

COMPAL ELECTRONICS, INC.

Balance Sheets

December 31, 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	\$ 23,223,185	9.8	34,831,662	11.6	Short-term loans	\$ 1,816,500	0.8	24,643,980	8.2
Financial assets measured at fair value through profit or loss – current	161,020	-	110,000	-	Notes and accounts payable	79,842,239	33.7	103,322,516	34.4
Notes and accounts receivable, net	114,932,901	48.5	165,641,433	55.2	Notes and accounts payable – related parties	39,452,910	16.6	46,128,869	15.4
Notes and accounts receivable, net – related parties	4,438,987	1.9	2,773,538	0.9	Income tax payable	542,892	0.2	2,544,062	0.9
Other current financial assets	123,807	0.1	163,410	0.1	Accrued expenses and other current liabilities	6,171,127	2.6	6,427,230	2.1
Inventories, net	22,040,251	9.3	26,380,409	8.8	Accrued product warranty liability	<u>3,046,469</u>	<u>1.3</u>	<u>3,896,671</u>	<u>1.3</u>
Prepayment and other current assets	<u>681,853</u>	<u>0.3</u>	<u>1,089,909</u>	<u>0.4</u>		130,872,137	55.2	186,963,328	62.3
	<u>165,602,004</u>	<u>69.9</u>	<u>230,990,361</u>	<u>77.0</u>	Other liabilities	<u>25,002</u>	<u>-</u>	<u>20,343</u>	<u>-</u>
Investments:					Total liabilities	<u>130,897,139</u>	<u>55.2</u>	<u>186,983,671</u>	<u>62.3</u>
Long-term investment under equity method	58,592,903	24.7	50,444,759	16.8	Stockholders' equity:				
Available-for-sale financial assets – non-current	4,497,669	1.9	10,196,851	3.4	Common stock	<u>44,002,554</u>	<u>18.6</u>	<u>44,280,998</u>	<u>14.8</u>
Financial assets carried at cost – non-current	3,031,256	1.3	3,194,531	1.1	Capital surplus:				
Debt investments without quoted price in active markets	1,680,835	0.7	1,582,257	0.5	Paid-in capital in excess of par value	13,656,502	5.7	13,586,249	4.5
Other non-current financial assets	<u>118,586</u>	<u>0.1</u>	<u>53,224</u>	<u>-</u>	Other	<u>1,855,899</u>	<u>0.8</u>	<u>1,717,345</u>	<u>0.6</u>
	<u>67,921,249</u>	<u>28.7</u>	<u>65,471,622</u>	<u>21.8</u>		<u>15,512,401</u>	<u>6.5</u>	<u>15,303,594</u>	<u>5.1</u>
Property, plant and equipment:					Retained earnings:				
Land	881,578	0.4	894,459	0.3	Legal reserve	13,878,611	5.9	11,551,432	3.8
Buildings	1,823,311	0.8	1,813,908	0.6	Special reserve	4,825,698	2.0	798,081	0.3
Research equipment	614,850	0.2	462,145	0.2	Unappropriated retained earnings	<u>37,435,473</u>	<u>15.8</u>	<u>45,450,010</u>	<u>15.1</u>
Other equipment	<u>399,778</u>	<u>0.2</u>	<u>371,663</u>	<u>0.1</u>		<u>56,139,782</u>	<u>23.7</u>	<u>57,799,523</u>	<u>19.2</u>
	3,719,517	1.6	3,542,175	1.2	Equity adjustment:				
Less: accumulated depreciation	(1,541,173)	(0.7)	(1,390,261)	(0.5)	Foreign currency translation adjustments	(1,234,071)	(0.5)	(2,443,732)	(0.8)
Prepayment for purchase of equipment	<u>5,170</u>	<u>-</u>	<u>24,730</u>	<u>-</u>	Unrealized losses on financial instruments	(7,478,947)	(3.1)	(903,090)	(0.3)
	<u>2,183,514</u>	<u>0.9</u>	<u>2,176,644</u>	<u>0.7</u>	Treasury stock	<u>(881,247)</u>	<u>(0.4)</u>	<u>(881,247)</u>	<u>(0.3)</u>
Intangible assets – patent licenses and others	<u>743,568</u>	<u>0.3</u>	<u>894,909</u>	<u>0.3</u>		<u>(9,594,265)</u>	<u>(4.0)</u>	<u>(4,228,069)</u>	<u>(1.4)</u>
Other assets – leased assets, net, and others	<u>507,276</u>	<u>0.2</u>	<u>606,181</u>	<u>0.2</u>	Total stockholders' equity	106,060,472	44.8	113,156,046	37.7
Total assets	\$ <u>236,957,611</u>	<u>100.0</u>	<u>300,139,717</u>	<u>100.0</u>	Commitments and contingencies				
					Total liabilities and stockholders' equity	\$ <u>236,957,611</u>	<u>100.0</u>	<u>300,139,717</u>	<u>100.0</u>

COMPAL ELECTRONICS, INC.
Statements of Income

For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2011		2010	
	Amount	%	Amount	%
Net sales	\$ 649,477,507	100.0	844,508,265	100.0
Cost of sales	<u>628,904,717</u>	<u>96.8</u>	<u>812,469,949</u>	<u>96.2</u>
	20,572,790	3.2	32,038,316	3.8
Change in unrealized inter-company profits	614	-	(1,199)	-
Gross profit	<u>20,573,404</u>	<u>3.2</u>	<u>32,037,117</u>	<u>3.8</u>
Operating expenses:				
Selling	3,647,047	0.6	4,624,780	0.5
General and administrative	2,346,747	0.4	2,711,859	0.3
Research and development	<u>6,820,678</u>	<u>1.0</u>	<u>6,416,571</u>	<u>0.8</u>
	<u>12,814,472</u>	<u>2.0</u>	<u>13,753,210</u>	<u>1.6</u>
Operating income	<u>7,758,932</u>	<u>1.2</u>	<u>18,283,907</u>	<u>2.2</u>
Non-operating income and gains:				
Interest income	455,540	0.1	323,563	-
Investment income under the equity method, net	4,055,268	0.6	3,983,892	0.5
Other investment income, net	204,284	-	4,137,590	0.5
Gain on valuation of financial instruments, net	13,061	-	-	-
Other	<u>449,706</u>	<u>0.1</u>	<u>389,519</u>	<u>-</u>
	<u>5,177,859</u>	<u>0.8</u>	<u>8,834,564</u>	<u>1.0</u>
Non-operating expenses and losses:				
Interest expense	135,535	-	120,906	-
Foreign currency exchange loss, net	608,534	0.1	173,632	-
Impairment losses	90,389	-	218,918	-
Loss on valuation of financial instruments, net	-	-	42,185	-
	<u>834,458</u>	<u>0.1</u>	<u>555,641</u>	<u>-</u>
Net income before income tax expense	12,102,333	1.9	26,562,830	3.2
Income tax expense	<u>1,087,653</u>	<u>0.2</u>	<u>3,291,034</u>	<u>0.4</u>
Net income	<u>\$ 11,014,680</u>	<u>1.7</u>	<u>23,271,796</u>	<u>2.8</u>
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Basic net income per share	<u>\$ 2.78</u>	<u>2.53</u>	<u>6.15</u>	<u>5.38</u>
Diluted net income per share	<u>\$ 2.72</u>	<u>2.48</u>	<u>5.93</u>	<u>5.20</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:

	2011		2010	
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Net income	<u>\$ 12,237,840</u>	<u>11,150,187</u>	<u>26,678,960</u>	<u>23,387,926</u>
Basic net income per share	<u>\$ 2.78</u>	<u>2.53</u>	<u>6.10</u>	<u>5.35</u>

COMPAL ELECTRONICS, INC.

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Retained earnings Special reserve	Unappropriated	Unrealized losses on financial instruments	Foreign currency translation adjustments	Treasury stock	Total
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)	97,786,068
Appropriation of 2009 net income (note):									
Reversal of 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)
Balance on December 31, 2010	<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>
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)
Adjustment for changes in investee company's stockholders' equity	-	3,047	-	-	(14,398)	-	-	-	(11,351)
Issuance of stock for employee stock options exercised	142,446	200,556	-	-	-	-	-	-	343,002
Cash dividends paid to subsidiaries holding the Company's shares	-	135,507	-	-	-	-	-	-	135,507
Net income for the year ended December 31, 2011	-	-	-	-	11,014,680	-	-	-	11,014,680
Purchase and retirement of treasury stock	(420,890)	(130,303)	-	-	(754,673)	-	-	-	(1,305,866)
Foreign currency translation adjustment	-	-	-	-	-	-	1,209,661	-	1,209,661
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	(6,575,857)	-	-	(6,575,857)
Balance on December 31, 2011	<u>\$ 44,002,554</u>	<u>15,512,401</u>	<u>13,878,611</u>	<u>4,825,698</u>	<u>37,435,473</u>	<u>(7,478,947)</u>	<u>(1,234,071)</u>	<u>(881,247)</u>	<u>106,060,472</u>

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.

Statements of Cash Flows

For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	2011	2010
Cash flows from operating activities:		
Net income	\$ 11,014,680	23,271,796
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	629,454	635,802
Decrease in allowance for doubtful accounts and inventory obsolescence provision	(541,486)	(1,511,174)
Other investment income, net	(30,522)	(4,099,069)
Impairment losses of financial assets carried at cost	90,389	218,918
Cash dividends received from long-term equity investments	724,715	612,239
Investment income under the equity method, net	(4,055,268)	(3,983,892)
Decrease (increase) in notes and accounts receivable	49,582,361	(11,821,335)
Decrease in inventories	4,342,366	21,505,445
Decrease (increase) in prepayment, other current assets, and other current financial assets	304,088	(194,250)
Decrease in notes and accounts payable	(30,156,236)	(10,098,469)
Increase (decrease) in accrued expenses, other current liabilities, and accrued product warranty liability	(1,127,062)	1,610,336
Increase (decrease) in income tax payable	(2,001,170)	960,247
Change in net deferred income tax assets	138,873	(349,522)
Increase in financial assets measured at fair value through profit or loss – current	(51,020)	(39,168)
Foreign currency exchange gain on bonds payable	-	(44,546)
Others	(178,344)	(131,033)
Net cash provided by operating activities	<u>28,685,818</u>	<u>16,542,325</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(199,313)	(152,629)
Increase in intangible assets	(281,021)	(559,134)
Decrease in restricted assets	-	142,000
Acquisition of long-term equity investments and financial assets carried at cost	(4,763,808)	(2,577,576)
Capital refund from investees and distribution from investees after completion of liquidation	538,856	70,692
Proceeds from sale of investments	134,208	257,821
Increase in long-term receivables – related parties	(4,195)	(20,201)
Others	(23,460)	(7,146)
Net cash used in investing activities	<u>(4,598,733)</u>	<u>(2,846,173)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	(22,827,480)	10,832,420
Cash dividends paid	(11,905,350)	(10,264,535)
Proceeds from issuance of stock for employee stock options exercised	343,002	420,259
Repayment of bonds payable	-	(16,005)
Purchase of treasury stock	(1,305,866)	-
Others	132	170
Net cash provided by (used in) financing activities	<u>(35,695,562)</u>	<u>972,309</u>
Net increase (decrease) in cash and cash equivalents	(11,608,477)	14,668,461
Cash and cash equivalents at beginning of period	34,831,662	20,163,201
Cash and cash equivalents at end of period	<u>\$ 23,223,185</u>	<u>34,831,662</u>
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ <u>145,599</u>	<u>113,494</u>
Income taxes	\$ <u>2,949,949</u>	<u>2,680,309</u>
Supplementary disclosures of financing activities not affecting cash flows:		
Convertible bonds payable transferred to common stock and capital surplus	\$ <u>-</u>	<u>5,641,203</u>