

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2009 and 2008

(expressed in thousands of New Taiwan dollars)

Assets	2009		2008		Liabilities and Stockholders' Equity	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents	\$ 46,961,498	14.0	46,229,472	23.7	Short-term loans and short-term notes and bills payable	\$ 25,761,987	7.7	5,406,070	2.8
Financial assets measured at fair value through profit or loss – current	472,707	0.2	208,967	0.1	Notes and accounts payable	175,638,248	52.4	76,946,166	39.4
Available-for-sale financial assets – current	238,711	0.1	147,219	0.1	Notes and accounts payable – related parties	2,429,778	0.7	769,974	0.4
Notes and accounts receivable, net	169,282,452	50.5	74,278,362	38.0	Income tax payable	2,524,737	0.8	2,957,396	1.5
Notes and accounts receivable, net – related parties	926,098	0.3	754,868	0.4	Accrued expenses and other current liabilities	13,061,544	3.9	9,660,246	4.9
Other current financial assets	514,463	0.2	875,086	0.4	Bonds payable	5,701,754	1.7	-	-
Inventories, net	72,253,842	21.5	32,218,738	16.5	Accrued product warranty liability	2,565,993	0.8	2,313,821	1.2
Prepayment and other current assets	760,270	0.2	788,006	0.4	Long-term loans due within one year	75,000	-	530,911	0.3
Deferred income tax assets – current	759,938	0.2	809,290	0.4		<u>227,759,041</u>	<u>68.0</u>	<u>98,584,584</u>	<u>50.5</u>
	<u>292,169,979</u>	<u>87.2</u>	<u>156,310,008</u>	<u>80.0</u>	Long-term and non-current liabilities:				
Investments:					Bonds payable	-	-	9,871,209	5.1
Long-term investment under equity method	13,865,095	4.1	15,270,119	7.8	Long-term loans	112,500	-	87,500	-
Available-for-sale financial assets – non-current	2,524,049	0.8	1,845,545	1.0	Deferred income tax liabilities and other	883,576	0.3	855,161	0.4
Financial assets carried at cost – non-current	8,916,594	2.7	1,794,318	0.9		<u>996,076</u>	<u>0.3</u>	<u>10,813,870</u>	<u>5.5</u>
Debt investments without quoted price in active markets	1,492,323	0.4	-	-	Total liabilities	<u>228,755,117</u>	<u>68.3</u>	<u>109,398,454</u>	<u>56.0</u>
Other non-current financial assets	160,904	-	147,142	0.1	Stockholders' equity:				
	<u>26,958,965</u>	<u>8.0</u>	<u>19,057,124</u>	<u>9.8</u>	Common stock	41,243,688	12.3	38,838,710	19.9
Property, plant and equipment:					Capital surplus:				
Land and land leasehold rights	1,317,085	0.4	1,370,117	0.7	Paid-in capital in excess of par value	10,562,097	3.2	6,985,024	3.6
Buildings	7,927,274	2.3	7,460,535	3.8	Other	2,165,539	0.6	1,780,133	0.9
Machinery and equipment	11,892,899	3.5	13,715,437	7.0		<u>12,727,636</u>	<u>3.8</u>	<u>8,765,157</u>	<u>4.5</u>
Research equipment	1,517,651	0.5	1,394,409	0.7	Retained earnings:				
Molding equipment	3,680,494	1.1	2,829,444	1.4	Legal reserve	9,630,627	2.9	8,366,723	4.3
Other equipment	2,909,186	0.9	2,701,081	1.4	Special reserve	1,448,771	0.4	245,036	0.1
	29,244,589	8.7	29,471,023	15.0	Unappropriated retained earnings	33,715,153	10.1	23,461,062	12.0
Less: accumulated depreciation	(16,196,400)	(4.8)	(13,205,726)	(6.8)		<u>44,794,551</u>	<u>13.4</u>	<u>32,072,821</u>	<u>16.4</u>
Unfinished construction and prepayment for purchase of equipment	1,194,909	0.3	1,899,036	1.0	Equity adjustment:				
	<u>14,243,098</u>	<u>4.2</u>	<u>18,164,333</u>	<u>9.2</u>	Foreign currency translation adjustments	(224,588)	(0.1)	239,696	0.1
Intangible assets:					Unrealized gains (losses) on financial instruments	126,028	-	(1,198,630)	(0.6)
Goodwill	561,587	0.2	606,092	0.3	Treasury stock	(881,247)	(0.3)	(881,247)	(0.5)
Patent licenses and others	1,065,274	0.3	960,384	0.5		<u>(979,807)</u>	<u>(0.4)</u>	<u>(1,840,181)</u>	<u>(1.0)</u>
	<u>1,626,861</u>	<u>0.5</u>	<u>1,566,476</u>	<u>0.8</u>	Minority interest	8,748,858	2.6	8,181,004	4.2
Other assets – leased assets, net and others (notes 9 and 13)	291,140	0.1	318,024	0.2	Total stockholders' equity	106,534,926	31.7	86,017,511	44.0
Total assets	<u>\$ 335,290,043</u>	<u>100.0</u>	<u>195,415,965</u>	<u>100.0</u>	Commitments and contingencies				
					Total liabilities and stockholders' equity	<u>\$ 335,290,043</u>	<u>100.0</u>	<u>195,415,965</u>	<u>100.0</u>

See accompanying notes to consolidated financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2009 and 2008
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2009		2008	
	Amount	%	Amount	%
Net sales	\$ 675,305,200	100.0	478,748,066	100.0
Cost of sales	<u>633,796,987</u>	<u>93.9</u>	<u>445,211,838</u>	<u>93.0</u>
Gross profit	<u>41,508,213</u>	<u>6.1</u>	<u>33,536,228</u>	<u>7.0</u>
Operating expenses:				
Selling	5,195,244	0.8	3,639,132	0.8
General and administrative	4,844,243	0.7	4,424,126	0.9
Research and development	<u>8,920,280</u>	<u>1.3</u>	<u>8,007,775</u>	<u>1.7</u>
	<u>18,959,767</u>	<u>2.8</u>	<u>16,071,033</u>	<u>3.4</u>
Operating income	<u>22,548,446</u>	<u>3.3</u>	<u>17,465,195</u>	<u>3.6</u>
Non-operating income and gains:				
Interest income	447,962	0.1	1,574,900	0.3
Other investment income, net	661,692	0.1	456,269	0.1
Foreign currency exchange gain, net	631,480	0.1	572,666	0.1
Gain on valuation of financial instruments, net	105,139	-	322,163	0.1
Other	<u>691,321</u>	<u>0.1</u>	<u>512,602</u>	<u>0.1</u>
	<u>2,537,594</u>	<u>0.4</u>	<u>3,438,600</u>	<u>0.7</u>
Non-operating expenses and losses:				
Interest expense	106,351	-	455,705	0.1
Investment loss under the equity method, net	2,682,533	0.4	3,205,918	0.7
Impairment losses	113,841	-	146,655	-
Other	<u>196,866</u>	<u>0.1</u>	<u>68,308</u>	<u>-</u>
	<u>3,099,591</u>	<u>0.5</u>	<u>3,876,586</u>	<u>0.8</u>
Net income before income tax expense and minority interest income	21,986,449	3.2	17,027,209	3.5
Income tax expense	<u>2,190,359</u>	<u>0.3</u>	<u>3,474,059</u>	<u>0.7</u>
Net income	<u>\$ 19,796,090</u>	<u>2.9</u>	<u>13,553,150</u>	<u>2.8</u>
Distributed to:				
Parent company's shareholders	\$ 19,208,049	2.8	12,639,037	2.6
Minority interest in net income of subsidiaries	<u>588,041</u>	<u>0.1</u>	<u>914,113</u>	<u>0.2</u>
	<u>\$ 19,796,090</u>	<u>2.9</u>	<u>13,553,150</u>	<u>2.8</u>
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Basic net income per share	<u>\$ 5.47</u>	<u>4.91</u>	<u>4.15</u>	<u>3.26</u>
Basic net income per share calculated by adjusting for dividends declared retroactively			<u>\$ 4.13</u>	<u>3.24</u>
Diluted net income per share	<u>\$ 4.91</u>	<u>4.41</u>	<u>3.78</u>	<u>2.96</u>
Diluted net income per share calculated by adjusting for dividends declared retroactively			<u>\$ 3.76</u>	<u>2.95</u>

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2009 and 2008
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated	Unrealized gains (losses) on financial instruments	Foreign currency translation adjustments	Treasury stock	Minority interest	Total
Balance on January 1, 2008	\$ 38,659,589	8,862,692	6,998,409	216,433	23,631,944	881,365	(119,878)	(881,247)	7,695,418	85,944,725
Appropriation of 2007 net income:										
Special reserve	-	-	-	28,603	(28,603)	-	-	-	-	-
Legal reserve	-	-	1,368,314	-	(1,368,314)	-	-	-	-	-
Employee bonuses (cash and stock)	554,173	-	-	-	(615,741)	-	-	-	-	(61,568)
Directors' and supervisors' remuneration	-	-	-	-	(246,296)	-	-	-	-	(246,296)
Dividends (cash and stock)	77,319	-	-	-	(9,355,620)	-	-	-	-	(9,278,301)
Capital surplus transferred to common stock	115,979	(115,979)	-	-	-	-	-	-	-	-
Adjustment for changes in investee company's stockholders' equity	-	3,947	-	-	(578,206)	-	-	-	-	(574,259)
Cash dividends paid to subsidiaries holding the Company's shares	-	116,551	-	-	-	-	-	-	-	116,551
Net income for the year ended December 31, 2008	-	-	-	-	12,639,037	-	-	-	-	12,639,037
Purchase of treasury stock	(568,350)	(102,054)	-	-	(617,139)	-	-	-	-	(1,287,543)
Foreign currency translation adjustment	-	-	-	-	-	-	359,574	-	-	359,574
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	(2,079,995)	-	-	-	(2,079,995)
Minority interest in net income of subsidiaries	-	-	-	-	-	-	-	-	914,113	914,113
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	(428,527)	(428,527)
Balance on December 31, 2008	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:										
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)
Balance on December 31, 2009	\$ 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

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2009 and 2008
(expressed in thousands of New Taiwan dollars)

	2009	2008
Cash flows from operating activities:		
Net income	\$ 19,796,090	13,553,150
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	5,789,738	4,856,097
Increase in allowance for doubtful accounts, and inventory obsolescence provision	762,623	487,179
Gains on disposal of long-term equity investments, available-for-sale financial assets, and financial assets carried at cost	(331,064)	(28,374)
Impairment losses on financial assets carried at cost	113,841	146,655
Investment loss under the equity method, net	2,682,533	3,205,918
Decrease (increase) in notes and accounts receivable	(96,275,068)	4,514,539
Increase in inventories	(40,434,017)	(1,219,184)
Decrease (increase) in prepaid assets, other current assets, and other current financial assets	(283,514)	380,805
Increase (decrease) in notes and accounts payable	101,088,399	(16,709,554)
Increase in accrued expenses, other current liabilities, and accrued product warranty liability	4,873,475	4,484,170
Decrease in income tax payable	(432,659)	(450,717)
Changes in deferred income tax assets	(219,967)	700,345
Increase in financial assets measured at fair value through profit or loss – current	(263,740)	(208,967)
Unrealized foreign currency exchange loss (gain) on convertible bonds payable	(181,588)	127,458
Other	(28,959)	(169,602)
Net cash provided by (used in) operating activities	<u>(3,343,877)</u>	<u>13,669,918</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(3,386,936)	(6,978,401)
Proceeds from sale of property, plant and equipment, and non-current assets held for sale	327,024	900,968
Increase in patent licenses and other intangible assets	(1,262,318)	(1,431,189)
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	(9,162,014)	(5,062,188)
Proceeds from sale of long-term equity investments, financial assets carried at cost, and available-for-sale financial assets	1,319,823	531,282
Capital refund from investee and distribution from investee after completion of liquidation	20,732	173,000
Decrease in restricted deposit	-	1,119,231
Other	34,433	39,847
Net cash used in investing activities	<u>(12,109,256)</u>	<u>(10,707,450)</u>
Cash flows from financing activities:		
Repayment of long-term loans	-	(195,872)
Increase in long-term loans	57,500	100,000
Increase (decrease) in short-term loans	21,489,708	(6,709,749)
Purchase of treasury stock	-	(1,287,543)
Proceeds from issuance of stock for employee stock options exercised	432,051	-
Cash dividends paid	(5,752,599)	(9,161,750)
Directors' and supervisors' remuneration and employee bonuses	-	(307,864)
Changes in minority interest	712,371	(2,255,067)
Other	(27,064)	46,867
Net cash provided by (used in) financing activities	<u>16,911,967</u>	<u>(19,770,978)</u>
Effects of exchange rate change on cash and cash equivalents	(199,750)	9,827
Changes in cash due to change in ownership of subsidiaries	(527,058)	428,694
Net increase (decrease) in cash and cash equivalents	732,026	(16,369,989)
Cash and cash equivalents at beginning of year	46,229,472	62,599,461
Cash and cash equivalents at end of year	<u>\$ 46,961,498</u>	<u>46,229,472</u>
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 92,285	597,655
Income taxes	\$ 3,031,874	2,755,776
Supplementary disclosures of financing activities not affecting cash flows:		
Long-term loans due within one year	\$ 75,000	530,911
Convertible bonds payable transferred to common stock and capital surplus	\$ 3,987,867	-
Employee bonuses payable transferred to common stock and capital surplus	\$ 1,484,455	-

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