

**INNOLUX DISPLAY CORPORATION
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS**

DECEMBER 31, 2007 AND 2008

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of
Innolux Display Corporation

We have audited the accompanying consolidated balance sheets of Innolux Display Corporation and subsidiaries as of December 31, 2007 and 2008, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Innolux Display Corporation and subsidiaries as of December 31, 2007 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

As disclosed in Note 3, effective January 1, 2008, the Company and its subsidiaries adopted EITF 96-052, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", prescribed by the Accounting Research and Development Foundation, R.O.C. As a result of the adoption of EITF 96-052, the consolidated net income and earnings per share for the year ended December 31, 2008 decreased by NT\$263,360,000 and NT\$0.08, respectively.

The consolidated financial statements of Innolux Display Corporation and subsidiaries as of and for the year ended December 31, 2008 expressed in U.S. dollars are presented solely for the convenience of the reader and were translated from the financial statements expressed in New Taiwan dollars using the exchange rate of U.S. \$1.00: NT\$32.76, the noon buying rate in the City of New York for cable transfers in NT dollars per US dollar as certified for custom purpose by the Federal Reserve Bank of New York as of December 31, 2008. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers, Taiwan
March 20, 2009

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices utilized in the Republic of China governing the audit of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

INNOLUX DISPLAY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,

(Amounts expressed in thousands of New Taiwan dollars and U.S. dollars)

	<u>2007</u>	<u>2008</u>	
	NT\$	NT\$	US\$
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4(1))	\$ 53,688,010	\$ 58,906,212	\$ 1,798,114
Financial assets at fair value through profit or loss - current (Note 4(2))	33,311	-	-
Accounts receivable, net - third parties (Note 4(3))	25,622,016	16,094,492	491,285
Accounts receivable - related parties (Note 5)	2,544,126	1,574,378	48,058
Other receivables (Note 4(3))	1,103,852	2,404,625	73,401
Inventories, net (Note 4(4))	16,204,817	17,656,927	538,978
Prepayments (Note 4(10))	1,774,814	1,209,636	36,924
Deferred income tax assets - current (Note 4(9))	186,672	594,094	18,135
Other current assets	60,985	32,259	985
	<u>101,218,603</u>	<u>98,472,623</u>	<u>3,005,880</u>
Funds and Investments			
Financial assets at fair value through profit or loss - non-current (Note 4(2))	-	219,346	6,696
Financial assets carried at cost - non-current (Note 4(5))	400,689	314,439	9,598
Investment in bonds without active markets - non-current (Note 4(5))	-	44,246	1,351
Prepayment for long-term investment (Note 4(5))	100,000	-	-
	<u>500,689</u>	<u>578,031</u>	<u>17,645</u>
Other financial assets - non-current (Note 4(5))	48,000	-	-
Property, Plant and Equipment, Net (Notes 4(6), 5 and 6)			
Cost			
Buildings	4,711,445	4,753,303	145,095
Machinery and equipment	42,053,343	45,566,440	1,390,917
Testing equipment	7,153,534	7,765,572	237,044
Transportation equipment	50,565	58,138	1,775
Office equipment	481,436	604,990	18,467
Leasehold improvements	33,649	31,741	969
Other equipment	1,301,158	1,721,248	52,541
	<u>55,785,130</u>	<u>60,501,432</u>	<u>1,846,808</u>
Less: Accumulated depreciation	(15,492,442)	(24,944,306)	(761,426)
Construction in progress and prepayments for equipment	2,516,201	21,523,343	657,001
	<u>42,808,889</u>	<u>57,080,469</u>	<u>1,742,383</u>
Intangible Asset			
Goodwill (Note 10(5))	161,228	-	-
Other Assets			
Refundable deposits	393,520	416,078	12,701
Deferred expenses	1,498,018	1,974,888	60,283
Deferred income tax assets - non-current (Note 4(9))	1,066,438	663,223	20,245
	<u>2,957,976</u>	<u>3,054,189</u>	<u>93,229</u>
TOTAL ASSETS	<u>\$ 147,695,385</u>	<u>\$ 159,185,312</u>	<u>\$ 4,859,137</u>

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INNOLUX DISPLAY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31,

(Amounts expressed in thousands of New Taiwan dollars and U.S. dollars)

	2007	2008	
	NT\$	NT\$	US\$
			(Unaudited) (Note 2)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Short-term loans (Note 4(7))	\$ 3,127,569	\$ 16,443,249	501,931
Financial liabilities at fair value through profit or loss - current (Note 4(2))	24,601	1,896	58
Accounts payable - third parties	22,631,951	17,667,046	539,287
Accounts payable - related parties (Note 5)	1,605,532	946,074	28,879
Income tax payable (Note 4(9))	1,608,841	449,218	13,712
Accrued expenses (Note 5)	2,746,148	3,932,114	120,028
Equipment payable (Note 5)	619,634	2,765,584	84,419
Other payables (Note 5)	356,917	11,732	358
Receipts in advance	390,911	389,452	11,888
Long-term loans - current portion (Notes 4(8) and 6)	5,141,811	5,611,676	171,297
Other current liabilities	75,474	1,140,798	34,823
	<u>38,329,389</u>	<u>49,358,839</u>	<u>1,506,680</u>
Long-term Liability			
Long-term loans (Notes 4(8) and 6)	<u>13,929,989</u>	<u>13,399,998</u>	<u>409,035</u>
Other Liabilities			
Guarantee deposits received	3,945	2,145	66
Other liabilities - other	129,723	-	-
	<u>133,668</u>	<u>2,145</u>	<u>66</u>
Total liabilities	<u>52,393,046</u>	<u>62,760,982</u>	<u>1,915,781</u>
Stockholders' Equity			
Capital stock (Notes 4(11)(12))			
Common stock	27,423,721	31,131,470	950,289
Common stock subscribed	86,540	105,656	3,225
Capital reserve (Note 4(13))			
Paid-in capital in excess of par value	50,330,398	50,337,808	1,536,563
Capital reserve from long-term investments	14,285	14,285	436
Capital reserve from merger (Note 10(5))	270,648	270,648	8,262
Retained earnings (Note 4(14))			
Legal reserve	229,202	1,843,886	56,285
Undistributed earnings	16,687,289	11,828,376	361,062
Other adjustment to stockholders' equity			
Cumulative translation adjustments	260,256	892,201	27,234
Total stockholders' equity	<u>95,302,339</u>	<u>96,424,330</u>	<u>2,943,356</u>
Commitments and Contingent Liabilities (Note 7)			
Significant Subsequent Events (Note 9)			
TOTAL LIABILITIES AND STOCKHOLDERS'			
EQUITY	<u>\$ 147,695,385</u>	<u>\$ 159,185,312</u>	<u>\$ 4,859,137</u>

The accompanying notes are an integral part of these consolidated financial statements.

See report of independent accountants dated March 20, 2009.

INNOLUX DISPLAY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,

(Amounts expressed in thousands of New Taiwan dollars and U.S. dollars, except for earnings per share)

	<u>2007</u>	<u>2008</u>	
	NT\$	NT\$	US\$
			(Unaudited) (Note 2)
Operating revenues			
Sales (Note 5)	\$ 158,151,115	\$ 163,902,964	\$ 5,003,143
Less: Sales returns	(201,630)	(418,587)	(12,777)
Sales discounts	(778,117)	(2,831,072)	(86,419)
Net operating revenues	<u>157,171,368</u>	<u>160,653,305</u>	<u>4,903,947</u>
Operating costs			
Cost of goods sold (Notes 4(14)(16) and 5)	(134,797,248)	(148,488,289)	(4,532,610)
Gross profit	<u>22,374,120</u>	<u>12,165,016</u>	<u>371,337</u>
Operating expenses (Notes 4(14)(16))			
Sales and marketing expenses	(2,218,261)	(2,886,232)	(88,102)
General and administrative expenses	(1,297,386)	(1,392,133)	(42,495)
Research and development expenses	(1,780,393)	(2,031,956)	(62,025)
Total operating expenses	(5,296,040)	(6,310,321)	(192,622)
Operating income	<u>17,078,080</u>	<u>5,854,695</u>	<u>178,715</u>
Non-operating income			
Interest income	219,955	975,892	29,789
Gain on valuation of financial assets (Note 4(2))	37,227	115,341	3,521
Foreign exchange gain	743,544	265,886	8,116
Other non-operating income	476,776	419,818	12,815
Total non-operating income	<u>1,477,502</u>	<u>1,776,937</u>	<u>54,241</u>
Non-operating expenses			
Interest expense	(1,157,850)	(1,054,262)	(32,181)
Loss on valuation of financial assets (Note 4(2))	-	(654)	(20)
Loss on valuation of financial liabilities (Note 4(2))	(77,078)	(294,136)	(8,979)
Provision for inventory obsolescence and market price decline	-	(313,345)	(9,565)
Impairment loss (Notes 4(5) and 10(5))	-	(378,385)	(11,550)
Other non-operating losses (Note 4(3))	(331,639)	(185,940)	(5,676)
Total non-operating expenses	(1,566,567)	(2,226,722)	(67,971)
Income before income tax	16,989,015	5,404,910	164,985
Income tax expense (Note 4(9))	(837,382)	(553,960)	(16,910)
Consolidated net income	<u>\$ 16,151,633</u>	<u>\$ 4,850,950</u>	<u>\$ 148,075</u>
Attributable to:			
Equity holders of the Company	\$ 16,146,840	\$ 4,850,950	\$ 148,075
Minority interest	4,793	-	-
	<u>\$ 16,151,633</u>	<u>\$ 4,850,950</u>	<u>\$ 148,075</u>

	<u>2007</u>		<u>2008</u>			
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Earnings per common share (in dollars) (Note 4(15))						
Basic earnings per share						
Net income	<u>\$ 6.09</u>	<u>\$ 5.79</u>	<u>\$ 1.74</u>	<u>\$ 1.56</u>	<u>\$ 0.053</u>	<u>\$ 0.048</u>
Diluted earnings per share						
Net income	<u>\$ 5.89</u>	<u>\$ 5.61</u>	<u>\$ 1.70</u>	<u>\$ 1.53</u>	<u>\$ 0.052</u>	<u>\$ 0.047</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 20, 2009.

INNOLUX DISPLAY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Amounts expressed in thousands of New Taiwan dollars and U.S. dollars)

	<u>Capital Stock</u>		<u>Capital Reserve</u>			<u>Retained Earnings</u>		<u>Cumulative translation adjustment</u>	<u>Minority interest</u>	<u>Total</u>
	<u>Common stock</u>	<u>Common stock subscribed</u>	<u>Paid-in capital in excess of par value</u>	<u>Capital reserve from long-term investments</u>	<u>Capital reserve from merger</u>	<u>Legal reserve</u>	<u>Undistributed earnings</u>			
<u>2007 - New Taiwan Dollars</u>										
Balance at January 1, 2007	\$23,121,290	\$ 139,270	\$ 9,800,000	\$ 1,334	\$ -	\$ -	\$ 2,292,020	\$ 82,414	\$ 415,756	\$ 35,852,084
Appropriations of 2006 earnings										
Legal reserve	-	-	-	-	-	229,202	(229,202)	-	-	-
Cash dividends	-	-	-	-	-	-	(466,352)	-	-	(466,352)
Retained earnings capitalized	932,705	-	-	-	-	-	(932,705)	-	-	-
Employees' bonus	-	-	-	-	-	-	(40,597)	-	-	(40,597)
Employees' bonus capitalized	81,193	-	-	-	-	-	(81,193)	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	-	-	(1,522)	-	-	(1,522)
Issuance of common stock through merger	56,503	-	-	-	270,648	-	-	-	-	327,151
Shares issued for employee stock options	232,030	(52,730)	-	-	-	-	-	-	-	179,300
Issuance of GDRs	3,000,000	-	40,530,398	-	-	-	-	-	-	43,530,398
Adjustment due to change in equity of long-term investment	-	-	-	12,951	-	-	-	-	-	12,951
Consolidated net income for 2007	-	-	-	-	-	-	16,146,840	-	4,793	16,151,633
Cumulative translation adjustments	-	-	-	-	-	-	-	177,842	-	177,842
Change in minority interest	-	-	-	-	-	-	-	-	(420,549)	(420,549)
Balance at December 31, 2007	<u>\$27,423,721</u>	<u>\$ 86,540</u>	<u>\$ 50,330,398</u>	<u>\$ 14,285</u>	<u>\$ 270,648</u>	<u>\$ 229,202</u>	<u>\$ 16,687,289</u>	<u>\$ 260,256</u>	<u>\$ -</u>	<u>\$ 95,302,339</u>
<u>2008 - New Taiwan Dollars</u>										
Balance at January 1, 2008	\$27,423,721	\$ 86,540	\$ 50,330,398	\$ 14,285	\$ 270,648	\$ 229,202	\$ 16,687,289	\$ 260,256	\$ -	\$ 95,302,339
Appropriations of 2007 earnings										
Legal reverse	-	-	-	-	-	1,614,684	(1,614,684)	-	-	-
Cash dividends	-	-	-	-	-	-	(4,155,405)	-	-	(4,155,405)
Retained earnings capitalized	2,770,270	-	-	-	-	-	(2,770,270)	-	-	-
Employees' bonus	-	-	-	-	-	-	(512,572)	-	-	(512,572)
Employees' bonus capitalized	650,000	-	-	-	-	-	(650,000)	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	-	-	(6,932)	-	-	(6,932)
Shares issued for employee stock options	287,479	19,116	7,410	-	-	-	-	-	-	314,005
Consolidated net income for 2008	-	-	-	-	-	-	4,850,950	-	-	4,850,950
Cumulative translation adjustments	-	-	-	-	-	-	-	631,945	-	631,945
Balance at December 31, 2008	<u>\$31,131,470</u>	<u>\$ 105,656</u>	<u>\$ 50,337,808</u>	<u>\$ 14,285</u>	<u>\$ 270,648</u>	<u>\$ 1,843,886</u>	<u>\$ 11,828,376</u>	<u>\$ 892,201</u>	<u>\$ -</u>	<u>\$ 96,424,330</u>

(Continued)

INNOLUX DISPLAY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)

(Amounts expressed in thousands of New Taiwan dollars and U.S. dollars)

	<u>Capital Stock</u>		<u>Capital Reserve</u>			<u>Retained Earnings</u>		<u>Cumulative translation adjustment</u>	<u>Minority interest</u>	<u>Total</u>
	<u>Common stock</u>	<u>Common stock subscribed</u>	<u>Paid-in capital in excess of par value</u>	<u>Capital reserve from long-term investments</u>	<u>Capital reserve from merger</u>	<u>Legal reserve</u>	<u>Undistributed earnings</u>			
<u>2008 - US Dollars (Unaudited-Note 2)</u>										
Balance at January 1, 2008	\$ 837,110	\$ 2,642	\$ 1,536,337	\$ 436	\$ 8,262	\$ 6,997	\$ 509,380	\$ 7,944	\$ -	\$ 2,909,108
Appropriations of 2007 earnings										
Legal reverse	-	-	-	-	-	49,288	(49,288)	-	-	-
Cash dividends	-	-	-	-	-	-	(126,844)	-	(126,844)
Retained earnings capitalized	84,563	-	-	-	-	-	(84,563)	-	-	-
Employees' bonus	-	-	-	-	-	-	(15,646)	-	(15,646)
Employees' bonus capitalized	19,841	-	-	-	-	-	(19,841)	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	-	-	(211)	-	(211)
Shares issued for employee stock options	8,775	583	226	-	-	-	-	-	-	9,584
Consolidated net income for 2008	-	-	-	-	-	-	148,075	-	-	148,075
Cumulative translation adjustments	-	-	-	-	-	-	-	19,290	-	19,290
Balance at December 31, 2008	<u>\$ 950,289</u>	<u>\$ 3,225</u>	<u>\$ 1,536,563</u>	<u>\$ 436</u>	<u>\$ 8,262</u>	<u>\$ 56,285</u>	<u>\$ 361,062</u>	<u>\$ 27,234</u>	<u>\$ -</u>	<u>\$ 2,943,356</u>

The accompanying notes are an integral part of these consolidated financial statements.

See report of independent accountants dated March 20, 2009.

INNOLUX DISPLAY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

(Amounts expressed in thousands of New Taiwan dollars and U.S. dollars)

	<u>2007</u>	<u>2008</u>	
	NT\$	NT\$	US\$
			(Unaudited) (Note 2)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Consolidated net income	\$ 16,151,633	\$ 4,850,950	\$ 148,075
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,937,816	10,097,658	308,231
Provision for inventory obsolescence and market price decline	-	313,345	9,565
Impairment loss	-	378,385	11,550
Amortization of investment in bonds without active markets	-	(1,766)	(54)
(Gain) loss on financial assets and financial liabilities at fair value	(8,710)	2,550	78
(Gain) loss on disposal of property, plant and equipment	(3,810)	2,352	72
Changes in assets and liabilities			
Accounts receivable - third parties	(9,466,584)	9,747,170	297,533
Accounts receivable - related parties	(1,997,348)	1,354,123	41,335
Other receivables	(575,980)	(1,262,472)	(38,537)
Inventories	(881,346)	(1,708,906)	(52,164)
Prepayments	(1,636,006)	565,462	17,261
Deferred income tax assets	(796,920)	(4,207)	(128)
Other current assets	(43,480)	31,886	973
Accounts payable - third parties	632,415	(5,076,807)	(154,970)
Accounts payable - related parties	6,094,284	(1,268,913)	(38,734)
Income tax payable	1,390,233	(1,159,623)	(35,397)
Accrued expenses	916,292	1,087,802	33,205
Other payables	(51,765)	(343,397)	(10,482)
Receipts in advance	166,734	(2,774)	(84)
Other current liabilities	38,870	1,063,756	32,471
Other liabilities - other	-	(129,723)	(3,960)
Net cash provided by operating activities	<u>18,866,328</u>	<u>18,536,881</u>	<u>565,839</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial liabilities at fair value through profit or loss - current	-	8,710	266
Increase in financial assets at fair value through profit or loss - non-current	-	(220,000)	(6,716)
Increase in financial assets carried at cost - non-current	(400,689)	(26,619)	(813)
Increase in other financial assets - non-current	(48,000)	-	-
Increase in prepayment for long-term investment	(100,000)	-	-
Acquisition of property, plant and equipment	(4,418,444)	(20,009,423)	(610,788)
Proceeds from disposal of property, plant and equipment	94,387	9,004	275
Increase in refundable deposits	(95,266)	(4,449)	(136)
Increase in deferred expenses	(1,344,217)	(1,598,595)	(48,797)
Net cash inflow from merger	<u>81,760</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(6,230,469)</u>	<u>(21,841,372)</u>	<u>(666,709)</u>

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INNOLUX DISPLAY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31.

(Amounts expressed in thousands of New Taiwan dollars and U.S. dollars)

	2007		2008	
	NT\$	NT\$	NT\$	US\$
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in short-term notes and bills payable	(\$ 3,000,000)	\$ -	\$ -	-
(Decrease) increase in short-term loans, net	(2,294,476)	12,891,810	393,523	393,523
Increase in long-term loans	-	11,000,000	335,776	335,776
Payment of long-term loans	(7,015,403)	(11,254,981)	(343,559)	(343,559)
Decrease in guarantee deposits received	(4,679)	(2,005)	(61)	(61)
Proceeds from issuance of common stock	43,530,398	-	-	-
Proceeds from issuance of common stock for employee stock options	179,300	314,005	9,585	9,585
Decrease in minority interest	(420,549)	-	-	-
Payment of employees' bonus and directors' and supervisors' remuneration	(42,119)	(519,504)	(15,858)	(15,858)
Payment of cash dividends	(466,352)	(4,155,405)	(126,844)	(126,844)
Net cash provided by financing activities	<u>30,466,120</u>	<u>8,273,920</u>	<u>252,562</u>	<u>252,562</u>
Effect of changes in foreign currency exchange rate on cash	<u>34,303</u>	<u>(62,671)</u>	<u>(1,913)</u>	<u>(1,913)</u>
Net cash provided by change in consolidated entities	<u>-</u>	<u>311,444</u>	<u>9,507</u>	<u>9,507</u>
Net increase in cash and cash equivalents	43,136,282	5,218,202	159,286	159,286
Cash and cash equivalents at beginning of the year	<u>10,551,728</u>	<u>53,688,010</u>	<u>1,638,828</u>	<u>1,638,828</u>
Cash and cash equivalents at end of the year	<u>\$ 53,688,010</u>	<u>\$ 58,906,212</u>	<u>\$ 1,798,114</u>	<u>\$ 1,798,114</u>
Supplemental disclosures of cash flow information				
Cash paid for interest	<u>\$ 1,187,963</u>	<u>\$ 1,047,794</u>	<u>\$ 31,984</u>	<u>\$ 31,984</u>
Cash paid for income tax	<u>\$ 244,069</u>	<u>\$ 1,717,790</u>	<u>\$ 52,436</u>	<u>\$ 52,436</u>
Acquisition of property, plant and equipment by cash				
Increase in property, plant and equipment	\$ 3,970,327	\$ 22,155,373	\$ 676,293	\$ 676,293
Equipment payable at beginning of the year	1,067,751	619,634	18,914	18,914
Equipment payable at end of the year	<u>(619,634)</u>	<u>(2,765,584)</u>	<u>(84,419)</u>	<u>(84,419)</u>
Cash paid	<u>\$ 4,418,444</u>	<u>\$ 20,009,423</u>	<u>\$ 610,788</u>	<u>\$ 610,788</u>
Fair value information of assets and liabilities acquired through merger in current period				
Fair value of assets acquired:				
Current assets (excluding cash)	(\$ 90,314)	\$ -	\$ -	-
Property, plant and equipment	(8,396)	-	-	-
Other assets	(2,087)	-	-	-
Fair value of liabilities acquired:				
Liabilities	16,634	-	-	-
Less: Issuance of common stock through merger	56,503	-	-	-
Capital reserve - paid-in capital in excess of par value through merger	270,648	-	-	-
Goodwill	<u>(161,228)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash inflow from merger	<u>\$ 81,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.

See report of independent accountants dated March 20, 2009.

INNOLUX DISPLAY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008

(All amounts expressed in thousands of New Taiwan dollars,
except earnings per share information or unless otherwise specified)

1. HISTORY AND ORGANIZATION

(1) Innolux Display Corporation

Innolux Display Corporation (the “Company”) was organized on January 14, 2003 under the Act for Establishment and Administration of Science Parks. The Company merged with Jemitek Electronics Corporation on March 1, 2007, with the Company as the surviving entity. The Company engages in the manufacture of TFT-LCD panels, modules and monitors of LCD. As of December 31, 2008, the Company and its subsidiaries had approximately 30,450 employees. The Company was listed on the Taiwan Stock Exchange Corporation (TSEC) in October 2006.

(2) Consolidated subsidiaries

<u>Investor</u>	<u>Subsidiary</u>	<u>Main activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>2007</u>	<u>2008</u>	
Innolux Display Corporation	Innolux Holding Ltd.	Investment holdings	100	100	-
Innolux Display Corporation	InnoJoy Investment Corporation	Investment company	100	100	-
Innolux Display Corporation	InnoFun Investment Corporation	Investment company	100	100	-
Innolux Holding Ltd.	Lakers Trading Ltd.	Trading company	100	100	-
Innolux Holding Ltd.	Rockets Holding Ltd.	Investment company	100	100	-
Innolux Holding Ltd.	Innolux Corporation Ltd.	Trading company	100	100	-
Innolux Holding Ltd.	Suns Holding Ltd.	Investment company	100	100	-
Rockets Holding Ltd.	Stanford Developments Ltd.	Investment company	100	100	-
Rockets Holding Ltd.	Sonics Trading Ltd.	Trading company	-	100	B
Rockets Holding Ltd.	Best China Investments Ltd.	Investment company	-	100	B
Suns Holding Ltd.	Warriors Technology Investment Ltd.	Investment company	100	100	-
Best China Investments Ltd.	Asiaward Investment Ltd.	Investment company	-	100	B
Stanford Developments Ltd.	Innocom Technology (Shen-Zhen) Ltd.	Processing	100	100	-
Asiaward Investment Ltd.	Innocom Technology (Xiamen) Ltd.	Processing	-	100	B

A. All the financial statements of the above consolidated subsidiaries were audited by the Company’s independent accountants.

B. Reasons for change in consolidated subsidiaries are set forth below:

- (a) Sonics Trading Ltd. was indirectly held by Hon Hai Precision Ind. Co., Ltd. originally. In March 2008, the Company's subsidiary, Rocket Holding Ltd., acquired total shares of Sonics Trading Ltd. which was consolidated effective the acquisition date. Please refer to Note 5(1).
 - (b) Best China Investments Ltd., Asiaward Investment Ltd. and Innocom Technology (Xiamen) Ltd. were organized in September 2008, and were included in the consolidated financial statements on the date the subsidiaries were organized.
- 3) Subsidiaries not included in the consolidated financial statements: None.
 - 4) The adjustment and disposition for the accounting period differences between the Company and the subsidiaries: None.
 - 5) Special operating risks on the foreign subsidiaries: None.
 - 6) Significant restriction on remittance of funds for the foreign subsidiaries' financial activities to the Company: None.
 - 7) Securities issued by the parent company which were held by subsidiaries: None.
 - 8) Information on convertible bonds and common stock issued by subsidiaries: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China. The Group's significant accounting policies are as follows:

1) Basis for preparation of consolidated financial statements

- A. All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements.
- B. The income (loss) of the subsidiaries is included in the consolidated statements of income effective the date on which the Company gains control over the subsidiaries. The income (loss) of the subsidiaries is excluded from the consolidated statements of income effective the date on which the Company loses control over the subsidiaries.
- C. All significant intercompany accounts and transactions are eliminated in the consolidated financial statements.

2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date. Equity accounts are translated at historical rates except for beginning retained earnings, which is carried forward from prior year's balance. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in "cumulative translation adjustments" under stockholders' equity.

3) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those assumptions and estimates.

4) Convenience translation into U.S. dollars

The financial statements are stated in New Taiwan Dollars. Translation of the 2008 New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the Federal Reserve Bank of New York exchange rate on December 31, 2008, of NT\$32.76 to US\$1 uniformly applied for all the financial statement accounts. Such translation amounts are unaudited and should not be construed as representations that the New Taiwan Dollar amounts represent, have been, or could be converted into U.S. dollars at this rate or any other rate for exchange.

5) Criteria for classifying assets and liabilities as current or non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date; and
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date; and
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

6) Foreign currency translation

A. The Company and its consolidated subsidiaries maintain their accounts in New Taiwan dollars and functional currencies, respectively. Transactions denominated in foreign currencies are translated into New Taiwan dollars and their functional currencies at the spot exchange rates prevailing at the transaction dates.

B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss.

C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

7) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and other short-term highly liquid investments which are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

8) Financial assets and financial liabilities at fair value through profit or loss

- A. Equity financial instruments are recognized and derecognized using trade date accounting; bond investments, beneficiary certificates and derivative instruments are recognized and derecognized using settlement date accounting, and are recognized initially at fair value.
- B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.
- C. When a derivative is an ineffective hedging instrument, it is initially recognized at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. If a derivative is a non-option derivative, the fair value initially recognized is zero.
- D. Financial assets and financial liabilities at fair value through profit or loss are classified into asset or liability held for trading and those designated at fair value through profit or loss at inception. Financial assets and financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets and financial liabilities designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Information about these financial assets and financial liabilities is provided internally on a fair value basis to the Group's management personnel. The Group has designated almost all of its compound debt instruments as financial liability at fair value through profit or loss.

9) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience and an evaluation of the collectibility of notes and accounts receivable, and other receivables taking into account the aging analysis of receivables and other factors.

10) Inventories

Inventories are stated at the lower of aggregate cost or market value. Cost is determined by the weighted average method. Market value is determined based on current replacement price for raw materials, and net realizable value for work in process, finished goods and merchandise inventories. Provision is made for obsolete inventories at the balance sheet date when necessary.

11) Financial assets carried at cost

- A. Investment in unquoted equity instruments is recognized or derecognized using trade date accounting and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss shall not be

reversed when the fair value of the asset subsequently increases.

12) Investment in bonds without active markets

- A. Investment in bonds without active markets is recognized and derecognized using trade date accounting and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. This financial asset is carried at amortized cost.
- C. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. If, subsequently, the fair value of the asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss shall be reversed to the extent of the amount of the amortized cost that would have been recognized at the date the impairment is reversed.

13) Property, plant and equipment

- A. Property, plant and equipment are stated at cost. Interest incurred on the acquisition of property, plant and equipment is capitalized. Significant renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.
- B. Depreciation is provided on a straight-line method using the estimated service lives of the assets plus one year as salvage value. The estimated useful lives of the assets are 2 to 5 years, except for building which is 25 years.

14) Deferred expenses

Utilities and pipelines engineering, photo mask, pattern, computer software and bank charges for loans are capitalized and amortized over the estimated period of economic benefits under the straight-line method. The estimated period of economic benefits for photo mask, pattern and bank charges are 1 to 7 years, and others are 3 to 5 years.

15) Impairment of non-financial assets

The Group recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered. The recoverable amount of goodwill, intangible assets with indefinite useful lives and intangible assets which have not yet been available for use shall be evaluated periodically. Impairment loss will be recognized whenever there is indication that the recoverable amount of these assets is less than their respective carrying amount. Impairment loss of goodwill recognized in prior years is not recoverable in the following years.

16) Retirement plan and pension cost

- A. Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension cost includes service

cost, interest cost, and expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 15 years.

- B. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

17) Income tax

- A. Income tax expense is provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax for the expected future tax consequences of events that have been included in different periods for financial or tax reporting purposes. Deferred income tax assets and liabilities are determined using enacted tax rates in effect for the year(s) in which the differences are expected to reverse. Valuation allowance on deferred income tax assets is recognized to the extent that it is more likely than not that the tax benefits will not be realized.
- B. The Group recognizes tax credits arising from the acquisition of equipment, expenditures for research and development, and training and development of employees as a credit against income tax expense and debit to deferred income tax assets in the year the related expenditures are incurred.
- C. Undistributed current earnings, on a tax basis, of a company are subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional tax on undistributed earnings is included in income tax expense in the year the stockholders resolve to retain the earnings.
- D. According to the "Income Basic Tax Act", effective January 1, 2006, income tax is accounted for based on the income tax law or other regulations when income tax is equal or more than the basic tax. When income tax is less than the basic tax, income tax payable shall be equal to the basic tax. The difference cannot be deducted from investment tax credits based on other regulations.

18) Earnings per share

- A. The Company adopted R.O.C. SFAS No. 24, "Earnings per share". Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by taking into account the potentially dilutive securities that were assumed to have been converted to common stock at the beginning of the year.
- B. Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include the estimated shares that would increase from employees' stock bonus issuance in the calculation of the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. As the capitalization of employees' bonus is no longer classified as distribution of stock dividends (or retained earnings or capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively. However, the accounting treatment for the appropriation of

employees' bonus for 2007 earnings resolved at the stockholders' meeting held in 2008 is still in accordance with the regulations on capitalization of employees' bonus under paragraphs 19 and 39 of R.O.C. SFAS No. 24, "Earnings per Share".

- C. The potential common shares of the Company and subsidiaries include employee stock options and the estimated shares that would increase from employees' stock bonus issuance as stated above. Treasury stock method is used to test whether or not potential common shares have dilutive effects.

19) Share-based payment - employee compensation plan

- A. The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072 of the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003, "Accounting for Employee Stock Options", prescribed by the R.O.C. Accounting Research and Development Foundation. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share is prepared under the fair value method.
- B. For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

20) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

21) Revenue and expenses

- A. Revenue is recognized when the earning process is completed and payment is realized or realizable. Expenses, including research and development costs, are charged to income as incurred.

B. Regarding the sales to Company's subsidiaries, sales revenue is recognized only when the subsidiary has sold the goods of the Company to customers. Goods which remained unsold by the subsidiary at the end of the accounting period are recorded as inventories by the Company.

22) Settlement date accounting

If an entity recognizes financial assets using settlement date accounting, any change in the fair value of the asset to be received during the period between the trade date and the settlement date/balance sheet date is not recognized for assets carried at cost or amortized cost. For financial assets or financial liabilities classified as at fair value through profit or loss, the change in fair value is recognized in profit or loss. For available-for-sale financial assets, the change in fair value is recognized directly in equity.

23) Merger

The Company merged with Jemitek Electronics Corporation pursuant to the R.O.C. SFAS No. 25, "Accounting for Business Combination - Purchase Method". The purchase cost embraces the direct cost associated with the takeover, and the assets and liabilities acquired are accounted for based on their fair values. The excess of the fair value of net assets acquired over the par value of equity securities issued for combination purpose and other related costs is accounted for as "Capital reserve".

3. CHANGES IN ACCOUNTING PRINCIPLES

1) Share-based payment - employee compensation plan

Effective January 1, 2008, the Group adopted R.O.C. SFAS No. 39, "Accounting for Share-based Payment". This change in accounting principle had no significant impact on the consolidated net income and earnings per share for the year ended December 31, 2008.

2) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, the Group adopted EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007. As a result of the adoption of EITF 96-052, consolidated net income decreased by \$263,360 and earnings per share decreased by \$0.08 for the year ended December 31, 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31,	
	2007	2008
Cash on hand	\$ 205	\$ 226
Savings deposits	1,973,580	820,888
Foreign currency deposits	7,420,400	6,444,360
Time deposits	27,993,825	42,970,738
	37,388,010	50,236,212
Cash equivalents - Repurchase bonds	16,300,000	8,670,000
	<u>\$ 53,688,010</u>	<u>\$ 58,906,212</u>

2) Financial assets and liabilities at fair value through profit or loss

Item	December 31,	
	2007	2008
Current items:		
Financial assets held for trading		
Derivatives	\$ 33,311	\$ -
Financial liabilities held for trading		
Derivatives	\$ 24,601	\$ 1,896
Non-current items:		
Financial assets designated as at fair value through profit or loss		
Convertible bonds -Sintronic Technology Inc.	\$ -	\$ 220,000
Adjustment of designated as at fair value through profit or loss	-	(654)
	\$ -	\$ 219,346

A. The trading items and contract information of derivatives are as follows:

	December 31, 2007	
	Book value	Contract amount
<u>Financial assets held for trading</u>		
Options trade contracts		
Currency options - buy call	\$ 33,311	USD 27,000 EUR 18,750
<u>Financial liabilities held for trading</u>		
Options trade contracts		
Currency options - sell put	(\$ 24,601)	USD 50,000 EUR 34,722
	December 31, 2008	
	Book value	Contract amount
<u>Foreign exchange forward contract</u>		
Sell EUR dollars (Sell EUR/Buy USD)	(\$ 211)	EUR 4,000 USD 5,633
Sell EUR dollars (Sell EUR/Buy JPY)	(\$ 1,685)	EUR 6,000 JPY 758,340
	(\$ 1,896)	

B. The loss on financial assets and liabilities for the years ended December 31, 2007 and 2008 was \$39,851 and \$179,449, including the unrealized gain and loss on financial assets and liabilities of \$8,710 and \$2,550, respectively.

3) Accounts receivable

	December 31,	
	2007	2008
Accounts receivable	\$ 25,725,196	\$ 16,197,672
Less: Allowance for doubtful accounts	(103,180)	(103,180)
	\$ 25,622,016	\$ 16,094,492

A. The Group factored its accounts receivable to certain financial institutions without recourse. Under the agreement, the Group is not required to bear uncollectible risk of the

underlying accounts receivable, but is liable for the losses incurred on any business dispute. As the Group did not provide any collateral, these accounts receivable meet the derecognition criteria for financial assets. The Group has derecognized the accounts receivable sold to financial institutions, net of the losses estimated for possible business disputes.

As of December 31, 2007 and 2008, the relevant information of accounts receivable factored but unsettled is as follows:

December 31, 2007					
Institutions	Accounts receivable sold/ derecognized	Amount advanced	Amount retained (Note)	Interest rate (%)	Limit
Mega International Commercial Bank	\$ 120,964	\$ 120,964	\$ -	5.73	\$ 2,983,560
China Trust Commercial Bank	1,191,142	1,072,028	119,114	5.68	7,134,600
Taipei Fubon Bank	284,533	-	284,533	-	648,600
	<u>\$1,596,639</u>	<u>\$1,192,992</u>	<u>\$ 403,647</u>		<u>\$10,766,760</u>
December 31, 2008					
Institutions	Accounts receivable sold/ derecognized	Amount advanced	Amount retained (Note)	Interest rate (%)	Limit
Mega International Commercial Bank	\$ 990,203	\$ 943,194	\$ 47,009	1.97	\$ 7,708,000
China Trust Commercial Bank	524,007	471,607	52,400	3.01~4.07	7,248,800
Ta Chong Bank	1,841,858	1,307,019	534,839	0.98~1.74	3,444,000
Taishin Bank	1,281,140	652,649	628,491	1.95	3,444,000
Taipei Fubon Bank	175,778	25,229	150,549	2.79~3.57	1,262,800
	<u>\$4,812,986</u>	<u>\$3,399,698</u>	<u>\$1,413,288</u>		<u>\$23,107,600</u>

Note: Shown as “other receivables”.

- B. For the years ended December 31, 2007 and 2008, the financing charges (expenses) incurred from accounts receivable factoring were \$192,149 and \$172,965, respectively, and shown as “other non-operating loss”.

4) Inventories

	December 31,	
	2007	2008
Raw materials and supplies	\$ 2,271,900	\$ 2,654,360
Work in process	3,198,721	6,516,536
Finished goods	<u>10,852,917</u>	<u>8,918,097</u>
	16,323,538	18,088,993
Less: Allowance for inventory obsolescence	(118,721)	(432,066)
	<u>\$ 16,204,817</u>	<u>\$ 17,656,927</u>

5) Financial assets carried at cost/Investment in bonds without active market

	<u>December 31,</u>	
	<u>2007</u>	<u>2008</u>
<u>Financial assets carried at cost - non-current</u>		
Emerging stocks:		
Advanced Opto-electronic Technology Inc.	\$ 160,000	\$ 48,357
Entire Technology Inc.	227,500	149,249
Unlisted stocks:		
Mstar Semiconductor, Inc.	13,189	-
Mstar Semiconductor, Inc. (Cayman)	-	40,058
Ili Technology Corp.	-	71,255
Embedded derivatives:		
Ili Technology Corp. - Convertible bonds	-	5,520
	<u>\$ 400,689</u>	<u>\$ 314,439</u>
<u>Investment in bonds without active market</u>		
Unlisted bonds:		
Ili Technology Corp. - Convertible bonds	<u>\$ -</u>	<u>\$ 44,246</u>
<u>Prepayment for long-term investment</u>		
Ili Technology Corp.	<u>\$ 100,000</u>	<u>\$ -</u>

- A. The above investments were measured at cost since their fair value cannot be measured reliably.
- B. The convertible bonds held by the Company's subsidiaries were recognized in "Investment in bonds without active markets" since these do not have quoted prices in an active market. The put options, call options and conversion options embedded in convertible bonds were measured at cost since the convertible bonds have no quoted prices in an active market and their fair value cannot be measured reliably.
- C. The Company's subsidiary formerly held shares of Mstar Semiconductor, Inc. In coordination with Mstar's restructuring, the subsidiary conducted share swaps in the second quarter of 2008 by exchanging one share of Mstar for 1.4 shares of Mstar Semiconductor, Inc. (Cayman); meanwhile, the subsidiary increased investment in Mstar (Cayman).
- D. The investment in Ili Technology Corp. of \$100,000 was accounted for as "Prepayment for long-term investment" because the effective date of capital increase was set after December 31, 2007. Further, the investment in Ili Technology Corp.'s convertible corporate bonds by the subsidiaries amounting to \$48,000 was accounted for as "Other financial assets" because the effective date of registration was set after December 31, 2007.
- E. As of December 31, 2008, the Group recognized impairment loss of \$217,157 because the recoverable amount of Advanced Opto-electronic Technology Inc., Entire Technology Inc. and Ili Technology Corp. held by the Company's subsidiaries were less than its carrying amount.

6) Property, plant and equipment

	December 31, 2007		
	<u>Original cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Buildings	\$ 4,711,445	(\$ 435,386)	\$ 4,276,059
Machinery and equipment	42,053,343	(12,189,252)	29,864,091
Testing equipment	7,153,534	(2,433,257)	4,720,277
Transportation equipment	50,565	(13,909)	36,656
Office equipment	481,436	(145,607)	335,829
Leasehold improvements	33,649	(28,693)	4,956
Other equipment	1,301,158	(246,338)	1,054,820
Construction in progress and prepayments for equipment	2,516,201	-	2,516,201
	<u>\$ 58,301,331</u>	<u>(\$ 15,492,442)</u>	<u>\$ 42,808,889</u>

	December 31, 2008		
	<u>Original cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Buildings	\$ 4,753,303	(\$ 627,550)	\$ 4,125,753
Machinery and equipment	45,566,440	(19,619,600)	25,946,840
Testing equipment	7,765,572	(3,845,830)	3,919,742
Transportation equipment	58,138	(24,891)	33,247
Office equipment	604,990	(256,364)	348,626
Leasehold improvements	31,741	(29,995)	1,746
Other equipment	1,721,248	(540,076)	1,181,172
Construction in progress and prepayments for equipment	21,523,343	-	21,523,343
	<u>\$ 82,024,775</u>	<u>(\$ 24,944,306)</u>	<u>\$ 57,080,469</u>

7) Short-term loans

	December 31,	
	2007	2008
Credit loans	<u>\$ 3,127,569</u>	<u>\$ 16,443,249</u>
Range of interest rates	<u>5.79%~6.00%</u>	<u>0.93%~4.65%</u>

8) Long-term loans

	December 31, 2007		
	<u>Period</u>	<u>Amount</u>	<u>Credit line</u>
Mega International Commercial Bank and 22 others	2004/8/16~2011/8/16	\$ 15,828,800	\$ 20,000,000
Credit loans	2005/4/15~2010/4/15	3,243,000	USD 100,000
		19,071,800	
Less: current portion		(5,141,811)	
		<u>\$ 13,929,989</u>	
Range of interest rates		<u>3.31%~6.16%</u>	

	December 31, 2008		
	Period	Amount	Credit line
Mega International Commercial Bank and 22 others	2004/8/16~2011/8/16	\$ 5,958,000	\$ 20,000,000
Mizuho Corporation Bank and 3 others	2008/9/25~2010/12/24	2,000,000	2,000,000
Mega International Commercial Bank and 20 others	2008/11/20~2013/11/2	9,000,000	30,000,000
Credit loans	2005/4/15~2010/4/15	2,053,674	USD 100,000 RMB 2,900,000
		<u>19,011,674</u>	
Less: current portion		(<u>5,611,676</u>)	
		<u>\$ 13,399,998</u>	
Range of interest rates		<u>1.72%~6.23%</u>	

- A. The Company has a syndicated revolving credit facility led by Mega International Commercial Bank. During the loan period, the Company may borrow up to 70% of the expenditures spent on property, plant and equipment as approved by the banks. Relevant information of pledged assets is shown in Note (6)
- B. The Company can pay off the loan in advance during the loan period without penalty.
- C. The loan was classified as long-term liabilities since the term of the loan was over one year and the Company planned to re-finance.
- D. Under the agreement, the Company is required to maintain the following financial ratios.
- (1) Mega International Commercial Bank and 22 others: (Based on annual consolidated financial statements and semiannual non-consolidated financial statements)
 - (a) Current ratio is in excess of 100% effective December 31, 2004.
 - (b) Debt to total equities ratio is below 200% effective December 31, 2005.
 - (c) Times of interest earned ratio is above 3 times effective December 31, 2005.
 - (2) Mizuho Corporation Bank and 3 others: (Based on annual consolidated financial statements)
 - (a) Current ratio is in excess of 100%.
 - (b) Debt to total equities ratio is below 250% effective January 1, 2007.
 - (c) Times of interest earned ratio is above 3 times.
 - (3) Mega International Commercial Bank and 20 others: (Based on annual consolidated financial statements and semiannual non-consolidated financial statements)
 - (a) Current ratio is in excess of 100%.
 - (b) Debt to total equities ratio is below 150%.
 - (c) Times of interest earned ratio is above 3 times.
 - (d) Net value is above \$75,000,000.

9) Income tax

A. Income tax expense and income tax payable were reconciled as follows:

	<u>December 31,</u>	
	<u>2007</u>	<u>2008</u>
Income tax at the statutory tax rate	\$ 4,259,852	\$ 1,358,824
Tax effect of loss carryforwards	(59)	-
Tax effect of permanent differences		
- Investment income recognized under equity method	-	(233,736)
- Tax credits for corporate headquarter	-	(17,404)
Tax effect of investment tax credits	-	(872,075)
Tax effect of investment tax credits due to estimated difference between financial and tax basis	(1,881,022)	(146)
Under provision of deferred income tax assets	-	(62,328)
(Over) under provision of prior year's income tax	(2,652)	24,185
Net change in valuation allowance	(1,592,782)	(287,058)
10% additional tax on prior years undistributed earnings	<u>54,045</u>	<u>643,698</u>
Income tax expense	837,382	553,960
Effect of net change in deferred income tax assets and liabilities	796,920	4,207
Over (under) provision of prior year's income tax	2,652	(24,185)
Prepaid income tax	(<u>28,113</u>)	(<u>84,764</u>)
Income tax payable	<u>\$ 1,608,841</u>	<u>\$ 449,218</u>

B. The deferred income tax assets and liabilities were as follows:

	<u>December 31,</u>	
	<u>2007</u>	<u>2008</u>
Deferred income tax liabilities	(\$ 232,925)	(\$ 416,089)
Deferred income tax assets	4,953,911	4,854,224
Valuation allowance	(<u>3,467,876</u>)	(<u>3,180,818</u>)
	<u>\$ 1,253,110</u>	<u>\$ 1,257,317</u>

C. The temporary differences and related amounts of deferred income tax assets and liabilities were as follows:

	December 31,			
	2007		2008	
	Amount	Tax effect	Amount	Tax effect
<u>Current items</u>				
Allowance for scrap, obsolescence and price decline of inventories	\$ 118,721	\$ 29,680	\$ 432,066	\$ 108,016
Unrealized gross profit	550,740	137,685	375,014	93,754
Allowance for doubtful accounts	55,372	13,843	55,372	13,843
Accrued loyalty and estimated warranty	-	-	1,099,738	274,934
Unrealized exchange loss	\$ 30,564	\$ 7,641	\$ 412,291	\$ 103,073
Unrealized valuation (gain) loss on financial assets and liabilities	(8,710)	(2,177)	1,896	474
		<u>\$ 186,672</u>		<u>\$ 594,094</u>
<u>Non-current items</u>				
Unrealized gain on investments	(\$ 922,992)	(\$ 230,748)	(\$1,664,356)	(\$ 416,089)
Impairment loss of goodwill	-	-	141,522	35,381
Investment tax credits		4,765,062		4,224,749
		4,534,314		3,844,041
Less: Valuation allowance		(3,467,876)		(3,180,818)
		<u>\$1,066,438</u>		<u>\$ 663,223</u>

D. As of December 31, 2008, the unused investment tax credits are as follows:

Period	Details of tax credit	Amount	Year of expiry
2005	Tax credits for research and development	\$ 3,737	2009
2006	Tax credits for research and development	58,660	2010
2007	Tax credits for research and development	115,947	2011
2006	Acquisition of equipment or technology	1,432	2010
2006	Training	810	2010
2007	Training	3,357	2011
2005	Tax credits for investment in barren area	1,366,242	2009
2007	Tax credits for investment in barren area	1,802,489	2011
2008	Tax credits for investment in barren area	872,075	2012
		<u>\$ 4,224,749</u>	

E. As of December 31, 2008, the Company's income tax returns through 2006 have been assessed and approved by the Tax Authority.

F. The Company's indirectly-owned Mainland China subsidiaries are foreign-invested manufacturing enterprises established in the PRC. Under the PRC tax regulations, their corporate income tax shall be levied at the rate of 18% to 25%, and they are exempt from corporate income tax for the first and second profit-making years and are subject to a 50% reduction of corporate income tax from the third through fifth profit-making years, and they have the use of investment tax credit on national production equipment for the first profit-making year. The Company's Mainland China subsidiaries are eligible

for the tax reduction to 50% starting from 2007.

10) Retirement plan

A. The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(1) The related actuarial assumptions used to calculate the net periodic pension cost and pension liability on the measurement date as of December 31, 2007 and 2008 were as follows:

	<u>2007</u>	<u>2008</u>
Discount rate	3.50%	2.50%
Expected return rate on plan assets	2.50%	2.50%
Rate of increase in compensation	3.00%	3.00%

(2) Pension-related assets and obligations as of December 31, 2007 and 2008 were as follows:

	<u>December 31,</u>	
	<u>2007</u>	<u>2008</u>
Benefit obligation:		
Vested benefit obligation	(\$ 7,993)	(\$ 1,952)
Non-vested benefit obligation	(39,988)	(56,311)
Accumulated benefit obligation	(47,981)	(58,263)
Additional benefits based on future salary increases	(23,811)	(42,320)
Projected benefit obligation	(71,792)	(100,583)
Fair value of plan assets	<u>75,445</u>	<u>95,137</u>
Funded status	3,653	(5,446)
Unrecognized net pension loss	<u>28,761</u>	<u>52,273</u>
Advanced pension	<u>\$ 32,414</u>	<u>\$ 46,827</u>

(3) The details of net periodic pension cost for 2007 and 2008 were as follows:

	<u>2007</u>	<u>2008</u>
Service cost	\$ 1,293	\$ 1,077
Interest cost	1,671	2,458
Expected return on plan assets	(1,570)	(2,102)
Amortization of unrecognized pension loss	<u>307</u>	<u>1,010</u>
Net periodic pension cost	<u>\$ 1,701</u>	<u>\$ 2,443</u>

B. In accordance with the Labor Pension Act, the Company has established a defined contribution employee retirement plan, which is applicable to domestic employees. The Company contributes monthly an amount of at least 6% of total monthly salaries

and wages to the employees' personal pension accounts at the "Bureau of Labor Insurance". Pension benefits are paid based on the accumulated balance of the employees' personal pension account in lump sum or in monthly payments. The pension expense under the defined contribution plan amounted to \$102,063 and \$104,099 for the years ended December 31, 2007 and 2008, respectively.

- C. Innocom Technology (Shen-Zhen) Ltd. has a funded defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on the employees' monthly salaries and wages. Innocom Technology (Shen-Zhen) Ltd. contributes monthly an amount equal to 11% or 10% of the employees' monthly salaries based on the employees' domiciles to their independent funds. Except for monthly contributions, Innocom Technology (Shen-Zhen) Ltd. has no other obligation. The net pension costs recognized by Innocom Technology (Shen-Zhen) Ltd. under the defined contribution plan for the years ended December 31, 2007 and 2008 amounted to \$68,142 and \$193,079, respectively.

11) Common stock

- A. As of December 31, 2008, the Company's authorized and outstanding capital was \$45,000,000 (including \$2,000,000 reserved for stock options and \$1,500,000 reserved for the issuance of convertible bonds) and \$31,131,470, respectively, with a par value of \$10 (dollars) per share.
- B. For the years ended December 31, 2007 and 2008, the Company issued common stock for 17,930 and 30,642 thousand shares, respectively, through the exercise of employee stock options under the stock-based employee compensation plan. As of December 31, 2007 and 2008, the amount of \$86,540 and \$105,656 (8,654 and 10,548 thousand shares) represents payments received in advance for shares to be issued, respectively, and was shown as "Common stock subscribed".
- C. In accordance with the Board of Directors' resolution in August 2007, the Company decided to issue 300 million shares of common stock for cash, including 149,967.5 thousand units of global depository receipts (GDRs), which represent 299,935 thousand shares of common stock with a unit of GDRs representing 2 shares of common stock. The capital increase was approved by the competent authority in September 2007, and the amount of capital was raised in November 2007 and registered in December 2007.
- D. The GDRs are listed on the London Stock Exchange with total issue amount of US\$1,352,706 thousand. The significant terms and conditions of the GDRs are set forth as follows:

(1) Voting right

Holders of GDRs have no right to directly exercise voting rights or attend the Company's stockholders' meeting. Whereas, a holder or holders together holding at least 51% of the GDRs outstanding at the relevant record date of the stockholders' meeting can instruct the Depositary to vote in the same direction in respect of one or more resolutions to be proposed at the meeting, inclusive of elections for directors and supervisors.

(2) Sale and withdrawal of GDRs

Under current R.O.C. laws and the Deposit Agreement, the shares represented by the GDRs may not be withdrawn by holders of GDRs commencing four days after the initial issuance of GDRs. A holder of GDRs may convert GDRs to shares of common stocks or sell the corresponding shares of common stock through the Depositary.

(3) Dividends

GDR holders are entitled to receive dividends as the holders of common stock subject to the terms of the Deposit Agreement and applicable laws of the R.O.C.

(4) As of December 31, 2008, the total outstanding GDRs were 2,032 thousand units, representing 4,064 thousand shares of common stock.

12) Share-based payment - employee compensation plan

A. As of December 31, 2008, the Company's share-based payment transactions are set forth below:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousand units)</u>	<u>Contract Period</u>	<u>Vesting conditions</u>
Employee stock options	2004.01.09	47,000	6 years	Note A
Employee stock options	2004. 03.31	20,000	6 years	Note A
Employee stock options	2004.05.07	15,000	6 years	Note A
Employee stock options	2004.12.03	28,000	6 years	Note A
Employee stock options	2005.09.21	12,000	6 years	Note A
Employee stock options	2007.12.20	25,000	6 years	Note B

Note A : The employees may exercise the stock options in installment based on 30%, 30% and 40% of total options granted on completion of the specified year(s) of service (one year to four years) from the grant date.

Note B : The employees may exercise the stock options in installment based on 40%, 30% and 30% of total options granted on completion of the specified years of service (three to five years) from the grant date.

B. For the years ended December 31, 2007 and 2008, details of the employee stock option plan are as follows:

<u>Stock Options</u>	<u>For the year ended December 31, 2007</u>				
	<u>Quantity (in thousand units)</u>	<u>Weighted average exercise price (in dollars)</u>	<u>Range of exercise price (in dollars)</u>	<u>Weighted average remaining vesting period</u>	<u>Weighted average stock price of stock options at exercise date</u>
Outstanding options at the beginning of the year	94,764	\$ 10.50			
Options granted	25,000	98.40			\$ 91.44
Options exercised	(17,930)	10.00			
Outstanding options at the end of the year	<u>101,834</u>	32.08	\$ 10~13.2	2.57 years	
			\$ 98.4	6.00 years	
Exercisable options at the end of the year	<u>12,514</u>	10.00			

<u>Stock Options</u>	For the year ended December 31, 2008				
	<u>Quantity (in thousand units)</u>	<u>Weighted average exercise price (in dollars)</u>	<u>Range of exercise price (in dollars)</u>	<u>Weighted average remaining vesting period</u>	<u>Weighted average stock price of stock options at exercise date</u>
Outstanding options at the beginning of the year	101,834	\$ 32.08			
Options exercised	(30,642)	10.25			\$ 59.57
Outstanding options at the end of the year	<u>71,192</u>	37.30	\$ 10~10.4 \$ 87.6	1.66 years 5.00 years	
Exercisable options at the end of the year	<u>26,592</u>	10.01			

- C. The following sets forth the pro forma consolidated net income and earnings per share based on the assumption that the compensation cost is accounted for using the fair value method for the stock options granted before the effectivity of R.O.C. SFAS No. 39, "Accounting for Share-based Payment":

		For the years ended December 31,	
		2007	2008
Consolidated net income	Net income as reported	\$ 16,146,840	\$ 4,850,950
	Pro forma net income	\$ 16,000,366	\$ 4,427,538
Basic earnings per share (EPS)	Basic EPS as reported	\$ 5.79	\$ 1.56
	Pro forma basic EPS	\$ 5.74	\$ 1.42
Diluted earnings per share (EPS)	Diluted EPS as reported	\$ 5.61	\$ 1.53
	Pro forma diluted EPS	\$ 5.56	\$ 1.39

13) Capital reserve

- A. Under R.O.C. Securities and Exchange Act, paid-in capital in excess of par value (including consolidation premium) and donated surplus of capital reserve may be used to increase the registered capital, and the annual capitalized amount shall not exceed 10% of issued and outstanding capital.
- B. The capital reserve can only be used to offset losses and /or to increase capital.

14) Retained earnings

- A. Pursuant to the ROC Company Law, 10% of the annual after-tax net income of each company must be appropriated as legal reserve until the total amount of the legal reserve equals the share capital. Such reserve can only be used to offset a deficit and cannot be distributed as cash dividends. When the legal reserve has reached 50% of the company's issued share capital, up to 50% thereof can be used to increase share capital in accordance with resolutions at the stockholders' meeting.
- B. In accordance with the Company's Articles of Incorporation, net income must be distributed in the following order:

- (1) to cover prior years' losses, if any;
- (2) as legal reserve equal to 10% of net income after tax and distribution pursuant to clause (1);
- (3) as any other legally required reserve;
- (4) to pay dividends on preferred shares;
- (5) to pay bonuses to employees at 8% of net income after tax and distribution pursuant to clauses (1) to (4); and
- (6) the remaining amount, if any, shall be distributed pursuant to the proposal of the board of directors in accordance with the Company's dividend policy and resolution approved at the stockholders' meeting, of which 0.1% should be paid as remuneration to directors and supervisors and the remaining amount as dividends to shareholders.

The Company's dividend policy requires the board of directors to consider the Company's budget for future capital expenditures and funding needs when proposing the distribution of earnings to the stockholders.

Dividends may be distributed in the form of cash or shares, or a combination of both; provided, however, that dividends distributed in respect of any fiscal year in the form of shares shall not exceed two-thirds of total dividends to stockholders. All shares issued, outstanding and fully paid as of the relevant dividend record date are entitled to share equally in any dividend or other distribution approved by the stockholders.

- C. According to the resolutions adopted by the stockholders during their meetings in June 2007 and 2008, the distribution information of the Company's 2006 and 2007 earnings is as follows:

	2006 earnings		2007 earnings	
	Amount	Dividends per share	Amount	Dividends per share
Legal Reserve	\$ 229,202	\$ -	\$ 1,614,684	\$ -
Stock Dividends	932,705	0.40	2,770,270	1.00
Cash Dividends	466,352	0.20	4,155,405	1.50
Directors' and Supervisors' Remuneration	1,522	-	6,932	-
Employees' Stock Bonus	81,193	-	650,000	-
Employees' Cash Bonus	40,597	-	512,572	-
	<u>\$ 1,751,571</u>		<u>\$ 9,709,863</u>	

As of financial reporting date, the appropriation of 2008 earnings had not been resolved by the Board of Directors. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. According to the resolution for the appropriation of 2007 earnings, employees' stock bonus of 65 million shares, constituting 2.11% of the outstanding shares as at December 31, 2007, were distributed. The estimated earnings per share after accounting for the distribution of employees' bonus and directors' and supervisors' remuneration as expenses in 2007 is \$5.48 (in dollars) per share.

D. The estimated amounts of employees' bonus and directors' and supervisors' remuneration for 2008 are \$349,268 and \$1,878, respectively. Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. As of December 31, 2008, the undistributed earnings, on a tax basis, is as follows:

On and after January 1, 1998:

Subjected to 10% additional tax	\$	6,977,426
Not yet subjected to 10% additional tax		<u>4,850,950</u>
		<u>\$ 11,828,376</u>

F. Information related to the Imputation Tax System as of and for the years ended December 31, 2007 and 2008 is as follows:

	<u>December 31, 2007</u>	<u>December 31, 2008</u>
Balance of the tax credit account	\$ <u>1,670,177</u>	\$ <u>787,254</u>
	<u>For the years ended December 31,</u>	
	<u>2007 (Actual)</u>	<u>2008 (Estimated)</u>
Creditable tax rate	<u>10.16%</u>	<u>10.42%</u>

15) Earnings per common share

	<u>For the year ended December 31, 2007</u>				
	<u>Amount</u>		<u>Number of shares (in thousands)</u>	<u>Earnings per common share</u>	
	<u>Before tax</u>	<u>After tax</u>		<u>Before tax</u>	<u>After tax</u>
<u>Basic earnings per share:</u>					
Net income of common stockholders	\$16,965,813	\$16,146,840	2,786,972	\$ 6.09	\$ 5.79
Minority interest income	<u>23,202</u>	<u>4,793</u>		<u>-</u>	<u>-</u>
Consolidated net income	<u>\$16,989,015</u>	<u>\$16,151,633</u>		<u>\$ 6.09</u>	<u>\$ 5.79</u>
<u>Diluted earnings per share:</u>					
Net income of common stockholders	\$16,965,813	\$16,146,840		\$ 5.89	\$ 5.61
Minority interest income	23,202	4,793		-	-
<u>Dilutive effect of stock equivalents:</u>					
Employee stock options	-	-	91,030	-	-
Consolidated net income	<u>\$16,989,015</u>	<u>\$16,151,633</u>	<u>2,878,002</u>	<u>\$ 5.89</u>	<u>\$ 5.61</u>

	For the year ended December 31, 2008				
	Amount		Number of shares (in thousands)	Earnings per common share	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share:</u>					
Consolidated net income	\$ 5,404,910	\$ 4,850,950	3,110,078	\$ 1.74	\$ 1.56
Dilutive effect of stock equivalents:					
Employee stock options	-	-	49,916		
Employees' bonus	-	-	16,000		
<u>Diluted earnings per share:</u>					
Consolidated net income	<u>\$ 5,404,910</u>	<u>\$ 4,850,950</u>	<u>3,175,994</u>	<u>\$ 1.70</u>	<u>\$ 1.53</u>

16) Personnel, depreciation and amortization expenses

	For the year ended December 31, 2007		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	\$ 3,984,427	\$ 1,463,227	\$ 5,447,654
Labor and health insurance	187,478	48,511	235,989
Pension	112,348	59,558	171,906
	<u>\$ 4,284,253</u>	<u>\$ 1,571,296</u>	<u>\$ 5,855,549</u>
Depreciation	<u>\$ 7,480,668</u>	<u>\$ 521,192</u>	<u>\$ 8,001,861</u>
Amortization	<u>\$ 664,147</u>	<u>\$ 271,808</u>	<u>\$ 935,955</u>

	For the year ended December 31, 2008		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	\$ 5,006,746	\$ 1,566,436	\$ 6,573,182
Labor and health insurance	137,531	52,328	189,859
Pension	225,990	73,631	299,621
	<u>\$ 5,370,267</u>	<u>\$ 1,692,395</u>	<u>\$ 7,062,662</u>
Depreciation	<u>\$ 8,302,024</u>	<u>\$ 559,730</u>	<u>\$ 8,861,754</u>
Amortization	<u>\$ 940,499</u>	<u>\$ 295,405</u>	<u>\$ 1,235,904</u>

5. RELATED PARTY TRANSACTIONS

1) Names of related parties and their relationship with the Company

Names of related parties	Relationship with the Company
Sonics Trading Ltd. (Sonics)	An indirect wholly-owned subsidiary (Note B)
Hon Hai Precision Industry Co., Ltd. (Hon Hai)	Same major stockholder
Ambit Microsystem (Shanghai) Co., Ltd. (Ambit)	An indirect wholly-owned subsidiary of Hon Hai
Honfujing Precision Industrial Corp. (HonFuJing)	An indirect wholly-owned subsidiary of Hon Hai
Shenzhen Fu Tai Hong Precision Industry Co., Ltd. (Fu Tai Hong)	An indirect wholly-owned subsidiary of Hon Hai

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Armada Holding Ltd. (Armada)	An indirect wholly-owned subsidiary of Hon Hai
Carston Ltd. - Bahamas (Carston)	An indirect wholly-owned subsidiary of Hon Hai
Foxconn LCD CZ S.R.O.-Czech (Foxconn LCD CZ)	An indirect wholly-owned subsidiary of Hon Hai
Foxconn Japan Co., Ltd. (Foxconn Japan)	An indirect wholly-owned subsidiary of Hon Hai
Falcon Precision Trading Ltd. (Falcon)	An indirect wholly-owned subsidiary of Hon Hai
Foxconn Technology CZ S.R.O.-Czech (Foxconn Technology CZ)	An indirect wholly-owned subsidiary of Hon Hai
Glorious Falcon International Ltd. (Glorious)	An indirect wholly-owned subsidiary of Hon Hai
Pan-International Industrial Corp. (Pan-International)	An indirect investee company of Hon Hai accounted for under the equity method
Advanced Opto-electronic Technology Co., Ltd. (Advanced Opto)	An indirect investee company of Hon Hai accounted for under the equity method
Best Vision Technology Pte., Ltd. (Best Vision)	An indirect wholly-owned subsidiary of Pan-International

A. Except for those transactions with the above related parties, there were no material transactions between the other related parties, as disclosed in Note 11(2), and the Company for the years ended December 31, 2007 and 2008.

B. Sonics Trading Ltd. was indirectly held by Hon Hai Precision Ind. Co., Ltd. originally. In March 2008, the Company's subsidiary, Rockets Holding Ltd., acquired total shares of Sonics Trading Ltd. which was consolidated effective the acquisition date.

2) Significant transactions and balances with related parties

A. Sales

	<u>For the years ended December 31,</u>			
	<u>2007</u>		<u>2008</u>	
	<u>Amount</u>	<u>% of net sales</u>	<u>Amount</u>	<u>% of net sales</u>
Hon Hai	\$ 5,825,815	4	\$ 9,582,376	6
Foxconn Japan	906,432	1	1,314,421	1
Ambit	-	-	149,878	-
Pan-International	319,563	-	141,269	-
Fu Tai Hong	211,358	-	134,667	-
HonFuJing	121,464	-	83,894	-
Others	107,258	1	271,279	-
	<u>\$ 7,491,890</u>	<u>6</u>	<u>\$11,677,784</u>	<u>7</u>

Sales prices charged to related parties were similar to non-related party transactions and the collection period was 45~90 days after delivery.

B. Purchases

	For the years ended December 31,			
	2007		2008	
	Amount	% of net purchases	Amount	% of net purchases
Hon Hai	\$ 3,486,582	3	\$2,800,440	2
Falcon	988,070	1	614,629	1
Glorious	683,760	1	453,705	1
Armadale	62,921	-	309,372	-
Advanced Opto	207,993	-	216,592	-
Best Vision	269,523	-	206,845	-
Others	631,844	1	374,138	-
	<u>\$ 6,330,693</u>	<u>6</u>	<u>\$4,975,721</u>	<u>4</u>

Purchases from related parties were at market prices and the payment term was 60~90 days after delivery.

C. Processing costs

	For the years ended December 31,			
	2007		2008	
	Amount	Accrued expenses	Amount	Accrued expenses
Honfujing	\$ 1,025,528	\$ 433,669	\$1,073,290	\$ 361,457
Carston	595,825	157,829	1,275,069	1,272,172
Sonics	121,555	9,623	27,009	-
	<u>\$ 1,742,908</u>	<u>\$ 601,121</u>	<u>\$2,375,368</u>	<u>\$1,633,629</u>

Carston and Sonics subcontracted the processing to Honfujing. The processing fees were charged based on cost plus method.

D. Accounts receivable

	December 31, 2007		December 31, 2008	
	Amount	% of total accounts receivable	Amount	% of total accounts receivable
	Hon Hai	\$ 1,686,366	6	\$1,054,937
Foxconn Japan	394,708	1	184,592	1
Foxconn Technology CZ	-	-	71,910	1
Fu Tai Hong	46,810	-	54,230	-
Honfujing	69,909	-	23,409	-
Foxconn LCD CZ	263,572	1	-	-
Others	82,761	-	185,300	1
	<u>\$ 2,544,126</u>	<u>8</u>	<u>\$1,574,378</u>	<u>9</u>

E. Accounts payable

	<u>December 31, 2007</u>		<u>December 31, 2008</u>	
	<u>Amount</u>	<u>% of total accounts payable</u>	<u>Amount</u>	<u>% of total accounts payable</u>
Hon Hai	\$ 876,181	4	\$ 633,375	4
Armada	-	-	77,530	-
Best Vision	69,655	-	38,936	-
Falcon	342,047	1	27,116	-
Others	<u>317,649</u>	<u>2</u>	<u>169,117</u>	<u>1</u>
	<u>\$ 1,605,532</u>	<u>7</u>	<u>\$ 946,074</u>	<u>5</u>

G. Property transactions

	<u>For the year ended December 31, 2007</u>	
	<u>Acquisition of property, plant and equipment</u>	<u>Payable shown as “other payable”</u>
Honfujing	\$ 19,272	\$ 9,915
Others	10	-
	<u>\$ 19,282</u>	<u>\$ 9,915</u>

H. Salaries information of directors, supervisors, general manager, vice general manager and top supervisors

	<u>For the years ended December 31,</u>	
	<u>2007</u>	<u>2008</u>
Salaries	\$ 13,150	\$ 16,707
Bonuses	65,654	13,692
Service execution fees	660	660
Earnings distribution	<u>29,853</u>	<u>11,413</u>
	<u>\$ 109,317</u>	<u>\$ 42,472</u>

- (A) Salaries include regular wages, special responsibility allowances, pensions, severance pay, etc.
- (B) Bonuses include various bonuses and rewards.
- (C) Service execution fees include travel allowances, special expenditures, various allowances, dorms & vehicles offering, etc.
- (D) Earnings distribution means directors' and supervisors' remuneration and employees' bonus accrued in current year.
- (E) The relevant information above is disclosed in the Company's annual report.

6. PLEDGED ASSETS

As of December 31, 2008, the assets pledged were as follows:

<u>Assets</u>	<u>Purpose of collateral</u>	<u>Book value</u>
Buildings	Pledged for long-term loan	\$ 3,705,196
Machinery and equipment	Pledged for long-term loan	13,053,520
Testing equipment	Pledged for long-term loan	1,736,290
Prepaid equipment	Pledged for long-term loan	16,027
Other equipment	Pledged for long-term loan	52,416
		<u>\$ 18,563,449</u>

7. COMMITMENTS AND CONTINGENT LIABILITIES

- 1) As of December 31, 2008, the future minimum lease payments required to be made by the Company for land and offices were as follows:

2009.01.01 ~ 2009.12.31	\$ 59,058
2010.01.01 ~ 2013.12.31	227,237
After 2014.01.01	646,072
	<u>\$ 932,367</u>

- 2) As of December 31, 2008, the future minimum lease payments required to be made by Innocom Technology (Shen-Zhen) Ltd. for office and warehouse leases were as follows:

2009.01.01~2009.12.31	<u>\$ 122,639</u>
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- 3) As of December 31, 2008, the total amount of contracts for machinery and equipment and building construction was \$82,239,371, of which \$59,540,150 remains unpaid.
- 4) As of December 31, 2008, the total outstanding letters of credit for the purchase of inventories was \$1,844,450.
- 5) Guardian Industries Corp. filed a lawsuit against the Company on December 8, 2006, alleging infringement, among others, of its U.S. Patent No. 5570214, No. 5694187, No. 6226065 and No. 6229588, and claiming damages for its losses. At present, the Company has attorneys in this area tending to this case. The two sides had come to a settlement and the lawsuit had been rescinded at the end of 2008.
- 6) On November 7, 2005, 50 companies including the Company and Apple Computer Inc. were named as defendants in a lawsuit brought by Honeywell Int'l Inc. and Honeywell Intellectual Properties Inc., alleging that those 50 companies had infringed upon U.S. Patent No. 5280371, held by Honeywell Int'l Inc. and Honeywell Intellectual Properties Inc. Said companies are claiming for damages from the 50 companies. Based on the opinion of the Company's legal counsel, the lawsuit will not have a material adverse effect on the Company's financial position or operations in the short-term as this case has not yet entered into substantive hearing.
- 7) On February 2, 2007, the Company was named as defendant in a lawsuit brought by Anvik Company, alleging that the Company had infringed upon Anvik's patent of TFT-LCD panels

produced by the machines purchased from Nikon Company. Based on the opinion of the Company's legal counsel, the lawsuit will not have a material adverse effect on the Company's financial position or operations in the short-term as this case has not yet entered into substantive hearing.

- 8) Mondis filed a lawsuit with the court against the Company on December 31, 2007, alleging infringement, among others, of its patent on liquid crystal display and claimed damages for its losses. The Company has appointed attorneys in this area tending to this case. According to the attorneys' opinions, the ultimate outcome of this litigation and the damages that the Company may incur cannot reasonably be determined as the litigation is still under the trial and investigations of the court and competent authorities in the U.S.A. However, the Company does not expect that the lawsuit will have a material adverse effect on the Company's financial position or results of operations in the short term.
- 9) Mondis filed another lawsuit against the Company on January 15, 2009, alleging infringement, among others, of its two patents. As this case is related to the above lawsuit, the Company has commissioned attorneys to apply to the Court for trial by combining the two cases. The effects of the lawsuit on the Company's financial position or operations are the same as the above lawsuit.
- 10) Plasma Physic and Solar Physics filed a lawsuit against the Company and its subsidiary-Innolux Corporation Ltd. on April 18, 2008, alleging infringement, among others, of their patents on liquid crystal displays used in the Company's and Innolux Corporation Ltd.'s products. Based on the attorneys' opinions, as this case is currently in the initial investigation proceedings, no immediate damages would be incurred by the Company. The lawsuit has no adverse effect on the Company's current operations.

8. SIGNIFICANT CATASTROPHE

None.

9. SUBSEQUENT EVENTS

Except for Note 7(9), there are no other subsequent events.

10. OTHERS

- 1) Financial statement presentation

Certain accounts in the 2007 consolidated financial statements were reclassified to conform with the 2008 consolidated financial statement presentation.

2) Fair value of financial instruments

December 31, 2007				
Fair value				
	Book value	Quotations in an active market	Estimated using a valuation technique	Description
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets with fair value equal to book value	\$82,958,004	\$ -	\$82,958,004	A
Refundable deposits	393,520	-	384,748	D
Liabilities				
Financial liabilities with fair value equal to book value	37,913,877	-	37,913,877	A
Long-term loans	13,929,989	-	13,929,989	E
Guarantee deposits received	3,945	-	3,857	D
<u>Derivative financial instruments</u>				
Assets				
Option trade contracts	33,311	-	33,311	F
Liabilities				
Option trade contracts	24,601	-	24,601	F
December 31, 2008				
Fair value				
	Book value	Quotations in an active market	Estimated using a valuation technique	Description
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets with fair value equal to book value	\$78,979,707	\$ -	\$78,979,707	A
Financial assets at fair value through profit or loss	219,346	-	219,346	B
Financial assets carried at cost	314,439	-	-	C
Investment in bonds without active markets	44,246	-	-	C
Refundable deposits	416,078	-	406,803	D
Liabilities				
Financial liabilities with fair value equal to book value	48,967,491	-	48,967,491	A
Long-term loans	13,399,998	-	13,399,998	E
Guarantee deposits received	2,145	-	2,097	D
<u>Derivative financial instruments</u>				
Liabilities:				
Forward exchange contracts	1,896	-	1,896	F

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

- A. For short-term instruments, the fair values were determined based on their carrying values, not based on quotations in an active market nor estimated using a valuation because of the short maturities of the instruments. This method was applied to Cash and cash equivalents, Accounts receivable (including related parties), Other receivables, Short-term loans, Accounts payable (including related parties), Income tax payable, Accrued expenses, Equipment payable, Other payables - others, Long-term loans - current portion and Other current liabilities.
 - B. Financial assets at fair value through profit or loss are regarded as quoted in active market if quoted prices are readily and regularly available from an exchange, dealer, broker industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transaction on an arms-length basis. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique.
 - C. These financial assets are not quoted in an active market, and its fair value can not be measured reliably.
 - D. The fair value of the Refundable deposits and Guarantee deposits received was based on the present value of expected cash flow amount. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank.
 - E. Because of the approximation between the interest rate of long-term loans and the market rate, the present value of the future cash flow approximates the book value.
 - F. The fair values of derivative financial instruments which include unrealized gains or losses on unsettled contracts were determined based on the amounts to be received or paid assuming that the contracts were settled as of the reporting date.
- 3) Procedure of financial risk control

The Group adopted a comprehensive risk management and control system to identify all risks, including market risk, credit risk, liquidity risk, and cash flow risk, so that management can precisely measure these risks and control them effectively.

The objective of the Group's risk management is to adjust risk exposures to maintain proper liquidity and effectively control significant market risks after appropriately taking into consideration the economic environment, competition, operating needs and the changes of market value risk.

4) Information of material financial risk

A. Market risk

The Group's major import and export transactions are conducted in USD and JPY. The change of fair value will be caused by foreign exchange rate, however, the Group examines its net foreign currency position through regularly evaluating the positions of foreign currency assets and foreign currency liabilities, and uses the net foreign currency position as the risk management basis when entering into foreign currency loans, forward exchange contracts and foreign exchange options. Thus, most of the market risk could be offset or hedged. No material market risk is expected.

The Group is exposed to price risk because of investments in foreign exchange options, with fair value in the active market. The Group sets limits to control the transaction volume and stop-loss amount of derivatives to reduce its market risk.

B. Credit risk

The counterparties of the Group's receivables are international computer and electronics companies with good credit standing. No significant bad debts occurred in the past three

years. The Group regularly evaluates the adequacy of its allowance for doubtful accounts. It is assessed that no significant credit risk will arise.

As the counterparties of forward exchange contracts and foreign exchange options undertaken by the Group are reputable financial institutions, the possibility of default by the counterparties is considered low. No significant credit risk is expected.

C. Liquidity risk

The major counterparties of the Group's receivables are high-credit-quality international companies. Its receivables are due within one year and the collection condition of receivables is normal. No significant liquidity risk is expected.

The Group adopts the forward contracts to hedge the risk of short-term gap raised from the different positions between foreign currency assets and foreign currency liabilities. The Group's short-term borrowings were obtained for additional working capital, and the funds generated from the Group's operations are sufficient to meet raw material requirements. Therefore, the Group expects no liquidity risk would arise as the Group has sufficient funds to fulfill its contractual obligation.

D. Cash flow risk

The Group borrows loans with floating interest rate. The effective rate of loans would be changed due to change in market interest rate. The Group has also transferred some of floating interest rate loans to fixed interest rate loans to reduce the risk of interest rate rising. The Group's working capital is sufficient to hedge the cash flow risk arising from fluctuations in interest rates.

5) Information on merger

A. The Company merged with Jemitek Electronics Corporation on March 1, 2007 as resolved by the board of directors on November 21, 2006. After the merger, the Company was the surviving entity and Jemitek Electronics Corporation was the dissolved entity. Common shares were exchanged in the ratio of 3.66 shares of Jemitek Electronics Corporation for one share of the Company. The Company issued 5,650,273 shares of common stock for the merger. The amount of capital increase had been registered. Information on the merger is as follows:

	<u>Amount</u>
Issuance of common stock through merger	\$ 56,503
Add: Capital reserve—from merger	<u>270,648</u>
Purchase cost	327,151
Less: Fair value of identifiable net assets of Jemitek Electronics Corporation	(<u>165,923</u>)
Goodwill recorded	<u>\$ 161,228</u>

For the year ended December 31, 2008, the Company recognized impairment loss on the above goodwill.

B. Jemitek Electronics Corporation was organized in June 2003. It is primarily engaged in the manufacture and sales of TFT-LCD panels, information storage, process equipment and electronic components.

C. The business purchase contract of the merger excludes contingent amount, stock options, commitments and significant asset disposition resulting from the takeover.

D. Pro forma information of consolidated income statement and operating results:

Effective March 1, 2007, the operating results of Jemitek Electronics Corporation were incorporated in the Group's income statement. The pro forma consolidated income

statement for the years ended December 31, 2007 and 2008 were presented under the assumption that the Group had incorporated the operating results of Jemitek Electronics Corporation on January 1, 2007.

The pro forma consolidated income statements were as follows:

	For the years ended December 31,			
	2007		2008	
	Amount	%	Amount	%
Operating income	\$ 156,051,277	100	\$ 159,277,011	100
Operating costs	(135,870,043)	(87)	(150,207,815)	(94)
Gross profit	20,181,234	13	9,069,196	6
Operating expenses	(3,755,885)	(2)	(4,356,880)	(3)
Operating income	16,425,349	11	4,712,316	3
Non-operating income	1,671,409	1	2,861,532	2
Non-operating expenses	(1,150,206)	(1)	(2,179,108)	(2)
Income before tax of continued operating department	16,946,552	11	5,394,740	3
Income tax expense	(818,973)	(1)	(543,790)	-
Net income	<u>\$ 16,127,579</u>	<u>10</u>	<u>\$ 4,850,950</u>	<u>3</u>
	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
Pro forma basic earnings per share				
Net income (in dollars)	<u>\$ 6.08</u>	<u>\$ 5.79</u>	<u>\$ 1.73</u>	<u>\$ 1.56</u>
Pro forma diluted earnings per share				
Net income (in dollars)	<u>\$ 5.89</u>	<u>\$ 5.60</u>	<u>\$ 1.70</u>	<u>\$ 1.53</u>

The Company computed the pro forma basic and diluted earnings per share under the assumption that the Company had incorporated the operating results of Jemitek Electronics Corporation on January 1, 2007.

6) Intercompany transactions eliminated

<u>Transactions eliminated</u>	For the year ended December 31, 2007	
	<u>Company name</u>	<u>Amount</u>
Long-term investments and stockholders' equity	The Company, Innolux Holding, Innofun Investment and Innojoy Investment	\$ 5,918,408
Receivables and payables	The Company, Lakers, Innolux US and Innocom Technology (Shen-Zhen) Ltd.	11,389,982
Profit and loss accounts:		
Sales and purchases	The Company, Lakers, Innolux US and Innocom Technology (Shen-Zhen) Ltd.	39,633,130
Processing revenue and manufacturing overhead	The Company, Lakers and Innocom Technology (Shen-Zhen) Ltd.	16,880,421
Unrealized gross profit and deferred credits	The Company, Lakers and Innocom Technology (Shen-Zhen) Ltd.	129,723
Realized gross profit and deferred credits	The Company, Lakers and Innocom Technology (Shen-Zhen) Ltd.	58,394

<u>For the year ended December 31, 2008</u>		
<u>Transactions eliminated</u>	<u>Company name</u>	<u>Amount</u>
Long-term investments and stockholders' equity	The Company, Innolux Holding, Innofun Investment and Innojoy Investment	\$ 10,426,355
Receivables and payables	The Company, Lakers, Innolux US and Innocom Technology (Shen-Zhen) Ltd.	13,768,749
Profit and loss accounts:		
Sales and purchases	The Company, Lakers, Innolux US and Innocom Technology (Shen-Zhen) Ltd.	40,885,985
Processing revenue and manufacturing overhead	The Company, Lakers and Innocom Technology (Shen-Zhen) Ltd.	11,435,567
Unrealized gross profit and deferred credits	The Company, Lakers and Innocom Technology (Shen-Zhen) Ltd.	68,826
Realized gross profit and deferred credits	The Company, Lakers and Innocom Technology (Shen-Zhen) Ltd.	129,723

11. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions

All the transactions with subsidiaries disclosed below had been eliminated when preparing consolidated financial statements. The disclosure information as follows is for reference only.

- 1) Financial activities to any company or person: None.
- 2) Guarantee information: None
- 3) Marketable securities held at December 31, 2008

Kind and name of marketable securities	Relationship with the Company	General ledger accounts	December 31, 2008			
			Number of shares (in thousands)	Book value	Percentage	Market value/ Net worth
Common stock of Innolux Holding Ltd.	A wholly-owned subsidiary	Long-term investments accounted for under the equity method	155,944	\$ 8,703,832	100	\$ 8,772,658
Common stock of InnoJoy Investment Corporation	A wholly-owned subsidiary	Long-term investments accounted for under the equity method	95,000	764,116	100	764,116
Common stock of InnoFun Investment Corporation	A wholly-owned subsidiary	Long-term investments accounted for under the equity method	95,000	<u>958,387</u>	100	<u>958,387</u>
				<u>\$10,426,335</u>		<u>\$ 10,495,161</u>

- 4) Acquisition or sale of the same security with the accumulated cost exceeding \$100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008:

Kind and name of marketable securities	General ledger account	Counter-party	Relationship with the Company	Balance as at January 1, 2008		Addition		Disposal			Balance as at December 31, 2008		
				Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Gain (loss) on disposal	Number of shares (in thousands)	Amount
Common stock of Innolux Holding Ltd.	Long-term investments accounted for under the equity method	Note	Note	112,169	\$ 3,670,418	43,775	\$1,349,676	-	\$ -	\$ -	\$ -	155,944	\$ 5,020,094
Common stock of InnoJoy Investment Corporation	Long-term investments accounted for under the equity method	Note	Note	55,000	550,000	40,000	400,000	-	-	-	-	95,000	950,000
Common stock of InnoFun Investment Corporation	Long-term investments accounted for under the equity method	Note	Note	<u>50,000</u>	<u>500,000</u>	<u>45,000</u>	<u>450,000</u>	-	-	-	-	<u>95,000</u>	<u>950,000</u>
					<u>\$ 4,720,418</u>		<u>\$2,199,676</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 6,920,094</u>

Note: The wholly-owned subsidiaries issued the common shares for cash.

- 5) Acquisition of real estate properties exceeding \$100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008: None.
- 6) Disposal of real estate properties exceeding \$100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008: None.

7) Purchases from or sales to related parties exceeding \$100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008:

Company	Counterparty	Relationship with the Company	Transactions				Differences with general transactions		Notes and accounts receivable (payable)	
			Purchases/ Sales	Amount	Percentage of Purchases/sales	Credits terms	Unit price	Credits terms	Balance	Percentage of balance
Innolux Display Corporation	Innolux Corporation Ltd.	An indirect wholly-owned subsidiary	Sales	\$ 25,321,981	16	90 days	Similar with general transactions	No material difference	\$ 2,900,346	15
Innolux Display Corporation	Innocom Technology (Shen-Zhen) Ltd.	An indirect wholly-owned subsidiary	Sales	15,083,793	9	90 days	Similar with general transactions	No material difference	4,884,191	25
Innolux Display Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Sales	8,121,622	5	90 days	Similar with general transactions	No material difference	947,703	5
Innolux Display Corporation	Foxconn Japan Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	1,314,421	1	60 days	Similar with general transactions	No material difference	184,592	1
Innolux Display Corporation	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Sales	480,211	1	60 days	Similar with general transactions	No material difference	172,796	-
Innolux Display Corporation	Ambit Microsystem (Shanghai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	149,878	-	60 days	Similar with general transactions	No material difference	40,555	-
Innolux Display Corporation	Pan-International Industrial Corp.	An indirect investee company of Hon Hai accounted for under the equity method	Sales	141,269	-	45 days	Similar with general transactions	No material difference	12,691	-
Innolux Display Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	2,800,440	2	90 days	Similar with general transactions	No material difference	(633,375)	3
Innolux Display Corporation	Falcon Precision Trading Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	614,629	1	90 days	Similar with general transactions	No material difference	(27,116)	-
Innolux Display Corporation	Glorious Falcon International Limited	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	453,705	1	60 days	Similar with general transactions	No material difference	(7,944)	-
Innolux Display Corporation	Armada Holdings Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	309,372	-	60 days	Similar with general transactions	No material difference	(77,530)	-
Innolux Display Corporation	Best Vision Technology Pte., Ltd.	An indirect wholly-owned subsidiary of Pan-International Industrial Corp.	Purchases	216,592	-	90 days	Similar with general transactions	No material difference	(38,936)	-

Company	Counterparty	Relationship with the Company	Transactions				Differences with general transactions		Notes and accounts receivable (payable)	
			Purchases/Sales	Amount	Percentage of Purchases/sales	Credits terms	Unit price	Credits terms	Balance	Percentage of balance
Innolux Display Corporation	Advanced Opto-electronics Technology Co., Ltd.	An indirect investee company of Hon Hai accounted for under the equity method	Purchases	\$ 206,845	-	60 days	Similar with general transactions	No material difference	(\$ 8,609)	-
Innolux Display Corporation	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Processing costs	11,435,567	100 (Note)	90 days	Cost plus	No material difference	(2,166,898)	100 (Note)

Note: The percentage of processing costs and processing costs payable.

8) Receivables from related parties exceeding \$100,000 or 20% of the Company's paid-in capital as at December 31, 2008:

Company	Counterparty	Relationship with the Company	Balance of receivables from related parties	Turnover rate	Overdue receivables		Subsequent collection	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
Innolux Display Corporation	Innolux Corporation Ltd.	An indirect wholly-owned subsidiary	\$ 2,900,346	6.24	\$ -	-	\$ 2,289,440	\$ -
Innolux Display Corporation	Innocom Technology (Shen-Zhen) Ltd.	An indirect wholly-owned subsidiary	4,884,191	3.22	987,318	Subsequent collection	1,737,477	-
Innolux Display Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	947,703	6.74	13,043	Subsequent collection	894,885	-
Innolux Display Corporation	Foxconn Japan Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	184,592	4.54	-	-	184,592	-
Innolux Display Corporation	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	172,796	(Note)	67,523	Pursue collection aggressively	-	-

Note: The revenue pertains to technology service revenue which is not suitable to be shown as a percentage.

9) Derivative financial instruments undertaken during the year ended December 31, 2008: Please see Note 4(2)

(2) Disclosure information of investee company

1) Information on Investee Companies:

Name of company	Investee company	Address	Main operating activities	Original cost		Held by the Company at December 31, 2008			Income (loss) of the investee company	Investment income (loss) recognized by the Company
				December 31, 2007	December 31, 2008	Number of shares (in thousands)	Percentage of ownership (%)	Book value		
Innolux Display Corporation	Innolux Holding Ltd.	Samoa	Investment holdings	\$ 3,670,418	\$ 5,020,094	155,944	100	\$ 8,703,832	\$ 1,792,511	\$ 1,853,408
Innolux Display Corporation	InnoJoy Investment Corporation	Miaoli	Investment company	550,000	950,000	95,000	100	764,116	(185,675)	(185,675)
Innolux Display Corporation	InnoFun Investment Corporation	Miaoli	Investment company	500,000	950,000	95,000	100	958,387	8,573	8,573
				<u>\$ 4,720,418</u>	<u>\$ 6,920,094</u>			<u>\$10,426,335</u>	<u>\$ 1,615,409</u>	<u>\$ 1,676,306</u>
Innolux Holding Ltd.	Rockets Holding Ltd.	Samoa	Investment holdings	\$ 3,564,737	\$ 4,914,413	150,785	100	\$ 8,589,105	\$ 1,789,855	
Innolux Holding Ltd.	Lakers Trading Ltd.	Samoa	Trading	-	-	-	100	249,599	330	
Innolux Holding Ltd.	Innolux Corporation Ltd.	U.S.A.	Trading	6,348	6,348	200	100	(144,602)	20,685	
Innolux Holding Ltd.	Suns Holding Ltd.	Samoa	Investment holdings	99,333	99,333	3,072	100	81,662	(18,358)	
				<u>\$ 3,670,418</u>	<u>\$ 5,020,094</u>			<u>\$ 8,775,764</u>	<u>\$ 1,792,512</u>	
Rockets Holding Ltd.	Stanford Development Ltd.	Samoa	Investment holdings	\$ 3,564,737	\$ 4,375,090	133,000	100	\$ 7,660,656	\$ 1,791,269	
Rockets Holding Ltd.	Sonics Trading Ltd.	Samoa	Trading	-	198,116	6,505	100	213,364	-	
Rockets Holding Ltd.	Best China Investments Ltd.	Samoa	Investment company	-	314,740	10,000	100	329,418	-	
				<u>\$ 3,564,737</u>	<u>\$ 4,887,946</u>			<u>\$ 8,203,438</u>	<u>\$ 1,791,269</u>	
Suns Holding Ltd.	Warriors Technology Investment Ltd.	Samoa	Investment company	\$ 99,333	\$ 99,333	3,072	100	\$ 81,662	(\$ 18,358)	
Best China Investments Ltd.	Asiaward Investments Ltd.	Hong Kong	Investment company	\$ -	\$ 314,740	10,000	100	\$ 329,418	\$ -	
Asiaward Investment Ltd.	Innocom Technology (Xiamen) Ltd.	Xiamen	Development, design, manufacture and sales of monitors	\$ -	\$ 314,740	10,000	100	\$ 329,418	\$ -	
Stanford Development Ltd.	Innocom Technology (Shen-Zhen) Ltd.	Shen-Zhen	Development, design, manufacture and sales of monitors	\$ 3,564,737	\$ 4,375,090	133,000	100	\$ 7,660,638	\$ 1,791,266	

2) Financial activities with any company or person: None

3) Guarantee information: None.

4) Marketable securities held at December 31, 2008:

Name of subsidiary	Kind and name of marketable securities	Relationship of the issuers with the investee company	General ledger accounts (Note A)	December 31, 2008			
				Number of shares (in thousands)	Book value	Percentage	Market Value/ Net worth
Innolux Holding Ltd.	Common stock of Rockets Holding Ltd.	An indirect wholly-owned subsidiary	(1)	150,785	\$ 8,589,105	100	\$ 8,589,105
Innolux Holding Ltd.	Common stock of Lakers Trading Ltd.	An indirect wholly-owned subsidiary	(1)	-	249,599	100	249,599
Innolux Holding Ltd.	Common stock of Innolux Corporation Ltd.	An indirect wholly-owned subsidiary	(1)	200	(144,602)	100	(144,602)
Innolux Holding Ltd.	Common stock of Suns Holding Ltd.	An indirect wholly-owned subsidiary	(1)	3,072	81,662	100	81,662
InnoJoy Investment Corporation	Common stock of Entire Technology Co., Ltd.	None	(2)	5,141	149,249	6.83	Note B
InnoJoy Investment Corporation	Common stock of Advanced Opto-electronics Technology Co., Ltd.	An indirect investee company of Hon Hai accounted for under the equity method	(2)	16,000	48,357	8.89	Note B
InnoJoy Investment Corporation	Bonds of ILI Technology Corp.	None	(3)	-	44,246	-	Note B
InnoJoy Investment Corporation	Bonds of Sintronic Technology Inc.	None	(4)	-	219,346	-	219,346
Rockets Holding Ltd.	Common stock of Stanford Development Ltd.	An indirect wholly-owned subsidiary	(1)	133,000	7,660,656	100	7,660,656
Rockets Holding Ltd.	Common stock of Mstar Semiconductor, Inc. (Cayman)	None	(2)	1,053	40,058	0.43	Note 2
Rockets Holding Ltd.	Common stock of Sonics Trading Limited	An indirect wholly-owned subsidiary	(1)	6,505	213,364	100	213,364
Rockets Holding Ltd.	Common stock of Best China Investments Ltd.	An indirect wholly-owned subsidiary	(1)	10,000	329,418	100	329,418
Suns Holding Ltd.	Common stock of Warriors Technology Investment Ltd.	An indirect wholly-owned subsidiary	(1)	3,072	81,662	100	81,662
Warriors Technology Investment Ltd.	Common stock of ILI Technology Corp.	None	(2)	2,800	71,255	7.48	Note B
Best China Investment Ltd.	Common stock of Asiaward Investment Ltd.	An indirect wholly-owned subsidiary	(1)	10,000	329,418	100	329,418
Stanford Development Ltd.	Common stock of Innocom Technology (Shen-Zhen) Ltd.	An indirect wholly-owned subsidiary	(1)	133,000	7,660,638	100	7,660,638
Asiaward Investment Ltd.	Common stock of Innocom Technology (Xiamen) Ltd.	An indirect wholly-owned subsidiary	(1)	10,000	329,418	100	329,418

Note A: Code of general ledger accounts: (1) Long-term investment accounted for under the equity method

(2) Financial assets carried at cost - non-current

(3) Investment in bonds without active market - non-current

(4) Financial assets at fair value through profit or loss - non-current

Note B: The investment was measured at cost since it has no active market price, and its fair value cannot be measured reliably.

5) Acquisition or sale of the same security with the accumulated cost exceeding \$100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008:

Investor	Kind and name of marketable securities	General ledger account	Counter-party	Relationship with the Company	Balance as at January 1, 2008		Addition		Disposal			Balance as at December 31, 2008		
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Gain (loss) on disposal	Number of shares (in thousands)	Amount
InnoJoy Investment Corporation	Convertible bonds of Sintronic Technology Inc.	Financial assets at fair value through profit or loss - non-current	Third party	None	-	\$ -	-	\$ 220,000	-	\$ -	\$ -	\$ -	-	\$ 220,000
Innolux Holding Ltd.	Common stock of Rockets Holding Ltd.	Long-term investments accounted for under the equity method	Note	Note	107,010	3,564,737	43,775	1,349,676	-	-	-	-	150,785	4,914,413
Rockets Holding Ltd.	Common stock of Stanford Development Ltd.	Long-term investments accounted for under the equity method	Note	Note	106,600	3,564,737	26,400	810,353	-	-	-	-	133,000	4,375,090
Rockets Holding Ltd.	Common stock of Sonics Trading Ltd.	Long-term investments accounted for under the equity method	Note	Note	-	-	6,505	198,116	-	-	-	-	6,505	198,116
Rockets Holding Ltd.	Common stock of Best China Investment Ltd.	Long-term investments accounted for under the equity method	Note	Note	-	-	10,000	314,740	-	-	-	-	10,000	314,740
Stanford Development Ltd.	Common stock of Innocom Technology (Shen-Zhen) Ltd.	Long-term investments accounted for under the equity method	Note	Note	106,600	3,564,737	26,400	810,353	-	-	-	-	133,000	4,375,090
Best China Investment Ltd.	Asiaward Investment Ltd.	Long-term investments accounted for under the equity method	Note	Note	-	-	10,000	314,740	-	-	-	-	10,000	314,740
Asiaward Investment Ltd.	Innocom Technology (Xiamen) Ltd.	Long-term investments accounted for under the equity method	Note	Note	-	-	10,000	314,740	-	-	-	-	10,000	314,740
						<u>\$10,694,211</u>		<u>\$4,332,718</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$15,026,929</u>

Note: The wholly-owned subsidiaries issued the common shares for cash.

6) Acquisition of real estate properties exceeding \$100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008: None.

7) Disposal of real estate properties exceeding \$100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008: None.

8) Purchases from or sales to related parties exceeding \$100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008:

Company	Counterparty	Relationship with the Company	Transactions				Difference with general transactions		Notes and accounts receivable (payable)	
			Purchases / sales	Amount	Percentage of purchases / sales	Credits terms	Unit price	Credits terms	Balance	Percentage of balance
Lakers Trading Ltd.	Innocom Technology (Shen-Zhen) Ltd.	An indirect wholly-owned subsidiary	Processing cost	\$ 9,538,021	87	90 days	Cost Plus	No material difference	(\$ 1,238,578)	48
Lakers Trading Ltd.	Carston Ltd. B.H.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Processing cost	1,275,069	12	90 days	Cost Plus	No material difference	(1,272,172)	49
Innocom Technology (Shen-Zhen) Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Processing revenue	9,538,021	100	90 days	Cost Plus	No material difference	1,238,578	100
Innocom Technology (Shen-Zhen) Ltd.	Hongfujin Precision Industry (Shen-Zhen) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Processing cost	1,073,290	100	90 days	Cost Plus	No material difference	(361,457)	100
Innocom Corporation Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Sales	1,460,754	6	90 days	Similar with general transactions	No material difference	107,234	4

9) Receivables from related parties exceeding \$100,000 or 20% of the Company's paid-in capital as at December 31, 2008:

Company	Counterparty	Relationship with the Company	Balance of receivable from related parties	Turnover rate	Overdue receivables			Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts	Subsequent collection	
Innocom Technology (Shen-Zhen) Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	\$ 1,238,578	9.86	\$ -	-	\$ -	\$ -
Innolux Corporation Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	107,234	8.80	332	Subsequent collection	73,821	-

10) Derivative financial instruments undertaken during the year ended December 31, 2008: None.

(3) Disclosure of information on indirect investments in Mainland China

1) Information on investments in Mainland China

Name of investee in Mainland China	Main activities of investee	Capital	Method of investment	Balance of amount remitted from Taiwan on January 1, 2008	Transactions during Jan 1, 2008~ Dec 31, 2008		Balance of amount remitted from Taiwan as of Dec 31, 2008	Ownership percentage held by the Company (Direct/indirect)	Profit recognized during Jan 1, 2008~ Dec 31, 2008	Book value of investment as of Dec 31, 2008	Profit remitted to Taiwan during Jan. 1, 2008~ Dec 31, 2008
					Remittance out	Remittance in					
Innocom Technology (Shen-Zhen) Ltd.	Manufacturing of LCD Module	US\$133,000	Investee company located outside of Taiwan and mainland China remits its own funds directly to the investee companies located in mainland China.	US\$ 106,600	US\$ 26,400	\$ -	US\$ 133,000	100	\$ 1,791,266 (Note a)	\$ 7,660,638	\$ -
Innocom Technology (Xiamen) Ltd.	Manufacturing of LCD Module	US\$ 10,000	Investee company located outside of Taiwan and mainland China remits its own funds directly to the investee companies located in mainland China.	-	US\$ 10,000	-	US\$ 10,000	100	-	329,418	-

2) Information on investments in Mainland China

Accumulated amount wired out from Taiwan to mainland China as of the end of the year	Investment amount approved by FIC of MOEA	Ceiling of investment amount of the Company
NT\$ 4,690,400	NT\$ 5,248,000	Note b
(US\$ 143,000)	(US\$ 160,000)	

Note a: Profit or loss recognized for 2008 has been audited by the independent accountants.

Note b: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, R.O.C., dated August 29, 2008, as the Company has obtained the certificate of conforming to the business scope of headquarters, issued by the Industrial Development Bureau, MOEA, the investment ceiling regulation for Taiwan-based companies investing in Mainland China is not applicable to the Company.

3) Significant transactions with investee in Mainland China:

The significant transactions between the Company and the investee companies for the year ended December 31, 2008 were eliminated in these financial statements and shown in Note 11(4).

4) The relationship and significant transactions between the Company and its subsidiaries

For the year ended December 31, 2007

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Subject	Amount (Note d)	Transaction terms (Note c)	Percentage of total combined revenue or total assets
0	Innolux Display Corporation	Lakers Trading Ltd.	1	Accounts payable	\$ 684,327	-	-
0	Innolux Display Corporation	Lakers Trading Ltd.	1	Processing costs	9,140,371	-	6
0	Innolux Display Corporation	Lakers Trading Ltd.	1	Sales	427,331	-	-
0	Innolux Display Corporation	Lakers Trading Ltd.	1	Accounts receivable	202,995	-	-
0	Innolux Display Corporation	Innolux Corporation Ltd.	1	Sales	26,605,194	-	17
0	Innolux Display Corporation	Innolux Corporation Ltd.	1	Accounts receivable	5,221,374	-	4
0	Innolux Display Corporation	Innocom Technology (Shen-Zhen) Ltd.	1	Sales	12,571,661	-	8
0	Innolux Display Corporation	Innocom Technology (Shen-Zhen) Ltd.	1	Accounts receivable	4,494,496	-	3
0	Innolux Display Corporation	Innocom Technology (Shen-Zhen) Ltd.	1	Purchases	28,944	-	-
0	Innolux Display Corporation	Innocom Technology (Shen-Zhen) Ltd.	1	Accounts payable	28,944	-	-
1	Lakers Trading Ltd.	Innocom Technology (Shen-Zhen) Ltd.	3	Processing costs	7,740,050	-	5
1	Lakers Trading Ltd.	Innocom Technology (Shen-Zhen) Ltd.	3	Accrued expenses	73,519	-	-
1	Lakers Trading Ltd.	Innocom Technology (Shen-Zhen) Ltd.	3	Other payables	684,327	-	-

For the year ended December 31, 2008

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Subject	Amount (Note d)	Transaction terms (Note c)	Percentage of total combined revenue or total assets (Note d)
0	Innolux Display Corporation	Lakers Trading Ltd.	1	Accounts payable	\$ 3,644,518	-	2
0	Innolux Display Corporation	Lakers Trading Ltd.	1	Accrued expenses	2,166,898	-	1
0	Innolux Display Corporation	Lakers Trading Ltd.	1	Processing costs	11,435,567	-	7
0	Innolux Display Corporation	Lakers Trading Ltd.	1	Sales	480,211	-	-
0	Innolux Display Corporation	Lakers Trading Ltd.	1	Accounts receivable	172,796	-	-
0	Innolux Display Corporation	Innolux Corporation	1	Sales	25,321,981	-	16
0	Innolux Display Corporation	Innolux Corporation	1	Accounts receivable	2,900,346	-	2
0	Innolux Display Corporation	Innocom Technology (Shen-Zhen) Ltd.	1	Sales	15,083,793	-	9
0	Innolux Display Corporation	Innocom Technology (Shen-Zhen) Ltd.	1	Accounts receivable	4,884,191	-	3
1	Lakers Trading Ltd.	Innocom Technology (Shen-Zhen) Ltd.	3	Processing costs	9,538,021	-	6
1	Lakers Trading Ltd.	Innocom Technology (Shen-Zhen) Ltd.	3	Accounts payable	1,238,578	-	1
1	Lakers Trading Ltd.	Innocom Technology (Shen-Zhen) Ltd.	3	Other payables	3,644,518	-	2

Note a: The transaction information of the Company and the consolidated subsidiaries should be noted in column "Number". The number means:

1. Number 0 represents the Company.
2. The consolidated subsidiaries are in order from number 1.

Note b: The relationships with the transaction parties are as follows:

1. The Company to the consolidated subsidiary.
3. The consolidated subsidiary to another consolidated subsidiary.

Note c: Sales prices were similar to non-related party transactions and the collection period was 45-90 days after delivery; the purchases from related parties were at market prices and payment term was 60-90 days upon receipt of goods.

Note d: Amount disclosure standard: purchases, sales and receivables from related parties exceeding \$100,000 or 20% of the Company's paid-in capital during the years ended December 31, 2007 and 2008.

12. SEGMENT INFORMATION

- 1) Financial information by industry: The Company operates in one single industry, the development, design, manufacture and marketing of monitors. Accordingly, no segment industry information is presented.
- 2) Financial information by geographic area: For the years ended December 31, 2007 and 2008, the financial information of the Company by geographic area is shown below:

	For the year ended December 31, 2007				
	Taiwan	America	Others	Elimination	Total
Income from non-affiliated customers	\$116,339,264	\$26,854,884	\$13,977,220	\$ -	\$157,171,368
Income from the Company and its consolidated subsidiaries	39,633,130	-	9,140,371	(48,773,501)	-
Total income	<u>\$155,972,394</u>	<u>\$26,854,884</u>	<u>\$23,117,591</u>	<u>(\$48,773,501)</u>	<u>\$157,171,368</u>
Segment profits	<u>\$ 20,175,488</u>	<u>\$ 259,698</u>	<u>\$ 2,010,262</u>	<u>(\$ 71,328)</u>	\$ 22,374,120
General expenses					(4,227,255)
Interest expense					(1,157,850)
Income before income tax					<u>\$ 16,989,015</u>
Identifiable assets	<u>\$ 95,900,821</u>	<u>\$ 8,707,540</u>	<u>\$11,985,674</u>	<u>(\$15,375,432)</u>	\$101,218,603
Other assets					<u>46,476,782</u>
Total assets					<u>\$147,695,385</u>

	For the year ended December 31, 2008				
	Taiwan	America	Others	Elimination	Total
Income from non-affiliated customers	\$119,576,252	\$25,772,054	\$17,081,936	\$ -	\$162,430,242
Income from the Company and its consolidated subsidiaries	40,885,985	-	21,049,510	(61,935,495)	-
Total income	<u>\$160,462,237</u>	<u>\$25,772,054</u>	<u>\$38,131,446</u>	<u>(\$61,935,495)</u>	<u>\$162,430,242</u>
Segment profits	<u>\$ 10,254,422</u>	<u>\$ 207,883</u>	<u>\$ 3,418,751</u>	<u>(\$ 60,897)</u>	\$ 13,941,953
General expenses					(7,482,781)
Interest expense					(1,054,262)
Income before income tax					<u>\$ 5,404,910</u>
Identifiable assets	<u>\$ 94,441,666</u>	<u>\$ 4,953,062</u>	<u>\$20,618,484</u>	<u>(\$21,540,589)</u>	\$ 98,472,623
Other assets					<u>60,712,689</u>
Total assets					<u>\$159,185,312</u>

3) Information on export sales: The export sales of the Company were as follows:

<u>Area</u>	<u>For the years ended December 31,</u>	
	<u>2007</u>	<u>2008</u>
America	\$ 48,774,133	\$ 45,300,376
Europe	27,944,209	26,678,279
Asia	63,619,563	72,950,280
Others	995,586	1,710,873
	<u>\$ 141,333,471</u>	<u>\$ 146,639,808</u>

4) Major customers' information:

<u>Name</u>	<u>For the year ended December 31, 2007</u>	
	<u>Sales amount</u>	<u>Percentage of operating revenues</u>
Customer A	<u>\$ 26,605,194</u>	<u>17</u>

<u>Name</u>	<u>For the year ended December 31, 2008</u>	
	<u>Sales amount</u>	<u>Percentage of operating revenues</u>
Customer B	\$ 28,738,966	18
Customer C	24,116,457	15
Customer D	21,560,231	13
	<u>\$ 74,415,654</u>	<u>46</u>