

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 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	\$ 63,574,577	19.1	46,961,498	14.0	Short-term loans and short-term notes	\$ 38,975,352	11.7	25,761,987	7.7
Financial assets measured at fair value through profit or loss – current	128,091	-	472,707	0.2	Notes and accounts payable	150,317,874	45.1	175,638,248	52.4
Available-for-sale financial assets – current	167,402	-	238,711	0.1	Notes and accounts payable – related parties	1,791,351	0.5	2,429,778	0.7
Notes and accounts receivable, net	174,249,096	52.3	169,282,452	50.5	Income tax payable	3,597,557	1.1	2,524,737	0.8
Notes and accounts receivable, net – related parties (note 18)	14,065	-	926,098	0.3	Accrued expenses and other current liabilities	12,817,582	3.8	13,061,544	3.9
Other current financial assets	615,858	0.2	514,463	0.2	Bonds payable	-	-	5,701,754	1.7
Inventories, net	45,503,860	13.7	72,253,842	21.5	Accrued product warranty liability	4,173,215	1.3	2,565,993	0.8
Prepayment and other current assets	1,533,520	0.5	760,270	0.2	Long-term loans due within one year	94,500	-	75,000	-
Deferred income tax assets – current	920,857	0.3	759,938	0.2		<u>211,767,431</u>	<u>63.5</u>	<u>227,759,041</u>	<u>68.0</u>
	<u>286,707,326</u>	<u>86.1</u>	<u>292,169,979</u>	<u>87.2</u>	<b>Long-term and other liabilities:</b>				
<b>Investments:</b>					Long-term loans	107,000	-	112,500	-
Long-term investment under equity method	7,443,512	2.2	13,865,095	4.1	Deferred income tax liabilities and other	214,735	0.1	883,576	0.3
Available-for-sale financial assets – non-current	11,770,028	3.5	2,524,049	0.8		<u>321,735</u>	<u>0.1</u>	<u>996,076</u>	<u>0.3</u>
Financial assets carried at cost – non-current	8,559,178	2.6	8,916,594	2.7	<b>Total liabilities</b>	<u>212,089,166</u>	<u>63.6</u>	<u>228,755,117</u>	<u>68.3</u>
Debt investments without quoted price in active markets	1,582,257	0.5	1,492,323	0.4	<b>Stockholders' equity:</b>				
Other non-current financial assets	57,118	-	160,904	-	Common stock	44,280,998	13.3	41,243,688	12.3
	<u>29,412,093</u>	<u>8.8</u>	<u>26,958,965</u>	<u>8.0</u>	Capital surplus:				
<b>Property, plant and equipment:</b>					Paid-in capital in excess of par value	13,586,249	4.1	10,562,097	3.2
Land and land leasehold rights	1,939,900	0.6	1,317,085	0.4	Other	1,717,345	0.5	2,165,539	0.6
Buildings	7,493,914	2.3	7,927,274	2.3		<u>15,303,594</u>	<u>4.6</u>	<u>12,727,636</u>	<u>3.8</u>
Machinery and equipment	11,754,621	3.5	11,892,899	3.5	Retained earnings:				
Research equipment	1,478,729	0.4	1,517,651	0.5	Legal reserve	11,551,432	3.5	9,630,627	2.9
Molding equipment	4,442,849	1.3	3,680,494	1.1	Special reserve	798,081	0.2	1,448,771	0.4
Other equipment	3,359,546	1.0	2,909,186	0.9	Unappropriated retained earnings	45,450,010	13.7	33,715,153	10.1
	30,469,559	9.1	29,244,589	8.7		<u>57,799,523</u>	<u>17.4</u>	<u>44,794,551</u>	<u>13.4</u>
Less: accumulated depreciation	(17,808,727)	(5.3)	(16,196,400)	(4.8)	Equity adjustment:				
Unfinished construction and prepayment for purchase of equipment	2,318,641	0.7	1,194,909	0.3	Foreign currency translation adjustments	(2,443,732)	(0.7)	(224,588)	(0.1)
	<u>14,979,473</u>	<u>4.5</u>	<u>14,243,098</u>	<u>4.2</u>	Unrealized gains (losses) on financial instruments	(903,090)	(0.3)	126,028	-
<b>Intangible assets:</b>					Treasury stock	(881,247)	(0.3)	(881,247)	(0.3)
Goodwill	561,587	0.2	561,587	0.2		<u>(4,228,069)</u>	<u>(1.3)</u>	<u>(979,807)</u>	<u>(0.4)</u>
Patent licenses and others	1,191,993	0.3	1,065,274	0.3	Minority interest	7,978,387	2.4	8,748,858	2.6
	<u>1,753,580</u>	<u>0.5</u>	<u>1,626,861</u>	<u>0.5</u>	<b>Total stockholders' equity</b>	<u>121,134,433</u>	<u>36.4</u>	<u>106,534,926</u>	<u>31.7</u>
<b>Other assets – leased assets, net and others</b>	<u>371,127</u>	<u>0.1</u>	<u>291,140</u>	<u>0.1</u>	<b>Commitments and contingencies</b>				
<b>Total assets</b>	<u>\$ 333,223,599</u>	<u>100.0</u>	<u>335,290,043</u>	<u>100.0</u>	<b>Total liabilities and stockholders' equity</b>	<u>\$ 333,223,599</u>	<u>100.0</u>	<u>335,290,043</u>	<u>100.0</u>

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Statements of Income**

**For the years ended December 31, 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>	\$ 887,004,139	100.0	675,305,200	100.0
<b>Cost of sales</b>	<u>841,907,634</u>	<u>94.9</u>	<u>633,796,987</u>	<u>93.9</u>
<b>Gross profit</b>	<u>45,096,505</u>	<u>5.1</u>	<u>41,508,213</u>	<u>6.1</u>
<b>Operating expenses:</b>				
Selling	6,397,895	0.7	5,195,244	0.8
General and administrative	4,714,282	0.6	4,844,243	0.7
Research and development	<u>9,858,108</u>	<u>1.1</u>	<u>8,920,280</u>	<u>1.3</u>
	<u>20,970,285</u>	<u>2.4</u>	<u>18,959,767</u>	<u>2.8</u>
<b>Operating income</b>	<u>24,126,220</u>	<u>2.7</u>	<u>22,548,446</u>	<u>3.3</u>
<b>Non-operating income and gains:</b>				
Interest income	655,612	0.1	447,962	0.1
Other investment income, net	4,590,248	0.5	661,692	0.1
Foreign currency exchange gain, net	-	-	631,480	0.1
Gain on valuation of financial instruments, net	-	-	105,139	-
Other	<u>572,974</u>	<u>0.1</u>	<u>691,321</u>	<u>0.1</u>
	<u>5,818,834</u>	<u>0.7</u>	<u>2,537,594</u>	<u>0.4</u>
<b>Non-operating expenses and losses:</b>				
Interest expense	359,112	0.1	106,351	-
Investment loss under the equity method, net	337,901	-	2,682,533	0.4
Foreign currency exchange loss, net	495,359	0.1	-	-
Impairment losses	261,148	-	113,841	-
Loss on valuation of financial instruments, net	37,349	-	-	-
Other	<u>208,325</u>	<u>-</u>	<u>196,866</u>	<u>0.1</u>
	<u>1,699,194</u>	<u>0.2</u>	<u>3,099,591</u>	<u>0.5</u>
<b>Net income before income tax expense</b>	28,245,860	3.2	21,986,449	3.2
Income tax expense	<u>4,928,665</u>	<u>0.6</u>	<u>2,190,359</u>	<u>0.3</u>
<b>Net income</b>	\$ <u><u>23,317,195</u></u>	<u><u>2.6</u></u>	\$ <u><u>19,796,090</u></u>	<u><u>2.9</u></u>
<b>Distributed to:</b>				
Parent company's shareholders	\$ 23,271,796	2.6	19,208,049	2.8
Minority interest in net income of subsidiaries	<u>45,399</u>	<u>-</u>	<u>588,041</u>	<u>0.1</u>
	\$ <u><u>23,317,195</u></u>	<u><u>2.6</u></u>	\$ <u><u>19,796,090</u></u>	<u><u>2.9</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>6.52</u></u>	<u><u>5.38</u></u>	<u><u>5.47</u></u>	<u><u>4.91</u></u>
<b>Basic net income per share calculated by adjusting for dividends declared retroactively</b>			\$ <u><u>5.36</u></u>	<u><u>4.81</u></u>
<b>Diluted net income per share</b>	\$ <u><u>6.30</u></u>	<u><u>5.20</u></u>	<u><u>4.91</u></u>	<u><u>4.41</u></u>
<b>Diluted net income per share calculated by adjusting for dividends declared retroactively</b>			\$ <u><u>4.82</u></u>	<u><u>4.33</u></u>

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Stockholders' Equity**

**For the years ended December 31, 2010 and 2009**  
(expressed in thousands of New Taiwan dollars)

	<b>Common stock</b>	<b>Capital surplus</b>	<b>Legal reserve</b>	<b>Special reserve</b>	<b>Unappropriated</b>	<b>Unrealized gains (losses) on financial instruments</b>	<b>Foreign currency translation adjustments</b>	<b>Treasury stock</b>	<b>Minority interest</b>	<b>Total</b>
<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)	-	-	-	-	-	-	-	-
Convertible bonds payable transferred to common stock and capital surplus	1,413,113	2,574,754	-	-	-	-	-	-	-	3,987,867
Adjustment for changes in investee company's stockholders' equity	-	312,199	-	-	(582,835)	-	-	-	-	(270,636)
Issuance of stock for employee stock options exercised	160,019	272,032	-	-	-	-	-	-	-	432,051
Cash dividends paid to subsidiaries holding the Company's shares	-	73,208	-	-	-	-	-	-	-	73,208
Net income for the year ended December 31, 2009	-	-	-	-	19,208,049	-	-	-	-	19,208,049
Foreign currency translation adjustment	-	-	-	-	-	-	(464,284)	-	-	(464,284)
Adjustment for unrealized gain on financial instruments	-	-	-	-	-	1,324,658	-	-	-	1,324,658
Minority interest in net income of subsidiaries	-	-	-	-	-	-	-	-	588,041	588,041
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	(20,187)	(20,187)
<b>Balance on December 31, 2009</b>	<b>41,243,688</b>	<b>12,727,636</b>	<b>9,630,627</b>	<b>1,448,771</b>	<b>33,715,153</b>	<b>126,028</b>	<b>(224,588)</b>	<b>(881,247)</b>	<b>8,748,858</b>	<b>106,534,926</b>
Appropriation of 2009 net income (note 2):										
Reversed special reserve	-	-	-	(650,690)	650,690	-	-	-	-	-
Legal reserve	-	-	1,920,805	-	(1,920,805)	-	-	-	-	-
Cash dividends	-	-	-	-	(10,264,535)	-	-	-	-	(10,264,535)
Capital surplus transferred to common stock	855,378	(855,378)	-	-	-	-	-	-	-	-
Convertible bonds payable transferred to common stock and capital surplus	2,020,721	3,620,482	-	-	-	-	-	-	-	5,641,203
Adjustment for changes in investee company's stockholders' equity	-	(56,887)	-	-	(2,289)	-	-	-	-	(59,176)
Equity adjustment due to investee companies being merged	-	(507,437)	-	-	-	8,304	(3,117)	-	-	(502,250)
Issuance of stock for employee stock options exercised	161,211	259,048	-	-	-	-	-	-	-	420,259
Cash dividends paid to subsidiaries holding the Company's shares	-	116,130	-	-	-	-	-	-	-	116,130
Net income for the year ended December 31, 2010	-	-	-	-	23,271,796	-	-	-	-	23,271,796
Foreign currency translation adjustment	-	-	-	-	-	-	(2,216,027)	-	-	(2,216,027)
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	(1,037,422)	-	-	-	(1,037,422)
Minority interest in net income of subsidiaries	-	-	-	-	-	-	-	-	45,399	45,399
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	(815,870)	(815,870)
<b>Balance on December 31, 2010</b>	<b>\$ 44,280,998</b>	<b>15,303,594</b>	<b>11,551,432</b>	<b>798,081</b>	<b>45,450,010</b>	<b>(903,090)</b>	<b>(2,443,732)</b>	<b>(881,247)</b>	<b>7,978,387</b>	<b>121,134,433</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.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 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	\$ 23,317,195	19,796,090
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	5,409,044	5,789,738
Increase (decrease) in allowance for doubtful accounts, and inventory obsolescence provision	(1,248,482)	762,623
Gains on disposal of available-for-sale financial assets, and financial assets carried at cost	(127,707)	(331,064)
Impairment losses on financial assets carried at cost	261,148	113,841
Investment loss under the equity method, net	337,901	2,682,533
Gain on the merger by way of a stock exchange	(4,373,438)	-
Increase in notes and accounts receivable	(2,500,497)	(96,275,068)
Decrease (increase) in inventories	26,444,350	(40,434,017)
Increase in prepaid assets, other current assets, and other current financial assets	(868,469)	(283,514)
Increase (decrease) in notes and accounts payable	(25,958,801)	101,088,399
Increase in accrued expenses, other current liabilities, and accrued product warranty liability	1,561,569	4,873,475
Increase (decrease) in income tax payable	1,072,820	(432,659)
Changes in deferred income tax assets	(332,406)	(219,967)
Decrease (increase) in financial assets measured at fair value through profit or loss – current	344,616	(263,740)
Unrealized foreign currency exchange gain on convertible bonds payable	(44,546)	(181,588)
Other	(196,052)	(28,959)
<b>Net cash provided by (used in) operating activities</b>	<u>23,098,245</u>	<u>(3,343,877)</u>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(6,813,493)	(3,386,936)
Increase in patent licenses and other intangible assets	(978,237)	(1,262,318)
Acquisition of long-term equity investments, debt investments without quoted price in active markets, financial assets carried at cost, and other non-current financial assets	(790,722)	(9,162,014)
Capital refund from investee and distribution from investee after completion of liquidation	72,692	20,732
Proceeds from sale of investments	473,931	1,319,823
Proceeds from sale of property, plant and equipment	600,467	327,024
Other	107,685	34,433
<b>Net cash used in investing activities</b>	<u>(7,327,677)</u>	<u>(12,109,256)</u>
<b>Cash flows from financing activities:</b>		
Increase in long-term loans	14,000	57,500
Increase in short-term loans	13,213,365	21,489,708
Proceeds from issuance of stock for employee stock options exercised	420,259	432,051
Cash dividends paid	(10,148,405)	(5,752,599)
Changes in minority interest	(653,070)	712,371
Other	(13,859)	(27,064)
<b>Net cash provided by financing activities</b>	<u>2,832,290</u>	<u>16,911,967</u>
Effects of exchange rate change on cash and cash equivalents	(1,989,779)	(199,750)
Changes in cash due to change in ownership of subsidiaries	-	(527,058)
<b>Net increase in cash and cash equivalents</b>	16,613,079	732,026
<b>Cash and cash equivalents at beginning of year</b>	46,961,498	46,229,472
<b>Cash and cash equivalents at end of year</b>	<u>\$ 63,574,577</u>	<u>46,961,498</u>
<b>Supplementary disclosures of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest	\$ <u>286,411</u>	<u>92,285</u>
Income taxes	\$ <u>4,179,012</u>	<u>3,031,874</u>
<b>Supplementary disclosures of financing activities not affecting cash flows:</b>		
Long-term loans due within one year	\$ <u>94,500</u>	<u>75,000</u>
Convertible bonds payable transferred to common stock and capital surplus	\$ <u>5,641,203</u>	<u>3,987,867</u>
Employee bonuses payable transferred to common stock and capital surplus	\$ <u>-</u>	<u>1,484,455</u>