COMPAL ELECTRONICS, INC.

Balance Sheets

June 30, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

Assets	2011 Amount	%	2010 Amount	%
Current assets:				
Cash and cash equivalents	$ 43,680,899	15.2	40,592,060	13.2
Financial assets measured at fair value through profit or loss – current	166,739	0.1	120,054	-
Notes and accounts receivable, net	145,373,599	50.4	162,417,426	52.8
Notes and accounts receivable, net－related parties	1,756,534	0.6	3,287,399	1.1
Other current financial assets	1,854,244	0.6	834,002	0.3
Inventories, net	26,510,534	9.2	32,553,931	10.6
Prepayment and other current assets	776,703	0.3	1,215,319	0.4
	220,119,252	76.4	241,020,191	78.4
Investments:				
Long-term investment under equity method	52,870,279	18.3	48,880,890	15.8
Available-for-sale financial assets－non-current	6,656,965	2.3	8,952,666	2.9
Financial assets carried at cost－non-current	3,164,899	1.1	3,395,011	1.1
Debt investments without quoted price in active markets	1,630,416	0.6	1,536,258	0.5
Other non-current financial assets	98,270	-	165,858	0.1
	64,420,829	22.3	62,930,683	20.4
Property, plant and equipment:				
Land	897,295	0.3	865,350	0.3
Buildings	1,818,548	0.7	1,759,115	0.6
Research equipment	531,312	0.2	437,642	0.1
Other equipment	378,904	0.1	359,123	0.1
	3,626,059	1.3	3,421,230	1.1
Less: accumulated depreciation	(1,468,560)	(0.5)	(1,305,799)	(0.4)
Prepayment for purchase of equipment	7,043	-	7,696	-
	2,164,542	0.8	2,123,127	0.7
Intangible assets – patent licenses and others	790,905	0.3	986,927	0.3
Other assets – leased assets, net, and others	715,843	0.2	423,743	0.2
Total assets	$ 288,211,371	100.0	307,484,671	100.0

Liabilities and Stockholders' Equity	2011 Amount	%	2010 Amount	%
Current liabilities:				
Short-term loans	$ 28,322,850	9.8	18,850,936	6.1
Notes and accounts payable	88,317,769	30.7	109,015,680	35.4
Notes and accounts payable – related parties	46,202,444	16.0	50,619,771	16.5
Income tax payable	794,134	0.3	2,679,582	0.9
Accrued expenses and other current liabilities	6,880,218	2.4	6,967,397	2.3
Cash dividends payable	11,905,974	4.1	10,265,074	3.3
Bonds payable	-	-	1,521,696	0.5
Accrued product warranty liability	3,032,684	1.1	3,412,141	1.1
	185,456,073	64.4	203,332,277	66.1
Other liabilities	18,882	-	19,817	-
Total liabilities	185,474,955	64.4	203,352,094	66.1
Stockholders' equity:				
Common stock	44,359,712	15.4	42,816,310	13.9
Stock dividends to be distributed	-	-	855,378	0.3
	44,359,712	15.4	43,671,688	14.2
Capital surplus:				
Paid-in capital in excess of par value	13,703,533	4.7	12,507,621	4.0
Other	1,852,066	0.7	1,718,897	0.6
	15,555,599	5.4	14,226,518	4.6
Retained earnings:				
Legal reserve	13,878,611	4.8	11,551,432	3.8
Special reserve	4,825,698	1.7	798,081	0.3
Unappropriated retained earnings	33,966,509	11.7	37,130,110	12.1
	52,670,818	18.2	49,479,623	16.2
Equity adjustment:				
Foreign currency translation adjustments	(2,752,858)	(1.0)	(140,788)	(0.1)
Unrealized losses on financial instruments	(4,909,742)	(1.7)	(2,223,217)	(0.7)
Treasury stock	(2,187,113)	(0.7)	(881,247)	(0.3)
	(9,849,713)	(3.4)	(3,245,252)	(1.1)
Total stockholders' equity	102,736,416	35.6	104,132,577	33.9
Commitments and contingencies				
Total liabilities and stockholders' equity	$ 288,211,371	100.0	307,484,671	100.0

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Income

Six-month periods ended June 30, 2011 and 2010
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2011 Amount	2011 %	2010 Amount	2010 %
Net sales	$ 331,008,885	100.0	433,708,617	100.0
Cost of sales	320,710,519	96.9	415,881,115	95.9
	10,298,366	3.1	17,827,502	4.1
Change in unrealized inter-company profits	76	-	(844)	-
Gross profit	10,298,442	3.1	17,826,658	4.1
Operating expenses:				
Selling	1,780,461	0.5	2,299,446	0.5
General and administrative	1,312,949	0.4	1,343,062	0.3
Research and development	3,320,146	1.0	3,101,398	0.7
	6,413,556	1.9	6,743,906	1.5
Operating income	3,884,886	1.2	11,082,752	2.6
Non-operating income and gains:				
Interest income	230,016	0.1	146,499	-
Investment income under the equity method, net	3,588,889	1.1	1,660,851	0.4
Other investment income, net	176,723	-	4,099,148	0.9
Gain on valuation of financial instruments, net	41,786	-	-	-
Other	142,905	-	216,372	0.1
	4,180,319	1.2	6,122,870	1.4
Non-operating expenses and losses:				
Interest expense	58,345	-	43,567	-
Foreign currency exchange loss, net	-	-	16,462	-
Impairement loss	74,086	-	23,438	-
Loss on valuation of financial instruments, net	-	-	75,399	-
	132,431	-	158,866	-
Net income before income tax expense	7,932,774	2.4	17,046,756	4.0
Income tax expense	1,155,447	0.4	2,094,860	0.5
Net income	$ 6,777,327	2.0	14,951,896	3.5

	Before income tax	After income tax	Before income tax	After income tax
Basic net income per share	$ 1.82	1.55	3.99	3.50
Diluted net income per share	$ 1.77	1.52	3.80	3.34

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:

	2011 Before income tax	2011 After income tax	2010 Before income tax	2010 After income tax
Net income	$ 8,067,821	6,912,374	17,164,475	15,069,315
Basic net income per share	$ 1.83	1.56	3.97	3.48

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Changes in Stockholders' Equity

Six-month periods ended June 30, 2011and 2010
(expressed in thousands of New Taiwan dollars)

	Common stock	Stock dividends to be distributed	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated	Unrealized losses on financial instruments	Foreign currency translation adjustments	Treasury stock	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)	97,786,068
Appropriation of 2009 net income (note):										
Reverse 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	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**
Balance on January 1, 2011	$ 44,280,998	-	15,303,594	11,551,432	798,081	45,450,010	(903,090)	(2,443,732)	(881,247)	113,156,046
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)
Purchase of treasury stock	-	-	-	-	-	-	-	-	(1,305,866)	(1,305,866)
Adjustment for changes in investee company's stockholders' equity	-	-	(325)	-	-	(682)	-	-	-	(1,007)
Issuance of stock for employee stock options exercised	78,714	-	117,283	-	-	-	-	-	-	195,997
Cash dividends paid to subsidiaries holding the Company's shares	-	-	135,047	-	-	-	-	-	-	135,047
Net income for the six-month period ended June 30, 2011	-	-	-	-	-	6,777,327	-	-	-	6,777,327
Foreign currency translation adjustment	-	-	-	-	-	-	-	(309,126)	-	(309,126)
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	-	(4,006,652)	-	-	(4,006,652)
Balance on June 30, 2011	**$ 44,359,712**	**-**	**15,555,599**	**13,878,611**	**4,825,698**	**33,966,509**	**(4,909,742)**	**(2,752,858)**	**(2,187,113)**	**102,736,416**

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

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Cash Flows

Six-month periods ended June 30, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	2011	2010
Cash flows from operating activities:		
Net income	$ 6,777,327	14,951,896
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	304,763	318,062
Decrease in allowance for doubtful accounts and inventory obsolescence provision	(486,958)	(829,219)
Other investment income, net	(20,354)	(4,076,562)
Impairement loss on financial assets carried at cost	74,086	23,438
Investment income under the equity method, net	(3,588,889)	(1,660,851)
Decrease (increase) in notes and accounts receivable	21,769,003	(9,825,952)
Decrease (increase) in inventories	(127,332)	15,364,731
Increase in prepayment, other current assets, and other current financial assets	(960,060)	(271,297)
Increase (decrease) in notes and accounts payable	(14,931,172)	85,597
Increase (decrease) in accrued expenses, other current liabilities, and accrued product warranty liability	(342,933)	1,759,045
Increase (decrease) in income tax payable	(1,749,928)	1,095,767
Change in deferred income tax assets	274,010	(363,048)
Increase in financial assets measured at fair value through profit or loss – current	(56,739)	(49,222)
Foreign currency exchange gain on bonds payable	-	(41,005)
Other	(106,928)	(55,475)
Net cash provided by operating activities	6,827,896	16,425,905
Cash flows from investing activities:		
Additions to property, plant and equipment	(87,133)	(72,665)
Increase in intangible assets	(179,884)	(503,603)
Acquisition of long-term equity investments and financial assets carried at cost	(910,809)	(822,506)
Capital refund from investee and distribution from investee after completion of liquidation	496,930	65,691
Proceeds from sale of investments	123,600	179,075
Decrease (increase) in other receivables – related parties	8,973	(114,010)
Other	546	(2,874)
Net cash used in investing activities	(547,777)	(1,270,892)
Cash flows from financing activities:		
Increase in short-term loans	3,678,870	5,039,376
Proceeds from issuance of stock for employee stock options exercised	195,997	234,470
Purchase of treasury stock	(1,305,866)	-
Increase in deposits received	117	-
Net cash provided by financing activities	2,569,118	5,273,846
Net increase in cash and cash equivalents	8,849,237	20,428,859
Cash and cash equivalents at beginning of period	34,831,662	20,163,201
Cash and cash equivalents at end of period	$ 43,680,899	40,592,060
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 59,669	38,571
Income taxes	$ 2,631,367	1,359,936
Supplementary disclosures of financing activities not affecting cash flows:		
Cash dividends payable	$ 11,905,350	10,264,535
Convertible bonds payable transferred to common stock and capital surplus	$ -	4,139,053

See accompanying notes to financial statements.