

# Compal Electronics, Inc.

## 2017 Annual Report

### Notice to readers

*This English-version annual report is a summary translation of the Chinese version and is not an official document approved in a shareholders' meeting in accordance with Taiwanese laws. Should any discrepancy arise between the English and Chinese versions, the Chinese version shall prevail.*



Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

Company Annual Report is available at: <http://www.compal.com>

Printed on May 9, 2018

## **I. Spokesperson**

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Deputy Spokesperson: Jack Wang / Director of Accounting Dept.

Tel: 886-2-8797-8588

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## **II. Headquarters, Branches and Plant**

Headquarters

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## **III. Share Administration Agency**

Chinatrust Transfer Agent

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## **IV. Auditors**

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Auditors: Kuo, Kuan Ying and Au, Yiu Kwan

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## **V. Overseas Securities Exchange**

Luxembourg Stock Exchange: <http://www.bourse.lu>

London Stock Exchange <http://www.londonstockexchange.com>

## **VI. Corporate Website**

<http://www.compal.com>

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# **I. Letter to Shareholders**

**Dear Shareholders,**

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

## **2017 Financial and Business Performance**

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

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

## **Honors and Awards**

With our continual effort towards innovation, Compal has kept up with its impressive performance in the German iF product designs in 2017 by receiving a total of 43 awards over the past six years, thereby firmly securing Compal's place in the iF Top 100 Global Innovation Corp. Ranking. Compal's commitment to Corporate Social Responsibilities (CRS) and Corporate Governance has once again been acknowledged by the Gold Medal Award in TCSA given by Taiwan Institute for Sustainable Energy along with the company's placement in the top 20% in Corporate Governance Evaluation by Taiwan Stock Exchange Corporation in 2017. Not only that, Compal is once again selected as a Taiwan Stock Exchange Corporate Governance Index constituent stock.

## **2018 Business Outlook**

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

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

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

Once again, we sincerely appreciate your support and advice for Compal and wish you a peaceful and prosperous year ahead!

Sincerely yours,

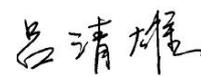
Chairman: Sheng-*Hsiun Hsu* (*Rock Hsu*)

Chief Executive Officer (CEO): *Jui-Tsung Chen* (*Ray Chen*)

Chief Finance Officer (CFO): *Ching-Hsiung Lu* (*Gary Lu*)

## II. Company Profile

2.1 Date of Incorporation: June 1, 1984

### 2.2 Company History

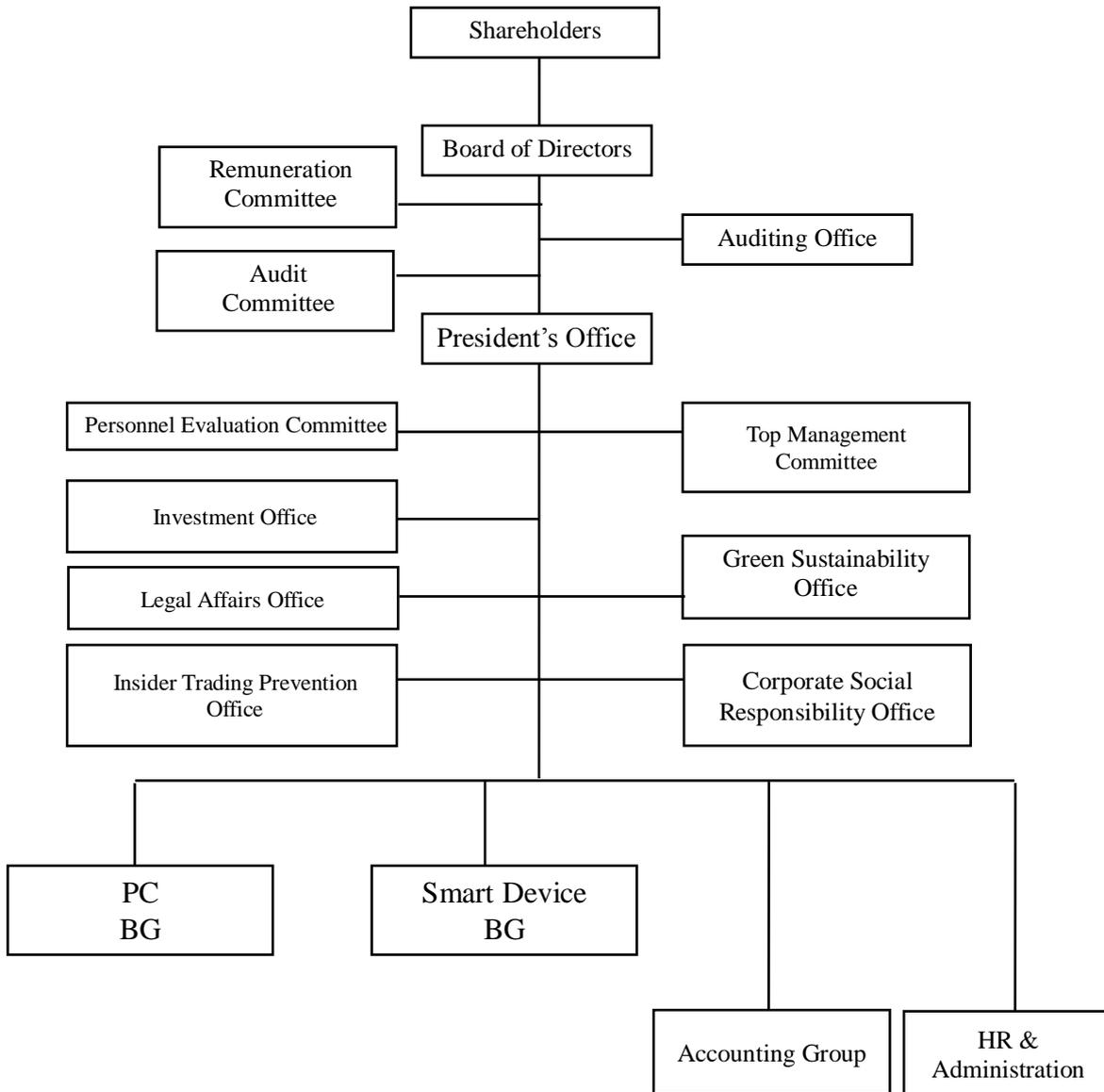
#### Company history in the past two years:

Year	Milestones
2016	<ul style="list-style-type: none"> <li>• Won 10 awards of 2016 “iF design” and ranked 15th on Global Innovation.</li> <li>• Ranked within top 6%~20% TWSE-listed companies of the “Second Round of Corporate Governance Evaluation” by TWSE</li> <li>• Ranked 4th in Commonwealth Magazine’s “Top-2000 Manufacturers.”</li> <li>• Ranked 48th in Commonwealth Magazine’s “Cross-strait Top 1000 Survey”.</li> <li>• Ranked 400th on the Fortune Global 500.</li> <li>• Ranked 1467th on the Forbes Global 2000.</li> <li>• Ranked 26th on Commonwealth Magazine’s Top 50 CSR in Corporate Citizen Awards.</li> <li>• Ranked 25th on The 100 most sustainable companies in Asia by CSR Asia Summit.</li> <li>• Received Taiwan Corporate Sustainability Report Awards in “2016 TCSA” – ICT Manufacturing – The Silver Medal.</li> <li>• The Company’s share capital reached NTD 44.2 billion by the 2016.</li> <li>• The Company earned NTD 766.8 billion in consolidated revenues in 2016.</li> </ul>
2017	<ul style="list-style-type: none"> <li>• Chairman Rock Hsu received the “Pan Wen Yuan Award” – the most prestigious award for technology in Taiwan.</li> <li>• Won 4 awards of 2017 “iF design” and ranked 31th on Global Innovation.</li> <li>• Ranked within top 6%~20% TWSE-listed companies of the “Third Round of Corporate Governance Evaluation” by TWSE.</li> <li>• Ranked 5th in Commonwealth Magazine’s “Top-2000 Manufacturers”.</li> <li>• Ranked 53th in Commonwealth Magazine’s “Cross-strait Top 1000 Survey”.</li> <li>• Ranked 458th on the Fortune Global 500.</li> <li>• Ranked 1531th on the Forbes Global 2000.</li> <li>• Received Taiwan Corporate Sustainability Report Awards in “2017 TCSA” – ICT Manufacturing – The Gold Medal.</li> <li>• The Company’s share capital reached NTD 44.2 billion by the 2017.</li> <li>• The Company earned NTD 887.7 billion in consolidated revenues in 2017.</li> </ul>
2018	<ul style="list-style-type: none"> <li>• Chairman Rock Hsu received the Economic Profession Medal (First Rank).</li> <li>• Won 11 awards of 2018 “iF design”.</li> <li>• Ranked within top 6%~20% TWSE-listed companies of the “Fourth Round of Corporate Governance Evaluation” by TWSE.</li> <li>• Ranked 6th in Commonwealth Magazine’s “Top-2000 Manufacturers”.</li> <li>• Ranked 59th in Commonwealth Magazine’s “Cross-strait Top 1000 Survey”.</li> <li>• Selected to take part in the CDP climate change program for four consecutive years (2014-2017) and received an overall CDP rating of B at the Management Level for 2017.</li> </ul>

# III. Corporate Governance Report

## 3.1 Organization

### 3.1.1 Organizational Chart (As of Jan 1, 2018)



### 3.1.2 Major Corporate Functions

Department	Functions
President's Office	Responsible for the Company's operation
Investment Office	Responsible for investment-related activities
Auditing Office	Conducts internal audits
Legal Affairs Office	Handles the Company's legal affairs
Green Sustainability Office	Executes "Green Life" projects
Insider Trading Prevention Office	Implements preventive measures against insider trading
Corporate Social Responsibility Office	Promotes and executes CSR-related affairs
PC BG	Responsible for the R&D, production, quality control and sale of PC products
Smart Device BG	Responsible for the R&D, production, quality control and sale of smart devices
Accounting Group	Handles accounting, share administration, and funding affairs
HR & Administration Group	Responsible for human resource, training, education, employee relations, general affairs and building management

## 3.2 Directors, Supervisors and Management Team

### 3.2.1 Directors and Supervisors

April 24, 2018

Title	Name/ Nationality/Gender (Note 1)	Elected Date	Term	First Elected Date (Note 3)	Shareholding as of elected date		Current shareholding		Shares held by spouse and underage children Current shareholding		Shares held by proxy		Major career (academic) achievements	Selected Current Positions held concurrently in the company and/or any other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or department heads		
					Shares	Shareholding Percent age (%)	Shares	Shareholding Percent age (%)	Shares	Shareholding Percent age (%)	Shares	Shareholding Percent age (%)			Shares	Shareholding Percent age (%)	Title
Chairman	Hseng-Hsiun Hsu	2015.6.26	3 years	1984.04.16	17,775,401	0.40%	8,975,401	0.20%	17,107,025	0.39%	0	0.00%	Honorary Doctorate, National Taiwan Normal University Chairman of Kinpo and Compal Electronics Inc.	(Note 4)	Director Director	Sheng-Chieh Hsu Shyh-Yong Shen	Brothers Father and son in law
Director	Jui-Tsung Chen	2015.6.26	3 years	1992.04.30	50,782,587	1.14%	35,352,587	0.80%	1,069,405	0.02%	0	0.00%	Department of Electrical Engineering, National Cheng Kung University Chairman of Compal Communication Inc. & Arcadyan Technology Corp.	(Note 4)	N/A	N/A	N/A
Director	Wen-Being Hsu	2015.6.26	3 years	1984.04.16	4,000,000	0.09%	4,000,000	0.09%	0	0.00%	(Note3)	(Note 3)	National Tao-Yuan Sr. Vocational Agricultural & Industrial School Director of BAOTEK, Inc.	(Note 4)	N/A	N/A	N/A
Director	Kinpo Electronics, Inc.	2015.6.26	3 years	1990.06.22	151,628,692	3.39%	151,628,692	3.43%	-	-	0	0.00%	M.B.A., University of Southern California; PhD, Whittier Law School MBA WHITTIER Director and President of Kinpo Electronics Inc.	(Note 4)	Chairman	Hseng-Hsiun Hsu	Father and son in law
	2012.03.14			0	0.00%	0	0.00%	0	0.00%								
Director	Charng-Chyi Ko(Note 2)	2015.6.26	3 years	1984.04.16	7,896,867	0.18%	7,896,867	0.18%	30,645	0.00%	0	0.00%	National Taiwan University College of Management PhD, Lincoln University, USA Chairman and President of Taiwan Biotech Co., Ltd.	(Note 4)	N/A	N/A	N/A
Director	Sheng-Chieh Hsu (Note 2)	2015.6.26	3 years	1997.05.29	9,119,297	0.20%	9,119,297	0.21%	8,600,928	0.19%	(Note 3)	(Note 3)	Department of Architecture, Tam-Kang University Managing Director of Kinpo Electronics Inc.	(Note 4)	Chairman	Hseng-Hsiun Hsu	Brothers
Director	Yung-Chia Chou (Note 2)	2015.6.26	3 years	1987.06.13	8,022,874	0.18%	8,022,874	0.18%	2,502,768	0.06%	0	0.00%	Department of Geosciences, National Taiwan University Supervisor of Kinpo Electronics Inc.	(Note 4)	N/A	N/A	N/A
Director	Wen-Chung Shen	2015.6.26	3 years	1998.04.08	11,935,968	0.27%	6,735,968	0.15%	5,201,931	0.12%	0	0.00%	Department of Electrical Engineering, National Taiwan University Director of Arcadyan Technology Corp.	(Note 4)	N/A	N/A	N/A
Director	Yung-Ching Chang	2015.6.26	3 years	2000.03.30	3,898,587	0.09%	2,206,587	0.05%	7,259	0.00%	0	0.00%	Master's Degree in Graduate School of Management, Yuan Ze University Chairman of Allied Circuit Co., Ltd.	(Note 4)	N/A	N/A	N/A

Title	Name/ Nationality/Gender (Note 1)	Elected Date	Term	First Elected Date (Note 3)	Shareholding as of elected date		Current shareholding		Shares held by spouse and underage children Current shareholding		Shares held by proxy		Major career (academic) achievements	Selected Current Positions held concurrently in the company and/or any other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or department heads		
					Shares	Shareholding Percent age (%)	Shares	Shareholding Percent age (%)	Shares	Shareholding Percent age (%)	Shares	Shareholding Percent age (%)			Title	Name	Relationship
Director	Chung-Pin Wong	2015.6.26	3 years	2007.06.15	4,833,618	0.11%	6,618,618	0.15%	1,398	0.00%	0	0.00%	Graduate Institute of Management Science, National Chiao Tung University Chairman of Rayonnant Technology Holdings Ltd.	(Note 4)	N/A	N/A	N/A
Director	Chiung-Chi Hsu	2015.6.26	3 years	1994.04.23	2,000,731	0.04%	2,000,731	0.05%	30,000	0.00%	0	0.00%	Master's Degree, Golden Gate University, San Francisco, USA Director of I PAO Bearing Co., Ltd.	(Note 4)	N/A	N/A	N/A
Director	Chao-Cheng Chen	2015.6.26	3 years	2014.6.20	4,850,000	0.11%	4,785,000	0.11%	1,428	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University President of Compal Communication Inc.	(Note 4)	N/A	N/A	N/A
Independent Director	Min-Chih Hsuan	2015.6.26	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Honorary Doctorate, National Chiao Tung University Chairman of United Microelectronics Corp. & Faraday Technology Corp.	(Note 4)	N/A	N/A	N/A
Independent Director	Duei Tsai	2015.6.26	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD, Graduate Institute of Electrical Engineering, National Taiwan University Minister of Transportation and Communications R.O.C.	(Note 4)	N/A	N/A	N/A
Independent Director	Duh-Kung Tsai	2015.6.26	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Industrial Engineering, National Taipei Institute of Technology Chairman of Powertech Technology Inc.	(Note 4)	N/A	N/A	N/A

Note: All directors are Republic of China nationals and male.

2. The previous supervisors Charng-Chyi Ko, Sheng-Chieh Hsu and Yung-Chia Chou resigned as of June 26, 2015 and were elected as directors in 2015 shareholders meeting. The service of Supervisor Sheng-Chieh Hsu was temporarily discontinued between June 22, 1990 and April 22, 1994.

3. Director Wen-Being Hsu held 5,000,000 shares (0.11%) through proxies, while Supervisor Sheng-Chieh Hsu held 3,500,000 shares (0.08%) through proxies.

4. Selected Current Positions as below:

Title	Name	Selected Current Positions
Chairman	Sheng-Hsiun Hsu	<p><b>Chairman:</b> Kinpo Electronics, Inc., AcBel Polytech Holdings Inc., Thailand Citi Office, Teleport Access Services Inc., Cal-Comp Electronics (Thailand), Gempal Technology Corp., Panpal Technology Corporations, Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd., Jipo Investment Inc., Kinpo Group Management Consultant Company, Breeze Integrated Development Co., Ltd., NTNU Startup Holding Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information Research &amp; Development (Nanjing) Co., Ltd, Compal Digital Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronics (Chongqing) Co., Ltd., Compal Electronics (China) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Kunshan Botai Electronics Co., Ltd., Chongqing Yipal Smart Electronic Device Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Management (Chengdu) Co., Ltd., Kinpo Electronics (China) Co., Ltd.</p> <p><b>Managing Director:</b> Taiwan Biotech Co., Ltd.</p> <p><b>Director:</b> Baotek Industrial Materials Ltd., Crownpo Technology Inc., Compal System Trading (Kunshan) Co., Ltd., Cal-Comp Optical Electronics (Suzhou) Co., Ltd., Cal-Comp Technology (Suzhou) Co., Ltd., Cal-Comp Electronics and Communication (Suzhou) Co., Ltd., Acbel Polytech Holdings Inc., Acbel Polytech (Singapore) Pte. Ltd., Ascendant Private Equity Investment Ltd., Billion Sea Holdings Limited, Big Chance International Co., Ltd., Center Mind International Co., Ltd., Compal Display Holding (HK) Limited, Compal Electronics (Holding) Ltd., Compal Electronics International Ltd., Compal International Ltd., Compal International Holding (HK) Limited, Compal International Holding Co., Ltd., Compal Rayonnant Holdings Ltd., Core Profit Holdings Limited, Flight Global Holding Inc., Forward International Ltd. , Fortune Way Technology Corp., Global Strategic Investment Inc., Goal Reach Enterprises Ltd., HengHao Holdings A Co., Ltd., HengHao Holdings B Co., Ltd., HengHao Trading Co., Ltd., High Shine Industrial Corp., Intelligent Universal Enterprise Ltd., Jenpal International Ltd., Just International Ltd., Kinpo International (Singapore) Pte. Ltd., Kinpo International Ltd., Lipo Holding Co., Ltd., Prospect Fortune Group Ltd., Prisco International Co., Ltd., Ranashe International Ltd., Smart International Trading Ltd.</p> <p><b>President:</b> Kinpo Group Management Consultant Company</p> <p><b>Other:</b> Chinese National Federation of Industries Honorary President, Importers and Exporters Association of Taipei Honorary President., Taiwan Electrical and Electronic Manufacturers' Association Strategy Consultant, China Productivity Center Chairman, Straits Exchange Foundation Vice Chairman, SINOCON Industrial Standards Foundation Vice Chairman, Taiwan Design Center Managing Director, Management Institute in Taipei Director</p>
Director	Jui-Tsung Chen	<p><b>Chairman:</b> Arcadyan Technology Corp., Ripal Optoelectronics Co., Ltd. Infinno Technology Corporation, Huang Feng Communication Co., Ltd., UNICOM GLOBAL INC., General life Biotechnology Co., Ltd., Raycore Biotech Co., Ltd., UniCore Biomedical Co., Ltd., Compal System Trading (Kunshan) Co., Ltd.</p> <p><b>Director:</b> Kinpo Electronics, Inc., Compal Broadband Networks, Inc., Henghao Technology Co., Ltd., Mactech Co., Ltd., Infinno Technology Corporation, Gempal Technology Corp., Panpal Technology Corporations, Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd., Kinpo Management Service Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information Research &amp; Development (Nanjing) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronics (Chongqing) Co., Ltd., Compal Electronics (China) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Network Information (Kunshan) Co., Ltd., Kunshan Botai Electronics Co., Ltd., Chongqing Yipal Smart Electronic Device Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Management (Chengdu) Co., Ltd., Compal (Vietnam) Co., Ltd., Compal (Vietnam) Co., Ltd., Ascendant Private Equity Investment Ltd., Arcadyan Technology N.A. Corporation, Arcadyan Holding (BVI) Corp., Arch Holding (BVI) Corp., Billion Sea Holdings Limited, Big Chance International Co., Ltd., Bizcom Electronics, Inc., Center Mind International Co., Ltd., Compal Display Holding (HK) Limited, Compal Electronics International Ltd., Compal Electronics (Holding) Ltd., Compal International Ltd., Compal International Holding Co., Ltd., Compal International Holding (HK) Limited, Compal Rayonnant Holdings Ltd., Compalead Electronics B.V., Core Profit Holdings Limited, Etrade Management Co., Ltd., Flight Global Holding Inc., Forever Young Technology Inc., Fortune Way Technology Corp., Giant Rank Trading Ltd., Goal Reach Enterprises Ltd., HengHao Holding A Co., Ltd., HengHao Holding B Co., Ltd., HengHao Trading Co., Ltd., High Shine Industrial Corp., Intelligent Universal Enterprise Ltd., Jenpal International Ltd., Just International Ltd., Prospect Fortune Group Ltd., Prisco International Co., Ltd., Smart International Trading Ltd., Sinoprime Global Inc., Wah Yuen Technology Holding Ltd., Webtek Technology Co., Ltd.</p> <p><b>President:</b> Compal Electronics, Inc., Gempal Technology Corp., Panpal Technology Corp., Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd., Zhaopal Investment Co., Ltd., Yongpal Investment Co., Ltd., Kaipal Investment Co., Ltd.</p>

Title	Name	Selected Current Positions
Director	Wen-Being Hsu	Director: Baotek Industrial Materials Ltd.
Director	Kinpo Electronics Inc.	Director: AcBel Polytech Holdings Inc., CastleNet Technology Inc., Baotek Industrial Materials Ltd., Teleport Access Services Inc., Crownpo Technology Inc., Cal-Comp Biotech Co., Ltd., Medipal Sapiens Co., Ltd., Cal-Comp Big Data, Inc., XYZprinting Co., Ltd., Norm Pacific Automation Corp., Kinpo Management Service Co., Ltd., Jipo Investment Inc., Kun Ji Entrepreneurial Investment Co., Ltd., Prudence Capital Management, NTNU Startup Holding Co., Ltd. Supervisor: Cal-Comp Biotech Co., Ltd., Jipo Investment Inc.,
	Kinpo Electronics Inc. Representative: Shyh-Yong Shen	Chairman: CastleNet Technology Inc., Cal-Comp Biotech Co., Ltd., New Era AI Robotic Inc., Medipal Sapiens Co., Ltd., Cal-Comp Big Data, Inc., XYZprinting Co., Ltd., Kaipos Electronics Co., Ltd., Cal-Comp Optoelectronic (Suzhou) Co., Ltd., Cal-Comp Technology (Suzhou) Co., Ltd., Cal-Comp Electronics & Communications (Suzhou) Co., Ltd., Peifeng (Kunshan) Co., Ltd., Xinli (Shanghai) Network Technology Co., Ltd., Cal-Comp Precision (Wujiang) Co., Ltd., Cal-Comp Precision (Dongguan) Co., Ltd., Avaplas Precision Plastics (Shanghai) Co., Ltd., XYZprinting (Suzhou) Co., Ltd., Cal Comp (Malaysia) Sdn. Bhd., Cal-Comp Electronics de Mexico Co. S.A. de C.V., Cal-Comp Precision (Philippines) Ltd., Cal-Comp Precision (Singapore) Ltd., Cal-Comp Technology (Philippines), Inc., Kinpo Electronics (Philippines) Inc., New Era AI Robotic Ltd., XYZLife (Philippines) Inc., XYZprinting Japan, Inc. Vice Chairman: Cal-Comp Technology Co., Ltd., and PChome (Thailand) Co., Ltd. Director: New Kinpo Group, AcBel Polytech Inc., Cal-Comp Electronics & Communications (Suzhou) Co., Ltd., Qbit Semiconductor Co.,Ltd., Dawning Leading Technology Inc., Jipo Investment Inc., Kinpo Group Management Consultant Company, Kinpo Electronics (China) Co., Ltd., Ascendant Private Equity Investment Ltd., Cal-Comp Big Data International Ltd., Cal-Comp Electronics (USA) Co., Ltd., Cal-Comp (India) Private Ltd., Cal-Comp Holding (Brasil) S.A., Cal-Comp Industria De Semicondutores S.A., Cal-Comp Precision (Malaysia) Sdn. Bhd., Cal-Comp Precision (Thailand) Ltd., Cal-Comp USA (San Diego), Co., Inc., Castlenet Techology (BVI) Inc., Kinpo International (Singapore) Pte. Ltd., Kinpo International Ltd., Logistar International Holding Company Limited, Nexa3D Inc., Ruten Singapore Pte. Ltd., Power Station Holdings Ltd., QBit Semiconductor Holding, Ltd., XYZprinting, Inc. (Korea), XYZprinting, Inc. (Samoa), XYZprinting, Inc. (USA), XYZprinting Netherlands, B.V., XYZprinting (Thailand) Co., Ltd. President: New Kinpo Group, Cal-Comp Electronics & Communications Co., Ltd., Cal-Comp Big Data, Inc, Kinpo Electronics (China) Co., Ltd., Cal-Comp Optoelectronic (Suzhou) Co., Ltd., Cal-Comp Technology (Suzhou) Co., Ltd., Cal-Comp Electronics & Communications (Suzhou) Co., Ltd., Xinli (Shanghai) Network Technology Co., Ltd., Avaplas Precision Plastics (Shanghai) Co., Ltd., , XYZprinting (Suzhou) Co., Ltd., Cal-Comp Electronics (USA) Co., Ltd., Cal-Comp USA (Indiana) , Co., Inc, Cal-Comp USA (San Diego), Co., Inc., XYZprinting, Inc. (U.S.A)
Director	Charng-Chyi Ko	Chairman: Baotek Industrial Materials Ltd., Taiwan Biotech Co., Ltd., SMARTINT, INC., Evergene Biotech Industrial Co., Ltd., Wei Ke Biotech Co., Ltd., Global BioPharma, Inc. ,Genhealth Pharma Co., Ltd., Taiwan Veterans Pharmaceutical Co., Ltd., Chao Chien Industrial Co., Ltd., You Yuen Co., Ltd., Taiwan Venture Capital Association, Chang Yi Investment Co., Ltd., Yin Feng International Co., Ltd., Charleston Asset Management Co., Ltd., Twin Luck Global Co., Ltd. Director: Kinpo Electronics, Inc., Formosan Union Chemical Corp., SMARTINT Inc., OmniHealth Group, Inc., AIM PIC/S GMP, Spiregene Biotech Healthcare, Chipgene International Enterprise Co., Ltd., Min-Sheng Asset Management Co., Ltd., Min-Sheng Healthcare Co., Ltd., Global Strategic Investment Inc. (Samoa), Gold Precision Ltd., KKXC Intergrated Management Holding (CYPRUS) Ltd., Medinox Inc., Optics Lab Inc., Syn Pharm Inc. Supervisor: Teleport Access Services Inc., Cal-Comp Electronics & Communications Co., Ltd., Kenly Precision Industrial Co., Ltd., Formosan Union Chemical Corp., Sunny Special Dyeing & Finishing Co., Ltd., Zhaopal Investment Co., Ltd., Yongpal Investment Co., Ltd., Kaipal Investment Co., Ltd., Commonwealth Magazine Group President: Baotek Industrial Materials Ltd., Yin Feng International Co., Ltd. Other: Cross-Strait Healthcare and Leisure Activities Association Executive Supervisor, Health, Welfare & Environment Foundation Director, YBL Foundation Managing Director
Director	Sheng-Chieh Hsu	Chairman: Cheng Chi Investment Co., Ltd. Director: New Kinpo Group, Cal-Comp Technology Co., Ltd., Cal-Comp Electronics & Communications Co., Ltd., Jipo Investment Inc., Kinpo Electronics (China) Co., Ltd., , Kaipos Electronics Co., Ltd., Kinpo International Ltd. Supervisor: Gempal Technology Corp., Panpal Technology Corp., Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd.
Director	Yen-Chia Chou	Chairman: Sceptre Industry Co., Ltd. Director: New Kinpo Group, Micro Metal Electronics Co., Ltd.

Title	Name	Selected Current Positions
		Supervisor: Full Power Investment Co., Ltd. President: Sceptre Industry Co., Ltd.
Director	Wen-Chung Shen	Director: Arcadyan Technology Corp., Topower Co., Ltd., Arcadyan Technology (Shanghai) Corp., Maxima Ventures I, LC Future Center Ltd Senior Consultant: Compal Electronics, Inc.
Director	Yung-Ching Chang	Chairman: Allied Circuit Co., Ltd., Mactech Co., Ltd. Director: Kunshan Allied Circuit Co., Ltd., Wei Chu Holding Co., Ltd., Bo Feng Capital Management Co., Ltd., Senior Consultant: Compal Electronics, Inc.
Director	Chung-Pin Wong	Chairman: Henghao Technology Co., Ltd., Jui Hong Technology Co., Ltd., Kunshan Botai Electronic Services Co., Ltd., Auscom Engineering Inc., Wah Yuen Technology Holding Ltd. Managing Director: Kunshan Botai Electronic Services Co., Ltd. Director: Arcadyan Technology Corp., Allied Circuit Co., Ltd., Mactech Co., Ltd., Panpal Technology Corp., Ripal Optoelectronics Co., Ltd., UNICOM GLOBAL INC., General life Biotechnology Co., Ltd., UniCore Biomedical Co., Ltd., Sanga Taiwan Co., Ltd., Hong Jin Capital Co., Ltd., Maxima Ventures I, Inc., Compal System Trading (Kunshan) Co., Ltd., Compal System Trading (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronic Technology (Chongqing) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Management (Chengdu) Co., Ltd., Allied Power Holding Corp., Amexcom Electronics, Inc., Bizcom Electronics, Inc., Compal Connector Manufacture Ltd., Compal Europe (Poland) Sp. z o.o., HengHao Holdings A Co., Ltd., HengHao Holdings B Co., Ltd., HengHao Trading Co., Ltd, Primetek Enterprises Ltd., Sirqul Inc. Supervisor: Hong Ye Technology Corporation Executive Vice President: Compal Electronics Inc.
Director	Chiung-Chi Hsu	Chairman: Full Power Investment Co., Ltd. Director: Plank Optoelectronics Inc., Eb Bearing Co., Ltd., Chienhsinbao Hardware Co., Ltd.
Director	Chao-Cheng Chen	Chairman: Compal Broadband Networks Inc., Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Compal Communications (Nanjing) Co. Ltd., HANHELT Communications (Nanjing) Co., Ltd. Director: Arcadyan Technology Corp., Mactech Co., Ltd., Henghao Technology Co., Ltd., Gempal Technology Corp., Topower Co., Ltd., Huang Feng Communication Co., Ltd., Ripal Optoelectronics Co., Ltd., General Life Biotechnology Co., Ltd., UniCore Biomedical Co., Ltd., Hong Ji Capital Co., Ltd., Kinpo Group Management Consultant Company, Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Electronics (China) Co., Ltd., Kunshan Botai Electronics Co., Ltd., Chongqing Yipal Smart Electronic Device Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Amexcom Electronics, Inc., Bizcom Electronics, Inc., CENA Electromex S.A. de C.V., Compalead Electronics, B. V., Mexcom Electronics, LLC, Mexcom Technologies, LLC, Speedlink Tradings Ltd. President: Compal Investment (Jiangsu) Co., Ltd. Executive Vice President: Compal Electronics Inc.
Independent Director	Min-Chih Hsuan	Chairman: Taiwan Memory Corporation, Meridigen Biotech Co., Ltd., Meribank Co., Ltd., Qi Ding Biotech Co., Ltd., Taiwan Cultural Creativity No.1 Co., Ltd., Life Pioneer Investment Co., Ltd., Maxima Ventures I, Inc., Maxima Ventures II, Inc. Director: General Biologicals Corporation, SIPP Technology Corporation, Clientron Corp., Elevant BioPharma Co., Ltd., Tonghua Uni-Capsule LLC, Angeluca Science Ltd. (Republic of Seychelles), Ikala Global Online Corp., Pacgen Biopharmaceuticals Corporation (Canada) Independent Director: Wistron Corporation, Siliconware Precision Industries Co., Ltd. Remunerate Committee member: Compal Electronics, Inc., Wistron Corporation, Siliconware Precision Industries Co., Ltd. Audit Committee member :Compal Electronics, Inc., Wistron Corporation, Siliconware Precision Industries Co., Ltd.
Independent Director	Duei Tsai	Independent Director: Getec Technology Corporation, TaiwanTaxi Corp., TTY Biopharm Remunerate Committee member: Compal Electronics, Inc., Getec Technology Corporation, TaiwanTaxi Corp., TTY Biopharm Audit Committee member: Compal Electronics, Inc., TTY Biopharm
Independent	Duh Kung	Chairman: Powertech Technology Inc., Greatek Electronics Inc.

Title	Name	Selected Current Positions
Director	Tsai	Director: Powertech Technology (Suzhou) Ltd., Powertech Technology Akita Inc., Powertech Holding (B.V.I.) Inc., Powertech Technology (Singapore) Pte. Ltd. and PTI Technology (Singapore) Pte. Ltd., Tera Probe, Inc. Sales Representative: Powertech Technology Japan Ltd. Independent Director: Wistron Corporation, Chicony Power Technology Co., Ltd. Remunerate Committee member: Compal Electronics, Inc., Wistron Corporation, Chicony Power Technology Co., Ltd. Audit Committee member: Compal Electronics, Inc., Wistron Corporation Chief Executive Officer: Powertech Technology Inc.

### **Major shareholders of the Company's corporate shareholders**

April 13, 2018

Name of corporate shareholder	Major shareholders of the corporate shareholder (Note)
Kinpo Electronics, Inc.	Compal Electronics, Inc. (8.52%), Jipo Investment Inc. (3.17%), Lai-Shun Shen Tsai (2.84%), Nan Shan Life Insurance Company Ltd. (2.81%), Citibank Taiwan in its Capacity as Trustee of NBIM Investment Account (2.58%), Panpal Technology Corporation (1.59%), Hebao Investment Co., Ltd. (1.50%), Li-Chu Tsai (1.49%), Shyh-Yong Shen (1.46%), Standard Chartered in custody of CITIC Hong Kong Accounts (1.44%)

Note: If the major shareholder is also a corporate entity, please refer to the following table.

### **Major shareholders of the Company's major corporate shareholders**

Name of corporate shareholder	Major shareholders of corporate shareholders
Jipo Investment Inc.	Kinpo Electronics Inc. (100%)
Nan Shan Life Insurance Company Ltd.	First Commercial Bank in its Capacity as Trustee of Ruen Chen Investment Holding (75.14%), Ruen Chen Investment Holding (15.48%), Ying-Zong Tu (3.25%), Ruen Hua Dyeing & Weaving Co., Ltd (0.28%), Ruentax Leasing Co., Ltd. (0.15%), Wen-De Kuo (0.11%), Jipin Investment Co., Ltd. (0.11%), Bao Chi Investment Co., Ltd. (0.05%), Bao Yi Investment Co., Ltd.(0.05%), Bao Hui Investment Co., Ltd. (0.05%), Bao Huang Investment Co., Ltd. (0.05%)
Panpal Technology Corporation	Compal Electronics Inc. (100%)
Hebao Investment Co., Ltd.	Chieh-Li Hsu (41.52%), Li-Chu Tsai (27.83%), Yong-Hsu Hsu (12.50%), Chun-Chi Hsu (13.91%), Huang-Hsin Hsu(2.83%), Yue-Hsia Huang Hsu(1.41%)

## Professional qualifications and independence analysis of directors and supervisors

Name	Having Met One of the Following Professional Qualifications, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Sheng-Hsiun Hsu			✓	✓		✓	✓			✓		✓	✓	0
Jui-Tsung Chen			✓			✓	✓			✓	✓	✓	✓	0
Wen-Being Hsu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Kinpo Electronics Inc. Representative: Shyh-Yong Shen			✓			✓	✓			✓		✓		0
Charng-Chyi Ko		✓	✓	✓		✓	✓			✓	✓	✓	✓	0
Sheng-Chieh Hsu			✓	✓		✓	✓			✓		✓	✓	0
Yen-Chia Chou			✓	✓		✓	✓			✓	✓	✓	✓	0
Wen-Chung Shen			✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	0
Yung-Ching Chang			✓	✓		✓	✓	✓		✓	✓	✓	✓	0
Chung-Pin Wong			✓			✓	✓	✓		✓	✓	✓	✓	0
Chiung-Chi Hsu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Chao-Cheng Chen			✓			✓	✓	✓		✓	✓	✓	✓	0
Min Chih Hsuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Duei Tsai	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Duh Kung Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: Tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its

parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not a person of any conditions defined in Article 30 of the Company Act.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

### 3.2.2 Management Team

April 24, 2018

Title	Name/ National ity/ Gender (Note 1)	Date elected / appointed	Shares held		Shares held by spouse and underage children Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)			Title	Name	Relatio nship
President	Jui-Tsung Chen	1989.06.01	35,352,587	0.80%	1,069,405	0.02%	0	0.00%	Department of Electrical Engineering, National Cheng Kung University Chairman of Compal Communication Inc. & Arcadyan Technology Corp.	Refer to Page 11-14	Vice President	Bo-Tang Wang	Relative by affinity
Executive Vice President	Chung-Pin Wong	2007.04.01	6,618,618	0.15%	1,398	0.00%	0	0.00%	Graduate Institute of Management Science, National Chiao Tung University Rayonnant Technology Co., Ltd. Chairman	Refer to Page 11-14	N/A	N/A	N/A
Executive Vice President	Chao-Cheng Chen	2014.02.27	4,785,000	0.11%	1,428	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University President of Compal Communication Inc.	Refer to Page 11-14	N/A	N/A	N/A
Executive Vice President	Chen-Chang Hsu	2011.08.31	0	0.00%	0	0.00%	0	0.00%	National Chiao Tung University EMBA Executive Vice President of WINTEK Corporation	(Note 3)	N/A	N/A	N/A
Senior Vice President	Chun-De Shen	2007.01.01	2,953,700	0.07%	900,000	0.02%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Director of Kinpo Electronics Inc.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Kuo-Chuan Chen	2007.01.01	1,102,823	0.02%	10,924	0.00%	0	0.00%	Department of Physics, Chung Yuan Christian University Senior Vice President of Compal Communication Inc.	N/A	N/A	N/A	N/A
Senior Vice President	Pei-Yuan Chen	2009.10.06	3,487,698	0.08%	1,045,585	0.02%	0	0.00%	Department of International Trade, Hsingwu College Director of Kinpo Electronics Inc.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Chiu-Rui Wei	2010.03.18	350,000	0.01%	142,966	0.00%	0	0.00%	Master of Business Administration, University of Washington, USA Senior Vice President of Toppoly Optoelectronics Corp.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Ying Chang	2011.02.24	735,000	0.02%	0	0.00%	0	0.00%	MBA, University Of Georgia President of Swenc Technology Co., Ltd.	N/A	N/A	N/A	N/A

Title	Name/ National ity/ Gender (Note 1)	Date elected / appointed	Shares held		Shares held by spouse and underage children Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)			Title	Name	Relatio nship
Senior Vice President	Ming-Chih Chang	2011.08.01	1,919,489	0.04%	0	0.00%	0	0.00%	Department of Electrical Engineering, Ming Chi University of Technology LCFC (Hefei) Co., Ltd. CEO	(Note 3)	N/A	N/A	N/A
Senior Vice President	Sheng-Hua Peng	2014.02.27	835,000	0.02%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Senior Vice President of Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Wen-Da Hsu	2014.02.27	1,333,000	0.03%	0	0.00%	0	0.00%	Department of Media Administration, Shih Hsin University Senior Vice President of Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Wei-Cheng Chen	2004.04.01	810,656	0.02%	0	0.00%	0	0.00%	Department of Electronic Engineering, Taipei College of Maritime Technology Vice President of Cheong Tat Technology	N/A	N/A	N/A	N/A
Senior Vice President	Hsi-Kuan Chen	2009.05.01	0	0.00%	0	0.00%	0	0.00%	Master of Industrial Design, Cranbrook Academy of Art Director of Design and Customer Affairs, Philips (Hong Kong)	(Note 3)	N/A	N/A	N/A
Senior Vice President	Chih-Wei Wen	2017.05.10	0	0.00%	0	0.00%	0	0.00%	Department of Electrical Engineering, Fu Jen Catholic University Inventec Corp. Vice President	N/A	N/A	N/A	N/A
Vice President	Chih-Chuan Cheng	2003.01.01	2,103,786	0.05%	51,194	0.00%	0	0.00%	Department of Electronic Engineering, Lunghwa University of Science and Technology Deputy Manager of Research and Development, Top Information Technologies Co., Ltd.	N/A	N/A	N/A	N/A
Vice President and head of finance	Ching-Hsiu ng Lu	2003.01.01	8,707,007	0.20%	0	0.00%	0	0.00%	Department of Accounting, Feng Chia University Director Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Vice President	Shih-Tung Wang	2003.01.01	10,197	0.00%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, San Jose State University KC Technology Inc. Vice President	N/A	N/A	N/A	N/A

Title	Name/ National ity/ Gender (Note 1)	Date elected / appointed	Shares held		Shares held by spouse and underage children Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)			Title	Name	Relatio nship
Vice President	Bo-Hsiung Chang	2006.02.21	0	0.00%	270	0.00%	0	0.00%	Department of Electrical Engineering, National Taipei Institute of Technology UNICOM GLOBAL., Inc. Director	(Note 3)	N/A	N/A	N/A
Vice President	Bo-Tang Wang	2007.07.10	559,548	0.01%	486	0.00%	0	0.00%	Department of Computer Science and Information Engineering, National Taiwan University President of Vibo Telecom Inc.	N/A	President	Jui-Tsung Chen	Relative by affinity
Vice President	Zong-Ming Wang	2009.07.16	398,184	0.01%	0	0.00%	0	0.00%	National Taipei Institute of Technology Head of Research and Development, CLEVO Company	N/A	N/A	N/A	N/A
Vice President	Fu-Chuan Chang	2009.07.16	120,662	0.00%	0	0.00%	0	0.00%	National Chin-Yi University of Technology Production Manager, ADI Corp	(Note 3)	N/A	N/A	N/A
Vice President	Yung-Nan Chang	2011.01.01	180,000	0.00%	0	0.00%	0	0.00%	MBA, Pacific Western University Factory Manager, Delta Electronics Inc.	N/A	N/A	N/A	N/A
Vice President	Sheng-Hung Li	2011.07.01	504,574	0.01%	0	0.00%	0	0.00%	Department of Electronics, National Taipei Institute of Technology	N/A	N/A	N/A	N/A
Vice President	Yung-He Su	2011.07.01	500,401	0.01%	100,000	0.00%	0	0.00%	Department of Electrical Engineering, National Taipei Institute of Technology Vice President of Arima Photovoltaic & Optical Corp.	N/A	N/A	N/A	N/A
Vice President	Chih-Hsien Liang	2011.10.31	120,000	0.00%	0	0.00%	0	0.00%	University of Colorado Postgraduate Institute of Digital Communication/Vice President of Wireless Communication, Altek Corporation	N/A	N/A	N/A	N/A
Vice President	Ming-Dong Wong	2013.01.31	623,786	0.01%	0	0.00%	0	0.00%	Master of Business Administration, University of Washington, USA Deputy Manager of Sales, Kapok Computer Company	(Note 3)	N/A	N/A	N/A
Vice President	Yue-Chun Li	2014.02.17	420,000	0.01%	0	0.00%	0	0.00%	Department of Electronic Engineering, Lee-Ming Institute of Technology Chairman's Special Assistant, Mag Technology Co., Ltd.	N/A	N/A	N/A	N/A
Vice President	Chiao-Lieh Huang	2014.02.27	148,992	0.00%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Vice President of Compal Communication Inc.	(Note 3)	N/A	N/A	N/A

Title	Name/ National ity/ Gender (Note 1)	Date elected / appointed	Shares held		Shares held by spouse and underage children Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percentag e (%)			Title	Name	Relatio nship
Vice President	Chung-Hsing Tan	2014.02.27	170,000	0.00%	5,320	0.00%	0	0.00%	Department of Electrical Engineering, Tatung University Vice President of Compal Communication Inc.	N/A	N/A	N/A	N/A
Vice President	Yi-Yun Chang	2014.08.13	300,246	0.01%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Senior Manager of Compal Communication Inc.	N/A	N/A	N/A	N/A
Vice President	Hsin-Kung Mao	2014.11.13	420,714	0.01%	0	0.00%	0	0.00%	Master of Business Administration, University of Lincoln Head of Business, Display BU	(Note 3)	N/A	N/A	N/A
Vice President	Hsin-Hsiung Huang	2015.01.22	419,001	0.01%	0	0.00%	0	0.00%	Department of Electronics, Chung Yuan Christian University Senior Manager of Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Vice President	Shih-Hung Huang	2016.02.24	280,000	0.01%	0	0.00%	0	0.00%	Master in Control Engineering, National Chiao Tung University Director - Coretronic Corporation	N/A	N/A	N/A	N/A
Vice President	Yi-Chiang Chiu	2016.02.24	280,000	0.01%	0	0.00%	0	0.00%	Master in Earth Sciences, National Central University	N/A	N/A	N/A	N/A
Vice President	Ching-Fa Li	2016.02.24	200,690	0.00%	0	0.00%	0	0.00%	Information Engineering Ph.D., National Tsing Hua University Vice General Manager – Eten Technology Inc.	N/A	N/A	N/A	N/A
Vice President	Bo-Heng Chen	2016.02.24	280,010	0.01%	0	0.00%	0	0.00%	COLUMBIA UNIVERSITY Master of Industrial Engineering and Operations Management	N/A	N/A	N/A	N/A
Vice President	Jui-Chun Hsu	2016.05.11	0	0.00%	0	0.00%	0	0.00%	PhD, Graduate Institute of Electrical Engineering, National Taiwan University Photonics Industries International, Inc. President	N/A	N/A	N/A	N/A
Vice President	Shih-An Li	2016.06.29	76,071	0.00%	4,259	0.00%	0	0.00%	Department of Navigation, Taipei College of Maritime Technology LCFC Taiwan Branch Vice CEO	N/A	N/A	N/A	N/A

Title	Name/ National ity/ Gender (Note 1)	Date elected / appointed	Shares held		Shares held by spouse and underage children Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percent age (%)	Shares	Shareho lding Percentag e (%)			Title	Name	Relatio nship
Vice President	Ta-Chun Wang	2016.06.29	204,200	0.00%	4,119	0.00%	0	0.00%	Master of Industrial Engineering, University of Illinois Shanghai Real Industrial Co., Ltd. Managing Vice President	N/A	N/A	N/A	N/A
Vice President	Fei-Long Chen	2016.06.29	0	0.00%	0	0.00%	0	0.00%	PhD, Industrial Engineering, Auburn Uni., USA Kunshan MYZY Technology Co., Ltd. CTO	N/A	N/A	N/A	N/A
Vice President	Jen-Liang Lin	2018.03.06	100,500	0.00%	0	0.00%	0	0.00%	Department of Industrial Engineering, Feng Chia University Director of Operations Division, Compal Fab No. 2	N/A	N/A	N/A	N/A
Chief Legal Officer	Peng-Hong Chan	2018.05.09.	0	0.00%	0	0.00%	0	0.00%	Master of Cornell University Law School CSO, Pou Chen Group	N/A	N/A	N/A	N/A
Head of Audit	Bo-Wen Hsieh	2010.10.27	0	0.00%	0	0.00%	0	0.00%	Department of Accounting, National Taiwan University Audit Manager, KGT Telecom	N/A	N/A	N/A	N/A

Note: 1. All managers are ROC nationals; with the exception of Senior Vice President Chui-Rui Wei, all other managers are male.

2. Senior Advisors Wen-Chung Shen, Yung-Ching Chang, Advisor Tian-Yuan Tsai retired in 2017; Vice President Ming-Hsiang Kan resigned in 2017; Vice Presidents Lung-Hua Shen, Ling-Sheng Wu and Chi-Hsiang Ma resigned in 2018.

3. Concurrent positions in other companies

Title	Name	Concurrent positions in other companies
Executive Vice President	Chen-Chang Hsu	Chairman: Henghao Technology (Kunshan) Co., Ltd., Lucom Display Technology (Kunshan) Ltd. Vice Chairman: Henghao Technology Co., Ltd., Optronics Corporation Director: Mactech Co., Ltd. President: Henghao Technology Co., Ltd., Henghao Technology (Kunshan) Co., Ltd., Lucom Display Technology (Kunshan) Ltd.
Senior Vice President	Chun-De Shen	Director: Kinpo Electronics Inc., Compal Information Research & Development (Nanjing) Co., Ltd., Auscom Engineering Inc. President: Compal Information Research & Development (Nanjing) Co., Ltd.
Senior Vice President	Pei-Yuan Chen	Director: Kinpo Electronics In., Infinno Technology Corporation, Full Power Investment Co., Ltd.
Senior Vice President	Chiu-Rui Wei	Chairman: Allmedi Electronic Co., Ltd. Rapha Bio Ltd. Director: Chipbond Technology Corporation, Taiwan Star Telecom Corporation Limited, UniCore Biomedical Co., Ltd., Trust Bio-Sonic Co., Ltd., Raycore Biotech Co., Ltd., Maxima Ventures I, Inc., HWA VI Venture Capital Corp., Hwa Chi Venture Capital Corp., CDIB Partners Investment Holding Corp., Changbao Electronic Technology (Chongqing) Co., Ltd., Zhengying Electronics (Chongqing) Co., Ltd., Compal Precision Model (Jiangsu) Co., ShengBao Precision Electronics (Taicang) Co., Ltd., Rayonnant Technology (HK) Holdings Limited, LC Future Center Ltd. and so forth Supervisor: Henghao Technology Co., Ltd., Infinno Technology Corporation, Rayonnant Technology Co., Ltd., Ripal Optoelectronics Co., Ltd., Mactech Co., Ltd., Unicom Global Inc., General life Biotechnology Co., Ltd., Global Pharma Co., Ltd., UniCore Biomedical Co., Ltd., Rayonnant Precision Technology (Taicang) Co., Ltd. Independent Director: Synergy Sciencetech Corp. Remunerate Committee member: Synergy Sciencetech Corp.
Senior Vice President	Ming-Chih Chang	Director: LC Future Center Ltd. and so forth President: Compal System Trading (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronic Technology (Chongqing) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Kunshan Botai Electronic Services Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Management (Chengdu) Co., Ltd. and so forth
Senior Vice President	Sheng-Hua Peng	Director: Huang Feng Communication Co., Ltd., HANHELT Communications (Nanjing) Co., Ltd., Amexcom Electronics, Inc., CENA Electromex S.A. de C.V. and so forth President: Compal Display Electronics (Kunshan) Co., Ltd., Kunshan Botai Electronic Services Co., Ltd., Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Compal Communications (Nanjing) Co. Ltd., Chongqing Yipal Smart Electronic Device Co., Ltd. and so forth
Senior Vice President	Wen-Da Hsu	Director: HANHELT Communications (Nanjing) Co., Ltd.
Vice	Hsi-Kuan	Director: Rayonnant Technology Holdings Ltd., Rayonnant Technology (Taicang) Co., Ltd.

Title	Name	Concurrent positions in other companies
President	Chen	
Vice President and head of finance	Ching-Hsiung Lu	Director: ZHI-PAL Technology Inc., Arcadyan Technology (Shanghai) Corp., Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Compal Communications (Nanjing) Co. Ltd., Kunshan Botai Electronic Services Co., Ltd., Great Arch Group Ltd., Leading Images Limited Supervisor: Compal Broadband Networks Inc., Accesstek Inc., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Electronics (China) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronic Technology (Chongqing) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Network Information (Kunshan) Co., Ltd., Kunshan Botai Electronic Services Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Management (Chengdu) Co., Ltd.
Vice President	Bo-Hsiung Chang	Director: Unicom Global Inc., Avalue Technology Inc.
Vice President	Fu-Chuan Chang	President: Compal Optoelectronics (Kunshan) Co., Ltd., Compal Electronics (China) Co., Ltd.
Vice President	Ming-Dong Wong	Director: Auscom Engineering Inc. President: Auscom Engineering Inc.
Vice President	Chiao-Lieh Huang	Supervisor: HANHELT Communications (Nanjing) Co., Ltd.
Vice President	Hsin-Hsiung Huang	Director: Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Compal Communications (Nanjing) Co. Ltd. and so forth
Vice President	Hsin-Kung Mao	Director: CENA Electromex S.A. de C.V. President: Amexcom Electronics, Inc.

### 3.2.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

#### Remuneration of Directors

Unit: NTD thousand; thousand shares; %

Title	Name	Directors' remuneration								Remuneration as an employee								The sum of A, B, C, D, E, F, and G as a percentage of after-tax profit	Remuneration from invested businesses other than the subsidiaries (H)							
		Remuneration (A)		Pension (B)		Remuneration from earnings appropriation (C)		Business department implementation Fees for services rendered (D)		The sum of A, B, C and D as a percentage of after-tax profit		Salaries, bonuses, special allowances etc (E)		Retirement Pension (F)		Share of profit as an employee (G)										
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	Cash Amount	Stock Amount			Cash	Stock	The Company	All companies included in the financial statements			
Chairman	Sheng-Hsiun Hsu																									
Director	Jui-Tsung Chen																									
Director	Wen-Being Hsu																									
Director	Representative of Kinpo Electronics Inc.: Shyh-Yong Shen	5,760	6,400	0	0	33,012	33,012	2,759	3,359	0.72%	0.74%	57,356	57,356	633	633	7,950	0	7,950	0	1.87%	1.89%				69,863	
Director	Chang-Chyi Ko																									
Director	Sheng-Chieh Hsu																									
Director	Yen-Chia Chou																									
Director	Wen-Chung Shen																									
Director	Yung-Ching Chang																									
Director	Chung-Pin Wong																									
Director	Chiung-Chi Hsu																									



Range of Remuneration	Number of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G+H)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	1 (Note 1)	1 (Note 4)	2 (Note 7)	1 (Note 12)
NT\$2,000,000 ~ NT\$5,000,000	14 (Note 2)	14 (Note 5)	9 (Note 8)	8 (Note 13)
NT\$5,000,000 ~ NT\$10,000,000	1 (Note 3)	1 (Note 6)	2 (Note 9)	1 (Note 14)
NT\$10,000,000 ~ NT\$15,000,000				1 (Note 15)
NT\$15,000,000 ~ NT\$30,000,000			2 (Note 10)	3 (Note 16)
NT\$30,000,000~ NT\$50,000,000			1 (Note 11)	2 (Note 17)
NT\$50,000,000 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total	16	16	16	16

Note:

1. Shyh-Yong Shen – 1 position
2. Jui-Tsung Chen, Wen-Being Hsu, Charng-Chi Ko, Sheng-Chieh Hsu, Yung-Chia Chou, Wen-Chung Shen, Yung-Ching Chang, Chung-Pin Wong, Chiung-Chi Hsu, Chao-Cheng Chen, Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai and Kinpo Electronics Inc. – 14 positions
3. Rock Hsu – 1 position
4. Shyh-Yong Shen – 1 position
5. Jui-Tsung Chen, Wen-Being Hsu, Charng-Chi Ko, Sheng-Chieh Hsu, Yung-Chia Chou, Wen-Chung Shen, Yung-Ching Chang, Chung-Pin Wong, Chiung-Chi Hsu, Chao-Cheng Chen, Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai and Kinpo Electronics Inc. – 14 positions
6. Rock Hsu – 1 position
7. Shy-Yong Shen, Yung-Ching Chang – 2 positions
8. Wen-Being Hsu, Charng-Chi Ko, Sheng-Chieh Hsu, Yung-Chia Chou, Chiung-Chi Hsu, Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai and Kinpo Electronics Inc. – 9 positions
9. Rock Hsu, Wen-Chung Shen – 2 positions
10. Chung-Pin Wong, Chao-Cheng Chen – 2 positions
11. Jui-Tsung Chen – 1 position
12. Yung-Ching Chang – 1 position
13. Wen-Being Hsu, Charng-Chi Ko, Yung-Chia Chou, Chiung-Chi Hsu, Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai and Kinpo Electronics Inc. – 8 positions
14. Wen-Chung Shen – 1 position
15. Sheng-Chieh Hsu -1 position

16. Chung-Pin Wong, Chao-Cheng Chen, Shyh-Yong Shen – 3 positions
17. Rock Hsu, Jui-Tsung Chen – 2 positions

**Remuneration of Supervisors: Not Applicable (The Company adopts an Audit Committee system)**

## Remuneration of the President and Vice Presidents

Unit: NTD thousand; thousand shares; %

Title	Name	Salary (A)		Pension (B)		Bonus and special allowances (C)		Share of profit as an employee (D)				Sum of A, B, C and D as a percentage of after-tax profit (%)		Remuneration from invested businesses other than the subsidiaries (E)
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
50 employees including President Jui-Tsung Chen (Note1)		124,879	130,562	6,226	6,226	262,431	262,995	24,983	0	24,983	0	7.28%	7.39%	3,426

Note: 1. Managers' titles and names

- President: Jui-Tsung Chen – 1 position
  - Executive Vice Presidents and Senior Advisors: Chung-Pin Wong, Cheng-Chao Chen, Chen-Chang Hsu, Wen-Chung Shen and Yung-Ching Chang – 5 positions
  - Senior Vice Presidents: Chun-De Shen, Kuo-Chuan Chen, Pei-Yuan Chen, Chiu-Rui Wei, Ying Chang, Ming-Chih Chang, Shen-Hua Peng, Wen-Da Hsu, Wei-Cheng Chen, Hsi-Kuan Chen, Chih-Wei Wen – 11 positions
  - Vice Presidents and Advisors: Chih-Chuan Cheng, Gary Lu, Shih-Tung Wang, Bo-Hsiung Chang, Bo-Tang Wang, Zong-Ming Wang, Fu-Chuan Chang, Yung-Nan Chang, Sheng-Hung Li, Yung-He Su, Chih-Hsien Liang, Ming-Dong Wong, Yue-Chun Li, Chiao-Lieh Huang, Chung-Hsing Tan, Yi-Yun Chang, Hsin-Kung Mao, Hsin-Hsiung Huang, Shih-Hung Huang, Yi-Chiang Chiu, Ching-Fa Li, Bo-Heng Chen, Jui-Chun Hsu, Shih-An Li, Ta-Chun Wang, Fei-Lung Chen, Liang-Jen Lin, Peng-Hong Chan, Ming-Hsiang Kan, Tian-Yuan Tsai, Lung-Hua Shen, Ling-Sheng Wu, Chi-Hsiang Ma – 33 positions
2. The Company made pension contributions totaling NTD 6,226,000 (including NTD 4,495,000 under the new system and NTD 1,731,000 under the old system); while all companies reported in the financial statements made pension contributions totaling NTD 6,226,000 (including NTD 4,495,000 under the new system and NTD 1,731,000 under the old system).
3. Employees' compensation appropriation was approved by Board of Directors on meeting on March 19, 2018. The compensations of the aforementioned managers were not yet final and will be reviewed based on the list of the date of distribution.

Range of Remuneration	Number of President and Vice Presidents	
	Total of (A+B+C+D)	Total of (A+B+C+D+E)
	The Company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	5 (Note 1)	4 (Note 7)
NT\$2,000,000 ~ NT\$5,000,000	8 (Note 2)	9 (Note 8)
NT\$5,000,000 ~ NT\$10,000,000	23 (Note 3)	22 (Note 9)
NT\$10,000,000 ~ NT\$15,000,000	8 (Note 4)	8 (Note 10)
NT\$15,000,000 ~ NT\$30,000,000	5 (Note 5)	6 (Note 11)
NT\$30,000,000 ~ NT\$50,000,000	1 (Note 6)	1 (Note 12)
NT\$50,000,000 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	50	50

Note:

1. Yung-Ching Chang, Ming-Hsiang Kan, Tian-Yuan Tsai, Liang-Jen Lin, Peng-Hong Chan – 5 positions
2. Wen-Chung Shen, Bo-Hsiung Chang, Fu-Chuan Chang, Chi-Hsiang Ma, Ling-Sheng Wu, Ching-Fa Li, Shih-An Li, Lung-Hua Shen – 8 positions
3. Pei-Yuan Chen, Wei-Cheng Chen, Chih-Chuan Cheng, Gary Lu, Shih-Tung Wang, Bo-Tang Wang, Zong-Ming Wang, Yung-Nan Chang, Sheng-Hung Li, Yung-He Su, Chih-Hsien Liang, Yue-Chun Li, Chiao-Lieh Huang, Chung-Hsing Tan, Yi-Yun Chang, Hsin-Kung Mao, Hsin-Hsiung Huang, Shih-Hung Huang, Yi-Chiang Chiu, Bo-Heng Chen, Jui-Chun Hsu, Ta-Chun Wang, Fei-Lung Chen – 23 positions
4. Chun-De Shen, Kuo-Chuan Chen, Chiu-Rui Wei, Ying Chang, Ming-Chih Chang, Wen-Da Hsu, Hsi-Kuan Chen, Ming-Dong Wong – 8 positions
5. Chung-Pin Wong, Chao-Cheng Chen, Chen-Chang Hsu, Sheng-Hua Peng, Chih-Wei Wen – 5 positions
6. Jui-Tsung Chen – 1 position
7. Yung-Ching Chang, Ming-Hsiang Kan, Liang-Jen Lin, Peng-Hong Chan - 4 positions
8. Wen-Chung Shen, Bo-Hsiung Chang, Fu-Chuan Chang, Chi-Hsiang Ma, Ling-Sheng Wu, Ching-Fa Li, Shih-An Li, Tian-Yuan Tsai, Lung-Hua Shen – 9 positions
9. Pei-Yuan Chen, Wei-Cheng Chen, Chih-Chuan Cheng, Gary Lu, Shih-Tung Wang, Bo-Tang Wang, Zong-Ming Wang, Yung-Nan Chang, Sheng-Hung Li, Yung-He Su, Chih-Hsien Liang, Chiao-Lieh Huang, Chung-Hsing Tan, Yi-Yun Chang, Hsin-Kung Mao, Hsin-Hsiung Huang, Shih-Hung Huang, Yi-Chiang Chiu, Bo-Heng Chen, Jui-Chun Hsu, Ta-Chun Wang, Fei-Lung Chen – 22 positions
10. Chun-De Shen, Kuo-Chuan Chen, Chiu-Rui Wei, Ying Chang, Wen-Da Hsu, Hsi-Kuan Chen, Ming-Dong Wong, Yue-Chun Li – 8 positions
11. Chung-Pin Wong, Chao-Cheng Chen, Chen-Chang Hsu, Ming-Chih Chang, Sheng-Hua Peng, Chih-Wei Wen – 6 positions
12. Jui-Tsung Chen – 1 position

**Employee profit sharing granted to the management team**

Unit: NTD thousand

Title	Name	Stock dividends	Cash dividends	Total	Total as a percentage to after-tax profit (%)
43 employees including President Jui-Tsung Chen (Note 1)		0	24,983	24,983	0.43%

Note: 1. Managers' titles and names

- President: Jui-Tsung Chen -1 position
  - Executive Vice Presidents and Senior Advisors: Chung-Pin Wong, Cheng-Chao Chen, and Chen-Chang Hsu – 3 positions
  - Senior Vice Presidents: Chun-De Shen, Kuo-Chuan Chen, Pei-Yuan Chen, Chiu-Rui Wei, Ying Chang, Ming-Chih Chang, Shen-Hua Peng, Wen-Da Hsu, Wei-Chang Chen, Hsi-Kuan Chen and Chih-Wei Wen – 11 positions
  - Vice Presidents and: Chih-Chuan Cheng, Gary Lu, Shih-Tung Wang, Bo-Hsiung Chang, Bo-Tang Wang, Zong-Ming Wang, Fu-Chuan Chang, Yung-Nan Chang, Sheng-Hung Li, Yung-He Su, Chih-Hsien Liang, Ming-Dong Wong, Yue-Chun Li, Chiao-Lieh Huang, Chung-Hsing Tan, Yi-Yun Chang, Hsin-Kung Mao, Hsin-Hsiung Huang, Shih-Hung Huang, Yi-Chiang Chiu, Ching-Fa Li, Bo-Heng Chen, Jui-Chun Hsu, Shih-An Li, Ta-Chun Wang, Fei-Lung Chen, Liang-Jen Lin, Peng-Hong Chan – 28 positions
2. Senior Advisors Wen-Chung Shen, Yung-Ching Chang and Advisor Tian-Yuan Tsai retired in 2017; Vice President Ming-Hsiang Kan resigned in 2017; Vice Presidents Lung-Hua Shen, Ling-Sheng Wu and Chi-Hsiang Ma resigned in 2018.
3. Employees' compensation appropriation was approved by the Board of Directors at the March 19, 2018 meeting. The compensations of the aforementioned managers have not been finalized and will be reviewed based on the list upon the date of distribution.

### 3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The percentage of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, relative to net income.

Unit: NT\$ thousands

Analysis	2017		2016 (Note)		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Directors	467,537	8.13%	635,347	7.81%	(167,810)	(26.41)%
Presidents and Vice Presidents						
Net Income	5,749,525		8,130,890		(2,381,365)	

Note: 2016 is the actual amount.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and correlation with business performance.

- Remunerations paid by the Company to Directors have been made in accordance with the Articles of Incorporation; when the Company makes profit in a year, no more than 2% of the Company's pre-tax profit (not including remuneration for employees and Directors) shall be paid to Directors as remuneration along with reasonable compensation based on other factors such as the Company's operational performance and the individual Director's contribution to the Company's performance taken into consideration.
- The Company's remuneration policy for Managers has been established based on various factors, including the Company's wage policy, the average wage offered by competitors for the same position, the duties and responsibilities for the position in question and the Manager's actual contribution to the Company's operational objectives.
- The Company's procedure of determining remuneration not only takes into account the Company's overall operational performance but also includes employee's personal performance and their contribution to the Company's performance in order to determine a reasonable compensation. Relevant wages and compensations are reviewed by the Remuneration Committee and resolved by the Board of Directors. The Company will also be keeping a close eye on the latest developments in the global economy, international financial environment and state of the industry in order to predict its operational development, profit status, operational risks and changes in pertinent regulations in the near future in order to review the compensation system, thereby striving for an ideal balance between the Company's sustainable operation and relevant risk control.

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors

- The term of the Board of Directors is from June 26, 2015 to June 25, 2018.
- There were six Board meetings during 2017 (A). Director's attendance records are as shown below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Chairman	Sheng-Hsiun Hsu	6	0	100%	
Director	Jui-Tsung Chen	6	0	100%	
Director	Wen-Being Hsu	6	0	100%	
Director	Kinpo Electronics, Inc. Representative: Shyh-Yong Shen	1	5	17%	
Director	Charng-Chyi Ko	6	0	100%	
Director	Sheng-Chieh Hsu	5	1	83%	
Director	Yen-Chia Chou	2	3	33%	
Director	Wen-Chung Shen	5	1	83%	
Director	Yung-Ching Chang	5	1	83%	
Director	Chung-Pin Wong	4	2	67%	
Director	Chiung-Chi Hsu	5	1	83%	
Director	Chao-Cheng Chen	6	0	100%	
Independent Director	Min-Chih Hsuan	4	2	67%	
Independent Director	Duei Tsai	6	0	100%	
Independent Director	Duh Kung Tsai	5	1	83%	

- In 2017, Independent Director's attendance records are as shown below:

Title	Name	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting	5th Meeting	6th Meeting
Independent Director	Min-Chih Hsuan	●	●	★	●	●	★
Independent Director	Duei Tsai	●	●	●	●	●	●
Independent Director	Duh Kung Tsai	●	●	●	●	★	●

Note: ●: Attendance in Person; ★: By Proxy; ○: Absent

- A. Enhance the valuation regarding the target achievement and execution by the Board of Directors in the current and most recent year:

The Company established a "Remuneration Committee" since 2011. During the election of the 11th Board of Directors and Supervisors in 2012 shareholders' meeting, 3 independent directors were elected and appointed to be the committee members of the Remuneration Committee. Supervisors were replaced with the Audit committee after the 12th Board of Directors was chosen in 2015 shareholders' meeting.

- B. Other notes:

Please refer to page 23-25 of the Chinese annual report.

### 3.3.2 Audit Committee

- The Company's Audit Committee has three members.
- The term of the committee members is from June 26, 2015 to June 25, 2018.
- There were five Audit Committee meetings during 2017 (A). The attendance records of the Independent Directors are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Independent Director	Min-Chih Hsuan	3	2	60%	-
Independent Director	Duei Tsai	5	0	100%	-
Independent Director	Duh Kung Tsai	4	1	80%	-

#### Other notes:

1. The Company should record the date of the Board of Directors' meeting, the term, content of discussion, the result of the Audit Committee's decision and the actions the Company has taken in response should any of the following situations arise in the operation of the Audit Committee:

#### (1) Matters listed in Item 5, Article 14 of the Security Act:

Board of Directors	Content of discussion and actions taken in response	Matters listed in Item 5, Article 14 of the Security Act	Not approved by the Audit Committee but had the consent of more than two-thirds of all directors.	
11th Meeting of the 12th term of Board of Directors 2017.3.28	1. To review and approve the consolidated and individual financial statements for 2016.	V	N/A	
	2. To review and approve the Company's internal control declaration for 2016.	V	N/A	
	3. To review and approve the independence and fitness of the CPA engaged by the Company for the financial statements.	V	N/A	
	4. To review and approve Compal Information Technology (Kunshan) Co., Ltd. (100% owned by the Company)'s investment in Leshi Zhixin Electronic Technology (Tianjin) Limited.	V	N/A	
	• Decisions by the Audit Committee (2017.3.28): The motion was made with unanimous support from all committee members in attendance when inquired by the Chair.			
	• Actions taken by the Company in response to the Audit Committee's decision: The motion was made with unanimous support from all board members in attendance when inquired by the Chair.			
12th Meeting of the 12th term of Board of Directors 2017.5.10	1. To review and approve the motion to revise the "Procedures for Acquisition or Disposal of Assets".	V	N/A	
	2. To review and approve the motion to lift the non-competition restriction for directors and managers.	V	N/A	
	3. To review and approve the request by Compal Europe (Poland) Sp.z o.o. (100% owned by the Company) for a letter of support from the Company needed for factory lease escrow.	V	N/A	
	• Decisions by the Audit Committee (2017.5.10): The motion was made with unanimous support from all committee members in attendance when inquired by the Chair.			
	• Actions taken by the Company in response to the Audit Committee's decision for motions No. 1 and 3: The motions were made with unanimous support from all board members in attendance when			

Board of Directors	Content of discussion and actions taken in response	Matters listed in Item 5, Article 14 of the Security Act	Not approved by the Audit Committee but had the consent of more than two-thirds of all directors.
	<p>inquired by the Chair.</p> <ul style="list-style-type: none"> <li>• Actions taken by the Company in response to the Audit Committee’s decision for motion No.2: As directors and managers Jui-Tsung Chen, Chung-Pin Wong and Chao-Cheng Chen were directly involved in the matter, they were excluded from the discussion and voting in order to avoid conflicts of interest per rules and procedures of board of directors meeting. The motion was moved with unanimous support from the remaining board members in attendance when inquired by the Chair.</li> </ul>		
14th Meeting of the 12th term of Board of Directors 2017.8.10	1. The Consolidated Financial Statement for the 1st half of 2017 was presented to the Board for review and approval.	V	N/A
	2. To review and approve the loan to be made to UNICOM GLOBAL INC.	V	N/A
	<ul style="list-style-type: none"> <li>• Decisions by the Audit Committee ( 2017.8.10): The motion was made with unanimous support from all Committee Members in attendance when inquired by the Chair.</li> </ul>		
	<ul style="list-style-type: none"> <li>• Actions taken by the Company in response to the Audit Committee’s decision for Motion No. 1: not applicable (the motion was a report intended for the Board of Directors)</li> <li>• Actions taken by the Company in response to the Audit Committee’s decision for Motion No. 2: The motion was made with unanimous support from all Board Members in attendance when inquired by the Chair.</li> </ul>		
15th Meeting of the 12th term of Board of Directors 2017.11.9	1. To review and approve the loan to be made to Henghao Technology Co., Ltd.	V	N/A
	2. To review and approve the draft of the “Annual Audit Plan for 2018”.	V	N/A
	<ul style="list-style-type: none"> <li>• Decisions by the Audit Committee (11.9.2017): The motion was made with unanimous support from all Committee Members in attendance when inquired by the Chair.</li> </ul>		
	<ul style="list-style-type: none"> <li>• Actions taken by the Company in response to the Audit Committee’s decision for Motion No. 1: As Directors Jui-Tsung Chen, Chung-Pin Wong and Chao-Cheng Chen were also serving concurrently as Directors of Henghao Technology Co., Ltd., they were excluded from the discussion and voting in order to avoid conflicts of interest per rules and procedures of Board of Directors Meetings. The motion was made with unanimous support from the remaining Board Members in attendance when inquired by the Chair.</li> <li>• Actions taken by the Company in response to the Audit Committee’s decision for Motion No. 2: The motion was made with unanimous support from all Board Members in attendance when inquired by the Chair.</li> </ul>		
17th Meeting of the 12th term of Board of Directors 3.19.2018	1. To review and approve the Consolidated and Individual Financial Statements for 2017.	V	N/A
	2. To review and approve the Company’s Internal Control Declaration for 2017.	V	N/A
	3. To review and approve the independence and fitness of the CPA engaged by the Company for the Financial Statements.	V	N/A
	<ul style="list-style-type: none"> <li>• Decisions by the Audit Committee (3.19.2018): The motion was made with unanimous support from all Committee Members in attendance when inquired by the Chair.</li> </ul>		
	<ul style="list-style-type: none"> <li>• Actions taken by the Company in response to the Audit Committee’s decision: The motion was made with unanimous support from all Board Members in attendance when inquired by the Chair.</li> </ul>		

Board of Directors	Content of discussion and actions taken in response	Matters listed in Item 5, Article 14 of the Security Act	Not approved by the Audit Committee but had the consent of more than two-thirds of all directors.
18th Meeting of the 12th term of Board of Directors 5.9.2018	1. To approve the motion of changing the Company's CPA.	V	N/A
	2. To review and approve the independence and fitness of the CPA engaged by the Company for the Financial Statements.	V	N/A
	3. To review and approve the motion to lift the non-competition restriction for Managers.	V	N/A
	• Decisions by the Audit Committee (5.9.2018): The motion was made with unanimous support from all Committee Members in attendance when inquired by the Chair.		
	• Actions taken by the Company in response to the Audit Committee's decision for Motions No. 1 and No. 2: The motion was made with unanimous support from all Board Members in attendance when inquired by the Chair.		
• Actions taken by the Company in response to the Audit Committee's decision for Motion No. 3: As Directors and Managers Jui-Tsung Chen, Chung-Pin Wong and Chao-Cheng Chen were directly involved in the matter, they were excluded from the discussion and voting in order to avoid conflicts of interest per rules and procedures of Board of Directors Meetings. The motion was made with unanimous support from the remaining Board Members in attendance when inquired by the Chair.			

(2) With the exception of the aforementioned matter, other matters not approved by the Audit Committee but had the consent of more than two-thirds of all directors: none.

2. The actions of the independent directors with respect to the avoidance of conflict of interest should be disclosed including the name of the independent director, the matter, the reasons for the avoidance and the voting and attendance status: none.

3. Status of communication between independent directors, internal audit supervisor and accountant:

1. Method of communication between independent directors, internal audit supervisor and accountant:

- After the internal audit supervisor has submitted an audit report and follow-up report, he/she should provide the completed audited items to the independent directors for their review by the end of the following month. Should the independent directors require clarification of the audit and follow-up, they should contact the internal audit supervisor at any time. The internal auditor shall report audit results to the Audit Committee on a quarterly basis and discuss relevant matters in person with the committee.
- The independent directors must communicate with the CPA on a yearly basis through the Audit Committee or Board of Directors' Meeting. The CPA shall report to the independent directors on the results of financial statement audit and other pertinent legal requirements while the Audit Committee shall also evaluate the selection, independence, and fitness of the CPA engaged by the Company.

2. Summary of the communications between independent directors and internal audit supervisor:

Date	Key point of communication
2017 March 28	Report on audits carried out between 2016/11/1~2017/1/31, internal audit self-evaluation review results and internal audit declaration
2017 May 10	Report on audits carried out between 2017/2/1~2017/4/20
2017 August 10	Report on audits carried out between 2017/5/1~2017/7/31

2017 November 9	Report on audits carried out between 2017/8/1~2017/11/2 and formulation of the Audit Plan for 2018
2018 March 19	Report on audits carried out between 2017/11/3~2018/1/31, internal audit self-evaluation review results and internal audit declaration

3. Summary of the communications between independent directors and accountant:

Date	Key point of communication
2017 February 8	Report on the key audit items for 2016 consolidated and individual financial statements
2017 March 28	Report on the outcome of audit for 2016 consolidated and individual financial statements
2018 March 19	Report on the key audit items for 2017 consolidated and individual financial statements and audit outcomes

### 3.3.3 Corporate Governance Implementation and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the company established and disclosed its corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?”	Yes		The Company’s corporate governance principles were approved by the Board of Directors on Mar 28, 2017, and have been disclosed on its official website and MOPS.	No deviations were found
II. Shareholding structure and shareholders’ interests				
1. Has the company implemented a set of internal procedures to handle shareholders’ suggestions, queries, disputes and litigations?	Yes		The Company has a spokesperson and acting spokesperson that represent the interest of the shareholders and a unit that specializes in addressing shareholders’ suggestions, queries, disputes and litigations.	No deviations were found
2. Is the company constantly informed of the identities of its major shareholders and the ultimate controller?	Yes		The Company keeps track of the identity of its ultimate controller by monitoring insider shareholding positions (including that of directors, supervisors, managers, and shareholders with more than 10% ownership interest), with the shareholder registry is held by the share administration agency.	No deviations were found
3. Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	Yes		The Company has established “Internal Control Policy - Non-trade Activities - Supervision and Management of Subsidiaries”, “Internal Control Policy - Trade Activities – Investment Management,” and “Guidelines on Financial and Business Dealings Between Affiliated Enterprises” to set up and execute firewalls and risk controls over related parties.	No deviations were found
4. Has the company established internal policies that prevent insiders from trading securities against non-public information?	Yes		To prevent insider trading, the “CO10 Insider Trading Prevention Management” and “Insider Trading Prevention Procedures” have been included as part of internal control of the company and details are published on the intranet and linked to the TWSE website to which employees have access. Both policies have been included as part of the compulsory e-Learning courses for departmental heads, and eCSA questionnaires are issued on a yearly basis to facilitate self-assessment. Insiders	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			such as directors, supervisors and managers are given a copy of the TWSE “Insider Share Trading Manual” when they come aboard to make them aware of the company insider rules.	
III. Assembly and obligations of the board of directors				
1. Has the board devised and implemented policies to ensure diversity of its members?	Yes		The Company has established rules and regulations such as the “Corporate Governance Guidelines” and “Rules for Director Election” to ensure diversified board member composition in addition to drafting suitable guidelines for diversification based on the Board’s operation, the Company’s operating format and its needs and developments. And as such, board members are required to possess the required knowledge, skills and character in order to accomplish the goal of ideal corporate governance. For more information on the diversification of board members, please refer to page 42.	No deviations were found
2. Apart from the Remuneration Committee and Audit Committee, has the company assembled other functional committees at its own discretion?		No	Apart from the Remuneration and Audit Committees, the Company has also established a CSR Committee headed by EVP Chung-Pin Wong, who in turn reports to the Board of Directors regarding the operating status and results of the committee on a yearly basis.	No deviations were found
3. Has the Company established a set of policies and assessment tools to evaluate the board’s performance? Is performance evaluated regularly at least on an annual basis?		No	At present, the Company has yet to establish any policy or assessment tool to evaluate Board performance.	Such policies and tools will be created after careful consideration.
4. Are external auditors’ independence assessed on a regular basis?	Yes		The CPA issues an “Independent Auditor’s Report” on an annual basis and is required to decline engagement should he/she be involved in any direct or indirect material interest. The Company evaluates the independence and suitability of the CPA at least once a year, in accordance with Article 47 of the CPA Law and Bulletin 10 of the Norm of Ethics for Certified Public Accountants. The CPA cannot be a director, supervisor or shareholder of the company and may not be on the payroll or be a related party to the Company. The Company then submits the “CPA	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			Independence and Fitness Evaluation Form” along with the “Independent Auditor’s Report” to the Audit Committee for review before it is submitted to the Board of Directors for examination and discussion. The same principles apply to whenever there is an internal rotation within the accounting firm.	
IV. Has the company established dedicated unit or full time (or part time) personnel responsible for corporate governance related affairs (including but not limited to providing the requisite information/data to directors or supervisors to perform their duties, organizing director and shareholder meetings as required by pertinent regulations, processing company registration and/or changes in registration, preparing the agendas for board of directors’ meeting/shareholders’ meeting)?	Yes		<p>VP Ching-Hsiung Lu has been appointed to take charge of and supervise affairs pertaining to corporate governance in accordance with the Company’s “Corporate Governance Guidelines”, while the HQ Accounting Department was assigned as the Company’s responsible unit for corporate governance to handle relevant affairs.</p> <p>VP Gary Lu and designated personnel responsible for corporate governance have more than 25 years of experience in stock affairs and meeting related management for publicly traded companies. They are primarily responsible for handling corporate governance affairs, organizing director and shareholder meetings as required by pertinent regulations, preparing the agendas for board of directors’ meeting/shareholders’ meeting, processing changes in company registration, periodically examining and revising the Company’s corporate governance guidelines and relevant procedures, providing the requisite information/data to directors or auditors to perform their duties and ensuring legal compliance so as to improve disclosure transparency,safeguard shareholder rights and promote better corporate governance. For more information on the status of Compal’s corporate governance unit operations for 2017, refer to page 42.</p>	No deviations were found
V. Has the company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited	Yes		The Company has addressed its stakeholder relations on its corporate website, CSR report and CSR Sustainability website. Separate contact persons, phone numbers, and e-mail addresses have been provided for each type of stakeholder relation to ensure that queries are directed to the relevant departments. In addition, an online “Material Aspects” questionnaire has also been created for stakeholders to identify issues that are of significant concern. The Company will address stakeholders’ responses properly and take their suggestions as part of the Company’s goals.	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
to shareholders, employees, customers and suppliers)?				
VI. Does the company engage a share administration agency to handle shareholder meeting affairs?	Yes		The Chinatrust Commercial Bank – Securities Trust has been appointed as the share administration agency responsible for handling shareholder affairs and meetings while offering share administration services.	No deviations were found
VII. Information disclosure				
1. Has the company established a website that discloses financial, business and corporate governance-related information?	Yes		The Company website at ( <a href="http://www.compal.com">www.compal.com</a> ) is regularly updated with information such as financial performance, corporate governance and shareholder meetings	No deviations were found
2. Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	Yes		<ul style="list-style-type: none"> <li>• The Company website has both Chinese and English pages. The information is gathered and disclosed by a dedicated department.</li> <li>• The Company has also appointed a spokesperson and an acting spokesperson in place.</li> <li>• Investor conferences are held regularly and whenever deemed necessary. The proceedings are posted on the Company’s website and also broadcasted on the TWSE platform (at <a href="http://webpro2.twse.com.tw/webportal/schedule/">http://webpro2.twse.com.tw/webportal/schedule/</a>).</li> </ul>	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
VIII. Does the company offer other vital information (including but not limited to employee rights, employee care, investor relationship, supplier relationship, stakeholders' interests, continuing education of directors/supervisors, risk management policies, risk assessment standard implementation status, implementation status of customer policies, insuring against liabilities of company directors and supervisors) that would enable a better understanding of the company's corporate governance practices?	Yes		<ul style="list-style-type: none"> <li>• Employee welfare and care to employees</li> <li>• Directors and Managers code of conduct; Employee code of conduct</li> <li>• Investor relations</li> <li>• Supplier relations and execution of customer policy</li> <li>• Stakeholders' interests</li> <li>• Risk management execution and framework; risk analysis and evaluation</li> <li>• Insuring against liabilities of company directors and supervisors</li> <li>• Directors', supervisors' and managers' ongoing education</li> <li>• Qualification of personnel involved in financial transparency</li> </ul>	No deviations were found
<p>IX. State the improvements that have been made with regards to the results of the latest Corporate Governance Evaluation conducted by TWSE in the most recent year; for items that have yet to be improved upon, state the company's priorities and measures for improvement.</p> <p>In the "4th Round of Corporate Governance Evaluation" by TWSE, Compal was placed in the top 6%~20% listed companies. With regards to further education for Directors (including Independent Directors), Compal has advocated and encouraged Directors to take part in the courses on pertinent regulations offered by subsidiary Kinpo Group Management Consultant Company or trainings provided by external professional organizations. In 2017, members of the Board of Directors completed a total of 80 hours of training. Pursuant to amendments to pertinent regulations and operations, the Company has made partial revisions to the "Corporate Governance Best-Practice Procedures", "Procedures for Acquisition or Disposal of Assets", "Board of Directors Meeting Guidelines", "Audit Committee Procedures", and "The Responsibilities and Rules for Independent Directors". Pursuant to the amendments to the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies" (effective July 28, 2017) by the FSC, the entire proceedings of Audit Committee Meetings shall be recorded on audio tape.</p>				

**A. Status of board member diversification :**

Core items for diversification Name of director	Gender	Operation management	Leadership and decision-making	Knowledge of the industry	International market perspective	Finance and accounting
Sheng-Hsiun Hsu	Male	√	√	√	√	√
Jui-Tsung Chen	Male	√	√	√	√	√
Wen-Being Hsu	Male	√	√	√	√	√
Shyh-Yong Shen	Male	√	√	√	√	√
Charng-Chyi Ko	Male	√	√	√	√	√
Sheng-Chieh Hsu	Male	√	√	√	√	√
Yen-Chia Chou	Male	√	√	√	√	√
Wen-Chung Shen	Male	√	√	√	√	√
Yung-Ching Chang	Male	√	√	√	√	√
Chung-Pin Wong	Male	√	√	√	√	√
Chiung-Chi Hsu	Male	√	√	√	√	√
Chao-Cheng Chen	Male	√	√	√	√	√
Min-Chih Hsuan	Male	√	√	√	√	√
Duei Tsai	Male	√	√	√	√	√
Duh-Kung Tsai	Male	√	√	√	√	√

**B. The status of Compal's corporate governance unit operations for 2017 is as follows:**

- Compiled and prepared relevant documents needed for the Audit Committee and Board of Directors' Meetings in accordance with pertinent regulations and operational/financial needs; responsible for coordination of relevant affairs with units making the proposals.
- Pursuant to amendments to pertinent regulations and operations, partial revisions have been made to the "Corporate Governance Best-Practice Procedures", "Procedures for Acquisition or Disposal of Assets", "Board of Directors Meeting Guidelines", "Audit Committee Procedures", and "The Responsibilities and Rules for Independent Directors", all of which have been submitted to the Board of Directors for approval.
- Cancelled and changed the registration for new restricted employee shares because the criteria were not met by the intended employees.
- Planned the communication meeting between Independent Directors, Internal Audit Supervisors and CPA to have the Audit Committee determine the independence and fitness of the CPA engaged by the Company as a measure to ensure sound corporate governance. For the records of the communication meetings, visit Compal's website and go to Investor Relations > Corporate Governance > Communication with Independent Directors <http://www.compal.com/investor-relations/corporate-governance/#directors-communication>
- Pursuant to "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies", Compal has advocated and encouraged Directors to take part in the courses on pertinent regulations offered by subsidiary Kinpo Group Management Consultant Company or trainings provided by external professional organizations.
- Disclosed and announced important information in conjunction with Board of Directors Meetings, Shareholders Meetings, financial and sales information; in addition, the Company has also hosted investor conferences on a quarterly basis and has been invited to attend domestic/overseas investor conferences to help investors better understand the Company's status of operation.
- Registered the date for Shareholders Meetings as required by law; prepared meeting notifications within the scheduled deadline, meeting handbook and meeting minutes; coordinated relevant units, agents for stock affairs, accountants, attorneys and so forth.
- Contents on the chapter for corporate governance – responsible for the collection of data, compilation of stock affairs data, coordination of different units and editing.

- Corporate governance evaluation – responsible for the collection of data, compilation of stock affairs data, coordination of different units and website maintenance.

### C. Other vital information on the operating status of corporate governance:

Please refer to page 32-35 of the Chinese annual report.

#### (1) Purchasing liability coverage for the Company's directors, supervisors and managers

Starting from 2002, the Company has been purchasing liability coverage for directors, supervisors and managers. The amount for their liability insurance in 2017 came to USD 50,000 thousand, which was roughly equivalent to NTD 1,499,750 thousand. Vital information relating to their liability insurance was reported to the Board of Directors on March 6, 2018.

#### (2) Continuing education for directors, supervisors and managers

All directors and managers are equipped with relevant professional knowledge and skills. In addition to offering relevant information both on a regular and irregular basis to directors and managers, the Company would also organize seminars and workshops when deemed necessary. Trainings completed by directors and managers in 2017 include:

Title	Name	Date of training	Organized by	Course title	Hours of training
Director	Rock Hsu	07.13.2017	Securities & Futures Institute	Corporate Financial Crisis Early Warning and Type Analysis	3
Director	Jui-Tsung Chen	07.13.2017	Securities & Futures Institute	Corporate Financial Crisis Early Warning and Type Analysis	3
		12.05.2017	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Director	Wen-Being Hsu	06.13.2017	Taiwan Academy of Banking and Finance	Corporate Governance Forum – Family Business Succession	3
Director	Shih Jung Shen	07.13.2017	Securities & Futures Institute	Corporate Financial Crisis Early Warning and Type Analysis	3
Director	Chang Chi Ko	02.17.2017	Kinpo Group Management Consultant Company	Global Economic Outlook for 2017	2
		07.13.2017	Securities & Futures Institute	Corporate Financial Crisis Early Warning and Type Analysis	3
		08.15.2017	Taiwan Corporate Governance Association	Prospect and Analysis of Taiwan's Current Tax Reform: The Withdrawal of the Integrated Income Tax System	3
Director	Sheng Chieh Hsu	06.13.2017	Taiwan Academy of Banking and Finance	Corporate Governance Forum – Family Business Succession	3
		07.13.2017	Securities & Futures Institute	Corporate Financial Crisis Early Warning and Type Analysis	3
Director	Yung-Chia Chou	07.13.2017	Securities & Futures Institute	Corporate Financial Crisis Early Warning and Type Analysis	3
Director	Chiung-Chi Hsu	06.13.2017	Taiwan Academy of Banking and Finance	Corporate Governance Forum – Family Business Succession	3

Title	Name	Date of training	Organized by	Course title	Hours of training
Director	Wen-Chung Shen	02.17.2017	Kinpo Group Management Consultant Company	Global Economic Outlook for 2017	2
		06.13.2017	Taiwan Academy of Banking and Finance	Corporate Governance Forum – Family Business Succession	3
Director	Yung-Ching Chang	02.17.2017	Kinpo Group Management Consultant Company	Global Economic Outlook for 2017	2
		06.13.2017	Taiwan Academy of Banking and Finance	Corporate Governance Forum – Family Business Succession	3
Director	Chao-Cheng Chen	12.05.2017	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Independent Director	Min-Chih Hsuan	11.02.2017	Securities & Futures Institute	Effective Protection of Trade Secrets	3
		12.20.2017	Securities & Futures Institute	Legal Standpoint on Embezzlement – Tunneling and Misreporting	3
Independent Director	Duei Tsai	02.17.2017	Kinpo Group Management Consultant Company	Global Economic Outlook for 2017	2
		04.07.2017	Securities & Futures Institute	2017 Insider Trading and CSR Seminar	3
		07.14.2017	Securities & Futures Institute	Seminar on Equity Trading Law Compliance for Insiders of Listed Companies	3
		08.25.2017	Taiwan Academy of Banking and Finance	Corporate Governance Forum – Corporate Sustainable Operation	3
		09.15.2017	Taiwan Corporate Governance Association	Trends in the Amendment of the Company Act in Taiwan	3
		10.25.2017	Taiwan Corporate Governance Association	13th Corporate Governance International Summit Forum	6
Independent Director	Duh Kung Tsai	10.27.2017	Taiwan Corporate Governance Association	Legal Risks for Corporate Directors and Management	3
		10.27.2017	Taiwan Corporate Governance Association	Responsibilities and Obligations for Corporate Directors and Management	3
Accounting Supervisor	Gary Lu	12.25.2017~12.26.2017	Accounting Research and Development Foundation	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms and Securities Exchanges	12
Head of Auditing	Bo-Wen Hsieh	02.14.2017	Accounting Research and Development Foundation	Rationale on Legal Risks for Internal Auditors in Light of the Trends of Globalized Management	6
		06.13.2017	Accounting Research and Development Foundation	Key Points of the Latest Labor Law Amendments and Internal Audit Practices for Payroll Cycles	6

(3) Certificate and qualification acquisition status for personnel involved in financial information transparency

Name of certificate	No. of persons
CPA qualification	7 persons
USCPA qualification	2 persons
Senior Securities Specialist	13 persons
Securities Specialist	8 persons
Futures Specialist	7 persons
Securities Investment Trust and Consulting Professional	5 persons
Certified Internal Auditor - Taiwan	3 persons
Certified Internal Auditor	4 persons
Chartered Financial Analyst	1 person

### 3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

#### A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Criteria Name	Having Met One of the Following Professional Qualifications, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8			
Independent Director	Min-Chih Hsuan		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent Director	Duei Tsai		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-
Independent Director	Duh Kung Tsai		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-

Note 1: Please fill in director, independent director, or other in the identification.

Note 2: Please check “✓” in the box for a member, who during the two years before being elected or during the term of office, any of the following applied:

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.)
- (3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.
- (4) Not a spouse, relative within a second degree of kinship, or lineal relative within the third degree of kinship, or a person in compliance with any of the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking within the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional individual who, as an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or the spouse thereof.
- (8) No matters as noted in Article 30 of Company Law.

## B. Attendance of Members at Remuneration Committee Meetings

- The Company elected three members of the Remuneration Committee.
- The term of the committee members is from June 26, 2015 to June 25, 2018.
- There were four Remuneration Committee meetings during 2017(A) and the committee member qualifications and attendance records are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Min-Chih Hsuan	2	2	50%	-
Committee Member	Duei Tsai	4	0	100%	-
Committee Member	Duh Kung Tsai	3	1	75%	-

### Other notes:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, the session, the nature of motion, the resolution made by the board of directors, and the Company's response to the remuneration committee's opinion (eg., if the amount of remuneration passed by the Board of Directors exceeds the remuneration committee's recommended amount, the circumstances and cause for the difference shall be specified): None.
2. If resolutions of the remuneration committee are objected by members or become subject to a qualified opinion, which have been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions and the response to members' opinion should be specified: None.

### 3.3.5 Corporate Social Responsibility

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Sound corporate governance				
1. Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?	Yes		The Company has established its CSR policies and relevant management guidelines, including Corporate Governance Best-Practice Procedures, Code of Conduct for Directors and Managers, Code of Conduct for Employees, Ethical Corporate Management Best Practice Principles, Business Integrity Procedures and Behaviors, Insider Trading Prevention Procedures, Corporate Social Responsibility Best Practice Principles and so forth. The CSR Committee reports annually to the Board of Directors to present the results of implementation, review the outcomes, and establish the targets for the following year. Under the CSR Committee, there are other subordinating units including the CSR Office and CSR Execution Teams for each factory/fab responsible for the implementation, follow-up, revision and recording of relevant plans. The results of implementation are also disclosed in our Annual Report, CSR Report and on our corporate website/CSR sustainability website.	No deviations were found
2. Does the company organize social responsibility training on a regular basis?	Yes		The Company organizes annual CSR training courses in accordance with its Employee Code of Conduct and CSR-related policies. These training courses cover a broad variety of topics including corporate policies, HR system, employee code of conduct, personal information protection act and other areas as the law may require. All training courses are accessible online and have been made as requisites for new employees. Existing employees may complete courses online at their own discretion at any time. In 2017, 3,039 employees had completed their training for a total of 11,640 hours.	No deviations were found
3. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	Yes		The Company has established a CSR Committee and a dedicated unit responsible for the prevention of insider trading. The Committee consists of members of senior management authorized by the Board of Directors to oversee affairs pertaining to CSR and integrity management. In addition, Compal has also initiated its CSR Office with designated personnel to handle the promotion of relevant tasks resolved by the CSR Committee. The CSR Office reports annually to the Board of Directors on its status of operation and implementation. The results of implementation are also	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			disclosed in our Annual Report, CSR Report and on our corporate website/CSR sustainability website.	
4. Has the company implemented a reasonable remuneration system that associates employees' performance appraisals with CSR? Is the remuneration system supported by an effective reward/discipline system?	Yes		<p>Employees' salary levels are set based upon those of similar responsibilities, with adjustments made based on individual work performance. Different salary levels may be granted depending on education, experience, job grade and the assigned duties, but are higher than the statutory minimum in any case. Furthermore, employees are entitled to a portion of share of the Company's current year profits.</p> <p>The Company has set clear guidelines to reward and penalize employees' conducts and performance. Rewards and penalties are decided to depend on the severity and impact of the event involved. Generally speaking, employees' compensation includes 12 months of salary, a mid-year bonus and year-end bonus (to be determined based on the Company's operational performance and employees' individual performance), with adjustment to their wages. In addition, pursuant to the Articles of Incorporation; when the Company makes profit in a year, no more than 2% of the Company's pre-tax profit (not including remuneration for employees and Directors) shall be appropriated to employees. The aforementioned bonus, adjustment in wages and employee compensations are reviewed by the Remuneration Committee and resolved by the Board of Directors.</p>	No deviations were found
II. Fostering a sustainable environment				
1. Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	Yes		The R&D and Production Teams deeply recognize the design and production of more environmentally friendly, green, and low-carbon products that are compliant with international certifications such as Energy Star, US EPEAT, US & WW EPEAT, China CECP & CEC and Taiwan Green Mark so as to mitigate climate changes and impacts on the environment. Not only that, Compal has begun to use recycled plastic for specific product models in order to respond quickly to customers' needs in terms of certifications.	No deviations were found
2. Has the company developed an appropriate environmental management system, given its distinctive characteristics?	Yes		The Company began its implementation of ISO 14001 Environment Management System in April 1997; quality and environmental safety policies were created in 2005 to guide the Company's efforts on employee workplace safety and corporate responsibilities. Operating procedures and environmental/safety/health management systems have been established based on government	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			regulations and international standards such as ISO, OHSAS etc. The Company adopts proper communication channels to convey its environmental and safety policies and goals to employees, suppliers, contractors, surrounding neighbors and interest groups.	
3. Is the company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?	Yes		The Company began its greenhouse gas surveys (scopes 1 and 2) and carbon footprint inventory as early as 2010. Starting from 2014, the Company has conducted greenhouse gas inventory and validation on a yearly basis. In 2015, Compal was included in the CDP Climate Disclosure Leadership Index for the first time (CDLI). The Company has actively participated in the Carbon Disclosure Project (CDP) as a means to improve its response to climate changes. The CDP achieves its purpose by assessing a company's carbon emission, reduction progress, compliance risks and exposure to physical risks such as supply disruption, shortage of resources, extreme weather, rising sea levels and diseases etc. And as such, Compal participated in UNFCCC's 2050 pathways platform initiative in 2016 in the hopes of reducing operational risks and costs through autonomous carbon reduction or even turn risks into opportunities to ensure the Company's sustainability.	No deviations were found
<b>III. Enforcement of public welfare</b>				
1. Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	Yes		The Company places great emphasis on equal opportunities and business ethics. It has policies and systems in place to ensure compliance with international conventions. The Company and all its subsidiaries throughout the world have established employment guidelines according to international human rights conventions and local labor regulations. All employment terms have been assured to conform with the laws of the local country or region. Out of respect towards labor rights, the Company changes its policies and rules in line with the latest regulations, and announces them to the understanding of all its employees. For the purpose of maintaining harmonic employer-employee relations, a communication platform has been created to enable exchange of opinions and information between the Company and its employees.	No deviation was found
2. Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?	Yes		The Company has set up email contacts through which employees may express their opinions and offer suggestions. These opinions and suggestions are referred to appropriate units within the Company; progress and outcomes are reported back to employees as they become available.	No deviations were found
3. Does the company provide	Yes		The Company is well-aware of how significantly "workplace safety and health" affects a company, its	No deviations were

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?			employees and stakeholders. This was the reason why the Company has enhanced its environmental, safety and quality policies and obtained OHSAS 18001 certification since 2005, which requires all departments to implement proper safety and health practices as well as regular training on matters such as fire safety equipment, utility plans, waste disposal, emergency response procedures etc. The Company organizes health and safety training for employees on a regular basis as a means to prevent occupational hazards and ensure workplace safety. In 2017, 2,346 employees had completed their training for a total of 5,033 hours.	found
4. Does the company have means to communicate with employees on a regular basis, and inform them of operational changes that may be of significant impact?	Yes		The Company is committed to creating communication platforms where employees may exchange opinions and information. “Employee opinion boxes” have been made available at the headquarter and at various plant sites to receive employees’ complaints; “Sunshine Group” and hotlines have been set up in all plant sites and are run by compassionate people who promptly respond to employees’ opinions so that the Company can rectify its flaws and help solve employees’ problems immediately. Townhall Meetings are organized regularly at the turn of the year. During which, the CEO will personally address employees on the Company’s new business developments. Key points of this meeting are also summarized and delivered to all employees via email.	No deviations were found
5. Has the company implemented an effective training program that helps employees develop skills over their career?	Yes		Annual training programs are tailored to suit the needs of different employees, based on the Company’s business strategies, policy guidelines, and career roadmaps. The Company constantly aims to establish itself as a learning organization and coaching management.	No deviations were found
6. Has the company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	Yes		The Company is an OEM/ODM manufacturer, manufacturing TV sets, notebooks, cell phones and electronics for top brands. There is a dedicated unit responsible for every step in the production process such as product development and design, shippings, and maintenance and service. Once customers have launched their products, the Company will continue to support them with services and parts until the product no longer requires after-sale responsibilities. Customers are given the option to visit Compal’s website, click on Stakeholder Communication Area and leave messages using an exclusive link; these messages will then be handled by the appropriate departments.	No deviations were found
7. Has the company complied with laws and international standards with regards to the	Yes		The Company is an OEM/ODM. It manufactures TV sets, notebooks, cell phones and electronics for the world’s top brands. All products are printed with customers’ trademarks, names, and labeling that conform with relevant laws and international guidelines; however, the Company does not print its	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
marketing and labeling of products and services?			own logos or names on the products it produces.	
8. Does the company evaluate suppliers' environmental and social conducts before commencing business relationships?	Yes		The Company requests all its suppliers to fulfill their responsibilities with respect to the environment, labor, management, and ethics. Furthermore, the Company also demands its suppliers to sign and comply with RBA (Responsible Business Alliance) and evaluates suppliers' performance by their contribution to corporate social responsibilities.	No deviations were found
9. Is the company entitled to terminate supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or the society?	Yes		The Company requires all major suppliers to comply with local regulations and fulfill their duties to the environment and the society. They are demanded to immediately rectify any violations found to ensure the business relationship with the Company. The Company's standard procurement contract specifically requires suppliers to comply with RBA (Responsible Business Alliance) and environmental protection laws. The contract empowers the Company to terminate procurement relationship with any supplier that is found to have violated the above rules.	No deviations were found
IV. Enhanced information disclosure				
1. Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	Yes		A "CSR" section is created on the Company's website to disclose information in different categories. A "News" section is also available on the home page where stakeholders are given access to the latest information. The Company prepares CSR reports on an annual basis to disclose how it has fulfilled its social responsibilities. This report may be downloaded from the Company's website and from Market Observation Post System (MOPS).	No deviations were found

V. If the company has established the corporate social responsibility principles based on “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies,” please describe any discrepancy between the Principles and their implementation:

- The Company has established “Compal Corporate Social Responsibility Best Practices” based on “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.” A “CSR Office” has also been introduced specifically for the purpose of promoting social responsibilities, environmental sustainability, public welfare, and information disclosure. The Company has adopted the principles of RBA by including corporate social responsibilities as part of its overall business plan, thereby making sure that everything it does confirms with RBA. The CSR Office reports its progress regularly to the Board of Directors, and publishes annual CSR reports to ensure proper disclosure of CSR information.
- To contribute to the sustainability of our environment, the Company publishes green knowledge materials on a monthly basis and organizes regular environmental training courses for the management and general employees. It adopts green product management starting from the design stage and covering all aspects of the supply chain, which aims to: reduce resource and energy consumption, minimize discharge of pollutants and toxic waste, ensure proper waste disposal, enhance recyclability and reusability of raw materials and products, maximize usage of available resources, extend product durability, and enhance product/service efficiency. The green management also aims to prevent pollution to water, air and soil, and embodies a series of strategies to reduce the level of greenhouse gas and carbon emitted during the Company’s operations. It is our hope to minimize adverse impacts on health and the environment by adopting the best and most feasible pollution controls available.

VI. Other important information to facilitate better understanding of the company’s corporate social responsibility practices:

There is a specific CSR section on the corporate website containing CSR policy, target and management procedures. Please refer to: <http://www.compal.com>

VII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:

■ Criteria undertaken by institutions to certify the Company's products:

The Company adopts the green concept right from the design and development stage for all products it manufactures. In addition to making sure that all manufactured products conform with compulsory regulations and voluntary certifications in countries where they are distributed, the Company also takes the initiative in developing talents and technologies in relation to energy-saving issues and thereby keeping up with world's latest trends and challenges. Apart from knowing the latest news in environmental regulations and certifications, Compal also possesses adequate R&D and execution capacity to quickly respond to customers' needs for certification such as IECQ QC 080000, Energy Star, US & EPEAT, US & WW EPEAT, China CECP & CEC, Taiwan Green Mark and Indoor Air Quality Testing & Certification.

■ Criteria undertaken by institutions to certify the Company's CSR report:

The Company has been preparing annual CSR reports and disclosing them to stakeholders on its website since 2010. The CSR report was first certified by an external institution in 2012, and later in 2017, the Company adopted Global Reporting Initiative's most updated guidelines (GRI Standards, published in 2016) to prepare its CSR report. The 2014 report was compiled based on stakeholders' concerned issues and the Company's key objectives. To ensure the credibility of reported contents, the Company commissioned SGS to provide independent assurance based on the criteria specified in AA 1000 AS and GRI Standards. After their assurance, the report was certified to meet AA 1000 AS Standard Type 2, mid-level accountability and GRI Standards application core requirements. The Company was awarded a Silver or Bronze Awards by Taiwan Institute for Sustainable Energy in four consecutive years for its "Taiwan Corporate Sustainability Report Award".

### 3.3.6 Ethical Corporate Management

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Establishment of integrity policies and solutions				
1. Has the company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	Yes		The Company has clearly outlined the procedures for ethical management and guidelines for conduct in its HR policies, social responsibility policies, the integrity principles and code of conduct for directors, supervisors, managers, and the general code of conduct. The Board of Directors and the management have committed themselves to business integrity. The Company's "Board of Directors Meeting Guidelines" contain a conflicting interest clause that requires directors to disassociate from all discussion and voting of any agenda that poses a conflict of interest between the Company and themselves or the entities they represent.	No deviations were found
2. Does the company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	Yes		The Company has established the "Ethical Corporate Management Best Practice Principles" and "Business Integrity Procedures and Behaviors" (hereinafter, "Procedures and Behaviors") as an incentive to insiders and outsiders to report unethical or unseemly conduct. Any insider who makes a false report or a malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned have substance.  This Company has appointed a contact person, and has established a hotline and mailbox that can be used either through the Intranet of the company website. Any person involved in unethical conduct will be referred to an authorized department and processed according to the "Business Integrity Procedures and Behaviors".	No deviations were found
3. Has the company taken steps to prevent occurrences listed in Article 7, Paragraph 2 of "Ethical Corporate	Yes		The Company's "Business Integrity Procedures and Behaviors" govern the following <ul style="list-style-type: none"> <li>• Prohibition against offering and acceptance of improper gains</li> <li>• Prohibition against lobbying</li> </ul>	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
Management Best Practice Principles for TWSE/TPEX-Listed Companies” or business conducts that are prone to integrity risks?			<ul style="list-style-type: none"> <li>• Prohibition against illegal political donations</li> <li>• Prohibition against improper donations or sponsorships</li> <li>• Prohibition against inappropriate gifts, treatments and illegitimate benefits</li> <li>• Prohibition against unfair competition</li> <li>• Prohibition against leakage of commercial secrets and infringement of intellectual property rights</li> <li>• Prohibition against insider trading and rules of confidentiality</li> </ul> <p>Furthermore, the “Information Security Policy” has introduced measures to prevent violation of commercial secrets.</p>	
II. Integrity actions				
1. Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	Yes		The Company requires all suppliers to sign commitments to RBA (Responsible Business Alliance), which binds them to local regulations on workers’, environment, safety, health, management, and moral conducts, and prevents them against corruptive and unethical behaviors.	No deviations were found
2. Does the company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?	Yes		The Company has appointed its Human Resources, Administrative management and Legal Affairs Office as the competent unit in charge of the Company’s ethical matters. Together, these units set the guidelines and policies, which are monitored by the auditors and reports to the Board of Directors on a yearly basis. To prevent potential conflicts of interest, the Company has established the “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors” in 2014 and 2015 respectively. In addition, the Company has also designed relevant course for its online e-Learning, including legal affairs related training on information security, personal information protection act, relevant company policies and employees’ code of conduct so as to	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>familiarize all employees with the aforementioned guidelines and thereby facilitate the promotion of honest management.</p> <p>Status of Operation and Implementation in 2017:</p> <p>A total of 661 suppliers (95.66%) engaged in business transactions with the Company signed the EICC commitment or completed the EICC questionnaire. In addition, A total of 2,319 employees completed a total of 10,280 integrity management related trainings, including:</p> <ul style="list-style-type: none"> <li>• Orientation training for new employees and group activities, covering topics such as: Company policies, corporate culture, human resource system, ethical corporate management best practice principles, trade secrets, information security, Personal Information Protection Act, and so forth</li> <li>• Management for the prevention of insider trading (for senior managers)</li> <li>• Training on advertising and fair trade guidelines</li> <li>• Introduction to intellectual property rights, understanding information security, and Personal Information Protection Act, and case studies</li> </ul>	
3. Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	Yes		<p>The Company has established the “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors” (hereinafter, “Procedures and Behaviors”); a Company director, officer or other stakeholder attending, or present at a board meeting, or a juristic representative whose presence infers a likelihood that company interests might be prejudiced, may not participate in a discussion or vote on that proposal, shall recuse themselves from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in any inappropriate manner. If, in the course of conducting company business, an employee of this Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest</p>	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>is likely to obtain improper benefit, the matter shall be reported to their immediate supervisor and the responsible unit, and the supervisor shall provide the employee with the proper instructions.</p> <p>No employee of this Corporation may use company resources for commercial activities other than those of this Corporation, nor may his or her job performance be affected by involvement in commercial activities other than those of this Corporation.</p> <p>The Company's HR policy and employee code of conduct have introduced rules to identify, supervise and manage conflicts of interest for business activities that are more highly prone to dishonest behaviors. There are channels in place for directors, supervisors, managers, stakeholders, and board meeting participants to state their conflicting interests with the Company.</p> <p>To prevent leakage of material non-public information, the Company has established "CO10 Insider Trading Prevention Management" as part of its internal control and demanded strict compliance from directors, supervisors, managers, employees, and any party that gains knowledge to the Company's material non-public information whether because of their identity, job responsibility or controlling relationships.</p>	
4. Has the company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	Yes		<p>The Company has set "Ethical Corporate Management Best Practice Principles" and focuses on creating an effective accounting system and internal control system to avoid high-risk or unethical business activities and the use of external or secret accounts. Self-evaluation is done on a regular basis to make sure the design and execution of the system is effective.</p> <p>The Company's internal audit unit oversees compliance of the system every year and prepares routine audit reports for the Board of Directors.</p>	No deviations were found
5. Does the company organize internal or external training on a regular basis to	Yes		The Company organizes training courses in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the board-approved "Insider Trading	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
maintain business integrity?			Prevention Principles.” Insider training prevention courses are organized for vice president-grade employees and above, while general employees are subjected to training on ethical behaviors on a yearly basis.	
III. Implementation of whistleblowing system				
1. Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices?	Yes		The Company has mailboxes in place to receive malpractice reports from within or outside the Company. Once a report has been sent to the mailbox, it will be referred to the appropriate department and personnel depending on the nature of the underlying issue. The identity of the informer and details of the report will be kept confidential, and may involve internal auditors if the situation requires it.	No deviations were found
2. Has the company implemented any standard procedures or confidentiality measures for handling reported malpractices?	Yes		The Company has specifically instructed case handlers to strictly follow procedures when building, assigning and investigating cases, and to exercise discretion during the investigation process.	No deviations were found
3. Does the company assure malpractice reporters that they will not be mistreated for making such reports?	Yes		The Company has confidentiality procedures built into its management policies and employee code of conduct to protect informers and investigators from improper treatments or retaliation.	No deviations were found
IV Enhanced information disclosure				
1. Has the company disclosed its integrity principles and progress onto its website and MOPS?	Yes		The Company has disclosed corporate governance and business integrity matters and updated the progress of such efforts in its annual reports, CSR reports and “Investor Relations-corporate governance” and “CSR” sections of its website.	No deviations were found
V	If the company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed			

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>Companies,” please describe its current practices and any deviations from the Best Practice Principles:  The Company’s “Business Integrity Principles” and “Business Integrity Procedures and Behaviors” have been passed by the Board of Directors and disclosed at the Company’s website and MOPS. A specialized unit will be empowered to enforce these policies and ensure employees’ compliance.</p>	
VI.			<p>Other information relevant to understanding the company’s business integrity (e.g. reviews over business integrity principles):  Courses have been introduced to the e-Learning system so that employees are made aware of the Company’s “Business Integrity Principles” and “Business Integrity Procedures and Behaviors.”</p>	

### **3.3.7 Corporate Governance Guidelines and Regulations**

Please refer to the Company's website→ Investor Relations → Corporate Governance → Major Internal Policies <http://www.compal.com/investor-relations/corporate-governance/#major-internal>

- Framework of Corporate Governance
- Articles of Incorporation
- Rules of Procedure for Shareholders' Meetings
- Regulations for Election of Directors
- Procedures for Acquisition or Disposal of Assets
- Procedures for Financial Derivatives Transactions
- Procedures for Lending Funds to Other Parties
- Procedures for Endorsement and Guarantee
- Board of Directors Meeting Guidelines
- The Responsibilities and Rules for Independent Directors
- Audit Committee Procedures
- Remuneration Committee Procedures
- CSR Committee Procedure
- Corporate Governance Best-Practice Procedures
- Code of Conduct for Directors and Managers
- Code of Conduct for Employees
- Ethical Corporate Management Best Practice Principles
- Business Integrity Procedures and Behaviors
- Insider Trading Prevention Procedures
- Corporate Social Responsibility Best Practice Principles
- Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises
- Procedures of Application to Suspend and Resume Trading

### **3.3.8 Other Important Information Regarding Corporate Governance**

Please refer to the Company's website→ CSR <http://www.compal.com/CSR/>

- Sustainable Management
- Employee Relationship
- Charity
- Environment
- Supply Chain Management
- Stakeholders
- Download CSR Report

Please refer to the Company's website→ Stakeholder Communication

<http://www.compal.com/stakeholder-communication-area/>

- Employee Relations
- Customer Relations
- Supplier Relations
- Investor Relations
- Other Affiliates

### 3.3.9 Internal Control Systems

Compal Electronics, Inc.  
Statement of the Internal Control System

Date: March 19 2018

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system for the year of 2017:

1. The Company is fully aware that the establishment, operation, and maintenance of an internal control system is the responsibility of the Board of Directors and management. The Company has established such a system. It is aimed at providing reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations (including profitability, performance, and the safeguard of assets); Reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with all the applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, it can only provide some reasonable assurance of the accomplishment of the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and corrective action is taken whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control System by Public Companies” (herein below, the “Regulations”). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, on December 31 2017, its internal control system (including the supervision and management of subsidiaries), as well as internal controls to monitor the effectiveness of its own objectives concerning operational effectiveness and efficiency, reliability, timeliness, transparency, and regulatory compliance in reporting, and compliance with applicable laws and regulations, were effective in design and operation, and provided reasonable assurance that the above-stated objectives would be achieved.
6. This Statement will be an integral part of the Company’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality of content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors at a meeting held on March 19, 2018, with 0 of the 14 attending directors expressing dissenting opinions; the remainder all affirmed the content of this Statement.

Compal Electronics, Inc.

Chairman:



President:



**3.3.10 Penalties imposed against the company and its staff, or penalties imposed by the company against its staff for violations of internal control or regulations; state any corrective actions taken in the most recent years up till the date of the annual report: None.**

### **3.3.11 Major Resolutions Made in Shareholders' Meeting and Board Meetings**

#### 1. Shareholders' meeting

■ Time: 9 AM, June 22, 2017 (Thursday)

Venue: B1, 581 Ruiguang Road, Neihu District, Taipei City

■ Major Resolutions:

- (1) Ratified the Operation Report and Financial Statement for 2016.
- (2) Ratified the Distribution of Earnings for the year 2016.
- (3) Passed the motion to distribute capital reserves in cash.
- (4) Passed the motion to partially amend "Procedures of Application to Suspend and Resume Trading".
- (5) Passed the motion to remove restrictions imposed against Directors to be involved in competing business.

■ Post-meeting Execution:

- (1) The 2016 distribution of cash dividends and capital reserves are summarized as follows:
  - The adjustment of the dividend ratio and the ratio of cash distributed from capital reserves results from the cancellation of new restricted employee shares because the criteria were not met by the intended employees and the impact on outstanding shares is as follows:
  - Cash Dividends: Initial NTD 1 per share, adjusted to NTD 1.00006377 per share.
  - Cash Distributed from Capital Reserve: Initial NTD 0.2 per share, adjusted to NTD 0.20001275 per share.
  - Ex-dividend Date: August 2, 2017.
  - Declaration Date: August 23, 2017.

## 2. Board meetings

Date	Major resolutions
12th term 10th meeting 106.2.8	<ol style="list-style-type: none"> <li>1. Approved the promotion of managers.</li> <li>2. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee.</li> <li>3. Approved the settlement of CPT shares between the Company along with subsidiaries Zhaopal Investment Co., Ltd., Yongpal Investment Co., Ltd., and Kaipal Investment Co., Ltd with Tatung Company Per arbitration No. 103814 issued in 2014.</li> <li>4. Approved the cap of short-term loans from financial institutions.</li> <li>5. Approved of the Company's financing authorization from financial institute.</li> </ol>
12th term 11th meeting 106.3.28	<ol style="list-style-type: none"> <li>1. Approved the 2016 employee and director compensation.</li> <li>2. Approved the distribution of the first 2017 mid-year bonus (Dragon Boat Festival).</li> <li>3. Approved the 2017 salary adjustment.</li> <li>4. Approved the 2016 consolidated and individual financial statements.</li> <li>5. Approved 2016 Statement of Internal Control System.</li> <li>6. Approved the call of 2017 shareholders' meeting.</li> <li>7. Approved the 2017 CSR goal.</li> <li>8. Approved the evaluation of the independence and suitability of the Company CPA.</li> <li>9. Approved the submission of application for the business license for "CF01011 Medical Materials and Equipment Manufacturing" to the competent authority.</li> <li>10. Approved the investment in Leshi Zhixin Electronic Technology (Tianjin) Limited. through Compal Information Technology (Kunshan) Co., Ltd. (100% owned by the Company).</li> <li>11. Approved the amendment of Corporate Governance Best-Practice Principles.</li> <li>12. Approved the change of endorsement and guarantee seal custodian.</li> <li>13. Approved the financing of the re-investment company through the issue of a Company Letter of Support.</li> <li>14. Approved of the Company's financing authorization from financial institute.</li> </ol>
12th term 12th meeting 106.5.10	<ol style="list-style-type: none"> <li>1. Approved the appointment of the manager.</li> <li>2. Approved the 2016 operation report.</li> <li>3. Approved the 2017 operation plan.</li> <li>4. Approved the 2016 distribution of earnings.</li> <li>5. Approved capital surplus to shareholders.</li> <li>6. Approved the amendments to "Guidelines for Handling Acquisition and Disposal of Assets".</li> <li>7. Resolved to remove non-competition for directors and managers.</li> <li>8. Approved the 2017 appropriation of director and employee compensation ratio.</li> <li>9. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee.</li> <li>10. Approved the issuance of Corporate Guarantee by the Company to extend factory lease fulfillment guarantee for Compal Europe (Poland) Sp.z o.o. (100% owned subsidiary in Europe).</li> </ol>
12th Term 13th Meeting 7.10.2017	<ol style="list-style-type: none"> <li>1. Approved the distribution of cash dividends and capital surplus for 2016.</li> <li>2. Approved the financing of the re-investment company through the issue of a Company Letter of Support.</li> <li>3. Approved of the Company's financing authorization from the financial institute.</li> </ol>
12th Term 14th Meeting 2017.8.10	<ol style="list-style-type: none"> <li>1. Approved the distribution of Director compensation for 2016.</li> <li>2. Approved the adjustment of compensation for Independent Directors.</li> <li>3. Approved the distribution of the second 2017 mid-year bonus.</li> <li>4. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee.</li> <li>5. Approved the appointment of a Manager responsible for the supervision and control of derivative product trading risks.</li> <li>6. Approved the loan to UNICOM GLOBAL INC.</li> <li>7. Approved the financing of the re-investment company through the issue of a Company Letter of</li> </ol>

Date	Major resolutions
	Support. 8. Approved of the Company's financing authorization from the financial institute.
12th Term 15th Meeting 2017.11.9	1. Approved the distribution of the 2016 employee bonus. 2. Approved the distribution of the 2017 year-end bonus. 3. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee. 4. Approved the proposal to partially amend the "Rules and Procedures of Board of Directors Meetings". 5. Approved the proposal to partially amend the "Audit Committee Procedures". 6. Approved the proposal to partially amend "The Responsibilities and Rules for Independent Directors". 7. Approved the loan to Henghao Technology Co., Ltd. 8. Approved the "2018 Audit Plan". 9. Approved the financing of the re-investment company through the issue of a Company Letter of Support. 10. Approved of the Company's financing authorization from the financial institute.
12th Term 16th Meeting 3.6.2018	1. Approved the promotion of Managers. 2. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee. 3. Approved the CSR Committee Procedure. 4. Approved the change in the Head of the Company's CSR Committee. 5. Approved the Company's CSR Promotion Plan for 2018. 6. Approved the financing of the re-investment company through the issue of a Company Letter of Support. 7. Approved of the Company's financing authorization from the financial institute.
12th Term 17th Meeting 3.19.2018	1. Approved the 2017 employee and Director compensation. 2. Approved the 2017 Consolidated and Individual Financial Statements. 3. Approved 2017 Statement of Internal Control System. 4. Approved the evaluation of the independence and suitability of the Company CPA. 5. Approved the call of 2018 Shareholders' Meeting. 6. Approved of the Company's financing authorization from the financial institute. 7. Approved the election of the 13th Term Directors.
12th Term 18th Meeting 5.9.2018	1. Approved the appointment of the Manager. 2. Approved the change of the Company CPA. 3. Approved the evaluation of the independence and suitability of the Company CPA. 4. Approved the 2017 Operation Report. 5. Approved the 2018 Operation Plan. 6. Approved the 2017 Distribution of Earnings. 7. Approved the distribution of capital surplus to Shareholders. 8. Approved the review of eligibility for the 13th Term Director and Independent Director nominees. 9. Resolved to remove non-competition for Managers. 10. Resolved to remove non-competition for the 13th Term Director and Independent Director eligible nominees. 11. Approved the distribution of the first 2018 mid-year bonus. 12. Approved the 2018 salary adjustment. 13. Approved the 2018 appropriation of Director and employee compensation ratio. 14. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee. 15. Approved of the Company's financing authorization from the financial institute.

**3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.**

**3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D: None.**

### 3.4 Information Regarding the Company's Audit Fee and Independence

#### 3.4.1 Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Kuo, Kuan-Ying	Au, Yiu Kwan	2017.01.01~2017.12.31	

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000		-	-	-
2	NT\$2,000,000 ~ NT\$4,000,000		-	-	-
3	NT\$4,000,000 ~ NT\$6,000,000		-	4,588	4,588
4	NT\$6,000,000 ~ NT\$8,000,000		-	-	-
5	NT\$8,000,000 ~ NT\$10,000,000		-	-	-
6	Over NT\$100,000,000		10,420	-	10,420

(1) **Non-audit fees paid to CPA, accounting firm and affiliated companies thereof that amount to more than 1/4 of audit fees:**

Unit: NT\$ thousands

Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Kuo, Kuan-Ying	10,420	-	340	-	4,248	4,588	2017.01.01~2017.12.31	
	Au, Yiu-Kwan								

Note: Other non-audit fees: Transfer pricing report of \$565,000, tax consultation of \$3,573,000, and others of \$110,000.

(2) **Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year:** None

(3) **Reduction of audit fees by more than 15% compared to the previous year:** None

### 3.4.2 Replacement of CPA

#### (1) About the former CPA

Date of replacement	Approved by the Board of Directors on May 11, 2016		
Reason and explanation for replacement	Due to adjustments in work and duties at KPMG in 2016, the CPAs were changed from Kuo, Kuan-Ying and Lo, Jui-Lan to Kuo, Kuan-Ying and Au, Yiu-Kwan.		
State whether the commissioner or the CPA terminated the service or declined the commission	Party involved	CPA	Commissioner
	Situation		
	Voluntarily terminated the commission	Not applicable	Not applicable
	Will no longer accept (continue) the commission	Not applicable	Not applicable
Other audit report opinions and causes issued within the last two years other than unqualified opinion	N/A		
Did he/she have opinions that differed from that of the publisher?	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or step of auditing
			Other
	N/A	V	
	Description		
Other items of disclosure (Contents that should be disclosed as covered in Clauses 1.4~1.7, Section 6, Article 10 of this guideline)	N/A		

Date of replacement	Approved by the Board of Directors on May 9, 2018		
Reason and explanation for replacement	Due to adjustments in work and duties at KPMG, the CPAs were changed from Kuo, Kuan-Ying and Au, Yiu-Kwan to Chien, Szu Chuan and Au, Yiu-Kwan starting from 1Q 2018.		
State whether the commissioner or the CPA terminated the service or declined the commission	Party involved	CPA	Commissioner
	Situation		
	Voluntarily terminated the commission	Not applicable	Not applicable
	Will no longer accept (continue) the commission	Not applicable	Not applicable
Other audit report opinions and causes issued within the last two years other than unqualified opinion	N/A		

Did he/she have opinions that differed from that of the publisher?	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or step of auditing
			Other
	N/A	V	
Description			
Other items of disclosure (Contents that should be disclosed as covered in Clauses 1.4~1.7, Section 6, Article 10 of this guideline)	N/A		

(II) About the succeeding CPA

Name of accounting firm	KPMG
Name of CPA	Kuo, Kuan-Ying, Au, Yiu-Kwan
Date commissioned	Approved by the Board of Directors on May 11, 2016
Items of consultation and results on the accounting methods for specific transactions, accounting principles and potential opinions for financial report prior to commissioning	N/A
Written opinion from succeeding CPA on items of disagreement with the former CPA	N/A

Name of accounting firm	KPMG
Name of CPA	Chien, Szu Chuan, Au, Yiu-Kwan
Date commissioned	Approved by the Board of Directors on May 9, 2018
Items of consultation and results on the accounting methods for specific transactions, accounting principles and potential opinions for financial report prior to commissioning	N/A
Written opinion from succeeding CPA on items of disagreement with the former CPA	N/A

(3) Response from the former CPA on Clauses 1 and Clause 2.3, Section 6, Article 10 of this guideline:

None.

**3.4.3 If the chairman, president, and financial or accounting manager of the Company had worked for the accounting firm or related parties thereof in the most recent year, the name, title, and the term of service with the accounting firm or the related party must be disclosed: None.**

### 3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: shares

Title	Name	2017		Up till April 24, 2018	
		Shares held Increase (Decrease)	Shares pledged Increase (Decrease)	Shares held Increase (Decrease)	Shares pledged Increase (Decrease)
Chairman	Rock Hsu	(8,800,000)	0	0	0
Director and President	Jui-Tsung Chen	(15,230,000)	0	0	0
Director	Wen-Being Hsu	0	0	0	0
Director	Kinpo Electronics, Inc.	0	0	0	0
	Representative: Shyh-Yong Shen	0	0	0	0
Director	Chang Chi Ko	0	0	0	0
Director	Sheng Chieh Hsu	0	0	0	0
Director	Yung-Chia Chou	0	0	0	0
Director	Wen-Chung Shen	(5,200,000)	0	0	0
Director	Yung-Ching Chang	(1,161,000)	0	(207,000)	0
Director and Executive Vice President	Chung-Pin Wong	1,020,000	0	765,000	0
Director	Chiung-Chi Hsu	0	0	0	0
Director and Executive Vice President	Chao-Cheng Chen	1,020,000	0	765,000	0
Independent Director	Min-Chih Hsuan	0	0	0	0
Independent Director	Duei Tsai	0	0	0	0
Independent Director	Duh Kung Tsai	0	0	0	0
Executive Vice President	Chen Chang Hsu	0	0	0	0
Senior Vice President	Chun-De Shen	420,000	0	315,000	0
Senior Vice President	Kuo-Chuan Chen	42,000	0	240,000	0
Senior Vice President	Pei-Yuan Chen	0	750,000	0	1,210,000
Senior Vice President	Chiu-Rui Wei	200,000	0	150,000	0
Senior Vice President	Ying Chang	420,000	0	315,000	0
Senior Vice President	Ming-Chih Chang	0	0	0	0
Senior Vice President	Sheng-Hua Peng	420,000	0	315,000	0
Senior Vice President	Wen-Da Hsu	320,000	0	240,000	0

Title	Name	2017		Up till April 24, 2018	
		Shares held Increase (Decrease)	Shares pledged Increase (Decrease)	Shares held Increase (Decrease)	Shares pledged Increase (Decrease)
Senior Vice President	Wei-Cheng Chen	240,000	0	180,000	0
Senior Vice President	Hsi-Kuan Chen	0	0	0	0
Senior Vice President	Chih-Wei Wen	0	0	0	0
Vice President	Chih-Chuan Cheng	240,000	0	180,000	0
Vice President and Head of Finance	Gary Lu	120,000	0	65,000	0
Vice President	Shih-Tung Wang	0	0	0	0
Vice President	Bo-Hsiung Chang	0	0	0	0
Vice President	Bo-Tang Wang	150,000	0	180,000	0
Vice President	Zong-Ming Wang	140,000	0	150,000	0
Vice President	Fu-Chuan Chang	(10,000)	0	(4,000)	0
Vice President	Chi-Hsiang Ma	0	0	0	0
Vice President	Yung-Nan Chang	0	0	180,000	0
Vice President	Sheng-Hung Li	240,000	0	180,000	0
Vice President	Yung-He Su	200,000	0	180,000	0
Vice President	Chih-Hsien Liang	0	0	120,000	0
Vice President	Ming-Dong Wong	320,000	0	240,000	0
Vice President	Yue-Chun Li	240,000	0	180,000	0
Vice President	Chiao-Lieh Huang	5,000	0	120,000	0
Vice President	Chung-Hsing Tan	0	0	170,000	0
Vice President	Yi-Yun Chang	10,000	0	180,000	0
Vice President	Hsin-Kung Mao	240,000	0	180,000	0
Vice President	Hsin-Hsiung Huang	160,000	0	120,000	0
Vice President	Shih-Hung Huang	160,000	0	120,000	0
Vice President	Yi-Chiang Chiu	160,000	0	120,000	0
Vice President	Ching-Fa Li	160,000	0	0	0
Vice President	Bo-Heng Chen	160,000	0	120,000	0
Vice President	Jui-Chun Hsu	0	0	0	0
Vice President	Shih-An Li	0	0	0	0
Vice President	Ta-Chun Wang	0	0	0	0
Vice President	Fei-Lung Chen	0	0	0	0
Vice President	Jen-Liang Lin	-	-	0	0
Chief Legal Officer	Peng-Hong Chan	-	-	0	0
Head of Auditing	Bo-Wen Hsieh	0	0	0	0
Advisor	Tian-Yuan Tsai	0	0	-	-
Vice President	Ming-Hsiang Kan	0	0	-	-
Vice President	Lung-Hua Shen	240,000	0	-	-
Vice President	Ling-Sheng Wu	(65,000)	0	(5,000)	0
Vice President	Chi-Hsiang Ma	0	0	0	0

Note: Senior Advisors Wen-Chung Shen, Yung-Ching Chang and Advisor Tian-Yuan Tsai retired in 2017; Vice President Ming-Hsiang Kan retired in 2017. Vice Presidents Liang-Jen Lin and Peng-Hong Chan were promoted and took office respectively in 2018, while Vice Presidents Lung-Hua Shen, Ling-Sheng Wu and Chi-Hsiang Ma resigned in 2018.

### 3.5.1 Shares Trading with Related Parties:

Name	Reason for transfer	Transaction date	Counterparty	Counterparty's relationship with the Company, Directors, Supervisors, and shareholders with more than 10% ownership interest	Shares	Transaction price
Jui-Tsung Chen	Gift	2017.03.24	Hsin-Chong Chen	Farther and Son	10,230,000	19.15
Wen-Chung Shen	Gift	2017.07.06	Su-Wen Teng	Husband and Wife	5,200,000	-
Kuo-Chuan Chen	Gift	2017.06.16	Chao-Chuan Chen	Farther and Son	107,000	20.55
Gary Lu	Gift	2017.11.28	Shao-Hsuan Lu	Father and Daughter	120,000	20.45
Gary Lu	Gift	2018.03.30	Shao-Hsuan Lu	Father and Daughter	115,000	19.95

### 3.5.2 Shares Pledge with Related Parties: None

### 3.6 Relationship among the Top Ten Shareholders

April 24, 2018

Unit: Shares

Name	Self Shares held		Shareholdings of spouse and underage children		Total shares held in the names of others Shares held		Spouse, relative of second degree or closer, and relationships among top 10 shareholders	
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Name	Relationship
Bank of Taiwan in custody for Silchester International Investors International Value Equity Trust Investment Account	188,272,000	4.26%	-	-	0	0%	N/A	N/A
Kinpo Electronics Inc.	151,628,692	3.43%	-	-	0	0%	N/A	N/A
Representative: Rock Hsu	8,975,401	0.20%	17,107,025	0.39%	0	0%		
Bank of Taiwan in custody for Silchester International Investors International Value Equity Group Trust Investment Account	102,199,000	2.31%	-	-	0	0%	N/A	N/A
Standard Chartered in custody for Vanguard Stock Index Fund	71,028,410	1.61%	-	-	0	0%	N/A	N/A
Standard Chartered in custody for Fidelity Puritan Fund: Fidelity Low-Priced Stock Fund	68,000,000	1.54%	-	-	0	0%	N/A	N/A
Yung-Kun Hsieh	66,516,000	1.51%	(Note)					
Citi (Taiwan) Commercial Bank in custody for Dimensional	64,250,333	1.45%	-	-	0	0%	N/A	N/A

Name	Self Shares held		Shareholdings of spouse and underage children		Total shares held in the names of others Shares held		Spouse, relative of second degree or closer, and relationships among top 10 shareholders	
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Name	Relationship
Emerging Markets Value Fund								
FuBon Insurance	64,200,991	1.45%	-	-	0	0%	N/A	N/A
Representative: Ming-Hsing Tsai	0	0%	0	0%	0	0%		
Citi (Taiwan) Commercial Bank in custody for Norges Bank	64,089,697	1.45%	-	-	0	0%	N/A	N/A

Note: The Company has sent the request to Yung-Kun Hsieh for the relevant information, but did not receive the reply until the annual report was published.

### 3.7 Ownership of Shares in Affiliated Enterprises

December 31, 2017

Unit: Shares; %

Investees (Note)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregate investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Panpal Technology Corp.	500,000,000	100.00	-	-	500,000,000	100.00
Gempal Technology Corp.	90,000,000	100.00	-	-	90,000,000	100.00
Hong Ji Capital Co., Ltd.	100,000,000	100.00	-	-	100,000,000	100.00
Hong Jin Investment Co., Ltd.	29,500,000	100.00	-	-	29,500,000	100.00
Zhaopal Investment Co., Ltd.	135,800,000	100.00	-	-	135,800,000	100.00
Yongpal Investment Co., Ltd.	118,850,000	100.00	-	-	118,850,000	100.00
Kaipal Investment Co., Ltd.	51,050,000	100.00	-	-	51,050,000	100.00
Rayonnant Technology Co., Ltd.	29,500,000	100.00	-	-	29,500,000	100.00
RiPAL Optotronics Co., Ltd.	6,000,000	100.00	-	-	6,000,000	100.00
Unicom Global Inc.	10,000,000	100.00	-	-	10,000,000	100.00
Huang Feng Communication Co., Ltd.	10,000,000	100.00	-	-	10,000,000	100.00
Henghao Technology Co., Ltd.	131,498,746	100.00	-	-	131,498,746	100.00
Compal Broadband Networks Inc.,	29,060,176	48.15	14,172,854	23.48	43,233,030	71.63
Crownpo Technology Co., Ltd.	3,738,668	33.23	6,185,465	54.97	9,924,133	88.20
Kinpo Group Management Consultant Company	300,000	37.50	300,000	37.50	600,000	75.00
Mactech Co., Ltd.	21,756,192	52.88	274,954	0.67	22,031,146	53.55

Investees (Note)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregate investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
General life Biotechnology Co., Ltd.	15,000,000	50.00	-	-	15,000,000	50.00
Li Hong Optoelectronic Co., Ltd.	2,772,000	42.00	-	-	2,772,000	42.00
Infinno Technology Corporation	5,649,625	27.20	-	-	5,649,625	27.20
Accesstek Inc.	899,160	27.78	319,707	9.88	1,218,867	37.66
Allied Circuit Co., Ltd.	10,157,730	20.42	7,317,295	14.71	17,475,025	35.13
Arcadyan Technology Corp.,	41,304,504	21.84	27,156,180	14.36	68,460,684	36.20
Maxima Ventures I, Inc.	126,000	22.55	3,000	0.54	129,000	23.09
Avalue Technology Inc.	15,240,070	21.99	672,000	0.97	15,912,070	22.96
Core Profit Holdings Ltd.	147,000,000	100.00	-	-	147,000,000	100.00
Flight Global Holding Inc.	89,755,495	100.00	-	-	89,755,495	100.00
Just International Ltd.	48,010,000	100.00	-	-	48,010,000	100.00
High Shine Industrial Corp.	42,700,000	100.00	-	-	42,700,000	100.00
Compal International Holding Co., Ltd.	53,001,000	100.00	-	-	53,001,000	100.00
Big Chance International Co., Ltd.	90,820,000	100.00	-	-	90,820,000	100.00
Compal Rayonnant Holdings Limited	12,500,000	100.00	-	-	12,500,000	100.00
Auscom Engineering Inc.	3,000,000	100.00	-	-	3,000,000	100.00
Compal Europe (Poland) Sp. z o.o.	136,080	100.00	-	-	136,080	100.00
Bizcom Electronics, Inc.	100,000	100.00	-	-	100,000	100.00
Compal Electronics (Holding) Ltd.	1,000	100.00	-	-	1,000	100.00
Compalead Electronics B.V.	6,426,516	100.00	-	-	6,424,516	100.00
Etrade Management Co., Ltd.	46,900,000	75.77	15,000,000	24.23	61,900,000	100.00
Webtek Technology Co., Ltd.	100,000	100.00	-	-	100,000	100.00
Forever Young Technology Inc.	50,000	100.00	-	-	50,000	100.00
Lipo Holding Co., Ltd.	98,000	49.00	102,000	51.00	200,000	100.00
Ascendant Private Equity Investment Ltd.	31,253,125	34.72	37,253,825	42.50	68,506,950	77.22
UniCore Biomedical Co., Ltd.	20,000,000	100.00	-	-	20,000,000	100.00

Note: Investments made by the Company using the Equity Method.

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

May 9, 2018

Year	Month	Issuance Price	Authorized capital		Paid-up capital		Remarks		
			Shares	Amount (NTD)	Shares	Amount (NTD)	Source of capital	Paid in properties other than cash	Others
2015	1	10	6,000,000,000	60,000,000,000	4,423,236,625	44,232,366,250	Exercise of employee warrants totaling NTD 20,266,000	N/A	Change of capital approved by the Ministry of Economic Affairs on February 10, 2015
2015	2	10	6,000,000,000	60,000,000,000	4,472,596,625	44,725,966,250	Issuance of employees' restricted shares NTD493,600,000	N/A	Change of capital approved by the Ministry of Economic Affairs on March 23, 2015
2015	8	10	6,000,000,000	60,000,000,000	4,472,196,625	44,721,966,250	Cancellation of Restricted Employee Shares of \$4,000,000	N/A	Change of capital approved by the Ministry of Economic Affairs on September 2, 2015
2015	9	10	6,000,000,000	60,000,000,000	4,471,126,625	44,711,266,250	Cancellation of Restricted Employee Shares of \$10,700,000	N/A	Change of capital approved by the Ministry of Economic Affairs on December 11, 2015
2016	2	10	6,000,000,000	60,000,000,000	4,470,636,625	44,706,366,250	Cancellation of Restricted Employee Shares of \$4,900,000	N/A	Change of capital approved by the Ministry of Economic Affairs on March 14, 2016
2016	5	10	6,000,000,000	60,000,000,000	4,470,486,625	44,704,866,250	Cancellation of Restricted Employee Shares of \$1,500,000	N/A	Change of capital approved by the Ministry of Economic Affairs on June 2, 2016
2016	6	10	6,000,000,000	60,000,000,000	4,426,670,625	44,266,706,250	Retirement of treasury stock \$438,160,000	N/A	Change of capital approved by the Ministry of Economic Affairs on July 21, 2016
2016	8	10	6,000,000,000	60,000,000,000	4,424,680,625	44,246,806,250	Cancellation of Restricted Employee Shares of \$19,900,000	N/A	Change of capital approved by the Ministry of Economic Affairs on August 29, 2016
2016	11	10	6,000,000,000	60,000,000,000	4,424,510,625	44,245,106,250	Cancellation of Restricted Employee Shares of \$1,700,000	N/A	Change of capital approved by the Ministry of Economic Affairs on November 29, 2016
2017	2	10	6,000,000,000	60,000,000,000	4,422,464,625	44,224,646,250	Cancellation of Restricted Employee Shares of \$20,460,000	N/A	Change of capital approved by the Ministry of Economic Affairs on February 24, 2017
2017	5	10	6,000,000,000	60,000,000,000	4,422,152,625	44,221,526,250	Cancellation of Restricted Employee Shares of \$3,120,000	N/A	Change of capital approved by the Ministry of Economic Affairs on June 3, 2017
2017	8	10	6,000,000,000	60,000,000,000	4,421,870,625	44,218,706,250	Cancellation of Restricted Employee Shares of \$2,820,000	N/A	Change of capital approved by the Ministry of Economic Affairs on August 29, 2017
2017	11	10	6,000,000,000	60,000,000,000	4,420,280,625	44,202,806,250	Cancellation of Restricted Employee Shares of \$15,900,000	N/A	Change of capital approved by the Ministry of Economic Affairs on November 29, 2017
2018	3	10	6,000,000,000	60,000,000,000	4,419,191,625	44,191,916,250	Cancellation of Restricted Employee Shares of \$10,890,000	N/A	Change of capital approved by the Ministry of Economic Affairs on March 21, 2018

Share Type	Authorized capital			Remarks
	Outstanding shares (public listed)	Unissued shares	Total	
Ordinary shares	4,419,191,625 (Note)	1,580,808,375	6,000,000,000	Approved to include 100,000,000 shares of employees shares and corporate bonds with warrant in capital.

Note: Unconcealed restricted employee shares (RSA) are 12,045,000 shares.

- Shelf registration system information: None

#### 4.1.2 Status of Shareholders

April 24, 2018

Analysis	Government Agencies	Financial Institutions	Other Institutions	Foreign Institutions & Natural Persons	Domestic Natural Persons	Treasury stocks	Total
Number of Shareholders	3	36	232	1,073	157,333	1	158,678
Shareholding (shares)	8	128,270,598	343,642,395	2,553,031,767	1,382,201,857	12,045,000	4,419,191,625
Percentage	0.00%	2.90%	7.78%	57.77%	31.28%	0.27%	100.00%

#### 4.1.3 Share Ownership Distribution

April 24, 2018

Range of Shareholding (Unit: Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	47,644	9,267,681	0.21%
1,000 ~ 5,000	73,841	166,330,884	3.76%
5,001 ~ 10,000	18,290	132,791,010	3.00%
10,001 ~ 15,000	6,490	78,255,823	1.77%
15,001 ~ 20,000	3,305	59,509,247	1.35%
20,001 ~ 30,000	3,068	75,934,903	1.72%
30,001 ~ 40,000	1,453	51,078,215	1.16%
40,001 ~ 50,000	895	40,998,878	0.93%
50,001 ~ 100,000	1,715	121,481,074	2.75%
100,001 ~ 200,000	826	115,738,024	2.62%
200,001 ~ 400,000	436	122,303,380	2.77%
400,001 ~ 600,000	158	77,664,185	1.76%
600,001 ~ 800,000	96	65,914,027	1.49%
800,001 ~ 1,000,000	62	55,373,899	1.25%
1,000,001 and over	399	3,246,550,395	73.46%
Total	158,678	4,419,191,625	100.00%

#### 4.1.4 List of Major Shareholders

April 24, 2018

Shareholder's name	Shares	Shares held	Percentage (%)
Bank of Taiwan in custody for Silchester International Investors International Value Equity Trust Investment Account		188,272,000	4.26%
Kinpo Electronics Inc.		151,628,692	3.43%
Bank of Taiwan in custody for Silchester International Investors International Value Equity Group Trust Investment Account		102,199,000	2.31%
Standard Chartered in custody for Vanguard Stock Index Fund		71,028,410	1.61%
Standard Chartered in custody for Fidelity Puritan Fund: Fidelity Low-Priced Stock Fund		68,000,000	1.54%
Bank of Taiwan in custody for Silchester International Investors International Value Equity Taxable Trust Investment Account		67,439,000	1.53%
Yung-Kun Hsieh		66,516,000	1.51%
Citi (Taiwan) Commercial Bank in custody for Dimensional Emerging Markets Value Fund		64,250,333	1.45%
Fubon Insurance		64,200,991	1.45%
Citi (Taiwan) Commercial Bank in custody for Norges Bank		64,089,697	1.45%

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Measurement		Year	2016	2017	Year-to-date March 31, 2018
Per-share market price	High		21.65	22.90	22.15
	Low		16.55	18.45	19.55
	Average		19.24	20.50	20.55
Per-share net worth (Note)	Before dividend		24.19	23.32	23.35
	After dividend		22.98	22.12	-
Earnings per share	Before adjustment	Weighted average outstanding shares	4,329,403,194	4,344,645,129	4,354,402,613
		Earnings per share	1.88	1.32	0.32
	After adjustment	Weighted average outstanding shares	4,329,403,194	4,344,645,129	-
		Earnings per share	1.88	1.32	-
Per-share dividend	Cash dividends		1.20	1.20	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends		-	-	-
Analysis of investment returns	P/E ratio		10.23	15.53	-
	Price to dividends ratio		16.03	17.08	-
	Cash dividend yield		6.24%	5.85%	-

Note: The 2017 distribution of earning was resolved at the May 9, 2018 Board of Directors' Meeting and will be submitted to the 2018 shareholders' meeting for final approval.

#### **4.1.6 Dividend Policy and Implementation Status**

##### **(1) Dividend Policy**

When the Company makes a profit during the year, 10% of annual net income after appropriating income tax expense, offsetting any prior deficit, is to be set aside as legal reserve and a special reserve is set aside or reserved in accordance with pertinent laws and regulations. The balance of earning available for distribution is composed of the remainder of the said profit and the retained earning from previous years. The earnings appropriation, distribution of dividends and bonuses shall be proposed by the Board of Directors and approved at a Shareholder's Meeting. The rest of the unappropriated earning shall be reserved.

The Company is in a growth period of its life cycle. And as such, for the consideration of future capital needs and to meet cash flow needs of its shareholders, the Company's distribution of cash dividend, after closing and has distribution of earning, shall be no less than 10% of the total cash and stock dividends.

Although a dividend ratio has not been specified in the Company's articles of incorporation, the Company shall not appropriate less than 30% of its income after tax for dividends, after taking into account factors such as the Company's capital needs, the capital budget, long term financial plans, domestic and international competition and the interests of the shareholders. The board of directors shall propose the distribution of earnings and submit them to the shareholders' meeting for approval.

##### **(2) Proposed Distribution of Dividend**

- The proposed 2017 distribution of earning of shareholders' dividend in the amount of NTD 4,407,146,625 will be discussed at the 2018 shareholders' meeting. The aforementioned amount is set to be distributed as an all cash dividend of NTD 1 per share and incurred capital surplus generated from the excess of the issuance price over the par value of the capital stock in the amount of NTD 881,429,325, or NTD 0.2 per share. The total cash distribution amounts to NTD 5,288,575,950.
- Should the Company decide to buy back/recover outstanding shares, transfer treasury stock to employees, reduce share capital or in any other way alter the number of outstanding shares sometime later, the Board of Directors shall be authorized to adjust the payment rate of cash dividends and cash capital surplus as deemed necessary at its discretion.

##### **(3) Impact to 2016 Business Performance and EPS resulting from Stock Dividend Distribution: Not Applicable.**

#### **4.1.7 Employees' and Directors' Compensation**

(1) Employees' and directors' compensation policies as stated in the Articles of Incorporation

When the Company makes a profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to the deduction of compensation to employees and directors, shall be distributed to employees as compensation in the amount of no less than two percent (2%) thereof and to director as compensation in an amount of no more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset the accumulated losses.

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

(2) Basis for estimating employees' and directors' compensation and stock dividends, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid.

- Compensation to directors and employees, as denoted in the Articles of Incorporations, shall be estimated based on income before tax prior to the subtraction of directors and employees compensation during the current year and multiplied by the ratio as denoted in the Article of Incorporation (shall not be more than 2% or less than 2% of the remainder, respectively.)
- If the compensation approved for distribution to employees is to be in the form of common shares, the number of shares is determined by dividing the amount of the compensation by the closing price of the shares on the day preceding the Board of Directors' meeting.
- If the actual amounts differ from the amounts estimated, the differences are recorded as gains/losses in the subsequent year as a change in accounting estimate.

(3) 2017 employees compensation proposal passed by the board of directors

- Accrued employees compensation is NTD \$624,296,016 and directors compensation is NTD \$33,012,128.
- If the estimated distribution amount differs from the amounts estimated in accrued expense, the variance, reason and resolution should be disclosed: No variance.
- The proposed distribution of employee stock compensation, and the size of such an amount as a percentage of the sum of the after-tax net income stated in the individual financial reports for the current period and total employee compensation: Not applicable (no employee stock compensation).

(4) Actual distribution of 2016 employee and directors compensation:

- The employee compensation is NTD \$876,027,690 and the directors compensation is NTD \$46,323,438.
- The 2016 actual distribution of employee and directors compensation was approved at the 2016 shareholders' meeting and remained as proposed by the board of directors.

#### **4.1.8 Company Buyback of Own Shares: None**

#### 4.2 Bonds: None

#### 4.3 Global Depository Receipts

Details		Date of issue:	
		November 9, 1999	May 21, 2001
Issuance and trading location		Luxembourg	Luxembourg
Total sum issued		USD 122,160,000	USD 174,816,000
Issuance price per unit		USD 15.27	USD 6.07
Number of units issued		8,000,000 units	28,800,000 units
Source of represented securities		Participating shareholder(s): Kinpo Electronics, Inc.	1. Participating shareholder(s): 44,000,000 shares contributed by (1) Kinpo Electronics, Inc. (2) Panpal Technology Corporation (3) Gempal Technology Corporation 2. New cash issue of Compal shares: 1,000,000,000 shares
Quantity of represented securities		40,000,000 ordinary shares of Compal Electronics	144,000,000 ordinary shares of Compal Electronics
GDR holders' rights and obligations		1. Voting rights: According to the terms of the depository agreement and the laws of the Republic of China, the beneficiary certificate holder is entitled to the voting rights of shares represented under the beneficiary certificate. 2. Rights to dividend distribution, share subscription and other rights: Unless otherwise specified in the agreement, the GDR carries identical rights as do ordinary shares	
Trustee		N/A	N/A
Depository bank		The Bank of New York	The Bank of New York
Custodian		Mega International Commercial Bank	Mega International Commercial Bank
Unredeemed balance		7,733,638 units (May 9, 2018)	
Allocation of expenses incurred at issuance and over the duration		Borne by participating shareholder(s)	Allocated proportionally between the Company and participating shareholders
Key terms of the depository and custodian agreements		See descriptions below	
Per Unit Market Price	2017	High	USD \$3.775
		Low	USD \$2.88
		Average	USD \$3.589
	Year-to-date May 9, 2018	High	USD \$3.75
		Low	USD \$3.22
		Average	USD \$3.44

#### 4.4 Employee Warrants: None

#### 4.5 Subscription of New Shares by Employees and Restricted Shares: None

#### 4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

#### 4.7 Financing Plans and Implementation: None

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### (1) Main areas of business operations

The development, designed, manufacture and sales of Notebook PCs, Ultrabook PCs, 2-in-1 PCs, AIO PCs, Tablet PCs, Server, AE, Smart Home, LCD TVs, LCD Monitor, Public Display, Smart Phone and other Smart Accessory and Wearable Devices.

##### (2) Revenue distribution

Unit: NTD thousands

Major Divisions	(%) of Total Sales in 2017
5C electronics	99.7%
Other products	0.3%
Total	100.0%

##### (3) New products development

The development and design of IoT Vertical Solution, Electronic Medical Record (EMR), and hospital management system, Point of Care solution, and smart Sport.

###### ■ Notebook PCs

For notebook PC hardware, Compal has adopted the most efficient R&D methods in 2017 to launch the latest (8th generation) Intel Core i3, i5 and i7 series processors and AMD central processors, with graphics incorporated in single silicon chip in the development of the APU on top of launching a new generation of laptop which is compatible with the Windows 10 operating system. Compal possesses special expertise in system integration, R&D and manufacturing to assist customers in developing and mass-producing new products with the latest specifications under relatively short time. Compal's price-competitive, slim-type notebooks were launched a time when the market favored more affordable and portable devices, and for which it received positive responses from consumers. The purchase signal in high-end gaming laptop market has been relatively stable, making gaming laptops a new ground for brand name companies to vie for growth. These companies have injected more investments in the gaming notebook market and launched the global market for gaming notebook into intense competition. After years of operation as an OEM of gaming notebooks for our brand partners, Compal has accumulated profound experience in design and development and in 2018, the Company shall continue to keep up with the market trends by introducing high-end technical specifications, multi-dimensional graphics chips and Intel's 7th generation high-end H series central processor to launch a new brand of gaming computer. Together with our clients, we shall secure our share in the gaming laptop market. Compal has also been improving its ability to design customized models for customers across different countries and markets. A significant amount of resources has been devoted to developing commercial notebooks, given how their demands are resilience against economic downturns. Overall, Compal aims to attain industry-leading R&D capabilities in both consumer and commercial markets.

###### ■ Ultrabook PCs

Innovative technology and extensive R&D capabilities allow Compal to maintain a leading position in the industry. Compal produces an ultra-thin notebook (Ultrabook), that uses the latest generation of the Intel industry-leading 15 Watt standard voltage processor. Not only is it slim and light but it has the most excellent

performance and allows users to stay productive. More Windows 10 Ultrabooks equipped with standard voltage processors are scheduled for launch in 2018. Apart from compatibility with Intel's design specifications for its latest generation products, we will also be introducing products of a slimmer design at a lower price to meet market demand. The product will feature the stylish and elegant body that is typical of Compal products yet offer powerful computing power that can rival high-performance PCs. Compal will also continue to develop newer and more competitive technologies so that not only consumers around the world will get to enjoy Compal's innovations but also enables our customers to access this market more quickly.

#### ■ 2-in-1 PCs

The 2-in-1 laptop is a novel product that borrows the concept of "Transformers" – in addition to having a standard laptop keyboard for diverse functional operations, the product also features Tablet PC touch versatility. With a touch-sensing display module coupled with Microsoft's latest Windows 10 OS, the product is aimed at attracting the consumer base for standard laptops and tablet PCs. Utilizing our rich R&D experience, Compal has presented a number of innovative concepts to incorporate the Company's exclusive technologies, materials and fan-less design in 2-in-1 PCs of different designs and form factors, the Company is poised to create new market demands and earn unanimous praises from customers and consumers alike.

#### ■ AIO PCs

AIO has been on the market for years. It is an elegant combination of screen and computer with a thin, special shape, and elegant design. The product has replaced the desktop in many households and corporations. Compal has also enhanced the design to allow the AIO to lie flat and also be portable (Portable AIO). Since Compal possess the fundamental technical capabilities required for notebook PCs featured in the AIOs, the Company is therefore able to commence production in the shortest time possible. Our AIO product lines have been very well received by clients.

#### ■ Smart Home

Smart Home has been in development for many years and with the dawn of the IoT (Internet of Things) era, the central control platform for smart home will no doubt become the focal point of competition for relevant industries. Compal has ventured into the development of Home Gateway platform using our production and design capacity for mobile computers and devices. We have also developed new products and business lines by cultivating wireless technology and sensor network technologies, integrating background cloud computing services and focusing on smart energy saving, smarter safety and smart home care. In the future, Compal will also rely on its core capabilities to gradually expand its products width and depth in different domains of IoT in order to locate corresponding niche markets to expand product coverage.

#### ■ Server

Cloud application has been a growing market. A significant portion of data storage and computing analytics have shifted to cloud servers in the back-end. In order to meet the demand from both Enterprises and Data Centers, Compal has mastered the R&D of High-density computing power and precision performance management, with the capacity to design and manufacture servers of higher C/P value.

#### ■ Tablet PCs

Compal has long cultivated tablet PC technology for industrial, commercial and consumer users. We will continue to develop a series of tablet PCs and LTE compatible products at affordable price points in order to satisfy the needs of our clients while winning the support and recognition from consumers. We will also extend our product lines to eBooks and deliver more competitive solutions to name brand clients.

#### ■ LCD TVs

As consumers change their viewing habits, the interaction experience between users of Smart TVs (or smart phones) is also redefined by seamless extension of the content on the devices, such as simplification of TV network setup. This improves user convenience to meet new expectations from such devices as smart TVs.

## ■ LCD Monitor

Developed UHD products from 32-inch to 98-inch and have advanced to HDMI 2.0 specification and now supports up to 4K2K 60Hz input signal and USB Type-C connectivity to achieve comprehensive connection interface in order to accommodate the demand for professional graphics design and B2B market. Also integrate with smart platform to develop 65-inch above interactive whiteboard.

## ■ Smartphone

Compal continues to strengthen the operational efficiency of R&D, develop core communications technologies, and continue the development of innovative technologies to maintain an industry-leading position. In the near future, we will continue to develop mid-end and high-end smart mobile devices that feature multi-core, frameless, multi-camera image integration and special feature camera. We will also increase the speed for TDD-LTE/ FDD-LTE carrier aggregation. Apart from continuing to strengthen the R&D competitiveness, we will also invest in the 5G communication technology and actively develop cost-effective, visually appealing products to cope with the rapid growth and customer needs in emerging markets.

## ■ Smart Accessory+Wearable Devices

Compal began shipping its wearable devices in 2016 and with our design capacity for smart products and capabilities for mass production, we have made significant progress in terms of shipping quantity for Android Wear smart watches. Apart from continuing to develop even more compact and energy efficient smart watches in the near future, we will also aggressively expand our production lines for other wearable products in the hopes of achieving greater success in the future.

## ■ AE

Car PCs consists of in-car communication system (Telematics) and in-car AV entertainment system (in-Vehicle-Infotainment). As telematics systems are governed by special regulations on safety and communication control, we have long been working with car manufacturers to ensure relevant processes were in sync. Due to the similarity in system framework between in-car AV entertainment and PCs, the field became a natural starting point for Compal's foray into the car PC market. After years of hard work in the field, Compal products have been adopted by several major car manufacturers around the world.

## ■ IoT Vertical Solution

Vertical solutions have been one of the key demands in the development of IoT with an extensive range of applications covering smart cities, Industry 4.0, smart buildings, smart retail and smart medical care. Such solutions feature integrated software and hardware and are designed specifically to accommodate clients' needs. Demands from B2B customers not only account for a higher portion in the existing IoT market but also bring Compal more immediate profit. Compal offers competitive products to address the primary needs of development in many different fields not just as a hardware manufacturer, but also as a full Service Provider.

## ■ Smart Medical and Healthcare

The aging population, China's new two-child policy, the flourishing health care industry, and the rise of sports fashion, especially the popularity of convenience smart devices, have all contributed to smart healthcare becoming a focus of attention. It has also become a major matter of cross industry cooperation. Compal has responded to market demand and the rapid advent of the IoT era by actively foraying into the healthcare market by reaching out to major hospitals and point of care (POC)s such as long-term care centers and post-partum care centers through our strengths in integration and profound experience in product development. The designs, which include science, technology, and humanity, help caregivers to provide higher quality services and also give hope of a better quality of life and personal dignity to those who need healthcare.

### 5.1.2 Industry Overview

Please refer to page 78-86 of the Chinese annual report.

### 5.1.3 Research and Development

Research and Development Expenses in the past year:

Unit: NTD thousands; %

Year	R&D expenses	Operating revenues	R&D expenses as a percentage to operating revenues
2017	11,538,651	887,656,959	1.3 %
2018 first quarter	2,685,529	196,111,962	1.4 %

### 5.1.4 Long-term and Short-term Development

#### (1) Short-term Development

- We will adapt to market changes, follow current trends, strengthen new design concepts, maintain the focus on product difference, and launch ahead of our competitors.
- We will enhance operation efficiency, to further increase our product competitiveness and push the sales growth rate higher than the market average.
- We will improve logistics management and flexibility to shorten delivery time.
- We will elaborate different market strategies for different product markets. Main stream products will be bundled with new technology and modular features to boost the added value and diversity of products. For featured products, we will adopt a prospective standpoint in our design concept for new products in order to become the focal point of the product market. For low-price products, apart from pricing competitiveness, user functionality should also be taken into consideration.
- Production bases will be diversified to spread the risk of a single production, reduce the cost of manufacturing and improve product competitiveness.
- We will pay closer attention to market trends and evolution in smart devices and develop product concepts suitable for OEM customers and the market. We will help customers create differentiated products with feasible designs.
- Product development times will be further shortened to optimize supply chain management, maintain persistent high quality, and provide customers with more competitive products.
- More effort will be made to maintain existing customer relations. Apart from maintaining a high degree of customer satisfaction, we will work towards increasing the volume of product cooperation. We will also seek other opportunities for cooperation with new customers in order to achieve a growth rate that is superior to the market average for smart device products.
- We will improve product profitability to achieve the maximum utilization of capacity and enhance overall operational efficiency and profitability.
- We will tap our accumulated communications industry R&D energy resources to quickly and efficiently cut into the high-growth networking market.
- A number of different industry alliance strategies will be used for the rapid development of a diversified product line that will strengthen customer relationships in the shortest possible time.

#### (2) Long-term Development

- A spirit of innovation will strengthen the value-added Company products and improve long-term core competitiveness.
- Cooperation with our customers will be improved to allow better product planning, development and manufacture as well as comprehensive after-sales service.
- Horizontal and vertical integration of all parts and products of the Group's affiliates will be strengthened strategically and aligned with customers, to give them more convenient and complete services.
- Optimization of the quality of sophisticated products will be enhanced by new development and cost structures and strategic alliances with main parts providers in the supply chain to give customers better and more

competitive products and services.

- Closer horizontal and vertical integration will be made with affiliates in the Group to create and improve the loyalty of long-term customers.
- Our ability to innovate will be further cultivated, aiming to be able to more accurately predict market trends, before the client does, and provide them with products and services and high value-added solutions to improve long-term core competitiveness.
- The Company has established a service-oriented business model and new revenue sources through careful long-term upstream and downstream integration and cooperation.
- We are strengthening the breadth of learning of our team in preparation for future new business and product development through cross-industry alliances.
- We are cultivating the ability to control key technology, strategize high-end product lines, and gain cooperation opportunities with big manufacturers around the world.
- In addition, we will continue to strengthen our core R&D capability and capacity for technical services for smart devices

## 5.2 Market and Sales Overview

### 5.2.1 2017 Sales (Service) by Regions

Area	Percentage
Americas	41.6%
Europe	29.0%
Asia (Including Taiwan)	20.9%
Other Area	8.5%
Total	100.0%

#### (1) Market Share

According to the statistics from IDC, the total number of notebook PCs sold around the world in 2017 came to approximately 160 million units. In terms of total shipping quantity, Compal's notebook PCs have approximately 25% of the global market share and the Company remains a leading manufacturer of notebook PCs in the world. As the market for notebook PCs is entering the era of vertical integration, Compal will continue to improve upon its technological capabilities, broaden the scope of its influence, and expand the market scale while challenging the limits and striving for continual improvement so as to maintain our leading edge over our competitors.

#### (2) Future Supply and Demand Situation and Growth of the Market

##### ■ Notebook PCs

According to IDC's statistics, the global shipping quantity for notebook PCs in 2017 grew by 3%. Looking towards 2018, with the demand for notebook PC replacement in the Windows 10 market, we expect the global shipping quantity for notebook PCs in 2018 to remain at the same level as that of 2017.

##### ■ Ultrabook PCs

After the launch of ultrabook PCs, the product has been well-received by the market. Ultrabook PCs are not only limited to the high-end market and more and more mid-line models have also shifted towards compact designs. According to IDC's statistics, the global shipping quantity for ultrabook PCs (no thicker than 21mm) in 2017 came to approximately 55 million units and it is expected to reach close to 16% in annual growth rate in 2018 with total shipping quantity exceeding 63 million units.

#### ■ 2-in-1 PCs

With much effort and hard work from the industrial chain, the costs and prices for 2-in-1 PCs have lowered substantially and consumers have gradually become familiar with and accepted the product. Based on the statistics from IDC, the global shipping quantity for 2-in-1 PCs in 2017 came to approximately 34 million units. It is expected by that 2018, different manufacturers will offer more diversified products to contribute to an annual growth rate of close to 13%, with global shipping quantity exceeding 38 million units. 2-in-1 PCs will inject new vitality into the notebook PC market.

#### ■ AIO PCs

Based on the statistics from IDC, the global shipping quantity for AIO PCs in 2017 came to 12.77 million units and the number is expected to reach 13.07 million units in 2018. Compal will continue to cultivate the market.

#### ■ Smart Home

According to the forecasts by Gartner, participation in the domain of smart family will be most active in the future when it comes to smart city solutions and as such, it will be the target for the most investments from relevant manufacturers. In 2017, the total number of smart family appliances connected to IoT came to 530 million units and the number is expected to reach 2.5 billion units by 2020. Compal will inject relevant resources into the area and actively establish its presence in the market.

#### ■ Server

According to the statistics from IDC, the demand for x86 servers will reach 10.1 million units in 2017 and approach 10.6 million units in 2018. The market for servers is expected to grow in the next few years, with the main driving force coming from the demand from cloud applications. The bulk of servers shipped came from x86 servers, which make up approximately 99% of all servers shipped. As rack servers have a greater market share, Compal will seize the opportunity to foray into the server market.

#### ■ Tablet PCs

Forecasts predict a continued decline in terms of shipping quantity for tablet PCs in 2017. Nonetheless, given the growing coverage of network signals from the increasing prevalence of telecommunication facilities and active promotion by telecommunication service providers in emerging regions, Compal anticipates a gradual growth in demand for tablet PCs with 4G connectivity features. Compal will convert its experience in smartphone design into the driving force for the development of tablet PCs with carrier access and design entry-level tablet PCs with carrier access to accommodate the growing demands.

#### ■ LCD TVs

With regards to the prospects for 2018, new panel fabs have commenced shipping and with the market economy in recovery along with major sports events to propel the demand for TV replacement, there is a good chance that the global total shipping quantity for LCD TVs this year will reach the heights that we saw in 2016. The development of new LCD TV products will shift towards high end specifications such as ultra high-resolution, local dimming, built-in voice assistant and so forth with dimensions reaching 65" and above; coupled with high dynamic contrast and wide color gamut, next-gen TV products will be able to render even more realistic images and deliver superior audio-visual enjoyment for consumers.

#### ■ LCD Monitors

LCD monitors have become a mature product and the Company will focus on professional graphic design, commercial, educational and special applications for product development.

#### ■ LCD TV BM

Due to the strong demand for low-price edge backlight products, in order to accommodate the massive market demand, Compal plans to adjust its production lines accordingly and complete relevant preparations to respond to the unexpected surge in demand and growth.

#### ■ Smartphone

According to IDC, the smartphone market is expected to achieve an annual growth rate of 2% in 2018. The global shipping quantity for the year will continue to benefit from high growth in emerging markets and Compal will continue to focus on models with high cost-performance ratio and models with special features while seeking collaborations with new customers to ensure steady momentum in terms of sales.

#### ■ Smart Accessories+Wearable Devices

Estimates from IDC predict that the total shipping quantity for wearable devices will continue to grow until 2021; the CAGR is expected to reach 18.4% with a total shipping volume at 206 million units. Given the substantial momentum in the growth of smart wearable devices, apart from developing more suitable sensor chipsets to accommodate consumers' vital needs, Compal will also incorporate 3G/4G and other telecommunication technologies for more diverse applications. Not only that, voice control and integration of AI will also serve as a potential source of momentum that could keep the market growing. Therefore, Compal will continue to accumulate relevant technologies and experiences in order to extend its reaches to more diversified product lines for wearable devices.

#### ■ AE

According to statistical data from internationally renowned survey organization Focus2move, the volume of new vehicle sales exceeded the threshold of 90 million cars in 2017 and reached the scale of 94.5 million, with the top three markets being China (27.55 million cars at 29%), north America (21%) and western Europe (16%). It is estimated that the market will continue to grow to 98 million cars (CAGR 2.5%) in 2018. While the expected growth margin is modest, with the boisterous development of IoV, electric cars and self-driving cars, the automobile industry has already drawn high-tech industries into the market.

#### ■ IoT Vertical Solution

Based on the latest statistics from Gartner, the IoT B2B market is growing close to USD 480 billion in value, with smart government, smart manufacturing, smart transportation & logistics, and smart retail accounting for approximately 50% of the market. And as such, Compal will inject resources into the development of application products for specific domains.

#### ■ Smart Medical and Healthcare

##### (1) .Management Systems:

- Electronic Medical Record (EMR) and Smart Ward Solutions: According to estimates by FMI, the global market for Electronic Medical Record (EMR) and management systems is expected to grow from USD 11.4 billion in 2015 to USD19.7 billion by 2025, with an annual growth rate of 5.6%.
- Point of Care Solutions: Based on a report published by Markets and Markets, due to factors such as aging populations and digital medical services, the global market for patient and point of care solution related management systems is expected to reach USD 16 billion by 2020 with an annual growth rate of 19.7%.

##### (2). Instruments, Equipment and Accessories:

- Smart Sports: According to the forecasts of Market Reports Hub, the market for smart sports related products is poised to reach USD 15 billion in 2021, with professional athletes/professional teams/amateurs and enthusiasts with high commitment being the main consumer demographics.
- Medical Equipment and Healthcare Related Products: According to the estimates of Global Data, the global market for medical equipment was worth approximately USD 400 billion in 2015 and the figure is expected to exceed USD 500 billion in 2019 at an annual growth rate of 6%.

## 5.2.2 Major Products and Their Main Uses

### ■ Notebook PCs

Analog-digital application hardware platform combined with dedicated software to enable a variety of applications such as data editing/processing, word processing, layout, graphics application, web browsing, communications, digital multimedia entertainment, gaming and so forth.

### ■ Ultrabook PCs

Emphasize laptop that is thin and light-weighted and take into account the performance of the battery performance to meet the consumer's needs of portable and productivity.

### ■ 2-in-1 PCs

The device uses the Windows 10 operating system, has an optional stylus, and satisfies the growing consumer demand for mobile computing. In addition to multiple operating modes, the laptop has a touch screen that enables it to be used as a tablet.

### ■ AIO PCs

Beautiful aesthetics suited for home use, with emphasis on touch screen input interface, software applications and high computing power.

### ■ Smart Home

Smart appliances, controls and sensors that provide users with diversified services for smart lifestyle.

### ■ Server

Designed with high computing power, capable of storing massive amount of data and compatible with different processing programs for data analysis; built to accommodate different applications required at enterprises, data centers and cloud platforms.

### ■ Tablet PCs

Portable touch screen multimedia, mobile viewing and online information applications.

### ■ Displays

Graphics display and audio output.

### ■ Smartphone

Personal communication and internet access.

### ■ AE

- Touch screen Car multimedia player
- Vehicle communication (3G/4G) system.
- Voice controlled natural sound navigation.
- Android Auto/Carplay connection. Smartphoen Connection.
- Accident alarm.
- Integrated peripheral safety warning systems such as wireless tire pressure and collision avoidance radar.

### ■ IoT Vertical Solution

Through flexible hardware design and a range of customized software applications along with cloud and big data analysis for horizontal alliance, we offer clients with complete solutions and services by creating novel applications.

### ■ Smart Medical and Healthcare

The penetration of households and point-of-care areas using technology, including that of the IoT, and gradual integration with our own peripheral software products to provide comprehensive solutions, and give

convenient and instant smart health care that will enhance dependence on the products as well as user brand loyalty.

### **5.2.3 Supply Status of Main Materials**

Main materials include CPU/Chipset, HDD, Memory, ODD, Battery, LCD Panel, and Touch Panel Module. Regarding their supply status, please refer to page 101-104 of the Chinese annual report.

## 5.2.4 Major Suppliers and Clients

### (1) Major Suppliers in the Last Two Calendar Years

Unit: NTD thousand

Party	2016				2017				2018 first quarter			
	Name	Amount	As a percentage to 2015 net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to 2016 net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to 2017 first quarter net purchases (%)	Relationship with the issuer
1	Company E	235,953,445	33.36	N/A	Company E	278,237,309	33.72	N/A	Company E	64,986,855	35.90	N/A
2	Company B	102,218,447	14.45	N/A	Company B	107,522,344	13.03	N/A	Company B	25,061,107	13.85	N/A
	Others	369,220,575	52.19		Others	439,304,387	53.25		Others	90,960,085	50.25	
	Net Purchase	707,392,467	100.00		Net Purchase	825,064,040	100.00		Net Purchase	181,008,047	100.00	

### (2) Major Clients in the Last Two Calendar Years

Unit: NTD thousand

Party	2016				2017				2018 first quarter			
	Name	Amount	As a percentage to 2015 net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to 2016 net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to 2017 first quarter net sales (%)	Relationship with the issuer
1	Company a	119,219,545	15.55	N/A	Company a	126,400,242	14.24	N/A	Company a	28,430,380	14.50	N/A
2	Company d	306,571,029	39.98	N/A	Company d	353,750,583	39.85	N/A	Company d	83,951,234	42.81	N/A
3	Company e	93,254,993	12.16	N/A	Company e	97,284,723	10.96	N/A	Company e	15,813,756	8.06	N/A
4	Company f	95,357,708	12.44	N/A	Company f	154,122,521	17.36	N/A	Company f	35,513,281	18.11	N/A
	Others	152,406,760	19.87		Others	156,098,890	17.59		Others	32,403,311	16.52	
	Net sales	766,810,035	100.00		Net sales	887,656,959	100.00		Net sales	196,111,962	100.00	

## 5.2.5 Production in the Last Two Years

Unit: thousand devices; NTD thousands

Year Production volume/ value	2016			2017		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products						
5C electronics	125,442	100,575	734,512,835	118,701	99,257	881,078,686

## 5.2.6 Shipments and Sales in the Last Two Years

Unit: devices; NTD thousands

Year Sales volume	2016				2017			
	Domestic sales		Export sales		Domestic sales		Export sales	
Main products	Volume	Value	Volume	Value	Volume	Value	Volume	Value
5C electronics	456	1,938,470	100,429	764,871,565	450	2,211,434	97,512	885,445,525

## 5.3 Human Resources

Year		December 31, 2016	December 31, 2017	March 31, 2018
Number of employees		64,728	75,392	76,597
Average age		27.36	27.53	28.24
Average years of service		1.99	1.97	1.95
Academic qualifications	Doctoral Degree	0.07%	0.06%	0.06%
	Master Degree	4.24%	3.78%	3.67%
	University	21.81%	18.83%	18.36%
	High school / Below/ others	73.88%	77.33%	77.91%

## 5.4 Environmental Protection Expenditure

### (1) The Company is an assembler of electronic products, and produces no significant pollution:

To protect the environment and fulfill our social responsibility as well as reduce carbon emissions and the impact on global warming. The Taiwan and Mainland China plants together incurred expenses of NT\$43,200 thousand (excluding regular maintenance and green R&D) in 2017. We are keeping the promises we made as an earth citizen, hoping to make substantial contribution to protection of the global environment. We will continue our commitment to efforts in this respect.

### (2) Compliance with EU RoHS directives:

- All Compal products are 100% compliant with EU RoHS Directives. There have been no cases of any returns for non-compliance with RoHS standards. In addition, Compal has begun demanding that suppliers make timely adjustments for any RoHS exclusions that are scheduled for the near future and restrict the use of substances such as DEHP, BBP, DBP and DIBP, the ban on these comes into effect in 2019.
- In order to manufacture environmentally friendly green products and meet the requirements of both

international environmental laws and client demand, the Company has implemented “Management Standards for the Control of Environment-Related Substances in Parts and Materials” that covers all hazardous substances currently prohibited by law and banned by customers. We have implemented efficient and effective methods of inspection for hazardous substances using recognized component classification and risk control to establish a plant monitoring mechanism for oversight and verification. All the products manufactured by the Company comply with the validation IECQ QC 080000 Electrical and Electronic Components and Products Hazardous Substance Process Management System Requirements.

### **(3) Responsive strategies and possible expenses:**

- In the future, the Company will continue to implement its environmental responsibilities including the boosting of staff knowledge of environmental matters, the advocacy of updated green living knowledge, Company response to government policy with respect to green consumption, and the regular priority assessment of green product content in procurement as well as continuous improvement in the energy efficiency of our plants. This includes scrutiny for all kinds of possible violations of environmental regulations in the operations management system, and the mandate to make timely response to all environmental laws.

## **5.5 Labor Relations**

### **(1) Availability and execution of employee welfare, education, training and retirement policies. Elaborate on the agreements between employers and employees, and protection of employees’ rights**

#### ■ Employee welfare:

In addition to all their statutory labor rights and to help employees find a balance between work and personal life, both physical and mental, and to improve their vitality in the workplace, the Company has established an Employee Benefits Committee, a Life Committee, and other groups responsible for promoting worker welfare. The employee health benefits and activities include a fitness center, a medical facility, periodic health checks, recreational team competitions, family activities, travel, the arts, and leisure and all kinds. Group Life Insurance is covered by the Company that includes accident, medical, and cancer. The employees’ dependants may also join the scheme at a discounted rate, but at their own expense. We also have benefits such as scholarships for employees and their children.

The Company actively supports the government in resolving the low birth rate crisis and childcare policy in Taiwan. Since 2011, we have provided generous maternity grants for employees and their spouses and children. By the end of 2017, the Company had provided NT\$133.91 million in maternity allowances and bonuses. There were 55 counts of employees who took parenting leave, with the right to return, in 2017.

#### ■ Education and training:

The Company set training credits and outlined the credit system according to the needs of each level. The Company also integrates all training records in online learning platform to further assist the competent staff in keeping abreast of the learning progress.

In 2017, a total of 1,840 training sessions (both internal and external) were organized; these courses delivered 110,770 hours of training and 34,245 persons enrolled. The total training expenses were NT\$14,604 thousand. The training courses included:

**Orientation:** Organized new hire seminars and corporate culture experience camp to help the new hires better understand the Company’s culture, the current status of the industry, and the Company strategy and visions.

**Language training:** Basic to advance English and Japanese courses that train the employees’ ability to respond to customers and equip them with a global vision through workspace situational training.

Managerial skills Training: To establish a comprehensive blueprint of development level, strengthen the core competency at all levels in such aspects as teamwork, problem analysis, innovative thinking... and soon, and also to conduct planning for Company talent training in various stages.

**Professional training:** Categorized new professional knowledge lectures, courses, and experiences heritage job training to enhance employees' expertise and technology. Also enhance the Company's core competitiveness through systematic management.

**E-learning:** Offers related courses in new hire requisites, IT, 6 sigma, language, management, CSR and occupational safety. The Company uses Internet learning and resource sharing to offer real-time learning, maximizing the effect with a complete learning and training mechanism that utilizes a comprehensive knowledge management system.

■ Retirement system

The Company has developed its retirement system in accordance with the Labor Standards Act and the Labor Pension Act. For employees who are transferred to affiliated companies, pension benefits are paid according to employees' years of service in their respective departments, and out of pension fund accounts that each department has contributed over the course of employees' service.

■ Employer-employee communications and enforcement of workers' rights

The Company has always valued employer-employee relations, and has communication channels available to facilitate two-way communication between the two parties, thereby allowing the Company to respond to employees' thoughts and opinions in a prompt manner. The Company not only has policies in place to protect employees' rights, but also makes decisions in the best interests of its employees.

## (2) Personnel management

The Company has clear policies in place to manage human resources and to guide employees' behaviors. There are specific levels of approval authority and detailed rules to guide decisions concerning employees' recruitment, promotion, appraisal, assignment, leave of absence, resignation, confidentiality agreement, reward and discipline. These policies and rules exist to eliminate subjective judgments and to create a fair, open, and systematic corporate culture.

## (3) Work environment

- Buildings are subjected to annual fire safety inspections and reports.
- Buildings, plants and equipment are inspected daily and maintained on a regular basis.
- The Company hires regular cleaning services to ensure the cleanliness of its work environment.

## (4) Employees' safety

- Personnel entry and exit are controlled by security system.
- Security personnel are stationed 24 hours a day to patrol plant premise and monitor the surveillance system.
- Lectures and rehearsals are organized annually to demonstrate the proper responses in case of an emergency.

## (5) Actual or estimated losses arising as a result of employment disputes in the recent year up till the publication date of this annual report, and any responsive measures taken:

- The Company did not suffer any losses due to employment dispute in the recent year, and nor does it expect any occurrence in the coming year.
- Responsive strategies and possible expenses: none.

## 5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Patent licensing agreement	Phoenix Technologies Ltd.	Since 2010.1.1 Auto-renewed upon expiry	1. Tool Licenses 2. Source Code licenses 3. Maintenance	N/A
Trading and manufacturing agreement	Dell Products L.P.	Since 1997.06.26 Auto-renewed upon expiry	Under this agreement, the buyer will procure computer products developed and manufactured by the seller, while the seller will give the buyer proper licenses to use the products and provide after-sale technical services thereafter.	N/A
Trading agreement	Toshiba Co.	Since 1999.09.09 Yearly Auto-renewed upon expiry	Under this agreement, the buyer will procure computer products developed and manufactured by the seller, along with after-sale technical services provided by the seller.	N/A
Trading and manufacturing agreement	Acer Inc.	Since 2001.10.01 Yearly Auto-renewed upon expiry	Under this agreement, the buyer will procure computer products developed and manufactured by the seller, along with after-sale technical services provided by the seller.	N/A

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### (1) Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Analysis		Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2018
		2013	2014	2015	2016	2017		
Current assets		287,380,820	324,845,249	277,783,476	300,469,007	321,782,654	308,322,879	
Property, plant, and equipment		21,209,228	24,472,732	24,308,631	20,952,677	18,179,367	17,527,775	
Intangible assets		1,293,643	1,035,162	1,194,193	1,291,281	1,284,660	1,339,493	
Other assets		26,219,123	28,397,575	24,639,275	24,303,146	22,109,740	16,488,912	
Total assets		336,102,814	378,750,718	327,925,575	347,016,111	363,356,421	343,679,059	
Current liabilities	Prior to distribution	220,597,261	250,264,267	202,757,075	209,232,199	231,955,732	213,916,948	
	After distribution	224,902,606	256,832,412	208,009,032	214,478,756	(Note 2)	-	
Non-current assets		15,314,137	22,266,514	15,570,384	25,500,097	22,752,717	21,122,145	
Total liabilities	Prior to distribution	235,911,398	272,530,781	218,327,459	234,732,296	254,708,449	235,039,093	
	After distribution	240,216,743	279,098,926	223,579,416	239,978,853	(Note 2)	-	
Equity attributable to parent company shareholders		95,102,289	101,386,923	103,775,795	105,804,389	101,895,584	101,734,660	
Ordinary shares		44,134,467	44,232,366	44,711,266	44,241,606	44,191,916	44,071,466	
Capital reserves		16,193,087	14,296,445	12,838,638	11,779,274	10,938,773	10,787,337	
Retained earnings	Prior to distribution	44,489,978	47,721,872	51,877,511	55,289,409	56,557,146	58,508,748	
	After distribution	42,312,310	43,293,091	47,450,840	50,867,256	(Note 2)	-	
Other equity interests		(7,707,518)	(3,139,021)	(3,926,881)	(4,624,653)	(8,911,004)	(10,751,644)	
Treasury stock		(2,007,725)	(1,724,739)	(1,724,739)	(881,247)	(881,247)	(881,247)	
Non-controlling interests		5,089,127	4,833,014	5,822,321	6,479,426	6,752,388	6,905,306	
Total equity	Prior to distribution	100,191,416	106,219,937	109,598,116	112,283,815	108,647,972	108,639,966	
	After distribution	95,886,071	99,651,792	104,346,159	107,037,258	(Note 2)	-	

Note: 1. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2018, has not yet been audited by the CPA.

2. 2017 annual financial statements have not been approved at a shareholders' meeting. Therefore, the amount after allocation is not listed.

3. The Company has retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

## (2) Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Year Analysis	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2018
	2013	2014	2015	2016	2017	
Net sales revenue	692,748,293	845,700,752	847,305,698	766,810,035	887,656,959	196,111,962
Gross profit	28,110,391	32,364,662	33,378,357	32,836,970	31,964,569	6,623,203
Net operating income	9,234,044	11,664,922	11,312,452	11,063,645	9,208,429	2,054,069
Non-operating income and expense	(4,873,662)	(1,937,570)	479,641	749,700	(1,094,152)	(132,058)
Net income before tax	4,360,382	9,727,352	11,792,093	11,813,345	8,114,277	1,922,011
Net income from continuing operations	2,903,732	7,545,381	9,007,147	8,968,006	6,158,037	1,582,796
Net loss from discounting operations	-	-	-	-	-	-
Net income (loss)	2,903,732	7,545,381	9,007,147	8,968,006	6,158,037	1,582,796
Other comprehensive income (loss) (net of tax)	711,298	4,555,499	(101,970)	(1,265,546)	(4,604,412)	(1,434,129)
Comprehensive income	3,615,030	12,100,880	8,905,177	7,702,460	1,553,625	148,667
Net income attributes to shareholders of the Parent	2,467,211	7,024,461	8,684,610	8,130,890	5,749,525	1,393,302
Net income attributes to non-controlling interests	436,521	520,920	322,537	837,116	408,512	189,494
Comprehensive income attributed to owners of parent	3,160,663	11,548,480	8,552,926	6,916,562	1,189,818	(5,035)
Comprehensive income attributed to non-controlling interests	454,367	552,400	352,251	785,898	363,807	153,702
Earning per share (unit: dollar)	0.57	1.63	2.01	1.88	1.32	0.32

Note: 1. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2018, has not yet been audited by the CPA.

2. The 2017 annual financial statement for the current year has not yet been approved at a shareholders' meeting

3. The Company has retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

### (3) Parent-Company-Only Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Analysis	Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2018
		2013	2014	2015	2016	2017	
Current assets		210,646,593	255,609,554	207,496,808	237,412,415	240,677,588	N/A
Property, plant, and equipment		2,218,316	2,230,023	2,181,737	2,132,114	2,092,272	
Intangible assets		617,739	412,185	378,454	268,316	146,813	
Other assets		82,728,525	85,179,353	86,182,040	88,808,075	85,179,393	
Total assets		296,211,173	343,431,115	296,239,039	328,620,920	328,096,066	
Current liabilities	Prior to distribution	187,574,634	220,791,532	177,664,877	197,566,162	203,492,102	
	After distribution	191,929,970	227,434,703	182,976,882	202,872,746	(Note 2)	
Non-current assets		13,534,250	21,252,660	14,798,367	25,250,369	25,250,369	
Total liabilities	Prior to distribution	201,108,884	242,044,192	192,463,244	222,816,531	226,200,482	
	After distribution	205,464,220	248,687,363	197,775,249	228,123,115	(Note 2)	
Equity attributable to parent company shareholders		-	-	-	-	-	
Ordinary shares		44,134,467	44,232,366	44,711,266	44,241,606	44,191,916	
Capital reserves		16,193,087	14,296,445	12,838,638	11,779,274	10,938,773	
Retained earnings	Prior to distribution	44,489,978	47,721,872	51,877,511	55,289,409	56,557,146	
	After distribution	42,312,310	43,293,091	47,450,840	50,867,256	(Note 2)	
Other equity interests		(7,707,518)	(3,139,021)	(3,926,881)	(4,624,653)	(8,911,004)	
Treasury stock		(2,007,725)	(1,724,739)	(1,724,739)	(881,247)	(881,247)	
Non-controlling interests		-	-	-	-	-	
Total equity	Prior to distribution	95,102,289	101,386,923	103,775,795	105,804,389	101,895,584	
	After distribution	90,796,944	94,818,778	98,523,838	100,557,832	(Note 2)	

Note: 1. The financial information is audited and reviewed by the CPA every year.

2. The 2017 annual financial statements have not been approved at a shareholders' meeting. Therefore, the amount after allocation is not listed.

3. The Company retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

#### (4) Parent-Company-Only Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Analysis \ Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2018
	2013	2014	2015	2016	2017	
Net sales revenue	632,622,772	803,504,061	802,994,930	725,653,095	841,309,602	N/A
Gross profit	16,359,240	21,288,913	22,737,590	21,281,171	21,544,440	
Net operating income	5,505,654	7,291,756	7,305,278	5,972,854	5,170,549	
Non-operating income and expense	(2,503,176)	286,853	2,857,612	3,398,892	1,508,171	
Net income before tax	3,002,478	7,578,609	10,162,890	9,371,746	6,678,720	
Net income from continuing operations	2,467,211	7,024,461	8,684,610	8,130,890	5,749,525	
Net loss from discounting operations	-	-	-	-	-	
Net income (loss)	2,467,211	7,024,461	8,684,610	8,130,890	5,749,525	
Income (loss) from other comprehensive income (net after tax)	693,452	4,524,019	(131,684)	(1,214,328)	(4,559,707)	
Comprehensive income	3,160,663	11,548,480	8,552,926	6,916,562	1,189,818	
Net income attributes to shareholders of the Parent	-	-	-	-	-	
Net income attributes to non-controlling interests	-	-	-	-	-	
Comprehensive income attributed to owners of parent	-	-	-	-	-	
Comprehensive income attributed to non-controlling interests	-	-	-	-	-	
Earning per share(unit: dollar)	0.57	1.63	2.01	1.88	1.32	

Note: 1. The financial information is audited and reviewed by the CPA every year.

2. The 2017 financial statement has not yet approved by the shareholders' meeting.

3. The Company retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

#### (5) Auditors' Opinions

Year	Accounting Firm	CPA	Audit Opinion
2013	KPMG	Kuo, Kuan Ying; Lo, Jui Lan	Modified unqualified opinion (Note 1)
2014	KPMG	Kuo, Kuan Ying; Lo, Jui Lan	Modified unqualified opinion (Note 1)
2015	KPMG	Kuo, Kuan Ying; Lo, Jui Lan	Modified unqualified opinion (Note 2)
2016	KPMG	Kuo, Kuan Ying; Au, Yiu Kwan	Unqualified opinion
2017	KPMG	Kuo, Kuan Ying; Au, Yiu Kwan	Unqualified opinion

Note: 1. Brief disclosures of Company disposal of the equity investment of VIBO Telecom Inc and a record of the impairment of equity investment in Chunghwa Picture Tubes, Ltd.

2. Impact of retroactive adjustments to the 2014 financial statement due to adoption of the 2013 version of the International Financial Reporting Standards (IFRS) endorsed by the Financial Supervisory Commission (FSC) of the ROC.

## 6.2 Five-Year Financial Analysis

### A. Consolidated Financial Analysis – Based on IFRS

Analysis		Year	Financial Analysis for the Last Five Years					As of March 31, 2018
			2013	2014	2015	2016	2017	
Capital Structure (%)	Debt ratio		70.19	71.96	66.58	67.64	70.09	68.38
	Long term fund to property, plant and equipment ratio		544.60	525.02	514.91	657.59	722.80	740.32
Liquidity analysis	Current ratio (%)		130.27	129.80	137.00	143.60	138.72	144.13
	Quick ratio (%)		106.85	102.70	113.71	120.22	108.19	111.66
	Interest coverage		9.83	10.54	14.11	13.47	7.25	5.34
Operating Performance Analysis	Account receivable turnover (times)		4.02	4.66	4.93	4.50	5.03	4.70
	Average collection turnover		90.76	78.25	74.03	81.11	72.56	77.65
	Inventory turnover (times)		12.91	13.73	14.31	15.51	14.55	11.02
	Account payable turnover (times)		4.67	5.13	5.42	5.68	6.30	5.82
	Average inventory turnover days		28.26	26.59	25.50	23.53	25.08	33.12
	Fixed assets turnover (times)		33.00	37.03	34.74	33.88	45.36	43.93
	Total assets turnover(times)		2.14	2.37	2.40	2.27	2.49	2.21
Profitability Analysis	Return on total assets (%)		1.00	2.33	2.74	2.87	2.01	0.55
	Return on equity (%)		2.70	7.31	8.35	8.08	5.57	1.45
	Operating income to paid-in capital ratio (%)		9.88	21.99	26.37	26.70	18.36	4.36
	Net margin (%)		0.42	0.89	1.06	1.16	0.69	0.80
	Earning per share (dollar)		0.57	1.63	2.01	1.88	1.32	0.32
Cash flow	Cash flow ratio (%)		0.25	13.51	4.70	0.61	(Note1)	-
	Cash flow adequacy ratio (%)		(Note2)	(Note2)	(Note2)	42.42	48.05	-
	Cash reinvestment ratio (%)		(Note1)	19.59	1.95	(Note1)	(Note1)	-
Leverage	Operating leverage		1.66	1.57	1.58	1.57	1.63	-
	Financial leverage		1.06	1.10	1.09	1.09	1.16	-

Note: 1.The ratio is negative.

2. Not applicable as the financial information, for more than five years, in accordance with IFSR has not yet been disclosed.
3. The financial ratio has changed by up to 20% in the past two years:
  - Interest Coverage: Mainly due to the increase in interest expenses compared to the earlier period.
  - Fixed Asset Turnover: Mainly due to the increase in net sales compared to the earlier period.
  - Return on Total Assets: Mainly due to the increase in average asset balance compared to the earlier period.
  - Return on Equity: Mainly due to the decrease in income before tax compared to the earlier period.
  - Operating Income to Paid-in Capital Ratio: Mainly due to the decrease in income before tax compared to the earlier period.
  - Net Margin: Mainly due to the decrease in income before tax compared to the earlier period.
  - Earnings Per Share: Mainly due to the decrease in income before tax.
  - Cash Flow Ratio: Mainly due to cash inflow from operating activities.
  - Cash Reinvestment Ratio: Mainly due to cash inflow from operating activities.
4. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2018, has not yet audited by the CPA.
5. The Company made retroactive adjustment to previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.
6. The 2017 financial statement has not yet been approved at a shareholders' meeting.

## B. Parent-Company-Only Financial Analysis – Based on IFRS

Analysis		Year	Financial Analysis for the Last Five Years					As of March 31, 2018
			2013	2014	2015	2016	2017	
Capital Structure (%)	Debt ratio		67.89	70.48	64.97	67.80	68.94	N/A
	Long term fund to property, plant and equipment ratio		4,897.25	5,499.48	5,434.85	6,146.71	5,955.44	
Liquidity analysis	Current ratio (%)		112.30	115.77	116.79	120.17	118.27	
	Quick ratio (%)		98.09	96.83	102.28	105.89	96.92	
	Interest coverage		26.14	15.70	17.81	14.03	7.85	
Operating Performance Analysis	Account receivable turnover (times)		3.99	4.72	5.03	4.61	5.06	
	Average collection turnover		91.54	77.25	72.57	79.14	72.13	
	Inventory turnover (times)		22.54	23.04	23.34	26.42	23.11	
	Account payable turnover (times)		4.29	4.88	5.16	5.16	5.65	
	Average inventory turnover days		16.19	15.84	15.64	13.81	15.79	
	Fixed assets turnover (times)		280.31	361.26	364.02	336.43	398.31	
	Total assets turnover(times)		2.22	2.51	2.51	2.32	2.56	
Profitability Analysis	Return on total assets (%)		0.90	2.33	2.87	2.79	2.00	
	Return on equity (%)		2.45	7.15	8.47	7.76	5.54	
	Operating income to paid-in capital ratio (%)		6.80	17.13	22.73	21.18	15.11	
	Net margin (%)		0.39	0.87	1.08	1.12	0.68	
	Earning per share (dollar)		0.57	1.63	2.01	1.88	1.32	
Cash flow	Cash flow ratio (%)		(Note1)	15.13	(Note1)	3.15	(Note1)	
	Cash flow adequacy ratio (%)		(Note2)	(Note2)	(Note2)	38.20	11.48	
	Cash reinvestment ratio (%)		(Note1)	23.48	(Note1)	0.68	(Note1)	
Leverage	Operating leverage		2.33	2.42	2.41	2.74	2.86	
	Financial leverage		1.02	1.08	1.09	1.14	1.23	

Note: 1.The ratio is negative.

2. Not applicable as the financial information, for more than five years, in accordance with IFSR has not yet been disclosed.
3. The financial ratio has changed by up to 20% in the past two years:
  - Interest Coverage: Mainly due to the increase in interest expenses compared to the earlier period.
  - Return on Total Assets: Mainly due to the decrease in income before tax compared to the earlier period.
  - Return on Equity: Mainly due to the decrease in income before tax compared to the earlier period.
  - Operating Income to Paid-in Capital Ratio: Mainly due to the decrease in income before tax compared to the earlier period.
  - Net Margin: Mainly due to the decrease in income before tax compared to the earlier period.
  - Earnings Per Share: Mainly due to the decrease in income before tax compared to the earlier period.
  - Cash Flow Ratio: Mainly due to cash inflow from operating activities being higher than the earlier period.
  - Cash Flow Adequacy Ratio: Mainly due to cash inflow from operating activities being higher than the earlier period.
  - Cash Reinvestment Ratio: Mainly due to cash inflow from operating activities being higher than the earlier period.
4. The financial information is audited and certified by the CPA every year.
5. The Company made retroactive adjustment to previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.
6. The 2017 financial statement has not yet been approved at a shareholders' meeting.

## Formula:

### 1. Financial Structure

- (1) Debt Ratio = Total liabilities / Total assets
- (2) Ratio of long-term capital to property, plant and equipment = (Net shareholders' equity + Long-term liability) / Net property, plant and equipment

### 2. Solvency

- (1) Current ratio = Current Assets / Current liability
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liability
- (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expense

### 3. Operating Efficiency

- (1) Account receivable (including account receivable and notes receivable from business activities) turnover = Net sales / Average account receivable balance (including account receivable and notes receivable from business activities)
- (2) A/R turnover days = 365 / account receivable turnover
- (3) Inventory turnover = Cost of Goods Sold / Average inventory balance
- (4) Account payable (including account payable and notes payable from business activities) turnover = Cost of goods sold / Average account payable balance (including account payable and notes payable from business activities)
- (5) Inventory turnover days = 365 / Inventory turnover
- (6) Property, plant and equipment turnover = Net sales / Average Net property, plant and equipment
- (7) Total assets turnover = Net sales / Average Total assets

### 4. Profitability

- (1) Return on assets = [PAT + Interest expense × (1 - interest rate)] / average asset balance
- (2) Return on equity = PAT / average net equity
- (3) Pre-tax income to paid-in capital = Net income before tax / Issued capital stock
- (4) Net profit ratio = PAT / Net sales
- (5) EPS = (PAT - preferred stock dividends) / weighted average outstanding shares

### 5. Cash Flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liability
- (2) Cash flow adequacy ratio = Most recent 5-year Cash flow from operating activities / Most recent 5-year (Capital expenditure + increases in inventory + cash dividend)
- (3) Cash reinvestment ratio = (Cash flow from operating activities - cash dividend) / (Gross fixed assets + long-term investment + other assets + working capital)

### 6. Leverage

- (1) Operating leverage = (Net revenue - variable cost of goods sold and operating expense) / operating income
- (2) Financial leverage = Operating income / (Operating income - interest expenses)

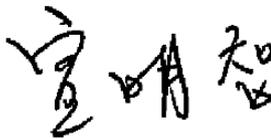
### 6.3 Audit Committee's Report for the Most Recent Year

#### Audit Committee's Review Report

The Company's 2017 financial statements have been approved by the Audit Committee and by the Board of Directors. Kuan-Ying Kuo and Yiu-Kwan Au, certified public accountants of KPMG, have completed the audit of the financial statements and issued an audit report relating thereto. In addition, the Board of Directors has prepared and submitted to us the Company's 2017 business report and proposal for distribution of earnings. We, the Audit Committee members, have duly examined and determined such business report and proposal for distribution of earnings to be in line with the requirements under the Company Law and relevant laws and regulations. According to Article 14-4 of the Securities and Exchange Act and Article 219 of Company Law, we hereby submit this report.

Compal Electronics, Inc.

Chairman of the Audit Committee:



May 9, 2018

#### **6.4 Consolidated Financial Statements and Independent Auditors' Report**

Please refer to Attachment I.

#### **6.5 Parent-Company-Only Financial Statements and Independent Auditors' Report**

Please refer to Attachment II.

#### **6.6 Status of Financial Difficulties for the Company and its Subsidiaries**

Incidence of financial difficulties for the Company and its subsidiaries in between the period of 2017 to the publication date of this annual report: None.

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Analysis \ Year	2017	2016	Difference	
			Amount	%
Current Assets	321,782,654	300,469,007	21,313,647	7.09
Funds & Investments	11,807,622	11,726,370	81,252	0.69
Property, plant and equipment	18,179,367	20,952,677	(2,773,310)	(13.24)
Other Assets	11,586,778	13,868,057	(2,281,279)	(16.45)
<b>Total Assets</b>	<b>363,356,421</b>	<b>347,016,111</b>	<b>16,340,310</b>	<b>4.71</b>
Current Liabilities	231,955,732	209,232,199	22,723,533	10.86
Other Liabilities	22,752,717	25,500,097	(2,747,380)	(10.77)
<b>Total Liabilities</b>	<b>254,708,449</b>	<b>234,732,296</b>	<b>19,976,153</b>	<b>8.51</b>
Share capital	44,191,916	44,241,606	(49,690)	(0.11)
Capital reserves	10,938,773	11,779,274	(840,501)	(7.14)
Retained Earnings	56,557,146	55,289,409	1,267,737	2.29
Other Equity Interests	(8,911,004)	(4,624,653)	(4,286,351)	92.68
Treasury stock	(881,247)	(881,247)	-	-
Non-controlling Equity	6,752,388	6,479,426	272,962	4.21
<b>Total Shareholders' Equity</b>	<b>108,647,972</b>	<b>112,283,815</b>	<b>(3,635,843)</b>	<b>(3.24)</b>

Note: Analysis of variations exceeding 20% and amounting to more than NTD10 million:

- Decrease in Other Equity Interests: Mainly due to the increase of exchange loss arising from the conversion of financial statements of foreign operations

- **Effect of changes on the company's financial position:** Judging from the aforementioned causes, the effect from changes on the Company's financial position in the last two years are normal outcomes from standard operating activities.
- **Future response actions:** Not applicable

## 7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Analysis	Year	2017	2016	Difference	
				Amount	%
Net Sales		887,656,959	766,810,035	120,846,924	15.76
Cost of Sales		855,692,390	733,973,065	121,719,325	16.58
Gross Profit		31,964,569	32,836,970	(872,401)	(2.66)
Operating Expenses		22,756,140	21,773,325	982,815	4.51
Operating Income		9,208,429	11,063,645	(1,855,216)	(16.77)
Non-operating Income and Expenses		(1,094,152)	749,700	(1,843,852)	(245.95)
Income Before Tax		8,114,277	11,813,345	(3,699,068)	(31.31)
Less: Tax Expense		1,956,240	2,845,339	(889,099)	(31.25)
Net Income (loss)		6,158,037	8,968,006	(2,809,969)	(31.33)
Other comprehensive Income (after tax)		(4,604,412)	(1,265,546)	(3,338,866)	263.83
Total comprehensive Income		1,553,625	7,702,460	(6,148,835)	(79.83)

Note: The analytics for change of more than 20%:

- Decrease in Net Operating Income and Expenses: Mainly due to the decrease of profit recognition in affiliates and joint ventures using the equity method, increase in foreign exchange currency losses, decrease in gains from investments, decrease in losses and other incomes.
- Decrease in Income Before Tax: Mainly due to the decrease of non-operating income and expenses.
- Decrease in Tax Expenses: Mainly due to the decrease in income before tax.
- Decrease in Net Income: Mainly due to the decrease in income before tax.
- Increase in Other Comprehensive Income (after tax): Mainly due to the decrease of exchange differences arising from the conversion of financial statements of foreign operations, increase in unrealized valuation loss of available-for-sale financial assets, the decrease of profit recognition in affiliates and joint ventures using the equity method, and increase in other comprehensive losses.
- Decrease in Total Comprehensive Income: Mainly due to the decrease in Net Income and Other Comprehensive Income.

### ■ Forecast for sales for next year and basis for the forecast; potential impact on the Company's finances and sales in the future and response plan:

- Forecast for sales for next year and basis for the forecast

According to the estimates from market intelligence service provider IDC, with regards to PC related products, the global NB PC market, desktop PC market and server market will grow/decline by -1%, -3% and +6% respectively in 2018 compared to the previous year; as for smart wearable products, the global smart phone market, tablet PC market and smart wearable device market will grow/decline by +2%, -6% and +30% in 2018 compared to the previous year. Looking forward 2018, we believe that many factors of uncertainty still remain in the global economic outlook. Considering the state of the market and development of Compal's main lines of business, we predict that there is a fair chance that Compal's total shipped quantity of 5C related products for 2018 will still exceed 80 million units (for 2017) and grow beyond that. In addition, we also anticipate the contribution of non-NB PC products to the Company's revenue to grow further.

- Potential impact on the Company's finances and sales in the future and response plan:

In light of the growth in operation and future investments, the Company has established relevant financial strategies. For Compal's funding needs for the year, please refer to the section on cash flow analysis for 2018.

## 7.3 Analysis of Cash Flow

### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Inflow (Outflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Financing of Cash Deficit	
				Investment Plans	Financing Plans
72,950,596	(2,181,002)	(706,881)	70,062,713	-	-

Note: 1. Cash Inflow (Outflow) includes the cashflow in investing activities, financing activities, and foreign exchange impacts.

2. Analysis of the change of 2017 cash flow changes:

- Net cash outflow in operating activities of \$2,181,002 thousand: mainly due to a decrease in profit from operating and net changes of assets and liabilities from operating activities.
- Net cash outflow in investing activities of \$874,933 thousand: mainly due to the purchase of real-estate property, plant and equipment, and the disposal of equity investments and available-for-sale financial assets.
- Net inflow of financing activities of \$3,262,861 thousand: mainly due to the increase in loan and distribution of cash dividend.

3. Financing of cash deficits: not applicable.

4. Liquidity analysis: current asset to current liability ratio is 138.7% and liquidity is healthy.

### 7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Inflow (Outflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Financing of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
70,062,713	5,343,575	(5,400,208)	70,006,080	-	-

Note: 1. Estimated Cash Inflow (Outflow) includes the cashflow in investing activities, financing activities, and foreign exchange impacts.

2. Analysis of the 2018 cash flow changes:

- Net cash inflow in operating activities of \$5,343,575 thousand: expect sales growth and profit from the operation.
- Net cash outflow in investing activities of \$6,267,612 thousand: expect to increase investment expenditures next year.
- Net cash inflow in financing activities of \$1,795,602 thousand: expect to distribute cash dividend and increase/decrease in long-term and short-term debt next year.

3. Financing of cash deficits: not applicable.

4. Liquidity analysis: The Company should be able to mainly sound liquidity, as opening cash balance plus net cash inflows from operating activities are adequate in meeting the Company's investing and financing needs.

## 7.4 Major Capital Expenditures

### 7.4.1 Major Capital Expenditures and Sources of Capital

Unit: NT\$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure 2017
Acquisition of exclusive agency rights to structured Electronic Medical Record (EMR) system solution in Southeast Asia	Private Capital	2017	180,900	180,900

### 7.4.2 Expected Benefits

In light of the opportunities brought by IoT, Compal is in a good position to leverage its hardware manufacturing advantages with its ICT supply chain to develop application service systems with integrated software/hardware and cloud computing to target the domestic market in Taiwan; by creating a classic paradigm from which we optimize relevant software, hardware and service processes, we will be able to build a suite of comprehensive IoT application services. On the other hand, the medical/healthcare industry is still one of the key domains of applications that Compal has been aggressively cultivating. With the experience and capabilities that Compal has accumulated in the domain of ICT in the past, coupled with the investments made in the cultivation of medical and biotechnological talents, the Company has not only established relevant R&D teams in the Company to specialize in the development of smart medicine/fitness equipment/mobile devices and service platforms but also acquired exclusive agency rights to a structured Electronic Medical Record (EMR) system solution in Taiwan (and Southeast Asia) in December 2015. Through the solution, we will be able to acquire relevant big data and apply AI analytics to help doctors make faster and more accurate clinical diagnoses and provide more efficient patient ward services. This will in turn lighten the work load for medical staff, and improve the efficiency and quality of medical care to achieve the vision of digital medical service. As telecommunication technologies become more mature in the foreseeable future, through the application of mobile care, remote consultation and mobile ward rounds combined with wearable devices for biomedical signal monitoring and personal health management, we will be able to build a complete platform for smart medical care. Ultimately, this will help to further the optimization of medical resource allocation and facilitate the integration of medical resources and the realization of precision medical care.

## 7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

### (1) Investment policy

1. Competition in the industry has accelerated and Compal is in full thrust integration mode. “Enlightened Living and Computing with a Green Connection” is the Compal vision. Our long-term investment strategies are to focus on products that relate to our core business, to provide the best quality in computing, communications, consumer, cloud and connection, to provide full solutions in cost and technology, and to put emphasis on our partner’s compliance with labor regulations, and the avoidance of human trafficking and slavery. Strengthen the core resources, through vertical integration, diversification, and strategic investments or acquisitions as well as integration and horizontal competition.
2. Improve post investment performance, strengthen the integration of Group resources and strategic partnerships with investment businesses, facilitate the cooperation between the Company and invested

business, and require their full compliance with labor regulations and those against human trafficking and slavery. Connect related customers to an information network, and form strategic alliances with other industries. Sustain the performance of operating output in social, economic and environmental aspects using a high standard of specification. This includes increasing the efficiency and productivity, improving the rights of the workers, proper economic development, and environmentally friendly production in a clean operating base. The Company fully supports investment companies with good performance to plan for IPO to accelerate the realization of good return on investment.

**(2) Main causes of profits or losses incurred on investments, and any corrective actions planned**

The 2017 consolidated profits from investment using the equity method came to approximately NTD 606 million, coming mainly from the performance of Compal Precision Module Co., Ltd and Allied Circuit Co., Ltd.

**(3) 2018 investment plans**

The long-term investment plan next year will be based on the Company's operating policy to position ourselves as the pioneer provider of the mobile device solution and provide products, through the integration of R&D resources and clients, of an all-in-one computer, TV, AE and enterprise servers. The Company follows the principle of steady operation and always focuses on our core businesses. We expand on the foundation of our existing businesses, make some vertical integration where appropriate and expand horizontally into related activities, while continuing to grow our core business.

In the vertical integration of upstream and downstream businesses, not involved in hardware production, we also expand the size of our developers and the proportion of software and firmware, to increase the value of their tangible assets and bring in value from additional sales.

We expect horizontal mergers and expansions to provide full IoT solutions for our clients which include applications in cross-industry automation, industrial computers, security control, the healthcare industry, cars, smart cities, smart buildings, restaurants and retail outlets, with the primary aim of providing new investment opportunities and challenges.

In practice, apart from achieving internal growth under the existing business framework, we also accept the possibility of mergers, acquisitions, joint ventures, technical collaborations and investment activities through bilateral or multi-lateral collaboration between business entities.

The Company and its affiliates will proceed with the aforementioned expansion based on the consideration of whether the expansion can strengthen the Group's advantage and assessment of reasonable risks. In terms of reinvestments, we follow the above mentioned principles and set basic principles in the following three directions:

1. The vertical integration of upstream and downstream businesses to increase the proportion of self-made parts and improve overall competitiveness.
2. Horizontal mergers and expansion of related products and services as well as other industries that provide prominent synergy or growth.
3. Develop technology which is beneficial to the Company or its affiliates, or invest in assets that provide synergy or growth.

## 7.6 Analysis of Risk Management

### 7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

Unit: NTD thousand; %

Items	2017
Net interest revenue and expense	(420,595)
Net gain on exchange (including valuation of financial instruments)	(2,003,666)
Net revenues	887,656,959
Pre-tax income (Note)	8,114,277
Net interest revenue/expense to net revenues	(0.047%)
Net interest revenue/expense to pre-tax income	(5.183%)
Net exchange gains to net revenues	(0.226%)
Net exchange gains to pre-tax income	(24.69%)

#### 1. Interest rate changes:

The most recent U.S. Fed meeting statement revealed steady momentum in the U.S. labor market and that the national economy has been growing at a moderate pace. As such, the federal fund rate has been increased by one quarter point from 1.5% to 1.75% and the market is expecting the Fed to raise the rate further by 2-3 points later in 2018. With regards to the interest rate for NTD, the Central Bank of Taiwan has noted that in light of the steady growth in the domestic economy, relatively mild inflation, and ample market liquidity that contributed to the strength of the currency, the Board of Central Bank of Taiwan has resolved that the bank will maintain the current rate at 1.375%. As of the end of 2017, the Company's cash balance came to approximately NTD 70.063 billion. The long and short-term bank loans came to about NTD 83.968 billion, with net interest expenses for the year at NTD 420,595 thousand. The amount accounted for 0.047% and 5.183% of the Company's net sales and income before tax respectively. As of December 31, 2017, should all other factors remain unchanged, the increase of 0.25% in interest will cause a decrease in income before tax of NTD 36,326 thousand. The Company will continue to monitor the change of interest rate closely and respond in a timely manner.

#### 2. Exchange rate changes:

The Company is export-oriented. And as such, the change and movement of exchange rate have a considerable impact on annual profit and loss. To minimize the impact on the Company's operating profit/loss, the Company mainly utilizes hedging such as forward foreign exchange contracts and swaps to minimize the risks of exchange rate movements. The full year net exchange gains and losses, including the valuation of financial assets, came to \$(2,003,666) thousand, accounting for (0.226%) and (24.69%) of net revenue and net profit before tax respectively. As of December 31, 2017, with all other factors remain unchanged, a 5% appreciation of USD/TWD will increase income before tax by \$705,944 thousand. We will take all necessary actions based on the fluctuation of the exchange rate in the future.

#### 3. Inflation:

According to relevant data published by the Central Bank, while imported raw materials such as crude oil are expected to increase in prices this year, the recent growth in NTD has effectively alleviated imported inflation. With domestic demand gradually dwindling, the output gap remained in the negative. The CPI for the year was expected to grow by 1.27% and while CP outlook should remain stable, we will continue to watch for potential impact on prices.

## **7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

1. The Company does not make high-risk, high-leveraged investments.
2. The Company only offers financing to its related parties, mainly providing short-term financing for their operating needs.
3. The Company is engaged in endorsement and guarantee activities which are only negotiated between subsidiaries and the parent company. The arrangements are covered by proper Endorsement and Guarantee Procedures.
4. The Company uses hedging strategy for assets and liabilities valued in foreign currencies. Such hedging, done through forward foreign exchange contracts and swap trading, covers the amount of net assets and liabilities to achieve the objective of risk aversion. At the end of 2017, the Company's position in open forward foreign exchange contracts amounted to USD\$ 68,500 thousand, EUR 46,000 thousand, and swap contracts of USD\$ 29,600 thousand. The Company will continue to pay close attention to changes in exchange rates and execute timely hedging in the future.
5. In addition to prudent evaluation and control of the execution of related policies, the Company also relies on regulations such as "Guidelines for Handling Acquisition and Disposal of Assets", "Endorsement and Guarantee Procedures", "Third Party Lending Procedures" and "Procedures for the Handling of Derivatives Trading".

## **7.6.3 Future Research & Development Projects and Corresponding Budget**

Other than the Company's efforts in innovation and improvement of computers, TVs, and other peripheral products, the Company also deems innovative research and development works as the niche for the Company's sustainable growth. Various R&D programs are developed and proposed by R&D team based on their forecast of new technologies, understand of market trends, and intergration of add-on function. They also team with clients to meet their market planning and detail product developments.

In general, the Company's usually has less than one year product development cycle and aim to shorten the R&D cycle year after year. The IT industry is highly competitive, and the timing of product development is of vital importance. The rapid growth of sales has made the quality, experience and capacity of R&D a decisive factor that will become the key as to whether the Company can achieve its sales target in 2018 and whether the existing clients will renew their contracts. The 2018 R&D expense is expected to be more than NT\$ 13.2 billion.

## **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company's management team is paying close attention to any policies or regulations that may impact the Company's operation. In 2017, the Company made all the necessary responses to significant change in international and domestic policies and regulations, without significant impact on Company operation.

## **7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

The constant arrival of new technology products to replace dated ones has changed the habits of users. This has consequently led to the emergence of different demands, and the development of ARM and Android has also impacted Wintel, which used to monopolize the market. Not only that, the emergence of cloud applications has also resulted in significant changes in the traditional PC market. To cope with these changes, the Company has expanded new businesses to its existing product lines to embrace the latest industrial trends. As such, the Company has established its Innovation Center that is responsible for following and studying the latest developments in market trends. Not only that, the Center is also involved in the development of innovative products, technologies and designs to

strengthen the Company's research on consumer behavior and thereby provide more accurate market segregation and product positioning to satisfy user needs. At the same time, we will also focus on boosting our innovative technology capabilities and plans for future product and market opportunities.

#### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

Compal has concentrated on the IT and Communications industry for many years and has firmly adhered to our business philosophy of transcendence, sincerity, and harmony in a culture of ethics and honesty. We aim to be the best in world-class professional design, manufacture and services. As we pursue business growth, we always remember our obligations as a corporate citizen. We have strengthened corporate governance, fulfilled corporate social responsibility, and have established a good corporate image. In recent years, Company business has expanded, the number of employees has increased and our global production branches have increased in number. We have become acutely aware of the need for periodic checks of the external environment, a self-management system and operational strategies for the early detection of potential corporate crises and the need for concrete and positive response plans and corrective measures.

For many years, Compal has placed amongst the top 500, top 2000 businesses and top 2000 manufacturers in Taiwan by Fortune, Forbes Magazine and Commonwealth Magazine respectively. In 2017, the Company placed within the top 20% in the TWSE-listed Companies in the 3rd round of "Corporate Governance Evaluation" and the distinction of the Gold Award in the "Taiwan Corporate Sustainability Award" organized by the Taiwan Institute of Sustainable Energy. These prestigious awards once again reaffirmed the Company's corporate image. There had been no company crisis in 2017 nor was there any significant event that affected the company image in any way.

#### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

In addition to continued cultivation of the existing information and communication technology (ICT) operations and enhancement of the core profit base, we are actively seeking out upcoming industries for merger, acquisition, joint venture, technical collaboration and other patterns, with the aim being to move into industrial computing, medical networking, IoT networking, vehicle networking and the medical equipment market. We will maintain stable development of existing business and also move ahead of the curve in other areas which have high growth momentum.

The Company will integrate resources to increase R&D capacity, improve operational efficiency, and increase competitiveness. We expect to benefit from synergy, have positive impact on future shareholder equity, and maintain adequate control of organizational integration matters and financial risks.

#### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None**

#### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None**

#### **7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None**

#### **7.6.11 Effects of, Risks Relating to and Response to the Changes in Management: None**

#### **7.6.12 Litigation or Non-litigation Matters**

Qualcomm Inc. filed litigation against the Company and its subsidiaries regarding a dispute over payment of royalties for a patent licensed on May 17, 2017; in response, the Company and its subsidiaries filed a counter suit against Qualcomm Inc. in the United States on July 19, 2017 for violation of the antitrust law. The Company has

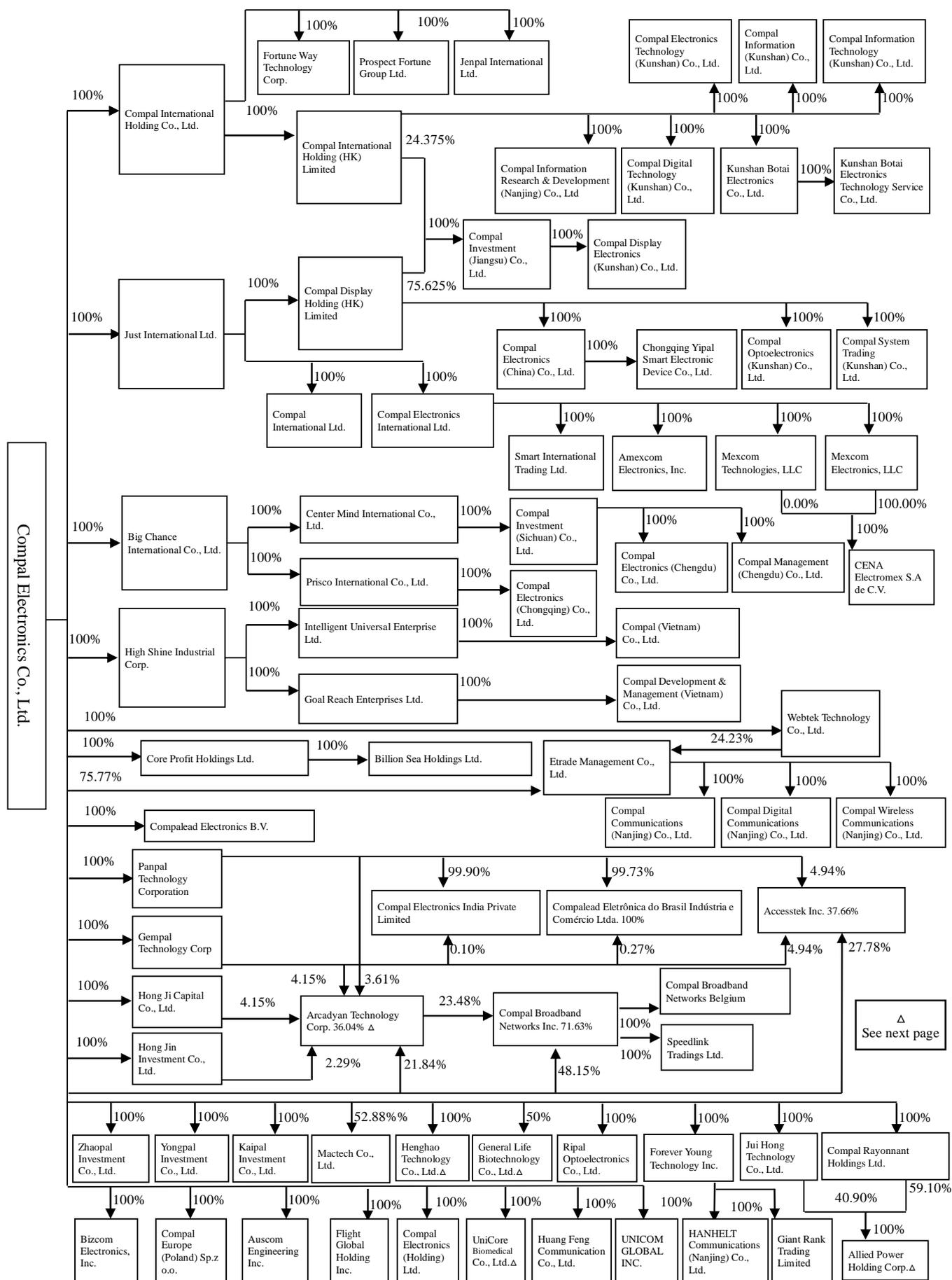
appointed an attorney to handle the aforementioned lawsuit, which is being heard by the United States District Court, Southern District of California. The final outcome of the lawsuit will depend on the proceeding of the lawsuit in the future, but will have no major bearing on the Company and its subsidiaries' existing operations.

### **7.6.13 Other Major Risks**

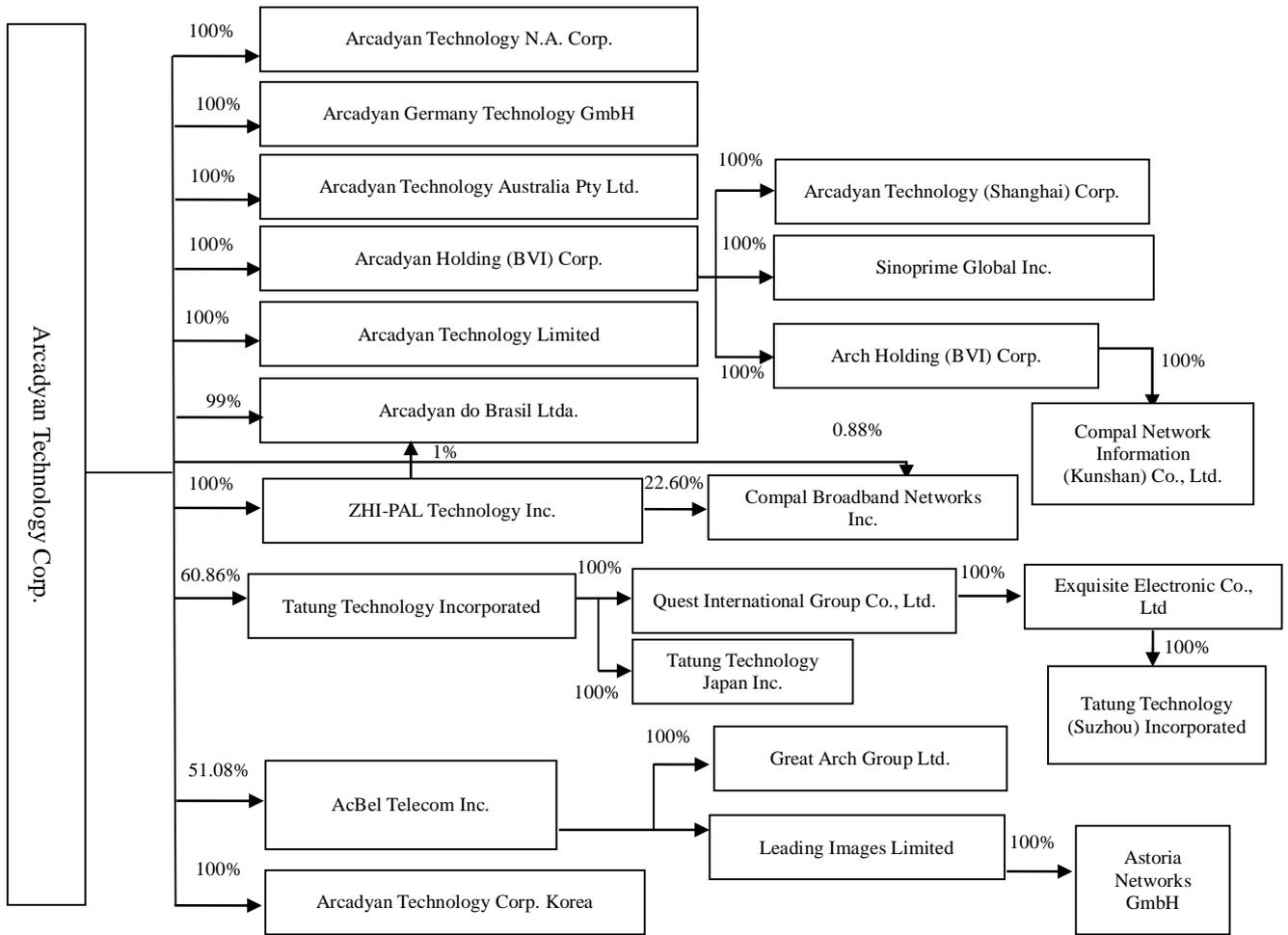
International conglomerates face many risks such as regulatory compliance, business competition, localization, and globalization. It is the responsibility of each Company employee to turn such challenges into future opportunity. Ex ante risk identification, weekly risk assessment and prevention, and post-crisis management, have all been added to the Company target management cycle (PDCA), key performance indicators (KPI), and control system for internal use. Such processes allow the dedicated units responsible for these specific risks to establish rigorous and rapid means for response and a problem-solving culture. By working through regular and irregular reviews and combining education, training and a performance risk appraisal system, they can cope with significantly different kinds of risk management based on local conditions. The company was not faced by any significant risk in 2017.

# VIII. Special Disclosure

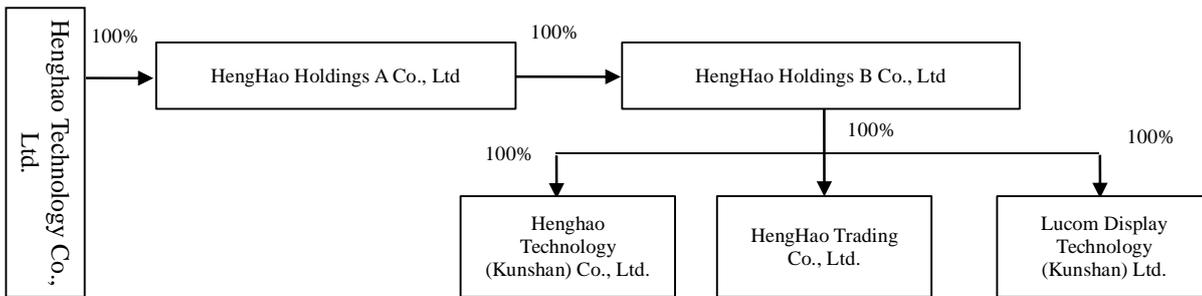
## 8.1 Summary of Affiliated Companies (As of Dec 31, 2017)



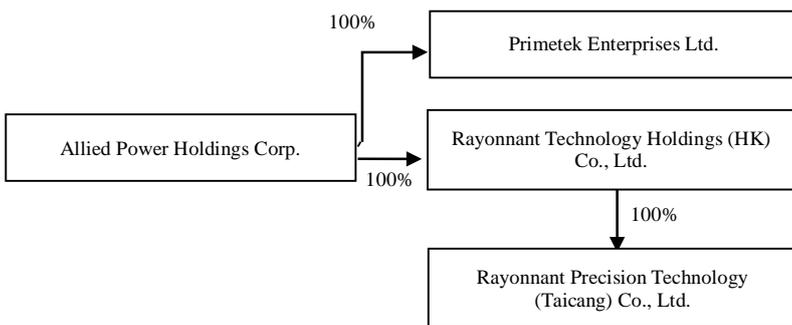
### Arcadyan Technology Affiliated Business Organization Chart



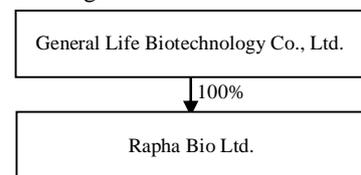
### Henghao Technology Co., Ltd. Affiliated Organization Chart



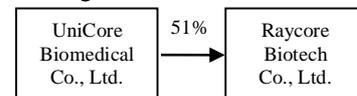
### Allied Power Affiliated Business Organization Chart



### General Life Biotechnology Affiliated Business Organization Chart



### UniCore Biomedical Affiliated Business Organization Chart



Overview of Operating Status for Affiliated Companies in 2017

Unit: NTD thousand

Company Name	Capital	Net asset value	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
Compal Electronics, Inc.	44,191,916	328,096,066	226,200,482	101,895,584	841,309,602	5,170,549	5,749,525	1.32
Compal International Holding Co., Ltd. and its subsidiaries	1,787,680	84,258,053	51,493,100	32,764,953	79,522,150	3,382,246	3,357,696	63.35
Just International Ltd. and its subsidiaries	1,480,509	16,709,920	8,914,356	7,795,564	25,696,091	(381,287)	(289,783)	(6.04)
Big Chance International Co., Ltd. and its subsidiaries	2,636,051	21,841,891	16,250,045	5,591,846	19,425,080	446,277	466,605	5.14
Core Profit Holdings Ltd.	4,318,860	4,817,873	-	4,817,873	-	-	69,239	0.47
High Shine Industrial Corp. and its subsidiaries	1,346,814	1,095,666	321,699	773,967	-	(61,085)	(41,434)	(0.97)
Panpal Technology Corporation and its subsidiaries	5,000,000	9,439,570	3,821,618	5,617,952	8,256,973	122,096	20,130	0.04
Gempal Technology Co., Ltd.	900,000	1,949,157	4,272	1,944,885	-	(278)	70,013	0.78
Hong Ji Capital Co., Ltd.	1,000,000	1,057,068	80	1,056,988	-	(216)	31,957	0.32
Hong Jin Investment Co., Ltd.	295,000	323,456	71	323,385	-	(206)	12,278	0.42
Accesstek Inc. and its subsidiaries	32,369	38,039	846	37,193	-	(89)	90	0.03
UniCore Biomedical Co., Ltd.	200,000	212,284	3,090	209,194	-	(15,590)	(15,190)	(0.76)
Arcadyan Technology Corp. and its subsidiaries	1,891,190	15,581,848	6,657,441	8,924,407	20,110,209	918,536	607,243	3.21
Compal Broadband Networks Inc. and its subsidiaries	603,512	4,432,422	2,884,310	1,548,112	6,817,503	183,648	182,145	3.02
Zhaopal Investment Co., Ltd.	1,358,000	6,373	-	6,373	-	(71)	1,324	0.01
Yongpal Investment Co., Ltd.	1,188,500	5,692	-	5,692	-	(64)	87	-

Company Name	Capital	Net asset value	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
Kaipal Investment Co., Ltd.	510,500	3,295	-	3,295	-	(66)	461	0.01
Henghao Technology Co., Ltd. and its subsidiaries	1,314,987	6,130,517	5,523,109	607,408	7,907,599	(606,440)	(677,877)	(5.16)
Mactech Co., Ltd.	411,458	707,764	213,129	494,635	545,911	102,179	86,654	2.11
Ripal Optoelectronics Co., Ltd.	60,000	43,236	12,380	30,856	53,910	9,336	9,366	1.56
General life Biotechnology Co., Ltd.	300,000	350,270	95,617	254,653	273,118	7,347	1,868	0.06
Rayonnant Technology Holdings Ltd.,	295,000	127,728	37,804	89,924	-	(33,666)	(26,715)	(0.91)
Compal Rayonnant Holdings Ltd. and its subsidiaries	377,328	1,275,054	1,099,683	175,371	1,943,943	(57,072)	(42,535)	(3.40)
Bizcom Electronics, Inc.	3,031	543,144	124,073	419,071	443,928	13,341	10,651	106.51
Compal Europe (Poland) Sp.z o.o.	90,156	225,809	192,969	32,840	671,594	40,700	35,525	261.06
Auscom Engineering Inc.	101,747	174,739	57,438	117,301	156,181	10,217	8,725	2.91
Flight Global Holding Inc.	2,754,741	4,539,214	80,171	4,459,043	-	(125)	373,048	4.16
Compalead Electronics B.V.	197,463	786,542	265,730	520,812	-	(1,906)	5,746	0.89
Etrade Management Co., Ltd and its subsidiaries	1,978,429	4,164,499	4,688,348	(523,849)	50,603,909	(323,883)	(432,820)	(6.99)
Webtek Technology Co., Ltd	3,340	9,268,912	8,372,999	895,913	57,727,311	(11,781)	(62,421)	(624.21)
Forever Young Technology Inc. and its subsidiaries	1,575	18,567,374	17,125,496	1,441,878	64,348,303	(331)	4,111	82.22
Unicom Global Inc.,	100,000	378,104	610,299	(232,195)	269,513	(106,205)	(101,600)	(10.16)
Huang Feng Communication Co., Ltd.	100,000	166,977	50,498	116,479	192,369	9,981	9,242	0.92
Compal Electronics (Holding) Ltd.	34	3,505,330	-	3,505,330	-	-	-	-

**8.2 Private Placement of Securities in the Most Recent Year:** None

**8.3 Company Shares Held or Disposed by Subsidiaries in the Most Recent Year:**

Unit: NT\$ thousands; Shares; %

Name of Subsidiary	Share Capital Acquired	Funding Source	Percentage of Shares Held by the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed	Investment Gain (Loss)	Shareholdings and Amount as of March 31, 2018	Collateralized	Amount of Endorsements Made for the Subsidiary	Amount Loaned to the Subsidiary
Panpal Technology Corporation	NTD 5,000,000,000	Proprietary capital	100%	-	-	-	-	31,648,082 shares NTD 559,812,000	N/A	-	-
Gempal Technology Co., Ltd.	NTD 900,000,000	Proprietary capital	100%	-	-	-	-	18,369,349 shares NTD 321,435,000	N/A	-	-

Note: Impacts on the Company's financial performance and position: none of the subsidiaries had acquired or disposed the Company's shares in the current year up till the publication date of this annual report, hence there were no impacts.

**8.4 Any Events in 2017 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Interests or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan:** None

# Attachment I

## Independent Auditor's Report

To COMPAL ELECTRONICS, INC.:

### Opinion

We have audited the consolidated financial statements of COMPAL ELECTRONICS, INC. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the consolidated statement of comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Account receivable valuation

Please refer to Note (4)(g) for the accounting policy of accounts receivable. Information of account receivable valuation are shown in Note (6)(g) of the consolidated financial statements.

Description of key audit matters:

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

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

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

## 2. Inventory valuation

Please refer to Note (4)(h) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in Note (6)(h) of the consolidated financial statements.

Description of key audit matters:

The inventory is measured at the lower of cost or net realizable value. The short life cycle of electronic products may cause significant changes in customers' demand and sales of related products. Consequently, the book value of inventory may be lower than the net realizable value of inventory. Therefore, the valuation of inventory is one of the key audit matters.

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

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

### **Other Matter**

Compal Electronics Inc, has prepared the annual parent company only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as the related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

KPMG

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

#### **Notes to Readers**

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

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	December 31, 2017		December 31, 2016			December 31, 2017		December 31, 2016	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and Equity</b>				
<b>Current assets:</b>					<b>Current liabilities:</b>				
1100	\$ 70,062,713	19.3	72,950,596	21.0	2100	\$ 56,515,525	15.6	43,480,777	12.5
1110	40,706	-	86,440	-	2120	24,463	-	137,489	-
1125	46,479	-	48,631	-	2170	140,381,168	38.6	127,523,732	36.7
1147	350,000	0.1	350,000	0.1	2180	1,636,656	0.5	1,958,211	0.6
1170	177,272,731	48.8	175,318,313	50.5	2200	16,318,597	4.5	17,853,264	5.1
1180	113,994	-	70,972	-	2230	4,362,395	1.2	3,795,925	1.1
1200	988,008	0.3	1,082,607	0.3	2250	1,827,439	0.5	1,842,094	0.5
1310	69,512,712	19.1	48,105,125	13.9	2300	3,071,238	0.8	2,899,674	0.9
1470	3,395,311	0.9	2,456,323	0.7	2313	1,617,626	0.4	1,774,158	0.5
	321,782,654	88.5	300,469,007	86.5	2320	6,200,625	1.7	7,966,875	2.3
						231,955,732	63.8	209,232,199	60.2
<b>Non-current assets:</b>					<b>Non-Current liabilities:</b>				
1550	11,807,622	3.2	11,726,370	3.4	2540	21,252,263	5.8	23,954,688	7.0
1523	7,646,667	2.1	9,556,461	2.8	2570	614,437	0.2	746,962	0.2
1543	53,982	-	71,820	-	2640	705,810	0.2	631,821	0.2
1546	350,000	0.1	700,000	0.2	2670	180,207	-	166,626	-
1600	18,179,367	5.0	20,952,677	6.0		22,752,717	6.2	25,500,097	7.4
1780	1,284,660	0.4	1,291,281	0.4		254,708,449	70.0	234,732,296	67.6
1840	1,351,371	0.4	1,262,986	0.4	<b>Total liabilities</b>				
1985	571,133	0.2	594,520	0.2	<b>Equity attributable to parent company shareholders:</b>				
1990	328,965	0.1	390,989	0.1	3110	44,191,916	12.2	44,241,606	12.8
	41,573,767	11.5	46,547,104	13.5	3200	10,938,773	3.0	11,779,274	3.4
					3300	56,557,146	15.6	55,289,409	15.9
					3400	(8,911,004)	(2.5)	(4,624,653)	(1.3)
					3500	(881,247)	(0.2)	(881,247)	(0.3)
						101,895,584	28.1	105,804,389	30.5
					36XX	6,752,388	1.9	6,479,426	1.9
						108,647,972	30.0	112,283,815	32.4
<b>Total assets</b>	<b>\$ 363,356,421</b>	<b>100.</b>	<b>347,016,111</b>	<b>100.</b>		<b>Total liabilities and equity</b>			
						<b>\$ 363,356,421</b>	<b>100.</b>	<b>347,016,111</b>	<b>100.</b>

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000 <b>Net sales revenue (notes (6)(w) and (7))</b>	\$ 887,656,959	100.0	766,810,035	100.0
5000 <b>Cost of sales (notes (6)(h), (6)(r), (7) and (12))</b>	<u>855,692,390</u>	<u>96.4</u>	<u>733,973,065</u>	<u>95.7</u>
<b>Gross profit</b>	<u>31,964,569</u>	<u>3.6</u>	<u>32,836,970</u>	<u>4.3</u>
<b>Operating expenses: (notes (6)(q), (6)(r), (6) and (12))</b>				
6100 Selling expenses	7,167,461	0.8	5,270,267	0.7
6200 Administrative expenses	4,050,028	0.5	4,541,630	0.6
6300 Research and development expenses	<u>11,538,651</u>	<u>1.3</u>	<u>11,961,428</u>	<u>1.6</u>
	<u>22,756,140</u>	<u>2.6</u>	<u>21,773,325</u>	<u>2.9</u>
<b>Net operating income</b>	<u>9,208,429</u>	<u>1.0</u>	<u>11,063,645</u>	<u>1.4</u>
<b>Non-operating income and expenses:</b>				
7020 Other gains and losses (notes (6)(d), (6)(i), (6)(k) and (6)(y))	(1,897,072)	(0.2)	(1,042,285)	(0.1)
7050 Finance costs	(1,297,965)	(0.1)	(946,893)	(0.1)
7190 Other income (notes (6)(q) and (6)(y))	1,566,475	0.2	1,961,554	0.3
7590 Miscellaneous disbursements	(52,752)	-	(54,672)	-
7670 Impairment loss (notes (6)(d), (6)(e) and (6)(m))	(19,405)	-	(239,989)	-
7770 Share of profit of associates and joint ventures accounted for using equity method (note (6)(i))	<u>606,567</u>	<u>-</u>	<u>1,071,985</u>	<u>0.1</u>
<b>Total non-operating income and expenses</b>	<u>(1,094,152)</u>	<u>(0.1)</u>	<u>749,700</u>	<u>0.2</u>
7900 <b>Profit before tax</b>	8,114,277	0.9	11,813,345	1.6
7950 <b>Less: Tax expense (note (6)(s))</b>	<u>1,956,240</u>	<u>0.2</u>	<u>2,845,339</u>	<u>0.4</u>
<b>Profit</b>	<u>6,158,037</u>	<u>0.7</u>	<u>8,968,006</u>	<u>1.2</u>
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Other comprehensive income, before tax, remeasurement of defined benefit obligation	(84,394)	-	(97,739)	-
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method	(561)	-	(1,673)	-
8349 Income tax relating to items that will not be reclassified (note (6)(s))	<u>14,348</u>	<u>-</u>	<u>16,616</u>	<u>-</u>
Items that will be reclassified subsequently to profit or loss	<u>(70,607)</u>	<u>-</u>	<u>(82,796)</u>	<u>-</u>
8360 <b>Items that will be reclassified subsequently to profit or loss</b>				
8361 Other comprehensive income, before tax, exchange differences on translation of foreign financial statement	(4,808,866)	(0.5)	(938,426)	(0.1)
8362 Other comprehensive income, before tax, available-for-sale financial assets	326,490	-	458,015	-
8363 Gains (losses) on effective portion of cash flow hedges	-	-	(21,360)	-
8370 Other components of other comprehensive income that will be reclassified to profit or loss	(30,076)	-	(702,159)	(0.1)
8399 Income tax relating to items that will be reclassified to profit or loss (note (6)(s))	<u>(21,353)</u>	<u>-</u>	<u>21,180</u>	<u>-</u>
Items that will be reclassified subsequently to profit or loss	<u>(4,533,805)</u>	<u>(0.5)</u>	<u>(1,182,750)</u>	<u>(0.2)</u>
8300 <b>Other comprehensive income, net</b>	<u>(4,604,412)</u>	<u>(0.5)</u>	<u>(1,265,546)</u>	<u>(0.2)</u>
8500 <b>Comprehensive income</b>	<u>\$ 1,553,625</u>	<u>0.2</u>	<u>7,702,460</u>	<u>1.0</u>
<b>Profit, attributable to:</b>				
8610 Profit, attributable to parent company shareholders	\$ 5,749,525	0.7	8,130,890	1.2
8620 Profit, attributable to non-controlling interests	<u>408,512</u>	<u>-</u>	<u>837,116</u>	<u>-</u>
	<u>\$ 6,158,037</u>	<u>0.7</u>	<u>8,968,006</u>	<u>1.2</u>
<b>Comprehensive income attributable to:</b>				
8710 Comprehensive income, attributable to parent company shareholders	\$ 1,189,818	0.1	6,916,562	1.0
8720 Comprehensive income, attributable to non-controlling interests	<u>363,807</u>	<u>-</u>	<u>785,898</u>	<u>-</u>
	<u>\$ 1,553,625</u>	<u>0.1</u>	<u>7,702,460</u>	<u>1.0</u>
<b>Earnings per share (note 6(v))</b>				
9750 <b>Basic earnings per share</b>	<u>\$ 1.32</u>		<u>1.88</u>	
9850 <b>Diluted earnings per share</b>	<u>\$ 1.31</u>		<u>1.84</u>	

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to parent company shareholders													
	Retained earnings					Total other equity interest					Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Others	Total other equity interest				
<b>Balance at January 1, 2016</b>	\$ 44,711,266	12,838,638	16,571,311	3,139,021	32,167,179	51,877,511	2,803,061	(6,010,432)	(719,510)	(3,926,881)	(1,724,739)	103,775,795	5,822,321	109,598,116
Profit for the year ended December 31, 2016	-	-	-	-	8,130,890	8,130,890	-	-	-	-	-	8,130,890	837,116	8,968,006
Other comprehensive income	-	-	-	-	(74,452)	(74,452)	(1,478,779)	346,602	(7,699)	(1,139,876)	-	(1,214,328)	(51,218)	(1,265,546)
Comprehensive income	-	-	-	-	8,056,438	8,056,438	(1,478,779)	346,602	(7,699)	(1,139,876)	-	6,916,562	785,898	7,702,460
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	868,461	-	(868,461)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	60,653	(60,653)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(4,426,671)	(4,426,671)	-	-	-	-	-	(4,426,671)	-	(4,426,671)
Cash dividends from capital surplus	-	(885,334)	-	-	-	-	-	-	-	-	-	(885,334)	-	(885,334)
Changes in ownership interests in subsidiaries	-	22	-	-	(658)	(658)	-	-	-	-	-	(636)	-	(636)
Changes in equity of associates and joint ventures accounted for using equity method	-	1,723	-	-	(10,527)	(10,527)	-	-	-	-	-	(8,804)	-	(8,804)
Share-based payments transaction	(31,500)	(40,846)	-	-	3,671	3,671	-	-	442,104	442,104	-	373,429	-	373,429
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,048	-	-	-	-	-	-	-	-	-	60,048	-	60,048
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(128,793)	(128,793)
Retirement of treasury share	(438,160)	(194,977)	-	-	(210,355)	(210,355)	-	-	-	-	843,492	-	-	-
<b>Balance at December 31, 2016</b>	44,241,606	11,779,274	17,439,772	3,199,674	34,649,963	55,289,409	1,324,282	(5,663,830)	(285,105)	(4,624,653)	(881,247)	105,804,389	6,479,426	112,283,815
Profit for the year ended December 31, 2017	-	-	-	-	5,749,525	5,749,525	-	-	-	-	-	5,749,525	408,512	6,158,037
Other comprehensive income	-	-	-	-	(68,107)	(68,107)	(4,801,658)	310,058	-	(4,491,600)	-	(4,559,707)	(44,705)	(4,604,412)
Total comprehensive income	-	-	-	-	5,681,418	5,681,418	(4,801,658)	310,058	-	(4,491,600)	-	1,189,818	363,807	1,553,625
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	813,089	-	(813,089)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	1,139,875	(1,139,875)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(4,422,153)	(4,422,153)	-	-	-	-	-	(4,422,153)	-	(4,422,153)
Cash dividends from capital surplus	-	(884,431)	-	-	-	-	-	-	-	-	-	(884,431)	-	(884,431)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	33,016	-	-	(2,179)	(2,179)	-	-	-	-	-	30,837	357,314	388,151
Changes in ownership interests in subsidiaries	-	142	-	-	(424)	(424)	-	-	-	-	-	(282)	-	(282)
Changes in equity of associates and joint ventures accounted for using equity method	-	14,217	-	-	(194)	(194)	-	-	-	-	-	14,023	-	14,023
Share-based payments transaction	(49,690)	(63,472)	-	-	11,269	11,269	-	-	205,249	205,249	-	103,356	-	103,356
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,027	-	-	-	-	-	-	-	-	-	60,027	-	60,027
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(448,159)	(448,159)
<b>Balance at December 31, 2017</b>	\$ 44,191,916	10,938,773	18,252,861	4,339,549	33,964,736	56,557,146	(3,477,376)	(5,353,772)	(79,856)	(8,911,004)	(881,247)	101,895,584	6,752,388	108,647,972

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

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

See accompanying notes to financial statements.

# Attachment II

## Independent Auditor's Report

To COMPAL ELECTRONICS, INC.:

### Opinion

We have audited the financial statements of COMPAL ELECTRONICS, INC. (“the Company”), which comprise the statements of financial position as of December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Account receivable valuation

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

Description of key audit matters:

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

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

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

## 2. Inventory valuation

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

Description of key audit matters:

The inventory is measured at the lower of cost or net realizable value. The short life cycle of electronic products may cause significant changes in customers' demand and sales of related products. Consequently, the book value of inventory may be lower than the net realizable value of inventory. Therefore, the valuation of inventory is one of the key audit matters.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

#### **Notes to Readers**

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

**COMPAL ELECTRONICS, INC.**  
**Balance Sheets**  
**December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

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

**COMPAL ELECTRONICS, INC.**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

		<u>2017</u>		<u>2016</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Net sale revenue</b>	\$ 841,309,602	100.0	725,653,095	100.0
5000	<b>Cost of sales:</b>	<u>819,765,642</u>	<u>97.4</u>	<u>704,371,443</u>	<u>97.1</u>
	<b>Gross profit</b>	21,543,960	2.6	21,281,652	2.9
5910	<b>Less: Unrealized profit from sales</b>	<u>(480)</u>	<u>-</u>	<u>481</u>	<u>-</u>
	<b>Gross profit</b>	<u>21,544,440</u>	<u>2.6</u>	<u>21,281,171</u>	<u>2.9</u>
	<b>Operating expenses:</b>				
6100	Selling expenses	5,979,101	0.7	4,060,832	0.6
6200	Administrative expenses	2,100,602	0.2	2,395,657	0.3
6300	Research and development expenses	<u>8,294,188</u>	<u>1.0</u>	<u>8,851,828</u>	<u>1.2</u>
		<u>16,373,891</u>	<u>1.9</u>	<u>15,308,317</u>	<u>2.1</u>
	<b>Net operating income</b>	<u>5,170,549</u>	<u>0.7</u>	<u>5,972,854</u>	<u>0.8</u>
	<b>Non-operating income and expenses:</b>				
7020	Other gains and losses, net	(1,615,111)	(0.1)	(581,031)	-
7050	Finance costs	(975,175)	(0.1)	(719,294)	(0.1)
7190	Other income	937,671	0.1	933,004	0.1
7370	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	<u>3,160,786</u>	<u>0.4</u>	<u>3,766,213</u>	<u>0.5</u>
	<b>Total non-operating income and expenses</b>	<u>1,508,171</u>	<u>0.3</u>	<u>3,398,892</u>	<u>0.5</u>
7900	<b>Profit before tax</b>	6,678,720	1.0	9,371,746	1.3
7950	<b>Less: tax expense</b>	<u>929,195</u>	<u>0.1</u>	<u>1,240,856</u>	<u>0.2</u>
	<b>Profit</b>	<u>5,749,525</u>	<u>0.9</u>	<u>8,130,890</u>	<u>1.1</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Other comprehensive income, before tax, remeasurement of defined benefit obligation	(79,683)	-	(82,021)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that will not be reclassified subsequently to profit or loss	(1,970)	-	(6,375)	-
8349	Income tax relating to items that will not be reclassified to profit or loss	<u>13,546</u>	<u>-</u>	<u>13,944</u>	<u>-</u>
	Items that will not be reclassified subsequently to profit or loss	<u>(68,107)</u>	<u>-</u>	<u>(74,452)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Other comprehensive income, before tax, exchange differences on translation of foreign financial statements	(4,606,117)	(0.5)	(1,004,076)	(0.1)
8362	Other comprehensive income, before tax, available-for-sale financial assets	147,849	-	362,179	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that may be reclassified subsequently to profit or loss	(21,111)	-	(521,847)	-
8399	Income tax relating to items that may reclassified to profit or loss	<u>(12,221)</u>	<u>-</u>	<u>23,868</u>	<u>-</u>
	Items that may reclassified subsequently to profit or loss	<u>(4,491,600)</u>	<u>(0.5)</u>	<u>(1,139,876)</u>	<u>(0.1)</u>
8300	<b>Other comprehensive income, net of tax</b>	<u>(4,559,707)</u>	<u>(0.5)</u>	<u>(1,214,328)</u>	<u>(0.1)</u>
8500	<b>Total comprehensive income</b>	<u>\$ 1,189,818</u>	<u>0.4</u>	<u>6,916,562</u>	<u>1.0</u>
	<b>Earnings per share:</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 1.32</u>		<u>1.88</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 1.31</u>		<u>1.84</u>	

**COMPAL ELECTRONICS, INC.**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings					Other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Others	Total other equity interest	Treasury shares	Total equity
<b>Balance at January 1, 2016</b>	\$ 44,711,266	12,838,638	16,571,311	3,139,021	32,167,179	51,877,511	2,803,061	(6,010,432)	(719,510)	(3,926,881)	(1,724,739)	103,775,795
Profit for the year ended December 31, 2016	-	-	-	-	8,130,890	8,130,890	-	-	-	-	-	8,130,890
Other comprehensive income	-	-	-	-	(74,452)	(74,452)	(1,478,779)	346,602	(7,699)	(1,139,876)	-	(1,214,328)
Total comprehensive income	-	-	-	-	8,056,438	8,056,438	(1,478,779)	346,602	(7,699)	(1,139,876)	-	6,916,562
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	868,461	-	(868,461)	-	-	-	-	-	-	-
Special reversal appropriated	-	-	-	60,653	(60,653)	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(4,426,671)	(4,426,671)	-	-	-	-	-	(4,426,671)
Cash dividends from capital surplus	-	(885,334)	-	-	-	-	-	-	-	-	-	(885,334)
Changes in ownership interests in subsidiaries	-	22	-	-	(658)	(658)	-	-	-	-	-	(636)
Changes in equity of associates and joint ventures accounted for using equity method	-	1,723	-	-	(10,527)	(10,527)	-	-	-	-	-	(8,804)
Share-based payments transaction	(31,500)	(40,846)	-	-	3,671	3,671	-	-	442,104	442,104	-	373,429
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,048	-	-	-	-	-	-	-	-	-	60,048
Retirement of treasury share	(438,160)	(194,977)	-	-	(210,355)	(210,355)	-	-	-	-	843,492	-
<b>Balance at December 31, 2016</b>	44,241,606	11,779,274	17,439,772	3,199,674	34,649,963	55,289,409	1,324,282	(5,663,830)	(285,105)	(4,624,653)	(881,247)	105,804,389
Profit for the year ended December 31, 2017	-	-	-	-	5,749,525	5,749,525	-	-	-	-	-	5,749,525
Other comprehensive income	-	-	-	-	(68,107)	(68,107)	(4,801,658)	310,058	-	(4,491,600)	-	(4,559,707)
Total comprehensive income	-	-	-	-	5,681,418	5,681,418	(4,801,658)	310,058	-	(4,491,600)	-	1,189,818
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	813,089	-	(813,089)	-	-	-	-	-	-	-
Special reversal appropriated	-	-	-	1,139,875	(1,139,875)	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(4,422,153)	(4,422,153)	-	-	-	-	-	(4,422,153)
Cash dividends from capital surplus	-	(884,431)	-	-	-	-	-	-	-	-	-	(884,431)
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	-	33,016	-	-	(2,179)	(2,179)	-	-	-	-	-	30,837
Changes in ownership interests in subsidiaries	-	142	-	-	(424)	(424)	-	-	-	-	-	(282)
Changes in equity of associates and joint ventures accounted for using equity method	-	14,217	-	-	(194)	(194)	-	-	-	-	-	14,023
Share-based payments transaction	(49,690)	(63,472)	-	-	11,269	11,269	-	-	205,249	205,249	-	103,356
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,027	-	-	-	-	-	-	-	-	-	60,027
<b>Balance at December 31, 2017</b>	<b>\$ 44,191,916</b>	<b>10,938,773</b>	<b>18,252,861</b>	<b>4,339,549</b>	<b>33,964,736</b>	<b>56,557,146</b>	<b>(3,477,376)</b>	<b>(5,353,772)</b>	<b>(79,856)</b>	<b>(8,911,004)</b>	<b>(881,247)</b>	<b>101,895,584</b>

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

**COMPAL ELECTRONICS, INC.**  
**Statements of Cash Flows**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

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

# Compal Electronics, Inc.



Chairman: **Sheng-Hsiun Hsu (Rock Hsu)**

Handwritten signature of Sheng-Hsiun Hsu in black ink.



Handwritten signature of Jui-Tsung Chen in black ink.



Chief Executive Officer (CEO): **Jui-Tsung Chen (Ray Chen)**