

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets (Unaudited)**

**June 30, 2010 and 2009**

(expressed in thousands of New Taiwan dollars)

Assets	2010	%	2009	%	Liabilities and Stockholders' Equity	2010	%	2009	%
	Amount		Amount			Amount		Amount	
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	\$ 69,291,129	19.9	50,133,456	22.6	Short-term loans and short-term notes and bills payable	\$ 34,282,733	9.8	5,928,952	2.7
Financial assets measured at fair value through profit or loss – current	501,092	0.1	58,088	-	Notes and accounts payable	165,392,272	47.4	97,129,919	43.8
Available-for-sale financial assets – current	182,270	0.1	201,123	0.1	Notes and accounts payable – related parties	2,401,690	0.7	530,628	0.2
Notes and accounts receivable, net	172,993,371	49.6	94,200,695	42.5	Income tax payable	3,140,304	0.9	2,173,618	1.0
Notes and accounts receivable, net – related parties	33,713	-	528,088	0.2	Accrued expenses and other current liabilities	14,788,138	4.3	8,642,972	3.9
Other current financial assets	532,408	0.2	573,787	0.2	Dividends Payable	10,623,858	3.0	6,491,683	2.9
Inventories, net	58,392,960	16.7	38,032,990	17.2	Bonds payable	1,521,696	0.4	-	-
Prepayment and other current assets	1,245,293	0.3	1,029,582	0.5	Accrued product warranty liability	3,715,870	1.1	2,248,641	1.0
Deferred income tax assets – current	940,135	0.3	574,060	0.3	Long-term loans due within one year	68,000	-	37,500	-
	<u>304,112,371</u>	<u>87.2</u>	<u>185,331,869</u>	<u>83.6</u>		<u>235,934,561</u>	<u>67.6</u>	<u>123,183,913</u>	<u>55.5</u>
<b>Investments:</b>					<b>Long-term and non-current liabilities:</b>				
Long-term investment under equity method	7,367,856	2.1	14,519,742	6.6	Bonds payable	-	-	9,879,606	4.5
Available-for-sale financial assets – non-current	10,431,967	3.0	2,695,918	1.2	Long-term loans	39,500	-	62,500	-
Financial assets carried at cost – non-current	8,768,068	2.5	1,619,247	0.7	Deferred income tax liabilities and other	523,444	0.2	843,194	0.4
Debt investments without quoted price in active markets	1,536,258	0.4	-	-		<u>562,944</u>	<u>0.2</u>	<u>10,785,300</u>	<u>4.9</u>
Other non-current financial assets	171,156	0.1	147,793	0.1	<b>Total liabilities</b>	<u>236,365,727</u>	<u>67.8</u>	<u>133,969,213</u>	<u>60.4</u>
	<u>28,275,305</u>	<u>8.1</u>	<u>18,982,700</u>	<u>8.6</u>	<b>Stockholders' equity:</b>				
<b>Property, plant and equipment:</b>					Stock:				
Land and land leasehold rights	1,412,061	0.4	1,324,737	0.6	Common stock	42,816,310	12.3	38,838,710	17.5
Buildings	8,049,684	2.3	8,251,987	3.7	Stock dividends and employee bonus to be distributed	855,378	0.2	831,846	0.4
Machinery and equipment	12,554,639	3.6	11,942,972	5.4		<u>43,671,688</u>	<u>12.5</u>	<u>39,670,556</u>	<u>17.9</u>
Research equipment	1,603,810	0.5	1,460,187	0.6	Capital surplus:				
Molding equipment	4,323,345	1.2	3,342,115	1.5	Paid-in capital in excess of par value	12,507,621	3.6	7,715,310	3.5
Other equipment	3,082,916	0.9	2,867,319	1.3	Other	1,718,897	0.5	1,874,835	0.9
	31,026,455	8.9	29,189,317	13.1		<u>14,226,518</u>	<u>4.1</u>	<u>9,590,145</u>	<u>4.4</u>
Less: accumulated depreciation	(17,806,053)	(5.1)	(14,730,911)	(6.6)	Retained earnings:				
Unfinished construction and prepayment for purchase of equipment	1,050,497	0.3	1,033,779	0.5	Legal reserve	11,551,432	3.3	9,630,627	4.3
	<u>14,270,899</u>	<u>4.1</u>	<u>15,492,185</u>	<u>7.0</u>	Special reserve	798,081	0.2	1,448,771	0.7
<b>Intangible assets:</b>					Unappropriated retained earnings	37,130,110	10.7	21,096,853	9.5
Goodwill	561,587	0.1	596,736	0.3		<u>49,479,623</u>	<u>14.2</u>	<u>32,176,251</u>	<u>14.5</u>
Patent licenses and others	1,278,334	0.4	1,006,218	0.4	Equity adjustment:				
	<u>1,839,921</u>	<u>0.5</u>	<u>1,602,954</u>	<u>0.7</u>	Foreign currency translation adjustments	(140,788)	-	226,740	0.1
<b>Other assets – leased assets, net and others</b>	<u>304,782</u>	<u>0.1</u>	<u>244,822</u>	<u>0.1</u>	Unrealized losses on financial instruments	(2,223,217)	(0.7)	(439,287)	(0.2)
					Treasury stock	(881,247)	(0.3)	(881,247)	(0.4)
						<u>(3,245,252)</u>	<u>(1.0)</u>	<u>(1,093,794)</u>	<u>(0.5)</u>
<b>Total assets</b>	<b>\$ <u>348,803,278</u></b>	<b><u>100.0</u></b>	<b><u>221,654,530</u></b>	<b><u>100.0</u></b>	Minority interest	8,173,196	2.3	7,342,159	3.3
					<b>Total stockholders' equity</b>	112,356,967	32.2	87,685,317	39.6
					<b>Commitments and contingencies</b>				
					<b>Total liabilities and stockholders' equity</b>	<b>\$ <u>348,803,278</u></b>	<b><u>100.0</u></b>	<b><u>221,654,530</u></b>	<b><u>100.0</u></b>

See accompanying notes to consolidated financial statements.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Statements of Income (Unaudited)**

**Six-month periods ended June 30, 2010 and 2009**

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

	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Net sales</b>	\$ 456,012,786	100.0	253,546,844	100.0
<b>Cost of sales</b>	<u>431,903,820</u>	<u>94.7</u>	<u>237,316,506</u>	<u>93.6</u>
<b>Gross profit</b>	<u>24,108,966</u>	<u>5.3</u>	<u>16,230,338</u>	<u>6.4</u>
<b>Operating expenses:</b>				
Selling	3,346,195	0.7	1,926,790	0.8
General and administrative	2,223,701	0.5	1,994,097	0.8
Research and development	<u>4,832,769</u>	<u>1.1</u>	<u>4,076,557</u>	<u>1.6</u>
	<u>10,402,665</u>	<u>2.3</u>	<u>7,997,444</u>	<u>3.2</u>
<b>Operating income</b>	<u>13,706,301</u>	<u>3.0</u>	<u>8,232,894</u>	<u>3.2</u>
<b>Non-operating income and gains:</b>				
Interest income	313,130	0.1	217,597	0.1
Other investment income, net	4,530,359	1.0	299,502	0.1
Foreign currency exchange gain, net	-	-	291,318	0.1
Gain on valuation of financial instruments, net	57,279	-	55,019	-
Other	<u>245,738</u>	<u>-</u>	<u>209,093</u>	<u>0.1</u>
	<u>5,146,506</u>	<u>1.1</u>	<u>1,072,529</u>	<u>0.4</u>
<b>Non-operating expenses and losses:</b>				
Interest expense	123,046	-	47,611	-
Investment loss under the equity method, net	361,396	0.1	1,747,261	0.7
Foreign currency exchange loss, net	458,406	0.1	-	-
Impairment losses	65,669	-	39,371	-
Other	<u>217,070</u>	<u>-</u>	<u>17,596</u>	<u>-</u>
	<u>1,225,587</u>	<u>0.2</u>	<u>1,851,839</u>	<u>0.7</u>
<b>Net income before income tax expense and minority interest income</b>	17,627,220	3.9	7,453,584	2.9
Income tax expense	<u>2,612,053</u>	<u>0.6</u>	<u>1,270,671</u>	<u>0.5</u>
<b>Net income</b>	\$ <u><u>15,015,167</u></u>	<u><u>3.3</u></u>	\$ <u><u>6,182,913</u></u>	<u><u>2.4</u></u>
<b>Distributed to:</b>				
Parent company's shareholders	\$ 14,951,896	3.3	6,037,625	2.3
Minority interest in net income of subsidiaries	<u>63,271</u>	<u>-</u>	<u>145,288</u>	<u>0.1</u>
	\$ <u><u>15,015,167</u></u>	<u><u>3.3</u></u>	\$ <u><u>6,182,913</u></u>	<u><u>2.4</u></u>
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>income tax</b>	<b>income tax</b>	<b>income tax</b>	<b>income tax</b>
<b>Basic net income per share</b>	\$ <u><u>4.11</u></u>	<u><u>3.50</u></u>	<u><u>1.89</u></u>	<u><u>1.57</u></u>
<b>Basic net income per share calculated by adjusting dividends declared retroactively</b>			\$ <u><u>1.85</u></u>	<u><u>1.53</u></u>
<b>Diluted net income per share</b>	\$ <u><u>3.92</u></u>	<u><u>3.34</u></u>	<u><u>1.71</u></u>	<u><u>1.41</u></u>
<b>Diluted net income per share calculated by adjusting dividends declared retroactively</b>			\$ <u><u>1.68</u></u>	<u><u>1.39</u></u>

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Stockholders' Equity (Unaudited)**

**Six-month periods ended June 30, 2010 and 2009**  
(expressed in thousands of New Taiwan dollars)

	Common stock	Stock dividends & employee bonuses to be distributed	Capital surplus	Legal reserve	Special reserve	Retained earnings Unappropriated	Unrealized gains (losses) on financial instruments	Foreign currency translation adjustments	Treasury stock	Minority interest	Total
<b>Balance on January 1, 2009</b>	\$ 38,838,710	-	8,765,157	8,366,723	245,036	23,461,062	(1,198,630)	239,696	(881,247)	8,181,004	86,017,511
Appropriation of 2008 net income: (note 1)											
Special reserve	-	-	-	-	1,203,735	(1,203,735)	-	-	-	-	-
Legal reserve	-	-	-	1,263,904	-	(1,263,904)	-	-	-	-	-
Dividends (cash and stock)	-	77,677	-	-	-	(5,903,484)	-	-	-	-	(5,825,807)
Employee bonuses transferred to common stock	-	637,653	846,802	-	-	-	-	-	-	-	1,484,455
Capital surplus transferred to common stock	-	116,516	(116,516)	-	-	-	-	-	-	-	-
Adjustment for changes in investee company's stockholders' equity	-	-	21,494	-	-	(30,711)	-	-	-	-	(9,217)
Cash dividends paid to subsidiaries holding the Company's shares	-	-	73,208	-	-	-	-	-	-	-	73,208
Net income for the six-month period ended June 30, 2009	-	-	-	-	-	6,037,625	-	-	-	-	6,037,625
Foreign currency translation adjustment	-	-	-	-	-	-	-	(12,956)	-	-	(12,956)
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	-	759,343	-	-	-	759,343
Minority interest in net income of subsidiaries	-	-	-	-	-	-	-	-	-	145,288	145,288
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	-	(984,133)	(984,133)
<b>Balance on June 30, 2009</b>	<b>\$ 38,838,710</b>	<b>831,846</b>	<b>9,590,145</b>	<b>9,630,627</b>	<b>1,448,771</b>	<b>21,096,853</b>	<b>(439,287)</b>	<b>226,740</b>	<b>(881,247)</b>	<b>7,342,159</b>	<b>87,685,317</b>
Balance on January 1, 2010	\$ 41,243,688	-	12,727,636	9,630,627	1,448,771	33,715,153	126,028	(224,588)	(881,247)	8,748,858	106,534,926
Appropriation of 2009 net income: (note 2)											
Special reserve reversed	-	-	-	-	(650,690)	650,690	-	-	-	-	-
Legal reserve	-	-	-	1,920,805	-	(1,920,805)	-	-	-	-	-
Dividends (cash and stock)	-	855,378	(855,378)	-	-	(10,264,535)	-	-	-	-	(10,264,535)
Capital surplus transferred to common stock	1,485,781	-	2,653,272	-	-	-	-	-	-	-	-
Convertible bonds payable transferred to common stock and capital surplus	-	-	(56,923)	-	-	(2,289)	-	-	-	-	4,139,053
Adjustment for changes in investee company's stockholders' equity	-	-	(507,437)	-	-	-	8,304	(3,117)	-	-	(59,212)
Issuance of stock for employee stock options exercised	86,841	-	147,629	-	-	-	-	-	-	-	(502,250)
Cash dividends paid to subsidiaries holding the Company's shares	-	-	117,719	-	-	-	-	-	-	-	234,470
Adjustment of the merger by way of a stock exchange	-	-	-	-	-	-	-	-	-	-	117,719
Net income for the six-month period ended June 30, 2010	-	-	-	-	-	14,951,896	-	-	-	-	14,951,896
Foreign currency translation adjustment	-	-	-	-	-	-	-	86,917	-	-	86,917
Adjustment for unrealized gain on financial instruments	-	-	-	-	-	-	(2,357,549)	-	-	-	(2,357,549)
Minority interest in net income of subsidiaries	-	-	-	-	-	-	-	-	-	63,271	63,271
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	-	(638,933)	(638,933)
<b>Balance on June 30, 2010</b>	<b>\$ 42,816,310</b>	<b>855,378</b>	<b>14,226,518</b>	<b>11,551,432</b>	<b>798,081</b>	<b>37,130,110</b>	<b>(2,223,217)</b>	<b>(140,788)</b>	<b>(881,247)</b>	<b>8,173,196</b>	<b>112,305,773</b>

Note 1: Directors' and supervisors' remuneration amounting to \$113,751 and employee bonuses amounting to \$1,649,394 were recognized in the 2008 statement of income.

Note 2: Directors' and supervisors' remuneration amounting to \$130,000 and employee bonuses amounting to \$1,870,000 were recognized in the 2009 statement of income.

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Statement of Cash Flows (Unaudited)**

**Three-month periods ended June 30, 2010 and 2009**  
(expressed in thousands of New Taiwan dollars)

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 15,015,167	6,182,913
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	2,619,336	3,098,236
Increase (decrease) in allowance for doubtful account and inventory obsolescence provision	(606,099)	8,946
Gain on the merger by way of a stock exchange	(4,373,438)	-
Investment loss under the equity method, net	361,396	1,747,261
Gains on disposal of investments	(88,718)	(198,289)
Decrease in notes and accounts receivable	(1,991,833)	(20,061,636)
Decrease (increase) in inventories	13,640,280	(6,032,564)
Increase in prepayment, other current assets, and other current financial assets	(392,582)	(610,384)
Increase (decrease) in notes and accounts payable	(10,274,064)	20,077,248
Increase in accrued expenses, other current liabilities, and accrued product warranty liability	2,854,345	52,436
Increase (decrease) in income tax payable	615,567	(783,778)
Changes in deferred income tax assets	(302,139)	116,709
Decrease (increase) in financial assets measured at fair value through profit or loss – current	(28,385)	150,879
Unrealized foreign currency exchange loss (gain) on bonds payable	(41,005)	8,397
Other	(16,868)	77,162
<b>Net cash provided by operating activities</b>	<u>16,990,960</u>	<u>3,833,536</u>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(2,328,158)	(1,627,357)
Proceeds from sale of property, plant and equipment	219,308	249,507
Increase in patent licenses	(714,661)	(690,890)
Acquisition of long-term equity investments, and financial assets carried at cost	(620,238)	(90,214)
Capital refund from investee and distribution from investee after completion of liquidation	65,691	7,700
Proceeds from sale of investments	191,537	313,597
Other	(24,559)	(38,269)
<b>Net cash used in investing activities</b>	<u>(3,211,080)</u>	<u>(1,875,926)</u>
<b>Cash flows from financing activities:</b>		
Repayment of long-term loans	(80,000)	-
Increase in short-term loans	8,520,746	1,626,673
Proceeds from issuance of stock for employee stock options exercised	234,470	-
Changes in minority interests	(180,754)	667,421
Other	26,408	12,361
<b>Net cash provided by financing activities</b>	<u>8,520,870</u>	<u>2,306,455</u>
Effects of exchange rate change on cash and cash equivalents	28,881	110,570
Changes in cash due to change in ownership of subsidiaries	-	(470,651)
<b>Net increase in cash and cash equivalents</b>	22,329,631	3,903,984
<b>Cash and cash equivalents at beginning of period</b>	46,961,498	46,229,472
<b>Cash and cash equivalents at end of period</b>	\$ <u>69,291,129</u>	\$ <u>50,133,456</u>
<b>Supplementary disclosures of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest	\$ <u>96,252</u>	\$ <u>38,086</u>
Income taxes	\$ <u>2,451,676</u>	\$ <u>2,131,625</u>
<b>Supplementary disclosures of financing activities not affecting cash flows:</b>		
Cash dividends payable	\$ <u>10,264,535</u>	\$ <u>5,825,807</u>
Convertible bonds payable transferred to common stock and capital surplus	\$ <u>4,139,053</u>	\$ <u>-</u>
Employee bonuses payable transferred to common stock and capital surplus	\$ <u>-</u>	\$ <u>1,484,455</u>
Long-term loans due within one year	\$ <u>68,000</u>	\$ <u>37,500</u>

See accompanying notes to financial statements.