

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

June 30, 2011 and 2010

(expressed in thousands of New Taiwan dollars)

Assets	2011		2010		Liabilities and Stockholders' Equity	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents	\$ 73,701,906	23.1	69,291,129	19.9	Short-term loans	\$ 45,539,589	14.2	34,282,733	9.8
Financial assets measured at fair value through profit or loss – current	168,935	0.1	501,092	0.1	Notes and accounts payable	133,640,326	41.8	165,392,272	47.4
Available-for-sale financial assets – current	132,516	-	182,270	0.1	Notes and accounts payable – related parties	1,356,185	0.4	2,401,690	0.7
Notes and accounts receivable, net	153,769,921	48.1	172,993,371	49.6	Income tax payable	1,251,013	0.4	3,140,304	0.9
Notes and accounts receivable, net – related parties	14,981	-	33,713	-	Accrued expenses and other current liabilities	12,027,873	3.8	14,788,138	4.3
Other current financial assets	1,966,408	0.6	532,408	0.2	Dividends Payable	12,008,994	3.8	10,623,858	3.0
Inventories, net	46,103,996	14.4	58,392,960	16.7	Bonds payable	-	-	1,521,696	0.4
Prepayment and other current assets	1,578,517	0.5	1,245,293	0.3	Accrued product warranty liability	3,245,800	1.0	3,715,870	1.1
Deferred income tax assets – current	577,672	0.2	940,135	0.3	Long-term loans due within one year	94,500	-	68,000	-
	<u>278,014,852</u>	<u>87.0</u>	<u>304,112,371</u>	<u>87.2</u>		<u>209,164,280</u>	<u>65.4</u>	<u>235,934,561</u>	<u>67.6</u>
Investments:					Long-term and non-current liabilities:				
Long-term investment under equity method	6,529,272	2.0	7,367,856	2.1	Long-term loans	66,000	-	39,500	-
Available-for-sale financial assets – non-current	7,654,887	2.4	10,431,967	3.0	Deferred credit balance and other	230,778	0.1	523,444	0.2
Financial assets carried at cost – non-current	8,512,879	2.7	8,768,068	2.5		<u>296,778</u>	<u>0.1</u>	<u>562,944</u>	<u>0.2</u>
Debt investments without quoted price in active markets	1,630,416	0.5	1,536,258	0.4	Total liabilities	<u>209,461,058</u>	<u>65.5</u>	<u>236,497,505</u>	<u>67.8</u>
Other non-current financial assets	103,961	-	171,156	0.1	Stockholders' equity:				
	<u>24,431,415</u>	<u>7.6</u>	<u>28,275,305</u>	<u>8.1</u>	Stock:				
Property, plant and equipment:					Common stock	44,359,712	13.9	42,816,310	12.3
Land and land leasehold rights	1,915,411	0.6	1,412,061	0.4	Stock dividends to be distributed	-	-	855,378	0.2
Buildings	7,775,619	2.4	8,049,684	2.3		<u>44,359,712</u>	<u>13.9</u>	<u>43,671,688</u>	<u>12.5</u>
Machinery and equipment	12,771,760	4.0	12,554,639	3.6	Capital surplus:				
Research equipment	1,613,868	0.5	1,603,810	0.5	Paid-in capital in excess of par value	13,703,533	4.3	12,507,621	3.6
Molding equipment	5,036,055	1.6	4,323,345	1.2	Other	1,852,066	0.6	1,718,897	0.5
Other equipment	3,533,204	1.1	3,082,916	0.9		<u>15,555,599</u>	<u>4.9</u>	<u>14,226,518</u>	<u>4.1</u>
	32,645,917	10.2	31,026,455	8.9	Retained earnings:				
Less: accumulated depreciation	(19,595,439)	(6.1)	(17,806,053)	(5.1)	Legal reserve	13,878,611	4.4	11,551,432	3.3
Unfinished construction and prepayment for purchase of equipment	1,969,195	0.6	1,050,497	0.3	Special reserve	4,825,698	1.5	798,081	0.2
	<u>15,019,673</u>	<u>4.7</u>	<u>14,270,899</u>	<u>4.1</u>	Unappropriated retained earnings	33,966,509	10.6	37,130,110	10.7
Intangible assets:						<u>52,670,818</u>	<u>16.5</u>	<u>49,479,623</u>	<u>14.2</u>
Goodwill	561,587	0.2	561,587	0.1	Equity adjustment:				
Patent licenses and others	1,073,306	0.3	1,278,334	0.4	Foreign currency translation adjustments	(2,752,858)	(0.9)	(140,788)	-
	<u>1,634,893</u>	<u>0.5</u>	<u>1,839,921</u>	<u>0.5</u>	Unrealized losses on financial instruments	(4,909,742)	(1.5)	(2,223,217)	(0.6)
Other assets – refundable deposits and others	<u>617,471</u>	<u>0.2</u>	<u>304,782</u>	<u>0.1</u>	Treasury stock	(2,187,113)	(0.7)	(881,247)	(0.3)
						<u>(9,849,713)</u>	<u>(3.1)</u>	<u>(3,245,252)</u>	<u>(0.9)</u>
					Minority interest	7,520,830	2.3	8,173,196	2.3
					Total stockholders' equity	<u>110,257,246</u>	<u>34.5</u>	<u>112,305,773</u>	<u>32.2</u>
					Commitments and contingencies				
Total assets	\$ <u>319,718,304</u>	<u>100.0</u>	<u>348,803,278</u>	<u>100.0</u>	Total liabilities and stockholders' equity	\$ <u>319,718,304</u>	<u>100.0</u>	<u>348,803,278</u>	<u>100.0</u>

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited)

Six-month periods ended June 30, 2011 and 2010

(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2011		2010	
	Amount	%	Amount	%
Net sales	\$ 347,439,549	100.0	456,012,786	100.0
Cost of sales	<u>330,458,085</u>	<u>95.1</u>	<u>431,903,820</u>	<u>94.7</u>
Gross profit	<u>16,981,464</u>	<u>4.9</u>	<u>24,108,966</u>	<u>5.3</u>
Operating expenses:				
Selling	2,367,863	0.7	3,346,195	0.7
General and administrative	2,211,895	0.7	2,223,701	0.5
Research and development	<u>4,955,637</u>	<u>1.4</u>	<u>4,832,769</u>	<u>1.1</u>
	<u>9,535,395</u>	<u>2.8</u>	<u>10,402,665</u>	<u>2.3</u>
Operating income	<u>7,446,069</u>	<u>2.1</u>	<u>13,706,301</u>	<u>3.0</u>
Non-operating income and gains:				
Interest income	442,493	0.1	313,130	0.1
Other investment income, net	228,994	0.1	4,530,359	1.0
Foreign currency exchange gain, net	483,517	0.2	-	-
Gain on valuation of financial instruments, net	-	-	57,279	-
Other	<u>560,729</u>	<u>0.2</u>	<u>245,738</u>	<u>-</u>
	<u>1,715,733</u>	<u>0.6</u>	<u>5,146,506</u>	<u>1.1</u>
Non-operating expenses and losses:				
Interest expense	197,936	0.1	123,046	-
Investment loss under the equity method, net	619,811	0.2	361,396	0.1
Foreign currency exchange loss, net	-	-	458,406	0.1
Impairment losses	74,086	-	65,669	-
Loss on valuation of financial instruments, net	74,248	-	-	-
Other	<u>14,341</u>	<u>-</u>	<u>217,070</u>	<u>-</u>
	<u>980,422</u>	<u>0.3</u>	<u>1,225,587</u>	<u>0.2</u>
Net income before income tax expense	8,181,380	2.4	17,627,220	3.9
Income tax expense	<u>1,599,888</u>	<u>0.5</u>	<u>2,612,053</u>	<u>0.6</u>
Net income	<u>\$ 6,581,492</u>	<u>1.9</u>	<u>\$ 15,015,167</u>	<u>3.3</u>
Distributed to:				
Parent company's shareholders	\$ 6,777,327	2.0	\$ 14,951,896	3.3
Minority interest in net income (loss) of subsidiaries	<u>(195,835)</u>	<u>(0.1)</u>	<u>63,271</u>	<u>-</u>
	<u>\$ 6,581,492</u>	<u>1.9</u>	<u>\$ 15,015,167</u>	<u>3.3</u>
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Basic net income per share	<u>\$ 1.92</u>	<u>1.55</u>	<u>4.11</u>	<u>3.50</u>
Diluted net income per share	<u>\$ 1.87</u>	<u>1.52</u>	<u>3.92</u>	<u>3.34</u>

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

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

	Common stock	Stock dividends to be distributed	Capital surplus	Retained earnings			Unrealized losses on financial instruments	Foreign currency translation adjustments	Treasury stock	Minority interest	Total
				Legal reserve	Special reserve	Unappropriated					
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)	8,748,858	106,534,926
Appropriation of 2009 net income: (note)											
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)
Minority interest in net income of subsidiaries	-	-	-	-	-	-	-	-	-	63,271	63,271
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	-	(638,933)	(638,933)
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)	8,173,196	112,305,773
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)	7,978,387	121,134,433
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)
Minority interest in net loss of subsidiaries	-	-	-	-	-	-	-	-	-	(195,835)	(195,835)
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	-	(261,722)	(261,722)
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)	7,520,830	110,257,246

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.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows(Unaudited)

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	\$ 6,581,492	15,015,167
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	2,737,125	2,619,336
Decrease in allowance for doubtful account and inventory obsolescence provision	(565,535)	(606,099)
Gain on the merger by way of a stock exchange	-	(4,373,438)
Investment loss under the equity method, net	619,811	361,396
Gains on disposal of investments	(20,398)	(88,719)
Decrease (increase) in notes and accounts receivable	20,976,994	(1,991,833)
Decrease (increase) in inventories	(533,336)	13,640,280
Increase in prepayment, other current assets, and other current financial assets	(1,127,167)	(392,582)
Decrease in notes and accounts payable	(17,112,714)	(10,274,064)
Increase (decrease) in accrued expenses, other current liabilities, and accrued product warranty liability	(1,488,294)	2,854,345
Increase (decrease) in income tax payable	(2,346,544)	615,567
Changes in deferred income tax assets	137,804	(302,139)
Increase in financial assets measured at fair value through profit or loss – current	(40,844)	(28,385)
Foreign currency exchange gain on bonds payable	-	(41,005)
Other	9,453	(16,867)
Net cash provided by operating activities	<u>7,827,847</u>	<u>16,990,960</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(2,778,164)	(2,328,158)
Increase in patent licenses and other intangible assets	(459,049)	(714,661)
Proceeds from sale of property, plant and equipment	73,794	219,308
Acquisition of long-term equity investments and financial assets carried at cost	(279,883)	(620,238)
Capital refund from investee and distribution from investee after completion of liquidation	299,236	65,691
Proceeds from sale of investments	84,916	191,537
Other	(68,408)	(24,559)
Net cash used in investing activities	<u>(3,127,558)</u>	<u>(3,211,080)</u>
Cash flows from financing activities:		
Increase in short-term loans	6,564,237	8,520,746
Proceeds from issuance of stock for employee stock options exercised	195,997	234,470
Purchase of treasury stock	(1,305,866)	-
Repayment of long-term loans	(41,000)	(80,000)
Changes in minority interests	(13,390)	(180,754)
Other	(22,476)	26,408
Net cash provided by financing activities	<u>5,377,502</u>	<u>8,520,870</u>
Effects of exchange rate change on cash and cash equivalents	49,538	28,881
Net increase in cash and cash equivalents	10,127,329	22,329,631
Cash and cash equivalents at beginning of period	<u>63,574,577</u>	<u>46,961,498</u>
Cash and cash equivalents at end of period	<u>\$ 73,701,906</u>	<u>69,291,129</u>
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ <u>201,897</u>	<u>96,252</u>
Income taxes	\$ <u>3,658,810</u>	<u>2,451,676</u>
Supplementary disclosures of financing activities not affecting cash flows:		
Cash dividends payable	\$ <u>11,905,350</u>	<u>10,264,535</u>
Convertible bonds payable transferred to common stock and capital surplus	\$ <u>-</u>	<u>4,139,053</u>
Long-term loans due within one year	\$ <u>94,500</u>	<u>68,000</u>