

COMPAL ELECTRONICS, INC.

Balance Sheets

December 31, 2013 and 2012, January 1, 2012
(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2013		December 31, 2012		January 1, 2012		Liabilities and equity	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets:							Current liabilities:						
Cash and cash equivalents	\$ 10,165,739	3.4	18,322,054	6.7	23,223,185	9.7	Short-term borrowings	\$ 32,516,060	11.0	16,571,520	6.0	1,816,500	0.8
Current financial assets at fair value through profit or loss	73,918	-	80,385	-	161,020	0.1	Notes and accounts payable	83,711,567	28.3	83,033,965	30.3	79,842,239	33.4
Current bond investment without active market	1,745,000	0.6	-	-	-	-	Notes and accounts payable to related parties	61,276,719	20.7	59,600,229	21.7	39,452,910	16.5
Notes and accounts receivable, net	169,572,297	57.3	143,017,703	52.2	116,904,305	48.9	Other payables	6,345,726	2.1	4,030,510	1.5	5,959,731	2.5
Notes and accounts receivable due from related parties, net	1,049,255	0.4	3,688,623	1.3	4,438,987	1.9	Current tax liabilities	237,778	0.1	415,445	0.2	542,892	0.2
Other receivables	315,756	0.1	720,278	0.3	123,807	-	Current provisions	1,296,188	0.4	1,655,679	0.6	1,971,404	0.8
Inventories, net	26,383,631	8.9	28,302,612	10.3	22,040,251	9.2	Other current liabilities	352,710	0.1	309,069	0.1	326,851	0.1
Non-current assets classified as held for sale	1,000,000	0.3	-	-	-	-	Unearned revenue	1,837,886	0.6	1,659,046	0.6	3,046,469	1.3
Other current assets	340,997	0.1	272,036	0.1	129,438	-		<u>187,574,634</u>	<u>63.3</u>	<u>167,275,463</u>	<u>61.0</u>	<u>132,958,996</u>	<u>55.6</u>
	<u>210,646,593</u>	<u>71.1</u>	<u>194,403,691</u>	<u>70.9</u>	<u>167,020,993</u>	<u>69.8</u>	Non-current liabilities:						
Non-current assets:							Long-term borrowings	12,800,000	4.4	-	-	-	-
Investments accounted for using equity method	73,667,974	24.9	65,596,536	23.9	58,480,480	24.5	Deferred tax liabilities	360,282	0.1	260,238	0.1	225,829	0.1
Non-current available-for-sale financial assets	8,202,426	2.8	8,688,320	3.2	7,577,456	3.2	Accrued pension liabilities	546,534	0.2	583,807	0.2	472,441	0.2
Non-current financial assets at cost	-	-	-	-	2,492	-	Other non-current liabilities	56,578	-	40,002	-	7,827	-
Non-current bond investment without active market	-	-	1,745,000	0.6	1,680,835	0.7		<u>13,763,394</u>	<u>4.7</u>	<u>884,047</u>	<u>0.3</u>	<u>706,097</u>	<u>0.3</u>
Property, plant and equipment	2,218,316	0.7	2,295,444	0.9	2,414,040	1.0	Total liabilities	<u>201,338,028</u>	<u>68.0</u>	<u>168,159,510</u>	<u>61.3</u>	<u>133,665,093</u>	<u>55.9</u>
Intangible assets	617,739	0.2	724,106	0.3	743,568	0.3	Equity attributable to owners of parent:						
Deferred tax assets	812,578	0.3	626,000	0.2	1,025,122	0.4	Ordinary shares	44,134,467	14.9	44,126,526	16.1	44,002,554	18.4
Other non-current financial assets	-	-	65,886	-	118,586	0.1	Capital surplus	16,193,087	5.5	16,122,810	5.9	15,889,855	6.7
Other non-current assets	45,547	-	54,160	-	56,599	-	Retained earnings	44,260,834	14.9	55,053,941	20.1	54,964,759	23.0
	<u>85,564,580</u>	<u>28.9</u>	<u>79,795,452</u>	<u>29.1</u>	<u>72,099,178</u>	<u>30.2</u>	Other equity interest	(7,707,518)	(2.6)	(8,382,397)	(3.1)	(8,520,843)	(3.6)
Total assets	<u>\$ 296,211,173</u>	<u>100.0</u>	<u>274,199,143</u>	<u>100.0</u>	<u>239,120,171</u>	<u>100.0</u>	Treasury shares	(2,007,725)	(0.7)	(881,247)	(0.3)	(881,247)	(0.4)
							Total equity	<u>94,873,145</u>	<u>32.0</u>	<u>106,039,633</u>	<u>38.7</u>	<u>105,455,078</u>	<u>44.1</u>
							Total liabilities and equity	<u>\$ 296,211,173</u>	<u>100.0</u>	<u>274,199,143</u>	<u>100.0</u>	<u>239,120,171</u>	<u>100.0</u>

See accompanying notes to the parent company only financial reports.

COMPAL ELECTRONICS, INC.

Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2013		2012	
	Amount	%	Amount	%
Net sales revenue	\$ 632,622,772	100.0	608,702,320	100.0
Cost of sales	<u>616,263,087</u>	<u>97.4</u>	<u>593,444,892</u>	<u>97.5</u>
Gross profit	16,359,685	2.6	15,257,428	2.5
Less: Unrealized profit from sales	<u>445</u>	<u>-</u>	<u>(584)</u>	<u>-</u>
Gross profit	<u>16,359,240</u>	<u>2.6</u>	<u>15,258,012</u>	<u>2.5</u>
Operating expenses:				
Selling expenses	1,919,880	0.3	2,149,593	0.3
Administrative expenses	1,929,551	0.3	1,736,354	0.3
Research and development expenses	<u>7,004,155</u>	<u>1.1</u>	<u>6,494,773</u>	<u>1.1</u>
	<u>10,853,586</u>	<u>1.7</u>	<u>10,380,720</u>	<u>1.7</u>
Net operating income	<u>5,505,654</u>	<u>0.9</u>	<u>4,877,292</u>	<u>0.8</u>
Non-operating income and expenses:				
Other gains and losses	101,743	-	(132,495)	-
Finance costs	(119,435)	-	(107,983)	-
Other income	700,636	0.1	978,363	0.2
Share of profit of associates and joint ventures accounted for using equity method	1,663,349	0.3	1,553,143	0.2
Impairment loss	<u>(4,849,469)</u>	<u>(0.8)</u>	<u>(2,492)</u>	<u>-</u>
Total non-operating income and expenses	<u>(2,503,176)</u>	<u>(0.4)</u>	<u>2,288,536</u>	<u>0.4</u>
Profit before tax	3,002,478	0.5	7,165,828	1.2
Less: tax expense	<u>535,267</u>	<u>0.1</u>	<u>765,870</u>	<u>0.1</u>
Profit	<u>2,467,211</u>	<u>0.4</u>	<u>6,399,958</u>	<u>1.1</u>
Other comprehensive income:				
Other comprehensive income, before tax, exchange differences on translation	1,051,125	0.2	(1,184,910)	(0.2)
Other comprehensive income, before tax, available-for-sale financial assets	(756,535)	(0.1)	1,787,262	0.2
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	14,303	-	(136,331)	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	373,878	-	(246,235)	-
Less: income tax relating to components of other comprehensive income	<u>(10,681)</u>	<u>-</u>	<u>213,156</u>	<u>-</u>
Other comprehensive income, net	<u>693,452</u>	<u>0.1</u>	<u>6,630</u>	<u>-</u>
Comprehensive income	<u>\$ 3,160,663</u>	<u>0.5</u>	<u>6,406,588</u>	<u>1.1</u>
Earnings per share:				
Basic net income per share	<u>\$ 0.57</u>		<u>1.47</u>	
Diluted net income per share	<u>\$ 0.57</u>		<u>1.44</u>	

See accompanying notes to the parent company only financial reports.

COMPAL ELECTRONICS, INC.

**Statements of Changes in Equity
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)**

	Retained earnings					Other equity interest					Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on Available-for-sale financial assets	Total other equity interest	Treasury shares	
Balance on January 1, 2012	\$ 44,002,554	15,889,855	13,878,611	4,825,698	36,260,450	54,964,759	(1,234,125)	(7,286,718)	(8,520,843)	(881,247)	105,455,078
Appropriation and distribution of retained earnings (note 1):											
Legal reserve appropriated	-	-	1,101,468	-	(1,101,468)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	3,887,320	(3,887,320)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(6,175,351)	(6,175,351)	-	-	-	-	(6,175,351)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,299	-	-	(3,609)	(3,609)	-	-	-	-	(2,310)
Changes in equity of associates and joint ventures accounted for using equity method	-	2,661	-	-	-	-	-	-	-	-	2,661
Issuance of shares for employee share options exercised	123,972	158,985	-	-	-	-	-	-	-	-	282,957
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	70,010	-	-	-	-	-	-	-	-	70,010
	<u>44,126,526</u>	<u>16,122,810</u>	<u>14,980,079</u>	<u>8,713,018</u>	<u>25,092,702</u>	<u>48,785,799</u>	<u>(1,234,125)</u>	<u>(7,286,718)</u>	<u>(8,520,843)</u>	<u>(881,247)</u>	<u>99,633,045</u>
Profit for the year ended December 31, 2012	-	-	-	-	6,399,958	6,399,958	-	-	-	-	6,399,958
Other comprehensive income	-	-	-	-	(131,816)	(131,816)	(1,900,141)	2,038,587	138,446	-	6,630
Comprehensive income	-	-	-	-	6,268,142	6,268,142	(1,900,141)	2,038,587	138,446	-	6,406,588
Balance on January 1, 2013	\$ 44,126,526	16,122,810	14,980,079	8,713,018	31,360,844	55,053,941	(3,134,266)	(5,248,131)	(8,382,397)	(881,247)	106,039,633
Appropriation and distribution of retained earnings (note 2):											
Legal reserve appropriated	-	-	641,103	-	(641,103)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	105,707	(105,707)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,384,186)	(4,384,186)	-	-	-	-	(4,384,186)
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(1,126,478)	(1,126,478)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	22,330	-	-	(8,878,875)	(8,878,875)	(11,538)	(96)	(11,634)	-	(8,868,179)
Changes in equity of associates and joint ventures accounted for using equity method	-	(10,754)	-	-	(4,196)	(4,196)	-	-	-	-	(14,950)
Issuance of shares for employee share options exercised	7,941	8,338	-	-	-	-	-	-	-	-	16,279
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	50,363	-	-	-	-	-	-	-	-	50,363
	<u>44,134,467</u>	<u>16,193,087</u>	<u>15,621,182</u>	<u>8,818,725</u>	<u>17,346,777</u>	<u>41,786,684</u>	<u>(3,145,804)</u>	<u>(5,248,227)</u>	<u>(8,394,031)</u>	<u>(2,007,725)</u>	<u>91,712,482</u>
Profit for the year ended December 31, 2013	-	-	-	-	2,467,211	2,467,211	-	-	-	-	2,467,211
Other comprehensive income	-	-	-	-	6,939	6,939	1,299,130	(612,617)	686,513	-	693,452
Comprehensive income	-	-	-	-	2,474,150	2,474,150	1,299,130	(612,617)	686,513	-	3,160,663
Balance on December 31, 2013	\$ <u>44,134,467</u>	<u>16,193,087</u>	<u>15,621,182</u>	<u>8,818,725</u>	<u>19,820,927</u>	<u>44,260,834</u>	<u>(1,846,674)</u>	<u>(5,860,844)</u>	<u>(7,707,518)</u>	<u>(2,007,725)</u>	<u>94,873,145</u>

Note 1: Directors' and supervisors remuneration amounting to \$97,500 and employee bonuses amounting to \$1,402,500 were recognized in the 2011 statement of comprehensive income.

Note 2: Directors' and supervisors remuneration amounting to \$56,545 and employee bonuses amounting to \$816,440 were recognized in the 2012 statement of comprehensive income.

See accompanying notes to the parent company only financial reports.

COMPAL ELECTRONICS, INC.

Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

	2013	2012
Cash flows from (used in) operating activities:		
Profit before tax	\$ <u>3,002,478</u>	<u>7,165,828</u>
Adjustments:		
Depreciation and amortization	680,171	578,164
Increase (decrease) in allowances for uncollectible accounts	26,911	(9,856)
Interest expense	119,435	107,983
Interest income	(139,114)	(284,968)
Dividends income	(127,910)	(149,245)
Share of loss (profit) of subsidiaries associates and joint ventures accounted for using equity method	(1,663,349)	(1,553,143)
Gain on disposal of investments	(633,911)	(72,214)
Impairment loss on financial assets	<u>4,849,469</u>	<u>2,492</u>
Adjustments to reconcile profit	<u>3,111,702</u>	<u>(1,380,787)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Changes in financial assets at fair value through profit or loss	6,467	80,635
Decrease (increase) in notes and accounts receivable	(23,942,137)	(25,353,178)
Decrease (increase) in inventories	1,918,981	(6,262,361)
Decrease (increase) in other current assets	(68,961)	(142,983)
Decrease (increase) in other receivable	<u>(25,986)</u>	<u>(9,711)</u>
Total changes in operating assets	<u>(22,111,636)</u>	<u>(31,687,598)</u>
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	2,354,092	23,339,045
Increase (decrease) in other payable	2,288,893	(1,752,362)
Increase (decrease) in provisions	(359,491)	(315,725)
Increase (decrease) in unearned revenue	178,840	(1,387,423)
Increase (decrease) in other current liabilities	43,641	(17,782)
Other	<u>43,371</u>	<u>(42,030)</u>
Total changes in operating liabilities	<u>4,549,346</u>	<u>19,823,723</u>
Total changes in operating assets and liabilities	<u>(17,562,290)</u>	<u>(11,863,875)</u>
Total adjustments	<u>(14,450,588)</u>	<u>(13,244,662)</u>
Cash flows from (used in) operations	(11,448,110)	(6,078,834)
Interest received	147,615	302,853
Dividends received	1,208,090	325,944
Interest paid	(93,112)	(106,152)
Income taxes paid	<u>(788,787)</u>	<u>(672,942)</u>
Net cash flows from (used in) operating activities	<u>(10,974,304)</u>	<u>(6,229,131)</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method and available-for-sale financial assets	(17,311,303)	(7,138,830)
Increase in non-current assets classified as held for sale	(4,052,535)	-
Proceeds from disposal of investments accounted for using equity method and available-for sale financing assets	912,601	639,676
Proceeds from capital reduction of investments and distribution from investees after completion of liquidation	215,323	71,744
Acquisition of property, plant and equipment	(102,493)	(76,860)
Decrease (increase) in other receivable due from related parties	292,066	(491,230)
Acquisition of intangible assets	(394,213)	(541,551)
Other	<u>8,634</u>	<u>2,439</u>
Net cash flows from (used in) investing activities	<u>(20,431,920)</u>	<u>(7,534,612)</u>

Cash flows from (used in) financing activities:

Increase (decrease) in short-term borrowings	15,944,540	14,755,020
Proceeds from long-term borrowings	12,800,000	-
Cash dividends paid	(4,384,186)	(6,175,351)
Exercise of employee share options	16,279	282,957
Payments to acquire treasury shares	(1,126,478)	-
Other	(246)	(14)
Net cash flows from (used in) financing activities	<u>23,249,909</u>	<u>8,862,612</u>
Net decrease in cash and cash equivalents	(8,156,315)	(4,901,131)
Cash and cash equivalents at beginning of period	<u>18,322,054</u>	<u>23,223,185</u>
Cash and cash equivalents at end of period	\$ <u>10,165,739</u>	<u>18,322,054</u>