**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2013, and December 31, and January 1, 2012**

**(expressed in thousands of New Taiwan dollars)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **December 31, 2013** | **December 31, 2012** | **January 1, 2012** |
| Assets | Amount | % | **Amount** | % | Amount | % |
| **Current assets:** |  |  |  |  |  |  |
| Cash and cash equivalents | $ 46,965,852 |  14.0 |  44,154,582 |  14.2 |  52,348,302 |  18.6 |
| Current financial assets at fair value through profit or loss |  83,772 |  -  |  81,386 |  -  |  185,549 |  0.1 |
| Current available-for-sale financial assets |  80,275 |  -  |  109,792 |  -  |  97,092 |  -  |
| Current bond investment without active market |  1,745,000 |  0.5 |  -  |  -  |  -  |  -  |
| Notes and accounts receivable, net |  183,481,024 |  54.6 |  159,541,841 |  51.2 |  135,893,459 |  48.3 |
| Notes and accounts receivable due from related parties, net |  214,854 |  0.1 |  1,285,357 |  0.4 |  19,443 |  -  |
| Other receivables |  830,638 |  0.3 |  772,840 |  0.2 |  474,562 |  0.2 |
| Inventories, net |  51,219,127 |  15.2 |  51,707,468 |  16.6 |  46,912,683 |  16.7 |
| Non-current assets classified as held for sale |  1,000,000 |  0.3 |  -  |  -  |  -  |  -  |
| Other current assets |  1,760,278 |  0.5 |  1,480,342 |  0.5 |  1,428,395 |  0.5 |
|  |  287,380,820 |  85.5 |  259,133,608 |  83.1 |  237,359,485 |  84.4 |
| **Non-current assets:** |  |  |  |  |  |  |
| Investments accounted for using equity method |  9,301,877 |  2.8 |  11,200,977 |  3.6 |  8,389,124 |  3.0 |
| Non-current available-for-sale financial assets |  14,695,637 |  4.4 |  15,170,610 |  4.9 |  13,773,364 |  4.9 |
| Non-current financial assets at cost |  6,588 |  -  |  15,000 |  -  |  17,492 |  -  |
| Non-current bond investment without active market |  -  |  -  |  1,745,000 |  0.6 |  1,680,835 |  0.6 |
| Property, plant and equipment |  21,209,228 |  6.3 |  20,772,790 |  6.7 |  15,406,493 |  5.5 |
| Intangible assets |  1,293,643 |  0.4 |  1,451,181 |  0.5 |  1,461,339 |  0.5 |
| Deferred tax assets |  1,174,203 |  0.3 |  1,080,126 |  0.3 |  1,216,559 |  0.4 |
| Other non-current financial assets |  -  |  -  |  65,886 |  -  |  118,586 |  -  |
| Long-term prepaid rents |  707,261 |  0.2 |  703,079 |  0.2 |  761,327 |  0.3 |
| Other non-current assets |  333,557 |  0.1 |  450,323 |  0.1 |  1,110,244 |  0.4 |
|  |  48,721,994 |  14.5 |  52,654,972 |  16.9 |  43,935,363 |  15.6 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |   |   |   |   |   |   |
| **Total assets** | **$ 336,102,814** |  **100.0** |  **311,788,580** |  **100.0** |  **281,294,848** |  **100.0** |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **December 31, 2013** | **December 31, 2012** | **January 1, 2012** |
| **Liabilities and equity** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| **Current liabilities:** |  |  |  |  |  |  |
| Short-term borrowings | $ 51,971,767 |  15.5 |  36,533,793 |  11.7 |  14,907,377 |  5.3 |
| Current financial liabilities at fair value through profit or loss |  11,382 |  -  |  39,963 |  -  |  3,569 |  -  |
| Notes and accounts payable |  143,514,698 |  42.7 |  136,095,500 |  43.7 |  130,494,478 |  46.4 |
| Notes and accounts payable to related parties |  1,944,703 |  0.6 |  2,958,167 |  1.0 |  2,277,611 |  0.8 |
| Other payables |  15,601,065 |  4.6 |  12,095,449 |  3.9 |  10,476,301 |  3.7 |
| Current tax liabilities |  1,006,058 |  0.3 |  1,064,261 |  0.3 |  1,192,942 |  0.4 |
| Current provisions |  1,675,765 |  0.5 |  1,939,002 |  0.6 |  2,069,789 |  0.8 |
| Other current liabilities |  2,559,650 |  0.8 |  2,529,103 |  0.8 |  2,231,356 |  0.8 |
| Unearned revenue |  1,889,019 |  0.6 |  1,697,512 |  0.6 |  3,084,542 |  1.1 |
| Long-term borrowings, current portion |  423,154 |  0.1 |  47,383 |  -  |  82,000 |  -  |
|  |  220,597,261 |  65.7 |  195,000,133 |  62.6 |  166,819,965 |  59.3 |
| **Non-current liabilities:** |  |  |  |  |  |  |
| Long-term borrowings |  14,107,367 |  4.2 |  550,604 |  0.2 |  25,000 |  -  |
| Deferred tax liabilities |  678,587 |  0.2 |  668,842 |  0.2 |  375,338 |  0.2 |
| Accrued pension liabilities |  658,410 |  0.2 |  693,155 |  0.2 |  553,467 |  0.2 |
| Other non-current liabilities |  98,917 |  -  |  82,576 |  -  |  80,043 |  -  |
|  |  15,543,281 |  4.6 |  1,995,177 |  0.6 |  1,033,848 |  0.4 |
| **Total liabilities** |  236,140,542 |  70.3 |  196,995,310 |  63.2 |  167,853,813 |  59.7 |
|  |  |  |  |  |  |  |
| **Equity attributable to owners of parent:** |  |  |  |  |  |  |
| Ordinary shares |  44,134,467 |  13.1 |  44,126,526 |  14.2 |  44,002,554 |  15.6 |
| Capital surplus |  16,193,087 |  4.8 |  16,122,810 |  5.2 |  15,889,855 |  5.7 |
| Retained earnings |  44,260,834 |  13.2 |  55,053,941 |  17.6 |  54,964,759 |  19.5 |
| Other equity interest |  (7,707,518) |  (2.3) |  (8,382,397) |  (2.7) |  (8,520,843) |  (3.0) |
| Treasury shares |  (2,007,725) |  (0.6) |  (881,247) |  (0.3) |  (881,247) |  (0.3) |
|  |  94,873,145 |  28.2 |  106,039,633 |  34.0 |  105,455,078 |  37.5 |
| **Non-controlling interests** |  5,089,127 |  1.5 |  8,753,637 |  2.8 |  7,985,957 |  2.8 |
| **Total equity** |  99,962,272 |  29.7 |  114,793,270 |  36.8 |  113,441,035 |  40.3 |
| **Total liabilities and equity** | **$ 336,102,814** |  **100.0** |  **311,788,580** |  **100.0** |  **281,294,848** |  **100.0** |

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated 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** |  $ 692,748,293 |  100.0 |  683,913,713 |  100.0 |
| **Cost of sales** |  664,637,902 |  95.9 |  655,163,910 |  95.8 |
| **Gross profit** |  28,110,391 |  4.1 |  28,749,803 |  4.2 |
| **Operating expenses:** |  |  |  |  |
| Selling expenses |  3,271,332 |  0.5 |  3,628,822 |  0.5 |
| Administrative expenses |  4,294,551 |  0.6 |  4,008,269 |  0.6 |
| Research and development expenses |  11,310,464 |  1.7 |  11,057,818 |  1.6 |
|  |  18,876,347 |  2.8 |  18,694,909 |  2.7 |
| **Net operating income** |  9,234,044 |  1.3 |  10,054,894 |  1.5 |
| **Non-operating income and expenses:** |  |  |  |  |
| Other gains and losses |  179,651 |  - |  (363,491) |  (0.1) |
| Finance costs |  (493,642) |  (0.1) |  (411,796) |  (0.1) |
| Other income |  1,468,093 |  0.2 |  1,970,858 |  0.3 |
| Miscellaneous disbursements |  (10,291) |  - |  (77,418) |  - |
| Impairment loss |  (4,909,772) |  (0.7) |  (2,492) |  - |
| Share of loss of associates and joint ventures accounted for using equity method |  (1,107,701) |  (0.1) |  (1,746,710) |  (0.2) |
| **Total non-operating income and expenses** |  (4,873,662) |  (0.7) |  (631,049)  |  (0.1) |
| **Profit before tax** |  4,360,382 |  0.6 |  9,423,845 |  1.4 |
| **Less: tax expense** |  1,456,650 |  0.2 |  2,183,698 |  0.3 |
| **Profit** |  2,903,732 |  0.4 |  7,240,147 |  1.1 |
| **Other comprehensive income:** |  |  |  |  |
| Other comprehensive income, before tax, exchange differences on translation |  1,113,347 |  0.2 |  (1,591,811) |  (0.2) |
| Other comprehensive income, before tax, available-for-sale financial assets |  (765,150) |  (0.1) |  2,096,736 |  0.2 |
| Other comprehensive income before tax actuarial gains (losses) on defined benefit plans |  651 |  -  |  (170,161) |  -  |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method |  391,438 |  - |  (172,853) |  - |
| Less: income tax relating to components of other comprehensive income |  28,988 |  -  |  221,038 |  -  |
| Other comprehensive income, net |  711,298 |  0.1 |  (59,127) |  -  |
| **Comprehensive income** |  **$ 3,615,030** |  **0.5** |  **7,181,020** |  **1.1** |
| **Profit, attributable to:** |  |  |  |  |
| Profit, attributable to owners of parent |  $ 2,467,211 |  0.3 |  6,399,958 |  1.0 |
| Profit, attributable to non-controlling interests |  436,521 |  0.1 |  840,189 |  0.1 |
|  |  **$ 2,903,732** |  **0.4** |  **7,240,147** |  **1.1** |
| **Comprehensive income attributable to:** |  |  |  |  |
| Comprehensive income, attributable to owners of parent |  $ 3,160,663 |  0.4 |  6,406,588 |  1.0 |
| Comprehensive income, attributable to non-controlling interests |  454,367 |  0.1 |  774,432 |  0.1 |
|  |  **$ 3,615,030** |  **0.5** |  **7,181,020** |   **1.0** |
| **Earnings per share:** |  |  |
| **Basic net income per share** |  **$ 0.57** |  **1.47** |
| **Diluted net income per share** |  **$ 0.57** |  **1.44** |

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Statements of changes in equity**

**For the years ended December 31, 2013 and 2012**

**(expressed in thousands of New Taiwan dollars)**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  **Equity attributable to owners of parent**  |  |  |
|  |  |  |  **Retained earnings**  |  **Other equity interest**  |  |  |  |  |
|  |  |  |  |  |  | **Total** | **Exchange differenceson translation** | **Unrealized gains (losses)on** |  |  |  | **Non** |  |
|  | **Ordinary** | **Capital** | **Legal** | **Special** | **Unappropriated** | **retained**  | **of foreign financial** | **Available-for-sale** | **Total other** | **Treasury** |  | **Controlling** |  |
|  |  **shares**  |  **surplus**  |  **reserve**  |  **reserve**  | **retained earnings** |  **earnings**  |  **statements**  |  **financial assets**  |  **equity interest**  |  **shares**  |  **Total equity**  |  **Interests**  |  **Total equity**  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **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 |  7,985,957 |  113,441,035 |
| 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) |  -  |  (6,175,351) |
| Difference between consideration and carrying amount of subsidiariesacquired or disposed |  -  |  1,299 |  -  |  -  |  (3,609) |  (3,609) |  -  |  -  |  -  |  -  |  (2,310) |  -  |  (2,310) |
| Changes in equity of associates and joint ventures accounted for using equity method |  -  |  2,661 |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  2,661 |  -  |  2,661 |
| Issuance of shares for employee share options exercised |  123,972 |  158,985 |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  282,957 |  -  |  282,957 |
| Adjustments of capital surplus for the Company’s cash dividends received by subsidiaries |  -  |  70,010 |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  70,010 |  -  |  70,010 |
| Changes in non-controlling interests |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  (6,752) |  (6,752) |
|  |  44,126,526 |  16,122,810 |  14,980,079 |  8,713,018 |  25,092,702 |  48,785,799 |  (1,234,125) |  (7,286,718) |  (8,520,843) |  (881,247) |  99,633,045 |  7,979,205 |  107,612,250 |
| Profit for the year ended December 31, 2012 |  -  |  -  |  -  |  -  |  6,399,958 |  6,399,958 |  -  |  -  |  -  |  -  |  6,399,958 |  840,189 |  7,240,147 |
| Other comprehensive income |  -  |  -  |  -  |  -  |  (131,816) |  (131,816) |  (1,900,141) |  2,038,587 |  138,446 |  -  |  6,630 |  (65,757) |  (59,127) |
| Comprehensive income |  -  |  -  |  -  |  -  |  6,268,142 |  6,268,142 |  (1,900,141) |  2,038,587 |  138,446 |  -  |  6,406,588 |  774,432 |  7,181,020 |
| **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 |  8,753,637 |  114,793,270 |
| 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) |  -  |  (4,384,186) |
| Purchase of treasury share |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  (1,126,478) |  (1,126,478) |  -  |  (1,126,478) |
| Difference between consideration and carrying amount of subsidiariesacquired or disposed |  -  |  22,330  |  -  |  -  |  (8,878,875) |  (8,878,875) |  (11,538) |  (96) |  (11,634) |  -  |  (8,868,179) |  (4,153,317)  |  (13,021,496) |
| Changes in equity of associates and joint ventures accounted for using equity method |  -  |  (10,754) |  -  |  -  |  (4,196) |  (4,196) |  -  |  -  |  -  |  -  |  (14,950) |  -  |  (14,950) |
| Issuance of shares for employee share options exercised |  7,941 |  8,338 |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  16,279 |  -  |  16,279 |
| Adjustments of capital surplus for the Company’s cash dividends received by subsidiaries |  -  |  50,363 |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  50,363 |  -  |  50,363 |
| Changes in non-controlling interests |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  -  |  34,440 |  34,440 |
|  |  44,134,467 |  16,193,087 |  15,621,182 |  8,818,725 |  17,346,777 |  41,786,684 |  (3,145,804) |  (5,248,227) |  (8,394,031) |  (2,007,725) |  91,712,482 |  4,634,760 |  96,347,242 |
| Profit for the year ended December 31, 2013 |  -  |  -  |  -  |  -  |  2,467,211 |  2,467,211 |  -  |  -  |  -  |  -  |  2,467,211 |  436,521 |  2,903,732 |
| Other comprehensive income |  -  |  -  |  -  |  -  |  6,939 |  6,939 |  1,299,130 |  (612,617) |  686,513 |  -  |  693,452 |  17,846 |  711,298 |
| Comprehensive income |  -  |  -  |  -  |  -  |  2,474,150 |  2,474,150 |  1,299,130 |  (612,617) |  686,513 |  -  |  3,160,663 |  454,367 |  3,615,030 |
| **Balance on December 31, 2013** | **$ 44,134,467** |  **16,193,087** |  **15,621,182** |  **8,818,725** |  **19,820,927** |  **44,260,834** |  **(1,846,674)** |  **(5,860,844)** |  **(7,707,518)** |  **(2,007,725)** |  **94,873,145** |  **5,089,127** |  **99,962,272** |

Note1: Directors’ and supervisors remuneration amounting to $97,500 and employee bonuses amounting to $1,402,500 were recognized in 2011 consolidated statements of comprehensive income.

Note2: Directors’ and supervisors remuneration amounting to $56,545 and employee bonuses amounting to $816,440 were recognized in 2012 consolidated statements of comprehensive income.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated 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** | $ 4,360,382 |  9,423,845 |
| **Adjustments:** |  |  |
| Depreciation and amortization |  5,555,712 |  5,316,605 |
| Increase (decrease) in allowances for uncollectible accounts and allowance for sales returns and discounts |  8,825 |  31,048 |
| Interest expense |  493,642 |  411,796 |
| Interest income |  (628,457) |  (756,726) |
| Dividend income |  (179,601) |  (192,414) |
| Compensation cost of employee share options |  44,561 |  64,598 |
| Share of loss (profit) of associates and joint ventures accounted for using equity method |  1,107,701 |  1,746,710 |
| Gain on disposal of property, plan and equipment |  (246,995) |  (217,630) |
| Gain on disposal of investments |  (626,458) |  (72,214) |
| Impairment loss on financial assets |  4,909,772 |  2,492 |
| Long-term prepaid rents |  16,222 |  15,719 |
| **Adjustments to reconcile profit** |  10,454,924 |  6,349,984 |
| **Changes in operating assets and liabilities:** |  |  |
| **Changes in operating assets:** |  |  |
| Changes in financial assets at fair value through profit or loss |  (2,386) |  104,163 |
| Decrease (increase) in notes and accounts receivable |  (22,772,559) |  (24,894,683) |
| Decrease (increase) in other receivable |  (158,572) |  (239,788) |
| Decrease (increase) in inventories |  506,056 |  (4,779,873) |
| Decrease (increase) in other current assets |  (226,654) |  (44,590) |
| **Total changes in operating assets** |  (22,654,115) |  (29,854,771) |
| **Changes in operating liabilities:** |  |  |
| Changes in financial liabilities at fair value through profit or loss |  (28,581) |  36,394 |
| Increase (decrease) in notes and accounts payable |  6,316,271 |  6,273,366 |
| Increase (decrease) in other payable |  3,327,186 |  (1,291,740) |
| Increase (decrease) in provisions |  (263,237) |  (130,787) |
| Increase (decrease) in unearned revenue |  191,507 |  (1,387,030) |
| Increase (decrease) in other current liabilities |  30,547 |  297,747 |
| Other |  89,820 |  (217,012) |
| **Total changes in operating liabilities** |  9,663,513 |  3,580,938 |
| **Total changes in operating assets and liabilities** |  (12,990,602) |  (26,273,833) |
| **Total adjustments** |  (2,535,678) |  (19,923,849) |
| Cash flows from (used in) operations |  1,824,704 |  (10,500,004) |
| Interest received |  616,057 |  812,918 |
| Dividends received |  204,926 |  195,631 |
| Interest paid |  (444,699) |  (372,754) |
| Income taxes paid |  (1,651,406) |  (2,035,726) |
| **Net Cash flows from (used in) operating activities** |  549,582 |  (11,899,935) |
| **Cash flows from (used in) investing activities:** |  |  |
| Acquisition of investments accounted for using equity method and available-for-sale financial assets |  (1,101,629) |  (4,864,740) |
| 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 financial assets |  916,950 |  639,676 |
| Net cash flow from acquisition of subsidiaries |  (24,102) |  18,914 |
| Proceeds from capital reduction of investments |  80,427 |  78,072 |
| Acquisition of property, plant and equipment |  (5,677,308) |  (8,117,481) |
| Proceeds from disposal of property, plant and equipment |  942,031 |  685,161 |
| Acquisition of intangible assets |  (481,451) |  (691,072) |
| Increase in prepayments for business facilities |  15,370 |  778,238 |
| Other |  89,335 |  11,960 |
| **Net cash flows from (used in) investing activities** |  (9,292,912) |  (11,461,272) |
| **Cash flows from (used in) financing activities:** |  |  |
| Increase (decrease) in short-term loans |  15,437,974 |  21,606,416 |
| Proceeds from long-term debt |  13,932,534 |  597,987 |
| Repayments of long-term debt |  -  |  (107,000) |
| Cash dividends paid |  (4,333,823) |  (6,105,341) |
| Exercise of employee share options |  16,279 |  282,957 |
| Payments to acquire treasury shares |  (1,126,478) |  -  |
| Acquisition of non-controlling interests |  (13,171,986) |  -  |
| Disposal of ownership interests in subsidiaries (without losing control) |  141,517 |  -  |
| Changes in non-controlling interests |  88,538 |  (287,336) |
| Other |  16,341 |  2,533 |
| **Net cash flows from (used in) financing activities** |  11,000,896 |  15,990,216 |
| Effect of exchange rate changes on cash and cash equivalents |  553,704 |  (822,729) |
| Net increase (decrease) in cash and cash equivalents |  2,811,270 |  (8,193,720) |
| Cash and cash equivalents at beginning of period |  44,154,582 |  52,348,302 |
| Cash and cash equivalents at end of period | **$ 46,965,852** |  **44,154,582** |