COMPAL ELECTRONICS, INC.

Balance Sheets

June 30, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

Assets	2010 Amount	%	2009 Amount	%
Current assets:				
Cash and cash equivalents	$ 40,592,060	13.2	25,335,440	14.2
Financial assets measured at fair value through profit or loss – current	120,054	-	53,490	-
Notes and accounts receivable, net	162,417,426	52.8	79,370,407	44.5
Notes and accounts receivable, net－related parties	3,287,399	1.1	791,251	0.5
Other current financial assets	834,002	0.3	771,544	0.4
Inventories, net	32,553,931	10.6	18,705,337	10.5
Prepayment and other current assets	1,215,319	0.4	272,606	0.2
	241,020,191	78.4	125,300,075	70.3
Investments:				
Long-term investment under equity method	48,880,890	15.8	47,055,440	26.4
Available-for-sale financial assets－non-current	8,952,666	2.9	1,744,318	1.0
Financial assets carried at cost－non-current	3,395,011	1.1	758,168	0.4
Debt investments without quoted price in active markets	1,536,258	0.5	-	-
Other non-current financial assets	165,858	0.1	142,000	0.1
	62,930,683	20.4	49,699,926	27.9
Property, plant and equipment:				
Land	865,350	0.3	888,308	0.5
Buildings	1,759,115	0.6	1,653,184	0.9
Research equipment	437,642	0.1	368,903	0.2
Other equipment	359,123	0.1	300,220	0.2
	3,421,230	1.1	3,210,615	1.8
Less: accumulated depreciation	(1,305,799)	(0.4)	(1,186,661)	(0.7)
Prepayment for purchase of equipment	7,696	-	1,040	-
	2,123,127	0.7	2,024,994	1.1
Intangible assets – patent licenses and others	986,927	0.3	788,960	0.4
Other assets – leased assets and others	423,743	0.2	416,673	0.3
Total assets	$ 307,484,671	100.0	178,230,628	100.0

Liabilities and Stockholders' Equity	2010 Amount	%	2009 Amount	%
Current liabilities:				
Short-term loans	$ 18,850,936	6.1	3,953,160	2.2
Notes and accounts payable	109,015,680	35.4	45,119,788	25.3
Notes and accounts payable – related parties	50,619,771	16.5	25,768,931	14.5
Income tax payable	2,679,582	0.9	1,997,566	1.1
Accrued expenses and other current liabilities	6,967,397	2.3	3,299,935	1.9
Cash dividends payable	10,265,074	3.3	5,826,312	3.3
Bonds payable	1,521,696	0.5	-	-
Accrued product warranty liability	3,412,141	1.1	1,824,415	1.0
	203,332,277	66.1	87,790,107	49.3
Long-term and non-current liabilities:				
Bonds payable	-	-	9,879,606	5.5
Deferred income tax liabilities and others	19,817	-	217,757	0.1
	19,817	-	10,097,363	5.6
Total liabilities	203,352,094	66.1	97,887,470	54.9
Stockholders' equity:				
Common stock	42,816,310	13.9	38,838,710	21.8
Stock dividends and employee bonuses to be distributed	855,378	0.3	831,846	0.5
	43,671,688	14.2	39,670,556	22.3
Capital surplus:				
Paid-in capital in excess of par value	12,507,621	4.0	7,715,310	4.3
Other	1,718,897	0.6	1,874,835	1.1
	14,226,518	4.6	9,590,145	5.4
Retained earnings:				
Legal reserve	11,551,432	3.8	9,630,627	5.4
Special reserve	798,081	0.3	1,448,771	0.8
Unappropriated retained earnings	37,130,110	12.1	21,096,853	11.8
	49,479,623	16.2	32,176,251	18.0
Equity adjustment:				
Foreign currency translation adjustments	(140,788)	(0.1)	226,740	0.1
Unrealized losses on financial instruments	(2,223,217)	(0.7)	(439,287)	(0.2)
Treasury stock	(881,247)	(0.3)	(881,247)	(0.5)
	(3,245,252)	(1.1)	(1,093,794)	(0.6)
Total stockholders' equity	104,132,577	33.9	80,343,158	45.1
Commitments and contingencies				
Total liabilities and stockholders' equity	$ 307,484,671	100.0	178,230,628	100.0

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Income

Six-month periods ended June 30, 2010 and 2009
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2010 Amount	%	2009 Amount	%
Net sales	$ 433,708,617	100.0	231,081,326	100.0
Cost of sales	415,881,115	95.9	219,995,789	95.2
	17,827,502	4.1	11,085,537	4.8
Change in unrealized inter-company profits	(844)	-	1,476	-
Gross profit	17,826,658	4.1	11,087,013	4.8
Operating expenses:				
Selling	2,299,446	0.5	850,884	0.4
General and administrative	1,343,062	0.3	1,089,090	0.5
Research and development	3,101,398	0.7	2,386,658	1.0
	6,743,906	1.5	4,326,632	1.9
Operating income	11,082,752	2.6	6,760,381	2.9
Non-operating income and gains:				
Interest income	146,499	-	58,089	-
Investment income under the equity method, net	1,660,851	0.4	45,898	-
Other investment income, net	4,099,148	0.9	16,014	-
Other	216,372	0.1	161,696	0.1
	6,122,870	1.4	281,697	0.1
Non-operating expenses and losses:				
Interest expense	43,567	-	21,321	-
Foreign currency exchange loss, net	16,462	-	7,248	-
Loss on valuation of financial instruments, net	75,399	-	-	-
Other	23,438	-	34,785	-
	158,866	-	63,354	-
Net income before income tax expense	17,046,756	4.0	6,978,724	3.0
Income tax expense	2,094,860	0.5	941,099	0.4
Net income	$ 14,951,896	3.5	6,037,625	2.6

	2010 Before income tax	2010 After income tax	2009 Before income tax	2009 After income tax
Basic net income per share	$ 3.99	3.50	1.81	1.57
Basic net income per share calculated by adjusting dividends declared retroactively			$ 1.77	1.53
Diluted net income per share	$ 3.80	3.34	1.64	1.41
Diluted net income per share calculated by adjusting dividends declared retroactively			$ 1.60	1.39

The pro forma information under the assumption that the Company's outstanding shares held by its subsidiaries are not regarded as treasury stock was as follows:

	2010 Before income tax	2010 After income tax	2009 Before income tax	2009 After income tax
Net income	$ 17,164,475	15,069,615	7,051,932	6,110,833
Basic net income per share	$ 3.97	3.48	1.81	1.56
Basic net income per share calculated by adjusting dividends declared retroactively			$1.77	1.53

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Changes in Stockholders' Equity

Six-month periods ended June 30, 2010 and 2009

(expressed in thousands of New Taiwan dollars)

		Stock dividends and employee bonuses to be distributed		Retained earnings			Unrealized gains (losses) on financial instruments	Foreign currency translation adjustments		
	Common stock		Capital surplus	Legal reserve	Special reserve	Unappropriated			Treasury stock	Total
Balance on January 1, 2009	$ 38,838,710	-	8,765,157	8,366,723	245,036	23,461,062	(1,198,630)	239,696	(881,247)	77,836,507
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 gain on financial instruments	-	-	-	-	-	-	759,343	-	-	759,343
Balance on June 30, 2009	**$ 38,838,710**	**831,846**	**9,590,145**	**9,630,627**	**1,448,771**	**21,096,853**	**(439,287)**	**226,740**	**(881,247)**	**80,343,158**
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)	97,786,068
Appropriation of 2009 net income(note 2):										
Special reserve	-	-	-	-	(650,690)	650,690	-	-	-	-
Legal reserve	-	-	-	1,920,805	-	(1,920,805)	-	-	-	-
Dividends (cash and stock)	-	-	-	-	-	(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	1,485,781		2,653,272	-	-	-	-	-	-	4,139,053
Adjustment for changes in investee company's stockholders' equity	-	-	(56,923)	-	-	(2,289)	-	-	-	(59,212)
Equity adjustment due to investee companies being merged	-	-	(507,437)	-	-	-	8,304	(3,117)	-	(502,250)
Issuance of stock for employee stock options exercised	86,841	-	147,629	-	-	-	-	-	-	234,470
Cash dividends paid to subsidiaries holding the Company's shares	-	-	117,719	-	-	-	-	-	-	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 losses on financial instruments	-	-	-	-	-	-	(2,357,549)	-	-	(2,357,549)
Balance on June 30, 2010	**$ 42,816,310**	**855,378**	**14,226,518**	**11,551,432**	**798,081**	**37,130,110**	**(2,223,217)**	**(140,788)**	**(881,247)**	**104,132,577**

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.

Statements of Cash Flows

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

	2010	2009
Cash flows from operating activities:		
Net income	$ 14,951,896	6,037,625
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	318,062	462,020
Decrease in allowance for doubtful accounts and inventory obsolescence provision	(829,219)	(72,706)
Other investment loss (income), net	(4,076,562)	5,434
Investment income under the equity method, net	(1,660,851)	(45,898)
Increase in notes and accounts receivable	(9,825,952)	(19,505,789)
Decrease (increase) in inventories	15,364,731	(5,207,535)
Decrease (increase) in prepayment, other current assets, and other current financial assets	(271,297)	135,178
Increase in notes and accounts payable	85,597	22,059,437
Increase (decrease) in accrued expenses, other current liabilities, and accrued product warranty liability	1,759,045	(265,769)
Increase (decrease) in income tax payable	1,095,767	(263,197)
Change in deferred income tax assets	(363,048)	12,156
Decrease (increase) in financial assets measured at fair value through profit or loss – current	(49,222)	148,609
Unrealized foreign currency exchange loss (gain) on bonds payable	(41,005)	8,397
Other	(32,037)	40,243
Net cash provided by operating activities	16,425,905	3,548,205
Cash flows from investing activities:		
Additions to property, plant and equipment	(72,665)	(21,228)
Increase in patent licenses	(503,603)	(502,463)
Decrease (increase) in long-term receivables – related parties	(114,010)	21,044
Acquisition of long-term equity investments and financial assets carried at cost	(822,506)	(287,767)
Capital refund from investee	65,691	-
Proceeds from sale of investments	179,075	15,706
Other	(2,874)	6,456
Net cash used in investing activities	(1,270,892)	(768,252)
Cash flows from financing activities:		
Increase in short-term loans	5,039,376	1,953,160
Proceeds from issuance of stock for employee stock options exercised	234,470	-
Other	-	(132)
Net cash provided by financing activities	5,273,846	1,953,028
Net increase in cash and cash equivalents	20,428,859	4,732,981
Cash and cash equivalents at beginning of period	20,163,201	20,602,459
Cash and cash equivalents at end of period	$ 40,592,060	25,335,440
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 38,571	20,279
Income taxes	$ 1,359,936	1,176,398
Supplementary disclosures of financing activities not affecting cash flows:		
Cash dividends payable	$ 10,264,535	5,825,807
Convertible bonds payable transferred to common stock and capital surplus	$ 4,139,053	-
Employee bonuses payable transferred to common stock and capital surplus	$ -	1,484,455

See accompanying notes to financial statements.