

**COMPAL ELECTRONICS, INC.**

**Balance Sheets**

**December 31, 2010 and 2009**

(expressed in thousands of New Taiwan dollars)

Assets	2010 Amount	%	2009 Amount	%	Liabilities and Stockholders' Equity	2010 Amount	%	2009 Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	\$ 34,831,662	11.6	20,163,201	7.0	Short-term loans	\$ 24,643,980	8.2	13,811,560	4.8
Financial assets measured at fair value through profit or loss – current	110,000	-	70,832	-	Notes and accounts payable	103,322,516	34.4	110,159,341	38.3
Notes and accounts receivable, net	165,641,433	55.2	152,662,859	53.1	Notes and accounts payable – related parties	46,128,869	15.4	49,390,513	17.2
Notes and accounts receivable, net – related parties	2,773,538	0.9	2,386,816	0.8	Income tax payable	2,544,062	0.9	1,583,815	0.5
Other current financial assets	163,410	0.1	168,066	0.1	Accrued expenses and other current liabilities	6,427,230	2.1	6,498,986	2.3
Inventories, net	26,380,409	8.8	47,918,641	16.7	Bonds payable	-	-	5,701,754	2.0
Prepayment and other current assets	<u>1,089,909</u>	<u>0.4</u>	<u>504,622</u>	<u>0.2</u>	Accrued product warranty liability	<u>3,896,671</u>	<u>1.3</u>	<u>2,193,870</u>	<u>0.8</u>
	<u>230,990,361</u>	<u>77.0</u>	<u>223,875,037</u>	<u>77.9</u>		<u>186,963,328</u>	<u>62.3</u>	<u>189,339,839</u>	<u>65.9</u>
<b>Investments:</b>					<b>Other liabilities:</b>				
Long-term investment under equity method	50,444,759	16.8	52,963,678	18.4	Deferred income tax liabilities and others	<u>20,343</u>	<u>-</u>	<u>195,962</u>	<u>0.1</u>
Available-for-sale financial assets – non-current	10,196,851	3.4	1,988,707	0.7	<b>Total liabilities</b>	<u>186,983,671</u>	<u>62.3</u>	<u>189,535,801</u>	<u>66.0</u>
Financial assets carried at cost – non-current	3,194,531	1.1	3,505,716	1.2	<b>Stockholders' equity:</b>				
Debt investments without quoted price in active markets	1,582,257	0.5	1,492,323	0.5	Common stock	<u>44,280,998</u>	<u>14.8</u>	<u>41,243,688</u>	<u>14.4</u>
Other non-current financial assets	<u>53,224</u>	<u>-</u>	<u>154,664</u>	<u>0.1</u>	Capital surplus:				
	<u>65,471,622</u>	<u>21.8</u>	<u>60,105,088</u>	<u>20.9</u>	Paid-in capital in excess of par value	13,586,249	4.5	10,562,097	3.7
					Other	<u>1,717,345</u>	<u>0.6</u>	<u>2,165,539</u>	<u>0.7</u>
						<u>15,303,594</u>	<u>5.1</u>	<u>12,727,636</u>	<u>4.4</u>
<b>Property, plant and equipment:</b>					Retained earnings:				
Land	894,459	0.3	868,381	0.3	Legal reserve	11,551,432	3.8	9,630,627	3.4
Buildings	1,813,908	0.6	1,757,554	0.6	Special reserve	798,081	0.3	1,448,771	0.5
Research equipment	462,145	0.2	387,870	0.2	Unappropriated retained earnings	<u>45,450,010</u>	<u>15.1</u>	<u>33,715,153</u>	<u>11.7</u>
Other equipment	<u>371,663</u>	<u>0.1</u>	<u>345,666</u>	<u>0.1</u>		<u>57,799,523</u>	<u>19.2</u>	<u>44,794,551</u>	<u>15.6</u>
	3,542,175	1.2	3,359,471	1.2	Equity adjustment:				
Less: accumulated depreciation	(1,390,261)	(0.5)	(1,247,855)	(0.4)	Foreign currency translation adjustments	(2,443,732)	(0.8)	(224,588)	(0.1)
Prepayment for purchase of equipment	<u>24,730</u>	<u>-</u>	<u>19,660</u>	<u>-</u>	Unrealized gains (losses) on financial instruments	(903,090)	(0.3)	126,028	-
	<u>2,176,644</u>	<u>0.7</u>	<u>2,131,276</u>	<u>0.8</u>	Treasury stock	<u>(881,247)</u>	<u>(0.3)</u>	<u>(881,247)</u>	<u>(0.3)</u>
						<u>(4,228,069)</u>	<u>(1.4)</u>	<u>(979,807)</u>	<u>(0.4)</u>
<b>Intangible assets – patent licenses and others</b>	<u>894,909</u>	<u>0.3</u>	<u>836,242</u>	<u>0.3</u>	<b>Total stockholders' equity</b>	113,156,046	37.7	97,786,068	34.0
<b>Other assets – leased assets, net, and others</b>	<u>606,181</u>	<u>0.2</u>	<u>374,226</u>	<u>0.1</u>	<b>Commitments and contingencies</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<b>\$ <u>300,139,717</u></b>	<b><u>100.0</u></b>	<b><u>287,321,869</u></b>	<b><u>100.0</u></b>	<b>Total liabilities and stockholders' equity</b>	<b>\$ <u>300,139,717</u></b>	<b><u>100.0</u></b>	<b><u>287,321,869</u></b>	<b><u>100.0</u></b>

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC.**  
**Statements of Income**

**For the years ended December 31, 2010 and 2009**  
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	<b>2010</b>		<b>2009</b>	
	Amount	%	Amount	%
<b>Net sales</b>	\$ 844,508,265	100.0	626,217,661	100.0
<b>Cost of sales</b>	<u>812,469,949</u>	<u>96.2</u>	<u>597,374,668</u>	<u>95.4</u>
	32,038,316	3.8	28,842,993	4.6
Decrease (increase) in unrealized inter-company profits	<u>(1,199)</u>	<u>-</u>	<u>1,476</u>	<u>-</u>
<b>Gross profit</b>	<u>32,037,117</u>	<u>3.8</u>	<u>28,844,469</u>	<u>4.6</u>
<b>Operating expenses:</b>				
Selling	4,624,780	0.5	3,013,773	0.5
General and administrative	2,711,859	0.3	2,553,293	0.4
Research and development	<u>6,416,571</u>	<u>0.8</u>	<u>5,566,387</u>	<u>0.9</u>
	<u>13,753,210</u>	<u>1.6</u>	<u>11,133,453</u>	<u>1.8</u>
<b>Operating income</b>	<u>18,283,907</u>	<u>2.2</u>	<u>17,711,016</u>	<u>2.8</u>
<b>Non-operating income and gains:</b>				
Interest income	323,563	-	143,445	-
Investment income under the equity method, net	3,983,892	0.5	2,011,276	0.3
Other investment income, net	4,137,590	0.5	-	-
Foreign currency exchange gain, net	-	-	154,660	-
Gain on valuation of financial instruments, net	-	-	72,759	-
Other	<u>389,519</u>	<u>-</u>	<u>424,939</u>	<u>0.1</u>
	<u>8,834,564</u>	<u>1.0</u>	<u>2,807,079</u>	<u>0.4</u>
<b>Non-operating expenses and losses:</b>				
Interest expense	120,906	-	45,681	-
Other investment loss, net	-	-	187,376	-
Foreign currency exchange loss, net	173,632	-	-	-
Impairment losses	218,918	-	97,157	-
Loss on valuation of financial instruments, net	42,185	-	-	-
Other	<u>-</u>	<u>-</u>	<u>639</u>	<u>-</u>
	<u>555,641</u>	<u>-</u>	<u>330,853</u>	<u>-</u>
<b>Net income before income tax expense</b>	26,562,830	3.2	20,187,242	3.2
Income tax expense	<u>3,291,034</u>	<u>0.4</u>	<u>979,193</u>	<u>0.1</u>
<b>Net income</b>	<u>\$ 23,271,796</u>	<u>2.8</u>	<u>19,208,049</u>	<u>3.1</u>

	Before income tax	After income tax	Before income tax	After income tax
<b>Basic net income per share</b>	<u>\$ 6.15</u>	<u>5.38</u>	<u>5.16</u>	<u>4.91</u>
<b>Basic net income per share calculated by adjusting dividends declared retroactively</b>			<u>\$ 5.05</u>	<u>4.81</u>
<b>Diluted net income per share</b>	<u>\$ 5.93</u>	<u>5.20</u>	<u>4.63</u>	<u>4.41</u>
<b>Diluted net income per share calculated by adjusting dividends declared retroactively</b>			<u>\$ 4.54</u>	<u>4.33</u>

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:

	<b>2010</b>		<b>2009</b>	
	Before income tax	After income tax	Before income tax	After income tax
<b>Net income</b>	<u>\$ 26,678,960</u>	<u>23,387,926</u>	<u>20,260,449</u>	<u>19,281,256</u>
<b>Basic net income per share</b>	<u>\$ 6.10</u>	<u>5.35</u>	<u>5.12</u>	<u>4.87</u>
<b>Basic net income per share calculated by adjusting dividends declared retroactively</b>			<u>\$ 5.01</u>	<u>4.77</u>

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC.**

**Statements of Changes in Stockholders' Equity**

**For the years ended December 31, 2010 and 2009**  
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Retained earnings Special reserve	Unappropriated	Unrealized gains (losses) on financial instruments	Foreign currency translation adjustments	Treasury stock	Total
<b>Balance on January 1, 2009</b>	\$ 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)	-	-	-	-	-	-	-
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
<b>Balance on December 31, 2009</b>	<u>41,243,688</u>	<u>12,727,636</u>	<u>9,630,627</u>	<u>1,448,771</u>	<u>33,715,153</u>	<u>126,028</u>	<u>(224,588)</u>	<u>(881,247)</u>	<u>97,786,068</u>
Appropriation of 2009 net income (note 2):									
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	2,020,721	3,620,482	-	-	-	-	-	-	5,641,203
Adjustment for changes in investee company's stockholders' equity	-	(56,887)	-	-	(2,289)	-	-	-	(59,176)
Equity adjustment due to investee companies being merged	-	(507,437)	-	-	-	8,304	(3,117)	-	(502,250)
Issuance of stock for employee stock options exercised	161,211	259,048	-	-	-	-	-	-	420,259
Cash dividends paid to subsidiaries holding the Company's shares	-	116,130	-	-	-	-	-	-	116,130
Net income for the year ended December 31, 2010	-	-	-	-	23,271,796	-	-	-	23,271,796
Foreign currency translation adjustment	-	-	-	-	-	-	(2,216,027)	-	(2,216,027)
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	(1,037,422)	-	-	(1,037,422)
<b>Balance on December 31, 2010</b>	<u>\$ 44,280,998</u>	<u>15,303,594</u>	<u>11,551,432</u>	<u>798,081</u>	<u>45,450,010</u>	<u>(903,090)</u>	<u>(2,443,732)</u>	<u>(881,247)</u>	<u>113,156,046</u>

Note 1: Directors' and supervisors' remuneration amounting to \$113,751 and employee bonuses amounting to \$1,649,394 were recognized in the 2008 statements 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 statements of income.

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC.**

**Statements of Cash Flows**

**For the years ended December 31, 2010 and 2009**  
(expressed in thousands of New Taiwan dollars)

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 23,271,796	19,208,049
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	635,802	939,145
Increase (decrease) in allowance for doubtful accounts and inventory obsolescence provision	(1,511,174)	825,368
Other investment loss (income), net	(4,099,069)	220,546
Impairment losses on financial assets carried at cost	218,918	97,157
Cash dividends received from long-term equity investments	612,239	593,021
Investment income under the equity method, net	(3,983,892)	(2,011,276)
Increase in notes and accounts receivable	(11,821,335)	(95,291,953)
Decrease (increase) in inventories	21,505,445	(34,420,766)
Decrease (increase) in prepayment, other current assets, and other current financial assets	(194,250)	92,097
Increase (decrease) in notes and accounts payable	(10,098,469)	110,720,572
Increase in accrued expenses, other current liabilities, and accrued product warranty liability	1,610,336	3,205,535
Increase (decrease) in income tax payable	960,247	(676,948)
Change in net deferred income tax assets	(349,522)	(217,485)
Decrease (increase) in financial assets measured at fair value through profit or loss – current	(39,168)	131,267
Unrealized foreign currency exchange gain on bonds payable	(44,546)	(181,588)
Other	(131,033)	(71,622)
<b>Net cash provided by operating activities</b>	<u>16,542,325</u>	<u>3,161,119</u>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(152,629)	(124,359)
Increase in patent licenses	(559,134)	(851,546)
Decrease in restricted assets	142,000	-
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	(2,577,576)	(9,418,175)
Capital refund from investee	70,692	20,452
Proceeds from sale of investments	257,821	234,000
Decrease (increase) in long-term receivables – related parties	(20,201)	118,414
Other	(7,146)	3,165
<b>Net cash used in investing activities</b>	<u>(2,846,173)</u>	<u>(10,018,049)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	10,832,420	11,811,560
Cash dividends paid	(10,264,535)	(5,825,807)
Repayment of bonds payable	(16,005)	-
Proceeds from issuance of stock for employee stock options exercised	420,259	432,051
Other	170	(132)
<b>Net cash provided by financing activities</b>	<u>972,309</u>	<u>6,417,672</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	14,668,461	(439,258)
<b>Cash and cash equivalents at beginning of year</b>	20,163,201	20,602,459
<b>Cash and cash equivalents at end of year</b>	<u>\$ 34,831,662</u>	<u>20,163,201</u>
<b>Supplementary disclosures of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest	\$ <u>113,494</u>	<u>42,839</u>
Income taxes	\$ <u>2,680,309</u>	<u>1,876,133</u>
<b>Supplementary disclosures of financing activities not affecting cash flows:</b>		
Convertible bonds payable transferred to common stock and capital surplus	\$ <u>5,641,203</u>	<u>3,987,867</u>
Employee bonuses payable transferred to common stock and capital surplus	\$ <u>-</u>	<u>1,484,455</u>

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