

Reasonable valuation; await next product cycle

Fine tune estimates, retain Neutral rating

We fine tune our estimates for Compal's 2009/10 earnings (with quarterly forecasts for 2010) and reiterate our PO at NT\$32.0 (on a 2009/10E mid-cycle P/E of 9x). With 2Q09 business on track and a reasonable valuation, we suggest revisiting the stock at the next meaningful project cycle kick-off, or at a share price below the BVPS (NT\$22).

2Q09 business largely on track

Our recent check shows that Compal 2Q09 notebook and LCD TV shipments are on track to reach the high-end of its 15-20% QoQ growth guidance, on less impact from new model delays (ie, Acer CULV) and component shortages. OPM is likely to stay around 3.0% (3.1% in 1Q09) and we expect it to narrow losses from long-term investments (particularly TPO and IST due to rising utilization).

However, new product cycle yet to kick in

Despite a seasonal pick-up in 3Q09 (MLE: up 16% QoQ), we expect Compal's momentum to be loaded more toward the back end as the new product cycle will not kick in until late August. We expect Compal to supply consumer ULV models for Dell/HP in late 3Q09 and Android netbooks in 4Q09, while overall contributions remain minimal initially.

Valuation down to reasonable level; BVPS provides support

Compal's share price has corrected 20% since early May due to cautious data points from the PC supply chain. In terms of valuation, Compal is back to a more reasonable level (09/10E P/E of 7x), while at a discount to peers due to its non-OP burden. However, with positive operating CF and a strong net cash B/S, we believe Compal's BVPS (NT\$22) should provide good share price support.

Estimates (Dec)

(NT\$)	2007A	2008A	2009E	2010E	2011E
Net Income (mn) Taiwan GAAP	13,683	12,034	13,386	14,392	16,403
EPS (Pre Bonus)	3.52	3.60	4.01	4.31	4.91
EPS (Post Bonus)	3.00	3.10	3.45	3.71	4.22
EPS Change (YoY)	53.7%	3.3%	11.2%	7.5%	14.0%
Dividend / Share	2.40	1.40	1.69	1.83	2.07
Free Cash Flow / Share	2.97	1.21	5.61	4.22	5.43

* Taiwan GAAP changed from Pre Bonus to Post Bonus earnings from 2008.

Valuation (Dec)

	2007A	2008A	2009E	2010E	2011E
P/E (Post Bonus)	8.30x	8.03x	7.22x	6.72x	5.89x
Dividend Yield	9.64%	5.62%	6.78%	7.34%	8.31%
Free Cash Flow Yield*	11.93%	4.86%	22.54%	16.95%	21.82%

* For full definitions of *iQmethod*SM measures, see page 8.

No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or other persons.

>> Employed by a non-US affiliate of MLPF&S and is not registered/qualified as a research analyst under the FINRA rules.

Refer to "Other Important Disclosures" for information on certain Merrill Lynch entities that take responsibility for this report in particular jurisdictions.

Merrill Lynch does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 9 to 11. Analyst Certification on Page 6. Price Objective Basis/Risk on page 6.

Equity | Taiwan | Electronics Manufacturing Services
18 June 2009



RESEARCH

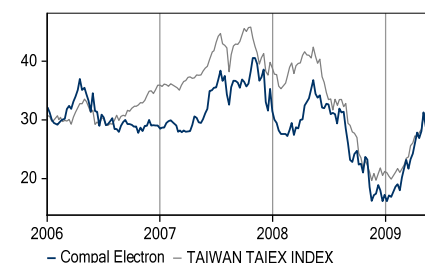
Tina Chang, CFA >> +886 2 2376 3725
Research Analyst
Merrill Lynch (Taiwan)
tina_chang@ml.com

Tony Tseng, CFA >> +886 2 2376 3727
Research Analyst
Merrill Lynch (Taiwan)
tony_tseng@ml.com

Jeffrey Su >> +886 2 2376 3731
Research Analyst
Merrill Lynch (Taiwan)
jeffrey_su@ml.com

Stock Data

Price	NT\$24.90
Price Objective	NT\$32.00
Date Established	10-May-2009
Investment Opinion	C-2-7
Volatility Risk	HIGH
52-Week Range	NT\$14.65-NT\$34.93
Mrkt Val / Shares Out (mn)	US\$2,940 / 3,883.0
Average Daily Volume	23,753,990
ML Symbol / Exchange	CMPLF / TWO
Bloomberg / Reuters	2324 TT / 2324.TW
ROE (2009E)	16.4%
Net Dbt to Eqty (Dec-2008A)	-11.5%
Est. 5-Yr EPS / DPS Growth	5.0% / 5.0%
Free Float	70.0%



18 June 2009

iQprofileSM Compal Electronics

Key Income Statement Data (Dec)	2007A	2008A	2009E	2010E	2011E
(NT\$ Millions)					
Sales	427,460	404,993	500,055	516,259	581,374
Gross Profit	20,630	20,460	24,336	24,732	27,432
Sell General & Admin Expense	(6,269)	(9,215)	(9,246)	(9,449)	(10,348)
Operating Profit	14,361	11,245	15,090	15,283	17,084
Net Interest & Other Income	2,184	2,948	668	1,850	2,443
Associates	NA	NA	NA	NA	NA
Pretax Income	16,545	14,193	15,759	17,133	19,527
Tax (expense) / Benefit	(2,862)	(2,159)	(2,373)	(2,741)	(3,124)
Net Income (Adjusted)	13,683	12,034	13,386	14,392	16,403
Average Fully Diluted Shares Outstanding	3,883	3,883	3,883	3,883	3,883

Key Cash Flow Statement Data

Net Income	13,683	12,034	13,386	14,392	16,403
Depreciation & Amortization	551	696	413	495	594
Change in Working Capital	(5,296)	(11,259)	(4,641)	(792)	2,451
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	2,827	3,538	12,891	2,597	2,005
Cash Flow from Operations	11,765	5,009	22,048	16,692	21,453
Capital Expenditure	(232)	(309)	(250)	(300)	(360)
(Acquisition) / Disposal of Investments	(2,689)	265	(500)	(500)	(500)
Other Cash Inflow / (Outflow)	111	(6,931)	0	0	0
Cash Flow from Investing	(2,810)	(6,975)	(750)	(800)	(860)
Shares Issue / (Repurchase)	0	(1,287)	0	0	0
Cost of Dividends Paid	(6,674)	(9,584)	(5,255)	(6,734)	(7,697)
Cash Flow from Financing	(6,674)	(8,871)	(5,255)	(6,734)	(7,697)
Free Cash Flow	11,533	4,700	21,798	16,392	21,093
Net Debt	(21,699)	(8,933)	(22,006)	(29,567)	(34,449)
Change in Net Debt	(2,281)	12,837	(16,043)	(9,158)	(12,897)

Key Balance Sheet Data

Property, Plant & Equipment	2,158	2,069	2,319	2,619	2,979
Other Non-Current Assets	45,666	50,238	50,865	52,882	55,633
Trade Receivables	64,836	61,023	75,763	76,790	86,423
Cash & Equivalents	31,443	20,804	33,877	41,438	46,320
Other Current Assets	13,587	13,763	13,341	13,784	15,534
Total Assets	157,690	147,897	176,165	187,513	206,889
Long-Term Debt	9,744	9,871	9,871	9,871	9,871
Other Non-Current Liabilities	511	127	127	127	127
Short-Term Debt	0	2,000	2,000	2,000	2,000
Other Current Liabilities	69,185	58,062	78,348	82,263	93,150
Total Liabilities	79,440	70,060	90,346	94,261	105,148
Total Equity	78,249	77,837	85,774	93,227	101,716
Total Equity & Liabilities	157,689	147,897	176,120	187,488	206,864

iQmethodSM - Bus Performance*

Return On Capital Employed	15.8%	11.3%	13.8%	12.8%	13.2%
Return On Equity	18.3%	15.4%	16.4%	16.1%	16.8%
Operating Margin	3.4%	2.8%	3.0%	3.0%	2.9%
EBITDA Margin	3.5%	2.9%	3.1%	3.1%	3.0%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	0.9x	0.4x	1.6x	1.2x	1.3x
Asset Replacement Ratio	0.4x	0.4x	0.6x	0.6x	0.6x
Tax Rate (Reported)	17.3%	15.2%	15.1%	16.0%	16.0%
Net Debt-to-Equity Ratio	-27.7%	-11.5%	-25.7%	-31.7%	-33.9%
Interest Cover	NM	NM	NA	NA	NA

Key Metrics

Stock comp. adjusted ROIC	14.9%	10.1%	12.9%	11.8%	12.2%
Stock comp. adjusted ROE	15.6%	13.9%	14.7%	14.5%	15.1%
Stock comp. adjusted EPS	3.00	3.10	3.45	3.71	4.22
Stock comp. adjusted P/E	8.30x	8.03x	7.22x	6.72x	5.89x

* For full definitions of iQmethodSM measures, see page 8.

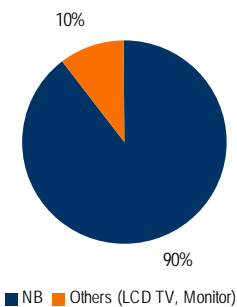
Company Description

Compal is the second largest manufacturer of notebook PCs in the world with about 15-20% share in 2006. NB PCs account for 85% of revenue and the balance comes from handsets, monitors, and flat TVs. Top customers include Dell, HP, Toshiba, and Acer. Compal has three key affiliates-Compal Communication (for handsets), Toppoly (for LCD panels), and VIBO (Telecom operator).

Investment Thesis

We expect Compal to show solid core earning growth in 2009/10, given its leverage to the solid growth in the netbook PC industry. Among netbook ODMs, Compal has a good track record of margin retention, while its long-term investments remain as a drag its core earnings (particularly VIBO and TPO). We are L-T positive on Compal's resilient ROE and solid B/S (net-cash) support.

Chart 1: Revenue breakdown, 2009E



Source: BAS-ML estimates

Stock Data

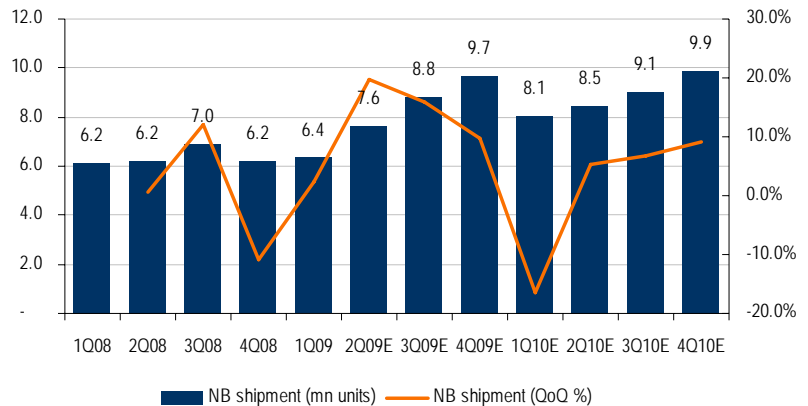
Price to Book Value 1.1x

Table 1: Compal: Earnings revisions for 2009E and 2010E

NT\$m	New		YoY %		Old		Diff %	
	2009E	2010E	2009E	2010E	2009E	2010E	2009E	2010E
Sales	500,055	516,259	23%	3%	499,067	516,259	0%	0%
Gross Profit	24,336	24,732	19%	2%	24,348	24,732	0%	0%
Operating Profit	15,090	15,283	34%	1%	15,119	14,923	0%	2%
Non-Op	668	1,850	-81%	177%	643	1,835	4%	1%
Investment Inc	(146)	1,470	n.m.	n.m.	(171)	1,455	n.m.	n.m.
Others	814	380			814	380		
Pre-tax Profit	15,759	17,133	6%	9%	15,761	16,758	0%	2%
Net Profit	13,386	14,392	6%	8%	13,389	14,076	0%	2%
EPS (NT\$)	3.45	3.71			3.45	3.63		
GPM	4.9%	4.8%			4.9%	4.8%		
Opex	-1.8%	-1.8%			-1.8%	-1.9%		
OPM	3.0%	3.0%			3.0%	2.9%		
NM	2.7%	2.8%			2.7%	2.7%		

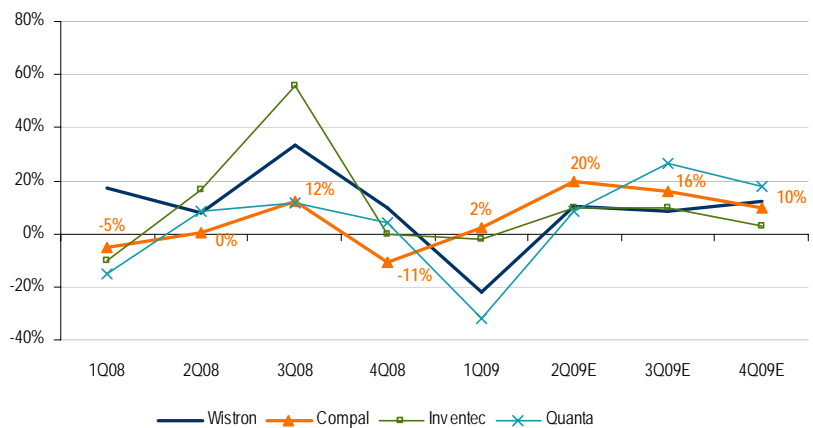
Source: BAS-ML estimates

Chart 2: Compal: Quarterly notebook shipments and QoQ trend



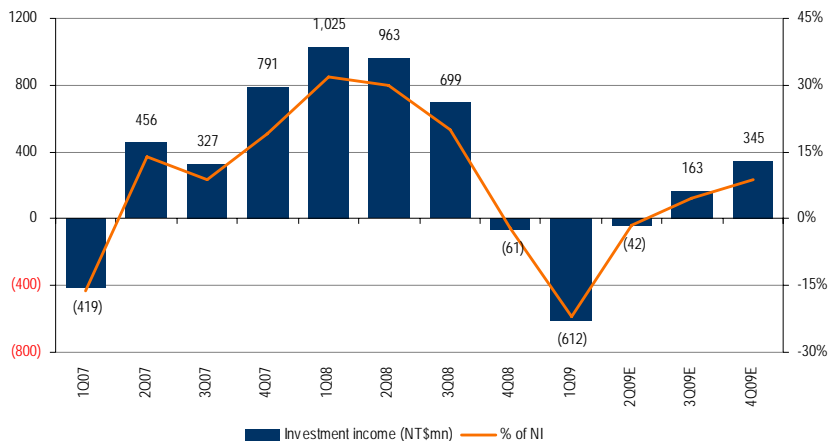
Source: Compal, BAS-ML estimates

Chart 3: Taiwan notebook ODMs: QoQ shipment trend



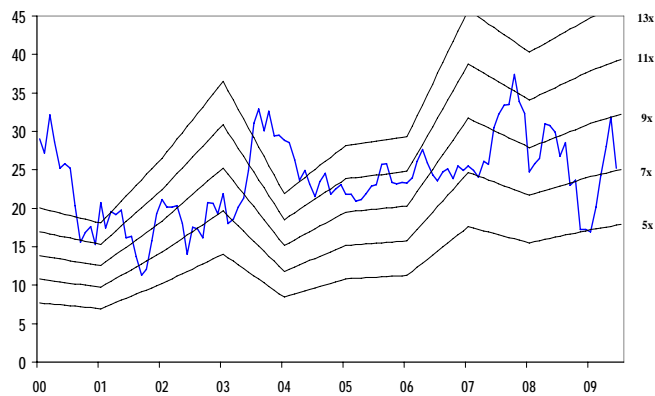
Source: Companies, BAS-ML estimates

Chart 4: Compal: May narrow long-term investment losses in 2Q09



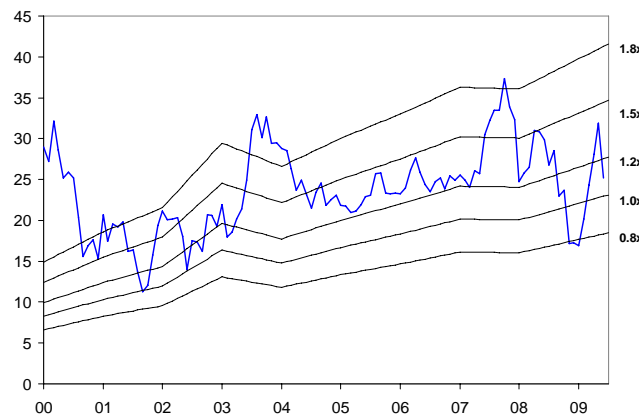
Source: Compal, BAS-ML estimates

Chart 5: Compal: Forward P/E bands



Source: TEJ, BAS-ML estimates

Chart 6: Compal: Forward P/B bands



Source: TEJ, BAS-ML estimates

Table 2: Valuation comparison table

	ML Symbol	ML Rating	Price 18-Jun-09	Mkt Cap (US\$m)	EPS (Local)		EPG		PER(x)		PBR(x) 2009E	ROE (%)		Cash Yield	Price YTD
					2009E	2010E	2009E	2010E	2009E	2010E		2009E	2010E		
Acer	ASIYF	C-3-8 Un	58.0	4,484	4.4	5.2	-7%	16%	13.0	11.2	1.7	13%	14%	4%	36%
Asustek	AKCPF	C-3-7 Un	39.2	5,195	1.1	2.1	-77%	90%	35.6	18.7	0.9	2%	5%	4%	6%
Lenovo	LNVGF	C-3-8 Un	2.9	3,470	-0.1	0.1	-48%	-186%	n.m.	n.m.	2.5	-10%	9%	0%	38%
PC Brand Avg.					n.m.	n.m.	24.3	15.0	1.7	2%	9%	3%	27%		
Compal	CMPLF	C-2-7 Neutral	24.9	3,021	3.4	3.7	11%	8%	7.2	6.7	1.1	16%	16%	6%	44%
Wistron	WICOF	C-2-7 Neutral	53.5	2,535	4.9	5.2	7%	6%	11.0	10.4	1.9	18%	17%	2%	115%
Quanta	QUCPF	C-3-8 Un	51.0	5,816	4.8	4.8	-13%	0%	10.6	10.6	1.9	18%	18%	7%	47%
Inventec	IVCJF	C-3-8 Un	17.9	1,433	1.9	1.6	-10%	-12%	9.6	10.9	1.1	12%	12%	6%	94%
Hon Hai	HNHAF	C-3-8 Un	97.8	26,217	6.2	6.7	-3%	7%	15.7	14.6	2.0	13%	13%	1%	77%
PC ODM Avg.							-2%	2%	10.8	10.6	1.6	16%	15%	4%	75%

Source: BAS-ML estimates, Bloomberg

Table 3: Compal: Quarterly income statement (Parent)

NT\$m	1Q08A	2Q08A	3Q08A	4Q08A	1Q09A	2Q09E	3Q09E	4Q09E	1Q10E	2Q10E	3Q10E	4Q10E	2007A	2008A	2009E	2010E	2011E
Sales	101,641	86,418	110,087	106,847	109,178	119,747	132,330	138,800	118,241	124,542	132,244	141,231	427,460	404,993	500,055	516,259	581,374
Cost of Sales	(96,833)	(81,853)	(104,419)	(101,427)	(103,778)	(113,901)	(125,940)	(132,099)	(112,530)	(118,530)	(125,923)	(134,544)	(406,830)	(384,532)	(475,718)	(491,527)	(553,942)
Gross Profit	4,808	4,565	5,668	5,420	5,400	5,846	6,389	6,701	5,711	6,012	6,321	6,687	20,630	20,460	24,336	24,732	27,432
Operating Expense	(2,078)	(2,241)	(2,478)	(2,419)	(2,064)	(2,275)	(2,408)	(2,498)	(2,247)	(2,267)	(2,394)	(2,542)	(6,269)	(9,215)	(9,246)	(9,449)	(10,348)
Promotion	(462)	(512)	(550)	(534)	(349)	(359)	(384)	(389)	(355)	(361)	(370)	(395)	(2,230)	(2,060)	(1,481)	(1,482)	(1,628)
ADM	(586)	(691)	(717)	(704)	(544)	(599)	(635)	(652)	(591)	(598)	(635)	(664)	(1,139)	(2,699)	(2,430)	(2,488)	(2,616)
R&D	(1,029)	(1,037)	(1,211)	(1,181)	(1,171)	(1,317)	(1,389)	(1,457)	(1,301)	(1,308)	(1,389)	(1,483)	(2,900)	(4,457)	(5,335)	(5,480)	(6,104)
Operating Profit	2,730	2,324	3,190	3,001	3,336	3,571	3,981	4,203	3,465	3,745	3,928	4,145	14,361	11,245	15,090	15,283	17,084
Non-op Income	1,229	1,402	820	101	(98)	58	263	445	197	410	627	616	2,183	3,552	668	1,850	2,443
Net Interest Income	194	194	112	85	22	50	50	50	40	40	50	50	826	585	172	180	180
Investment Income	1,025	963	699	(61)	(612)	(42)	163	345	107	320	527	516	1,155	2,626	(146)	1,470	2,063
Disposal Gain	-	-	-	-	-	-	-	-	-	-	-	-	101	-	-	-	-
Exchange Gain	(63)	187	(48)	9	463	-	-	-	-	-	-	-	(28)	85	463	-	-
Others	73	59	57	68	29	50	50	50	50	50	50	50	129	257	179	200	200
Pre-tax Profit	3,959	3,726	4,010	3,102	3,238	3,629	4,244	4,648	3,662	4,155	4,555	4,761	16,544	14,797	15,759	17,133	19,527
Tax Expense	(750)	(511)	(533)	(364)	(439)	(689)	(594)	(651)	(549)	(795)	(683)	(714)	(2,861)	(2,159)	(2,373)	(2,741)	(3,124)
Net Profit	3,209	3,215	3,477	2,738	2,800	2,939	3,650	3,997	3,113	3,361	3,872	4,047	13,683	12,638	13,386	14,392	16,403
EPS (NT\$)	0.83	0.83	0.90	0.71	0.72	0.76	0.94	1.03	0.80	0.87	1.00	1.04	3.52	3.25	3.45	3.71	4.22
%																	
Gross Margin	4.7%	5.3%	5.1%	5.1%	4.9%	4.9%	4.8%	4.8%	4.8%	4.8%	4.8%	4.7%	4.8%	5.1%	4.9%	4.8%	4.7%
Operating Expense	-2.0%	-2.6%	-2.3%	-2.3%	-1.9%	-1.9%	-1.8%	-1.8%	-1.9%	-1.8%	-1.8%	-1.8%	-1.5%	-2.3%	-1.8%	-1.8%	-1.8%
Operating Margin	2.7%	2.7%	2.9%	2.8%	3.1%	3.0%	3.0%	3.0%	2.9%	3.0%	3.0%	2.9%	3.4%	2.8%	3.0%	3.0%	2.9%
Pre-tax Margin	3.9%	4.3%	3.6%	2.9%	3.0%	3.0%	3.2%	3.3%	3.1%	3.3%	3.4%	3.4%	3.9%	3.7%	3.2%	3.3%	3.4%
Net Margin	3.2%	3.7%	3.2%	2.6%	2.6%	2.5%	2.8%	2.9%	2.6%	2.7%	2.9%	2.9%	3.2%	3.1%	2.7%	2.8%	2.8%
Tax Rate	19%	14%	13%	12%	14%	19%	14%	14%	15%	19%	15%	15%	17%	15%	15%	16%	16%
Sequential Growth																	
Sales	-13%	-15%	27%	-3%	2%	10%	11%	5%	-15%	5%	6%	7%	41%	-5%	23%	3%	13%
Cost of Sales	-12%	-15%	28%	-3%	2%	10%	11%	5%	-15%	5%	6%	7%	41%	-5%	24%	3%	13%
Gross Profit	-16%	-5%	24%	-4%	0%	8%	9%	5%	-15%	5%	5%	6%	43%	-1%	19%	2%	11%
Operating Expense	20%	8%	11%	-2%	-15%	10%	6%	4%	-10%	1%	6%	6%	21%	47%	0%	2%	10%
Operating Profit	-32%	-15%	37%	-6%	11%	7%	11%	6%	-18%	8%	5%	6%	55%	-22%	34%	1%	12%
Non-op Income	17%	14%	-42%	-88%	-197%	-159%	351%	69%	-56%	108%	53%	-2%	89%	63%	-81%	177%	32%
Pre-Tax Profit	-22%	-6%	8%	-23%	4%	12%	17%	10%	-21%	13%	10%	5%	59%	-11%	6%	9%	14%
Tax Expense	-17%	-32%	4%	-32%	20%	57%	-14%	10%	-16%	45%	-14%	5%	74%	-25%	10%	16%	14%
Net Profit	-23%	0%	8%	-21%	2%	5%	24%	10%	-22%	8%	15%	5%	56%	-8%	6%	8%	14%
Key Assumptions																	
Notebook (mn)	6.2	6.2	7.0	6.2	6.4	7.6	8.8	9.7	8.1	8.5	9.1	9.9	22.6	25.5	32.4	35.5	40.9
LCD Monitor (mn)	0.5	0.7	0.4	0.3	0.2	0.3	0.4	0.5	0.3	0.3	0.4	0.4	2.8	2.0	1.4	1.4	1.5
LCD TV (000)	0.2	0.4	0.6	0.7	0.7	0.7	0.8	0.9	0.9	0.9	1.0	1.0	0.2	1.9	3.1	3.7	4.4

Source: TEJ, BAS-ML estimates

Price objective basis & risk

Compal Electron (CMPLF)

Our PO of NT\$32.0 is based on a P/E of 9x 2009/10E bonus-adjusted EPS, which is at the mid end of Compal's historical P/E band since 2005. Mid-cycle valuation should support by its solid core earning deliver, quality balance sheet, and strong cash flow position. Upside risks to our PO are (1) stronger NB PC demand, and (2) faster-than-expected improvement in L-T investments. Downside risks are: (1) larger-than-expected pricing and margin declines, and (2) retention of key customers.

Analyst Certification

I, Tina Chang, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

Foreign investment in Taiwan securities is regulated and restricted. Currently, foreign investment in Taiwan securities is permitted by investment through: (1) global depository receipts, (2) convertible bonds, (3) mutual funds issued offshore of Taiwan, and (4) a special foreign institutional investors (FINIs) and foreign individual investors (FIDIs) program supervised by the Taiwan SFB whereunder FINIs/FIDIs may apply for investment ID to invest in Taiwan securities by registration with Taiwan Stock Exchange. FINIs will additionally need consent from the foreign exchange authority, ie, the Central Bank of China. In addition to the limitations above, various industry-specific percentage-based limitations on foreign ownership of Taiwan companies (and in some cases prohibitions) may apply. Investments are subject to exchange rate and currency conversion restrictions and risks. Dividends and interest earned by foreign investors' Taiwan securities/instruments are generally subject to a 20% withholding tax. Ordinary shares are not available to ML private client accounts in the U.S.

This report is distributed in the Republic of China by Merrill Lynch, Pierce, Fenner & Smith Inc., Taiwan Branch, which is regulated by the US SEC and the SFB of the Republic of China.

Research provided by Merrill Lynch Global (Taiwan) Limited, a registered SICE, for distribution in Taiwan is provided under contract to Merrill Lynch, Pierce, Fenner & Smith Inc., Taiwan Branch.

18 June 2009

APR - Technology Hardware Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	AU Optronics	AUO	AUO US	Jeffrey Su
	AU Optronics	AUOPF	2409 TT	Jeffrey Su
	Cheil Industries	CLFUF	001300 KS	Simon Dong-je Woo, CFA
	Coretronic	CCOCF	5371 TT	Jeffrey Su
	Delta Elect	DLTEF	2308 TT	Jeffrey Su
	HTC Corp.	HTCCF	2498 TT	Laura Chen
	LG Display Co., Ltd.	LPHLF	034220 KS	Jeffrey Su
	LG Display Co., Ltd.-A	LPL	LPL US	Jeffrey Su
	LG Electronics	LGEAF	066570 KS	Laura Chen
	Samsung Techwin	SGTWF	012450 KS	Simon Dong-je Woo, CFA
	Simplo Tech	SPLOF	6121 TT	Tina Chang, CFA
	TPV	TPVTF	903 HK	Simon Dong-je Woo, CFA
NEUTRAL				
	Alpha Networks I	AHNWF	3380 TT	Laura Chen
	Compal Electron	CMPLF	2324 TT	Tina Chang, CFA
	Lite-On Tech	LOTZF	2301 TT	Jeffrey Su
	Merry Electron	MMECF	2439 TT	Laura Chen
	Qisda Corp	BNQCF	2352 TT	Jeffrey Su
	Shin Zu Shing	SZUSF	3376 TT	Tina Chang, CFA
	Sillitech	SLKCF	3311 TT	Laura Chen
	Wistron	WICOF	3231 TT	Tony Tseng, CFA
UNDERPERFORM				
	Acer, Inc	ASIYF	2353 TT	Tony Tseng, CFA
	Asustek	AKCPF	2357 TT	Tony Tseng, CFA
	Catcher Tech	CHERF	2474 TT	Tina Chang, CFA
	Chi Mei Opto	CMEOF	3009 TT	Jeffrey Su
	Chicony Elect	CCNYF	2385 TT	Tina Chang, CFA
	Compal Comm	CPCMF	8078 TT	Laura Chen
	Epistar Corp	EPIPF	2448 TT	Jeffrey Su
	Everlight Elec	EVLEF	2393 TT	Jeffrey Su
	Foxconn Intl Hld	FXCNF	2038 HK	Laura Chen
	Foxconn Tech	FXTCF	2354 TT	Tony Tseng, CFA
	Gemtek Technolog	GTKTF	4906 TT	Laura Chen
	Hon Hai Prec.	HNHAF	2317 TT	Tony Tseng, CFA
	InnoLux	INXDF	3481 TT	Jeffrey Su
	Inventec	IVCJF	2356 TT	Tina Chang, CFA
	Inventec Applian	IVAPF	3367 TT	Tina Chang, CFA
	Largan Precision	LGANF	3008 TT	Laura Chen
	Lenovo Group	LNVGF	992 HK	Daniel Heyler
	Lenovo Group	LNVGY	LNVGY US	Daniel Heyler
	Mitac Intl	MTCXF	2315 TT	Tina Chang, CFA
	Quanta Computer	QUCPF	2382 TT	Tony Tseng, CFA
	Radiant	ROPTF	6176 TT	Jeffrey Su
	Samsung Elec M	SSEMF	009150 KS	Masashi Kubota
	Samsung SDI	SSDIF	006400 KS	Simon Dong-je Woo, CFA
	Seoul Semicon	SLSOF	046890 KS	Simon Dong-je Woo, CFA
	Wellypower	XTTWF	3080 TT	Jeffrey Su

18 June 2009

***iQmethod*SM Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

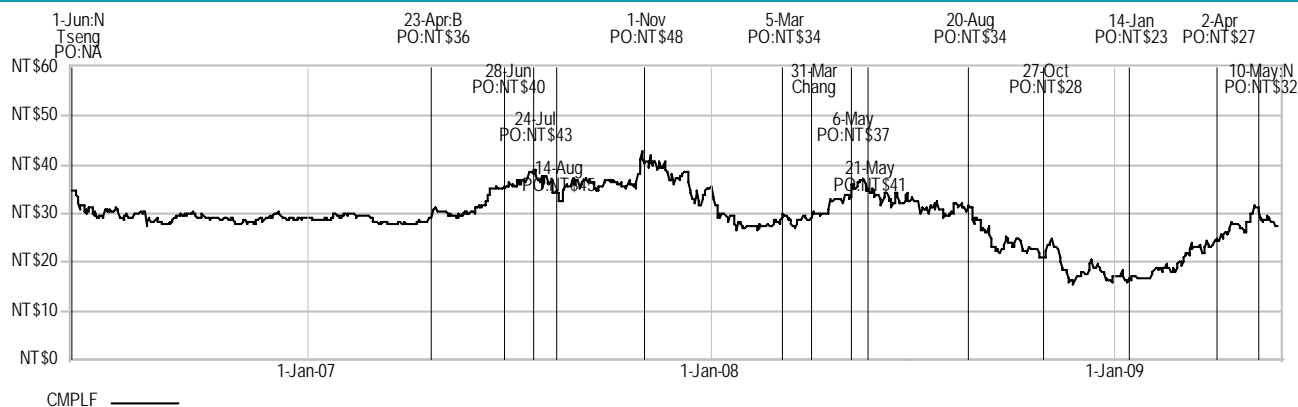
*iQmethod*SM is the set of Banc of America Securities-Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by Banc of America Securities-Merrill Lynch.

*iQprofile*SM, *iQmethod*SM are service marks of Merrill Lynch & Co., Inc. *iQdatabase*[®] is a registered service mark of Merrill Lynch & Co., Inc.

Important Disclosures

CMPLF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of May 31, 2009 or such later date as indicated. BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of May 31, 2009 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

Investment Rating Distribution: Electronics Group (as of 01 Apr 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	17	23.29%	Buy	4	30.77%
Neutral	15	20.55%	Neutral	1	7.14%
Sell	41	56.16%	Sell	3	8.33%

Investment Rating Distribution: Global Group (as of 01 Apr 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1243	38.21%	Buy	520	46.39%
Neutral	841	25.85%	Neutral	349	47.04%
Sell	1169	35.94%	Sell	388	36.30%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of a stock's: (i) absolute total return potential and (ii) attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BAS-ML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BAS-ML Comment referencing the stock.

The company is or was, within the last 12 months, an investment banking client of MLPF&S and/or one or more of its affiliates: Compal Electron.
The company is or was, within the last 12 months, a non-securities business client of MLPF&S and/or one or more of its affiliates: Compal Electron.
In the US, retail sales and/or distribution of this report may be made only in states where these securities are exempt from registration or have been qualified for sale: Compal Electron.
MLPF&S or an affiliate has received compensation for investment banking services from this company within the past 12 months: Compal Electron.
MLPF&S or an affiliate expects to receive or intends to seek compensation for investment banking services from this company or an affiliate of the company within the next three months: Compal Electron.

18 June 2009

The country in which this company is organized has certain laws or regulations that limit or restrict ownership of the company's shares by nationals of other countries: Compal Electron.

The company is or was, within the last 12 months, a securities business client (non-investment banking) of MLPF&S and/or one or more of its affiliates: Compal Electron.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of Merrill Lynch, including profits derived from investment banking revenues.

Other Important Disclosures

Merrill Lynch Research policies relating to conflicts of interest are described at <http://www.ml.com/media/43347.pdf>.

"Merrill Lynch" includes Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") and its affiliates, including BofA (defined below). "BofA" refers to Banc of America Securities LLC ("BAS"), Banc of America Securities Limited ("BASL"), Banc of America Investment Services, Inc ("BAI") and their affiliates. Investors should contact their Merrill Lynch or BofA representative if they have questions concerning this report.

Information relating to Non-US affiliates of Merrill Lynch and Distribution of Affiliate Research Reports:

MLPF&S, BAS, BAI, and BASL distribute, or may in the future distribute, research reports of the following non-US affiliates in the US (short name: legal name): Merrill Lynch (France): Merrill Lynch Capital Markets (France) SAS; Merrill Lynch (Frankfurt): Merrill Lynch International Bank Ltd, Frankfurt Branch; Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd; Merrill Lynch (Milan): Merrill Lynch International Bank Limited; MLPF&S (UK): Merrill Lynch, Pierce, Fenner & Smith Limited; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited; Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd; Merrill Lynch (Canada): Merrill Lynch Canada Inc; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa; Merrill Lynch (Argentina): Merrill Lynch Argentina SA; Merrill Lynch (Japan): Merrill Lynch Japan Securities Co, Ltd; Merrill Lynch (Seoul): Merrill Lynch International Incorporated (Seoul Branch); Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd.; DSP Merrill Lynch (India): DSP Merrill Lynch Limited; PT Merrill Lynch (Indonesia): PT Merrill Lynch Indonesia; Merrill Lynch (KL) Sdn. Bhd.; Merrill Lynch (Malaysia): Merrill Lynch (Israel): Merrill Lynch Israel Limited; Merrill Lynch (Russia): Merrill Lynch CIS Limited, Moscow; Merrill Lynch (Turkey): Merrill Lynch Yatirim Bankasi A.S.; Merrill Lynch (Dubai): Merrill Lynch International Bank Ltd, Dubai Branch; MLPF&S (Zürich rep. office): MLPF&S Incorporated Zürich representative office.

This research report has been approved for publication in the United Kingdom by Merrill Lynch, Pierce, Fenner & Smith Limited and BASL, which are authorized and regulated by the Financial Services Authority; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co, Ltd and Banc of America Securities - Japan, Inc., registered securities dealers under the Financial Instruments and Exchange Law in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited and Banc of America Securities Asia Limited, which are regulated by the Hong Kong SFC and the Hong Kong Monetary Authority; is issued and distributed in Taiwan by Merrill Lynch Securities (Taiwan) Ltd.; is issued and distributed in Malaysia by Merrill Lynch (KL) Sdn. Bhd., a licensed investment adviser regulated by the Malaysian Securities Commission; is issued and distributed in India by DSP Merrill Lynch Limited; and is issued and distributed in Singapore by Merrill Lynch International Bank Limited (Merchant Bank), Merrill Lynch (Singapore) Pte Ltd (Company Registration No.'s F 06872E and 198602883D respectively) and Bank of America Singapore Limited (Merchant Bank). Merrill Lynch International Bank Limited (Merchant Bank), Merrill Lynch (Singapore) Pte Ltd and Bank of America Singapore Limited (Merchant Bank) are regulated by the Monetary Authority of Singapore. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 provides this report in Australia in accordance with section 911B of the Corporations Act 2001 and neither it nor any of its affiliates involved in preparing this research report is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this report in Brazil.

Merrill Lynch (Frankfurt) distributes this report in Germany. Merrill Lynch (Frankfurt) is regulated by BaFin.

This research report has been prepared and issued by MLPF&S and/or one or more of its non-US affiliates. MLPF&S is the distributor of this research report in the US and accepts full responsibility for research reports of its non-US affiliates distributed to MLPF&S clients in the US. Any US person (other than BAS, BAI and their respective clients) receiving this research report and wishing to effect any transaction in any security discussed in the report should do so through MLPF&S and not such foreign affiliates.

BAS distributes this research report to its clients and to its affiliate BAI and accepts responsibility for the distribution of this report in the US to BAS clients, but not to the clients of BAI. BAI is a registered broker-dealer, member of FINRA and SIPC, and is a non-bank subsidiary of Bank of America, N.A. BAI accepts responsibility for the distribution of this report in the US to BAI clients. Transactions by US persons that are BAS or BAI clients in any security discussed herein must be carried out through BAS and BAI, respectively.

18 June 2009

General Investment Related Disclosures:

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this report.

Securities and other financial instruments discussed in this report, or recommended, offered or sold by Merrill Lynch, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the company or the market that is anticipated to have a short-term price impact on the equity securities of the company. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

UK Readers: The protections provided by the U.K. regulatory regime, including the Financial Services Scheme, do not apply in general to business coordinated by Merrill Lynch entities located outside of the United Kingdom. These disclosures should be read in conjunction with the BASL general policy statement on the handling of research conflicts, which is available upon request.

Officers of MLPF&S or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Merrill Lynch is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. Merrill Lynch may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

Merrill Lynch, through business units other than BAS-ML Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented in this report. Such ideas or recommendations reflect the different time frames, assumptions, views and analytical methods of the persons who prepared them, and Merrill Lynch is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this report.

Copyright and General Information regarding Research Reports:

Copyright 2009 Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. iQmethod, iQmethod 2.0, iQprofile, iQtoolkit, iQworks are service marks of Merrill Lynch & Co., Inc. iQanalytics®, iQcustom®, iQdatabase® are registered service marks of Merrill Lynch & Co., Inc. This research report is prepared for the use of Merrill Lynch clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Merrill Lynch. Merrill Lynch research reports are distributed simultaneously to internal and client websites and other portals by Merrill Lynch and are not publicly-available materials. Any unauthorized use or disclosure is prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this report (including any investment recommendations, estimates or price targets) without first obtaining expressed permission from an authorized officer of Merrill Lynch.

Materials prepared by Merrill Lynch research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of Merrill Lynch, including investment banking personnel. To the extent this report discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this report. Merrill Lynch research personnel's knowledge of legal proceedings in which any Merrill Lynch entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving companies mentioned in this report is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of Merrill Lynch in connection with the legal proceedings or matters relevant to such proceedings.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of MLPF&S, any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). Merrill Lynch policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to Merrill Lynch and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This report may contain links to third-party websites. Merrill Lynch is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by or any affiliation with Merrill Lynch. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. Merrill Lynch is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and Merrill Lynch policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports may contain discussions and/or investment opinions relating to securities, financial instruments and/or issuers that are no longer current. Always refer to the most recent research report relating to a company or issuer prior to making an investment decision.

In some cases, a company or issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such company or issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BAS, BAI, MLPF&S or any of their affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither Merrill Lynch nor any officer or employee of Merrill Lynch accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.