

Stock Ticker : 2324

# Compal Electronics, Inc.

## 2013 Annual General Shareholders' Meeting Meeting Handbook

(June 21, 2013)



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

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# Meeting Procedures

# Compal Electronics, Inc.

## 2013 Annual General Shareholders' Meeting Procedures

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

# Meeting Agenda

# Compal Electronics, Inc.

## 2013 Annual General Shareholders' Meeting Agenda

Time : 9:00 am, June 21, 2013 (Friday)

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

### I . Report Items

1. Report on Business Operation for the year 2012
2. Report of Supervisors' Examination for the year 2012 Financial Statements
3. Implementation status of the Company's share buy-back

### II . Ratification Items

1. To ratify the Financial Statements Report for the year 2012
2. To ratify the Distribution of Earnings for the year 2012

### III . Discussion Items

- 1 To approve the amendment to the Articles of Incorporation
- 2 To approve the amendment to the Procedures for Endorsement and Guarantee
- 3 To approve the amendment to the Procedures for Lending Funds to Other Parties
- 4 To approve the amendment to the Procedures for Acquisition or Disposal of Assets

### IV . Election Item

1. Election of additional one (1) Director of the 11<sup>th</sup> term

### V . Other Item

- 1 To approve the release of non-compete restriction for Directors

### VI . Special Motion(s)

### VII . Meeting Adjourned

# Report Items

## Item 1

Proposed by the Board of Directors

**Proposal:**

Report on Business Operation for the year 2012

**Explanatory Note:**

The Business Report for the year 2012 is attached hereto as Attachment 1.



## Item 2

Proposed by the Board of Directors

### **Proposal:**

Report of Supervisors' Examination for the year 2012 Financial Statements

### **Explanatory Notes:**

1. The year 2012 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:**

Implementation status of the Company's share buy-back

### **Explanatory Notes:**

1. As of May 8, 2013, the share buy-back is implemented as follows:

Unit: NT\$; Share; %

Date of Board Resolution	March 25, 2013
Purpose of Share Buy-back	Transferring to employees
Buy-back Period	March 26, 2013 ~ May 25, 2013.
Price Range for Share Buy-back	\$18.27 ~ \$31.04 (Note )
Category of Share to be Repurchased	Common Stock
Number of Share Repurchased	28,467,000 shares
Ratio of Repurchased Shares to the Total No. of Shares Issued by the Company (%)	0.65%
Total Monetary Amount of Shares Repurchased	\$572,524,783
Average Repurchase Price Per Share	\$20.11 per share

Note: The Company is allowed to continue the share buyback when the share price drops below the lower limit.

2. To be reported on the day the Annual General Shareholders' Meeting is held:  
The number of shares repurchased by the Company as of May 25, 2013.

# Ratification Items

## Item 1

Proposed by the Board of Directors

### **Proposal:**

To ratify the Financial Statements Report for the year 2012

### **Explanatory Notes:**

1. The “Report on Business Operation for the Year 2012” and “Financial Statements for the Year 2012” were approved by the Board of Directors and examined by the Supervisors (“Distribution of Earnings for the Year 2012” is listed in the Ratification Item 2).
2. The “Report on Business Operation for the Year 2012” and “Financial Statement for the Year 2012” 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 2012

### **Explanatory Notes:**

1. The 2012 Earnings Distribution Proposal (see page 12) was prepared by the Board of Directors according to the ROC Company Act and Articles of Incorporation of the Company.
2. The amount of earnings for the year 2012 available for distribution to shareholders as dividend and bonus is NT\$ 4,384,185,625. Such amount is proposed to be distributed in the form of cash dividend. Each shareholder will be entitled to receive a cash dividend of NT\$1 per share.
3. With respect to the record date of cash dividend distribution, it is proposed that, after the resolutions adopted by the 2013 Annual General Shareholders Meeting, the Board of Directors be authorized by the General Shareholders Meeting to determine the record date of dividend distribution.
4. As of May 8, 2013, the number of shares issued by the Company that is eligible to receive dividends is 4,384,185,625 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 2012

Unit: NT\$

Item	Amount
Net Income of 2012	6,411,026,718
Add:	
Undistributed Retained Earnings of Previous Years	26,271,334,227
Reversal of Special Reserve for the Net Debit Balance of the Other Components of Shareholders' Equity in the Previous Year	8,713,017,838
Subtract:	
Special Reserve Retained for the Net Debit Balance of the Other Components of Shareholders' Equity in this Year	(8,818,725,152)
Adjustment for Changes in Investment in Investee Company's Stockholders' Equity	(2,238,551)
Retained Earnings Available for Distribution as of December 31, 2012	32,574,415,080
Subtract:	
10% Legal Reserve	(641,102,672)
Dividends to Common Shares Holders <Note 1>	(4,384,185,625)
Undistributed Retained Earnings as of December 31, 2012	27,549,126,783

Note:

1. Cash dividends of NT\$1 per common share
2. Directors' and Supervisors' Remuneration: NT\$ 56,544,985
3. Employee Bonuses in Cash: NT\$ 816,440,340
4. The impacts of first-time adoption of the International Financial Reporting Standards ("IFRSs") are as follows.
  - (1) Due to adopting IFRSs to prepare financial statements, retained earnings was decreased with the amount of NT\$ 1,175,022,067 and NT\$ 1,319,278,736 as of January 1<sup>st</sup>, 2012 (the adoption date) and January 1<sup>st</sup>, 2013, respectively.
  - (2) In accordance with Order No. Financial-Supervisory-Securities-Issuance-1010012865 promulgated on the 6<sup>th</sup> day of April 2012 by the Financial Supervisory Commission R.O.C., no special reserve needs to be set aside as of January 1<sup>st</sup>, 2013, with regard to the amount affected by transition to IFRSs.

# Discussion Items

## Item 1

Proposed by the Board of Directors

### **Proposal:**

To approve the amendment to the Articles of Incorporation

### **Explanatory Notes:**

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

### **Resolved That:**



## Item 2

Proposed by the Board of Directors

### **Proposal:**

To approve the amendment to the Procedures for Endorsement and Guarantee

### **Explanatory Notes:**

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

### **Resolved That:**

## Item 3

Proposed by the Board of Directors

### **Proposal:**

To approve the amendment to the Procedures for Lending Funds to Other Parties

### **Explanatory Notes:**

1. Amendment to the Procedures for Lending Funds to Other Parties is proposed to accommodate the requirements of applicable laws and regulations and business need of the Company.
2. The Comparison Table Before and After Amendment to the Procedures for Lending Funds to Other Parties is attached hereto as Attachment 7.

### **Resolved That:**

## Item 4

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 8.

### **Resolved That:**

# Election Item

## Item 1

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 shall be the same as that of the other incumbent Directors, commencing from June 21, 2013 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 10<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	Sean Martin Maloney
Education	Southern Connecticut University Honorary Ph. D
Work Experience	Intel Corporation Executive Vice President & Chairman of Intel China
Shares	0

### **Result of Election:**

# Other Item

## Item 1

Proposed by the Board of Directors

### **Proposal:**

To approve the release of non-compete restriction 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-compete restriction for these Directors in accordance with Articles 209 of the Company Act.
2. The list of Directors who concurrently serve in a position of other companies is attached hereto as attachment (see page 22~23).
3. To approve the release of non-compete restriction for Directors.

### **Resolved That :**

■Information of Mr. John Kevin Medica, the Vice Chairman of Compal, concurrently serves in a position of other company is listed below:

Company	Position
National Instruments Corporation (NATI)	Independent Director

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

Company	Position
Synchro Seiki, Inc.	Chairman / Representative of Compal

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

Company	Position
Cal-Comp Biotech Co., Ltd.	Chairman / Representative of Kinpo
Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	President/ Invested by CCET
Cal-Comp Technology (Suzhou) Co., Ltd.	President/ Invested by CCET
Cal-Comp Electronics (Suzhou) Co., Ltd.	President/ Invested by CCET
Cal-Comp Electronics and Communications (Suzhou) Co., Ltd.	President/ Invested by CCET
Avaplas Precision Plastics (Shanghai) Co., Ltd.	President/ Invested by CCET

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

Company	Position
Taiwan Memory Company	Chairman
NCTU International Holding Ltd.	Chairman
Maxima Ventures II, Inc.	Chairman
SIPP, Inc.	Director
Kopin Taiwan Corporation	Director
Bcom Electronics Inc.	Director/ Representative of Bcom Electronic Inc.
General Biologicals Corp.	Director/ Representative of Dehui Investment Co., Ltd.
Avago Technologies	Director
Pacgen Biopharmaceuticals Corporation (Canada)	Director



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

Company	Position
Wistron Corporation	Independent Director
Chicony Power Technology Co., Ltd.	Independent Director

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

• Director

Company	
AcBel Polytech Inc.	Allied Circuit Co., Ltd.
Aonvision Technology Corp.	VIBO Telecom Inc.
Puritron Technology Inc.	Helios Semiconductor Inc.
QSAN Technology, Inc.	Norm Pacific Automation Corp.
Crownpo Technology Inc.	Teleport Access Services, Inc.
Sinonar Corp.	Jipo Investment Inc.
Sinonar Solar Corp.	Land Port Capital Investment Company
Cal-Comp Biotech Co., Ltd.	Prudence Venture Investment Corp.
Baotek Industrial Materials Ltd.	PK Venture Capital Corp.
Kinpo Group Management Consultant Company	

• Supervisor

Company	
Cal-Comp Biotech Co., Ltd.	Jipo Investment Inc.

# Special Motion(s)

## Special Motion(s)

# Attachments

## Attachment 1

# **Business Report for the Year 2012**

First of all, we would like to thank our shareholders for your greatest support to Compal Electronics Inc. (“Compal”) management team in the past year. Meanwhile, I also would like to express my deepest gratitude to all of employees for their devotion to the company.

In year 2012, Taiwan companies have experienced the difficult business environment, given the recession of our major export regions – US and European markets, and growth momentum slowing down in emerging countries. Compal has been impacted by the Macro weakness and the structure change in PC industry, therefore, our business performance in 2012 is not as expected.

However, with all of employees’ efforts, we start to faster our product development and diversifications, improve production efficiency, and continuously invest and strengthen R&D capability. We believe, nowadays, the only way for the company to ensure its long-term competence is “Innovation”. Compal has been well prepared, and believe we would be back to the right track of growth.

### **Financial Performance**

Compal’s 3C product (Computers, Communications, and Consumers) shipments declined 6% YoY to 44.11 million units in 2012. Parent revenue for 2012 totaled NT\$ 607,679 million, a decrease of 6% YoY. Net profit after tax was NT\$ 6,411 million, a decrease of 42% YoY. Earnings per share (EPS) was NT\$ 1.47.

### **Diversification & Efficiency**

With the advanced technology, various new form factors have been emerged. Based on our superior Notebook fundamental, Compal aggressively engaged in various converging mobile devices and consumer electronics, which include: Tablet PC, All-in-One PC, LCD TV...etc. With efforts, Compal non-Notebook revenue has contributed 20% of the company’s consolidated revenue, a remarkable growth compared to a year ago. Given more new products in the pipeline, and penetration in new customers, Compal’s non-Notebook business is expected to continuously expand.

In addition, Compal also started the manufacturing sites adjustment and reallocation since last year, together with adoption of more automation solutions, in order to improve the factory utilization and reduce manufacturing costs. In this regard, Compal has gradually seen the opportunity on profitability enhancement.

## **R&D Investment & Innovation**

Guided by the business philosophy of “Innovation, Harmony, Transcendence”, Compal actively invested resources in R&D and believe that the deeply rooted culture of innovation is the most important core value for the company. Our great harvest at Germany “iF Award” in 2012 is the best example of Compal’s implementation. Compal was stand out from more than 3,000 participating designs, which provided by worldwide 51 countries, and ranked as No. 2 winner among Taiwan participants. Our Awards ranging from innovative materials design, cross-platform interface design, handheld devices, to Notebook PCs...etc.

In the future, we will actively implement this innovation culture in every corner of the company, to drive the comprehensive innovation, ranging from technology design, manufacturing procedure, business operation, and product development, to the strategic thinking.

## **Social Responsibility Commitment**

Aside from pursuing business growth, Compal also actively commit itself in participating social care activities and Green promotion, to be a responsible Corporate Citizen. Examples are, Compal actively encourage its employees’ participation in environment protection activities, evolve in worldwide carbon disclosure project, engage in Green product design and Green manufacturing.

In addition, we were also in collaboration with KPMG and Fu Jen Catholic University (Taiwan) in 2012, to donate Tablet PCs for country-side schools and welfare agencies. The purpose is to help disadvantage children on digital learning resources. In 2012, Compal continued to garner recognition from *CommonWealth Magazine* to win “Corporate Citizen Award”, ranked at 15<sup>th</sup> place among Taiwan Corporate.

## **Vision & Business Outlook**

Looking ahead, we expect the global economy to be gradually stabilized in 2013. Compal will be based on its strength to further enhance the competitiveness, and embrace the rapid growing Smart Devices and Cloud Server products. According to IDC, worldwide Notebooks, tablets, and AIO PCs market are expected to grow 1%, 49%, and 18% YoY respectively, to 204 million, 191 million, and 17 million units in 2013. DisplaySearch forecast worldwide LCD TV market will reach 213 million units in 2013, representing 5% YoY.

By taking into consideration of global economy and company-specific conditions, Compal expects to achieve 52 million 3C product shipments in 2013, or a 18% YoY growth from the previous year. However, more importantly, to strike the balance of scale growth and profitability and to continuously invest in R&D innovation is always Compal’s business philosophy.

Lastly, I would like to thank all our shareholders once again, and hope that you may continue your encouragement and advice to the management team. We believe in the best efforts of all the managements and employees, Compal should create 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, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compal Electronics, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

Compal Electronics, Inc. has prepared consolidated financial statements as of and for the years ended December 31, 2012 and 2011, on which we have issued an unqualified opinion.

March 29, 2013

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 9, 2013

The Board of Directors has prepared and submitted to us the Company's 2012 balance sheet, income statement, statements of changes in shareholder equity and cash flow statement which have been audited and certified by Daisy Kuo & Isabella Lou, certified public accountants from KPMG, along with business report and proposal for distribution of earnings. We, the Supervisors, have duly examined the same as correct and accurate. We hereby report to the 2013 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, 2012 and 2011  
(expressed in thousands of New Taiwan dollars)

Assets	2012		2011		Liabilities and Stockholders' Equity	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	\$ 18,322,054	6.7	23,223,185	9.8	Short-term loans	\$ 16,571,520	6.1	1,816,500	0.8
Financial assets measured at fair value through profit or loss – current	80,385	-	161,020	-	Notes and accounts payable	83,033,965	30.5	79,842,239	33.7
Notes and accounts receivable, net	141,362,024	51.9	114,932,901	48.5	Notes and accounts payable – related parties	59,600,229	21.9	39,452,910	16.6
Notes and accounts receivable, net – related parties	3,688,623	1.4	4,438,987	1.9	Income tax payable	415,445	0.2	542,892	0.2
Other current financial assets	720,278	0.3	123,807	0.1	Accrued expenses and other current liabilities	4,210,524	1.5	6,171,127	2.6
Inventories, net	28,302,612	10.4	22,040,251	9.3	Accrued product warranty liability	<u>1,659,046</u>	<u>0.6</u>	<u>3,046,469</u>	<u>1.3</u>
Prepayment and other current assets	<u>589,015</u>	<u>0.2</u>	<u>681,853</u>	<u>0.3</u>		165,490,729	60.8	130,872,137	55.2
	<u>193,064,991</u>	<u>70.9</u>	<u>165,602,004</u>	<u>69.9</u>	<b>Other liabilities</b>	<u>223,093</u>	<u>0.1</u>	<u>25,002</u>	<u>-</u>
					<b>Total liabilities</b>	<u>165,713,822</u>	<u>60.9</u>	<u>130,897,139</u>	<u>55.2</u>
<b>Investments:</b>					<b>Stockholders' equity:</b>				
Long-term investment under equity method	65,707,796	24.1	58,592,903	24.7	Common stock	<u>44,126,526</u>	<u>16.2</u>	<u>44,002,554</u>	<u>18.6</u>
Available-for-sale financial assets – non-current	5,607,954	2.1	4,497,669	1.9	Capital surplus:				
Financial assets carried at cost – non-current	3,024,950	1.1	3,031,256	1.3	Paid-in capital in excess of par value	13,815,487	5.1	13,656,502	5.7
Debt investments without quoted price in active markets	1,745,000	0.7	1,680,835	0.7	Other	<u>1,961,205</u>	<u>0.7</u>	<u>1,855,899</u>	<u>0.8</u>
Other non-current financial assets	<u>65,886</u>	<u>-</u>	<u>118,586</u>	<u>0.1</u>		<u>15,776,692</u>	<u>5.8</u>	<u>15,512,401</u>	<u>6.5</u>
	<u>76,151,586</u>	<u>28.0</u>	<u>67,921,249</u>	<u>28.7</u>	Retained earnings:				
<b>Property, plant and equipment:</b>					Legal reserve	14,980,079	5.5	13,878,611	5.9
Land	975,475	0.3	881,578	0.4	Special reserve	8,713,018	3.2	4,825,698	2.0
Buildings	1,811,844	0.7	1,823,311	0.8	Unappropriated retained earnings	<u>32,680,122</u>	<u>12.0</u>	<u>37,435,473</u>	<u>15.8</u>
Research equipment	653,118	0.2	614,850	0.2		<u>56,373,219</u>	<u>20.7</u>	<u>56,139,782</u>	<u>23.7</u>
Other equipment	<u>433,969</u>	<u>0.2</u>	<u>399,778</u>	<u>0.2</u>	Equity adjustment:				
	3,874,406	1.4	3,719,517	1.6	Foreign currency translation adjustments	(3,134,299)	(1.2)	(1,234,071)	(0.5)
Less: accumulated depreciation	(1,714,078)	(0.6)	(1,541,173)	(0.7)	Net loss not recognized as pension cost	(165,627)	(0.1)	-	-
Prepayment for purchase of equipment	<u>-</u>	<u>-</u>	<u>5,170</u>	<u>-</u>	Unrealized losses on financial instruments	(5,518,799)	(2.0)	(7,478,947)	(3.1)
	<u>2,160,328</u>	<u>0.8</u>	<u>2,183,514</u>	<u>0.9</u>	Treasury stock	<u>(881,247)</u>	<u>(0.3)</u>	<u>(881,247)</u>	<u>(0.4)</u>
						<u>(9,699,972)</u>	<u>(3.6)</u>	<u>(9,594,265)</u>	<u>(4.0)</u>
<b>Intangible assets – patent licenses and others</b>	<u>724,106</u>	<u>0.3</u>	<u>743,568</u>	<u>0.3</u>	<b>Total stockholders' equity</b>	106,576,465	39.1	106,060,472	44.8
<b>Other assets – leased assets, net, and others</b>	<u>189,276</u>	<u>-</u>	<u>507,276</u>	<u>0.2</u>	<b>Commitments and contingencies</b>				
<b>Total assets</b>	<u>\$ 272,290,287</u>	<u>100.0</u>	<u>236,957,611</u>	<u>100.0</u>	<b>Total liabilities and stockholders' equity</b>	<u>\$ 272,290,287</u>	<u>100.0</u>	<u>236,957,611</u>	<u>100.0</u>

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC.**  
**Statements of Income**

**Years ended December 31, 2012 and 2011**

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

	2012		2011	
	Amount	%	Amount	%
<b>Net sales</b>	\$ 607,679,574	100.0	649,477,507	100.0
<b>Cost of sales</b>	<u>591,451,665</u>	<u>97.3</u>	<u>628,904,717</u>	<u>96.8</u>
	16,227,909	2.7	20,572,790	3.2
Change in unrealized inter-company profits	<u>584</u>	<u>-</u>	<u>614</u>	<u>-</u>
<b>Gross profit</b>	<u>16,228,493</u>	<u>2.7</u>	<u>20,573,404</u>	<u>3.2</u>
<b>Operating expenses:</b>				
Selling	3,132,139	0.5	3,647,047	0.6
General and administrative	1,730,498	0.3	2,346,747	0.4
Research and development	<u>6,495,930</u>	<u>1.1</u>	<u>6,820,678</u>	<u>1.0</u>
	<u>11,358,567</u>	<u>1.9</u>	<u>12,814,472</u>	<u>2.0</u>
<b>Operating income</b>	<u>4,869,926</u>	<u>0.8</u>	<u>7,758,932</u>	<u>1.2</u>
<b>Non-operating income and gains:</b>				
Interest income	284,968	-	455,540	0.1
Investment income under the equity method, net	1,572,741	0.3	4,055,268	0.6
Other investment income, net	221,459	-	204,284	-
Gain on valuation of financial instruments, net	-	-	13,061	-
Others	<u>541,240</u>	<u>0.1</u>	<u>449,706</u>	<u>0.1</u>
	<u>2,620,408</u>	<u>0.4</u>	<u>5,177,859</u>	<u>0.8</u>
<b>Non-operating expenses and losses:</b>				
Interest expense	107,983	-	135,535	-
Foreign currency exchange loss, net	161,515	-	608,534	0.1
Impairment loss	2,492	-	90,389	-
Loss on valuation of financial instrument, net	<u>43,194</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>315,184</u>	<u>-</u>	<u>834,458</u>	<u>0.1</u>
<b>Net income before income tax expense</b>	7,175,150	1.2	12,102,333	1.9
Income tax expense	<u>764,123</u>	<u>0.1</u>	<u>1,087,653</u>	<u>0.2</u>
<b>Net income</b>	<u>\$ 6,411,027</u>	<u>1.1</u>	<u>11,014,680</u>	<u>1.7</u>
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>income tax</b>	<b>income tax</b>	<b>income tax</b>	<b>income tax</b>
<b>Basic net income per share</b>	<u>\$ 1.65</u>	<u>1.47</u>	<u>2.78</u>	<u>2.53</u>
<b>Diluted net income per share</b>	<u>\$ 1.62</u>	<u>1.45</u>	<u>2.72</u>	<u>2.48</u>

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

	2012		2011	
	Before	After	Before	After
	income tax	income tax	income tax	income tax
<b>Net income</b>	\$ <u>7,245,160</u>	<u>6,481,037</u>	<u>12,237,840</u>	<u>11,150,187</u>
<b>Basic net income per share</b>	<u>\$ 1.64</u>	<u>1.47</u>	<u>2.78</u>	<u>2.53</u>

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Changes in Stockholders' Equity

Years ended December 31, 2012 and 2011  
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Retained earnings Special reserve	Unappropriated	Unrealized losses on financial instruments	Net loss not recognized as pension cost	Foreign currency translation adjustments	Treasury stock	Total
<b>Balance on January 1, 2011</b>	\$ 44,280,998	15,303,594	11,551,432	798,081	45,450,010	(903,090)	-	(2,443,732)	(881,247)	113,156,046
Appropriation of 2010 net income (note 1):										
Special reserve	-	-	-	4,027,617	(4,027,617)	-	-	-	-	-
Legal reserve	-	-	2,327,179	-	(2,327,179)	-	-	-	-	-
Cash dividends	-	-	-	-	(11,905,350)	-	-	-	-	(11,905,350)
Adjustment for changes in investee company's stockholders' equity	-	3,047	-	-	(14,398)	-	-	-	-	(11,351)
Issuance of stock for employee stock options exercised	142,446	200,556	-	-	-	-	-	-	-	343,002
Cash dividends paid to subsidiaries holding the Company's shares	-	135,507	-	-	-	-	-	-	-	135,507
Net income for the year ended December 31, 2011	-	-	-	-	11,014,680	-	-	-	-	11,014,680
Purchase and retirement of treasury stock	(420,890)	(130,303)	-	-	(754,673)	-	-	-	-	(1,305,866)
Foreign currency translation adjustment	-	-	-	-	-	-	-	1,209,661	-	1,209,661
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	(6,575,857)	-	-	-	(6,575,857)
<b>Balance on December 31, 2011</b>	<u>44,002,554</u>	<u>15,512,401</u>	<u>13,878,611</u>	<u>4,825,698</u>	<u>37,435,473</u>	<u>(7,478,947)</u>	<u>-</u>	<u>(1,234,071)</u>	<u>(881,247)</u>	<u>106,060,472</u>
Appropriation of 2011 net income (note 2)										
Special reserve	-	-	-	3,887,320	(3,887,320)	-	-	-	-	-
Legal reserve	-	-	1,101,468	-	(1,101,468)	-	-	-	-	-
Cash dividends	-	-	-	-	(6,175,351)	-	-	-	-	(6,175,351)
Adjustment for changes in investee company's stockholders' equity	-	35,296	-	-	(2,239)	-	-	-	-	33,057
Issuance of stock for employee stock options exercised	123,972	158,985	-	-	-	-	-	-	-	282,957
Cash dividends paid to subsidiaries holding the Company's shares	-	70,010	-	-	-	-	-	-	-	70,010
Net income for the year ended December 31, 2012	-	-	-	-	6,411,027	-	-	-	-	6,411,027
Foreign currency translation adjustment	-	-	-	-	-	-	-	(1,900,228)	-	(1,900,228)
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	1,960,148	-	-	-	1,960,148
Adjustment for net loss not recognized as pension cost	-	-	-	-	-	-	(165,627)	-	-	(165,627)
<b>Balance on December 31, 2012</b>	<u>\$ 44,126,526</u>	<u>15,776,692</u>	<u>14,980,079</u>	<u>8,713,018</u>	<u>32,680,122</u>	<u>(5,518,799)</u>	<u>(165,627)</u>	<u>(3,134,299)</u>	<u>(881,247)</u>	<u>106,576,465</u>

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

Note 2: Directors' and supervisors' remuneration amounting to \$97,500 and employee bonuses amounting to \$1,402,500 were recognized in the 2011 statement of income.

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC.**

**Statements of Cash Flows**

**Years ended December 31, 2012 and 2011**  
(expressed in thousands of New Taiwan dollars)

	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 6,411,027	11,014,680
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	578,164	629,454
Decrease in allowance for doubtful accounts, allowance for sales returns and discounts, and inventory obsolescence provision	(330,634)	(541,486)
Gain on disposal of investments	(72,214)	(30,522)
Impairment losses on financial assets carried at cost	2,492	90,389
Cash dividends received from long-term equity investments	176,699	724,715
Investment income under the equity method, net	(1,572,741)	(4,055,268)
Decrease (increase) in notes and accounts receivable	(25,353,178)	49,582,361
Decrease (increase) in inventories	(6,257,308)	4,342,366
Decrease (increase) in prepayment, other current assets, and other current financial assets	(134,809)	304,088
Increase (decrease) in notes and accounts payable	23,339,045	(30,156,236)
Decrease in accrued expenses, other current liabilities, and accrued product warranty liability	(3,168,406)	(1,127,062)
Decrease in income tax payable	(127,447)	(2,001,170)
Change in net deferred income tax assets	218,628	138,873
Decrease (increase) in financial assets measured at fair value through profit or loss – current	80,635	(51,020)
Others	<u>(19,085)</u>	<u>(178,344)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>(6,229,132)</u></b>	<b><u>28,685,818</u></b>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(76,860)	(199,313)
Increase in intangible assets	(541,551)	(281,021)
Acquisition of long-term equity investments, available-for-sale financial assets and financial assets carried at cost	(7,138,830)	(4,763,808)
Capital refund from investees and distribution from investees after completion of liquidation	71,744	538,856
Proceeds from sale of investments	639,676	134,208
Increase in other receivables – related parties	(491,230)	(4,195)
Others	<u>2,439</u>	<u>(23,460)</u>
<b>Net cash used in investing activities</b>	<b><u>(7,534,612)</u></b>	<b><u>(4,598,733)</u></b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	14,755,020	(22,827,480)
Cash dividends paid	(6,175,351)	(11,905,350)
Proceeds from issuance of stock for employee stock options exercised	282,957	343,002
Purchase of treasury stock	-	(1,305,866)
Others	<u>(13)</u>	<u>132</u>
<b>Net cash provided by (used in) financing activities</b>	<b><u>8,862,613</u></b>	<b><u>(35,695,562)</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,901,131)</b>	<b>(11,608,477)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b><u>23,223,185</u></b>	<b><u>34,831,662</u></b>
<b>Cash and cash equivalents at end of period</b>	<b><u>\$ 18,322,054</u></b>	<b><u>23,223,185</u></b>
<b>Supplementary disclosures of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest	<b><u>\$ 106,152</u></b>	<b><u>145,599</u></b>
Income taxes	<b><u>\$ 672,941</u></b>	<b><u>2,949,949</u></b>

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 30</b> 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. <u>Not less than ten percent (10%) of the remainder shall be distributed as dividend and bonus; however, if the annual net profit per share for such year is lower than One New Taiwan Dollar (NT\$1), the Company may decide not to make any distribution.</u> (Omitted)</p>	<p><b>Article 30</b> 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. <u>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.</u> (Omitted)</p>	<p>For business operation needs</p>
<p>Article 35 These Articles of Incorporation were prescribed by the promoters on April 16, 1984. 1<sup>st</sup>~31<sup>st</sup> (omitted)</p>	<p>Article 35 These Articles of Incorporation were prescribed by the promoters on April 16, 1984. 1<sup>st</sup>~31<sup>st</sup> (omitted) <u>The 32<sup>nd</sup> amendment was made on June 21, 2013.</u></p>	<p>Added the amendment date</p>

## Attachment 6

### Compal Electronics, Inc.

#### Comparison Table Before and After Amendment to the Procedures for Endorsement and Guarantee

Before Amendment	After Amendment	Amendment Reason
<p><b>Article 3 Object to be provided endorsement and/or guarantee by the Company</b></p> <p>1~4 (Omitted)</p> <p>5. The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with <u>the Statement of Financial Accounting Standards.</u></p>	<p><b>Article 3 Object to be provided endorsement and/or guarantee by the Company</b></p> <p>1~4 (Omitted)</p> <p>5. The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with <u>requirements of the competent authorities.</u></p>	Revised to meet the law requirement
<p><b>Article 4 Limited Amounts of Endorsement and Guarantee</b></p> <p>1~4 (Omitted)</p> <p>5. The term “net worth” as used herein shall mean the shareholders’ equity stated in the Company’s recent audited financial statements.</p>	<p><b>Article 4 Limited Amounts of Endorsement and Guarantee</b></p> <p>1~4 (Omitted)</p> <p>5. <u>In the case of a subsidiary with shares of no par value or at a par value other than NT\$10, the amount of paid-in capital calculated in accordance with the preceding paragraph 4 shall be the sum of the capital contribution plus “share issuance premium under capital reserve item”.</u></p> <p>6. The term “net worth” as used herein shall mean <u>the “equity attributable to the owners of the parent company” stated in the most recent audited balance sheet prepared in accordance with the requirements of the competent authorities.</u></p>	Revised to meet the law requirement
<p><b>Article 6 Procedures for Making Endorsement and/or Guarantee</b></p> <p>1~4 (Omitted)</p> <p>5. The Company shall evaluate or recognize the contingent loss of endorsements/guarantees <u>according to the Statement of Financial Accounting Standards,</u> and shall adequately disclose information</p>	<p><b>Article 6 Procedures for Making Endorsement and/or Guarantee</b></p> <p>1~4 (Omitted)</p> <p>5. The Company shall evaluate or recognize the contingent loss of endorsements/guarantees and shall adequately disclose information on endorsements/ guarantees in its financial reports, and provide</p>	Revised to meet the law requirement

Before Amendment	After Amendment	Amendment Reason
<p>on endorsements/ guarantees in its financial reports, and provide certified public accountants with relevant information for implementation of necessary audit procedures. (Omitted)</p>	<p>certified public accountants with relevant information for implementation of necessary audit procedures. (Omitted)</p>	
<p><b>Article 9 Information reporting and announcement</b> 1~2 (Omitted) 3. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within stipulated period by the accounting department: (1)~(2) (Omitted) (3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, long-term investment in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth. (Omitted)</p>	<p><b>Article 9 Information reporting and announcement</b> 1~2 (Omitted) 3. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within stipulated period by the accounting department: (1)~(2) (Omitted) (3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, <u>investment of a long-term nature in,</u> and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth. (Omitted)</p>	<p>Revised to meet the law requirement</p>
<p><b>Article 13 Supplementary Provisions</b> These Procedures were adopted on April 3, 1990 and entered into force after the approval by the Board of Directors of the Company. The 1<sup>st</sup> ~ 7<sup>th</sup> amendments (omitted)</p>	<p><b>Article 13 Supplementary Provisions</b> These Procedures were adopted on April 3, 1990 and entered into force after the approval by the Board of Directors of the Company. The 1<sup>st</sup> ~ 7<sup>th</sup> amendments (omitted) <u>The 8<sup>th</sup> 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.</u></p>	<p>Added the amendment date</p>



## Attachment 7

### Compal Electronics, Inc.

#### Comparison Table Before and After Amendment to the Procedures for Lending Funds to Other Parties

Before amendment	After amendment	Reason for amendment
<p><b>Article 4 Total Amount of Fund Lending</b></p> <p>1~2 (Omitted)</p> <p>3. Fund lending between overseas subsidiaries that are 100% directly or indirectly owned by the Company is not subject to the restriction stated in the preceding Paragraph 2.</p>	<p><b>Article 4 Total Amount of Fund Lending</b></p> <p>1~2 (Omitted)</p> <p>3. Fund lending between overseas subsidiaries that are 100% directly or indirectly owned by the Company is not subject to the restriction stated in the preceding Paragraph 2 provided, however, that <u>the total lending amount shall not exceed the net worth of the lending subsidiary.</u></p>	<p>Revised to meet the law requirement and the business operation needs</p>
<p><b>Article 5 Lending Limit for Each Recipient</b></p> <p>1~5 (Omitted)</p> <p>6. The term “net worth” as used herein shall mean the shareholders equity stated in the Company’s recent audited financial statements.</p> <p>7. The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with <u>the Statement of Financial Accounting Standards No. 5 and No. 7 announced by the Accounting Research and Development Foundation of the Republic of China.</u></p>	<p><b>Article 5 Lending Limit for Each Recipient</b></p> <p>1~5 (Omitted)</p> <p>6. The term “net worth” as used herein shall mean <u>the “equity attributable to the owners of the parent company” stated in the most recent audited balance sheet prepared in accordance with the requirements of the competent authorities.</u></p> <p>7. The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with <u>requirements of the competent authorities.</u></p>	<p>Revised to meet the law requirement</p>
<p><b>Article 7 Duration of Fund Lending</b></p> <p>1~2 (Omitted)</p>	<p><b>Article 7 Duration of Fund Lending</b></p> <p>1~2 (Omitted)</p> <p>3. <u>The term of each fund lending between overseas subsidiaries that are 100% directly or indirectly owned by the Company shall not exceed two (2) years.</u></p>	<p>Added to meet the law requirement</p>
<p><b>Article 15 Supplementary Provisions</b></p> <p>These Procedures were adopted on</p>	<p><b>Article 15 Supplementary Provisions</b></p> <p>These Procedures were adopted on</p>	<p>Added the amendment date</p>

Before amendment	After amendment	Reason for amendment
<p>April 3, 1990 and entered into force after the approval by the Board of Directors of the Company. The 1<sup>st</sup> ~ 8<sup>th</sup> amendments (omitted)</p>	<p>April 3, 1990 and entered into force after the approval by the Board of Directors of the Company. The 1<sup>st</sup> ~ 8<sup>th</sup> amendments (omitted) <u>The 9<sup>th</sup> 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.</u></p>	

## Attachment 8

### 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> 1~3 (Omitted)</p> <p>4. The term “related party” as used herein refers to the one defined <u>in Statement of Financial Accounting Standards (SFAS) No. 6 published by the ROC Accounting Research and Development Foundation (hereinafter “ARDF”)</u>.</p> <p>5. The term “subsidiary” as used herein refers to the one defined <u>in SFAS Nos. 5 and 7 published by the ARDF</u>.</p>	<p><b>Article 2 Definition and Scope:</b> 1~3 (Omitted)</p> <p>4. The term “related party” as used herein refers to the one defined <u>by the competent authority</u>.</p> <p>5. The term “subsidiary” as used herein refers to the one defined <u>by the competent authority</u>.</p>	Revised to meet the law requirement
<p><b>Article 3 Authorized Limit:</b> 1~2 (Omitted)</p> <p>The net value as mentioned above is based <u>on the amount shown in the most recent financial report audited and certified or approved by the CPA</u>.</p>	<p><b>Article 3 Authorized Limit:</b> 1~2 (Omitted)</p> <p>The term “net worth” as mentioned above <u>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</u>.</p>	Revised to meet the law requirement
<p>Article 16 Additional Provisions These Procedures were approved by the Board of Directors Meeting and entered into force on June 23, 1989. The 1st to 8th amendments (omitted)</p>	<p>Article 16 Additional Provisions These Procedures were approved by the Board of Directors Meeting and entered into force on June 23, 1989. The 1st to 8th amendments (omitted) The 9th amendment was adopted by <u>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</u>.</p>	Added the 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. Not less than ten percent (10%) of the remainder shall be distributed as dividend and bonus; however, if the annual net profit per share for such year is lower than One New Taiwan Dollar (NT\$1), the Company may decide not to make any distribution.

The object of the said allocation of share certificates and bonus to employees includes the employees of the Company's subordinate companies pursuant to the Company Law.

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

### **Article 31**

Once the total legal reserve equals the total capital, 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.



## **Appendix 3**

### **Procedures for Endorsement and Guarantee of Compal Electronics, Inc.**

#### **Article 1 Purpose**

To perfect the financial management of endorsement/guarantee by the Company to outside parties and to control the risk in operation, the following procedures, enacted in accordance with the applicable regulations announced by the competent authority, shall apply when providing endorsement and/or guarantee to outside parties.

#### **Article 2 Definition and Scope**

The terms "endorsements" or "guarantees" as used herein are defined as:

1. Financing endorsement and/or guarantee, including:
  - (1) Bill discount financing;
  - (2) Endorsement or guarantee made to meet the financing needs of another company;
  - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
2. Customs duty endorsement/guarantee which refers to an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees which refer to endorsements or guarantees beyond the scope of the preceding two Paragraphs.

Any creation by the Company of a pledge or mortgage on its assets and real assets as security for the loans of another company shall also comply with these Regulations.

#### **Article 3 Object to be Provided Endorsement and/or Guarantee by the Company**

1. The object to be provided endorsement and/or guarantee by the Company shall be limited as follows:
  - (4) Any company having business relationship with the Company;
  - (5) Any company in which the Company directly or indirectly holds 50% or more voting-right-shares or capital of such company; or
  - (6) Any company directly or indirectly holds 50% or more shareholding in the Company.
2. Between subsidiaries 90% owned or more, directly or indirectly, by the Company may provide endorsement and/or guarantee for each other.
3. If the Company fulfill its contractual obligations by providing mutual

endorsement and/or guarantee for another Company in the same industry or for the co-builders for purposes of undertaking a construction project, or if shareholders make endorsement and/or guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements and/or guarantees such endorsements and/or guarantees shall be free of the restriction of the preceding Paragraphs (1) and (2).

4. The term “shareholding” as referred to in the preceding Paragraph means the Shareholding directly held by the Company or held through wholly owned subsidiaries.
5. The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with the Statement of Financial Accounting Standards.

#### **Article 4 Limited Amounts of Endorsement and Guarantee**

The aggregate amount of endorsement and guarantee provided for by the Company or the Company together with its subsidiaries, and the total amount of endorsement/guarantee provided for a single enterprise by the Company or the Company and its subsidiaries is subject to the following limits:

- 1 The aggregate amount of endorsement/guarantee provided by the Company or the Company together with its subsidiaries shall not exceed 50% of net worth of the Company,
- 2 The total amount of endorsement/guarantee provided for a single enterprise by the Company or the Company together with its subsidiaries shall not exceed 25% of net worth of the Company. The total amount of endorsement/guarantee provided for a single enterprise having business relationship with the Company shall also meet the requirements set forth in Article 5, Paragraph 1 of the Procedures for Lending Funds to Other Parties adopted by the Company.
- 3 Between subsidiaries 90% owned or more, directly or indirectly, by the Company may provide endorsement and/or guarantee for each other, and the amount shall not exceed 10% of net worth of the Company. Between subsidiaries that are 100% directly or indirectly owned by the Company, the amount of endorsement/guarantee provided for each other is not subject to the 10% restriction as referred to in the foregoing provided, however, that such amount shall not exceed 25% of the net worth of the Company.
- 4 If a subsidiary to be provided endorsement/guarantee whose net worth is lower than 50% of its paid-in capital, the management and control shall be subject to the Enforcement Rules of the Procedures for Endorsement and Guarantee.
- 5 The term “net worth” as used herein shall mean the shareholders’ equity stated in the Company’s recent audited financial statements.

## **Article 5 Decision-Making and Level of Authority**

- 1 The limited amount of endorsement and/or guarantee delegated to the Chairman of Board shall not exceed 20% of respective endorsement and/or guarantee amount as referred to in the foregoing Article 4.
- 2 A pre-determined execution of endorsement/guarantee delegated to the Chairman of Board shall be submitted to the most upcoming Board of Directors' Meeting for ratification.
- 3 When providing guarantee to a foreign company, the guarantee letter should be executed by the person delegated by the Board of Directors of the Company.
- 4 Any subsidiary in which the Company directly or indirectly holds 90% or more voting-right-shares or capital of such subsidiary may make an endorsement and/or guarantee only after approved by a resolution of the Board of Directors of the Company. However, between direct or indirect wholly owned subsidiaries of the Company, the provision of endorsement and/or guarantee for each other is not subject to the foregoing restriction.
- 5 When providing endorsement and/or guarantee, if the required amount of endorsement and/or guarantee exceeds the limit as referred to in the foregoing Article 4 to accommodate business needs, a resolution of the Board of Directors shall be obtained and over half of all the Directors shall jointly endorse the potential loss that may be brought about by the excess of limit. The Board of Directors shall also revise these Procedures accordingly and forward these revised Procedures to the Shareholders' Meeting for ratification. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors shall withdraw the excess portion within a period of time.

When submitting the relevant documents to the Board of Directors for discussion in accordance with the provision 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.

## **Article 6 Procedures for Making Endorsement and/or Guarantee**

1. Before providing endorsement and/or guarantee to others, the Company shall conduct a detailed review process, including:
  - (1) The necessity of and rationality of endorsement/guarantee;
  - (2) Credit status and risk assessment of the object to be provided endorsement and/or guarantee;
  - (3) Impact on the Company's business operations, financial condition, and shareholders' equity.
  - (4) Whether collateral must be obtained and appraisal of the value thereof.
2. The Company may make/revoke an endorsement/guarantee only after the evaluation results have been submitted to Board of Directors and approved by

- the Board of Directors.
3. The Company shall prepare a register book for recording the information about the entity for which the endorsement/guarantee is made, the endorsement/guarantee amount, the date of approval resolved by the Board of Directors or the date of pre-determined execution by the Chairman of the Board, the date that the endorsement/guarantee is made and the matters to be carefully evaluated as required by the applicable Regulations and/or Procedures.
  4. The detail operating procedures shall be provided in the Enforcement Rules of the Procedures for Endorsement and Guarantee.
  5. The Company shall evaluate or recognize the contingent loss of endorsements/guarantees according to the Statement of Financial Accounting Standards, and shall adequately disclose information on endorsements/guarantees in its financial reports, and provide certified public accountants with relevant information for implementation of necessary audit procedures.

When submitting the relevant documents to the Board of Directors for discussion in accordance with the provision 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.

#### **Article 7 Procedures for Use and Custody of Corporate Seal**

Seals exclusively for use of endorsement/guarantee shall be the seals officially registered with the Ministry of Economic Affairs. Such official seals shall be kept separately by special persons. Company's internal procedures must be followed for such sealing usage and the issuance of negotiable instruments. The appointment of seal custodian shall be approved by the Board of Directors. The procedure shall apply to the change in the seal custodian.

#### **Article 8 Other matters**

1. According to these Procedures, in the event that a party endorsed and/or guaranteed by the Company previously qualified but no longer qualifies or the endorsement and/or guarantee amount resulted in exceeding the credit limits due to the basis for calculation of such amount has changed, rectification plans must be prepared by the department in charge of such endorsement and/or guarantee. Such rectification plans shall be reexamined by the financial department and be submitted to each Supervisor of the Company for approval. The department in charge of the endorsement and guarantee shall conduct the rectification based on the planned time schedule.
2. The adoption and amendment to the "Procedures for Endorsement and Guarantee" by subsidiaries of the Company shall be handled in accordance

with the regulations published by the competent authorities and the endorsement and/or guarantee shall be provided in accordance with said Procedures.

### **Article 9 Public Announcement and Report**

1. The accounting department shall prepare a statement of endorsement and guarantee provided for by the Company and its subsidiaries for previous month, and shall submit such statement to President and Chairman of the Board for review each month.
2. The accounting department shall announce and report the previous month's balance of endorsement/guarantee by the 10<sup>th</sup> day of each month.
3. If the amount of endorsement and guarantee reaches one of the following levels, the accounting department shall announce and report such event within the time period prescribed by the competent authorities:
  - (1) The aggregate amount of endorsement and guarantee provided for by the Company and its subsidiaries reaches 50% or more of the net worth of the Company,
  - (2) The amount of endorsement and guarantee provided for a single enterprise by the Company and its subsidiaries reaches 20% or more of the net worth of the Company,
  - (3) The balance of endorsement and guarantee for a single enterprise by the Company and its subsidiaries reaches NT\$ 10 Million or more and the aggregate amount of endorsement and guarantee for, long-term investment in and balance amount of fund lending to such single enterprise reaches 30% or more of the net worth of the Company,
  - (4) The newly increased aggregate amount of endorsement and guarantee provided for by the Company and its subsidiaries reaches NT\$ 30 Million and such amount exceeds 5% of the net worth of the Company

If any subsidiary of the Company is not an ROC public company, the Company shall announce and report on behalf of such subsidiary any matter that such subsidiary is required to announce and report pursuant to the foregoing Paragraph 3, Item 4.

4. The accounting department shall announce and report to the competent authorities the status of endorsement/guarantee by the subsidiaries of the Company in accordance with the provisions set forth in the foregoing Paragraph 2 &3.
5. In the event of any change in the applicable regulations, the public announcement and report shall be handled in accordance with the updated regulations.

### **Article 10 Penal Provision**

If any employee of the Company violates these Procedures and/or other

applicable laws and regulations, sanctions will be imposed on such employee depending upon his/her severity level of such violation in accordance with the punishment procedures under the personnel administration rules of the Company.

### **Article 11 Implementation and Amendment**

The 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. The same procedure applies to amendment.

Where the Company has established the position of Independent Director and when it submits the Procedures for Endorsement and Guarantee to the Board of Directors 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 and in the procedures shall be enforced after the Company has them available.

### **Article 12 Enactment of Enforcement Rules**

Enforcement Rules for the Procedures of Endorsement and Guarantee shall be drafted by the financial department and approved for implementation by the Chairman dully authorized by the Board of Directors.

### **Article 13 Supplementary Provisions**

These Procedures were adopted on April 3, 1990 and entered into force after the approval by the Board of Directors of the Company.

The 1<sup>st</sup> amendment was adopted by the Board of Directors of the Company held on January 31, 1991.

The 2<sup>nd</sup> amendment was adopted by the Board of Directors of the Company held on March 31, 1995.

The 3<sup>rd</sup> amendment was adopted by the Board of Directors of the Company held on March 31, 1997 and entered into force after the approval by the Annual General Shareholders Meeting on May 29, 1997.

The 4<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on March 17, 2003 and entered into force after the approval by the Annual General Shareholders Meeting on June 10, 1997.

The 5<sup>th</sup> amendment was adopted by the Board of Directors of the Company held

on February 21, 2006 and entered into force after the approval by the Annual General Shareholders Meeting on June 9, 2006.

The 6<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 29, 2009 and entered into force after the approval by the Annual General Shareholders Meeting on June 19, 2009.

The 7<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 28, 2010 and entered into force after the approval by the Annual General Shareholders Meeting on June 18, 2010.

## **Appendix 4**

### **Procedures for Lending Funds to Other Parties of Compal Electronics, Inc.**

#### **Article 1 Purpose**

To perfect the financial management of lending funds to others and to control the risk in operation, the following procedures, enacted in accordance with applicable regulations announced by the competent authority, shall apply when lending funds to others.

#### **Article 2 Recipients of Fund Lending**

Unless otherwise provided below, the Company shall not lend funds to its shareholder or any person:

1. Companies having business relationship with the Company;
2. Any of the following companies in need of funds for a short-term period:
  - (1) Subsidiaries having necessity of short-term financing for business operation;
  - (2) Other companies having necessity of short-term financing for business need.

Lend funds between overseas subsidiaries that are wholly owned, either directly or indirectly, by the Company are permitted.

#### **Article 3 Reasons and Necessity of Fund Lending**

1. For business operation need, a company or the satellite factory or subcontractor of the Company is necessary to increase its capital. Such company or the satellite factory or subcontractor of the Company applies for fund lending because of its insufficiency. After confirmed by the department in charge of fund lending, it shall report to the Company the application for fund lending.
2. Affiliates of the Company apply for fund lending to meet its business operation need. The term “affiliate” refers to any company invested by the Company.

#### **Article 4 Total Amount of Fund Lending**

1. The total amount for lending to a company having business relationship with the Company shall not exceed 50% of the net worth of the Company.
2. The total amount for lending to a company for funding for a short-term period shall not exceed 40% of the net worth of the Company.
3. Fund leading between overseas subsidiaries that are 100% directly or indirectly owned by the Company is not subject to the restriction stated in the



preceding Paragraph 2.

### **Article 5 Lending Limit for Each Recipient**

- 1 The total amount for lending to a company having business relationship with the Company shall not exceed 80% of exceeds the total trading amount between the two in the most recent fiscal year or 80% of the forecast trading amount between the two companies in the then year. In addition, the lending amount shall be counted in the limit of endorsement and guarantee provided by the Company to such single entity.
- 2 The total amount for lending to a company for funding for a short-term period shall be no more than 80% of the net worth of the borrower and shall not exceed 50% of the total lending limit of the Company. In addition, the lending amount shall be counted in the limit of endorsement and guarantee provided by the Company to such single entity.
- 3 The Company may lend funds to a subsidiary wholly owned, directly or indirectly, by the Company without restriction on 80% of net worth as referred to in the foregoing two Paragraphs. However, the total lending amount to such subsidiary shall not exceed 50% of the total lending limit of the Company and such lending amount shall be counted in the limit of endorsement and guarantee provided to the Company to such subsidiary.
- 4 For the fund lending between the Company and its subsidiary or between the subsidiaries of the Company, the Board of Directors may authorize the Chairman to approve a revolving or parcel release credit facility within a specific credit limit granted by the Board of Directors to a single enterprise and the duration of such credit facility may not excess one year. The specific credit limit granted by such Board of Directors shall not exceed 10% of the net worth of the lending Company/subsidiary.
- 5 Fund leading between overseas subsidiaries that are 100% directly or indirectly owned by the Company is not subject to the 10% restriction as referred to in the preceding Paragraph 4.
- 6 The term “net worth” as used herein shall mean the shareholders equity stated in the Company’s most recent audited financial statements.
- 7 The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with the Statement of Financial Accounting Standards No. 5 and No. 7 announced by the Accounting Research and Development Foundation of the Republic of China.

### **Article 6 Procedures for Fund lending**

1. Any borrower, when applying for a loan from the Company, shall submit a request letter describing the purpose, duration, loan amount requested, terms of repayment, source of fund and collateral together with certain basic information and financial data. These documents will be forwarded to the financial department of the Company to facilitate the evaluation and credit

- checking after approved by the head of the department in charge of fund lending. The department in charge of fund lending will issue an evaluation report based on the credit check result and the evaluation report shall include:
- (1) The necessity of and rationality of extending loans to others;
  - (2) Borrower's credit status and risk assessment,
  - (3) Impact on the company's business operations, financial condition, and shareholders' equity;
  - (4) Whether collateral must be obtained and appraisal of the value thereof.
2. If, after the credit evaluation, it is declined to extend funds to the borrower due to the borrower's bad credit or the improper purpose of fund lending, the financial department shall inform the borrower of its decline as soon as possible after the reasons for decline are submitted to the President and Chairman of the Board for review and approval. If, after the credit evaluation, the borrower's credit is good and the purpose of fund lending is appropriate, the financial department shall propose the fund lending conditions based on the credit evaluation report, submit the proposal to the President and Chairman of the Board for review after countersigned by the relevant departments, and then extend funds after the proposal is approved by the Board of Directors. Prior to the fund is extend, the borrower shall issue a promissory note to ensure the guarantee for the payment and value of such promissory note should be 1.2 times the amount of fund lending. Fund lending is not acceptable if the borrower's total liabilities are greater than the value of its total assets unless collateral of equivalent value is provided and the procedures of mortgage and/or pledge registration are completed so as to ensure that the Company's rights have been protected, or the Company holds 90% or more shareholding in the borrower.
  3. For collaterals, the borrower shall procure and maintain all risk insurance for vehicles, fire and allied perils insurance for other collaterals other than land and negotiable securities. The insured amount shall, in principle, be no less than the replacement cost value of these collaterals. In addition, the Company shall be designated as beneficiary in the insurance policy. The insured object, quantity, location and policy conditions must be consistent with the fund lending conditions of the Company.
  - 4 The department in charge of fund lending shall collect the borrowers' financial statements and fund utilization status month by month and submit them to the financial department. In the event of significant change in the borrower's financial status and fund utilization, the financial department shall promptly report to the President and Chairman of the Board, and take appropriate actions as per instructions.
  - 5 The financial department shall establish a fund lending register book detailing the borrowers, amounts, dates on which the Board of Directors approves the fund lending and result of credit evaluation (or evaluation report).

6 The accounting department shall report to the competent authorities the information of fund lending to others in a proper format and within a prescribed time limit under the applicable laws and regulations.

When submitting the relevant documents to the Board of Directors for discussion in accordance with the provision 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.

#### **Article 7 Duration of Fund Lending**

1. Duration of each fund lending to a company, having business relationship with the Company and having necessity of short-term financing, shall not exceed six (6) months and may be extended for a maximum period of six (6) months as a result of business need and only after approval by the Board of Directors of the Company.
2. Duration of each lending fund to a subsidiary 100% owned, directly or indirectly, by the Company shall not exceed one (1) year.

#### **Article 8 Method of Interest Calculation**

1. For fund lending to affiliates of the Company, the interest rate shall be adjusted variably based on the capital cost of the Company.
2. For fund lending to any companies other than affiliates of the Company, approved by the Board of Directors of the Company, the interest rate shall be adjusted variably based on the capital cost of the Company provided, however, that such interest rate shall not less than the rate on short-term accommodations.
3. The interest will be collected in accordance with the terms and conditions of the facility agreement.

#### **Article 9 Repayment of Loans**

Upon request of the borrower or the Company, the borrower or the Company is willing to repay or collect fund, the financial department shall take the following actions:

1. Making sure the amount of capital and accrued interest already paid by the borrower; and
2. De-registering the mortgage/pledge or return the collateral to the borrower after receiving approval from the President and Chairman of the Board.

#### **Article 10 Procedures for Handling Overdue Loans**

1. The so-called "overdue loans" refers to the loan has become mature and has not been paid off (including capital and interest) or the duration of such loan has not been extended in accordance with Article 7 herein.
2. In the event of overdue, the financial department shall immediately notify

the department in charge of fund lending and the legal department to evaluate the borrower's financial and business status. If it is considered that the flow of funds is sufficient to cover the repayment, the Company may amend to the repayment terms under the original loan agreement after approval by the Board of Directors of the Company and shall obtain collateral of equivalent value if necessary.

3 In addition to the foregoing Paragraph, the financial department shall forthwith take the following actions:

- (1) The financial department shall check thoroughly any property that may be executed and apply for security procedure against such property in accordance of applicable laws if necessary;
- (2) For overseas loans, if due to the change of foreign exchange policy by the foreign government, the repayment cannot be made as scheduled; it may be handled via a special project approved by the Board of Directors.
- (3) Under any of the following circumstances, the overdue loans, after deducting the estimated collectable amount, should be written off as uncollectible bad debt; and report to the most upcoming Board of Directors and Supervisors.
  - i. All or part of the overdue loans cannot be repaid due to the dissolution, running away, compromise, declaration of bankruptcy or other reasons, and has received supporting documents from the competent authorities.
  - ii. The evaluated value of the collaterals is low or, after deducting the amount collected by exercising the priority mortgage/pledge over the collaterals by others, nothing left for repayment, or the execution cost is close to or even more than the collectable amount by the Company. There is no actual benefit in execution.
  - iii. Failure to sell the collaterals after several price reductions by public auctions.
  - iv. Default in loan repayment exceeds two years and it is unable to collect such repayment through collection procedure.

## **Article 11 Other Matters**

1. If the qualification of borrowers does not meet the provisions set forth in these Procedures or the loan balance exceeds the limit as a result of change of circumstances, rectification plans must be prepared by the department in charge of the fund lending and such plans shall be reexamined by the financial department and then be submitted to the Supervisors for approval. The department in charge of the fund lending shall conduct the rectification based on the planned time schedule.
2. The adoption and amendment to the "Procedures for Lending Funds to Other Parties" by subsidiaries of the Company shall be handled in accordance with the regulations published by the competent authorities and their fund lending

activities shall be handled in accordance with said Procedures.

### **Article 12 Public Announcement and Report**

1. The accounting department shall prepare a statement of fund lending extended by the Company and its subsidiaries for previous month and submit such statement to President and Chairman of the Board for review each month.
2. The accounting department shall announce and report the previous month's loan balance by the 10<sup>th</sup> day of each month.
3. If the loan balance reaches one of the following levels, the accounting department shall announce and report such event within the time period prescribed by the competent authorities:
  - (1)The aggregate balance of loans extended by the Company and its subsidiaries reaches 20% or more of the net worth of the Company;
  - (2)The balance of loans to a single enterprise extended by the Company and its subsidiaries reaches 10% or more of the net worth of the Company;
  - (3)The newly increased aggregate amount of loan extended by the Company and its subsidiaries reaches NT\$10 Million and such amount exceeds 2% of the net worth of the Company.

If any subsidiary of the Company is not an ROC public company, the Company shall announce and report on behalf of such subsidiary any matter that such subsidiary is required to announce and report pursuant to the foregoing Paragraph 3, Item 3.

4. The accounting department shall announce and report to the competent authorities the status of fund lending by the subsidiaries of the Company in accordance with the provisions set forth in the foregoing Paragraphs 2 & 3.
5. In the event of any change in the applicable regulations, the public announcement and report shall be handled in accordance with the updated regulations.

### **Article 13 Penal Provision**

If any employee of the Company violates these Procedures and/or other applicable laws and regulations, sanctions will be imposed on such employee depending upon his/her severity level of such violation in accordance with the punishment procedures under the personnel administration rules of the Company.

### **Article 14 Implementation and Amendment**

The 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. The same procedure applies to

amendment.

Where the Company has established the position of Independent Director and when it submits the Procedures for Lending Funds to Other Parties to the Board of Directors for discussion in accordance with the provisions herein, it shall take into full consideration each Independent Director's opinion; Independent Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be recorded in the minutes of the Board of Directors' Meeting.

The regulations regarding the Independent Director and in the procedures shall be enforced after the Company has them available.

### **Article 15 Supplementary Provisions**

These Procedures were adopted on April 3, 1990 and entered into force after the approval by the Board of Directors of the Company.

The 1<sup>st</sup> amendment was adopted by the Board of Directors of the Company held on January 31, 1991.

The 2<sup>nd</sup> amendment was adopted by the Board of Directors of the Company held on April 28, 1994 and entered into force after the approval by the Annual General Shareholders Meeting on March 31, 1995.

The 3<sup>rd</sup> amendment was adopted by the Board of Directors of the Company held on February 25, 2002.

The 4<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 23, 2002.

The 5<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on March 17, 2003 and entered into force after the approval by the Annual General Shareholders Meeting on June 10, 2003.

The 6<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 21, 2004 and entered into force after the approval by the Annual General Shareholders Meeting on June 15, 2004.

The 7<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 29, 2009 and entered into force after the approval by the Annual General Shareholders Meeting on June 19, 2009.

The 8<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 28, 2010 and entered into force after the approval by the Annual General Shareholders Meeting on June 18, 2010.

## **Appendix 5**

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

#### **Article 1 Purpose and Legal Basis:**

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

#### **Article 2 Definition and Scope:**

1. The term "assets" as used in these Processing Procedures includes the following:
  - (1) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
  - (2) Real property, other fixed assets, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets.
  - (3) Derivatives.
  - (4) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law.
  - (5) Other major assets.
2. The term "derivatives" as used herein refers to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
3. The term "assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law" as used herein are the ones acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 6 of the Company Act.
4. The term "related party" as used herein refers to the one defined in Statement of Financial Accounting Standards (SFAS) No. 6 published by the ROC Accounting Research and Development Foundation (hereinafter "ARDF").

5. The term “subsidiary” as used herein refers to the one defined in SFAS Nos. 5 and 7 published by the ARDF.
6. The term “professional appraiser” as used herein refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or other fixed assets.
7. The term “date of occurrence” as used herein refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authority is required, the earlier of the above date or the date of receipt of approval by the Competent Authority shall apply.
8. The term “Mainland area investment” as used herein refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

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

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

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

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



and other intangible assets, etc. shall not exceed 10% of the Company's net value, while the amount of the held singular non-operating real property, other fixed assets, memberships and other intangible assets shall not exceed 5% of the Company's net value.

2. **Subsidiary's Authorized Limit:**

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

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

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

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

Article 185 of Company Act, the case shall be submitted to the Board of Directors for approval and then forwarded to the Meeting of Shareholders for approval before implementation.

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 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 8<sup>th</sup> 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.



## Appendix 6

### **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 7

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

Book closure date: April 23, 2013

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	3,100,000
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	1,959,731
Independent Director	Min Chih Hsuan	0
Independent Director	Duei Tsai	0
Independent Director	Duh Kung Tsai	0
<b>Shareholding of all Directors</b>		249,023,036
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>		25,039,038

Note :

1. The above mentioned shares includes the shares under trust with discretion reserved.
2. In accordance with the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”, where the paid-in capital of the company is more than NT\$10 billion but NT\$50 billion or less, the aggregate number of registered shares owned by all Directors shall not be less than three percent of the total issued shares; the aggregate number of registered shares owned by all Supervisors shall not be less than 0.3 percent of the total issued shares. The aggregate numbers of registered shares held by all Directors and Supervisors of Compal are listed below:
  - The aggregate number of the registered shares held by all Directors shall not less than 105,903,663 shares;
  - The aggregate number of the registered shares held by all Supervisors shall not less than 10,590,366 shares.

## **Appendix 8**

**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 2013; 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 2013 Annual General Shareholders Meeting is from April 3, 2013 to April 15, 2013.
- 4 Other than Mr. Sean Martin Maloney, 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.