**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2013, and December 31, and January 1, 2012**

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **December 31, 2013** | | **December 31, 2012** | | **January 1, 2012** | |
| Assets | Amount | % | **Amount** | % | Amount | % |
| **Current assets:** |  |  |  |  |  |  |
| Cash and cash equivalents | $ 46,965,852 | 14.0 | 44,154,582 | 14.2 | 52,348,302 | 18.6 |
| Current financial assets at fair value through  profit or loss | 83,772 | - | 81,386 | - | 185,549 | 0.1 |
| Current available-for-sale financial assets | 80,275 | - | 109,792 | - | 97,092 | - |
| Current bond investment without active market | 1,745,000 | 0.5 | - | - | - | - |
| Notes and accounts receivable, net | 183,481,024 | 54.6 | 159,541,841 | 51.2 | 135,893,459 | 48.3 |
| Notes and accounts receivable due from  related parties, net | 214,854 | 0.1 | 1,285,357 | 0.4 | 19,443 | - |
| Other receivables | 830,638 | 0.3 | 772,840 | 0.2 | 474,562 | 0.2 |
| Inventories, net | 51,219,127 | 15.2 | 51,707,468 | 16.6 | 46,912,683 | 16.7 |
| Non-current assets classified as held for sale | 1,000,000 | 0.3 | - | - | - | - |
| Other current assets | 1,760,278 | 0.5 | 1,480,342 | 0.5 | 1,428,395 | 0.5 |
|  | 287,380,820 | 85.5 | 259,133,608 | 83.1 | 237,359,485 | 84.4 |
| **Non-current assets:** |  |  |  |  |  |  |
| Investments accounted for using equity method | 9,301,877 | 2.8 | 11,200,977 | 3.6 | 8,389,124 | 3.0 |
| Non-current available-for-sale financial assets | 14,695,637 | 4.4 | 15,170,610 | 4.9 | 13,773,364 | 4.9 |
| Non-current financial assets at cost | 6,588 | - | 15,000 | - | 17,492 | - |
| Non-current bond investment without  active market | - | - | 1,745,000 | 0.6 | 1,680,835 | 0.6 |
| Property, plant and equipment | 21,209,228 | 6.3 | 20,772,790 | 6.7 | 15,406,493 | 5.5 |
| Intangible assets | 1,293,643 | 0.4 | 1,451,181 | 0.5 | 1,461,339 | 0.5 |
| Deferred tax assets | 1,174,203 | 0.3 | 1,080,126 | 0.3 | 1,216,559 | 0.4 |
| Other non-current financial assets | - | - | 65,886 | - | 118,586 | - |
| Long-term prepaid rents | 707,261 | 0.2 | 703,079 | 0.2 | 761,327 | 0.3 |
| Other non-current assets | 333,557 | 0.1 | 450,323 | 0.1 | 1,110,244 | 0.4 |
|  | 48,721,994 | 14.5 | 52,654,972 | 16.9 | 43,935,363 | 15.6 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Total assets** | **$ 336,102,814** | **100.0** | **311,788,580** | **100.0** | **281,294,848** | **100.0** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **December 31, 2013** | | **December 31, 2012** | | **January 1, 2012** | |
| **Liabilities and equity** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| **Current liabilities:** |  |  |  |  |  |  |
| Short-term borrowings | $ 51,971,767 | 15.5 | 36,533,793 | 11.7 | 14,907,377 | 5.3 |
| Current financial liabilities at fair value  through profit or loss | 11,382 | - | 39,963 | - | 3,569 | - |
| Notes and accounts payable | 143,514,698 | 42.7 | 136,095,500 | 43.7 | 130,494,478 | 46.4 |
| Notes and accounts payable to related parties | 1,944,703 | 0.6 | 2,958,167 | 1.0 | 2,277,611 | 0.8 |
| Other payables | 15,601,065 | 4.6 | 12,095,449 | 3.9 | 10,476,301 | 3.7 |
| Current tax liabilities | 1,006,058 | 0.3 | 1,064,261 | 0.3 | 1,192,942 | 0.4 |
| Current provisions | 1,675,765 | 0.5 | 1,939,002 | 0.6 | 2,069,789 | 0.8 |
| Other current liabilities | 2,559,650 | 0.8 | 2,529,103 | 0.8 | 2,231,356 | 0.8 |
| Unearned revenue | 1,889,019 | 0.6 | 1,697,512 | 0.6 | 3,084,542 | 1.1 |
| Long-term borrowings, current portion | 423,154 | 0.1 | 47,383 | - | 82,000 | - |
|  | 220,597,261 | 65.7 | 195,000,133 | 62.6 | 166,819,965 | 59.3 |
| **Non-current liabilities:** |  |  |  |  |  |  |
| Long-term borrowings | 14,107,367 | 4.2 | 550,604 | 0.2 | 25,000 | - |
| Deferred tax liabilities | 678,587 | 0.2 | 668,842 | 0.2 | 375,338 | 0.2 |
| Accrued pension liabilities | 658,410 | 0.2 | 693,155 | 0.2 | 553,467 | 0.2 |
| Other non-current liabilities | 98,917 | - | 82,576 | - | 80,043 | - |
|  | 15,543,281 | 4.6 | 1,995,177 | 0.6 | 1,033,848 | 0.4 |
| **Total liabilities** | 236,140,542 | 70.3 | 196,995,310 | 63.2 | 167,853,813 | 59.7 |
|  |  |  |  |  |  |  |
| **Equity attributable to owners of parent:** |  |  |  |  |  |  |
| Ordinary shares | 44,134,467 | 13.1 | 44,126,526 | 14.2 | 44,002,554 | 15.6 |
| Capital surplus | 16,193,087 | 4.8 | 16,122,810 | 5.2 | 15,889,855 | 5.7 |
| Retained earnings | 44,260,834 | 13.2 | 55,053,941 | 17.6 | 54,964,759 | 19.5 |
| Other equity interest | (7,707,518) | (2.3) | (8,382,397) | (2.7) | (8,520,843) | (3.0) |
| Treasury shares | (2,007,725) | (0.6) | (881,247) | (0.3) | (881,247) | (0.3) |
|  | 94,873,145 | 28.2 | 106,039,633 | 34.0 | 105,455,078 | 37.5 |
| **Non-controlling interests** | 5,089,127 | 1.5 | 8,753,637 | 2.8 | 7,985,957 | 2.8 |
| **Total equity** | 99,962,272 | 29.7 | 114,793,270 | 36.8 | 113,441,035 | 40.3 |
| **Total liabilities and equity** | **$ 336,102,814** | **100.0** | **311,788,580** | **100.0** | **281,294,848** | **100.0** |

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated statements of comprehensive income**

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

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

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

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Statements of changes in equity**

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

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

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

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

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

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated statements of cash flows**

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

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

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