

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2011 and 2010

(expressed in thousands of New Taiwan dollars)

Assets	2011		2010		Liabilities and Stockholders' Equity	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents	\$ 52,348,302	18.8	63,574,577	19.1	Short-term loans	\$ 14,907,377	5.4	38,975,352	11.7
Financial assets measured at fair value through profit or loss – current	185,549	0.1	128,091	-	Notes and accounts payable	130,494,478	46.8	150,317,874	45.1
Available-for-sale financial assets – current	97,092	-	167,402	-	Notes and accounts payable – related parties	2,277,611	0.8	1,791,351	0.5
Notes and accounts receivable, net	133,915,695	48.0	174,249,096	52.3	Income tax payable	1,192,942	0.4	3,597,557	1.1
Notes and accounts receivable, net – related parties	19,443	-	14,065	-	Accrued expenses and other current liabilities	12,462,125	4.5	12,817,582	3.8
Other current financial assets	474,562	0.2	615,858	0.2	Accrued product warranty liability	3,111,020	1.1	4,173,215	1.3
Inventories, net	46,912,683	16.8	45,503,860	13.7	Long-term loans due within one year	82,000	-	94,500	-
Deferred income tax assets – current	681,543	0.3	920,857	0.3		<u>164,527,553</u>	<u>59.0</u>	<u>211,767,431</u>	<u>63.5</u>
Prepayment and other current assets	1,428,395	0.5	1,533,520	0.5	Long-term and non-current liabilities:				
	<u>236,063,264</u>	<u>84.7</u>	<u>286,707,326</u>	<u>86.1</u>	Long-term loans	25,000	-	107,000	-
					Deferred credit balance and others	196,146	-	214,735	0.1
Investments:						<u>221,146</u>	<u>-</u>	<u>321,735</u>	<u>0.1</u>
Long-term investment under equity method	8,525,991	3.1	7,443,512	2.2	Total liabilities	<u>164,748,699</u>	<u>59.0</u>	<u>212,089,166</u>	<u>63.6</u>
Available-for-sale financial assets – non-current	5,165,668	1.9	11,770,028	3.5	Stockholders' equity:				
Financial assets carried at cost – non-current	8,417,269	3.0	8,559,178	2.6	Common stock	44,002,554	15.8	44,280,998	13.3
Debt investments without quoted price in active markets	1,680,835	0.6	1,582,257	0.5	Capital surplus:				
Other non-current financial assets	118,586	-	57,118	-	Paid-in capital in excess of par value	13,656,502	4.9	13,586,249	4.1
	<u>23,908,349</u>	<u>8.6</u>	<u>29,412,093</u>	<u>8.8</u>	Other	1,855,899	0.7	1,717,345	0.5
						<u>15,512,401</u>	<u>5.6</u>	<u>15,303,594</u>	<u>4.6</u>
Property, plant and equipment:					Retained earnings:				
Land and land leasehold rights	2,434,020	0.9	1,939,900	0.6	Legal reserve	13,878,611	5.0	11,551,432	3.5
Buildings	9,265,166	3.3	7,493,914	2.3	Special reserve	4,825,698	1.7	798,081	0.2
Machinery and equipment	14,085,611	5.1	11,754,621	3.5	Unappropriated retained earnings	37,435,473	13.4	45,450,010	13.7
Research equipment	1,382,980	0.5	1,478,729	0.4		<u>56,139,782</u>	<u>20.1</u>	<u>57,799,523</u>	<u>17.4</u>
Molding equipment	1,707,031	0.6	1,127,404	0.3	Equity adjustment:				
Other equipment	3,960,848	1.4	3,359,546	1.0	Foreign currency translation adjustments	(1,234,071)	(0.4)	(2,443,732)	(0.7)
	32,835,656	11.8	27,154,114	8.1	Unrealized losses on financial instruments	(7,478,947)	(2.7)	(903,090)	(0.3)
Less: accumulated depreciation	(17,978,543)	(6.5)	(14,493,282)	(4.3)	Treasury stock	(881,247)	(0.3)	(881,247)	(0.3)
Unfinished construction and prepayment for purchase of equipment	2,094,070	0.8	2,318,641	0.7		<u>(9,594,265)</u>	<u>(3.4)</u>	<u>(4,228,069)</u>	<u>(1.3)</u>
	<u>16,951,183</u>	<u>6.1</u>	<u>14,979,473</u>	<u>4.5</u>	Minority interest	8,037,128	2.9	7,978,387	2.4
Intangible assets:					Total stockholders' equity	114,097,600	41.0	121,134,433	36.4
Goodwill	561,587	0.2	561,587	0.2	Commitments and contingencies				
Patent licenses and others	971,242	0.3	1,191,993	0.3					
	1,532,829	0.5	1,753,580	0.5					
Other assets – refundable deposits and others	390,674	0.1	371,127	0.1	Total liabilities and stockholders' equity	<u>\$ 278,846,299</u>	<u>100.0</u>	<u>333,223,599</u>	<u>100.0</u>
Total assets	<u>\$ 278,846,299</u>	<u>100.0</u>	<u>333,223,599</u>	<u>100.0</u>					

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2011		2010	
	Amount	%	Amount	%
Net sales	\$ 693,126,573	100.0	887,004,139	100.0
Cost of sales	<u>659,539,208</u>	<u>95.2</u>	<u>841,907,634</u>	<u>94.9</u>
Gross profit	<u>33,587,365</u>	<u>4.8</u>	<u>45,096,505</u>	<u>5.1</u>
Operating expenses:				
Selling	5,001,369	0.7	6,397,895	0.7
General and administrative	4,533,242	0.7	4,714,282	0.6
Research and development	<u>10,591,073</u>	<u>1.5</u>	<u>9,858,108</u>	<u>1.1</u>
	<u>20,125,684</u>	<u>2.9</u>	<u>20,970,285</u>	<u>2.4</u>
Operating income	<u>13,461,681</u>	<u>1.9</u>	<u>24,126,220</u>	<u>2.7</u>
Non-operating income and gains:				
Interest income	1,100,439	0.2	655,612	0.1
Other investment income, net	258,951	-	4,590,248	0.5
Gain on valuation of financial instruments, net	12,939	-	-	-
Others	<u>1,324,264</u>	<u>0.2</u>	<u>572,974</u>	<u>0.1</u>
	<u>2,696,593</u>	<u>0.4</u>	<u>5,818,834</u>	<u>0.7</u>
Non-operating expenses and losses:				
Interest expense	458,866	0.1	359,112	0.1
Investment loss under the equity method, net	1,389,899	0.2	337,901	-
Foreign currency exchange loss, net	927,229	0.1	495,359	0.1
Impairment losses	90,389	-	261,148	-
Loss on valuation of financial instruments, net	-	-	37,349	-
Others	<u>67,620</u>	<u>-</u>	<u>208,325</u>	<u>-</u>
	<u>2,934,003</u>	<u>0.4</u>	<u>1,699,194</u>	<u>0.2</u>
Net income before income tax expense	13,224,271	1.9	28,245,860	3.2
Income tax expense	<u>2,127,965</u>	<u>0.3</u>	<u>4,928,665</u>	<u>0.6</u>
Net income	<u>\$ 11,096,306</u>	<u>1.6</u>	<u>23,317,195</u>	<u>2.6</u>
Distributed to:				
Parent company's shareholders	\$ 11,014,680	1.6	23,271,796	2.6
Minority interest in net income of subsidiaries	<u>81,626</u>	<u>-</u>	<u>45,399</u>	<u>-</u>
	<u>\$ 11,096,306</u>	<u>1.6</u>	<u>23,317,195</u>	<u>2.6</u>
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Basic net income per share	<u>\$ 3.02</u>	<u>2.53</u>	<u>6.52</u>	<u>5.38</u>
Diluted net income per share	<u>\$ 2.95</u>	<u>2.48</u>	<u>6.30</u>	<u>5.20</u>

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Retained earnings Special reserve	Unappropriated	Unrealized losses on financial instruments	Foreign currency translation adjustments	Treasury stock	Minority interest	Total
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):										
Reversal of 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)
Balance on December 31, 2010	<u>44,280,998</u>	<u>15,303,594</u>	<u>11,551,432</u>	<u>798,081</u>	<u>45,450,010</u>	<u>(903,090)</u>	<u>(2,443,732)</u>	<u>(881,247)</u>	<u>7,978,387</u>	<u>121,134,433</u>
Appropriation of 2010 net income (note):										
Special reserve	-	-	-	4,027,617	(4,027,617)	-	-	-	-	-
Legal reserve	-	-	2,327,179	-	(2,327,179)	-	-	-	-	-
Cash dividends	-	-	-	-	(11,905,350)	-	-	-	-	(11,905,350)
Adjustment for changes in investee company's stockholders' equity	-	3,047	-	-	(14,398)	-	-	-	-	(11,351)
Issuance of stock for employee stock options exercised	142,446	200,556	-	-	-	-	-	-	-	343,002
Cash dividends paid to subsidiaries holding the Company's shares	-	135,507	-	-	-	-	-	-	-	135,507
Net income for the year ended December 31, 2011	-	-	-	-	11,014,680	-	-	-	-	11,014,680
Purchase and retirement of treasury stock	(420,890)	(130,303)	-	-	(754,673)	-	-	-	-	(1,305,866)
Foreign currency translation adjustment	-	-	-	-	-	-	1,209,661	-	-	1,209,661
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	(6,575,857)	-	-	-	(6,575,857)
Minority interest in net income of subsidiaries	-	-	-	-	-	-	-	-	81,626	81,626
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	(22,885)	(22,885)
Balance on December 31, 2011	<u>\$ 44,002,554</u>	<u>15,512,401</u>	<u>13,878,611</u>	<u>4,825,698</u>	<u>37,435,473</u>	<u>(7,478,947)</u>	<u>(1,234,071)</u>	<u>(881,247)</u>	<u>8,037,128</u>	<u>114,097,600</u>

Note: Directors' and supervisor' remuneration amounting to \$130,000 and employee bonuses amounting to \$1,870,000 were recognized in the 2010 and 2009 statement of income, respectively.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	2011	2010
Cash flows from operating activities:		
Net income	\$ 11,096,306	23,317,195
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	5,363,494	5,409,044
Decrease in allowance for doubtful account, sales returns and allowances, and inventory obsolescence provision	(671,771)	(1,248,482)
Gains on disposal of investments	(30,565)	(127,707)
Impairment losses of financial assets carried at cost	90,389	261,148
Investment loss under the equity method, net	1,389,899	337,901
Gains on the merger by way of a stock exchange	-	(4,373,438)
Cash dividends received from long-term equity investments	268,380	-
Decrease (increase) in notes and accounts receivable	41,801,589	(2,500,497)
Decrease (increase) in inventories	(862,287)	26,444,350
Decrease (increase) in prepayment, other current assets, and other current financial assets	408,544	(868,469)
Decrease in notes and accounts payable	(20,327,816)	(25,958,801)
Increase (decrease) in accrued expenses, other current liabilities, and accrued product warranty liability	(1,713,918)	1,561,569
Increase (decrease) in income tax payable	(2,416,207)	1,072,820
Changes in net deferred income tax assets	235,159	(332,406)
Decrease (increase) in financial assets measured at fair value through profit or loss – current	(56,727)	344,616
Foreign currency exchange gain on bonds payable	-	(44,546)
Others	<u>(130,416)</u>	<u>(196,052)</u>
Net cash provided by operating activities	<u>34,444,053</u>	<u>23,098,245</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(6,499,284)	(6,813,493)
Increase in patent licenses and intangible assets	(608,541)	(978,237)
Acquisition of long-term equity investments and financial assets carried at cost	(2,985,392)	(790,722)
Capital refund from investee and distribution from investee after completion of liquidation	341,163	72,692
Proceeds from sale of investments	95,084	473,931
Proceeds from sale of property, plant and equipment	553,610	600,467
Cash paid for obtaining subsidiaries	(250,972)	-
Others	<u>(102,733)</u>	<u>107,685</u>
Net cash used in investing activities	<u>(9,457,065)</u>	<u>(7,327,677)</u>
Cash flows from financing activities:		
Increase (decrease) in long-term loans	(94,500)	14,000
Increase (decrease) in short-term loans	(24,425,045)	13,213,365
Proceeds from issuance of stock for employee stock options exercised	343,002	420,259
Cash dividends paid	(11,769,843)	(10,148,405)
Purchase of treasury stock	(1,305,866)	-
Changes in minority interests	(159,565)	(653,070)
Others	<u>(2,658)</u>	<u>(13,859)</u>
Net cash provided by (used in) financing activities	<u>(37,414,475)</u>	<u>2,832,290</u>
Effects of exchange rate change on cash and cash equivalents	<u>907,442</u>	<u>(1,989,779)</u>
Change in cash due to change in ownership of subsidiaries	<u>293,770</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(11,226,275)</u>	<u>16,613,079</u>
Cash and cash equivalents at beginning of period	<u>63,574,577</u>	<u>46,961,498</u>
Cash and cash equivalents at end of period	<u>\$ 52,348,302</u>	<u>63,574,577</u>
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ <u><u>475,452</u></u>	<u><u>286,411</u></u>
Income taxes	\$ <u><u>4,461,364</u></u>	<u><u>4,179,012</u></u>
Supplementary disclosures of financing activities not affecting cash flows:		
Long-term loans due within one year	\$ <u><u>82,000</u></u>	<u><u>94,500</u></u>
Convertible bonds payable transferred to common stock and capital surplus	\$ <u><u>-</u></u>	<u><u>5,641,203</u></u>
The company obtained Tatung Technology Inc. and CENA Electromex S.A. de C.V. in July and September 2011, respectively, whose fair value of assets and liabilities were as follow:		
Tatung Technology Inc.		
Cash and cash in banks	\$ 273,038	
Change in financial assets measured at fair value through profit or loss-current	731	
Notes and accounts receivable, net	918,730	
Other current financial assets (included restricted assets)	72,176	
Inventories, net	424,336	
Prepayment and other current assets	70,880	
Property, plant and equipment, net	15,702	
Intangible assets and others	19,446	
Short-term loans	(357,070)	
Notes and accounts payable	(983,544)	
Accrued and other current liabilities	(395,123)	
Other liabilities	(7,860)	
The equity of investee company before cash injection	\$ <u><u>51,442</u></u>	
CENA Electromex S.A. de C.V.		
Cash and cash in banks	\$ 20,732	
Notes and accounts receivable, net	5,265	
Other current financial assets	4,705	
Prepayment and other current assets	3,687	
Property, plant and equipment, net	280,499	
Notes and accounts payable	(7,136)	
Accrued expenses and other current liabilities	(45,188)	
Income tax payable	(11,592)	
Cash paid for obtaining subsidiaries	\$ <u><u>250,972</u></u>	