,316,605
Increase (decrease) in allowances for uncollectible accounts and allowance for sales returns and discounts	8,825	31,048
Interest expense	493,642	411,796
Interest income	(628,457)	(756,726)
Dividend income	(179,601)	(192,414)
Compensation cost of employee share options	44,561	64,598
Share of loss (profit) of associates and joint ventures accounted for using equity method	1,107,701	1,746,710
Gain on disposal of property, plant and equipment	(246,995)	(217,630)
Gain on disposal of investments	(626,458)	(72,214)
Impairment loss on financial assets	4,909,772	2,492
Long-term prepaid rents	16,222	15,719
<b>Adjustments to reconcile profit</b>	<u>10,454,924</u>	<u>6,349,984</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Changes in financial assets at fair value through profit or loss	(2,386)	104,163
Decrease (increase) in notes and accounts receivable	(22,772,559)	(24,894,683)
Decrease (increase) in other receivable	(158,572)	(239,788)
Decrease (increase) in inventories	506,056	(4,779,873)
Decrease (increase) in other current assets	(226,654)	(44,590)
<b>Total changes in operating assets</b>	<u>(22,654,115)</u>	<u>(29,854,771)</u>
<b>Changes in operating liabilities:</b>		
Changes in financial liabilities at fair value through profit or loss	(28,581)	36,394
Increase (decrease) in notes and accounts payable	6,316,271	6,273,366
Increase (decrease) in other payable	3,327,186	(1,291,740)
Increase (decrease) in provisions	(263,237)	(130,787)
Increase (decrease) in unearned revenue	191,507	(1,387,030)
Increase (decrease) in other current liabilities	30,547	297,747
Other	89,820	(217,012)
<b>Total changes in operating liabilities</b>	<u>9,663,513</u>	<u>3,580,938</u>
<b>Total changes in operating assets and liabilities</b>	<u>(12,990,602)</u>	<u>(26,273,833)</u>
<b>Total adjustments</b>	<u>(2,535,678)</u>	<u>(19,923,849)</u>
Cash flows from (used in) operations	1,824,704	(10,500,004)
Interest received	616,057	812,918
Dividends received	204,926	195,631
Interest paid	(444,699)	(372,754)
Income taxes paid	(1,651,406)	(2,035,726)
<b>Net Cash flows from (used in) operating activities</b>	<u>549,582</u>	<u>(11,899,935)</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method and available-for-sale financial assets	(1,101,629)	(4,864,740)
Increase in non-current assets classified as held for sale	(4,052,535)	-
Proceeds from disposal of investments accounted for using equity method and available-for-sale financial assets	916,950	639,676
Net cash flow from acquisition of subsidiaries	(24,102)	18,914
Proceeds from capital reduction of investments	80,427	78,072
Acquisition of property, plant and equipment	(5,677,308)	(8,117,481)
Proceeds from disposal of property, plant and equipment	942,031	685,161
Acquisition of intangible assets	(481,451)	(691,072)
Increase in prepayments for business facilities	15,370	778,238
Other	89,335	11,960
<b>Net cash flows from (used in) investing activities</b>	<u>(9,292,912)</u>	<u>(11,461,272)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	15,437,974	21,606,416
Proceeds from long-term debt	13,932,534	597,987
Repayments of long-term debt	-	(107,000)
Cash dividends paid	(4,333,823)	(6,105,341)
Exercise of employee share options	16,279	282,957
Payments to acquire treasury shares	(1,126,478)	-
Acquisition of non-controlling interests	(13,171,986)	-
Disposal of ownership interests in subsidiaries (without losing control)	141,517	-
Changes in non-controlling interests	88,538	(287,336)
Other	16,341	2,533
<b>Net cash flows from (used in) financing activities</b>	<u>11,000,896</u>	<u>15,990,216</u>
Effect of exchange rate changes on cash and cash equivalents	553,704	(822,729)
Net increase (decrease) in cash and cash equivalents	2,811,270	(8,193,720)
Cash and cash equivalents at beginning of period	44,154,582	52,348,302
Cash and cash equivalents at end of period	\$ <u>46,965,852</u>	<u>44,154,582</u>

See accompanying notes to financial statements.

Attachment 5

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

Before Amendment	After Amendment	Amendment Reason
<p><b>Article 18</b> The Company shall have ten (10) to <u>fifteen (15)</u> directors, and three (3) supervisors. Directors and supervisor shall be elected by adopting candidate nomination system and being elected <u>by the shareholders' meeting from among the list of nominees with legal capacity.</u> There shall be at least <u>two (2)</u> independent directors among the Company's directors, and the independent directors shall represent at least one-fifth of the total number of directors. (Omitted)</p>	<p><b>Article 18</b> The Company shall have ten (10) to <u>nineteen (19)</u> directors, and three (3) supervisors. Directors and supervisor shall be elected by adopting candidate nomination system and being elected. There shall be at least <u>three (3)</u> independent directors among the Company's directors, and the independent directors shall represent at least one-fifth of the total number of directors. (Omitted)</p>	<p>Revised to meet the business operation and the law requirement needs</p>
<p><b>Article 35</b> These Articles of Incorporation were prescribed by the promoters on April 16, 1984. 1<sup>st</sup>~32<sup>nd</sup> (omitted)</p>	<p><b>Article 35</b> These Articles of Incorporation were prescribed by the promoters on April 16, 1984. 1<sup>st</sup>~32<sup>nd</sup> (omitted) <u>The 33<sup>rd</sup> amendment was made on June 20, 2014.</u></p>	<p>Added the amendment date</p>

## 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><b>Article 2 Definition and Scope:</b></p> <p>1. The term “assets” as used in these Processing Procedures includes the following:</p> <p>(1) (Omitted)</p> <p>(2) Real property, <u>other fixed assets</u>, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>(3) ~ (5) (Omitted)</p> <p>2. (Omitted)</p> <p>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 <u>6</u> of the Company Act.</p> <p>4. ~ 5. (Omitted)</p> <p>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 <u>other fixed assets</u>.</p>	<p><b>Article 2 Definition and Scope:</b></p> <p>1. The term “assets” as used in these Processing Procedures includes the following:</p> <p>(1) (Omitted)</p> <p>(2) Real property (<u>including land, houses and buildings, investment property and rights to use land</u>), <u>equipment</u>, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>(3) ~ (5) (Omitted)</p> <p>2. (Omitted)</p> <p>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 <u>8</u> of the Company Act.</p> <p>4. ~ 5. (Omitted)</p> <p>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 <u>equipment</u>.</p>	<p>Revised to meet the law requirement</p>

Before amendment	After amendment	Reason for amendment
7. ~ 8. (Omitted)	7. ~ 8. (Omitted) 9. <u>The term “10 percent of total assets” as used herein refers to 10 percent of total assets stated in the most recent standalone or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u>	
<p><b>Article 3 Authorized Limit:</b> 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, <u>other fixed assets</u>, 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.</p> <p>1. Limit Authorized by the Company</p> <p>(1) The total amount of the securities investment, non-operating real property, <u>other fixed assets</u>, 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.</p> <p>(2) (Omitted)</p> <p>(3) (Omitted)</p> <p>(4) The total amount of the held non-operating real property, <u>other fixed assets</u>, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed 10% of the Company’s</p>	<p><b>Article 3 Authorized Limit:</b> 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, <u>equipment</u>, 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.</p> <p>1. Limit Authorized by the Company</p> <p>(1) The total amount of the securities investment, non-operating real property, <u>equipment</u>, 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.</p> <p>(2) (Omitted)</p> <p>(3) (Omitted)</p> <p>(4) The total amount of the held non-operating real property, <u>equipment</u>, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed 10% of the Company’s</p>	Revised to meet the law requirement

Before amendment	After amendment	Reason for amendment
<p>net value, while the amount of the held singular non-operating real property, <u>other fixed assets</u>, memberships and other intangible assets shall not exceed 5% of the Company's net value.</p> <p>2. <b>Subsidiary's Authorized Limit:</b></p> <p>(1) The total amount of the investment in securities, non-operating real property, <u>other fixed assets</u>, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed 1.5 times the net value of each subsidiary.</p> <p>(2) (Omitted)</p> <p>(3) (Omitted)</p> <p>(4) The total amount of the held non-operating real property, <u>other fixed assets</u>, 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.</p> <p>(Omitted)</p>	<p>net value, while the amount of the held singular non-operating real property, <u>equipment</u>, memberships and other intangible assets shall not exceed 5% of the Company's net value.</p> <p>2. <b>Subsidiary's Authorized Limit:</b></p> <p>(1) The total amount of the investment in securities, non-operating real property, <u>equipment</u>, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed 1.5 times the net value of each subsidiary.</p> <p>(2) (Omitted)</p> <p>(3) (Omitted)</p> <p>(4) The total amount of the held non-operating real property, <u>equipment</u>, 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.</p> <p>(Omitted)</p>	
<p><b>Article 4 Decision-Making and Delegation of Authorization to Approve Transaction Terms:</b></p> <p>1. (Omitted)</p> <p>2. For the acquisition or disposal of securities that are expected to, or has been, hold for at least 1 year, real estates, <u>other fixed assets</u>, intangible assets including membership, patent, copyright, trademark, franchise and license in</p>	<p><b>Article 4 Decision-Making and Delegation of Authorization to Approve Transaction Terms:</b></p> <p>1. (Omitted)</p> <p>2. For the acquisition or disposal of securities that are expected to, or has been, hold for at least 1 year, real estates, <u>equipment</u>, intangible assets including membership, patent, copyright, trademark, franchise and license in an amount</p>	<p>Revised to meet the law requirement</p>

Before amendment	After amendment	Reason for amendment
<p>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.</p> <p>(Omitted)</p>	<p>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</p> <p>(Omitted)</p>	
<p><b>Article 6 Processing Procedure of the Acquisition or Disposition of Real Property, <u>Other Fixed Assets</u>, Memberships, Patents, Copyrights, Trademarks, Franchise Rights, and Other Intangible Assets, etc. :</b></p> <p>1. Appraisal and Operating Procedures For the Company’s acquisition and disposition of real property, <u>other fixed assets</u>, 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</p>	<p><b>Article 6 Processing Procedure of the Acquisition or Disposition of Real Property, <u>Equipment</u>, Memberships, Patents, Copyrights, Trademarks, Franchise Rights, and Other Intangible Assets, etc. :</b></p> <p>1. Appraisal and Operating Procedures For the Company’s acquisition and disposition of real property, <u>equipment</u>, 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</p>	<p>Revised to meet the law requirement</p>

Before amendment	After amendment	Reason for amendment
<p>conducted in compliance with the rules regarding the fixed assets and other investment cycle under the Company's internal control system.</p> <p>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 <u>other fixed assets</u>, 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.</p> <p>3. Appraisal or Assessment Report (1) Report on Appraisal of Real Property or <u>Other Fixed Assets</u> In acquiring or disposing real property or <u>other fixed assets</u> 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 <u>machinery and equipment</u>, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: i. (Omitted) ii. (Omitted)</p>	<p>rules regarding the fixed assets and other investment cycle under the Company's internal control system.</p> <p>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 <u>equipment</u>, 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.</p> <p>3. Appraisal or Assessment Report (1) Report on Appraisal of Real Property or <u>Equipment</u> In acquiring or disposing real property or <u>equipment</u> where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, or the transaction value for a related party transaction reaches 10 % or more of the Company's total assets, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business equipment, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: i. (Omitted)</p>	

Before amendment	After amendment	Reason for amendment
<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 transaction price:</p> <p>(i) (Omitted) (ii) (Omitted)</p> <p>iv. (Omitted)</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</p>	<p>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 <u>ROC Accounting Research and Development Foundation</u> ("ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(i) (Omitted) (ii) (Omitted)</p> <p>iv. (Omitted)</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, <u>except in transactions with a government agency</u>, the Company shall additionally</p>	

Before amendment	After amendment	Reason for amendment
<p>the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>(Omitted)</p>	<p>engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>(Omitted)</p>	
<p><b>Article 7 Related Party Transactions:</b></p> <ol style="list-style-type: none"> <li>1. (Omitted)</li> <li>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:</li> </ol> <p>(1) ~(7) (Omitted) (Omitted)</p> <p>With respect to the acquisition or disposal of business-use <u>machinery and</u> 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</p>	<p><b>Article 7 Related Party Transactions:</b></p> <ol style="list-style-type: none"> <li>1. (Omitted)</li> <li>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, <u>except for trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds,</u> 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:</li> </ol> <p>(1) ~(7) (Omitted) (Omitted)</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its parent company or subsidiaries, the Company's Board of Directors may, pursuant to Article 3 through Article 5, delegate the Chairman of the Board to decide such matters when the transaction is within a certain</p>	<p>Revised to meet the law requirement</p>

Before amendment	After amendment	Reason for amendment
<p>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>3. (Omitted)</p> <p>4. (Omitted)</p> <p>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:</p> <p>(1) (Omitted)</p> <p>(2) Omitted</p> <p>(3) The real property is acquired through signing of a joint development contract with the related party.</p> <p>(Omitted)</p>	<p>amount and have the decisions subsequently submitted to and ratified by the next Board meeting.</p> <p>(Omitted)</p> <p>3. (Omitted)</p> <p>4. (Omitted)</p> <p>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:</p> <p>(1) (Omitted)</p> <p>(2) Omitted</p> <p>(3) The real property is acquired through signing of a joint development contract with the related party, <u>or through engaging a related party to build real property, either on the company's owned or rented land.</u></p> <p>(Omitted)</p>	
<p><b>Article 10 Information Transparency and Disclosure Procedure:</b></p> <p>1. Items to be announced and the standards of announcement and declaration</p> <p>(1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government</p>	<p><b>Article 10 Information Transparency and Disclosure Procedure:</b></p> <p>1. Items to be announced and the standards of announcement and declaration</p> <p>(1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government</p>	<p>Revised to meet the law requirement</p>

Before amendment	After amendment	Reason for amendment
<p>bonds or bonds under repurchase and resale agreements.</p> <p>(2) (Omitted)</p> <p>(3) (Omitted)</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. (Omitted)</p> <p>ii. Trading of bonds under repurchase/resale agreements.</p> <p>iii. Where the type of asset acquired or disposed is equipment/<u>machinery</u> for operational use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>(Omitted)</p>	<p>bonds or bonds under repurchase and resale agreements, <u>or subscription or redemption of domestic money market funds.</u></p> <p>(2) (Omitted)</p> <p>(3) (Omitted)</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. (Omitted)</p> <p>ii. Trading of bonds under repurchase/resale agreements <u>or subscription or redemption of domestic money market funds.</u></p> <p>iii. Where the type of asset acquired or disposed is equipment for operational use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>(Omitted)</p>	
<p><b>Article 16 Additional Provisions</b>  These Procedures were approved by the Board of Directors Meeting and entered into force on June 23, 1989. The 1<sup>st</sup> ~ 9<sup>th</sup> amendment (Omitted)</p>	<p><b>Article 16 Additional Provisions</b>  These Procedures were approved by the Board of Directors Meeting and entered into force on June 23, 1989. The 1<sup>st</sup> ~ 9<sup>th</sup> amendment (Omitted)  <u>The 10<sup>th</sup> Amendment was approved by the Board of Directors Meeting on May 8, 2014 and entered into force after it was approved by the Annual General Shareholders' Meeting on June 20, 2014.</u></p>	<p>Added amendment date</p>

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 14</b>  <b>Supervision and Management</b>                      1~2 (Omitted)                      3. Personnel authorized to engage in the financial derivatives transactions in accordance with these Procedures shall be reported to the Board of Directors afterward.</p>	<p><b>Article 14</b>  <b>Supervision and Management</b>                      1~2 (Omitted)                      3. Personnel authorized to engage in the financial derivatives transactions in accordance with these Procedures shall be reported to the <u>most recent</u> Board of Directors afterward.</p>	Revised to meet the law requirement
<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>~3<sup>rd</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>~3<sup>rd</sup> amendments (omitted)  <u>The 4<sup>th</sup> amendment was adopted by the Board of Directors' Meeting on May 8, 2014 and was implemented after it was approved by the General Shareholders' Meeting on June 20, 2014.</u></p>	Added the amendment date

## Attachment 8

### Compal Electronics, Inc. Comparison Table Before and After Amendment to the Regulations for Election of Directors and Supervisors

Before Amendment	After Amendment	Amendment Reason
<p>5. The Company's Directors and Supervisors shall be elected by <u>the Shareholders' meeting from among the persons with capacity to make juridical acts</u>. 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. (Omitted)</p>	<p>5. The Company's Directors and Supervisors shall be elected by <u>a candidate nomination system whereby the shareholders elect directors and supervisors from nominees listed in the roster of Directors and Supervisors candidates</u>. 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. (Omitted)</p>	Revised to meet the law requirement
	<p>15. <u>These Regulations were approved by the Annual General Shareholders Meeting and entered into force on May 4, 1990.</u> <u>The 1<sup>st</sup> amendment was adopted by the Annual General Shareholders Meeting on April 23, 1994.</u> <u>The 2<sup>nd</sup> amendment was adopted by the Annual General Shareholders Meeting on March 27, 1996.</u> <u>The 3<sup>rd</sup> amendment was adopted by the Annual General Shareholders Meeting on March 24, 2002.</u> <u>The 4<sup>th</sup> amendment was adopted by the Annual General Shareholders Meeting on June 24, 2011.</u> <u>The 5<sup>th</sup> amendment was adopted by the Annual General Shareholders Meeting on June 20, 2014.</u></p>	Added the Approved & amendment date

# 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, the Company may set up branch offices or factories within or outside the Republic

of China by resolutions of the Board of Directors.

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

#### **Article 6**

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

## **CHAPTER 2 SHARES**

#### **Article 7**

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

#### **Article 8**

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

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

#### **Article 9**

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

#### **Article 10**

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

#### **Article 11**

No entry for transfer of shares shall be permitted within sixty (60) days prior to

a regular shareholders' meeting; thirty (30) days prior to a special shareholders' meeting; and five (5) days prior to a record date set for distributing dividends and bonuses or other benefits.

### **CHAPTER 3 SHAREHOLDERS' MEETING**

#### **Article 12**

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

#### **Article 13**

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

#### **Article 14**

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

#### **Article 15**

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

#### **Article 16**

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

### **Article 17**

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

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

## **CHAPTER 4 DIRECTORS AND SUPERVISORS**

### **Article 18**

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 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.

### **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 directors shall form a board of directors. The chairman and vice chairman of

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

#### **Article 22**

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

#### **Article 23**

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

#### **Article 24**

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

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

### **Article 29**

At the close of each fiscal year of the Company, the board of directors shall 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. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The earnings appropriation proposal to distribute dividend and bonus shall be proposed by the Board of Directors and approved by the General Shareholders Meeting. The rest of the unappropriated retained earnings shall be reserved. The 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, the Company may stop setting aside the legal reserve by shareholders' resolution.

## **CHAPTER 7 SUPPLEMENTAL PROVISIONS**

### **Article 32**

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

### **Article 33**

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

### **Article 34 (Deleted)**

### **Article 35**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **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 by the competent authority.
5. The term "subsidiary" as used herein refers to the one defined by the competent authority.
6. The term "professional appraiser" as used herein refers to a real property

- appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or 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 term "net worth" as mentioned above shall mean the equity attributable to the stockholders of the Parent Company in the most recent audited balance sheet as prepared in accordance with the requirements of the competent authorities.

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

1. In order to meet the fast variety of the market environment, the acquisition or disposition of the securities expected to be held for less than one year shall be processed according to the approval purview regulated by the company.
2. For the acquisition or disposal of securities that are expected to, or has been, hold for at least 1 year, real estates, other 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.

4. Related party transactions shall be handled in accordance with the provisions of Article 7 herein.

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

regulations of the competent authorities.

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

1. Appraisal and Operating Procedures

For the Company's acquisition and disposition of real property, 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, 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:

- i. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in

advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.

- ii. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
  - iii. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
    - (i) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
    - (ii) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
  - iv. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser
- (2) Expert Assessment Report on the Memberships or Intangible Assets
- Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% 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.

#### 4. Calculation of the Transaction Amounts

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

## **Article 7 Related Party Transactions:**

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

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

2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, 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:
  - (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
  - (2) The reason for choosing the related party as a trading counterparty.
  - (3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraphs 3 and 4 of this Article.
  - (4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
  - (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
  - (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Paragraph 1 of this Article.
  - (7) Restrictive covenants and other important stipulations associated with the transaction.

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

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.

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 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in Paragraph

2, Sub-paragraph 7, Items a & b of this Article to the competent authorities for recordation.

- (9) Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraph 2 (7) and (8).

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

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

- (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements.
- (2) Merger, demerger, acquisition, or transfer of shares.
- (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- (4) Where an asset transaction, other than any of those referred to in the preceding three subparagraphs, or investment in the mainland area reaches 20% or more of paid-in capital of the Company or NT\$300 million; provided, this shall not apply to the following circumstances:
  - i. Trading of government bonds.
  - ii. Trading of bonds under repurchase/resale agreements.
  - 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 real property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.
- (5) The following are the ways to calculate the transaction amounts as mentioned in the preceding Sub-paragraphs 1 & 4, in which, the so-called within one year is calculated from one year ahead of the fact occurrence date of this transaction. However, the part which has been announced according to the "Regulations Governing the Acquisition and Disposal of

Assets by Public Companies” can be exempted from re-calculation.

- i. The amount of any individual transaction;
  - ii. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year;
  - iii. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year;
  - iv. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.
- (6) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authorities by the tenth day of each month.

## 2. Time limit for processing the announcement and declaration

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

## 3. The announcement and declaration procedure

- (1) The Company shall post the related information on the website designated by the competent authorities as announcement and declaration.
- (2) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.
- (3) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company headquarters, where they shall be retained for five years except where another act provides otherwise.
- (4) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with this Article, a public report of relevant information shall be made on the information reporting website designated by the competent authorities within two days from the day of

occurrence of such event:

- i. Change, termination, or rescission of a contract signed in regard to the original transaction.
- ii. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
- iii. Change to the originally publicly announced and reported information.

**Article 11 Announcement formats and contents:**

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

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

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

The Company shall give announcement and declaration if its subsidiaries are not the public listed companies and their acquired or disposed assets reach the standard requiring announcement and declaration. The so-called “reaching 20% of Company’s paid-in capital or 10% of the total assets.” as referred to in the announcement and declaration standard for the subsidiary is based on the Company’s paid-in capital or total assets.

**Article 13 Penalty:**

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

**Article 14 Other matters**

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

and letter orders accordingly.

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

After 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.

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

The 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 Annual General Shareholders' Meeting on March 27, 1996.

The 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 Annual General Shareholders' Meeting May 29, 1997.

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

The 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 Annual General

Shareholders' Meeting on June 10, 2003.

The 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 Annual General Shareholders' Meeting on June 15, 2007.

The 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 Annual General Shareholders' Meeting on June 19, 2009.

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

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

## **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. 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.

### **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 1<sup>st</sup> 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.

The 2<sup>nd</sup> amendment was adopted by the Board of Directors' Meeting on February 16, 2006 and was implemented after it was approved by the General Shareholders Meeting on June 9, 2006.

The 3<sup>rd</sup> amendment was adopted by the Board of Directors' Meeting on April 30, 2012 and was implemented after it was approved by the General Shareholders' Meeting on June 22, 2012.

## **Appendix 5**

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

Passed by the Annual 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 22, 2014

Position	Name	Shares
Chairman	Sheng-Hsiun Hsu	17,775,401
Vice Chairman	John Kevin Medica	3,061,452
Director	Jui-Tsung Chen	49,282,587
Director	Wen Being Hsu	4,000,000
Director	Kinpo Electronics, inc.	151,628,692
Director	Wen-Chung Shen	12,735,968
Director	Yung-Ching Chang	4,645,587
Director	Chung-Pin Wong	4,833,618
Director	Chiung-Chi Hsu	2,000,731
Director	Sean Martin Maloney	0
Independent Director	Min Chih Hsuan	0
Independent Director	Duei Tsai	0
Independent Director	Duh Kung Tsai	0
<b>Shareholding of all Directors</b>		<b>249,964,036</b>
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 :

- The above mentioned shares includes the shares under trust with discretion reserved.
- 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 105,932,443 shares;
  - The aggregate number of the registered shares held by all Supervisors shall not less than 10,593,244 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 2014; it is not required to produce this table.

## Appendix 8

### Other

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

- 1 In accordance with Article 172-1 of the Company Act, shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a general shareholders' meeting, provided that only one matter shall be allowed in each single proposal. The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words (including proposal, explanatory notes and punctuation marks), and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the general shareholders' meeting where at his proposal is to be discussed and shall take part in the discussion of such proposal.
- 2 According to the Articles of Incorporation of the Company and Article 192-1 of the Company Act, the candidate nomination system has been adopted by the Company for the Director election. Any shareholder holding 1% or more of the total number of outstanding shares issued by the Company may submit to the Company in writing a roster of director candidates, provided that the total number of director candidates so nominated shall not exceed the quota of 1 Director to be elected.
- 3 The proposal and candidate nomination accepting period of 2014 Annual General Shareholders Meeting is from April 3, 2014 to April 14, 2014.
- 4 Other than Mr. Chao-Cheng Chen, nominated as director candidate in writing by Kinpo Electronics, Inc., a shareholder holding 3.44 % of outstanding shares issued by the Company, no proposal is made by shareholders during the said accepting period.