Offering Circular

Wistron Corporation

15,000,000 Global Depositary Shares

each representing 10 Common Shares

Wistron Corporation (the "Company") is offering 15,000,000 Global Depositary Shares (the "GDSs"), representing 150,000,000 new common shares of the Company (the "New Shares"), par value NT$10 per common share of the Company (the "Shares") through J.P. Morgan Securities Ltd. (the "Global Coordinator"), Credit Suisse (Hong Kong) Limited ("Credit Suisse", together with the Global Coordinator, the "Joint Bookrunners") and the other initial purchasers named in the section entitled "Plan of distribution" (collectively, the "Purchasers").

The GDSs and the Shares being offered pursuant to this Offering Circular (this "Offering") are being offered by the Purchasers outside the United States to persons other than U.S. persons (as defined in Regulation S ("Regulation S") under the U.S. Securities Act of 1933 (the "Securities Act")) in offshore transactions in reliance on Regulation S. See "Transfer restrictions" and "Plan of distribution".

Application has been made to list the GDSs on the Official List of the Luxembourg Stock Exchange ("LSE") and to trade them on the Euro MTF market. The offer and sale of the GDSs is not conditional on obtaining a listing of such GDSs on the LSE.

OFFER PRICE PER GDS: US$14.90

Investing in the GDSs involves risks. See "Risk factors" for a discussion of certain factors to be considered in connection with your investment in the GDSs.

Global Coordinator

J.P. Morgan

Joint Bookrunners

J.P. Morgan

Credit Suisse

Co-Lead Managers

HSBC

BNP Paribas Corporate & Investment Banking

June 15, 2009

The GDSs offered pursuant to this Offering (the "Offer GDSs") will be issued pursuant to a deposit agreement. The Offer GDSs are International GDSs (as defined herein) and will be issued pursuant to the international deposit agreement dated September 22, 2005 (the "Original International Deposit Agreement") by and among us, Citibank, N.A. as depositary (the "Depositary") and holders and beneficial owners of the global depositary receipts issued thereunder (the "International GDRs"), which evidence the International GDSs as amended by that certain letter agreement dated June 19, 2009, by and between the Company and the Depositary (the "Letter Agreement", and together with the Original International Deposit Agreement, the "International Deposit Agreement").

GDSs offered in this Offering are International GDSs that are represented by a master international GDR (the "Master International GDR") in registered form, and deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company ("DTC"), in New York, New York for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Except as described herein, beneficial interests in the GDSs represented by the Master International GDR ("International GDSs") will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg. Individual physical GDRs representing GDSs will be issued in exchange for a beneficial interest in the Master GDR only in limited circumstances. See "Description of global depositary shares – Settlement and Safekeeping". Interests in the Master International GDR will be subject to certain restrictions on transfer. See "Transfer restrictions".

There are currently outstanding existing GDSs which were previously issued pursuant to the International Deposit Agreement (the "Existing International GDSs"). The Offer GDSs are fungible with the Existing International GDSs. Our Existing GDSs (as defined below) are listed on the Luxembourg Stock Exchange. There are also currently outstanding existing GDSs which were previously issued pursuant to the Rule 144A deposit agreement by and among us, the Depositary and holders and beneficial owners of the global depositary receipts issued thereunder (the "Existing Rule 144A GDSs", and together with the Existing International GDSs, the "Existing GDSs"), which evidence such GDSs, as amended by the Letter Agreement (the "Rule 144A Deposit Agreement", together with the International Deposit Agreement, the "Deposit Agreements") are eligible for trading in the PORTAL (as defined below). The Existing Rule 144A GDSs are represented by a master 144A GDR ("Master 144A GDR", together with the Master International GDR, the "Master GDRs"). Unless the context otherwise requires, references to the "Rule 144A GDSs" include Existing Rule 144A GDSs, and references to International GDSs include our Existing International GDSs, as well as such International GDSs as may be offered and sold as Offer GDSs. No Rule 144A GDSs will be offered or sold as part of this Offering or constitute Offer GDSs. Unless the context otherwise requires, references to "GDSs" in this Offering Circular include the Existing GDSs and Offer GDSs.

The GDRs, the GDSs evidenced thereby and the Shares represented thereby have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S). The GDRs, the GDSs evidenced thereby and the underlying Shares offered hereby are not transferable except in accordance with the restrictions described in this Offering Circular. See "Description of global depositary shares", "Transfer restrictions" and "Plan of distribution".

The Purchasers expect to deliver the Offer GDSs in book-entry form, through the facilities of DTC, against payment on or about June 19, 2009 (the "Closing Date").

Application has been made to list the GDSs on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market. Under the EU Directive on Markets in Financial Instruments ("MIFID"), the Euro MTF market acts as an "alternative market" to which the requirements of the EU prospectus and transparency directives will not apply. The alternative market will be operated independently of the EU regulated market and will fall into the category of Multiple Trading Facility ("MTF"). The commercial name Euro MTF market has been registered in order to avoid any legal ambiguity. It is also a national exchange regulated market under the global supervision of the Financial Sector Surveillance Commission ("FSSC"). It complies with the criteria of an official stock exchange listing. The Rule 144A GDSs are eligible for trading by QIBs in the PORTAL in the United States. The offer and sale of the Offer GDSs is not conditional on obtaining a listing of such Offer GDSs on the Luxembourg Stock Exchange, or any other exchange. There can be no assurance that the applications to the Euro MTF market of the Luxembourg Stock Exchange will be approved. Closing of the sale of the Offer GDSs is not conditioned on the applications being completed.

The outstanding Shares trade on the Taiwan Stock Exchange (the "TSE") under the stock code 3231. Application will be made for the New Shares represented by the Offer GDSs to be listed on the TSE. There is no assurance that the application to the TSE will be approved. On June 15, 2009, the closing price of the Shares on the TSE was NT$50.00 per Share.

Investing in the Offer GDSs involves risks. See "Risk factors" for a discussion of certain factors to be considered in connection with your investment in the Offer GDSs.

Having made all reasonable enquiries, we confirm that this Offering Circular contains all information with respect to us, our subsidiaries, we and our subsidiaries and affiliates, taken as a whole, the Offer GDSs and the Shares which is material in the context of the issue and Offering (including all information required by applicable laws of the ROC), that the information contained herein (except as set out below) is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Offer GDSs and the Shares represented thereby, make this Offering Circular as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect and that all reasonable enquiries have been made by us to verify the accuracy of such information and that this Offering Circular does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary in order to make the statements herein, in light of the circumstances under which they are made, not misleading. We accept responsibility accordingly. Information provided herein with respect to the ROC, its political status and its economy has been derived from government and other public sources and we accept responsibility only for accurately extracting information from such sources. We further accept responsibility for the accurate extraction of the information contained in each of the sections entitled "Foreign investment and exchange controls in the ROC" and "The securities market in the ROC" from publicly available sources and the laws and regulations of the ROC.

The distribution of this Offering Circular and the offering and sale of the Offer GDSs and the Shares represented thereby in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by us and the Purchasers to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on the offering and sale of the Offer GDSs and the Shares represented thereby, see "Plan of distribution" and "Transfer restrictions". This Offering Circular does not constitute an offer of, or an invitation by or on behalf of us or the Purchasers to subscribe for or purchase, any of the Offer GDSs in any jurisdiction in which such offer or invitation would be unlawful.

No person has been authorized in connection with the issue, offering or sale of the Offer GDSs and the Shares represented thereby to give any information or to make any representations other than those contained in this Offering Circular, and, if given or made, such information or representations must not be relied upon as having been authorized by us or the Purchasers. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Offering Circular nor any sale or allotment made in connection with the issue of the Offer GDSs shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The information contained in this Offering Circular has been provided by us and by other sources identified in this Offering Circular. No representation or warranty, express or implied, is made by the Purchasers as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Purchasers. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer GDSs offered hereby is prohibited. By accepting delivery of this Offering Circular, you agree to the foregoing.

In making an investment decision, you must rely on your own examination of our company and the terms of the Offer GDSs and the Shares, including the merits and the risks involved. Neither we nor the Purchasers are making any representations regarding the legality of your investment under applicable laws or regulations. The contents of this Offering Circular are not to be construed as legal, business or tax advice, for which you should consult your own legal advisor, business advisor or tax advisor.

Enforceability of foreign judgments in the ROC

We are a company limited by shares and incorporated under the Company Law of the ROC. Most of our directors, executive officers and supervisors and certain other parties named in this Offering Circular are residents of the ROC, and substantially all of our assets and such persons are located in the ROC. As a result, it may be difficult for investors to effect service of process upon us or such persons inside the ROC, or to enforce judgments obtained outside the ROC against us or those other persons in the ROC. We have been advised by Tsar & Tsai, our legal advisor in the ROC, that any final judgment obtained against us or such persons in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the GDSs or the Shares represented thereby will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied that:

- the court rendering the judgment had jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedure resulting in the judgment were not contrary to the public order or good morals of the ROC;
- if the judgment was rendered by default by the court rendering the judgment, either (i) we or such persons were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction, or (ii) process was served on us or such persons with judicial assistance of the ROC;
- judgments of the courts of the ROC would be recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis; and
- the judgment is a final judgment for which the period for appeal has expired or from which no appeal can be taken.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan) ("CBC") for the remittance out of the ROC of any amounts recovered in respect of that judgment which are denominated in a currency other than NT dollars.

Forward-looking statements

Certain statements under "Summary", "Risk factors", "Our business" and "Management's discussion and analysis of financial condition and results of operations" and elsewhere in this Offering Circular constitute forward-looking statements. All statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding our sales, costs and expenses, profitability and anticipated capital expenditure in future periods, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our products) and expected growth in consumer demand and other industry trends are forward-looking statements. You can identify some, but not all, of these forward-looking statements by terms such as "expects", "plans", "intends", "believes", "estimates", "may", "will", "should", "would" and "could".

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or performance, or industry results to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future.

Important factors that could cause our actual results or performance to differ materially from those in the forward-looking statements include, among others:

- changes in currency exchange rates;
- changes in market prices for our products;
- changes in technology;
- changes in customer preferences;
- changes in political, social and economic conditions in the ROC, the PRC, the Philippines, Mexico and the Czech Republic;
- changes in competitive conditions;
- changes in the availability or prices of raw materials and components; and
- change in generally accepted accounting principles adopted in the ROC.

Additional factors that could cause actual results or performance to differ materially include, but are not limited to, those discussed in "Risk factors". These forward-looking statements speak only as of the date of this Offering Circular. We expressly disclaim any obligation or undertaking to release publicly updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

Market data and information

All non-company specific average selling prices, production volumes, sales volumes, growth projections and other statistics relating to the information technology and consumer electronics industry or our position within such industry have been extracted or derived from publicly available industry reports published by Gartner, which is an industry reporting service that obtains market data from, and sells market reports to, information technology and consumer electronics product manufacturers, their suppliers and customers and other industry observers. References to specific reports published by Gartner are provided for the convenience of the reader, and such reports are not incorporated by reference into this Offering Circular. See "Our industry". Historical results in these reports are based on data provided by market participants and may not have been independently verified. We have not independently verified the contents of these reports and take responsibility only for their accurate extraction.

Financial information

We have prepared the audited consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008 and unaudited consolidated financial statements as of and for the three months ended March 31, 2008 and 2009, contained in this Offering Circular. These financial statements were prepared in conformity with ROC GAAP, which differ in certain material respects from U.S. GAAP. See "Summary of certain significant differences between ROC GAAP and U.S. GAAP".

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

Unless otherwise specified or the context requires, references to "United States dollars", "US dollars" and "US$" are to the lawful currency of the United States of America, references to "New Taiwan dollars", "NT dollars" and

"NT$" are to the lawful currency of the ROC, references to "Euro" or "€" are to the lawful currency of the European Union, and references to "Japanese yen" and "JPY" are to the lawful currency of Japan. Unless otherwise specified, where our financial information has been translated into US dollars, it has been so translated, for convenience only, at the exchange rate of NT$33.87 = US$1.00 (the noon buying rate as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on March 31, 2009). As of June 12, 2009, the Noon Buying Rate was NT$32.79 = US$1.00. Effective January 1, 2009, the Federal Reserve Board discontinued publication of its daily Noon Buying Rate update and now publishes the Noon Buying Rate data from the previous week on a weekly basis. All amounts translated into US dollars as described above are provided solely for the convenience of the reader, and no representation is made that the NT dollar or US dollar amounts referred to herein could have been or could be converted into US dollars or NT dollars, as the case may be, at any particular rate or at all. See "Exchange rates".

TABLE OF CONTENTS

	Page
Summary	1
Selected financial information and other data	6
The Offering	9
Risk factors	13
Use of proceeds	29
Market price information	30
Changes in share capital	31
Dividends and dividend policy	32
Exchange rates	34
Selected financial information and other data	35
Capitalization	38
Management's discussion and analysis of financial condition and results of operations	39
Our industry	59
Our business	63
Subsidiaries and affiliates	80
Board of directors and management	88
Share ownership	93
Related party transactions	94
Information relating to the Depositary	97
Description of global depositary shares	98
Description of share capital	114
Transfer restrictions	118
Clearance and settlement	122
Foreign investment and exchange controls in the ROC	124
The securities market in the ROC	127
Taxation	130
Plan of distribution	132
Legal matters	136
Independent auditors	137
General information	138
Summary of certain significant differences between ROC GAAP and U.S. GAAP	140
Glossary and defined terms	147
Index to financial statements	F-1

You should rely only on the information contained in this Offering Circular or to which we have referred you. We have not authorized anyone to provide you with information that is different. This Offering Circular may only be used in connection with the Offering and only where it is legal to offer and sell the GDSs and the Shares represented thereby. The information in this Offering Circular may only be accurate on the date of this Offering Circular.

In this Offering Circular, references to the "PRC" are to mainland China and do not include Hong Kong, Macau or Taiwan. References to the "ROC" and the Republic of China are to the island of Taiwan and other areas under the effective control of the Republic of China.

Summary

The following summary is qualified in its entirety by, and is subject to, the more detailed information and our consolidated financial statements and notes thereto, included elsewhere in this Offering Circular. For a discussion of certain factors that should be considered in connection with an investment in the GDSs, see "Risk factors" beginning on page 13.

OVERVIEW

We are a leading ODM and service company that focuses on providing leading OEMs in the global technology industry with quality and effective end-to-end services from initial product conceptualization and product development to volume manufacturing and after-sales services. Our key customers include Acer, Dell, Fujitsu, HP, IBM, Lenovo and Sony, and we provide our customers with sophisticated and comprehensive design and system integration capabilities, reliable and cost-effective production and logistics support and quality product development and after-sales services. Our product portfolio covers a wide range of technology products including notebook PCs, mobile communication products, server and storage systems, desktop PCs, LCD TVs, LCD monitors and other consumer electronics. We believe that we are one of the largest manufacturers of notebook PCs in the world in terms of global shipment volumes and a leading manufacturer of server and storage systems and LCD TVs.

As a leading ODM, we sell all of our products to prominent vendors who distribute these products under their own brands. We view our customers as our partners and typically work closely with them to develop existing and new products.

We manage our operations on a day-to-day basis through strategic business groups organized by our major products and services categories. Each strategic business group has its own focused group of products and customers, as well as dedicated personnel and manufacturing facilities to handle end-to-end responsibilities for its own customers, products and services. We believe this "end-to-end" approach allows us to focus better on customer and profit-oriented R&D, cost management, production efficiency and individual customer needs, which we believe enhances long-term business performance and customer loyalty. We manage other aspects of our business, such as company-wide strategy planning, finance, investment, human resources, information systems and legal compliance, on a centralized basis to take advantage of economies of scale and other synergies.

As of March 31, 2009, we employed over 36,000 personnel worldwide, strategically located in North America, Europe and Asia in various design, manufacturing, R&D and after-sales services centers. Our manufacturing facilities are located in the PRC, Taiwan, the Philippines, Mexico and the Czech Republic, and we maintain logistics facilities comprising more than 60 logistics hubs worldwide, close to the facilities of our customers in the United States, Europe and Asia. In addition, we maintain 12 after-sales services centers worldwide. Our after-sales service partner network spans three continents in countries such as the United States, Brazil, Canada, the Netherlands, the Czech Republic, the PRC, Taiwan, Singapore, Hong Kong, Japan, the Philippines and India. Our network of manufacturing facilities, customer services centers and logistics facilities provides us with a global presence which allows our customers worldwide to work closely with us from the design and development stages to the manufacturing, distribution and after-sales services stages. Our operations network also permits us to undertake simultaneous multi-location manufacturing and to arrange timely delivery to our customers or other end-users anywhere worldwide, often with cost savings on transportation and tariffs.

For the three months ended March 31, 2009, we had consolidated net revenues of NT$112,523.8 million (US$3,322.2 million) and consolidated net income of NT$1,419.5 million (US$41.9 million) compared to NT$86,809.8 million and NT$1,705.7 million, respectively, for the corresponding period in 2008. For the year ended December 31, 2008, we had consolidated net revenues of NT$445,117.7 million (US$13,141.9 million) and consolidated net income of NT$6,898.4 million (US$203.7 million) compared to NT$286,754.4 million and NT$6,716.5 million, respectively, for the year ended December 31, 2007 and NT$221,053.8 million and NT$5,275.0 million, respectively, for the year ended December 31, 2006.

On March 31, 2009, our market capitalization was NT$55,433.1 million based on the closing price of our Shares on the TSE of NT$36.55 per share on the same date.

CORPORATE INFORMATION

Our registered office is located at No. 7 Hsin-An Road, Hsinchu Science-Based Industrial Park, Taiwan, ROC, and our principal executive offices are located at No. 88, Sec. 1, Hsin Tai Wu Road, Hsichich, Taipei Hsien 221, Taiwan, ROC.

Our Shares have been listed on the TSE since August 19, 2003. Our Existing GDSs have been listed on the Euro MTF market of the Luxembourg Stock Exchange since September 22, 2005. See "The securities market in the ROC — The Taiwan Stock Exchange".

HISTORY

We were incorporated on May 30, 2001 as a company limited by shares under the ROC Company Act as an independent legal entity separated from Acer. Until the separation from Acer, we operated as the DMS division of Acer.

After our incorporation, Acer gradually transferred its DMS business and certain related investments to us. The reorganization was completed on February 28, 2002, when Acer transferred all the relevant assets and liabilities to us.

In 2002, Acer reduced its shareholding in Wistron to less than 50%, and, in 2008, Acer further divested its shareholding to less than 5% of Wistron's outstanding shares. While Acer is still the single largest shareholder of Wistron, our business and operations are independent from those of Acer, and we enjoy autonomy in our strategic planning and business operations.

BUSINESS ORGANIZATION

We organize our operations into four strategic business groups – Mobile Business Group ("MBG"), Digital Consumer Business Group ("DBG"), Enterprise Business Group ("EBG") and Service Business Unit ("SBU") - in order to better allocate our resources and further enhance our production efficiency and overall business performance. Each of these business groups focuses on a clearly delineated product, customer and service portfolio.

Each strategic business group has been allocated its own focused group of products and customers, as well as dedicated personnel and manufacturing facilities, and accounts for its own profits and losses. Each group has end-to-end responsibilities for its own customers, products and services which include business origination, marketing, account planning, R&D, product design and development, component sourcing, mass production, delivery and logistics support, customer services, billings, collection of receivables, realization of profits and financial reporting. This result-oriented scheme aims at instilling each business group with a sense of ownership to track its business performance, delineating clearly the responsibilities among the business groups and creating clear strategic focus for each business group in terms of product offerings and customer services. We manage other aspects of our business, such as company-wide strategy planning, finance, investment, human resources, information systems and legal compliance on a centralized basis to take advantage of economies of scale and other synergies.

OUR STRENGTHS

Our key strengths are as follows:

Leading market positions in target product markets

We are leaders across our target markets – mobile consumer products (notebook PCs and handhelds), digital consumer products (desktop PCs, LCD TV and monitors) and enterprise products (servers and storage systems). We believe that we consistently rank among the three largest companies in the notebook PC ODM industry globally in terms of shipment volumes. Our design and manufacturing expertise, together with our strong customer relationships, has resulted in increased orders for notebook PCs over the past several years. In addition to notebook PCs, we have a strong market presence in mobile products such as rugged handheld devices, digital consumer products such as thin client computers and LCD TVs and enterprise products such as server systems. We have been successful in increasing the overall scale of our business and establishing leading market positions in key target product markets because of our strong design capabilities and customer relationships. A larger business scale helps to further strengthen our position as it improves operational efficiency and allows us to focus on innovation and performance, which contributes to increased orders from existing customers and opportunities for new customer relationships. Over the years, we have received numerous awards recognizing our market position and strengths in innovation.

Strong partnerships with a diverse top-tier OEM customer base across multiple products

We have established and will continue to strengthen our long-standing relationships with top-tier global OEM leaders across product segments. As an ODM, we do not sell any products under our own brand in order not to compete with our customers. We view our customers as partners and seek to provide them with quality end-to-end solutions. Over the years, we have successfully expanded and diversified our customer mix. Our strong relationships with top-tier customers extend across multiple products that allow for further diversification of our revenue streams. Our major customers include Acer, Dell, Fujitsu, HP, IBM, Lenovo and Sony, most of which are worldwide OEM leaders in one or more product categories offered by us. Our notebook PC customers include top branded notebook PC vendors such as Acer, Dell, Fujitsu, HP, IBM, Lenovo and Sony. Our digital consumer customers include conglomerates such as Sony, as well as OEMs like Acer, Dell, HP and Lenovo. Our enterprise solution customers include top-tier global server and storage vendors including HP, IBM and Dell. We believe that by broadening our customer portfolio, we are able to reduce our reliance on just a few customers for our revenue streams. Our strong and diverse customer base has not only been instrumental to our success to date, but also will be a strong driver of our future growth as OEM leaders expand their respective market shares and develop new products.

Value-added innovation capabilities and customer-focused service platform

We provide our OEM clients with end-to-end design, manufacturing and after-sales service solutions. Our capabilities include providing R&D support throughout a customer's engagement in order to provide innovative and value-added products and services, including customized software products. This customer-focused service platform provides "one-stop-shopping" convenience with the added capability of selling innovative and market relevant products.

Being a leading innovator amongst ODMs is important to our strategy. With the advent of touch screen PCs and handhelds, and 3D televisions and monitors, we believe that display centric products will present new ODM opportunities, either by addition of new features to existing products or through new product development. Our ability to innovate has positioned us well to benefit from strong growth of display centric products going forward. We employ approximately 2,800 engineers in the R&D division, and as of March 31, 2009, we owned approximately 1,400 patents, of which approximately 400 patents were co-owned with Acer, relating primarily to systems integration and mechanical designs. This strong R&D track record, as well as the acquisition of assets from Lite-On's LCD monitor business, has significantly enhanced our display capabilities.

Our after-sales services differ from those undertaken by our competitors, as we provide system repair and component repair both for products manufactured by us, as well as by other manufacturers. We believe that top-tier OEMs will continue to engage us because we have the necessary technology, R&D resources, production capacity and skills and experience to (i) collaborate with them in improving current and developing new product designs; (ii) offer them the maximum flexibility and rapid and reliable shipments; and (iii) provide them with reliable, high-quality products and responsive support services at competitive prices.

OUR STRATEGY

Key elements of our strategy are as follows:

Strive to grow our market share with a focus on profitability

Leading technology OEM vendors typically source products from a small number of leading ODM service providers. Our strong customer service platform and strong relationships have helped us to increase notebook PC shipments from 9.8 million units in 2006 to 21.0 million units in 2008 and capture additional market share. By increasing our global market share we believe we will realize greater economies of scale in our design, manufacturing process and sourcing of raw materials and components. With higher utilization of our resources and greater purchasing power, we can lower unit cost of production and sustain our margins and profitability.

At the same time, our objective is not to pursue market share at the cost of profitability. We plan to maintain and enhance our profitability through adjustments to our product mix. We monitor the profitability of different products, and shift production away from low-margin products such as PDAs and desktop PC motherboards, and conversely, expand our product portfolio and production of higher-margin products with our existing customers.

Expand existing relationships with OEM customers into new product areas

We plan to focus our resources on our high quality OEM customer group, with whom we have long-standing relationships and knowledge of requirements and preferences, in order to develop and supply more sophisticated, higher margin products. For example, we have recently started selling desktop PCs to our long established notebook PC customers. Our experienced R&D teams enable us to bring innovations to our existing customers that translate into new ODM opportunities. They can add new features to existing products or develop new product lines by identifying improved manufacturing processes or developing customized software. For example, we were one of the first ODMs to adopt in-mould decoration ("IMD") techniques to upgrade the external features for notebook PCs. We have also been one of the leading ODMs to focus on developing 3D-related display technologies and 3D-related conversion software with our customers. We will continue to work with our global OEM clients to broaden and deepen our supply relationships, enhance customer loyalty and expand our product offerings into new products, applications and markets.

Focus on the large and fast-growing consumer and enterprise product areas

We are focused on expanding our product offerings in consumer electronics, such as LCD TVs, all-in-one desktop PCs, CULV notebook PCs, and enterprise solutions, such as server and storage systems, which we believe represent growing areas in the technology ODM outsourcing industry. Technology products by their nature have limited life cycles and are constantly evolving, and as a result we continue to evaluate and identify new areas for growth. We anticipate that by focusing on these consumer electronics and enterprise solutions areas, we will be able to diversify our revenue streams, improve margins and reduce our reliance on revenues from notebook PC sales.

Continue to improve our operational efficiency and reduce our costs

We intend to continue to implement initiatives to further improve our operational efficiency and reduce our costs, particularly with regard to production management, business organization, notes and accounts receivable management and inventory management.

Production management

In order to maintain cost competitiveness, we have located most of our high volume manufacturing facilities in the PRC, where we are able to use a skilled and cost-efficient labor force. We intend to continue to carefully expand our production facilities in the PRC in line with our business growth. We also plan to continue to maintain strategically located small volume production facilities in the ROC, the Philippines, Mexico and the Czech Republic.

Business organization

Each of our four business units has been entrusted with end-to-end responsibilities for its own customers, products and services. We believe this approach enables us to focus better on customer and profit oriented R&D, cost management, and individual customer needs, which enhances our operational efficiency and customer loyalty. At the same time, we plan to continue to implement steps to realize potential synergies across our organization. For example, our SBU is strategically placed to identify problems or potential areas for improvement in our products, as well as those of our competitors. It has therefore been instrumental in enabling our other business units to anticipate, identify and resolve product defect areas and improve particular products and manufacturing processes.

Notes and accounts receivable management

We intend to continue to reduce our notes and accounts receivable collection time through the use of factoring arrangements. In the years ended December 31, 2007 and 2008, we factored notes and accounts receivables of US$180.6 million and US$1,035.5 million, respectively, and effectively have maintained the average number of our notes and accounts receivable turnover days on a consolidated basis at 49 days in 2007 and 2008 despite increasing revenues each year. The use of factoring arrangements enable us to leverage on the credits of some of our customers, who are the global technology OEM leaders, to generate cash flow faster and reduce our financing costs.

Inventory management

We seek to maintain inventories of key input components to meet our product requirements on a just-in-time basis by (i) closely monitoring the market supply, (ii) enhancing our supply chain tracking system to enable us to monitor our input component and inventory levels and (iii) strengthening the cooperation between our sales, production and material procurement units. Our inventory management activities have resulted in decreased inventory turnover days on a consolidated basis from 25 days in 2007 to 24 days in 2008. We will also continue to improve our product design and manufacturing process through R&D to minimize component and raw material costs.

Continue to enhance our globally synchronized manufacturing and service infrastructure

We plan to continue to expand and enhance our production and services facilities in Asia, Europe and the Americas. Our globally synchronized supply chain management infrastructure enables us to allocate mass production to low-cost production facilities in the PRC, while at the same time manufacturing more technology intensive and sophisticated products at our facilities in Taiwan and engaging in final configuration services close to our customers' facilities or end-markets in the United States and Europe. With our global SAP system in place, we strive to operate our business efficiently and be flexible in all aspects of our operations in order to cater to our key customers' needs. We will also continue to enhance our configure-to-order ("CTO") capability, which is crucial to our operations in particular with respect to certain products such as notebook PCs and desktop PCs. We believe our flexible and reliable production capacity will enhance our competitiveness by assisting our customers in responding quickly to end-user demands in an industry in which product lifecycles are relatively short. We also intend to continue to enhance our global service center and sub-contractor network to provide seamless and comprehensive value-added after-sales services to our customers across the globe.

Selected financial information and other data

The following table sets forth our and our consolidated subsidiaries' summary financial information for the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements dated as of and for the years ended December 31, 2006, 2007 and 2008 and our unaudited consolidated financial statements as of and for the three months ended March 31, 2008 and 2009, including the notes thereto, included elsewhere in this Offering Circular. Our audited consolidated financial statements dated as of and for the years ended December 31, 2006, 2007 and 2008, and our unaudited consolidated financial statements dated as of and for the three months ended March 31, 2008 and 2009 were prepared in accordance with ROC GAAP, which differ in certain material respects from generally accepted accounting principles in certain other countries, including U.S. GAAP. See "Summary of certain significant differences between ROC GAAP and U.S. GAAP".

	Consolidated				Consolidated		
	For the year ended December 31,(1)				For the three months ended March 31,(2)		
	2006	2007	2008	2008(3)	2008	2009	2009(3)
	NT$	NT$	NT$	US$	NT$	NT$	US$
	(In millions of NT dollars and US dollars, except per Share data)						
Statement of Operations Data							
Net revenues	221,053.8	286,754.4	445,117.7	13,141.9	86,809.8	112,523.8	3,322.2
Cost of revenues	(206,309.6)	(268,396.8)	(420,252.2)	(12,407.8)	(81,577.2)	(106,958.8)	(3,157.9)
Gross profit	14,744.2	18,357.6	24,865.5	734.1	5,232.6	5,565.0	164.3
Realized inter-company profits	0.5	3.3	-	-	-	-	-
Realized gross profit	14,744.7	18,360.9	24,865.5	734.1	5,232.6	5,565.0	164.3
Operating expenses:							
Selling	(3,622.9)	(4,417.2)	(7,653.9)	(226.0)	(1,682.7)	(1,849.9)	(54.6)
Administrative	(1,171.2)	(1,519.7)	(2,170.7)	(64.1)	(467.1)	(600.4)	(17.7)
Research and development	(2,991.1)	(4,407.3)	(6,428.2)	(189.8)	(1,396.2)	(1,739.8)	(51.4)
Total operating expenses	(7,785.2)	(10,344.2)	(16,252.9)	(479.9)	(3,546.0)	(4,190.1)	(123.7)
Operating income	6,959.5	8,016.7	8,612.7	254.3	1,686.6	1,374.9	40.6
Non-operating income and gains:							
Interest income	149.1	139.4	277.7	8.2	22.1	11.7	0.3
Investment income recognized under equity method, net	152.1	286.9	239.4	7.1	75.0	71.8	2.1
Gain on disposal of property, plant and equipment	-	369.5	121.3	3.6	24.3	24.4	0.7
Gain on disposal of investments, net	134.2	105.9	182.5	5.4	127.8	1.1	0.0
Foreign currency exchange gain, net	268.5	-	-	-	221.5	342.3	10.1
Gain on reversal of impairment loss, net	-	47.6	-	-	-	-	-
Rental income	122.3	135.2	98.1	2.9	32.1	24.8	0.7
Evaluation gain on financial instruments, net	2.3	-	36.6	1.1	14.9	29.3	0.9
Other income	245.6	268.2	438.3	12.9	86.1	62.6	1.8
	1,074.0	1,352.7	1,393.8	41.2	603.7	568.0	16.8
Non-operating expenses and losses:							
Interest expense	(1,138.5)	(767.5)	(939.4)	(27.7)	(146.2)	(122.0)	(3.6)
Loss on disposal of property, plant and equipment	(41.1)	(136.5)	(55.4)	(1.6)	(1.0)	(11.9)	(0.4)
Other investment loss	(91.7)	(8.8)	(7.5)	(0.2)	-	-	-
Foreign currency exchange loss, net	-	(161.1)	(37.7)	(1.1)	-	-	-
Evaluation loss on financial instruments, net	-	(30.6)	-	-	-	-	-
Other loss	(238.2)	(226.6)	(109.6)	(3.2)	(26.3)	(17.3)	(0.5)
	(1,509.4)	(1,331.2)	(1,149.6)	(33.9)	(173.5)	(151.2)	(4.5)
Income before income taxes	6,524.0	8,038.2	8,856.9	261.5	2,116.9	1,791.7	52.9
Income tax expense	(1,249.0)	(1,321.8)	(1,958.5)	(57.8)	(411.2)	(372.2)	(11.0)
Consolidated net income	**5,275.0**	**6,716.5**	**6,898.4**	**203.7**	**1,705.7**	**1,419.5**	**41.9**
Income attributable to:							
Shareholders of parent company	5,326.9	6,605.5	6,877.9	203.1	1,676.7	1,424.5	42.1
Minority shareholders	(51.9)	111.0	20.5	0.6	29.0	(5.0)	(0.1)
	5,275.0	6,716.5	6,898.4	203.7	1,705.7	1,419.5	41.9
After income tax							
Earnings per common share (in dollars):							
The Company's basic earnings per share – retroactively adjusted	3.68	4.45	4.57	0.13	1.12	0.94	0.03
The Company's diluted earnings per share – retroactively adjusted	3.67	4.39	4.15	0.12	1.05	0.86	0.03

	Consolidated				Consolidated		
	As of December 31,(1)				As of March 31,(2)		
	2006	2007	2008	2008(3)	2008	2009	2009(3)
	NT$	NT$	NT$	US$	NT$	NT$	US$
	(In millions of NT dollars and US dollars, except per Share data)						
Balance Sheet Data							
Assets							
Current assets:							
Cash and cash equivalents	9,526.0	7,454.2	13,174.0	389.0	4,775.5	16,079.1	474.7
Financial assets at fair value through profit or loss – current	6.3	72.2	12.9	0.4	67.3	224.8	6.6
Notes and accounts receivable, net of allowance for doubtful accounts	15,191.3	35,433.3	51,199.7	1,511.7	32,527.6	50,807.1	1,500.1
Notes and accounts receivable – related parties	7,285.7	19,209.9	12,518.4	369.6	19,682.1	10,891.2	321.6
Other receivable – related parties	79.6	258.2	33.6	1.0	112.5	33.5	1.0
Other financial assets – current	5,443.2	1,412.5	2,194.8	64.8	1,824.2	1,453.6	42.9
Inventories	14,043.8	22,813.0	31,891.9	941.6	25,187.6	24,321.3	718.1
Deferred income tax assets – current	795.6	878.8	1,310.3	38.7	967.9	1,449.0	42.8
Prepaid expenses and other current assets	970.7	1,137.7	1,224.4	36.1	1,118.9	1,690.3	49.9
Available-for-sale financial assets – current	3,195.6	105.7	4.8	0.1	10,799.0	4.3	0.1
Total current assets	56,537.8	88,775.4	113,564.8	3,353.0	97,062.7	106,954.2	3,157.8
Long-term investments:							
Long-term equity investments under equity method	2,028.3	1,976.9	2,781.1	82.1	2,033.0	3,040.7	89.8
Advance payments for investment	-	-	20.0	0.6	-	-	-
Available-for-sale financial assets – noncurrent	110.4	882.7	588.8	17.4	854.3	704.0	20.8
Financial assets carried at cost – noncurrent	587.7	756.4	997.6	29.5	582.0	1,023.9	30.2
Total long-term investments	2,726.5	3,616.1	4,387.6	129.5	3,469.2	4,768.6	140.8
Property, plant and equipment:							
Land	1,148.8	1,183.4	1,349.6	39.8	1,230.1	1,334.1	39.4
Buildings and improvements	5,254.5	5,610.9	7,230.9	213.5	5,401.8	7,408.8	218.7
Machinery and equipment	7,634.4	7,954.3	9,045.3	267.1	7,627.1	9,697.7	286.3
Molding equipment	1,914.8	2,720.3	4,217.3	124.5	2,906.2	4,674.3	138.0
Research and development equipment	383.7	596.5	818.9	24.2	619.0	847.4	25.0
Furniture and fixtures	650.5	833.6	1,023.4	30.2	843.4	1,090.1	32.2
Other equipment	1,003.1	1,415.0	1,765.4	52.1	1,378.1	1,871.5	55.3
Construction in progress and advance payments for purchases of property and equipment	776.1	2,096.3	2,454.2	72.5	2,123.6	2,645.1	78.1
	18,765.9	22,410.3	27,904.9	823.9	22,129.3	29,569	873.0
Less: accumulated depreciation	(6,772.8)	(8,529.2)	(10,484.2)	(309.5)	(8,840.3)	(11,861.0)	(350.2)
Net property, plant and equipment	11,993.1	13,881.1	17,420.7	514.3	13,289.0	17,708.0	522.8
Intangible assets	942.0	1,235.7	2,579.2	76.2	1,239.0	2,446.2	72.2
Other noncurrent receivable – related parties	-	23.9	-	-	18.5	-	-
Deferred income tax assets – noncurrent	442.2	-	-	-	-	-	-
Deferred expenses and other assets	1,014.5	1,128.8	1,508.8	44.5	2,925.4	1,630.1	48.1
Total assets	**73,656.2**	**108,660.9**	**139,461.1**	**4,117.5**	**118,003.8**	**133,507.0**	**3,941.8**
Liabilities and Stockholders Equity							
Current liabilities:							
Short-term borrowings	2,805.4	10,069.0	2,875.2	84.9	18,263.1	2,529.1	74.7
Long-term debt due within one year	40.3	-	-	-	-	-	-
Notes and accounts payable	28,625.5	42,311.8	61,666.6	1,820.7	40,792.6	56,867.9	1,679.0
Notes and accounts payable – related parties	7,208.0	15,067.4	16,294.3	481.1	16,194.3	16,868.8	498.0
Financial liabilities at fair value through profit or loss – current	4.0	45.1	4.7	0.1	83.4	187.4	5.5
Other payable – related parties	389.2	24.7	94.4	2.8	17.4	91.9	2.7
Accrued warranty	830.3	781.1	574.0	16.9	870.5	706.5	20.9
Accrued expenses and other current liabilities	4,745.0	5,836.2	8,895.6	262.6	6,054.8	8,922.6	263.4
Deferred inter-company profits	1.4	-	13.6	0.4	14.9	13.6	0.4
Total current liabilities	44,649.2	74,135.3	90,418.4	2,669.6	82,291.1	86,187.7	2,544.7
Long-term borrowings	56.4	-	9,858.0	291.1	-	6,105.1	180.3
Deferred income tax liabilities – noncurrent	-	393.81	1,172.0	34.6	519.5	1,245.7	36.8
Unrealized gain on sale-and-leaseback	-	207.8	83.1	2.5	176.6	51.9	1.5
Other liabilities	121.3	174.0	146.9	4.3	165.7	170.8	5.0
Total liabilities	44,826.9	74,911.0	101,678.3	3,002.0	83,152.9	93,761.2	2,768.3

	Consolidated				Consolidated		
	As of December 31,				As of March 31,		
	2006	2007	2008	2008[3]	2008	2009	2009[3]
	NT$	NT$	NT$	US$	NT$	NT$	US$
	(In millions of NT dollars and US dollars, except per Share data)						
Stockholders' equity:							
Common stock	12,723.6	13,819.3	15,166.4	447.8	13,819.3	15,166.4	447.8
Capital surplus – paid-in capital in excess of par	10,209.2	10,209.2	11,103.7	327.8	10,209.2	11,103.7	327.8
Capital surplus – resulting from long-term equity investments	1.6	-	2.0	0.1	-	7.4	0.2
Legal reserve	657.9	1,190.6	1,851.2	54.7	1,190.6	1,851.2	54.7
Unappropriated earnings	5,477.5	7,365.3	8,506.6	251.2	9,036.3	9,931.1	293.2
Foreign currency translation adjustment	423.9	231.6	651.5	19.2	(327.4)	1,094.6	32.3
Unrecognized pension cost	-	(29.7)	(11.6)	(0.3)	(29.7)	(11.6)	(0.3)
Unrealized gain (loss) on available-for-sale financial assets	49.6	(48.1)	(398.5)	(11.8)	(87.4)	(307.5)	(9.1)
Treasury stock	(817.6)	-	-	-	-	-	-
Total stockholders' equity	28,725.8	32,738.2	36,871.2	1,088.6	33,811.0	38,835.2	1,146.6
Minority interest	103.4	1,011.8	911.6	26.9	1,039.8	910.6	26.9
Total stockholders' equity and minority interest	28,829.2	33,750.0	37,782.8	1,115.5	34,850.8	39,745.8	1,173.5
Commitments and contingencies							
Total liabilities and stockholders' equity	**73,656.2**	**108,660.9**	**139,461.1**	**4,117.5**	**118,003.8**	**133,507.0**	**3,941.7**

Notes:

(1) The amounts as of and for the periods ended December 31, 2006, 2007 and 2008 are derived from our audited consolidated financial statements for the same periods.

(2) The amounts as of and for the three months ended March 31, 2008 and 2009 are derived from our unaudited consolidated financial statements for the same periods.

(3) Solely for the convenience of the reader, the NT dollar amounts have been translated into US dollars at the rate of NT$33.87 = US$1.00, the Noon Buying Rate on March 31, 2009. No representation is made that the NT dollar or US dollar amounts shown could have been or could be converted into US dollars or NT dollars, as the case may be, at any particular rate or at all. See "Exchange rates".

The Offering

The following is only a summary and is qualified in its entirety by reference to "Description of global depositary shares" and the more detailed information contained elsewhere in this Offering Circular. Capitalized terms used in this summary and not defined have the respective meanings given to them in "Description of global depositary shares".

Company	Wistron Corporation.
Proposed Offering	We are offering 15,000,000 GDSs (representing 150,000,000 New Shares to be deposited by us with the Depositary) at a price of US$14.90 per GDS using the Taipei Forex Inc. Taiwan Dollar fixed closing rate of NT$32.889 = US$1.00 as published on Bloomberg on June 15, 2009, outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.
The GDSs	The Offer GDSs are International GDSs, which will be issued by Citibank, N.A. as Depositary pursuant to the International Deposit Agreement. Each GDS represents 10 Shares deposited with First Commercial Bank Co. Ltd. (the "Custodian") in the ROC. The Offer GDSs are not per se "restricted securities" under the U.S. securities laws, but we have imposed certain contractual restrictions on them in an effort to prevent the transfer of such GDSs in violation of the U.S. securities laws. No Rule 144A GDSs will be offered or sold as part of this Offering or constitute Offer GDSs. Holders of Offer GDSs may, subject to certain conditions, exchange their interests in International GDSs for interests in Rule 144A GDSs. The rights of holders of International GDSs and Rule 144A GDSs are set forth in greater detail under "Description of the global depositary shares."
Shares outstanding	As of the date of this Offering Circular, there were 1,516,636,709 Shares outstanding. See "Changes in share capital". 1,666,636,709 Shares will be outstanding immediately after the issue of the New Shares. The New Shares will represent approximately 9.0% of our issued Shares following this offering.
ROC share issuance procedure	On the Closing Date, we will deliver to the Custodian a global certificate of payment ("Global Certificate of Payment"), registered in the name of the Depositary, or its nominee, evidencing the irrevocable right to receive the definitive share certificates in scripless form representing the New Shares to be represented by the Offer GDSs. No later than the second business day in the ROC following the Closing Date, we will apply to the TSE for listing of certificates of payment ("Certificates of Payment") in respect of the underlying New Shares. It is expected that the TSE will approve the listing of the Certificates of Payment no later than the fifth business day in the ROC following the Closing Date (such approval date being the "Share Listing Date") although we cannot assure you that such approval will be obtained by such date (if at all). Immediately upon such listing and the credit of the number of New Shares as represented by the Certificates of Payment into the Custodian's account through the book-entry system maintained by the Taiwan Depository & Clearing Corporation ("TDCC"), the Global Certificate of Payment we delivered to the Custodian on the Closing Date will be replaced by the Certificates of Payment. Except where the context otherwise requires, all references in this Offering Circular to the New Shares represented by the Offer GDSs assume that we have received approval from the TSE for the listing of the Certificates of Payment, and during the period immediately prior to the Share Listing Date those references shall be deemed as references to the Global Certificate of Payment initially delivered to the Custodian.

	We will issue and deliver the underlying New Shares (registered in the name of the Depositary or its nominee) to the Custodian in scripless form in respect of the Certificates of Payment on or about 30 to 50 calendar days after the Closing Date, subject to obtaining approvals from relevant government authorities and the TSE.
Sale and withdrawal of Shares	On or after the Share Listing Date (i.e. only after the listing of the Certificates of Payment have been approved by the TSE), and subject to the relevant provisions of the International Deposit Agreement, a holder of Offer GDSs may withdraw and hold the underlying Shares or, as the case may be, the Certificates of Payment in scripless form evidencing the right to receive underlying New Shares, or request the Depositary, acting pursuant to the International Deposit Agreement, to sell or cause to be sold on behalf of such holder the underlying Shares or, as the case may be, the Certificates of Payment. The Certificates of Payment, which are without physical form and are deliverable through the book-entry settlement system of the TDCC, carry the same rights as those attaching to the New Shares in respect of dividends and are eligible for trading on the TSE in the same manner as New Shares. A holder, without obtaining further approval from the CBC, may convert NT dollars into other currencies, including US dollars, in respect of the proceeds of the sale by such holder of any underlying Shares or, as the case may be, of the Certificates of Payment, withdrawn from the depositary receipt facility. In connection with, and as a condition to, any such withdrawal and sale, Offer GDSs representing such New Shares or Certificates of Payment will need to be surrendered to the Depositary and will be cancelled. Unless additional GDSs are issued, the effect of such transactions will be to reduce the number of outstanding GDSs.
Additional deposit of Shares and issuance of additional GDSs	Under current ROC law and the Deposit Agreements, unless otherwise approved by the ROC Financial Supervisory Commission (the "ROC FSC"), additional GDSs may not be issued except in connection with (i) the distribution of additional Shares in connection with dividends on or free distributions of Shares, (ii) the exercise by holders of their pre-emptive rights applicable to Shares evidenced by GDSs in the event of capital increases by cash, (iii) subject to receipt of all applicable approvals in the ROC, the issuance of Shares by us to holders of bonds in connection with the exercise of conversion rights of such bondholders, (iv) the purchase, as permitted under the Deposit Agreements, directly by any person or through the Depositary of Shares on the TSE for deposit in the GDR facility, or delivery by any person of Shares held by such person to the Custodian for deposit in the GDR facility and (v) transfers between the depositary facility for the Rule 144A GDSs and the depositary facility for the International GDSs. The number of outstanding GDSs after an issuance in accordance with clause (iv) may not exceed the total number of issued GDSs approved by the ROC FSC plus any GDSs created pursuant to clauses (i), (ii) and (iii) of the previous sentence (subject to any adjustment in the number of Shares represented by each GDS). See "Description of global depositary shares" and "Foreign investment and exchange controls in the ROC — Depositary receipts".
Lock-ups	We and Simon Lin, our Chairman and Chief Executive Officer, have agreed not to dispose of any securities of the same class as the GDSs, the deposited shares and certain related securities for a period beginning on the date of the Purchase Agreement and ending on the date which is 90 days after the Closing Date (both dates inclusive). See "Plan of distribution".

Form and denomination	On or prior to the Closing Date, we will deliver to the Custodian as agent for the Depositary a Global Certificate of Payment evidencing the right to receive the share certificates in scripless form evidencing the New Shares and registered in the name of the Depositary, or its nominee. Upon receipt by the Custodian of the Global Certificate of Payment, the International GDSs issued in this Offering on the Closing Date shall be represented by an Master International GDR to reflect the issuance of the GDSs, representing such Shares.
Voting rights	Holders of GDSs may exercise voting rights with respect to the underlying Shares represented by the GDSs only as described under "Description of global depositary shares". Individual holders of GDSs will not have individual voting rights in respect of underlying Shares. If so instructed by holders of GDSs of at least 51.0% of all the GDSs outstanding at the relevant record date specified by the Depositary to vote in the same direction, the Depositary will be required to cause all of the underlying Shares to be voted for or against resolutions at shareholders' meetings in accordance with the instructions of such GDS holders subject to certain conditions. In the absence of clear instructions from at least 51.0% of the holders of all GDSs outstanding at the relevant time, the holders of GDSs shall be deemed to have instructed the Depositary to authorize and appoint the chairman of our board of directors (or such person as the chairman may nominate) as the representative of the Depositary to vote all the underlying Shares represented by GDSs in any manner he wishes, which may not be in the interests of the GDS holders. See "Description of global depositary shares — Voting rights".
Dividends	Holders of the GDSs will be entitled to receive dividends, subject to the terms of the International Deposit Agreement and relevant ROC laws and regulations, to the same extent as holders of Shares, less any fees and expenses payable under the International Deposit Agreement and any ROC tax applicable to those dividends. The payment and amount of dividends on the Shares are subject to approval by our shareholders at a meeting of shareholders and, in case of stock dividends, approval by the relevant government authorities. See "Dividends and dividend policy", "Description of share capital" and "Description of global depositary shares".
ROC tax	Any dividends (whether in cash or Shares) that we declare out of retained earnings and distribute to a Non-ROC Holder (as defined in "Taxation — ROC taxation") in respect of the Shares represented by GDSs are subject to ROC withholding tax, currently at the rate of 20% for Non-ROC Holders on the amount of the distribution (in the case of cash dividends) or on the par value of the Shares (in the case of share dividends) unless reduced by an applicable treaty. The 20% withholding tax will be reduced proportionately to the extent that a 10% retained earnings tax was previously paid on our undistributed earnings. Under current ROC law, capital gains on the sale of Shares represented by GDSs received by a Non-ROC Holder are exempt from ROC income tax. Any gains derived from transfers of GDSs are not subject to ROC income tax. A ROC securities transaction tax will apply to the sale of Shares at the rate of 0.3% of the gross sale proceeds. See "The securities market in the ROC — Price limits, commissions, transaction tax and other matters".
Markets for Shares and GDSs	The only trading market for the Shares is the TSE. Application has been made to list the Offer GDSs on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market, where the Existing GDSs were listed and have been trading since September 22, 2005. An application will be made for the New

Shares represented by the Offer GDSs to be listed and admitted for trading on the TSE. There is however no assurance that the applications to the LSE or the TSE will be approved.

Settlement

The Offer GDSs will be represented by beneficial interests in the Master International GDR, which has been deposited with a custodian for, and registered in the name of, Cede & Co., as nominee for the respective accounts of Euroclear and Clearstream, Luxembourg.

Beneficial interests in the Master International GDR will be shown on, and transfers thereof will only be effected through, records maintained by DTC, Euroclear and Clearstream, Luxembourg. Individual physical GDRs will be issued in exchange for beneficial interests in the Master International GDR only in limited circumstances. See "Description of the global depositary shares – Settlement and Safekeeping".

The Master International GDR will bear a Securities Act legend, and neither it, nor any interest therein, may be transferred except in compliance with the transfer restrictions set forth in such legend. See "Transfer restrictions".

In addition, under ROC law, any holder of GDSs who wishes to withdraw and hold Shares from the depositary facility under the International Deposit Agreement on or after the Share Listing Date will be required to comply with the terms of the International Deposit Agreement, and, if such person is a non-ROC person, will be required to appoint a local agent to open a securities trading account with a local ROC brokerage firm and a local ROC bank account, as well as appointing a local custodian bank. Such holder will also be required to appoint an agent in the ROC for filing tax returns and making tax payments.

Under ROC laws, GDSs and the Shares represented thereby can be held by a PRC person that meets certain qualification criteria set by the FSC, provided, however, any ownership of the Shares by such qualified PRC person in excess of 10% of our Company is subject to prior approval of the ROC governmental authorities.

Transfer restrictions

The GDRs, the Shares and the GDSs have not been registered under the Securities Act and are subject to certain restrictions on transfer. See "Transfer restrictions".

Governing law

The Deposit Agreements, the GDRs and the GDSs will be governed by, and construed in accordance with, New York law.

Use of proceeds

We will receive approximately US$219,947,500 from this Offering (net of underwriting commission and expenses). See "Use of proceeds".

Risk factors

You should carefully evaluate the risks described below and all the other information set forth in this Offering Circular before deciding to invest in any of the Offer GDSs. If any of the following risk factors and uncertainties develop into actual events, our businesses, financial condition or results of operations could be materially adversely affected. In such case, the trading price of the GDSs and our Shares could decline. You should pay particular attention to the fact that we are an ROC company and are subject to a legal and regulatory regime which in some respects may be different from that which prevails in other countries. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Offering Circular. See "Forward-looking statements".

RISKS RELATING TO OUR INDUSTRY

The global financial crisis has put downward pressure on prices and demand for our products

Since the second half of 2007, the global financial system has experienced significant difficulties and disruptions, leading to reduced liquidity, greater volatility, widening credit spreads and a lack of price transparency in the United States and global credit and financial markets. The difficulties in global credit and financial markets have also resulted in a widening global economic downturn. There are indications that the current financial crisis and economic downturn may worsen or persist for a significant amount of time. The slowdown experienced in the economies of the United States, the European Union and certain Asian countries has adversely affected and may continue to adversely affect prices of and demand for our products. As the deteriorating financial crisis has eroded the global demand for consumer electronics, the notebook PC and display manufacturing industry has been seriously harmed by a global drop-off in discretionary spending. The resulting decrease and slowdown in demand for consumer electronics products such as notebook PCs, desktop PCs, handheld devices, LCD TVs and LCD monitors have put significant downward pressure on prices. At the same time, reduced corporate and commercial activity has significantly impacted demand and prices of our server and storage products. There can be no assurance as to when the market for our products will recover and that it will not suffer a significant further downturn.

While various governments, including that of the ROC, have announced efforts to increase liquidity in the financial markets and stimulus packages to slow or reverse the economic downturn, there can be no assurance that these measures will be successful. If the economics of the United States, the European Union and our other core markets, as well as the ROC economy, continue to grow at a slower rate, or experience a prolonged recession, our business, financial condition and results of operations would be adversely affected. Our business model is extremely sensitive to the consumer spending cycle, and without a recovery in consumer spending on discretionary items, downward pressure on prices and demand for our products will persist.

We operate in a highly competitive industry and we may not be able to sustain our current market position

The information technology and consumer electronics ODM industry in general is extremely competitive and includes hundreds of companies, several of which have achieved substantial market share. Some of our competitors may have greater design, manufacturing, financial or other resources than us. Current and prospective customers evaluate our capabilities against, among other things, the merits of internally producing their products. In outsourcing, customers seek, among other things, to reduce cost. The competitive nature of our industry has resulted in substantial price competition. In addition, major customers typically outsource the same type of products to at least two or three ODMs in order to diversify their supply risks.

Accordingly, we typically compete with other major ODMs for orders from the same customers. We face competition from a number of sources, including Taiwanese, Japanese and Korean ODMs. We also face increasing challenges from PRC and overseas competitors who relocate to the PRC to take advantage of the low labor costs of production in the PRC. We may lose our customers to our competitors if we fail to keep pace with technology changes, enhance product differentiation and improve our cost efficiency. Increased competition could result in significant price competition, reduced revenues, lower profit margins or loss of market share, any of which would have a material adverse effect on our business, financial condition and results of operations. We cannot be certain that we will be able to compete successfully against either current or potential competitors in the future.

In recent years, many participants in the industry, including us, have substantially expanded their manufacturing capacity. There can be no assurance that we will be able to competitively develop the technology and provide the services necessary to retain business or attract new customers. There can also be no assurance that we will be able to differentiate ourselves from other ODMs as product components quickly become standardized.

We operate principally in the highly volatile information technology and consumer electronics industry and face constant price and margin pressure

The information technology and consumer electronics industry is highly volatile and is characterized by:

- frequent introduction of new products;
- short product life cycles;
- continuous decline in the average selling price over the product life cycle;
- continuous improvements in performance characteristics;
- declining margins; and
- numerous competitors and, from time to time, aggressive pricing practices.

The highly competitive environment and cyclical nature of the information technology and consumer electronics industry have subjected us to constant pressure on our product prices and margins. Our gross margins on a consolidated basis were 6.7%, 6.4%, 5.6% and 4.9% for the years ended December 31, 2006, 2007 and 2008 and the three months ended March 31, 2009, respectively. The principal factors which contributed to the decrease in our gross margins include significant competition among ODMs/OEMs that resulted in aggressive pricing practices, reductions in average selling prices of our products during the life cycles of such products, and fluctuations in the supply and demand for principal components and raw materials for such products. See "Management's discussion and analysis of financial condition and results of operations". We have also experienced periodic shortages of certain key components and raw materials as well as pressure from our customers to reduce unit prices of our products. In addition, we face downward pressure on the average selling prices of such products because such products may become commoditized as they move through their life cycles. The margins for standardized and matured products such as notebook PCs, which represent our most important revenue source, are typically lower than our less standardized products such as servers and storage systems and may continue to decline. Accordingly, our gross margins may be subject to further downward pressure as a result of the factors mentioned above, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR BUSINESS

We are highly dependent on a small group of key customers for our revenues

We depend on a small group of customers for a substantial portion of our net revenues. Our largest customer accounted for approximately 33.4% of our consolidated net revenues in the three months ended March 31, 2009, and for 23.8%, 32.7% and 28.8% of our consolidated net revenues in 2006, 2007 and 2008, respectively. In the aggregate, our top three customers accounted for approximately 79.8% of our consolidated net revenues in the three months ended March 31, 2009, and for 61.9%, 73.3% and 73.2% of our consolidated net revenues in 2006, 2007 and 2008, respectively. In the aggregate, our top five customers accounted for approximately 92.2% of our consolidated net revenues in the three months ended March 31, 2009, and for 77.8%, 79.0% and 85.4% of our total consolidated net revenues for the years ended December 31, 2006, 2007 and 2008, respectively. In addition, some of these customers have in the past varied, and may in the future vary, order levels significantly from period to period.

Maintaining close relationships with our key customers is essential to our strategy and to the ongoing growth of our business. There is no guarantee that we will retain the business of our existing key customers or the desired level of business with them. The loss of any key customer's business would seriously affect our revenues, and we may have difficulty securing comparable levels of business from other customers to offset any loss of revenue from the loss of any of our key customers. In addition, we may not be able to easily re-allocate our considerable customer-specific resources and assets in a timely manner.

In addition, we generate significant accounts receivables in connection with providing manufacturing services to our key customers. If one or more of our customers were to become insolvent or otherwise unable to pay for the products supplied by us, this could have a material adverse effect on our business because we would not only lose profits, but we might not be able to recoup the production costs expended in providing the unpaid for manufacturing services. See "Management's discussion and analysis of financial condition and results of operations – Factors affecting financial performance – Changes in customer mix". For example, when Nortel Networks Corporation filed for bankruptcy protection in January 2009, we wrote off approximately NT$257.0 million of receivables from Nortel for the year ended December 31, 2008.

Our profitability also depends on the performance and business of our key customers. Our revenues are directly affected by the resales of our products by our customers under their own brand names. We rely on the success of our vendor customers in marketing these products. Accordingly, risks that could seriously harm our key customers could harm us as well, including:

- recession in our key customers' markets;
- loss of market share for our key customers' products;
- reduced consumer spending on discretionary items in our customer' key markets;
- failure of our key customers' products to gain widespread commercial acceptance; and
- our key customers' inability to manage their operations efficiently and effectively.

We may not be able to mitigate the effects of price declines over the life cycles of our products

Our industry is characterized by rapidly changing technology (including advances in both software and hardware functionality and performance) and user preferences, evolving industry standards and the frequent introduction of new products and enhancements. As a result, the price of our technology products tends to decline over the product life cycles, reflecting product obsolescence, decreased costs of input components, decreased demand and increased competition as more manufacturers are able to produce similar products in large numbers as such products become standardized. The trend towards declining average selling prices over the life cycles of our products has resulted in constant downward pressure on our margins.

To mitigate the effects of price declines in our existing products and to sustain margins, we are under constant pressure to improve our production efficiency by reducing our input component costs, reducing our inventory levels and lowering our operating costs. Our ability to do so depends on factors both within and outside our control and may be constrained by the distinct characteristics and production requirements of individual products. We cannot be certain that we will be able to continue to improve production efficiency and maintain reasonable margins for all our existing products.

To maintain profitability, our strategy, in addition to improving our production efficiency for our existing products, has been to design new generations of products ahead of our competitors. This strategy requires us to obtain and incorporate new hardware, software, communications and peripheral technologies into our product range, some of which are primarily developed by others. These newer products generally carry higher profit margins but require large expenditures for research and development or the acquisition of new technologies. Our product strategy focuses on designing and producing products that comply with evolving industry performance standards, meet customer quality expectations and are available at prices appealing to our customers.

There can be no assurance that our strategy will be successfully implemented or that it will be effective in maintaining our profitability. Because of the pace of technological advances in the information technology industry, we must introduce new products that offer customers the latest competitive technologies while managing the production of our existing products on a timely basis. The success of any new product is dependent on factors including timely completion of new product design, acceptable production yields and market acceptance. Since the product design process is sometimes carried out well in advance of production and sales, we must seek to anticipate factors including the expected demand for the product as well as advances in technology. In light of the foregoing, we cannot be sure that new products designed by us will gain market acceptance or will not be adversely affected by new technological changes or new product designs by our competitors. Any delay in developing new products with anticipated technological advances, in commencing commercial production of new products or in replacing existing products with new products may have an adverse effect on our business, financial condition and results of operations.

Shortages in, or rises in the prices of, raw materials or components for products we manufacture, which account for most of our costs, may adversely affect our business

Our production depends on obtaining adequate supplies of input components on a timely basis. We do not typically maintain large inventories of input components, but rather we purchase input components on a just-in-time basis from various third-party component manufacturers that satisfy our quality standards and meet our volume requirements. Given the wide variety of systems, products and services that we offer, the large number of our suppliers that are dispersed across the world and the long lead times that may be required to manufacture, assemble and deliver certain components and products, problems could arise in planning production and managing inventory levels that could seriously harm us, including the possibility of defective parts, an increase in input component costs, reduced control over delivery schedules, and shortages of input components.

There is a risk that we may be unable to acquire necessary raw materials and components for our business. At various times, supplies of some of the raw materials and electronic components that we use, such as CPUs and LCD panels, have been scarce as a result of strong demand for those input components or problems experienced by suppliers. We may face similar situations or shortages in the future. In addition, in certain circumstances, we are required to source certain key components from suppliers on approved vendor lists, or AVLs, who have been qualified by our customers and we may not be able to obtain alternative sources of supply should such qualified suppliers be unable to supply our requirements in the future.

Shortages of raw materials and components could result in reduced production or delays in production, which may restrict our capacity to fulfill large orders at short notice or prevent us from making scheduled shipments to customers. Any future inability to accept high volume orders at short notice or make scheduled shipments could cause us to experience a reduction in our sales and could adversely affect our relationship with existing customers as well as prospective customers. Component shortages may also increase our costs of goods sold because we may be required to pay higher prices for components in short supply and redesign or reconfigure products to accommodate substitute components. As a result, component shortages could adversely affect our operating results for a particular period due to the resulting revenue shortfall and increased manufacturing or component costs.

We generally do not obtain firm and long-term volume purchase commitments from our customers

We generally do not obtain firm and long-term volume purchase commitments from our customers. We have entered into agreements with our key customers for specific product programs, generally for terms of between six months to one year, which normally include general terms of sale, specification requirements and pricing policy, but such agreements do not obligate our customers to place an order with us. The precise terms for each shipment, such as pricing and quantities, are normally confirmed at the time each order is placed.

Accordingly, we face the risk that our customers might place no or lower-than-expected orders, cancel existing or future orders or change production quantities. Although our customers might be contractually obligated to purchase products on specific terms from us for particular orders, we may be unable to or, for other business reasons, we may choose not to enforce our contractual rights if our customers choose to terminate their orders with us. Cancellations, reductions or instructions to delay production by a significant customer could harm our results of operations by reducing our sales volume, as well as by possibly causing delay in our customers' repayment of our expenditures for inventory and resulting in lower utilization of our manufacturing facilities, all of which may result in our realizing lower gross margins.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of customer requirements. The short-term nature of our customers' commitments and the rapid changes in demand for their products reduce our ability to estimate accurately future customer requirements, make it difficult to schedule production and limit our ability to maximize utilization of our manufacturing capacity. We often increase staffing, increase capacity, engage sub-contractors and incur other expenses to meet the anticipated demand of our customers, which could cause reductions in our gross margins if a customer order gets delayed or cancelled. Anticipated orders may not materialize, and delivery schedules may be deferred as a result of changes in demand for our customers' products.

We may experience losses on inventories

Frequent new product introductions and fluctuations of raw material and component prices in our industry can also result in a decline in the stated value of our inventory and an adverse effect on our inventory management. From time to time, shortage or oversupply of key components occurs. A shortage of any of these components generally increases their prices, and may depress our margins to the extent that it is not possible to pass these higher component prices on to our customers. These shortages, however, can quickly end and result in oversupply as suppliers ramp up production following capital expenditures to increase capacity. If we fail to anticipate customer demand properly, a temporary oversupply could result in excess or obsolete components which could adversely affect our gross margin. Such volatility in supply of LCD panels as well as other components may adversely affect our business if we cannot manage our supply of such components and react quickly to market changes. We believe that shortages and oversupply are cyclical, and there can be no assurance that shortages or oversupply of key components will not occur in the future or that any such shortages or oversupply will not have a material adverse effect on our results of operations. There is no assurance that rapid changes in the end-customer demand for our products or future fluctuations in raw materials and component prices will not result in significant inventory loss.

Our operating results may be adversely affected if we cannot effectively and efficiently introduce new products to timely meet rapidly evolving customer needs

If we cannot effectively and efficiently transition from existing products to new products, our revenues may decline. Among the risks associated with the introduction of new products are delays in development or manufacturing, variations in costs, delays in customer purchases in anticipation of new introductions, difficulty in predicting customer demand for the new products and effectively managing inventory levels in line with anticipated demand, risks associated with customer qualification and evaluation of new products and the risk that new products may have quality or other defects or may not be supported adequately by application software. Our revenues and margins may also suffer due to the timing of product or service introductions by our suppliers and competitors. Furthermore, sales of new products may replace sales, or result in discounting, of some of our current products, offsetting the benefit of even the successful introduction of new products. In addition, it may be difficult to ensure performance of new customer contracts in accordance with our revenues, margins and cost estimates, and to achieve operational efficiencies embedded in our estimates. Given the competitive nature of the industry, if any of these risks materialize, future demand for our products and our results of operations may suffer.

We are subject to financial and reputational risks due to product quality and liability issues

The contracts we enter into with our major customers typically include warranties that the products we deliver will be free from defects and perform in accordance with agreed specifications. To the extent that products shipped by us to our customers do not, or are not deemed to, satisfy such warranties, we could be responsible for repairing or replacing any defective products, or, in certain circumstances, for the cost of effecting a recall of all products which might contain a similar defect, as well as for consequential damages.

However, there can be no assurance that we will be able to recover any losses incurred as a result of product liability in the future from any third party, or that defects in the products sold by us, regardless of whether we are responsible for such defects, would not adversely affect our standing and reputation in the marketplace, result in monetary losses and have a material adverse effect on our business, financial condition and results of operations.

We depend on attracting and retaining key personnel, including key management personnel and research and development engineers

Our success depends to a significant extent upon, among other factors, the continued service of key senior management, including our Chief Executive Officer, and our skilled technical, managerial and sales personnel and on our ability to continue to attract, retain and motivate such personnel. The loss of the services of any of these key personnel without adequate replacement or the inability to attract new qualified personnel could limit our competitiveness, interrupt our production processes, reduce our manufacturing quality and cause customer dissatisfaction, all of which could lead to reduced profitability. Furthermore, in order to manage our growth, we will need to recruit additional skilled personnel and if we are not able to do so, our business and our ability to continue to grow could be harmed. We do not maintain insurance with respect to the loss of any of our key personnel.

A significant portion of our sales come from the notebook PC segment. If there is a decrease in notebook PC demand or a decrease in the average selling prices of these units, our results of operations could be adversely affected

A significant portion of our revenue is attributed to sales of notebook PCs. Notebook PCs accounted for 73.4% of our consolidated net revenues in the three months ended March 31, 2009, and 72.7%, 77.0% and 77.6% of our consolidated net revenues in 2006, 2007 and 2008, respectively. Demand for these products is affected by, among other things, average selling prices, changes in technology and user preferences. Due to industry-wide competition, the average selling price of notebook PCs has decreased. See "Management's discussion and analysis of financial condition and results of operation – Factors affecting financial performance – Downward pressure on average selling prices". If demand for notebook PCs were to decrease, or average selling prices were to decrease further, our results of operations could be materially adversely affected.

We may not successfully manage our growth

We have experienced significant growth in terms of revenues and sales volumes of our key product lines, and we have plans to continue to increase our market share in the technology ODM market. For example, the number of notebook PCs and handheld devices shipped by us increased from approximately 13.5 million units in 2007 to approximately 22.9 million units in 2008.

As we continue to grow both organically and through acquisitions, we must continue to improve our managerial, technical, operational and other resources to successfully integrate acquired businesses, and to implement an effective management information system. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, creditors, shareholders and other third parties. There can be no assurance that we will not experience issues such as capacity and capital constraints, construction delays, operational difficulties at new facilities or difficulties in upgrading or expanding existing facilities, and in attracting, retaining and training an increasing number of personnel to manage and operate those facilities. In particular, our failure to implement our expansion plans in a timely manner could adversely affect our ability to maintain, expand and diversify our revenue base and to maintain our margins and profitability. There can be no assurance that such expansion plans will not adversely affect our existing operations and have a material adverse effect on our business, financial condition, operating results and future prospects.

Our operating results may fluctuate from period to period or be subject to seasonality

There is a risk that our operating results may fluctuate. Some of the principal factors affecting our operating results include:

- changes in demand for our products;
- our customers' sales outlook, purchasing patterns and inventory adjustments;
- the mix of the types of products we supply to our customers, as high volume and low complexity products and services generally have lower margins than lower volume and more complex products and services;
- our effectiveness in managing manufacturing processes and controlling costs;
- our ability to make optimal use of available manufacturing capacity;
- changes in the cost and availability of labor, raw materials and components, which often occur in the ODM/OEM industry and which affect our margins and our ability to meet delivery schedules;
- our ability to manage the timing of our component purchases so that components are available when needed for production, while avoiding the risks of purchasing inventory in excess of immediate production needs;
- timing of new technology development and the qualification of this technology by our customers;
- our ability to obtain financing in a timely manner; and
- local conditions and events that may affect our production volumes, such as labor conditions, political instability and local holidays.

In addition, sales of consumer-related products of notebook and desktop PCs, particularly in the United States and European consumer markets, may be subject to seasonality. We generally experience seasonal lows in the demand for notebook and desktop PCs and other consumer electronics during the first quarter of the year, reflecting generally decreased demand for such products in the United States and Europe. However, we generally experience seasonal peaks during the latter part of the third quarter and the fourth quarter of the year, primarily as a result of increased demand for notebook PCs and other consumer electronics in the United States and Europe from back-to-school and holiday season sales. We expect that our ongoing operations will continue to be materially affected by seasonality in our results of operations. See "Management's discussion and analysis of financial condition and results of operations — Factors affecting financial performance — Quarterly results and seasonality".

We have had negative consolidated cash flows from our operating activities, which may recur

We had a positive consolidated cash flow of NT$7,723.6 million and NT$14,907.2 million (US$440.1 million) from our operating activities in 2006 and 2008, respectively, while we experienced a negative consolidated cash flow of NT$5,583.9 million from operating activities in 2007. There is no assurance that we will not have a negative consolidated cash flow position in the future, or that we would be able to obtain financing in the future from financial institutions on terms that are similar to those we have had in the past, on acceptable terms or at all. Failure to obtain such financing could have a material adverse effect on our financial condition, results of operations and future prospects.

Fluctuations in exchange rates could adversely affect our business

Over the past few years, the currencies of many Asian countries, including the ROC, have experienced considerable volatility and depreciation. The CBC has, from time to time, intervened to minimize the fluctuation of the US dollar/NT dollar exchange rate and prevent significant increases or decreases in the NT dollar value with respect to the US dollar. The NT dollar has appreciated against the US dollar by approximately 4.1% from the Noon Buying Rate of US$1.00 = NT$33.98 on January 2, 2004 to a Noon Buying Rate of US$1.00 = NT$32.57 on May 29, 2009. See "Exchange rates".

The vast majority of our net sales and raw material and component costs are currently denominated in US dollars, and the remainder is denominated principally in NT dollars. Our financial statements are expressed in NT dollars. We record an import or export transaction on the date it occurs at the effective exchange rate for such date as set by us. At the end of each month, we revalue the balances of foreign currency assets and liabilities at the month-end spot rate of exchange and credit or charge to current income the resulting foreign exchange gains or losses, as the case may be. Fluctuations in exchange rates, particularly between the US dollar and the NT dollar, affect our gross and operating profit margins and could result in foreign exchange and operating losses. For information regarding our foreign exchange activities, see "Management's discussion and analysis of financial condition and results of operations".

As a result of our manufacturing operations in the PRC, some of our expenses in the PRC, such as labor costs, are denominated in Renminbi ("RMB"). Prior to 1994, the RMB experienced a significant net devaluation against most major currencies and, during certain periods, significant volatility in the market-based exchange rate. Since 1994, the conversion of the RMB into foreign currencies, including US dollars, has been based on rates set by the People's Bank of China ("PBOC"). On July 21, 2005, the PBOC announced that the RMB exchange rate would no longer be pegged to the US dollar in favor of a floating exchange rate regime based on market supply and demand with reference to a basket of currencies. The exchange rate regime does not constitute a strict peg of the RMB to the basket of currencies, but, instead, the RMB is allowed to fluctuate within a narrow +/-0.3% range around a central parity rate – defined as the previous day's closing RMB/US dollar rate. The reference basket is used as a guide as to whether the RMB/US dollar rate should rise or fall. At 7pm on July 21, 2005, PBOC announced an initial appreciation of the RMB by 2.0% against the US dollar.

Any future appreciation of the RMB against the US dollar or the NT dollar will increase our production costs in the PRC. As the exchange rate is no longer fixed, and is now allowed to fluctuate within a range around a central parity rate, any volatility of the RMB exchange rate in the future may materially affect our business, financial condition and results of operations.

We cannot predict the impact of future exchange rate fluctuations on our results of operations. We currently enjoy a measure of natural hedging with respect to our foreign exchange exposure because the majority of both our costs and revenues are denominated in US dollars. We also attempt to hedge any remaining exposure through spot and forward exchange contracts but we cannot be sure that any of our hedging techniques will be successful. For information regarding our hedging activities, see Note 4(p)(3) to each of our consolidated financial statements.

Our business depends on intellectual property, and intellectual property litigation and disputes may adversely affect our business

Our success will depend in part on our ability to protect our intellectual property rights and to operate without infringing on the intellectual property rights of others. We currently rely on a combination of patents and contractual provisions to establish and protect our intellectual property rights in our products. See "Our business — Intellectual property". However, other parties may hold or receive patents that could hinder or prevent the sale of our products or require us to obtain licenses on such technology, which may not be available on acceptable terms or at all.

We are not involved in any material litigation or other proceedings, the outcome of which we believe might individually or collectively have any material adverse effect on our results of operations or financial condition, and no material litigation or claim of material importance is known to be pending or threatened against us.

Rapid technological changes in our industry require that we quickly implement new processes and components, and there is often a degree of uncertainty as to who may rightfully claim ownership rights to such processes and components. As is the case with many companies in our industry, we might also, from time to time, receive communications from third parties asserting intellectual property rights against our products. If so, after we review and evaluate such third parties assertion of such rights, we might either deny any such assertion, or enter into discussions with such third parties. If necessary and appropriate, we might negotiate the terms of possible licenses in respect of such rights or seek non-infringing alternatives, as well as seek indemnification from our suppliers if possible. There is a risk that we might incur potential costs in either defending or settling such property disputes. In addition, our customers typically require that we indemnify them against claims of intellectual property infringement in accordance with the related agreements. If any claims are brought against our customers for such infringement, whether or not these have merit, we could be required to defend such claims for our customers.

We rely on technology provided by third parties; if we are unable to use such technology, our business may suffer

From time to time, we have obtained licenses for patent, copyright, trademark and other intellectual property rights in respect of technologies used in the production of our products. We can offer no assurance, however, that in the future we will be able to obtain licenses to the intellectual property of third parties on commercially reasonable terms, or at all. In addition, we could be at a disadvantage if our competitors obtain licenses for protected technologies on more favorable terms. If we or our suppliers are unable to license protected technology used in our products, we could be prohibited from marketing those products or may have to market products without desirable features. We could also incur substantial costs to redesign our products or to defend any legal action taken against us. If our products should be found to infringe protected technology, we could be enjoined from further infringement and be required to pay damages to the infringed party. Any of these factors could have a material adverse effect on our results of operations or financial condition.

Possible failure to comply with environmental regulations could harm our business

We are subject to various national and local environmental laws and regulations in the countries where we operate, including those governing the use, storage, discharge and disposal of hazardous substances in the ordinary course of our manufacturing process. In addition, we are responsible for cleanup of contamination at some of our manufacturing facilities. If more stringent compliance or cleanup standards under environmental laws or regulations are imposed, or the results of future testing and analyses at our operating facilities indicate that we are responsible for the release of hazardous substances, we may be subject to additional remediation liability. Further, additional environmental matters may arise in the future at sites where no problem is currently known or at sites that we may acquire in the future. Currently, unexpected costs that we may incur with respect to environmental matters may result in additional loss contingencies, the quantification of which cannot be determined at this time.

We engage in a variety of transactions with our affiliates

We engage in a variety of transactions with our affiliates, in particular Acer and its subsidiaries and affiliates (the “Acer Group”), on an ongoing basis. The Acer Group is one of our largest customers and suppliers, holds 4.4% of our outstanding shares and has a representative director on our board. See Note 5 of each of our consolidated financial statements. Our policy is that transactions with related parties will generally be conducted on terms at least as favorable to us as we could obtain in a comparable arm’s length transaction with a person who is not a related party. We will continue to enter into additional transactions with our related parties in the future. There can be no assurance as to the terms of those transactions.

We are subject to risks of increased income taxes

We have structured our operations in a manner designed to maximize income in countries where tax incentives have been extended to encourage foreign investment or where income tax rates are low. We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by taxing authorities and to possible changes in the law, which may have retroactive effect. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes.

If branded technology companies with personal computer, LCD TV, monitor or any other products that we currently manufacture or may manufacture in the future do not continue to outsource manufacturing to ODMs in Taiwan, our sales could be adversely affected

In recent years, branded technology companies and consumer electronics companies have increasingly outsourced the manufacturing of their products to ODMs in Taiwan. This includes, among others, personal computers, LCD TV and monitor products. We believe that we have benefited from this outsourcing trend in large part due to our flexibility and ability to reduce costs in Taiwan, which allowed us to better coordinate our production and services with our customers’ requirements, especially in the areas of logistics and product design support.

There can be no assurance that this outsourcing trend will continue. If branded personal computer and consumer electronics companies do not continue to outsource the manufacturing of their products to ODMs in Taiwan, our sales and operating results may suffer.

We rely on factoring for working capital management

We use factoring arrangements as part of our working capital management. We obtain advance payments of our receivables by selling a significant portion of our receivables to various local and international banks in Taiwan on a nonrecourse basis. As of March 31, 2009, we factored approximately 37.0% of our receivables totaling US$885.7 million (approximately NT$29,998.2 million), and we expect to factor up to approximately 40.0% of our receivables. If the factoring market does not continue to function well, our working capital could be affected.

RISKS RELATING TO OUR INTERNATIONAL OPERATIONS

Our multinational operations subject us to various business, economic, political, regulatory and legal risks

We have operations in Asia, Europe and the Americas. As a result of our international operations, we are affected by economic and political conditions in foreign countries, including the imposition of government controls, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, the lack of development of local infrastructure, labor unrest and difficulties in staffing, coordinating communications among and managing international operations, fluctuations in currency exchange rates and earnings, expatriation restrictions, difficulties in obtaining export licenses, and misappropriation of intellectual property.

If we cannot successfully manage the risks and challenges generally associated with multinational operations, we may have difficulty successfully completing orders, which might lead to customer dissatisfaction and loss of future orders.

Individual countries in which we do business also have particular risks. For example, U.S. trade policies, such as most favored nation status and trade preferences, could affect our operations in the PRC and Mexico. In addition, some countries in which we operate, such as the Philippines, the Czech Republic and Mexico, have experienced periods of slow or negative growth, high inflation, significant currency devaluations or limited availability of foreign exchange. Furthermore, in countries such as the PRC and Mexico, governmental authorities exercise significant influence over many aspects of the economy, and their actions could have a significant effect on us and how we operate in those countries.

Any outbreak of severe communicable diseases may materially affect our operations and business

Several places in the world, including Mexico, Japan and the U.S., are currently experiencing an outbreak of influenza A (H1N1), a communicable disease that is potentially lethal. Influenza A (H1N1), together with other contagious diseases such as severe acute respiratory syndrome or avian flu, may potentially result in a quarantine of infected employees and related persons, and if uncontrolled, may affect our operations at one or more of our facilities. We cannot predict at this time the impact of current or any future outbreak could have on our business and results of operations.

We are vulnerable to natural disasters and other disruptive events that could severely disrupt the normal operation of our business and adversely affect earnings

Many countries, such as the ROC and the PRC, are susceptible to earthquakes. Some earthquakes in recent years caused damage to production facilities and adversely affected the operations of many companies. Although we did not experience significant structural damage to our facilities, there can be no assurance that future earthquakes will not occur and result in major damage to our facilities, which could have a material adverse effect on our results of operations. Our production facilities, as well as many of our suppliers and customers, are located in Taiwan and the PRC. If our customers are affected by earthquakes or other natural disasters, demand for our products could decline. If our suppliers are affected, our production schedule could be interrupted or delayed. As a result, a major earthquake, natural disaster or other disruptive event in Taiwan or elsewhere could severely disrupt the normal operations of our business and have a material adverse effect on our financial condition and results of operations. We do not maintain business interruption insurance.

Our business may be harmed, and the price of the Shares and the GDSs may be adversely affected, by changes in economic, political and business conditions originating outside Taiwan, such as terrorist activities, political unrest and military action

Market conditions in Taiwan, our business and results of operations and the market price and liquidity of the Shares or the GDSs may be adversely affected by developments outside Taiwan, including, among others, terrorist attacks, the Iraq war and the civil and political instabilities surrounding its post-war reconstruction, hostilities involving other countries in the Middle East, including Israel, Syria and Iran, and tensions involving North Korea. We have production facilities, service centers and logistics facilities in the PRC, the United States, the Czech Republic, the Netherlands, the Philippines, Mexico, Brazil and Japan. Any terrorist attacks in these countries may have an adverse impact on our operations.

External factors such as potential terrorist attacks, acts of war, financial crises or geopolitical and social turmoil in those parts of the world that serve as markets for our products could significantly adversely affect our business and operating results in ways that cannot presently be predicted. These uncertainties could make it difficult for our customers and us to accurately plan future business activities. More generally, these geopolitical, social and economic conditions could result in increased volatility in worldwide financial markets and economies that could adversely impact our sales. We are not insured for losses and interruptions caused by terrorist acts or acts of war. Therefore, any of these events or circumstances could adversely affect our business and operating results.

RISKS RELATING TO THE PRC

Our results of operations and prospects are subject, to a significant extent, to legal, political and economic developments in the PRC

A significant amount of our assets are located in the PRC, and a significant amount of our products are manufactured in the PRC.

The PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to our shareholders. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited value as precedents. Since 1979, the PRC government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainty. In general, the PRC judiciary is relatively inexperienced in enforcing the laws and regulations that currently exist, leading to a degree of uncertainty as to the outcome of any litigation. Further, it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. Another risk is that the introduction of new PRC laws and regulations and the interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. As the PRC legal system develops, there can be no assurance that changes in such legislation or interpretation thereof will not have a material adverse effect on our business, financial condition, results of operations and future prospects.

The PRC economy differs from the economies of most other countries in many respects, including:

- government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC's economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among various sectors in the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of the PRC, but may have a negative effect on us. For example, our operating results and financial condition may be adversely affected by government control over capital investments or changes in tax regulations applicable to us.

A significant proportion of our production facilities are concentrated in Kunshan and Zhongshan, in the PRC

We have shifted much of our production capacity to Kunshan and Zhongshan, in the PRC, to take advantage of the lower manufacturing costs in the PRC. Our Kunshan facilities currently include four factories, and our Zhongshan facilities currently include three factories. Most of our commercial productions are currently undertaken at these PRC facilities. Accordingly, any adverse conditions affecting the Kunshan and Zhongshan areas in general such as floods, fire, loss of power or water supplies, or other similar contingencies could have a material negative effect on our business. If any of our facilities were to experience a catastrophic loss or significant power outages, it could disrupt our operations, delay production, shipments and revenue, and result in large expenses to repair or replace the facility, any of which would harm our financial condition and results of operations.

Our production facilities in the PRC are subject to risks of power shortages

Many cities and provinces in the PRC have historically suffered serious power shortages. Many of the regional grids do not have sufficient power generating capacity to satisfy fully the increased demand for electricity driven by continual economic growth and persistent hot weather. Local governments (including the Kunshan and Zhongshan Municipal Governments) have required local factories to temporarily shut down their operations, reduce their daily operational hours or operate on different shifts in order to reduce local power consumption levels. Many factories have also experienced temporary power outages as a result of the persistent full load operations of the power grids. To date, our operations in the PRC have not been affected by such administrative measures. However, there is no assurance that our PRC operations will not be affected by those administrative measures in the future, thereby causing material production disruption and delay in delivery schedules. In such event, our business, results of operations and financial condition could be materially adversely affected.

Changes in the favorable taxation treatment to our PRC subsidiaries may adversely affect our profitability

Our PRC subsidiaries are subject to the Enterprise Income Tax ("EIT") on their taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. Because of their location in zones and their qualification as enterprises in "High-New Technology Industry" to which preferential tax rates apply, under the PRC "Law of Enterprise Income Tax for Enterprises with Foreign Investment and Foreign Enterprises," the applicable EIT rates for our PRC subsidiaries range from 15% to 24%. Furthermore, our PRC subsidiaries are entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. Dividends received from our PRC subsidiaries were not subject to any withholding tax.

However, the PRC published a new corporate income tax law ("CIT Law") in March 2007 which became effective on January 1, 2008. This new CIT law sets the unified income tax rate for both domestic and foreign companies at 25%. In addition, certain other tax incentives currently available to foreign enterprises, such as pre-tax reduction and tax rebate for re-investment will also be abolished in the near future. Lower tax rates attributable to geographical location would no longer be available for new foreign investment enterprises (after a transitional period). For foreign investment enterprises which were subject to a lower tax rate, namely 15% to 24%, the tax rates would be gradually increased to 25% over a five-year transitional period commencing from January 1, 2008. Pursuant to the CIT Law and the Implementation Rules of the CIT Law, dividends received from our PRC subsidiaries are subject to withholding tax at the rate of 10% unless otherwise stipulated under the tax treaties entered into between the PRC and the jurisdiction where the shareholder is incorporated. Nonetheless, both foreign investment and domestic enterprises may enjoy a 15% flat tax rate if they qualify as "encouraged high-new technology enterprises" subject to CIT Law.

There is no assurance that there will be no future change in respect of the other current preferential tax treatments enjoyed by our PRC subsidiaries, which changes would adversely affect our profitability.

RISKS RELATING TO THE ROC

Strained relations between the ROC and the PRC, and political developments in the ROC, could adversely affect our business and the market value of the GDSs or our Shares

Our principal executive offices and a significant portion of our assets are located in Taiwan. Accordingly, our financial condition and results of operations and the market price of the Shares may be affected by changes in the ROC governmental policies, taxation, inflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting the ROC which are outside our control. Taiwan has a unique international political status. Both the governments of the PRC and the ROC assert sovereignty over Taiwan. The PRC government does not recognize the legitimacy of the government of the ROC. Although significant economic and cultural relations have been established in the past decade between Taiwan and the PRC, the PRC has refused to renounce the possibility that it may use force to gain control over Taiwan if Taiwan declared independence or if a foreign power interfered in Taiwan's domestic affairs. Relations between the ROC and the PRC have at times been strained. Past developments in relations between the ROC and the PRC have on occasion depressed the market price of the securities of ROC companies. There is no assurance that relations between the ROC and the PRC will not deteriorate, or that future military actions or economic sanctions or other disruptive activities will not be undertaken by either government.

The trading price of our Shares and the GDSs may be adversely affected by the general activities of the TSE and the economic performance of Taiwan

Our Shares are listed on the TSE. The trading price of our Shares may be affected by the general activities of the TSE and the economic performance of Taiwan. The TSE is smaller and, as a market, more volatile than the securities markets in the United States and a number of European countries. The TSE has experienced substantial fluctuations in the prices and volumes of sales of listed securities, and there are currently limits on the range of daily price movements on the TSE. In the past decade, the TSE Index peaked at 10,202 in February 17, 2000 and subsequently fell to a low of 3,446 in October 3, 2001. During 2008, the TSE Index peaked at 9,295.20 on May 19, 2008 and reached a low of 4,089.93 on November 20, 2008. From January 1, 2008 to May 15, 2009, daily closing prices of our Shares ranged from NT$17.50 per Share on November 19, 2008 to NT$53.12 per Share on January 2, 2008. The TSE is particularly volatile during times of political instability, such as when relations between the ROC and the PRC are strained. Moreover, the TSE has occasionally experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems could decrease the market price and liquidity of our Shares.

In response to past declines and volatility in the securities markets in Taiwan, and in line with similar activities by other countries in Asia, the ROC government formed the National Stabilization Fund, which has purchased, and may from time to time purchase, shares of ROC companies to support the TSE and other stock markets. In addition, other funds associated with the ROC government have in the past purchased, and may from time to time purchase, shares of ROC companies on the TSE or other stock markets. In the future, market activity by government entities, or the perception that such activity is taking place, may take place or has ceased, may cause fluctuations in the market prices and liquidity of our Shares.

We are subject to ROC GAAP, which differ from U.S. GAAP

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries, including European countries. In addition, our financial statements are prepared in accordance with ROC GAAP, which differ in certain material respects from U.S. GAAP.

We have not quantified or identified the impact of the differences between ROC GAAP and U.S. GAAP. See "Summary of certain significant differences between ROC GAAP and U.S. GAAP". Potential investors should consult their own professional advisors for an understanding of the differences between ROC GAAP and U.S. GAAP and how they might affect the financial information contained herein.

Holders of the GDSs may have difficulty enforcing any judgment obtained outside Taiwan against us or our directors, supervisors or executive officers

We are a company organized under ROC law. Substantially all of our directors, supervisors and executive officers reside in Taiwan. In addition, a significant proportion of our assets and a substantial portion of the assets of those persons are located in Taiwan. As a result, it may be difficult for holders of the GDSs to effect service of process upon us or those persons outside Taiwan. We have, however, irrevocably appointed an agent in New York to receive service of process in any proceedings in New York based on any of the GDSs. Notwithstanding the foregoing, it may be difficult to enforce in the ROC court judgments obtained against us and our directors, supervisors and executive officers in non-ROC courts, including those obtained against us in a New York court. See "Enforceability of foreign judgments in the ROC".

RISKS RELATED TO OUR SHARES AND THE GDSs

There are limitations on the voting rights of holders of GDSs

Holders of GDSs may exercise voting rights with respect to the Shares in the manner set out in "Description of global depositary shares—Voting rights". Holders of GDSs will not have voting rights attaching to the Shares on an individual basis. If so instructed by holders of at least 51% of all the GDSs outstanding at the relevant record date specified by the Depositary to vote in the same direction, the Depositary will be required to instruct the chairman of our board of directors (or another person nominated by our chairman) as the representative of the Depositary (or its nominee who is registered as representative of GDS holders in respect of the Shares, the "Registered Holder") to vote all the Shares represented by the GDSs for or against resolutions at shareholders' meetings in accordance with the instructions of such majority of GDS holders, subject to certain conditions. In the absence of clear instructions from at least 51% of the holders of GDSs outstanding at the relevant time to vote the Shares represented by the GDSs in a specific manner, all the holders of GDSs will be deemed to have instructed the Depositary to authorize and appoint our chairman (or his nominee) as representative of the Depositary and the Registered Holder to vote all the Shares represented by the GDSs in any manner the chairman (or his nominee) wishes, which may not be in the interests of the holders of GDSs.

Withdrawal of Shares from, and restrictions on the ability to deposit the Shares into, the GDS facilities may adversely affect the liquidity and price of the GDSs

On or after the Share Listing Date, holders of GDSs may, subject to the relevant provisions of the Deposit Agreements, surrender GDSs to the Depositary for withdrawal and receive Shares or Certificates of Payment, or request the Depositary to sell or cause to be sold on behalf of such holders the Shares or the Certificates of Payment. Unless additional GDSs are issued, the effect of these transactions will be to reduce the number of outstanding GDSs and, if a significant number of Shares are withdrawn, to reduce the liquidity of the GDSs. As a result, the prevailing market price of the GDSs may differ from the prevailing market price of the Shares on the TSE. In addition, under the Deposit Agreements, holders of Shares may deposit those Shares with the Depositary's custodian in Taiwan and obtain GDSs. However, under current ROC law and the Deposit Agreements, unless otherwise approved by the ROC FSC, the Depositary's custodian may not accept deposits of Shares, and additional GDSs may not be issued, except in connection with (i) the distribution of additional Shares in connection with dividends on or free distributions of Shares, (ii) the exercise by holders of their pre-emptive rights applicable to Shares evidenced by GDSs in the event of capital increases by cash, (iii) subject to receipt of all applicable approvals in the ROC, the issuance of Shares by the Company to holders of bonds in connection with the exercise of conversion rights of such bondholders, (iv) the purchase, as permitted under the Deposit Agreements, directly by any person or through the Depositary of Shares on the TSE for deposit in the GDR facility, or delivery by any person of Shares held by such person to the Custodian for deposit in the GDR facilities and (v) transfers between the depositary facility for the Rule 144A GDSs and the depositary facility for the International GDSs. The number of outstanding GDSs after an issuance in accordance with clause (iv) may not exceed the total number of issued GDSs approved by the ROC FSC plus any GDSs created pursuant to clauses (i), (ii) and (iii) of the previous sentence (subject to any adjustment in the number of Shares represented by each GDS).

Holders of GDSs may not be able to participate in rights offerings

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. If registration is required in any jurisdiction with respect to the offer to holders of Shares of rights, or the Shares or other relevant property to which those rights relate, we will not effect that offer or sale to holders in that jurisdiction, unless we have obtained an exemption from, or effected a registration in accordance with, the requirements of that jurisdiction. We are not obligated to obtain any exemption or effect any registration. We will not offer rights to holders of GDSs unless both the rights and the securities to which those rights relate are either exempt from registration under the Securities Act, with respect to a distribution to all holders of GDSs, or are registered under the provisions of the Securities Act. However, under the Deposit Agreements, we are under no obligation to file a registration statement with respect to those rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of GDSs may be unable to participate in rights offerings that we conduct and may experience dilution of their holdings as a result.

There are restrictions on the transfer of the GDSs

The GDSs being offered in this Offering have not been registered under the securities laws of the United States or elsewhere and may not be offered, sold, pledged or otherwise transferred in any jurisdiction where registration may be required. See "Transfer restrictions".

The market for the Shares and the GDSs may not be liquid

There has been no trading market for the Shares outside the ROC, and the only trading market for the Shares is the TSE. Application has been made to list the Offer GDSs on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market.

On or after the Share Listing Date, a holder of GDSs may, subject to the relevant provisions of the Deposit Agreements, withdraw and hold the Shares or Certificate of Payment represented by such GDSs or may request the Depositary to sell or cause to be sold on behalf of such holder of the Shares or Certificate of Payment represented by such GDSs, provided that the Custodian has received the Shares or Certificate of Payment (in book-entry form) to be withdrawn or sold. There can be no assurance that the Depositary will be able to effect a sale of Shares or Certificate of Payment in a timely manner or at a specified price, particularly during periods of illiquidity or volatility on the TSE. Under current ROC law or as otherwise specified in the Deposit Agreements, except for additional GDSs which may be issuable in connection with (i) the distribution of additional Shares in connection with dividends on or free distributions of Shares, (ii) the exercise by holders of their pre-emptive rights applicable to Shares evidenced by GDSs in the event of capital increases by cash, (iii) subject to receipt of all applicable approvals in the ROC, the issuance of Shares by us to holders of bonds in connection with the exercise of conversion rights of such bondholders, (iv) the purchase, as permitted under the Deposit Agreements, directly by any person or through the Depositary of Shares on the TSE for deposit in the GDR facility, or delivery by any person of Shares held by such person to the Custodian for deposit in the GDR facility and (v) transfers between the depositary facility for the Rule 144A GDSs and the depositary facility for the International GDSs. The number of outstanding GDSs after an issuance in accordance with clause (iv) may not exceed the total number of issued GDSs approved by the ROC FSC plus any GDSs created pursuant to clauses (i), (ii) and (iii) of the previous sentence (subject to any adjustment in the number of Shares represented by each GDS).

We are an ROC company and, because the rights of shareholders under ROC law differ from those under the laws of some other jurisdictions, investors may have more difficulty protecting their rights than shareholders in some other jurisdictions

Our corporate affairs are governed by our Articles of Incorporation and by the laws governing corporations incorporated in the ROC. The rights of shareholders and the responsibilities of management and the members of our board of directors under ROC law are different from those that apply to a corporation incorporated in some other jurisdictions. The duty of care required of ROC companies' boards of directors may not be similar to the requirements in other jurisdictions and the ability and rights of our shareholders to bring shareholders' suits against us or our board of directors under ROC law are much more limited than those of the shareholders of corporations formed in other jurisdictions, such as the United States. Therefore, public shareholders of ROC companies may have more difficulty in protecting their interests in connection with actions taken by management or members of our board of directors than they would as public shareholders in some other jurisdictions.

Holders of GDSs who withdraw Shares will be required to appoint a local agent and a tax guarantor in the ROC

Under current ROC law, if holders of the GDSs are non-ROC persons and wish to withdraw and hold underlying Shares from the GDS facilities on or after the Share Listing Date, they will be required to appoint an eligible agent in the ROC to open a securities trading account with a local brokerage firm and a bank account to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as holders of the GDSs may designate upon that withdrawal. In addition, holders of the GDSs will be required to appoint a custodian bank to hold the securities in safekeeping, confirm and settle trades and report all relevant information. Without the opening of these accounts, the withdrawing holder would be unable to hold or subsequently sell the underlying Shares withdrawn from the GDS facility on the TSE or otherwise. In addition, holders of the GDSs will be required to register with the TSE for making investments in the ROC securities market prior to withdrawing Shares. These laws may change from time to time. We cannot assure holders of the GDSs that withdrawing holders will be able to register with the TSE and open the requisite accounts in a timely manner or that current ROC law will remain in effect or that future changes in ROC law will not adversely affect the ability of GDS holders to withdraw the Shares from the GDS facilities.

Holders of GDSs who are not ROC persons and wish to withdraw Shares represented by GDSs are also required under current ROC law and regulations to appoint an agent in the ROC for filing tax returns and making tax payments. That agent must meet certain qualifications set by the ROC FSC and, upon appointment, becomes a guarantor of the withdrawing holder's ROC tax obligations. Evidence of the appointment of that agent and the approval of that appointment by the ROC tax authorities and tax clearance certificates or evidentiary documents issued by that agent may be required as conditions to the withdrawing holder's repatriation of the proceeds from the sale of the withdrawn Shares. There can be no assurance that a withdrawing holder will be able to appoint and obtain approval for that agent in a timely manner.

A holder of GDSs or its designee requesting the withdrawal of the Shares represented by the GDSs may be required to provide certain information to us or the Depositary, and failure to provide that information may result in a delay of the withdrawal

A holder of the GDSs or its designee requesting the withdrawal of the Shares represented by the GDSs may be required to provide certain information to us or the Depositary, including the name and nationality of the person to be registered as the shareholder, the number of Shares to be acquired by that person and the number of Shares acquired by that person in the past through the date of the withdrawal of the Shares underlying the GDSs. Under applicable ROC laws, we are required to report to the ROC FSC if the person to be registered as a shareholder (i) is our "related party" as defined in ROC Statement of Financial Accounting Standard No. 6 or (ii) will hold, immediately following the withdrawal, more than 10% of the total number of the Shares outstanding. Failure to provide this information may result in a delay of the withdrawal of the Shares represented by the GDSs. In addition, under ROC laws, a PRC person must meet certain qualification criteria set by the FSC in order to hold the GDSs or the Shares, and if the aggregate ownership of the Shares will, immediately following the withdrawal, be more than 10% of the total number of the Shares outstanding, such qualified PRC person shall obtain the prior approval from the ROC government authorities. Failure to meet such criteria by a PRC person or failure to obtain prior approval will result in no withdrawal. There is no assurance that such approval can be obtained in a timely manner or at all.

Changes in exchange controls that restrict investors' ability to convert proceeds received from their ownership of GDSs may have an adverse effect on the value of their investment

The imposition of foreign exchange controls may undermine investors' ability to convert proceeds received from their ownership of GDSs. Under current ROC law, the Depositary, without obtaining further approval from the CBC or any other governmental authority or agency of the ROC, may convert NT dollars into other currencies, including US dollars, for:

- the proceeds of the sale of Shares represented by GDSs or the proceeds of the sale of Shares received as stock dividends which have been deposited into the GDS facilities; and
- any cash dividends or distributions received on the Shares represented by GDSs.

The Depositary may, without obtaining approval from the CBC, also convert into NT dollars incoming payments for purchases of Shares for deposit in the GDS facilities against the creation of additional GDSs. The Depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies of the proceeds from the sale of subscription rights for new Shares. Although we expect that the CBC will grant this approval as a routine matter, we cannot be certain that in the future any approval will be obtained in a timely manner, or at all.

Under current ROC law, a GDS holder, after becoming a holder of Shares, without obtaining further approval from the CBC, may convert NT dollars into other currencies, including US dollars, with respect to:

- the proceeds of the sale of any underlying Shares or Shares received as stock dividends withdrawn from the GDS facilities; and
- any cash dividends or distributions received on the Shares.

However, a holder may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies of the proceeds from the sale of subscription rights for new Shares. In addition, under the ROC Foreign Exchange Control Law, the Executive Yuan of the ROC government may, without prior notice but subject to subsequent legislative approval, impose foreign exchange controls for certain periods of time in the event of, among other things, a material change in international economic conditions. We cannot assure holders of GDSs that foreign exchange controls or other restrictions will not be introduced in the future.

The value of an investor's investment may be adversely affected by possible future sales of our Shares by us or our shareholders

We are not aware of any plans by any major shareholder to dispose of a significant number of Shares. We cannot assure you that one or more of our shareholders will not dispose of its Shares in the future. We cannot predict the effect, if any, that future sales of Shares or GDSs, or securities that are convertible into or exchangeable for, or that represent the rights to receive any Shares or GDSs, or the availability of Shares or GDSs, or securities that are convertible into or exchangeable for, or that represent the rights to receive any Shares or GDSs for future sale, will have on the market price of the Shares or the GDSs or, securities that are convertible into or exchangeable for, or that represents the rights to receives any Shares or GDSs prevailing from time to time. Sales of a substantial number of Shares or GDSs in the public market, or the perception that those sales may occur, could adversely affect the prevailing market price of Shares or GDSs.

When we account for employee bonuses and employee share options as expenses, such accounting treatment could significantly reduce our net income

Effective January 1, 2008, according to the amended "Business Entity Accounting Act" and related interpretations, a company shall recognize the payment of employee bonuses pursuant to resolutions of earning distribution as compensation expenses. Moreover, according to the Statement of Financial Accounting Standard No. 39 "Accounting Treatment for Share-Based Payment," share-based payments granted to employees after January 1, 2008 as service compensation are measured at fair value and recognized as compensation expenses in the statement of income starting from January 1, 2008. This change in accounting principle decreased the consolidated net income and earnings per Share by NT$856.1 million and NT$0.57, respectively, for the year ended December 31, 2008. The determination of fair value of equity awards such as options requires making complex and subjective judgments about the projected financial and operating results of the subject company. See "Management's discussion and analysis of financial condition and results of operations — critical accounting policies". It also requires making certain assumptions such as cost of capital, general market and macroeconomic conditions, industry trends, comparable companies, share price volatility of the subject company, expected lives of options and discount rates. These assumptions are inherently uncertain. Changes in these assumptions could significantly affect the amount of employee share-based compensation expense we recognize in our consolidated financial statements.

Our share price has historically fluctuated and may continue to fluctuate

Our share price, like that of other technology companies, can be volatile. Some of the factors that can affect our stock price are:

- the announcement of new products, services or technological innovations by us or our competitors;
- quarterly increases or decreases in revenue, gross margin or earnings, and changes in the business, organizational structure, operations or prospects of us or any of our business groups;
- changes in quarterly revenue or earnings estimates by the investment community and variations between actual and anticipated financial results; and
- speculation in the press or investment community about our strategic position, financial condition, financial reporting, results of operations, business acquisitions or significant transactions.

General or industry-specific market conditions or stock market performance or domestic or international macroeconomic and geopolitical factors unrelated to our performance may also affect the price of our Shares. For these reasons, recent trends may not be relied on to predict future share prices, financial condition, or results of operations or cash flows.

Use of proceeds

After deducting underwriting commission and other expenses, our net proceeds from this Offering will be approximately US$219,947,500. We plan to use the net proceeds from the Offering to purchase raw materials overseas.

Market price information

Our Shares began trading on the TSE on August 19, 2003. The table below sets forth, for the periods indicated, the high and low closing prices and the average volume of trading activity on the TSE for such Shares and the highest and lowest of the daily closing values of the TSE Index. On June 15, 2009, the reported closing price of the Shares was NT$50.00 per Share, and the Taiwan Stock Exchange Capitalization Weighted Stock Index closed at 6,225.56.

	Price per Share[1]			Average Daily Trading Volume in Shares[1]	Taiwan Stock Exchange Index	
	High	Low	Close		High	Low
		(NT$)		(in thousands)		
2007	61.44	34.16	53.39	9,061	9,809.88	7,344.56
2008	53.12	17.50	24.90	14,979	9,295.20	4,089.93
2009						
January	27.80	23.20	23.30	19,865	4,789.84	4,242.61
February	27.50	23.25	26.75	16,703	4,592.50	4,259.98
March	36.90	25.20	36.55	31,240	5,390.70	4,425.83
April	42.50	37.50	41.90	25,211	5,997.17	5,314.45
May	51.00	42.90	51.00	26,516	6,890.44	6,330.40
June (through June 15)	54.50	46.75	50.00	29,350	6,954.10	6,225.56

Source: Taiwan Economic Journal and Taiwan Stock Exchange

(1) Stock prices and average daily trading volumes have been retroactively adjusted for stock dividends we paid.

The TSE has experienced substantial fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. For more information about the TSE, see "The securities market in the ROC".

Changes in share capital

The following table sets out the changes in our issued share capital since May 30, 2001.

Date of Issue	Type of Issue	Number of Shares Issued	Total Number of Issued Shares after the Issue
May 30, 2001	Issuance of Shares	1,000,000	1,000,000
August 31, 2001	New issuance of Shares	99,000,000	100,000,000
April 2, 2002	Consideration to purchase assets from Acer	400,000,000	500,000,000
July 1, 2002	New issuance of Shares	300,000,000	800,000,000
March 21, 2003	Issuance of Shares upon exercise of employee stock options	9,962,000	809,962,000
August 12, 2003	Issuance of Shares upon exercise of employee stock options	1,835,000	811,797,000
November 7, 2003	Issuance of Shares for stock dividend and upon exercise of employee stock options	59,128,100	870,925,100
April 7, 2004	Issuance of Shares upon exercise of employee stock options	11,474,000	882,399,100
September 23, 2004	Issuance of Shares for stock dividend and upon exercise of employee stock options	66,591,955	948,991,055
January 20, 2005	Issuance of Shares upon exercise of employee stock options	323,000	949,314,055
April 15, 2005	Issuance of Shares upon exercise of employee stock options	1,427,000	950,741,055
June 29, 2005	Issuance of Shares upon exercise of employee stock options	7,650,000	958,391,055
October 27, 2005	New issuance of GDR and issuance of Shares upon exercise of employee stock options and upon conversion of Euro-convertible bond	182,177,872	1,140,568,927
January 12, 2006	Issuance of Shares upon exercise of employee stock option and for conversion of Euro-convertible bond	37,705,313	1,178,274,240
April 3, 2006	Issuance of Shares upon exercise of employee stock option and for conversion of Euro-convertible bond	18,087,896	1,196,362,136
August 28, 2006	Issuance of Shares for stock dividend and for employee stock bonus	75,994,700	1,272,356,836
August 31, 2007	Issuance of Shares for stock dividend	109,569,234	1,381,926,070
July 31, 2008	Issuance of Shares through private placement to Lite-On Technology Corporation	24,000,000	1,405,926,070
September 26, 2008	New issuance of Shares for stock dividend and for employee stock bonus	110,710,639	1,516,636,709

As of the date of this Offering Circular, there were 1,516,636,709 Shares outstanding.

Dividends and dividend policy

DIVIDENDS

Pursuant to the ROC Company Act and our Articles of Incorporation, payment of any dividend by us is subject to approval by our shareholders and in the case of stock dividends, approval by the relevant government authorities in the ROC. No assurance can be given that we will pay any dividends to our shareholders in the future.

The following table sets forth the aggregate number of outstanding Shares entitled to dividends, the cash dividends per Share, stock dividends per Share and total Shares issued as stock dividends during each of the years indicated. Figures represent dividends in respect of the prior fiscal year paid in the current fiscal year.

Year ended December 31,	Number of Shares Entitled to Dividend(1)	Cash Dividends per Share	Stock Dividends per Share(2)	Total Shares Issued as Stock Dividends(2)(3)
2006	1,269,874,836	NT$2.196	NT$0.599	76,077,051
2007	1,405,926,070	NT$2.654	NT$0.491	69,096,304

Notes:

(1) Aggregate number of Shares issued and outstanding on the record date for the payment of the dividend in the indicated year. Holders of the issued and outstanding Shares on a dividend record date will be entitled to the full dividend declared without regard to any subsequent transfer of the Shares to which the dividend payment is applicable.

(2) The number of Shares received by the holders of Shares as a stock dividend is equal to the NT dollar value per Share of the declared dividend, multiplied by the number of Shares owned, divided by the par value of NT$10 per Share. Holders of Shares will receive cash in lieu of fractional Shares.

(3) Exclude 33,492,183 Shares and 41,614,335 Shares issued to our employees as bonuses from the earnings in respect of 2006 and 2007, respectively.

Our Board of Directors adopted a proposal for 2008 profit distribution at its meeting on April 29, 2009, under which a cash dividend of NT$1.08 per Share and a stock dividend of NT$1.08 per Share were proposed. The proposed profit distribution plan will be effected upon the approval of shareholders at the Annual Shareholders' Meeting on June 23, 2009. Both cash and stock dividends are subject to adjustment if the number of our total issued and outstanding Shares increases or decreases before the dividend record dates. The proposed employee bonus amount is NT$982,072,250. The actual number of Shares distributed will be determined based on the TSE closing price as of June 22, 2009, and new Shares will be issued for such bonus. The New Shares represented by the GDSs will be entitled to the profit distribution for 2008 approved in such meeting. The cash value of employee bonus (either in cash or in stock) will be booked as the expenses of the Company in the year in which the profits were generated.

DIVIDEND POLICY

Our net income, after paying our income taxes, deducting prior years' losses and setting aside any legal and special reserve, may be distributed as dividends to holders of Shares, as remuneration to directors and supervisors and as employee bonuses after approval at a shareholders' meeting in the following manner:

(i) no less than 5% as employees' bonus; where such bonus is distributed in the form of Shares, employees of controlled companies, with qualifications set by the board of directors, are to be included;

(ii) 1% as cash remuneration for directors and supervisors; and

(iii) the remainder may (after setting aside the retained earnings based on operational needs) be distributed as a dividend (in the form of cash, Shares or both) to all shareholders.

The ROC Company Act requires that 10% of annual net income (less prior year losses), after payment of taxes and duties, be set aside as a legal reserve until the accumulated legal reserve equals our total capital. Our Articles of Incorporation require that no less than 5% of annual net earnings (after deducting the legal reserve and providing for losses incurred in prior years) be distributed as a bonus to employees at the time annual dividends are declared. See "Description of share capital". For distribution of the profits earned in each of 2006 and 2007, we issued 33,492,183 Shares and 41,614,335 Shares, respectively, as part of the payment of employee bonuses in the form of stock. The amount of Shares issued as bonus for the profit earned in 2006 and 2007 was obtained by dividing the cash value of the bonus by the par value of the Shares, which is NT$10. Because the market value of the Shares has been generally well in excess of the par value, the actual cash value of a stock bonus has also been in excess of the amount such an employee would have received had the bonus been paid exclusively in cash. For employee stock bonus distributed from 2008 distributable profit, the amount of Shares issued will be obtained by dividing the cash value of the bonus by the market value of the Shares as of the date immediately prior to the date of 2009 Annual Shareholders' Meeting. The cash values of employee bonus (either in cash or stock) will be booked as expenses of the Company in the year in which the profits were generated.

Exchange rates

Fluctuations in the exchange rate between NT dollars and US dollars will affect the US dollar equivalent of the NT dollar price of the Shares on the TSE and, as a result, are likely to affect the market price of the GDSs.

The following table sets forth, for the periods indicated, information concerning the number of NT dollars for which one US dollar could be exchanged based on the Noon Buying Rate. See "Risk factors — Risks relating to our business — Fluctuations in exchange rates could adversely affect our business".

	Noon Buying Rate			
	Average[(1)]	**High**	**Low**	**At period-end**
Year ended December 31,				**(NT$ per US$)**
2004	33.27	34.16	31.74	31.74
2005	32.16	33.77	30.65	32.80
2006	32.49	33.31	31.28	32.59
2007	32.82	33.41	32.26	32.43
2008	31.51	33.58	29.99	32.76
2009				
January	33.37	33.70	32.82	33.70
February	34.24	35.00	33.61	35.00
March	34.30	35.21	33.75	33.87
April	33.60	33.88	32.99	33.06
May	32.87	33.14	32.55	32.57
June (through June 12)	32.62	32.87	32.36	32.79

Source: Federal Reserve Statistical Release

Notes:

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages were calculated by using the average of the daily rates during the relevant months.

Selected financial information and other data

The following table sets forth our and our consolidated subsidiaries' selected financial information and other data for the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements dated as of and for the years ended December 31, 2006, 2007 and 2008, and our unaudited consolidated financial statements dated as of and for the three months ended March 31, 2008 and 2009, including the notes thereto, included elsewhere in this Offering Circular. Our audited consolidated financial statements dated as of and for the years ended December 31, 2006, 2007 and 2008, and our unaudited consolidated financial statements dated as of and for the three months ended March 31, 2008 and 2009 were prepared in accordance with ROC GAAP, which differ in certain material respects from generally accepted accounting principles in certain other countries, including U.S. GAAP. See "Summary of certain significant differences between ROC GAAP and U.S. GAAP".

	Consolidated				Consolidated		
	For the year ended December 31,(1)				For the three months ended March 31,(2)		
	2006	2007	2008	2008(3)	2008	2009	2009(3)
	NT$	NT$	NT$	US$	NT$	NT$	US$
	(In millions of NT dollars and US dollars, except per Share data)						
Statement of Operations Data							
Net revenues	221,053.8	286,754.4	445,117.7	13,141.9	86,809.8	112,523.8	3,322.2
Cost of revenues	(206,309.6)	(268,396.8)	(420,252.2)	(12,407.8)	(81,577.2)	(106,958.8)	(3,157.9)
Gross profit	14,744.2	18,357.6	24,865.5	734.1	5,232.6	5,565.0	164.3
Realized inter-company profits	0.5	3.3	-	-	-	-	-
Realized gross profit	14,744.7	18,360.9	24,865.5	734.1	5,232.6	5,565.0	164.3
Operating expenses:							
Selling	(3,622.9)	(4,417.2)	(7,653.9)	(226.0)	(1,682.7)	(1,849.9)	(54.6)
Administrative	(1,171.2)	(1,519.7)	(2,170.7)	(64.1)	(467.1)	(600.4)	(17.7)
Research and development	(2,991.1)	(4,407.3)	(6,428.2)	(189.8)	(1,396.2)	(1,739.8)	(51.4)
Total operating expenses	(7,785.2)	(10,344.2)	(16,252.9)	(479.9)	(3,546.0)	(4,190.1)	(123.7)
Operating income	6,959.5	8,016.7	8,612.7	254.3	1,686.6	1,374.9	40.6
Non-operating income and gains:							
Interest income	149.1	139.4	277.7	8.2	22.1	11.7	0.3
Investment income recognized under equity method, net	152.1	286.9	239.4	7.1	75.0	71.8	2.1
Gain on disposal of property, plant and equipment	-	369.5	121.3	3.6	24.3	24.4	0.7
Gain on disposal of investments, net	134.2	105.9	182.5	5.4	127.8	1.1	0.0
Foreign currency exchange gain, net	268.5	-	-	-	221.5	342.3	10.1
Gain on reversal of impairment loss, net	-	47.6	-	-	-	-	-
Rental income	122.3	135.2	98.1	2.9	32.1	24.8	0.7
Evaluation gain on financial instruments, net	2.3	-	36.6	1.1	14.9	29.3	0.9
Other income	245.6	268.2	438.3	12.9	86.1	62.6	1.8
	1,074.0	1,352.7	1,393.8	41.2	603.7	568.0	16.8
Non-operating expenses and losses:							
Interest expense	(1,138.5)	(767.5)	(939.4)	(27.7)	(146.2)	(122.0)	(3.6)
Loss on disposal of property, plant and equipment	(41.1)	(136.5)	(55.4)	(1.6)	(1.0)	(11.9)	(0.4)
Other investment loss	(91.7)	(8.8)	(7.5)	(0.2)	-	-	-
Foreign currency exchange loss, net	-	(161.1)	(37.7)	(1.1)	-	-	-
Evaluation loss on financial instruments, net	-	(30.6)	-	-	-	-	-
Other loss	(238.2)	(226.6)	(109.6)	(3.2)	(26.3)	(17.3)	(0.5)
	(1,509.4)	(1,331.2)	(1,149.6)	(33.9)	(173.5)	(151.2)	(4.5)
Income before income taxes	6,524.0	8,038.2	8,856.9	261.5	2,116.9	1,791.7	52.9
Income tax expense	(1,249.0)	(1,321.8)	(1,958.5)	(57.8)	(411.2)	(372.2)	(11.0)
Consolidated net income	**5,275.0**	**6,716.5**	**6,898.4**	**203.7**	**1,705.7**	**1,419.5**	**41.9**
Income attributable to:							
Shareholders of parent company	5,326.9	6,605.5	6,877.9	203.1	1,676.7	1,424.5	42.1
Minority shareholders	(51.9)	111.0	20.5	0.6	29.0	(5.0)	(0.1)
	5,275.0	6,716.5	6,898.4	203.7	1,705.7	1,419.5	41.9
After income tax							
Earnings per common share (in dollars):							
The Company's basic earnings per share – retroactively adjusted	3.68	4.45	4.57	0.13	1.12	0.94	0.03
The Company's diluted earnings per share – retroactively adjusted	3.67	4.39	4.15	0.12	1.05	0.86	0.03

	Consolidated				Consolidated		
	As of December 31,(1)				As of March 31,(2)		
	2006	2007	2008	2008(3)	2008	2009	2009(3)
	NT$	NT$	NT$	US$	NT$	NT$	US$
	(In millions of NT dollars and US dollars, except per Share data)						
Balance Sheet Data							
Assets							
Current assets:							
Cash and cash equivalents	9,526.0	7,454.2	13,174.0	389.0	4,775.5	16,079.1	474.7
Financial assets at fair value through profit or loss – current	6.3	72.2	12.9	0.4	67.3	224.8	6.6
Notes and accounts receivable, net of allowance for doubtful accounts	15,191.3	35,433.3	51,199.7	1,511.7	32,527.6	50,807.1	1,500.1
Notes and accounts receivable – related parties	7,285.7	19,209.9	12,518.4	369.6	19,682.1	10,891.2	321.6
Other receivable – related parties	79.6	258.2	33.6	1.0	112.5	33.5	1.0
Other financial assets – current	5,443.2	1,412.5	2,194.8	64.8	1,824.2	1,453.6	42.9
Inventories	14,043.8	22,813.0	31,891.9	941.6	25,187.6	24,321.3	718.1
Deferred income tax assets – current	795.6	878.8	1,310.3	38.7	967.9	1,449.0	42.8
Prepaid expenses and other current assets	970.7	1,137.7	1,224.4	36.1	1,118.9	1,690.3	49.9
Available-for-sale financial assets – current	3,195.6	105.7	4.8	0.1	10,799.0	4.3	0.1
Total current assets	56,537.8	88,775.4	113,564.8	3,353.0	97,062.7	106,954.2	3,157.8
Long-term investments:							
Long-term equity investments under equity method	2,028.3	1,976.9	2,781.1	82.1	2,033.0	3,040.7	89.8
Advance payments for investment	-	-	20.0	0.6	-	-	-
Available-for-sale financial assets – noncurrent	110.4	882.7	588.8	17.4	854.3	704.0	20.8
Financial assets carried at cost – noncurrent	587.7	756.4	997.6	29.5	582.0	1,023.9	30.2
Total long-term investments	2,726.5	3,616.1	4,387.6	129.5	3,469.2	4,768.6	140.8
Property, plant and equipment:							
Land	1,148.8	1,183.4	1,349.6	39.8	1,230.1	1,334.1	39.4
Buildings and improvements	5,254.5	5,610.9	7,230.9	213.5	5,401.8	7,408.8	218.7
Machinery and equipment	7,634.4	7,954.3	9,045.3	267.1	7,627.1	9,697.7	286.3
Molding equipment	1,914.8	2,720.3	4,217.3	124.5	2,906.2	4,674.3	138.0
Research and development equipment	383.7	596.5	818.9	24.2	619.0	847.4	25.0
Furniture and fixtures	650.5	833.6	1,023.4	30.2	843.4	1,090.1	32.2
Other equipment	1,003.1	1,415.0	1,765.4	52.1	1,378.1	1,871.5	55.3
Construction in progress and advance payments for purchases of property and equipment	776.1	2,096.3	2,454.2	72.5	2,123.6	2,645.1	78.1
	18,765.9	22,410.3	27,904.9	823.9	22,129.3	29,569	873.0
Less: accumulated depreciation	(6,772.8)	(8,529.2)	(10,484.2)	(309.5)	(8,840.3)	(11,861.0)	(350.2)
Net property, plant and equipment	11,993.1	13,881.1	17,420.7	514.3	13,289.0	17,708.0	522.8

	Consolidated				Consolidated		
	As of December 31,				As of March 31,		
	2006	2007	2008	2008(3)	2008	2009	2009(3)
	NT$	NT$	NT$	US$	NT$	NT$	US$
	(In millions of NT dollars and US dollars, except per Share data)						
Intangible assets	942.0	1,235.7	2,579.2	76.2	1,239.0	2,446.2	72.2
Other noncurrent receivable – related parties	-	23.9	-	-	18.5	-	-
Deferred income tax assets – noncurrent	442.2	-	-	-	-	-	-
Deferred expenses and other assets	1,014.5	1,128.8	1,508.8	44.5	2,925.4	1,630.1	48.1
Total assets	**73,656.2**	**108,660.9**	**139,461.1**	**4,117.5**	**118,003.8**	**133,507.0**	**3,941.8**
Liabilities and Stockholders Equity							
Current liabilities:							
Short-term borrowings	2,805.4	10,069.0	2,875.2	84.9	18,263.1	2,529.1	74.7
Long-term debt due within one year	40.3	-	-	-	-	-	-
Notes and accounts payable	28,625.5	42,311.8	61,666.6	1,820.7	40,792.6	56,867.9	1,679.0
Notes and accounts payable – related parties	7,208.0	15,067.4	16,294.3	481.1	16,194.3	16,868.8	498.0
Financial liabilities at fair value through profit or loss – current	4.0	45.1	4.7	0.1	83.4	187.4	5.5
Other payable – related parties	389.2	24.7	94.4	2.8	17.4	91.9	2.7
Accrued warranty	830.3	781.1	574.0	16.9	870.5	706.5	20.9
Accrued expenses and other current liabilities	4,745.0	5,836.2	8,895.6	262.6	6,054.8	8,922.6	263.4
Deferred inter-company profits	1.4	-	13.6	0.4	14.9	13.6	0.4
Total current liabilities	44,649.2	74,135.3	90,418.4	2,669.6	82,291.1	86,187.7	2,544.7
Long-term borrowings	56.4	-	9,858.0	291.1	-	6,105.1	180.3
Deferred income tax liabilities – noncurrent	-	393.81	1,172.0	34.6	519.5	1,245.7	36.8
Unrealized gain on sale-and-leaseback	-	207.8	83.1	2.5	176.6	51.9	1.5
Other liabilities	121.3	174.0	146.9	4.3	165.7	170.8	5.0
Total liabilities	44,826.9	74,911.0	101,678.3	3,002.0	83,152.9	93,761.2	2,768.3
Stockholders' equity:							
Common stock	12,723.6	13,819.3	15,166.4	447.8	13,819.3	15,166.4	447.8
Capital surplus – paid-in capital in excess of par	10,209.2	10,209.2	11,103.7	327.8	10,209.2	11,103.7	327.8
Capital surplus – resulting from long-term equity investments	1.6	-	2.0	0.1	-	7.4	0.2
Legal reserve	657.9	1,190.6	1,851.2	54.7	1,190.6	1,851.2	54.7
Unappropriated earnings	5,477.5	7,365.3	8,506.6	251.2	9,036.3	9,931.1	293.2
Foreign currency translation adjustment	423.9	231.6	651.5	19.2	(327.4)	1,094.6	32.3
Unrecognized pension cost	-	(29.7)	(11.6)	(0.3)	(29.7)	(11.6)	(0.3)
Unrealized gain (loss) on available-for-sale financial assets	49.6	(48.1)	(398.5)	(11.8)	(87.4)	(307.5)	(9.1)
Treasury stock	(817.6)	-	-	-	-	-	-
Total stockholders' equity	28,725.8	32,738.2	36,871.2	1,088.6	33,811.0	38,835.2	1,146.6
Minority interest	103.4	1,011.8	911.6	26.9	1,039.8	910.6	26.9
Total stockholders' equity and minority interest	28,829.2	33,750.0	37,782.8	1,115.5	34,850.8	39,745.8	1,173.5
Commitments and contingencies							
Total liabilities and stockholders' equity	**73,656.2**	**108,660.9**	**139,461.1**	**4,117.5**	**118,003.8**	**133,507.0**	**3,941.7**

Notes:

(1) The amounts as of and for the periods ended December 31, 2006, 2007 and 2008 are derived from our audited consolidated financial statements for the same periods.

(2) The amounts as of and for the three months ended March 31, 2008 and 2009 are derived from our unaudited consolidated financial statements for the same periods.

(3) Solely for the convenience of the reader, the NT dollar amounts have been translated into US dollars at the rate of NT$33.87=US$1.00, the Noon Buying Rate on March 31, 2009. No representation is made that the NT dollar or US dollar amounts shown could have been or could be converted into US dollars or NT dollars, as the case may be, at any particular rate or at all. See "Exchange rates".

Capitalization

The following table sets forth our consolidated short-term debt and the stockholders' equity as at March 31, 2009 as derived from our unaudited consolidated financial statements prepared in accordance with ROC GAAP at such date and adjusted to reflect the issue of the Offer GDSs representing the New Shares and should be read in conjunction with the sections of this Offering Circular entitled "Management's discussion and analysis of financial condition and results of operations" and "Summary of certain significant differences between ROC GAAP and U.S. GAAP".

(in millions)

	As at March 31, 2009			
	Actual		As adjusted	
	NT$	US$(1)	NT$	US$(1)
Short-term debt(2)	2,529.1	74.7	2,529.1	74.7
Long-term debt:				
Long-term debt(3)	6,105.1	180.3	6,105.1	180.3
Total debt(5)	8,634.2	254.9	8,634.2	254.9
Stockholders' equity:				
2,000,000,000 Shares authorized, 1,516,636,709 Shares issued and outstanding(4)	15,166.4	447.8	15,166.4	447.8
Offer GDSs representing the New Shares being offered	-	-	1,500.0	44.3
Capital surplus – paid-in capital in excess of par	11,103.7	327.8	17,050.2	503.4
Capital surplus – resulting from long-term equity investments	7.4	0.2	7.4	0.2
Legal reserve	1,851.2	54.7	1,851.2	54.7
Unappropriated earnings	9,931.1	293.2	9,931.1	293.2
Treasury stock	-	-	-	-
Foreign currency translation adjustment	1,094.6	32.3	1,094.6	32.3
Unrecognized pension cost	(11.6)	(0.3)	(11.6)	(0.3)
Unrealized loss on available-for-sale financial assets	(307.5)	(9.1)	(307.5)	(9.1)
Total stockholders' equity	38,835.2	1,146.6	46,281.8	1,366.5
Total capitalization	44,940.3	1,326.9	52,386.9	1,546.8
Total short-term debt and capitalization	47,469.4	1,401.6	54,916.0	1,621.5

Notes:

(1) Solely for the convenience of the reader, the NT dollar amounts have been translated into US dollars at the rate of NT$33.87=US$1.00, the Noon Buying Rate on March 31, 2009. No representation is made that the NT dollar or US dollar amounts shown could have been or could be converted into US dollars or NT dollars, as the case may be, at any particular rate or at all. See "Exchange rates".

(2) Short-term debt includes short-term borrowings due within one year.

(3) Long-term debt net of current portion of long-term debt.

(4) 1,516,636,709 Shares were issued and outstanding as of the date of this Offering Circular. After taking into account the 150,000,000 New Shares to be issued by us underlying the Offer GDSs pursuant to the Offering, 1,666,636,709 Shares will be issued and outstanding immediately after the issue of the New Shares. The New Shares will represent approximately 9.0% of our issued and outstanding Shares immediately following their issue. The change to our stockholders' equity resulting from the issue of New Shares is reflected under "Offer GDSs representing the New Shares being offered" and "Capital surplus – paid-in capital in excess of par" in the above table.

(5) As of May 31, 2009, we incurred additional borrowing to offset a temporary decrease in our factoring activity, such that our short term borrowings were NT$13,275.4 million and our long term borrowings were NT$9,796.4 million as of May 31, 2009. As of the same date, the balance of cash and cash equivalents was NT$21,744.5 million.

Except as disclosed above, there has been no material change in our total capitalization since March 31, 2009. We do not have any outstanding convertible debt securities, exchangeable debt securities or debt securities with warrants attached.

Management's discussion and analysis of financial condition and results of operations

Unless stated otherwise, the discussion and analysis of our financial condition and results of operations in this section apply to our financial information as prepared according to ROC GAAP. You should read the following discussion of our consolidated financial condition and results of operations together with the consolidated financial statements and notes to these statements included elsewhere in this Offering Circular. Our consolidated financial statements were prepared in accordance with ROC GAAP, which differ in certain material respects from U.S. GAAP. See "Summary of certain significant differences between ROC GAAP and U.S. GAAP".

OVERVIEW

We are a leading ODM and service company that focuses on providing leading OEMs in the global technology industry with quality and effective end-to-end services from initial product conceptualization and product development to volume manufacturing and after-sales services. Our key customers include Acer, Dell, Fujitsu, HP, IBM, Lenovo, and Sony, and we provide our customers with sophisticated and comprehensive design and system integration capabilities, reliable and cost-effective production and logistics support and quality product development and after-sales services. Our product portfolio covers a wide range of technology products including notebook PCs, mobile communication products, server and storage systems, desktop PCs, LCD TVs, LCD monitors and other consumer electronics. We believe that we are one of the largest manufacturers of notebook PCs in the world in terms of global shipment volumes and a leading manufacturer of server and storage systems and LCD TVs.

As a leading ODM, we sell all of our products to prominent vendors who distribute these products under their own brands. We view our customers as our partners and typically work closely with them to develop existing and new products.

We manage our operations on a day-to-day basis through strategic business groups organized by our major products and services categories. Each strategic business group has its own focused group of products and customers, as well as dedicated personnel and manufacturing facilities to handle end-to-end responsibilities for its own customers, products and services. We believe this "end-to-end" approach allows us to focus better on customer and profit-oriented R&D, cost management, production efficiency and individual customer needs, which we believe enhances long-term business performance and customer loyalty. We manage other aspects of our business, such as company-wide strategy planning, finance, investment, human resources, information systems and legal compliance, on a centralized basis to take advantage of economies of scale and other synergies.

As of March 31, 2009, we employed over 36,000 personnel worldwide, strategically located in North America, Europe and Asia in various design, manufacturing, R&D and after-sales services centers. Our manufacturing facilities are located in the PRC, Taiwan, the Philippines, Mexico and the Czech Republic, and we maintain logistics facilities comprising more than 60 logistics hubs worldwide, close to the facilities of our customers in the United States, Europe and Asia. In addition, we maintain 12 after-sales services centers worldwide. Our after-sales service partner network spans three continents in countries such as the United States, Brazil, Canada, the Netherlands, the Czech Republic, the PRC, Taiwan, Singapore, Hong Kong, Japan, the Philippines and India. Our network of manufacturing facilities, customer services centers and logistics facilities provides us with a global presence which allows our customers worldwide to work closely with us from the design and development stages to the manufacturing, distribution and after-sales services stages. Our operations network also permits us to undertake simultaneous multi-location manufacturing and to arrange timely delivery to our customers or other end-users anywhere worldwide, often with cost savings on transportation and tariffs.

For the three months ended March 31, 2009, we had consolidated net revenues of NT$112,523.8 million (US$3,322.2 million) and consolidated net income of NT$1,419.5 million (US$41.9 million) compared to NT$86,809.8 million and NT$1,705.7 million, respectively, for the corresponding period in 2008. For the year ended December 31, 2008, we had consolidated net revenues of NT$445,117.7 million (US$13,141.9 million) and consolidated net income of NT$6,898.4 million (US$203.7 million) compared to NT$286,754.4 million and NT$6,716.5 million, respectively, for the year ended December 31, 2007 and NT$221,053.8 million and NT$5,275.0 million, respectively, for the year ended December 31, 2006.

On March 31, 2009, our market capitalization was NT$55,433.1 million based on the closing price of our Shares on the TSE of NT$36.55 per share on the same date.

RECENT DEVELOPMENTS

On June 8, 2009, we announced unaudited consolidated and non-consolidated net revenues for the five months ended May 31, 2009 of NT$191,967.3 million and NT$ 185,058.4 million, respectively.

On April 9, 2009, new accounting standard SFAS No. 41 "Operating Segment" was issued and will take effect on January 1, 2011. We do not believe this new accounting standard will result in significant changes in our operating results once it becomes effective.

CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements and disclosures in conformity with ROC GAAP requires our management judgments, assumptions and estimates that affect the amounts reported in our financial statements and the accompanying notes. The amounts of assets and liabilities reported in our balance sheets and the amounts of revenues and expenses reported for each of the periods are affected by estimates and assumptions which are used for, but not limited to, accounting for asset impairments warranty costs, provision for accounts receivable, inventories and deferred tax assets. Actual results could differ from these estimates. Note 2 to our audited consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008 and Note 2 to our unaudited consolidated financial statements for the three months ended March 31, 2008 and 2009 included elsewhere in this Offering Circular describe the significant accounting policies and methods used in the preparation of our financial statements. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of our financial statements.

Asset impairments

We review goodwill and assets (asset or cash generating units other than goodwill) for impairment in accordance with ROC SFAS No. 35. We review asset or cash generating units other than goodwill on each balance sheet date where there are circumstances which indicate that the carrying value of an asset may not be recoverable. We estimate the recoverable value of these assets using an income approach. Under the income approach, we calculate the recoverable value of a reporting unit based on the present value of estimated future cash flows. We recognize an impairment loss when the estimated recoverable value of the asset is less than the carrying value. We are also permitted to reverse impairment losses (except for impairments of goodwill) under limited circumstances.

We also review our goodwill and other intangible assets with indefinite useful life and not-in-use intangible assets annually for impairments and we recognize an impairment loss when the estimated recoverable value of a reporting unit is less than the carrying value.

Determining the recoverable value of a reporting unit or an asset is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions, and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

Provision for accounts receivable

We evaluate our outstanding accounts receivable balance on a monthly basis for collectability purposes. Such evaluation includes an analysis of the number of days outstanding for each outstanding accounts receivable account. When appropriate, we provide a provision that is principally based on the number of days for which the account has been outstanding. The provision provided on each aged account is based on our average historical loss experience over the previous year and by considering the past collection experience, customers' credit and our internal controls on credit policy.

Also, we record specific provisions for individual accounts when we become aware of a customer's inability to meet its financial obligations to us, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, our estimates of the recoverability of receivables would be further adjusted, either upward or downward.

Provision for inventory obsolescence

Provisions for inventory obsolescence and devaluation are recorded when we determine that the fair values of inventories are less than their cost basis, which may be affected by the number of months of inventory items that remain unsold. Additionally, our analysis of our provision for obsolete and devalued inventory is partially based upon forecasts of demand for our products and any change to these forecasts. Factors influencing these forecasts include changes in demand, rapid technological changes, product life cycle and development plans, component cost trends, product pricing, physical deterioration and quality issues. Such provisions can be reversed in whole or in part if we further determine that the fair values of inventories are greater than their cost basis.

Income taxes

We have a significant amount of potential deferred tax assets as a result of the various tax credits available to us under ROC governmental tax incentive programs and net operating loss carry forwards. ROC GAAP require less stringent criteria by which such valuation allowance is determined, compared to some accounting requirements in other countries. Under ROC GAAP, cumulative losses in recent years are a significant piece of negative evidence which can be overcome with projections of future taxable income for the purpose of determining the valuation allowance. The recognition of net deferred tax assets under ROC GAAP results primarily from the projection of income before tax for future accounting periods. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We have considered future market growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate, and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period in which we make such determination. Likewise, if we later determine that it is more likely than not that the net deferred tax assets would be realized, we would reverse the applicable portion of the previously provided valuation allowance. In order for us to realize our deferred tax assets we must be able to generate sufficient taxable income in the tax jurisdictions in which the deferred tax assets are located. We calculate our current and deferred tax provision based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed returns are recorded when identified.

Warranty policy

We provide a limited warranty to our customers upon the customer's demand, including the provision of replacement parts and after-sales service for our products. In addition, we are required under several of our sales contracts to provide replacement parts for our products at agreed prices for a specified period of time. In connection with these warranty policies, we provide for the estimated cost of product warranties at the time revenue is recognized. We evaluate our warranty obligations on a product group basis. We have set aside, and plan to continue to set aside, an amount based on our historical warranty costs as a reserve to cover these warranty obligations. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our estimated warranty obligation is based upon warranty terms, ongoing product failure rates, repair costs and current period product shipments. If actual product failure rates, repair rates, service delivery costs or post-sales support costs differ from our estimates, revisions to the estimated warranty liability would be required.

Employee bonuses and directors' and supervisors' emoluments

Effective January 1, 2008, according to the amended "Business Entity Accounting Act" and related interpretations, we began to recognize the payment of employee bonuses pursuant to resolutions of earning distribution as compensation expenses. Moreover, according to the Statement of Financial Accounting Standard No. 39 "Accounting Treatment for Share-Based Payment," share-based payments granted to employees after January 1, 2008 as service compensation are measured at fair value and recognized as compensation expenses in the statement of income starting from January 1, 2008. The determination of fair value of equity awards such as options requires making complex and subjective judgments about our projected financial and operating results. It also requires the making of assumptions such as cost of capital, general market and macroeconomic conditions, industry trends, comparable companies, share price volatility and the expected lives of options and discount rate. These assumptions are inherently uncertain and require the judgment of our management.

CHANGES IN ACCOUNTING POLICY

The following describes the changes in accounting principles during the years ended December 31, 2006, 2007 and 2008.

We adopted ROC SFAS No. 34 “Financial Instruments: Recognition and Measurement”, SFAS No. 36 “Financial Instruments: Disclosure and Presentation”, amended SFAS No. 1 “Conceptual Framework for Financial Accounting and Preparation of Financial Statements” and SFAS No. 5 “Long-term Investments under Equity Method” starting from January 1, 2006. The effects on net income and earnings per share (“EPS”) for the year ended December 31, 2006, were as follows:

Nature of change in accounting principle	Increase (decrease) in net income	Increase in EPS
	in millions NT$	NT$
Accounting for financial instruments	(3.2)	-
Accounting for the difference between investment cost and net equity at fair value	27.2	0.02
	24.0	0.02

Under the amended SFAS No. 5, differences between the cost of investments made prior to January 1, 2006 and the investees’ net equity determined at fair value that are not identifiable and were originally amortized over five years are no longer amortized starting from January 1, 2006.

We adopted ROC SFAS No. 34 “Financial Instruments: Recognition and Measurement” commencing from January 1, 2006. Accordingly, available-for-sale financial assets are measured at fair value and reclassified. Therefore, an unrealized gain of NT$82.0 million on available-for-sale financial assets was recorded under stockholders’ equity as of January 1, 2006.

Effective from January 1, 2007, we adopted ROC SFAS No. 37, “Intangible Assets”. In accordance with SFAS No. 37, we re-evaluated the useful lives or amortization method of our recorded intangible assets. In addition, we adopted SFAS No. 38 “Non-current Assets Held for Sale and Discontinued Operations”, and reclassified, re-measured and disclosed non-current assets held for sale. The adoption of these new accounting principles did not effect the our consolidated financial statements for the year ended December 31, 2007.

We recognize employee bonus and directors’ and supervisors’ emoluments as expenses in accordance with Interpretation (96) 052 issued by the Accounting Research and Development Foundation commencing from January 1, 2008. This change in accounting principle decreased the consolidated net income and earnings per share by NT$856.1 million and NT$0.57, respectively, for the year ended December 31, 2008. Basic earnings per share and diluted earnings per share are not retroactively adjusted for stock dividends to employees as bonus in accordance with Interpretation (97) 169 issued by the Accounting Research and Development Foundation. If the stock dividends to employees as bonus are potentially dilutive, they are accounted for in the diluted earnings per share.

FACTORS AFFECTING FINANCIAL PERFORMANCE

A number of general factors affected our financial performance during the years ended December 31, 2006, 2007 and 2008 and the three months ended March 31, 2009. The principal factors are discussed below.

Quarterly results and seasonality

The table below sets forth, for the three-month periods indicated, selected results of consolidated operations data:

	Three months ended,												
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009
	(NT$ millions)												
Net revenues	50,424.7	47,913.8	58,235.0	61,781.0	51,596.5	55,149.9	76,874.6	93,238.4	85,318.7	90,502.1	118,435.8	128,024.8	106,827.6
Cost of revenues	(47,238.3)	(44,095.1)	(54,804.9)	(58,153.9)	(48,590.5)	(51,677.7)	(72,647.8)	(89,242.9)	(80,749.7)	(85,460.8)	(112,221.9)	(123,650.3)	(102,188.6)
Change in unrealized inter-company profits	(30.4)	31.7	44.4	14.4	(2.7)	31.8	(8.6)	(13.8)	(144.4)	21.1	(125.2)	92.8	6.7
Realized gross profit	3.156.1	3,850.4	3,474.5	3,641.5	3,003.3	3,503.9	4,218.2	3,981.7	4,424.6	5,062.3	6,088.6	4,467.3	4,645.8
Operating expenses	(1,658.0)	(1,730.4)	(1,747.3)	(1,999.1)	(1,711.3)	(1,997.7)	(2,231.3)	(2,652.3)	(3,058.5)	(3,366.0)	(3,864.1)	(3,763.7)	(3,668.4)
Operating income	1,498	2,120.0	1,727.3	1,642.4	1,292.0	1,506.2	1,986.9	1,329.4	1,366.1	1,696.3	2,224.5	703.6	977.4
Net income (loss)	1,284.2	1,534.8	1,288.7	1,219.2	1,095.5	1,355.1	1,800.1	2,354.8	1,676.7	1,430.0	2,200.3	1,570.9	1,424.5

We, like other ODMs of technology products, typically experience seasonal fluctuations in our results of operations, with sales generally higher in the third and fourth quarters of the year in conjunction with the back-to-school and holiday seasons, and generally lower in the first and second quarters.

Downward pressure on average selling prices

We operate in a highly competitive market which is characterized by fierce industry-wide competition for market share resulting in aggressive average selling price practices. Due to this pressure on average selling prices, we may be forced to reduce the average selling prices for our products in response to continued competition, which will lead to the reduction of gross margins with respect to certain of our products. Our notebook PCs have been affected by a reduction of average selling prices over the past few years.

In addition, our industry is also characterized by rapidly changing technologies and user preferences, evolving industry standards and the frequent introduction of new products and enhancements. As a result, the average selling prices of our products tend to decline over the products' life cycles, reflecting product obsolescence, decreased costs of input components, decreased demand and increased competition as more manufacturers are able to produce similar products in large numbers. The trend towards declining average selling prices over the life cycles of our products has resulted in constant downward pressure on our margins.

Change in product mix

We organize our products and services into the following four business groups, with each of them focusing on a clearly delineated product, customer and service portfolio:

- Mobile Business Group — our MBG focuses on producing notebook PCs for customers including four of the world's five largest notebook PC branded vendors, Acer, Dell, HP and Lenovo, as well as mobile handheld devices such as industry PDA solutions, GPS PDAs and PDA phones;
- Digital Consumer Business Group — our DBG focuses on producing desktop PC systems for customers such as Acer, Dell, Fujitsu and HP, and LCD TVs and LCD monitors;
- Enterprise Business Group — our EBG focuses on producing server and storage systems, fiber channel storage arrays, telecommunications, accessories and management software for customers including IBM, HP and Dell and other market segments such as business automation, industry automation, VOIP and storage application; and
- Services Business Unit — our SBU focuses on providing after-sales services including product replacement, repair and support and product support solutions, both for products we manufacture and for products produced by other manufacturers.

The following table sets forth the breakdown of net revenues by business groups and product lines and as a percentage of our consolidated net revenues for each of the periods indicated:

		Year ended December 31,						Three months ended March 31,			
		2006		2007		2008		2008		2009	
		NT$	%	NT$	%	NT$	%	NT$	%	NT$	%
		(In millions except percentages)									
MBG	Notebook PCs	160,745.1	72.7	220,893.1	77.0	345,375.8	77.6	70,775.0	81.5	82,631.6	73.4
	Handheld devices	3,758.4	1.7	10,926.3	3.8	9,332.7	2.1	2,308.4	2.7	1,261.8	1.1
	Sub-total	164,503.4	74.4	231,819.4	80.8	354,708.4	79.7	73,083.4	84.2	83,893.4	74.6
DBG	Desktop PCs(1)	18,840.4	8.5	11,962.0	4.2	18,204.8	4.1	2,404.4	2.8	6,511.9	5.8
	LCD TVs	2,611.2	1.2	14,636.2	5.1	27,551.4	6.2	3,657.8	4.2	7,078.8	6.3
	LCD monitors(2)	0	0	0	0	12,001.5	2.7	0	0	6,839.5	6.1
	Game Consoles(3)	13,891.9	6.3	582.4	0.2	0	0	0	0	0	0
	Sub-total	35,343.5	16.0	27,180.6	9.5	57,757.8	13.0	6,062.1	7.0	20,430.2	18.2
EBG	Servers	12,813.5	5.8	14,519.2	5.1	17,347.5	3.9	4,311.6	5.0	3,933.9	3.5
	Storages(4)	3,110.9	1.4	3,672.7	1.3	4,636.4	1.0	1,109.7	1.3	1,263.0	1.1
	Sub-total	15,924.4	7.2	18,191.9	6.3	21,983.8	4.9	5,421.3	6.2	5,196.9	4.6
SBU	After-sales services	2,812.4	1.3	4,474.2	1.6	6,927.8	1.6	1,183.8	1.4	1,996.3	1.8
Others(5)		2,470.2	1.1	5,087.9	1.8	3,740.1	0.8	1,059.4	1.2	1,007.2	0.9
Total		221,054.0	100.0	286,754.0	100.0	445,118.0	100.0	86,810.0	100.0	112,524.0	100.0

Notes:

(1) Includes sales from a small quantity of set-top boxes and other E-home products.

(2) We acquired assets related to Lite-On Technology Corp.'s LCD monitor business in August 2008.

(3) The Game Consoles business line was discontinued in 2007.

(4) Includes sales from a small quantity of VOIP Phones and industry PCs.

(5) Includes fee income derived from EMS services provided by us, which has not been allocated to any specific business group.

The markets for certain of the products we sell, such as notebook and desktop PCs, are mature markets where manufacturing capacity is not constrained and there is significant downward pricing pressure on products sold in these markets. To sustain margins, we focus on reducing the cost of producing existing products and seek to design and manufacture new and innovative products that can command higher sales prices and margins. Although notebook PC sales currently account for the largest proportion of our net revenues and we expect this trend to continue in the future, we have reduced our reliance on notebook PC sales and expanded into new products such as server and storage systems, both of which have become important contributors to our revenues and net income. In August 2008, we acquired Lite-On to expand our LCD monitor business. The expansion of these segments is intended to increase our revenues and improve our margins.

Changes in customer mix

We depend on a small group of OEM customers for a substantial portion of our net revenues. Our largest customer accounted for approximately 33.4% of our consolidated net revenues in the three months ended March 31, 2009, compared with 23.8%, 32.7% and 28.8% in 2006, 2007 and 2008, respectively. In the aggregate, our top three customers accounted for approximately 79.8% of our consolidated net revenues in the three months ended March 31, 2009, compared with 61.9%, 73.3% and 73.2% in 2006, 2007 and 2008, respectively. In addition, some of these customers have in the past varied, and may in the future vary, order levels significantly from period to period.

Maintaining close relationships with our key customers is essential to our strategy and to the ongoing growth of our business. The loss of any key customer's business would seriously affect our revenues.

Raw materials, supplies and component costs

Our principal costs of sales are costs of raw materials and components for our products. If these costs increase, our realized gross profit is generally reduced, as we are unable to effectively pass on the entire amount of these increased costs to our customers by increasing the price of our products. Component costs generally comprise the largest proportion of the total costs for our products and accounted for the vast majority of the total consolidated cost of revenues for the three months ended March 31, 2009 and the total consolidated cost of revenues for the years ended December 31, 2006, 2007 and 2008.

We have historically experienced shortages of certain of our key components such as LCD panels and CPUs from time to time which has had a negative impact on our production costs and margins. However, the impact of component costs on our margins has decreased in recent years as some of our tier-one OEM customers have begun to source certain key components for their products (such as LCD panels) on a “buy/sell” or consignment basis. See “Our business — Materials management”.

Introduction of new products and diversification

The unit cost of our products has historically been the highest when they are newly introduced into production and have at times had a negative impact on our realized gross profit, operating results and cash flows. Cost reductions and enhancements typically come over time through economies of scale, improvements in manufacturing processes, engineering improvements and reduction in research and development spending requirement. Although a change in product mix may result in a short-term decrease in margins, we expect margins to improve once the transition is complete.

Diversification in products also has a significant effect on our results. Most of our products are technology products for consumer use, and the consumer market changes rapidly, creating new opportunities for revenue streams. By diversifying into new products, we are also able to reduce volatility in our aggregate revenue streams.

Global economic conditions affecting demand

A decline in the level of consumption caused by the global financial crisis that began in 2007 and the worsening of general economic conditions could adversely affect our results of operations. Today’s global technology market is driven by demand for products with shorter life cycles, which requires continuous innovation, cost reduction and better customer service. These challenges are shared throughout the information technology and consumer electronics industry.

Economic downturns and declines in consumption in our major markets, including Asia, the United States and Europe, affect the levels of both corporate and consumer sales. Purchases of our products, such as notebook PCs, LCD TVs and monitors, desktop PCs and server and storage systems, are to a very significant degree discretionary.

The global mobile PC industry consists of desk-based replacement mobile PCs (screen size over 16 inches), mainstream large and small mobile PCs (screen size between 12 to 15 inches), ultraportable PCs (screen size between 11 to 12 inches) and mini-notebooks (screen size between 5 to 10 inches). As the global mobile PC industry saw an increase in worldwide unit shipments during years ended December 31, 2006, 2007, 2008 (please refer to “Our Industry” section of Offering Circular for Gartner’s estimate of mobile PC shipments), demand for notebook PCs from our major customers, all of whom are global leaders in retail notebook PC sales, increased during this period. We also experienced increased demand for LCD TVs and monitors and desktop PCs in 2008 despite the global financial crisis. However, demand for server and storage systems decreased for EBG in 2008, largely due to decreased corporate spending due to the economic downturn in our key markets, such as the United States.

Fluctuations in exchange rates of the US dollar against the NT dollar

Even though most of our revenues and costs are denominated in US dollars, our financial statements are expressed in NT dollars. See “— Overview”. As a result, changes in the rate of exchange between the NT dollar and the US dollar affect our gross and operating profit margins and could result in foreign exchange and operating losses. In addition, foreign exchange fluctuations could result in foreign exchange losses in respect of our assets and liabilities denominated in foreign currencies. We also have significant US dollar-denominated loans outstanding, which primarily comprise the US$300 million credit facility that matures in June 2011. We, from time to time, engage in hedging transactions to protect us against fluctuations in the US dollar and NT dollar exchange rate. We recorded a consolidated net foreign exchange gain of NT$342.3 million in the three months ended March 31, 2009, compared to NT$221.5 million for the corresponding period in 2008, primarily due to the significant appreciation of NT dollars against US dollars during the same period in 2008. We had a consolidated net foreign exchange gain of NT$268.5 million in 2006, and losses of NT$161.1 million in 2007 and NT$37.7 million in 2008.

Fluctuations in investment income derived from our long-term investments

We have an investment portfolio that includes majority and minority equity investments. In most cases, we do not attempt to reduce or eliminate our market exposure on these investments and may incur losses related to these investments. Some of these investments are in public and privately-held companies that are in the start-up or development stage, which have inherent risks because the technologies or products they have under development may never become successful. Furthermore, the values of our investments in publicly-traded companies are subject to significant market price volatility. As a result, our net income will continue to be affected by the investment income or loss incurred by our investee companies. We had a consolidated investment income of NT$71.8 million (US$2.1 million) in the three months ended March 31, 2009. We also recognized a consolidated investment income of NT$152.1 million, NT$286.9 million and NT$239.4 million (US$7.1 million) in the years ended December 31, 2006, 2007 and 2008, respectively.

PRINCIPAL INCOME STATEMENT COMPONENTS

Net revenues

We derive a majority of our net revenues principally from sales of notebook PCs to leading vendors in the world, and, to a lesser extent, from sales of servers and storage systems, desktop PCs, LCD TVs, LCD monitors and other consumer electronics products. We recognize net sales when products are delivered to customers and significant risks and rewards of ownership are transferred, which would typically be at the time the product is shipped to our customer, or to the end-user or distribution channel at the instruction of the customer. In the case of delivery to hubs designated by the customer, we recognize net sales when the product is transferred to the customer from the hubs.

Cost of revenues

The overwhelming majority of our cost of revenues is attributable to input component costs and, to a much lesser extent, direct labor costs and production costs. Our five key input components are LCDs, hard disk drives, optical disk drives, CPUs and batteries. See "Our business—Materials management". Production costs include depreciation of production machinery and equipment, and utility costs. Machinery and equipment used in our production process are depreciated over their useful lives in accordance with ROC tax regulations (generally two to ten years), plus one year salvage value, using the straight-line method. Depreciation expenses for such machinery and equipment represented less than 1% of our consolidated cost of revenues in 2006, 2007 and 2008 and the first quarter of 2009.

Operating expenses

Operating expenses include selling expenses, administrative expenses and R&D costs. Selling expenses consist primarily of export fees, after-sales service costs, salaries of sales personnel, transportation costs, warranty costs and certain royalties not included in cost of revenues. Administrative expenses consist primarily of salaries of administrative personnel and depreciation of assets other than machinery and equipment used in actual production and R&D activities. R&D costs consist primarily of salaries of research and development employees and the costs of equipment and materials used in research and development activities.

Non-operating income and gains

Non-operating income and gains include interest income; net gain on investment income recognized under the equity method; net gain on disposal of investments; net gain on disposal of property, plant and equipment; rental income; net gain on reversal of impairment loss; and net evaluation gain on financial instruments and other income. Interest income consists primarily of interest earned on time deposits and repurchase of commercial paper. Investment income recognized under the equity method consists primarily of income derived from our investee companies. Net gain on disposal of investments consists primarily of gains from the sale of fixed income mutual funds or capital stock from equity investments. Net gain on disposal of property, plant and equipment includes gains from the sale of our production facilities. Rental income includes amounts paid by certain of our affiliates in connection with their use of our facilities in Lung-tan and Hsinchu. Net evaluation gain on financial instruments includes unrealized profit of derivatives that do not meet the criteria for hedge accounting. Other income primarily includes the write-off of over-accrued liabilities that have been on our books for more than two years.

Non-operating expenses and losses

Non-operating expenses and losses include interest expense; loss on investments; net loss on disposal of property, plant and equipment; net loss on foreign currency exchange; net evaluation loss on financial instruments and other loss. Interest expense consists primarily of interest on long-term and short-term bank loans. Loss on investments includes the loss of investment accounted for by the equity method. Net loss on disposal of property, plant and equipment includes loss from the sale of our production facilities. Net loss on foreign currency exchange consists primarily of losses resulting from the settlement of foreign currency transactions and the month-end revaluation of our foreign currency assets and liabilities. Net evaluation loss on financial instruments includes unrealized loss of derivatives that do not meet the criteria for hedge accounting. Other losses include the loss from disposal of other assets not otherwise specified.

RESULTS OF OPERATIONS

The following table summarizes our historical results of operations for the periods shown:

	Consolidated							Consolidated				
	For the year ended December 31,[1]							For the three months ended March 31,[2]				
	2006		2007		2008			2008		2009		
	NT$	%	NT$	%	NT$	US$[3]	%	NT$	%	NT$	US$[3]	%
	(In millions of NT dollars and US dollars, except per Share data)											
Statement of Operations Data												
Net revenues	221,053.8	100.0	286,754.4	100.0	445,117.7	13,141.9	100.0	86,809.8	100.0	112,523.8	3,322.2	100.0
Cost of revenues	(206,309.6)	(93.3)	(268,396.8)	(93.6)	(420,252.2)	(12,407.8)	(94.4)	(81,577.2)	(94.0)	(106,958.8)	(3,157.9)	(95.1)
Gross profit	14,744.2	6.7	18,357.6	6.4	24,865.5	734.1	5.6	5,232.6	6.0	5,565.0	164.3	4.9
Realized inter-company profits	0.5	0.0	3.3	0.0	-	-	-	-	-	-	-	-
Realized gross profit	14,744.7	6.7	18,360.9	6.4	24,865.5	734.1	5.6	5,232.6	6.0	5,565.0	164.3	4.9
Operating expenses:												
Selling	(3,622.9)	(1.6)	(4,417.2)	(1.5)	(7,653.9)	(226.0)	(1.7)	(1,682.7)	(1.9)	(1,849.9)	(54.6)	(1.6)
Administrative	(1,171.2)	(0.5)	(1,519.7)	(0.5)	(2,170.7)	(64.1)	(0.5)	(467.1)	(0.5)	(600.4)	(17.7)	(0.5)
Research and development	(2,991.1)	(1.4)	(4,407.3)	(1.5)	(6,428.2)	(189.8)	(1.4)	(1,396.2)	(1.6)	(1,739.8)	(51.4)	(1.5)
Total operating expenses	(7,785.2)	(3.5)	(10,344.2)	(3.6)	(16,252.9)	(479.9)	(3.7)	(3,546.0)	(4.1)	(4,190.1)	(123.7)	(3.7)
Operating income	6,959.5	3.1	8,016.7	2.8	8,612.7	254.3	1.9	1,686.6	1.9	1,374.9	40.6	1.2
Non-operating income and gains:												
Interest income	149.1	0.1	139.4	0.0	277.7	8.2	0.1	22.1	0.0	11.7	0.3	0.0
Investment income recognized under equity method, net	152.1	0.1	286.9	0.1	239.4	7.1	0.1	75.0	0.1	71.8	2.1	0.1
Gain on disposal of property, plant and equipment	-	-	369.5	0.1	121.3	3.6	0.0	24.3	0.0	24.4	0.7	0.0
Gain on disposal of investments, net	134.2	0.1	105.9	0.0	182.5	5.4	0.0	127.8	0.1	1.1	0.0	0.0
Foreign currency exchange gain, net	268.5	0.1	-	-	-	-	-	221.5	0.3	342.3	10.1	0.3
Gain on reversal of impairment loss, net	-	-	47.6	0.0	-	-	-	-	-	-	-	-
Rental income	122.3	0.1	135.2	0.0	98.1	2.9	0.0	32.1	-	24.8	0.7	0.0
Evaluation gain on financial instruments, net	2.3	0.0	-	-	36.6	1.1	0.0	14.9	0.0	29.3	0.9	0.0
Other income	245.6	0.1	268.2	0.1	438.3	12.9	0.1	86.1	0.1	62.6	1.8	0.1
	1,074.0	0.5	1,352.7	0.5	1,393.8	41.2	0.3	603.7	0.7	568.0	16.8	0.5
Non-operating expenses and losses:												
Interest expense	(1,138.5)	(0.5)	(767.5)	(0.3)	(939.4)	(27.7)	(0.2)	(146.2)	(0.2)	(122.0)	(3.6)	(0.1)
Loss on disposal of property, plant and equipment	(41.1)	(0.0)	(136.5)	(0.0)	(55.4)	(1.6)	(0.0)	(1.0)	(0.0)	(11.9)	(0.4)	(0.0)
Other investment loss	(91.7)	(0.0)	(8.8)	(0.0)	(7.5)	(0.2)	(0.0)	-	-	-	-	-
Foreign currency exchange loss, net	-	-	(161.1)	(0.1)	(37.7)	(1.1)	(0.0)	-	-	-	-	-
Evaluation loss on financial instruments, net	-	-	(30.6)	(0.0)	-	-	-	-	-	-	-	-
Other loss	(238.2)	(0.1)	(226.6)	(0.1)	(109.6)	(3.2)	(0.0)	(26.3)	(0.0)	(17.3)	(0.5)	(0.0)
	(1,509.4)	(0.7)	(1,331.2)	(0.5)	(1,149.6)	(33.9)	(0.3)	(173.5)	(0.2)	(151.2)	(4.5)	(0.1)
Income before income taxes	6,524.0	3.0	8,038.2	2.8	8,856.9	261.5	2.0	2,116.9	2.4	1,791.7	52.9	1.6
Income tax expense	(1,249.0)	(0.6)	(1,321.8)	(0.5)	(1,958.5)	(57.8)	(0.4)	(411.2)	(0.5)	(372.2)	(11.0)	(0.3)
Consolidated net income	**5,275.0**	**2.4**	**6,716.5**	**2.3**	**6,898.4**	**203.7**	**1.5**	**1,705.7**	**2.0**	**1,419.5**	**41.9**	**1.3**
Income attributable to:												
Shareholders of parent company	5,326.9	2.4	6,605.5	2.3	6,877.9	203.1	1.5	1,676.7	1.9	1,424.5	42.1	1.3
Minority shareholders	(51.9)	(0.0)	111.0	0.0	20.5	0.6	0.0	29.0	0.0	(5.0)	(0.1)	(0.0)
	5,275.0	2.4	6,716.5	2.3	6,898.4	203.7	1.5	1,705.7	2.0	1,419.5	41.9	1.3

Note:

(1) The amounts as of and for the periods ended December 31, 2006, 2007 and 2008 are derived from our audited consolidated financial statements for the same periods.

(2) The amounts as of and for the three months ended March 31, 2008 and 2009 are derived from our unaudited consolidated financial statements for the same periods.

(3) Solely for the convenience of the reader, the NT dollar amounts have been translated into US dollars at the rate of NT$33.87 = US$1.00, the Noon Buying Rate on March 31, 2009. No representation is made that the NT dollar or US dollar amounts shown could have been or could be converted into US dollars or NT dollars, as the case may be, at any particular rate or at all. See “Exchange rates”.

THREE MONTHS ENDED MARCH 31, 2009 COMPARED TO THREE MONTHS ENDED MARCH 31, 2008

Net revenues

Consolidated net revenues increased 29.6% to NT$112,523.8 million (US$3,322.2 million) in the three months ended March 31, 2009 from NT$86,809.8 million for the corresponding period in 2008. The increase was primarily a result of an increase of sales by DBG of desktop PCs, LCD TVs and LCD monitors, and a steady increase in notebook PCs sales by MBG.

Net sales of notebook PCs increased 16.8% to NT$82,631.6 million in the three months ended March 31, 2009 from NT$70,775.0 million in the corresponding period in 2008, whereas sales volume of notebook PCs increased 26.1% to approximately 5.3 million units in the three months ended March 31, 2009 from approximately 4.2 million units for the corresponding period in 2008.

The increase in net sales of desktop PCs was primarily due to increasing market share. The increase in net sales of LCD monitors was solely as a result of our acquisition of this business from Lite-On in August 2008.

Net sales of server and storage systems decrease primarily due to decreased demand from our customers as corporate end-users of such products decreased their investments in such products as a result of deteriorating economic conditions in the United States, Europe and other key markets.

Cost of revenues and realized gross profit

Consolidated cost of revenues increased 31.1% to NT$106,958.8 million (US$3,157.9 million) in the three months ended March 31, 2009 from NT$81,577.2 million for the corresponding period in 2008. The increase resulted primarily from the increase in sales volumes during the first quarter of 2009. Consolidated realized gross profit increased 6.4% to NT$5,565.0 million (US$164.3 million) in the three months ended March 31, 2009 from NT$5,232.6 million for the corresponding period in 2008. As a percentage of net revenues, consolidated realized gross profit margin slightly decreased to 4.9% in the three months ended March 31, 2009 from 5.6% for the corresponding period in 2008. The decrease was primarily due to a shift in our product mix to lower margin products.

Operating expenses

Consolidated operating expenses increased 18.2% to NT$4,190.1 million (US$123.7 million) in the three months ended March 31, 2009 from NT$3,546.0 million for the corresponding period in 2008, primarily due to larger sales volumes of mainly notebook PCs, higher selling expenses associated with more personnel and higher R&D expenses. Consolidated selling expenses increased 9.9% to NT$1,849.9 million (US$54.6 million) in the three months ended March 31, 2009 from NT$1,682.7 million for the corresponding period in 2008, primarily because of higher transportation expenses attributable to the newly acquired LCD monitor business. Consolidated administrative expenses increased 28.5% to NT$600.4 million (US$17.7 million) in the three months ended March 31, 2009 from NT$467.1 million for the corresponding period in 2008, primarily as a result of overall growth of our business. Consolidated R&D expenses increased 24.6% to NT$1,739.8 million (US$51.4 million) in the three months ended March 31, 2009 from NT$1,396.2 million for the corresponding period in 2008, primarily due to more new product developments.

Operating income

As a result of the foregoing, consolidated operating income decreased 18.5% to NT$1,374.9 million (US$40.6 million) in the three months ended March 31, 2009 from NT$1,686.6 million for the corresponding period in 2008. Consolidated operating margin decreased to 1.2% in the three months ended March 31, 2009 from 1.9% for the corresponding period in 2008.

Non-operating income and gains

Consolidated non-operating income decreased 5.9% to NT$568.0 million (US$16.8 million) in the three months ended March 31, 2009 from NT$603.7 million for the corresponding period in 2008. The decrease in consolidated non-operating income was primarily because of the lower gain on disposal of investments.

Non-operating expenses and losses

Consolidated non-operating expenses and losses decreased 12.8% to NT$151.2 million (US$4.5 million) in the three months ended March 31, 2009 from NT$173.5 million for the corresponding period in 2008, primarily due a lower interest expense as a result of lower interest rates.

Income before income taxes

As a result of the foregoing, income before income taxes decreased to NT$1,791.7 million (US$52.9 million) in the three months ended March 31, 2009 from NT$2,116.9 million for the corresponding period in 2008.

Income tax expense

We recognized a consolidated income tax expense of NT$372.2 million (US$11.0 million) in the three months ended March 31, 2009 compared to an income tax expense of NT$411.2 million for the corresponding period in 2008. See "— Taxation".

Net income

As a result of the foregoing, consolidated net income decreased to NT$1,419.5 million (US$41.9 million) in the three months ended March 31, 2009 from NT$1,705.7 million for the corresponding period in 2008.

YEAR ENDED DECEMBER 31, 2008 COMPARED TO YEAR ENDED DECEMBER 31, 2007

Net revenues

Consolidated net revenues increased 55.2% to NT$445,117.7 million (US$13,141.9 million) in the year ended December 31, 2008 from NT$286,754.4 million in the year ended December 31, 2007, primarily due to increased sales volumes across all of our business groups and product lines, including notebook PCs, LCD TVs and desktop PCs, and server and storage systems. The increase reflected an increase in orders from our customers.

Net sales of notebook PCs increased 56.4% to NT$345,375.8 million in the year ended December 31, 2008 from NT$220,893.1 million in 2007, as a result of increased shipping volumes in 2008. This increase was driven by our taking increased market share, due in part to industry consolidation as well as increased customer orders.

Net sales of desktop PCs increased 52.2% to NT$18,204.8 million in 2008 from NT$11,962.0 million in 2007 due to an increase in shipments from 1.8 million units in 2007 to 2.6 million units in 2008.

Net sales of LCD TVs increased by 88.2% from 2007 to 2008, and we shipped 0.8 million units in 2007 and 1.6 million units in 2008.

Net sales of server and storage systems increased 20.8% to NT$21,983.8 million in 2008 from NT$18,191.9 million in 2007 primarily as a result of winning new business from existing customers and industry consolidation. We shipped 1.0 million units in 2007 and 1.3 million units for our servers in 2008.

Net sales of handheld devices decreased 14.6% to NT$9,332.7 million in the year ended December 31, 2008 from NT$10,926.3 million in the year ended December 31, 2007, primarily due to industry-wide contraction in this product area. We shipped 2.4 million units in 2007 and 2.0 million units in 2008.

Cost of revenues and realized gross profit

Consolidated cost of revenues increased 56.6% to NT$420,252.2 million (US$12,407.8 million) in 2008 from NT$268,396.8 million in 2007. The increase resulted primarily from a significant increase in the volume of unit sales.

As a result of the foregoing, consolidated realized gross profit increased 35.4% to NT$24,865.5 million (US$734.1 million) in the year ended December 31, 2008 from NT$18,360.9 million in the corresponding period in 2007. However, consolidated realized gross margin decreased to 5.6% in 2008 from 6.4% in 2007. Consolidated realized gross margin decreased principally as a result of more severe competition, which decreased our selling prices.

Operating expenses

Consolidated operating expenses increased 57.1% to NT$16,252.9 million (US$479.9 million) for the year ended December 31, 2008 from NT$10,344.2 million for the year ended December 31, 2007, primarily as a result of the overall increase in the scale of our business and new employee bonus expenses resulting from a change in accounting standards that came into effect on January 1, 2008. Selling expenses increased 73.3% to NT$7,653.9 million (US$226.0 million) in 2008 from NT$4,417.2 million in 2007, primarily as a result of higher transportation expenses from higher fuel costs during this period and increased shipments of notebook PCs, full notebook systems and LCD monitors. Administration expenses increased 42.8% to NT$2,170.7 million (US$64.1 million) in 2008 from NT$1,519.7 million in 2007, primarily as a result of the overall increase in the scale of our business. R&D expenses increased 45.9% to NT$6,428.2 million (US$189.8 million) in 2008 from NT$4,407.3 million in 2007, primarily as a result of paying more bonuses to an increased number of R&D employees and more new product developments. Operating expenses as a percentage of net sales increased to 3.7% in 2008 from 3.6% in 2007.

Operating income

As a result of the foregoing, our consolidated operating income increased 7.4% to NT$8,612.7 million (US$254.3 million) in 2008 from NT$8,016.7 million in 2007 while operating margin decreased to 1.9% in 2008 from 2.8% in 2007.

Non-operating income and gains

Consolidated non-operating income increased 3.0% to NT$1,393.8 million (US$41.2 million) for the year ended December 31, 2008 from NT$1,352.7 million for the year ended December 31, 2007, primarily due to a mix of higher interest income and lower gain on disposal of property, plant and equipment.

Non-operating expenses and losses

Consolidated non-operating expenses and losses decreased 13.6% to NT$1,149.6 million (US$33.9 million) for the year ended December 31, 2008 from NT$1,331.2 million for the year ended December 31, 2007. The decrease in non-operating expenses and losses was primarily due to a smaller foreign exchange loss resulting from, among other things, our more effective hedging practices and favorable exchange rates in 2008.

Income before income tax

As a result of the foregoing, we had a consolidated income before income taxes of NT$8,856.9 million (US$261.5 million) in 2008 as compared to NT$8,038.2 million in 2007.

Income tax expense

We had a consolidated income tax expense of NT$1,958.5 million (US$57.8 million) in 2008, which was 48.2% more than the NT$1,321.8 million income tax expense in 2007. Our effective tax rates for 2008 and 2007 were 22.1% and 16.4%, respectively. See "— Taxation".

Net income

As a result of the foregoing, we had a consolidated net income of NT$6,898.4 million (US$203.7 million) in 2008, compared to a consolidated net income of NT$6,716.5 million in 2007.

YEAR ENDED DECEMBER 31, 2007 COMPARED TO YEAR ENDED DECEMBER 31, 2006

Net revenues

Consolidated net revenues increased 29.7% to NT$286,754.4 million in the year ended December 31, 2007 from NT$221,053.8 million in the year ended December 31, 2006. The increase was primarily a result of increased shipments of notebook PCs, handheld devices and LCD TVs as demand for these products increased.

Net sales from notebook PCs increased 37.4% to NT$220,893.1 million in the year ended December 31, 2007 from NT$160,745.1 million in the year ended December 31, 2006. The increase in sales of notebook PCs was mainly due to growth in sales volume.

Net sales from desktop PCs decreased 36.5% to NT$11,962.0 million in the year ended December 31, 2007 from NT$18,840.4 million in the year ended December 31, 2006. The decrease in sales of desktop PCs was mainly due to market share loss when a customer transferred orders to a competitor and shifted some production in-house. We shipped 1.8 million units in 2006 and 1.8 million units in 2007.

We increased our shipments in LCD TVs from 0.1 million units in 2006 to 0.8 million units in 2007.

Net sales of server and storage systems increased 14.2% to NT$18,191.9 million in 2007 from NT$15,924.4 million in 2006 primarily due to an increase in our market share resulting from industry consolidation and an increase in shipment volumes due to more customer orders. We shipped 0.9 million units in 2006 and 1.0 million units for servers in 2007.

Net sales from handheld devices increased 190.7% to NT$10,926.3 million in the year ended December 31, 2007 from NT$3,758.4 million in the year ended December 31, 2006 primarily due to more GPS orders. We shipped 0.4 million handheld devices in 2006 and 2.4 million handheld devices in 2007.

Cost of revenues and realized gross profit

Consolidated cost of revenues increased 30.1% to NT$268,396.8 million in the year ended December 31, 2007 from NT$206,309.6 million in the year ended December 31, 2006. The increase resulted primarily from the corresponding increase in total sales.

As a result of the foregoing, our consolidated realized gross profit increased 24.5% to NT$18,360.9 million in the year ended December 31, 2007 from NT$14,744.7 million in 2006. Our consolidated realized gross profit margin decreased to 6.4% in the year ended December 31, 2007 from 6.7% in 2006. The decrease was primarily because of increasing industry competition and, to a lesser extent, a product mix that generated lower margins.

Operating expenses

Consolidated operating expenses increased 32.9% to NT$10,344.2 million in the year ended December 31, 2007 from NT$7,785.2 million in the year ended December 31, 2006, primarily due to the overall increase in the scale of our business and higher R&D expenses. Overall, operating expenses as a percentage of net revenues increased to 3.6% for 2007 from 3.5% for 2006. Consolidated selling expenses increased 21.9% to NT$4,417.2 million in 2007 from NT$3,622.9 million in 2006, primarily because of increased sales volume. Consolidated administrative expenses increased 29.8% to NT$1,519.7 million in 2007 from NT$1,171.2 million in 2006, primarily as a result of the implementation of our new enterprise service plan, which is our company-wide computer software system used to manage and coordinate functions. Consolidated R&D expenses increased 47.3% to NT$4,407.3 million in 2007 from NT$2,991.1 million in 2006. The increase resulted from new product developments, especially for LCD TV.

Operating income

As a result of the foregoing, consolidated operating income increased 15.2% to NT$8,016.7 million in the year ended December 31, 2007 from NT$6,959.5 million in the year ended December 31, 2006 while consolidated operating margin decreased to 2.8% in the year ended December 31, 2007 from 3.1% for the corresponding period in 2006. This decrease was primarily due to our different product mix.

Non-operating income and gains

Consolidated non-operating income increased 25.9% to NT$1,352.7 million in the year ended December 31, 2007 from NT$1,074.0 million in the year ended December 31, 2006. The increase in consolidated non-operating income was primarily because of the contribution from investment income and disposal of fixed assets, in particular the sale of an office building by AOpen. In addition, other consolidated income increased to NT$268.2 million in 2007 from NT$245.6 million in 2006.

Non-operating expenses and losses

Consolidated non-operating expenses and losses decreased 11.8% to NT$1,331.2 million in the year ended December 31, 2007 from NT$1,509.4 million in the year ended December 31, 2006, primarily due to lower interest expense. Interest expense decreased 32.6% to NT$767.5 million in the year ended December 31, 2007, from NT$1,138.5 million for the corresponding period in 2006, primarily due to lower interest rates and a decrease in the amount of average loans outstanding. We incurred a loss on foreign currency exchange of NT$161.1 million in the year ended December 31, 2007, compared to a gain of NT$268.5 million in the year ended December 31, 2006, primarily due to a large fluctuation in the exchange rate of the US dollar against the NT dollar. Other consolidated loss decreased 4.9% to NT$226.6 million in the year ended December 31, 2007 from NT$238.2 million in 2006.

Income before income taxes

As a result of the foregoing, consolidated income before income tax increased 23.2% to NT$8,038.2 million in the year ended December 31, 2007 from NT$6,524.0 million in 2006.

Income tax expense

We recognized consolidated income tax expense of NT$1,321.8 million in the year ended December 31, 2007 compared to income tax expense of NT$1,249.0 million in 2006. See "— Taxation". Our effective tax rates for the years ended 2007 and 2006 were 16.4% and 19.1%, respectively.

Net income

As a result of the foregoing, consolidated net income increased 27.3% to NT$6,716.5 million in the year ended December 31, 2007 from NT$5,275.0 million in 2006.

WORKING CAPITAL MANAGEMENT

We believe that careful management of our working capital is an important part of our operations. Notes and accounts receivable and inventories are the principal components of our current assets that will continue to require significant amounts of working capital contribution. We will need more working capital as our revenues increase. As a consequence of our efforts to take advantage of extended payment terms with our suppliers, we rely on our notes and accounts payable, the largest component of our current liabilities, as a major source of our working capital.

Notes and accounts receivable

We generally trade with our principal customers on an open account basis. On a consolidated basis and annualized, the average number of days required for collection of our notes and accounts receivable was approximately 51 days in the three months ended March 31, 2009, compared to approximately 49 days and 49 days in the years ended December 31, 2007 and 2008, respectively. Notes and accounts receivable days in a period is calculated as (number of days in the period)/(revenues in that period/average of total notes & accounts receivables including those from related parties at the beginning and the end of that period). We generally have not experienced significant problems collecting from our customers and historically have enjoyed a relatively low level of bad debt expense. However, we wrote off NT$257.0 million worth of receivables from Nortel Networks Corporation for the year ended December 31, 2008 after it filed for bankruptcy protection in January 2009.

Inventory

On a consolidated and annualized basis, average inventory turnover was approximately 24 days in the three months ended March 31, 2009 and approximately 25 days and 24 days in the years ended December 31, 2007 and 2008, respectively. Inventory days in a period calculated as (number of days in the period)/(cost of good sold in that period/average of inventory at the beginning and the end of period). See "Our business—Materials management — Procurement and inventory management".

Notes and accounts payable

We attempt to take advantage of the credit terms offered by our key suppliers while still making payments on time. On a consolidated basis and annualized, the average number of days within which we paid our notes and accounts payable was approximately 65 days in the three months ended March 31, 2009 and approximately 64 days and 59 days in the years ended December 31, 2007 and 2008, respectively. Accounts payable in a period calculated is as (number of days in the period)/(cost of good sold in that period/average of total notes & accounts payable including those to related parties at the beginning and the end of that period).

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity is cash flow from operations. We need cash primarily to fund capital expenditures, payment of cash dividends and working capital needs. We fund these capital requirements through various sources, including cash from operations and financing activities, short- and long-term bank borrowings and other lines of credit factoring arrangements and proceeds from domestic equity and debt offerings. Our ability to fund our capital expenditure needs using these funding sources, could be adversely affected by a downturn of our business, or our inability to obtain funds on acceptable terms or in a timely manner.

Cash flow

As of March 31, 2009, we had a consolidated cash and cash equivalent position of NT$16,079.1 million (US$474.7 million). As of December 31, 2006, 2007 and 2008, we had a consolidated cash and cash equivalent position of NT$9,526.0 million, NT$7,454.2 million and NT$13,174.0 million (US$389.0 million), respectively.

Consolidated net cash provided by operating activities amounted to NT$8,526.3 million (US$251.7 million) in the three months ended in March 31, 2009, reflecting a consolidated net income of NT$1,419.5 million (US$41.9 million), depreciation and amortization of NT$1,258.0 million (US$37.1 million), a decrease in notes and accounts receivable from related parties of NT$1,627.3 million (US$48.0 million) and a decrease in inventories of NT$7,570.7 million (US$223.5 million), partially offset by a decrease in notes and accounts payable of NT$4,789.7 million (US$141.7 million). Consolidated net cash provided by operating activities in 2008 was NT$14,907.2 million (US$440.1 million), reflecting a consolidated net income of NT$6,898.4 million (US$203.7 million), depreciation and amortization of NT$3,452.5 million (US$101.9 million) and an increase in notes and accounts payable of NT$18,535.5 million (US$547.3 million), partially offset by an increase in notes and accounts receivable of NT$15,520.6 million (US$458.2 million). Consolidated net cash used in operating activities in 2007 amounted to NT$5,583.9 million, reflecting a consolidated net income of NT$6,716.5 million, an increase in notes and accounts receivable of NT$19,697.7 million, an increase in notes and receivable from related parties of NT$11,912.1 million as well as an increase in inventories of NT$8,239.9 million, partially offset by an increase in notes and accounts payable of NT$13,061.3 million and an increase in notes and accounts payable to related parties of NT$7,821.7 million. Consolidated net cash provided by operating activities in 2006 was NT$7,723.6 million, reflecting a consolidated net income of NT$5,275.0 million, depreciation and amortization of NT$2,230.2 million and an increase in notes and accounts payable of NT$3,306.8 million, partially offset by an increase in notes and accounts receivable from related parties of NT$6,831.0 million.

Consolidated net cash used in investing activities was NT$738.3 million in 2006, NT$1,541.7 million in 2007, NT$8,694.9 million (US$256.7 million) in 2008 and NT$1,537.3 million (US$45.4 million) in the three months ended March 31, 2009. Consolidated net cash used in investing activities in 2006, 2007, 2008 and the three months ended March 31, 2009 mostly reflected our additions to property, plant and equipment of NT$3.512.7 million, NT$4,904.1 million, NT$6,852.7 million (US$202.3 million) and NT$1,263.6 million (US$37.3 million), respectively.

Consolidated net cash used in financing activities in 2006 was NT$2,682.9 million, primarily reflecting dividends to shareholders. Consolidated net cash provided by financing activities in 2007 was NT$4,650.9 million, primarily reflecting an increase in short-term borrowings in the amount of NT$6,566.5 million, which was partially offset by cash used for dividends to shareholders in the amount of NT$2,789.5 million. Consolidated net cash used in financing activities in 2008 was NT$395.3 million (US$11.7 million) primarily reflecting a decrease in short-term borrowings from NT$6,566.5 million in 2007 to NT$(7,298.2) million in 2008. While we reduced our short term borrowings in 2008, we increased our long term borrowings by NT$9,858.0 million (US$291.1 million).Consolidated net cash used in financing activities in the three months ended March 31, 2009 was NT$4,095.0 million (US$120.9 million), primarily reflecting a decrease in long-term borrowings by NT$3,752.9 million (US$110.8 million).

We had net increases in cash and cash equivalents of NT$4,172.2 million, NT$5,719.8 million (US$168.9 million) and NT$2,905.1 million (US$85.8 million) in 2006, 2008 and the three months ended March 31, 2009, respectively, and a net decrease in cash and cash equivalents of NT$2,071.8 million in 2007.

Capital

Our Shares were listed on the TSE on August 19, 2003. The initial listing of our Shares consisted entirely of a secondary offering of Shares by our existing shareholders pursuant to which we did not receive any subscription proceeds. See “Changes in share capital”.

Credit lines

At March 31, 2009, we had available short-term credit facilities with banks in Taiwan of NT$38,560.2 million of which was outstanding. The annual interest rates for such short-term credit facilities ranged from 0.9% to 5.4%.

Factorings

We obtain advance payments of our receivables by selling a significant portion of our receivables to various local and international banks in Taiwan on a nonrecourse basis. Our factoring agreements with these banks allow us to request advances in anticipation of customer collections. In general, banks advance 90% of the face value of the factored receivables before collection. The remaining 10% is returned to us after deducting any sale discounts and allowances, sales returns, and other related expenses upon collections. We must provide certain representations and comply with certain covenants in these factoring agreements. For example, the covenants typically include, and are not limited to, the following: (i) provide to the bank the relevant agreements we have with our customer that owes us the factored receivable, and other financial information of such customer,

(ii) refrain from altering any major terms of any of our agreements with such customer, or settling or entering into any agreement with such customer that would adversely affect the collection of the receivable; and (iii) notify the bank upon any occurrence of any material event regarding such customer or any of our agreements with such customer or any change in our relationship with such customer.

The following tables set forth certain information in relation to our factoring activities as of the dates indicated.

(US$, in millions)

	As of March 31, 2009						
Buyer	Factoring Credit Limit	Factored amount	Advance amount	Interest rate	Collateral	Important derecognition clause	Derecognized amount
Bank Sinopac	135.0	335.7	135.0		135.0	nonrecourse	135.0
Mega International Commercial Bank[(1)]	450.0	550.0	449.7		450.0	nonrecourse	462.5
Tai Shin Bank	30.0	0.0	-		-		0.0
	615.0	885.7	584.7	1.13 – 2.35%	585.0		597.5

(1) US$437.2 million was related-party receivable from AI.

(US$, in millions)

	As of December 31, 2008						
Buyer	Factoring Credit Limit	Factored amount	Advance amount	Interest rate	Collateral	Important derecognition clause	Derecognized amount
Bank Sinopac	135.0	274.5	135.0		135.0	nonrecourse	135.0
Mega International Commercial Bank[(1)]	450.0	759.8	449.7		450.0	nonrecourse	472.9
Tai Shin Bank	30.0	1.2	-		-	nonrecourse	1.2
	615.0	1,035.5	584.7	1.22 – 5.72%	585.0		609.1

(1) US$573.0 million was related-party receivable from AI.

(US$, in millions)

	As of December 31, 2007						
Buyer	Factoring Credit Limit	Factored amount	Advance amount	Interest rate	Collateral	Important derecognition clause	Derecognized amount
Mega International Commercial Bank	280.0	180.6	149.9	5.14 – 6.37%	250.0	nonrecourse	180.6

(US$, in millions)

	As of December 31, 2006						
Buyer	Factoring Credit Limit	Factored amount	Advance amount	Interest rate	Collateral	Important derecognition clause	Derecognized amount
Standard Chartered Bank	100.0	26.3	24.4		-	nonrecourse	26.3
Chinatrust Bank	60.0	38.4	34.8		-	nonrecourse	38.4
Mega International Commercial Bank	280.0	280.0	222.5		250.0	nonrecourse	280.0
HSBC	240.0	230.7	167.8		240.0	nonrecourse	230.7
Fuhwa Bank	13.0	11.6	-		13.0	nonrecourse	11.6
TC Bank	50.0	10.8	-		-	nonrecourse	10.8
	743.0	597.8	449.5	4.83 – 6.02%	503.0		611.6

The above sales of accounts receivable are recognized when the ownership and the significant risks of the factored accounts receivable are transferred. As of March 31, 2008 and 2009, accounts receivable factored to banks amounted to US$258.3 million (approximately NT$8,749.5 million), and US$885.7 million (approximately NT$29,998.2 million), respectively. The remaining NT$1,570.3 million and NT$434.0 million, respectively, that were still receivable from banks were included in "other financial assets — current" in our consolidated balance sheets for the three months ended March 31, 2008 and 2009.

As of March 31, 2009, we factored approximately 37.0% of our receivables totaling US$885.7 million (approximately NT$29,998.2 million). We expect to factor up to approximately 40.0% of our receivables under the same or similar factoring arrangements as those discussed above.

Capital expenditures and long-term investments

On a consolidated basis, we made capital expenditures of NT$1,263.6 million (US$37.3 million) in the three months ended March 31, 2009. On a consolidated basis for 2006, 2007 and 2008, we made capital expenditures of approximately NT$3,512.7 million, NT$4,904.1 million and NT$6,852.7 million (US$202.3 million), respectively.

Capital expenditure in these periods related principally to the cost associated with new buildings and the purchase of molding machine equipment in connection with the expansion of our existing factories and facilities.

On a consolidated basis, the book value of our long-term investments under the equity method was NT$3,040.7 million (US$89.8 million) as of March 31, 2009. On a consolidated basis as of December 31, 2006, 2007 and 2008, the book value of our long-term investments under the equity method were approximately NT$2,028.3 million, NT$1,976.9 million and NT$2,781.1 million (US$82.1 million), respectively.

From time to time, we review investment opportunities and may, if a suitable opportunity arises, make an investment. Future investments may be in the form of capital expenditures made directly or through subsidiaries, or acquisitions of, or investments in, other businesses or joint ventures with third parties. We intend only to make long-term investments in businesses and companies which will complement our core business.

We estimate that we will incur aggregate capital expenditures of approximately NT$3,873.5 million, on a cash basis, in 2009, primarily for expansion of our manufacturing facilities in the PRC and purchase of equipment and machinery.

Debt repayment and commitments

On a consolidated basis, as of March 31, 2009, we had long-term debts (excluding current portion) totaling NT$6,105.1 million (US$180.3 million). On June 6, 2008, we entered into a US$300 million credit facility with a three-year term with a syndicate of twelve Taiwanese banks. As of March 31, 2009, US$180 million had been drawn. The following table sets forth the maturity profile of our short term and long term borrowings as of December 31, 2006, 2007 and 2008, and as of March 31, 2009.

	Consolidated				Consolidated	
	As of December 31,				As of March 31,	
	2006	2007	2008	2008	2009	2009
	(NT$)	(NT$)	(NT$)	(US$)	(NT$)	(US$)
Within 1 year	2,805.4	10,069.0	2,875.2	84.9	2,529.1	74.7
More than 1 year, but not exceeding 2 years	-	-	-	-	-	-
More than 2 years, but not exceeding 5 years	-	-	9,858.0	291.1	6,105.1	180.3
More than 5 years	-	-	-	-	-	-

Except as otherwise disclosed in Note 4(j) to our unaudited consolidated financial statements contained herein, as at March 31, 2009, we had no other long-term debt or long-term obligations and we had no off-balance sheet transactions. In addition, we do not have any other significant committed expenditures or financings.

We believe that our existing cash and cash equivalent balances, credit lines and factoring arrangements, together with our existing and future bank borrowings and the proceeds from the issue of the GDSs will be sufficient to fund our anticipated working capital and capital expenditure requirements for 2009 and 2010.

EXCHANGE RATES

For each of the years ended December 31, 2006, 2007 and 2008, the vast majority of our net sales and our purchases of raw materials were denominated in currencies other than the NT dollar, principally the US dollar and, to a lesser extent, the PRC Renminbi and the Japanese Yen. In addition, we have significant foreign currency-denominated assets, principally US dollar-denominated notes and accounts receivable and cash balances, and foreign currency-denominated liabilities, principally US dollar- and Japanese Yen-denominated accounts payable. Accordingly, fluctuations in exchange rates, in particular between the US dollar and the NT dollar, affect our gross and operating margins and result in foreign exchange losses or gains in respect of our assets and liabilities denominated in foreign currencies.

We recorded a net foreign exchange gain of NT$268.5 million in the year ended December 31, 2006 due to the depreciation of the NT dollar against the US dollar as compared to a foreign exchange loss of NT$161.1 million and NT$37.7 million in the years ended December 31, 2007 and 2008, respectively, due to the appreciation of the NT dollar against the US dollar.

To the extent we are exposed to exchange rate fluctuations beyond our natural hedge of foreign currency denominated sales and cost of goods sold, we attempt to mitigate the adverse effects of exchange rate fluctuations on our results of operations through limited use of foreign currency forward contracts, foreign currency swap contracts and foreign currency structured notes. We monitor the status of our hedge position and exposure to currency fluctuations and the effectiveness of our hedging activities from time to time. We seek generally to fully hedge our foreign exchange exposure. For information relating to such contracts, see Note 4 to the consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008 and Note 4 to the consolidated financial statements for the period ending March 31, 2008 and 2009, included elsewhere in this Offering Circular. However, the impact of future exchange rate fluctuations between the US dollar and the NT dollar on our results of operations cannot be predicted accurately. To the extent any such exposure is not fully hedged, appreciation of the NT dollar against the US dollar or other foreign currencies could cause us to incur foreign exchange losses. See "Risk factors — Risks relating to our business — Fluctuations in exchange rates could adversely affect our business".

MARKET RISKS AND HEDGING ACTIVITIES

Market risk is the risk of loss related to adverse change in market prices, including short-term floating interest rates and foreign exchange rates, of financial instruments. We are exposed to various types of market risks during our ordinary course of business, including changes in interest rates and foreign currency exchange rates. Our primary market risk exposures relate to exchange rate movements on foreign currency-denominated accounts receivable and payable (including raw material costs and capital expenditures relating to overseas purchase of equipment used in our manufacturing processes) and interest rate movements on our floating rate short-term and long-term borrowings and factoring arrangements.

We use financial instruments, including forward exchange contracts and currency option contracts, to manage risks associated with our foreign currency exposures, through a controlled program of risk management in accordance with established policies. We currently have not used any financial instruments to hedge our interest rate exposure because we consider our exposure as relatively small. We have used, and intend to continue to use, derivative financial instruments only for hedging purposes. See Note 4 to the consolidated financial statements as at December 31, 2006, 2007 and 2008 and Note 4 to the consolidated financial statements as at March 31, 2009.

TRANSACTIONS WITH RELATED PARTIES

We have not extended any loans or credit to any of our directors, supervisors or executive officers, and we have not provided guarantees for borrowings by any of these persons. We have not entered into any fee-paying contract with any of these persons for them to provide services not within his capacity as a director, supervisor or executive officer of the company.

We have, from time to time, purchased raw materials and sold our products to, and enter into other transactions with, our affiliated companies. We believe that these transactions with related parties have been conducted on arm's length terms. See "Related party transactions".

TAXATION

The income tax rate generally applicable to income from our operations is 25%. Currently, we are qualified for five-year tax holidays on certain income pursuant to the ROC's Statute for Upgrading Industries ("SUI"). These tax exemptions apply to income attributable to expansions of productivity capacity on certain products funded by the initial capital investment made by our shareholders for a newly incorporated company or capital increases for cash for an existing company. We qualify for these tax exemptions by utilizing a portion of such investments, or capital increases for investment in R&D expenses or capital equipment purchases for our production facilities. The tax exemption period under these statutes begins at any time within five years following (i) in the case of the initial capital investment made by our shareholders, the first sale of our products or (ii) in the case of subsequent capital increases for cash, the completion of the relevant construction or expansion. These tax exemptions resulted in tax savings of approximately NT$1.5 million, NT$3.4 million and NT$1.5 million respectively in 2006, 2007 and 2008. The extent of these tax exemptions depends on several factors, including the nature of the relevant capital equipment purchase and the products we produce.

We also benefit from other tax incentives generally available to ROC companies, including tax credits of up to 35% for certain R&D and employee training expenses and tax credits ranging between 5% and 20% for certain investments in automation equipment and technology. In accordance with certain regulations, we are permitted to enjoy tax incentives of 30% for certain R&D and employee training expenses and tax incentives of 13% and 11% for certain investments in automation equipment and technology, respectively. Provided that the investment amount in certain R&D and employee training expenses in the current year is greater than the average of certain

R&D and employee training expenses of the previous two years, the tax incentive of the excess amount may be 50%. However, these tax credits must be utilized within five years from the date on which they were earned. In addition, the aggregate tax reduction from these tax credits for any year cannot exceed 50% of that year's income tax liability, but the tax reduction from these tax credits for the last year will not be limited. We have applied to the National Tax Administration, Ministry of Finance for tax credits in the amount of NT$630.0 million in 2006, NT$1,013.0 million in 2007 and NT$1,525.0 million in 2008. As of March 31, 2009, NT$25.0 million, NT$107.0 million and NT$189.0 million of these tax credits are expected to expire in 2010, 2011 and 2012, respectively.

Our industry

The Gartner, Inc. reports described herein ("Gartner Reports") represent data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Offering Circular) and the opinions expressed in the Gartner Reports are subject to change without notice.

PERSONAL COMPUTERS MARKET

Mobile PC Market

The global mobile PC industry consists of desk-based replacement mobile PCs (which have a screen size over 16 inches), mainstream large and small mobile PCs (which have a screen size between 12 to 15 inches), ultraportable PCs (which have a screen size between 11 to 12 inches) and mini-notebooks (which have a screen size between 5 to 10 inches). The mobile PC industry has grown rapidly over the past few years. According to Gartner, mobile PC unit shipments increased by 32.4% from 107.5 million units in 2007 to 142.3 million units in 2008, and are expected to increase from 146.7 million units in 2009 to 256.8 million units in 2012 at a CAGR of 20.5%. Gartner estimates that Latin America and Asia will be the fastest growing regions in terms of shipments with an estimated combined CAGR of 22.7% between 2009 and 2012[1].

According to Gartner, unit shipment growth is expected to continue to outperform value growth as average selling price ("ASP") declines are a consistent feature of the industry[1]. End user ASP of mobile PCs is expected to decline from US$828 in 2009 to US$606 in 2012 at a CAGR of (9.9)%[1]. End user spending is expected to increase from US$122 billion in 2009 to US$156 billion in 2012 at a CAGR of 8.6%[1].

The market is characterized by intense competition for market share, short product life cycles, high demand for innovation and intense pressure on costs. Cost pressures in this industry have caused PC vendors to increasingly reduce in-house manufacturing and to increase the outsourcing of design and manufacturing of mobile PCs to ODMs.

According to Gartner, mini-notebooks will be one of the key growth drivers for unit shipments in the industry[2]. The global expansion of wireless broadband is expected to significantly increase demand for mini-notebooks. Further, in order to increase revenue market share, mini-notebooks are being sold via new channels by mobile telecom operators around the world who are subsidizing mini-notebooks to enable customers to migrate to 3/3.5G data from wireline broadband. Gartner estimates mini-notebook shipments to increase from 11.7 million units in 2008 to 58.0 million units in 2012 at a CAGR of 49.2%[2]. We believe that the launch of new operating systems (for example, Microsoft Windows 7™) that support touch screen functionality, together with a need to replace older machines could also be driving factors for mobile PC shipments in the next decade.

Collectively, ODMs based in Taiwan are the world's largest producers of notebook PCs. We believe that top-tier Taiwanese notebook PC manufacturers have strong relationships with leading global vendors, strong design and cost control capabilities, and critical scale and flexible production models. As a result, ODMs in Taiwan should benefit significantly from the growth and increased production outsourcing in the global mobile PC market.

Desk-based PC Market

The global desk-based PC industry primarily consists of towers and mini-towers, small and ultra-small form factor desk-based PCs and All in One ("AIO") PCs. The desk-based PC industry is a mature industry and has been increasingly affected by the growing substitution of desk-based PCs with mobile PCs for portability. According to Gartner, total global desktop PC shipments decreased by 4.9% from 156.6 million units in 2007 to 148.8 million units in 2008[1]. The CAGR for desktop PC unit shipments is estimated to be 2.2% between 2009 and 2012[1]. According to Gartner, desktop PC end user ASP is expected to decline from US$614 in 2009 to US$488 in 2012 at a CAGR of (7.4%) [1].

The slowdown in the growth of the desk-based PC industry resulted from a weak global economy, which adversely affected commercial sales, and the increasing popularity of mobile PCs. However, consumers still regard low cost and sturdy performance as principal benefits of owning a desk-based PC. Full-featured systems are still attractive due to comfort, durability, security and media-rich applications support. According to Gartner, desktop PCs will account for approximately 44.5% of PC shipments in 2009[1].

---

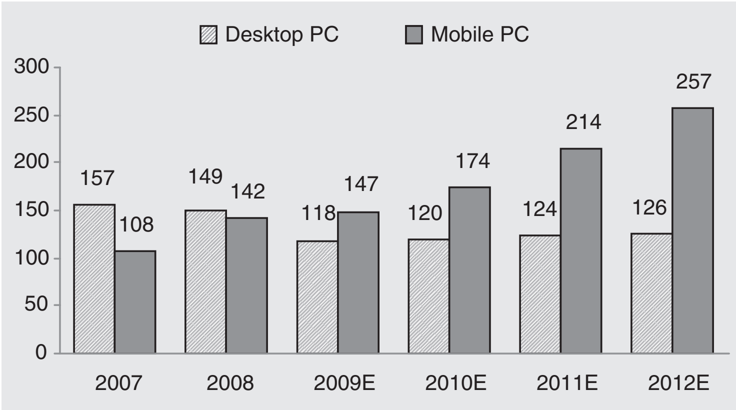
1 Gartner, Inc., "Forecast: PCs, Worldwide and North America, March 2009 Update" by George Shiffler III, Mikako Kitagawa and Raphael Vasquez, March 30, 2009

2 Gartner, Inc., "Dataquest Insight: Mini-notebooks Are the Only Growing PC Segment in 2009" by Annette Jump, George Shiffler III, Tracy Tsai, February 24, 2009

The AIO PC is a desk-based PC with a built-in LCD monitor and is a new growth driver for the matured desk-based PC market. Unlike mini-notebooks which can be considered as a new product having expanded into the large volume/low price handheld market, AIO PCs sales primarily serve as desk-based PC replacements.

The following chart sets forth the number of units of desktop and mobile PCs shipped globally, or expected to be shipped, for the periods indicated.

Desktop and Mobile PC shipments (millions)



Source: Gartner, March 2009[1]
Chart created by the Company based on Gartner data

CONSUMER ELECTRONICS (ENTERTAINMENT SOLUTIONS) MARKET

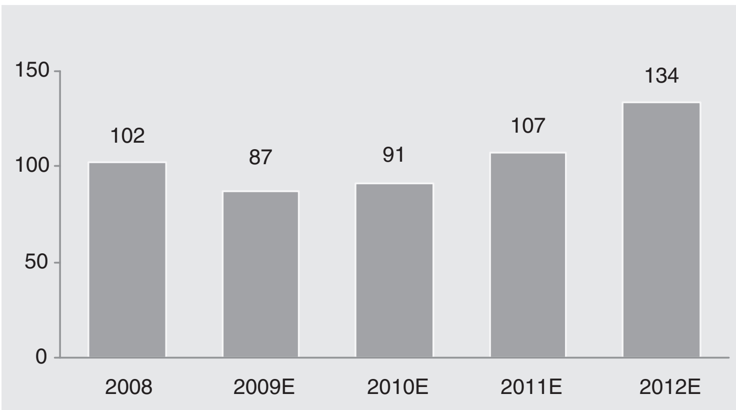
The consumer electronics market covers a broad range of products including LCD TVs, handhelds/mobile phones, portable media players, digital set top boxes, digital still cameras, game devices and other products. Consumer electronics products are typically used for entertainment and leisure by households. These products are characterized by usability, long-standing protocols for most product elements, push-button simplicity for most devices, and high levels of reliability.

LCD TVs

The LCD TV market is expected to grow rapidly over the next few years. According to Gartner, the worldwide production of LCD TVs increased 20.0% from 85.0 million units in 2007 to 102.0 million units in 2008[2]. Gartner estimates LCD TV production to increase from 86.7 million units in 2009 to 134.2 million units by 2012, representing a CAGR of 15.7%[2]. We believe that expected contributors of growth include increased adoption of High Definition TV ("HDTV") in developed markets, increased preference for large-sized screens and declining prices of LCD TVs. There is also an increasing trend to outsource LCD TV production to Electronic Manufacturing Services ("EMS") and ODMs for cost efficiency.

The following chart sets forth the number of LCD TV units shipped globally, or expected to be shipped, for the periods indicated.

LCD TV shipments (millions)



Source: Gartner, Q2 2009[2]
Chart created by the Company based on Gartner data

---

1 Gartner, Inc., "Forecast: PCs, Worldwide and North America, March 2009 Update" by George Shiffler III, Mikako Kitagawa and Raphael Vasquez, March 30, 2009

2 Gartner, Inc., "Semiconductor Forecast Worldwide: Forecast Database" by Nolan Reilly et al, May 28, 2009

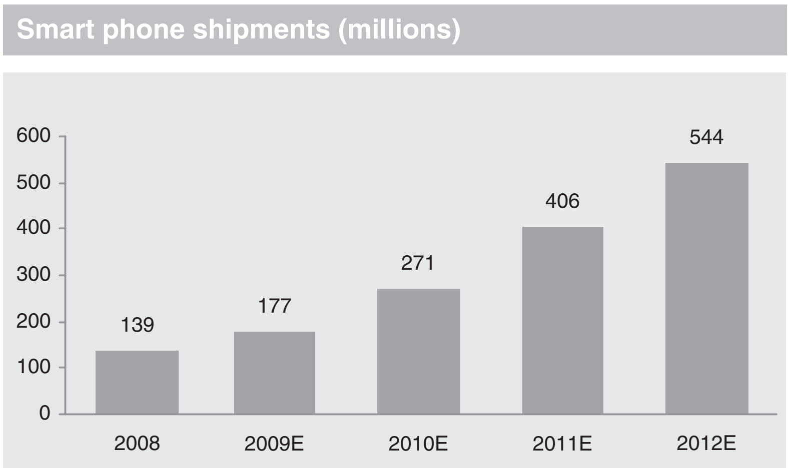
Mobile Devices and Handhelds

Growth in the wireless handset market is mainly driven by subscriber growth and the replacement market, where users upgrade to high-end handsets as designs become more stylish and feature-intensive, and network operators and handset vendors enhance content and application availability.

According to Gartner estimates, global handset shipments grew 6.0% from 1,153 million units in 2007 to 1,222 million units in 2008[1]. Gartner forecasts that the global handset market is expected to grow from 1,171 million shipments in 2009 to 1,402 million shipments in 2012 representing a CAGR of 6.2%[1]. The Asia Pacific region (excluding Japan) is expected to grow rapidly over the same period, driven primarily by the strong wireless subscriber growth in China and India. Within mature markets such as the US, Japan and Western Europe, the primary market driver is expected to be the replacement market.

According to Gartner, the shipments for smart phones increased 13.8% from 122.4 million units in 2007 to 139.3 million units in 2008 and are expected to increase from 176.9 million units in 2009 to 544.0 million units in 2012, representing a CAGR of 45.4%[1].

The following chart sets forth the number of smart phone units shipped globally, or expected to be shipped, for the periods indicated.



Source: Gartner, Q2 2009[1]
Chart created by the Company based on Gartner data

ENTERPRISE SOLUTIONS MARKET

Servers

The global server market consists primarily of x86 servers, Reduced Instruction Set Computer ("RISC")/Itanium servers and the mainframe servers. The x86 server market has continued to grow and evolve because of the continuous infrastructure build-out for internet-enabled businesses and corporate data centers.

As the x86 server market increasingly focuses on the efficiency of "total cost of ownership", rack servers and, ultimately, blade servers are expected to represent a significant portion of the x86 market due to their cost-efficiency and scalability. Rack servers and blade servers are designed to fit into racks (normally 19-inches in height) and allow multiple machines to be clustered or managed in a single location.

A blade server is a single board computing system housing one or more microprocessors, memory, network connections and associated electronics. Multiple blade servers can be housed in single or multiple racks, offering the highest possible level of density. Blade servers confer a high level of cost efficiency and are designed to be scalable, upgradable, reliable and easy to manage. The majority of blade server shipments are x86 based and run on Windows™. Vendors continue to enhance existing blade server product lines by addressing heat and power issues.

Storage Systems

The external storage systems market is generally divided into three types of storage systems: direct attached storage ("DAS"), network attached storage ("NAS") and storage area network ("SAN") systems. A DAS system

[1] Gartner, Inc., "Forecast: Mobile Devices, Worldwide, 2003-2013" by Carolina Milanesi, March 26, 2009

is a storage device directly attached to a host system. Internal DAS is historically the most common method for storing data in computer systems. In contrast, network storage systems, which consist of NAS and SAN systems, are gaining market share as they offer significant advantages in terms of scalability, reliability and cost-efficiency. A NAS system is an external disk storage system that attaches to a local area network and allows access, at a file level, to data stored through a server that acts as a gateway. A SAN system is a network storage system consisting of one or more disk-based storage arrays connected to each other and to two or more servers through either a hub or a switch. According to Gartner, the worldwide external controller-based disk storage end-user spending increased at 13.4% from US$18.7 billion in 2007 to US$21.2 billion in 2008. Gartner expects end-user spending to decrease to US$20.7 billion in 2009, but grow to US$25.6 billion in 2013[1].

1 Gartner, Inc., "Gartner Dataquest Market Databook, March 2009 Update" by Gerald Van Hoy et al, March 27, 2009

Our business

OVERVIEW

We are a leading ODM and service company that focuses on providing leading OEMs in the global technology industry with quality and effective end-to-end services from initial product conceptualization and product development to volume manufacturing and after-sales services. Our key customers include Acer, Dell, Fujitsu, HP, IBM, Lenovo and Sony, and we provide our customers with sophisticated and comprehensive design and system integration capabilities, reliable and cost-effective production and logistics support and quality product development and after-sales services. Our product portfolio covers a wide range of technology products including notebook PCs, mobile communication products, server and storage systems, desktop PCs, LCD TVs, LCD monitors and other consumer electronics. We believe that we are one of the largest manufacturers of notebook PCs in the world in terms of global shipment volumes and a leading manufacturer of server and storage systems and LCD TVs.

As a leading ODM, we sell all of our products to prominent vendors who distribute these products under their own brands. We view our customers as our partners and typically work closely with them to develop existing and new products.

We manage our operations on a day-to-day basis through strategic business groups organized by our major products and services categories. Each strategic business group has its own focused group of products and customers, as well as dedicated personnel and manufacturing facilities to handle end-to-end responsibilities for its own customers, products and services. We believe this "end-to-end" approach allows us to focus better on customer and profit-oriented R&D, cost management, production efficiency and individual customer needs, which we believe enhances long-term business performance and customer loyalty. We manage other aspects of our business, such as company-wide strategy planning, finance, investment, human resources, information systems and legal compliance, on a centralized basis to take advantage of economies of scale and other synergies.

As of March 31, 2009, we employed over 36,000 personnel worldwide, strategically located in North America, Europe and Asia in various design, manufacturing, R&D and after-sales services centers. Our manufacturing facilities are located in the PRC, Taiwan, the Philippines, Mexico and the Czech Republic, and we maintain logistics facilities comprising more than 60 logistics hubs worldwide, close to the facilities of our customers in the United States, Europe and Asia. In addition, we maintain 12 after-sales services centers worldwide. Our after-sales service partner network spans three continents in countries such as the United States, Brazil, Canada, the Netherlands, the Czech Republic, the PRC, Taiwan, Singapore, Hong Kong, Japan, the Philippines and India. Our network of manufacturing facilities, customer services centers and logistics facilities provides us with a global presence which allows our customers worldwide to work closely with us from the design and development stages to the manufacturing, distribution and after-sales services stages. Our operations network also permits us to undertake simultaneous multi-location manufacturing and to arrange timely delivery to our customers or other end-users anywhere worldwide, often with cost savings on transportation and tariffs.

For the three months ended March 31, 2009, we had consolidated net revenues of NT$112,523.8 million (US$3,322.2 million) and consolidated net income of NT$1,419.5 million (US$41.9 million) compared to NT$86,809.8 million and NT$1,705.7 million, respectively, for the corresponding period in 2008. For the year ended December 31, 2008, we had consolidated net revenues of NT$445,117.7 million (US$13,141.9 million) and consolidated net income of NT$6,898.4 million (US$203.7 million) compared to NT$286,754.4 million and NT$6,716.5 million, respectively, for the year ended December 31, 2007 and NT$221,053.8 million and NT$5,275.0 million, respectively, for the year ended December 31, 2006.

On March 31, 2009, our market capitalization was NT$55,433.1 million based on the closing price of our Shares on the TSE of NT$36.55 per share on the same date.

CORPORATE INFORMATION

Our registered office is located at No. 7 Hsin-An Road, Hsinchu Science-Based Industrial Park, Taiwan, ROC, and our principal executive offices are located at No. 88, Sec. 1, Hsin Tai Wu Road, Hsichich, Taipei Hsien 221, Taiwan, ROC.

Our Shares have been listed on the TSE since August 19, 2003. Our Existing GDSs have been listed on the Euro MTF market of the Luxembourg Stock Exchange since September 22, 2005. See "The securities market in the ROC — The Taiwan Stock Exchange".

HISTORY

We were incorporated on May 30, 2001 as a company limited by shares under the ROC Company Act as an independent legal entity separated from Acer. Until the separation from Acer, we operated as the DMS division of Acer.

After our incorporation, Acer gradually transferred its DMS business and certain related investments to us. The reorganization was completed on February 28, 2002, when Acer transferred all the relevant assets and liabilities to us.

In 2002, Acer reduced its shareholding in Wistron to less than 50%, and, in 2008, Acer further divested its shareholding to less than 5% of Wistron's outstanding shares. While Acer is still the single largest shareholder of Wistron, our business and operations are independent from those of Acer, and we enjoy autonomy in our strategic planning and business operations.

BUSINESS ORGANIZATION

We organize our operations into four strategic business groups – MBG, DBG, EBG and SBU - in order to better allocate our resources and further enhance our production efficiency and overall business performance. Each of these business groups focuses on a clearly delineated product, customer and service portfolio.

Each strategic business group has been allocated its own focused group of products and customers, as well as dedicated personnel and manufacturing facilities, and accounts for its own profits and losses. Each group has end-to-end responsibilities for its own customers, products and services which include business origination, marketing, account planning, R&D, product design and development, component sourcing, mass production, delivery and logistics support, customer services, billings, collection of receivables, realization of profits and financial reporting. This result-oriented scheme aims at instilling each business group with a sense of ownership to track its business performance, delineating clearly the responsibilities among the business groups and creating clear strategic focus for each business group in terms of product offerings and customer services. We manage other aspects of our business, such as company-wide strategy planning, finance, investment, human resources, information systems and legal compliance on a centralized basis to take advantage of economies of scale and other synergies.

OUR STRENGTHS

Our key strengths are as follows:

Leading market positions in target product markets

We are leaders across our target markets – mobile consumer products (notebook PCs and handhelds), digital consumer products (desktop PCs, LCD TV and monitors) and enterprise products (servers and storage systems). We believe that we consistently rank among the three largest companies in the notebook PC ODM industry globally in terms of shipment volumes. Our design and manufacturing expertise, together with our strong customer relationships, has resulted in increased orders for notebook PCs over the past several years. In addition to notebook PCs, we have a strong market presence in mobile products such as rugged handheld devices, digital consumer products such as thin client computers and LCD TVs and enterprise products such as server systems. We have been successful in increasing the overall scale of our business and establishing leading market positions in key target product markets because of our strong design capabilities and customer relationships. A larger business scale helps to further strengthen our position as it improves operational efficiency and allows us to focus on innovation and performance, which contributes to increased orders from existing customers and opportunities for new customer relationships. Over the years, we have received numerous awards recognizing our market position and strengths in innovation.

Strong partnerships with a diverse top-tier OEM customer base across multiple products

We have established and will continue to strengthen our long-standing relationships with top-tier global OEM leaders across product segments. As an ODM, we do not sell any products under our own brand in order not to compete with our customers. We view our customers as partners and seek to provide them with quality end-to-end solutions. Over the years, we have successfully expanded and diversified our customer mix. Our strong relationships with top-tier customers extend across multiple products that allow for further diversification of our revenue streams. Our major customers include Acer, Dell, Fujitsu, HP, IBM, Lenovo and Sony, most of which are worldwide OEM leaders in one or more product categories offered by us. Our notebook PC customers include top branded notebook PC vendors such as Acer, Dell, HP and Lenovo. Our digital consumer customers include conglomerates such as Sony, as well as OEMs like Acer, Dell, HP and Lenovo. Our enterprise solution customers include top-tier global server and storage vendors including HP, IBM and Dell. We believe that by broadening our customer portfolio, we are able to reduce our reliance on just a few customers for our revenue streams. Our strong and diverse customer base has not only been instrumental to our success to date, but also will be a strong driver of our future growth as OEM leaders expand their respective market shares and develop new products.

Value-added innovation capabilities and customer-focused service platform

We provide our OEM clients with end-to-end design, manufacturing and after-sales service solutions. Our capabilities include providing R&D support throughout a customer's engagement in order to provide innovative and value-added products and services, including customized software products. This customer-focused service platform provides "one-stop-shopping" convenience with the added capability of selling innovative and market relevant products.

Being a leading innovator amongst ODMs is important to our strategy. With the advent of touch screen PCs and handhelds, and 3D televisions and monitors, we believe that display centric products will present new ODM opportunities, either by addition of new features to existing products or through new product development. Our ability to innovate has positioned us well to benefit from strong growth of display centric products going forward. We employ approximately 2,800 engineers in the R&D division, and as of March 31, 2009, we owned approximately 1,400 patents, of which approximately 400 patents were co-owned with Acer, relating primarily to systems integration and mechanical designs. This strong R&D track record, as well as the acquisition of assets from Lite-On's LCD monitor business, has significantly enhanced our display capabilities.

Our after-sales services differ from those undertaken by our competitors, as we provide system repair and component repair both for products manufactured by us, as well as by other manufacturers. We believe that top-tier OEMs will continue to engage us because we have the necessary technology, R&D resources, production capacity and skills and experience to (i) collaborate with them in improving current and developing new product designs; (ii) offer them the maximum flexibility and rapid and reliable shipments; and (iii) provide them with reliable, high-quality products and responsive support services at competitive prices.

OUR STRATEGY

Key elements of our strategy are as follows:

Strive to grow our market share with a focus on profitability

Leading technology OEM vendors typically source products from a small number of leading ODM service providers. Our strong customer service platform and strong relationships have helped us to increase notebook PC shipments from 9.8 million units in 2006 to 21.0 million units in 2008 and capture additional market share. By increasing our global market share we believe we will realize greater economies of scale in our design, manufacturing process and sourcing of raw materials and components. With higher utilization of our resources and greater purchasing power, we can lower unit cost of production and sustain our margins and profitability.

At the same time, our objective is not to pursue market share at the cost of profitability. We plan to maintain and enhance our profitability through adjustments to our product mix. We monitor the profitability of different products, and shift production away from low-margin products such as PDAs and desktop PC motherboards, and conversely, expand our product portfolio and production of higher-margin products with our existing customers.

Expand existing relationships with OEM customers into new product areas

We plan to focus our resources on our high quality OEM customer group, with whom we have long-standing relationships and knowledge of requirements and preferences, in order to develop and supply more sophisticated, higher margin products. For example, we have recently started selling desktop PCs to our long established notebook PC customers. Our experienced R&D teams enable us to bring innovations to our existing customers that translate into new ODM opportunities. They can add new features to existing products or develop new product lines by identifying improved manufacturing processes or developing customized software. For example, we were one of the first ODMs to adopt in-mould decoration ("IMD") techniques to upgrade the external features for notebook PCs. We have also been one of the leading ODMs to focus on developing 3D-related display technologies and 3D-related conversion software with our customers. We will continue to work with our global OEM clients to broaden and deepen our supply relationships, enhance customer loyalty and expand our product offerings into new products, applications and markets.

Focus on the large and fast-growing consumer and enterprise product areas

We are focused on expanding our product offerings in consumer electronics, such as LCD TVs, all-in-one desktop PCs, CULV notebook PCs, and enterprise solutions, such as server and storage systems, which we believe represent growing areas in the technology ODM outsourcing industry. Technology products by their nature have limited life cycles and are constantly evolving, and as a result we continue to evaluate and identify new areas for growth. We anticipate that by focusing on these consumer electronics and enterprise solutions areas, we will be able to diversify our revenue streams, improve margins and reduce our reliance on revenues from notebook PC sales.

Continue to improve our operational efficiency and reduce our costs

We intend to continue to implement initiatives to further improve our operational efficiency and reduce our costs, particularly with regard to production management, business organization, notes and accounts receivable management and inventory management.

Production management

In order to maintain cost competitiveness, we have located most of our high volume manufacturing facilities in the PRC, where we are able to use a skilled and cost-efficient labor force. We intend to continue to carefully expand our production facilities in the PRC in line with our business growth. We also plan to continue to maintain strategically located small volume production facilities in the ROC, the Philippines, Mexico and the Czech Republic.

Business organization

Each of our four business units has been entrusted with end-to-end responsibilities for its own customers, products and services. We believe this approach enables us to focus better on customer and profit oriented R&D, cost management, and individual customer needs, which enhances our operational efficiency and customer loyalty. At the same time, we plan to continue to implement steps to realize potential synergies across our organization. For example, our SBU is strategically placed to identify problems or potential areas for improvement in our products, as well as those of our competitors. It has therefore been instrumental in enabling our other business units to anticipate, identify and resolve product defect areas and improve particular products and manufacturing processes.

Notes and accounts receivable management

We intend to continue to reduce our notes and accounts receivable collection time through the use of factoring arrangements. In the years ended December 31, 2007 and 2008, we factored notes and accounts receivables of US$180.6 million and US$1,035.5 million, respectively, and effectively have maintained the average number of our notes and accounts receivable turnover days on a consolidated basis at 49 days in 2007 and 2008 despite increasing revenues each year. The use of factoring arrangements enable us to leverage on the credits of some of our customers, who are the global technology OEM leaders, to generate cash flow faster and reduce our financing costs.

Inventory management

We seek to maintain inventories of key input components to meet our product requirements on a just-in-time basis by (i) closely monitoring the market supply, (ii) enhancing our supply chain tracking system to enable us to monitor our input component and inventory levels and (iii) strengthening the cooperation between our sales, production and material procurement units. Our inventory management activities have resulted in decreased inventory turnover days on a consolidated basis from 25 days in 2007 to 24 days in 2008. We will also continue to improve our product design and manufacturing process through R&D to minimize component and raw material costs.

Continue to enhance our globally synchronized manufacturing and service infrastructure

We plan to continue to expand and enhance our production and services facilities in Asia, Europe and the Americas. Our globally synchronized supply chain management infrastructure enables us to allocate mass production to low-cost production facilities in the PRC, while at the same time manufacturing more technology intensive and sophisticated products at our facilities in Taiwan and engaging in final configuration services close to our customers' facilities or end-markets in the United States and Europe. With our global SAP system in place, we strive to operate our business efficiently and be flexible in all aspects of our operations in order to cater to our key customers' needs. We will also continue to enhance our configure-to-order ("CTO") capability, which is crucial to our operations in particular with respect to certain products such as notebook PCs and desktop PCs. We believe our flexible and reliable production capacity will enhance our competitiveness by assisting our customers in responding quickly to end-user demands in an industry in which product lifecycles are relatively short. We also intend to continue to enhance our global service center and sub-contractor network to provide seamless and comprehensive value-added after-sales services to our customers across the globe.

PRODUCTS AND SERVICES

We organize our products and services under four business groups: MBG, DBG, EBG and SBU.

The following table sets forth the breakdown of net sales by business groups and as a percentage of our consolidated net revenues for each of the periods indicated:

		Year ended December 31,						Three months ended March 31,			
		2006		2007		2008		2008		2009	
		NT$	%	NT$	%	NT$	%	NT$	%	NT$	%
										(in millions except percentages)	
MBG	Notebook PCs	160,745.1	72.7	220,893.1	77.0	345,375.8	77.6	70,775.0	81.5	82,631.6	73.4
	Handheld devices	3,758.4	1.7	10,926.3	3.8	9,332.7	2.1	2,308.4	2.7	1,261.8	1.1
	Sub-total	164,503.4	74.4	231,819.4	80.8	354,708.4	79.7	73,083.4	84.2	83,893.4	74.6
DBG	Desktop PCs(1)	18,840.4	8.5	11,962.0	4.2	18,204.8	4.1	2,404.4	2.8	6,511.9	5.8
	LCD TVs	2,611.2	1.2	14,636.2	5.1	27,551.4	6.2	3,657.8	4.2	7,078.8	6.3
	LCD monitors(2)	0	0	0	0	12,001.5	2.7	0	0	6,839.5	6.1
	Game Consoles(3)	13,891.9	6.3	582.4	0.2	0	0	0	0	0	0
	Sub-total	35,343.5	16.0	27,180.6	9.5	57,757.8	13.0	6,062.1	7.0	20,430.2	18.2
EBG	Servers	12,813.5	5.8	14,519.2	5.1	17,347.5	3.9	4,311.6	5.0	3,933.9	3.5
	Storages(4)	3,110.9	1.4	3,672.7	1.3	4,636.4	1.0	1,109.7	1.3	1,263.0	1.1
	Sub-total	15,924.4	7.2	18,191.9	6.3	21,983.8	4.9	5,421.3	6.2	5,196.9	4.6
SBU	After-sales services	2,812.4	1.3	4,474.2	1.6	6,927.8	1.6	1,183.8	1.4	1,996.3	1.8
Others(5)		2,470.2	1.1	5,087.9	1.8	3,740.1	0.8	1,059.4	1.2	1,007.2	0.9
Total		221,054.0	100.0	286,754.0	100.0	445,118.0	100.0	86,810.0	100.0	112,524.0	100.0

Notes:

(1) Includes sales from a small quantity of set-top boxes and other E-home products.

(2) We acquired assets related to Lite-On Technology Corp.'s LCD monitor business in August 2008.

(3) The Game Consoles business line was discontinued in 2007.

(4) Includes sales from a small quantity of VOIP Phones and industry PCs.

(5) Includes fee income derived from EMS services provided by us, which has not been allocated to any specific business group.

The following table sets forth, for each of the periods indicated, the percentage breakdown of our consolidated net revenues from all of our products, categorized by geographic segments for each of the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2006	2007	2008	2008	2009
	%	%	%	%	%
America	39.3	28.2	40.2	32.3	51.5
Europe	18.8	23.5	30.3	23.1	26.9
Asia & others	41.9	48.3	29.5	44.6	21.6
Total	100.0	100.0	100.0	100.0	100.0

MOBILE BUSINESS GROUP

Our Mobile Business Group primarily focuses on the design, manufacture and sales of notebook PCs and handheld devices.

Notebook PCs

MBG designs and produces a wide range of notebook PCs (ultra-portable, value-line, mainstream, thin and light, tablet and rugged tablet models) for various OEM customers in both consumer and commercial segments. We shipped approximately 9.8 million, 11.1 million, 21.0 million and 5.3 million units of notebook PCs in 2006, 2007, 2008 and the three months ended March 31, 2009, respectively. Net sales from notebook PCs constitute the most significant source of our revenue. Net sales of notebook PCs constituted approximately 72.7%, 77.0%, 77.6% and 73.4% of our total consolidated net revenues for the years ended December 31, 2006, 2007 and 2008 and the three months ended March 31, 2009, respectively.

We expect the portable PC market to continue to grow, and notebook PCs will continue to be an important product line for our business. We plan to maintain our competitive position and retain our customer base by continuing to offer a compelling package of R&D, design and manufacturing services to support our customers. We are a leader in the IT industry in providing market-driven innovation and high product quality with rapid time-to-market product development capability. We believe that our leadership in quality and innovation leads to low total cost of ownership and strong return of investment for our OEM customers. Recent examples of MBG's innovations in product design and features includes incorporation of Intel's new CULV processors in notebook PCs for OEM customers, resulting in cost-effective thin and light designs offering ultra-long battery life. MBG is also an early provider of real-time 2D-to-3D conversion of pictures, videos and games in notebook PCs to allow users to enjoy a new dimension in viewing experience without having to wait for 3D contents to become widely available. 3D gives users a sense of "being there" watching their favorite movies, home videos and pictures.

Typically, MBG works closely with OEM customers to develop models meeting these customers' specific needs and requests. Notebook PCs sold under individual customers' brands will often be different in terms of configuration and style, even for substantially similar models.

MBG manufactures both complete system and barebone notebook PCs. The complete system segment accounts for the vast majority of MBG's notebook PC shipment volume, as this method allows OEM customers to reduce in-house assembly, packaging costs and inventory levels. It also improves product quality by eliminating defects induced by a second touch in the customer's factory. MBG manufactures and delivers complete system notebook PCs primarily on a BTO/CTO basis. Under a BTO/CTO arrangement, MBG assembles notebook PCs in its plants as it receives customers' orders and specifications, and then loads requested software applications onto the notebook PCs. It then arranges for delivery of the finished product to a distributor, a hub or directly to the end-user according to the customers' instructions, typically within five to seven days after receipt of a firm order. For barebone shipments, we simply assemble various parts of the notebook PCs and then ship the semi-finished products to the OEM customer for such customer to install other components and accessories.

MBG's notebook PCs are typically equipped with WAN or other wireless capabilities for easy internet access and connectivity. MBG has extensive experience in designing rugged notebook PCs and handheld products for industrial and military use, which are required to be robust products, with technologies designed to withstand shock and vibration, extreme operating conditions such as freezing temperatures and hot environments, plus liquid and dust proofing.

MBG's OEM customers for notebook PCs consist mainly of major brands in the global notebook PC markets, including Acer, Dell, Fujitsu, Lenovo and HP, among others. Because the global notebook PC industry is dominated by a limited number of large brands, MBG concentrates on sales of notebook PCs to a few key customers. MBG's focus on a small number of major brands enables it to work closely with such customers in all aspects of design, production and distribution of their products, to service their individual needs and enhance their customer loyalty.

Handheld devices

In addition to our current position in PC-related ODM services, MBG leverages our competencies in small form factor design, software development, and ODM time-to-volume/market capabilities into high-growth handheld devices such as GPS PDAs and Smartphones, with value-added features such as rugged capabilities, cameras, GPS and barcode scanners, RFID, GPS, 3G wireless and unique form factors.

MBG manufactures and sells handheld devices on an ODM basis to customers. MBG cooperates with customers to design and manufacture a wide range of PDAs. It offers expertise to its customers in small form factor design, knowledge of different materials, rapid time-to-market/volume manufacturing, and engineering capabilities in non-standardized products and components. Its rugged handhelds for industrial use in particular are made to meet high standards of ruggedness.

DIGITAL CONSUMER BUSINESS GROUP

Our Digital Consumer Business Group primarily focuses on the design, manufacture and sales of desktop PCs, LCD TV sets, LCD monitors and other E-Home electronics such as set-top boxes.

We acquired assets from Lite-On Technology Corporation's LCD monitor business in August 2008. For the three months ended March 31, 2009, revenues from our new LCD monitor business amounted to NT$6,839.5 million.

Our acquisition of assets from Lite-On's LCD monitor business, together with our continued focus on our desktop PCs and LCD TV businesses, represents a renewed focus by us on the convergence of DBG's products on the display function of computing and consumer devices.

Desktop PCs

DBG designs and manufactures a wide range of desktop PC computer systems. We also manufacture and design key components such as motherboards, housing/enclosure and add-on cards. DBG offers desktop PC products and services for OEM customers in both consumer and commercial markets.

DBG targets the top-tier OEM market. We have historically functioned largely as an integrated supplier, and as such, top-tier PC OEM customers have historically accounted for most of our desktop PC sales. The strategy of our desktop PC segment is to maintain our reputation as a well-respected system integrator to continually support the top-tier OEMs. DBG's key objective for desktop PCs is to focus on improving its operational efficiency and margins. We do not intend to purely target shipment volume; instead, we focus on leveraging our advanced desktop product development capability and manufacturing flexibility to enhance product quality and reduce production costs with a view to supplying desktop PC products at reasonable margins. In addition, as with MBG's notebook PC business, DBG retains enhanced flexibility in product offering by operating under a BTO/CTO arrangement for its customers.

LCD TVs

DBG shipped 0.5 million units of LCD TVs for the three months ended March 31, 2009. For the three years ended December 31, 2006, 2007 and 2008, DBG shipped 0.1 million units, 0.8 million units and 1.6 million units of LCD TVs, respectively.

LCD TVs generally produce images which have a sharper resolution than conventional CRT display devices and have become a key component of digital entertainment. We plan to target leading LCD OEM customers and existing PC brand-name vendors to cross-sell our ODM capabilities for LCD TVs.

LCD Monitors

DBG shipped 1.3 million units of LCD monitors for the three months ended March 31, 2009. We have completed the operational integration of Lite-On's LCD monitor business into DBG. We plan to continue as the leading ODM producer of high value LCD monitors and will target the increasingly important All-in-One market for display units.

Set-top boxes and other E-home products

DBG also designs, manufactures and services digital set-top boxes (IP, Cable, ATSC), tuners and PVR players for major electronics vendors.

ENTERPRISE BUSINESS GROUP

Our Enterprise Business Group focuses on the design, manufacture and sale of server and storage systems.

Server systems

We believe our business structure is well suited to producing server systems, which typically require intensive design services and engineering involvement in the manufacturing process. EBG currently designs and manufactures single and dual/multiple CPU scalable servers which run primarily on Windows NT, Netware and UNIX/Linux operating systems based on Intel and/or AMD-based processors. EBG's product lines include full range of pedestal-tower servers, density-optimized servers and blade servers. We recently implemented a strategy of targeting blade servers, which represent the fastest-growing segment of the market. Blade servers are single board computing systems housing one or more processors, memory, networking devices and peripherals. Multiple blades can be housed into single racks or multiple racks, which provide much higher density of computational power.

In addition, EBG provides server accessories and management software to tailor its service offerings to OEM customers' application specific requirements.

Storage systems

EBG's storage business leverages our traditional strengths as a proactive ODM to develop new products in anticipation of market demand by utilizing our procurement and manufacturing efficiencies to achieve high margins. In order to expand its product portfolio, EBG has focused its resources on the development of NAS and SAN network storage systems, and has gained market share in each product type as it offers significant advantages in terms of scalability, reliability and cost efficiency. EBG currently manufactures and sells NAS systems, an external disk storage system attached to a local area network which allows users to access and share data over networking systems used by companies and consumers today. In addition, EBG entered the SAN sub-system segment in 2005. SAN systems are storage dedicated network systems consisting of one or more disk-based storage arrays connected to each other and then multiple servers through a SAN switch.

EBG currently provides server products to HP, IBM and Dell, which are the three leading worldwide server brands. EBG will target new server brand customers whom it believes have product lines that would fit our growth strategy and to whom EBG believes it can add value through its competitive strengths.

SERVICE BUSINESS UNIT

Our Service Business Unit primarily focuses on the provision of after-sales services, which include product replacement, repair and support, as well as logistics, warehouse management and product support solutions.

SBU offers customers a committed team which is capable of devising and executing comprehensive and readily-customized after-sales services. SBU provides after-sales service through our service hubs in Hsinchu, Taiwan (including centralized inventory planning and warehouse management, depot service programs, hub-to-hub system, return material authorization support, vendor logistics, engineering support and spare parts supply), Subic Bay (Philippines) (including substantial motherboard repair capacity and logistics), Chiba (Japan) (including hub-to-hub system, hub-to-authorized-service-provider and third-party management swap system, return material authorization support, on-site service, depot service programs, spare parts supply, vendor logistics, customer replacement and warehouse management), Kunshan (PRC) (including on-site service, spare parts supply and warehouse management), Tilburg ('s-Hertogenbosch) (Netherlands) (including vendor logistics, hub-to-hub system, hub-to-authorized-service-provider and third-party management swap system, warehouse management, depot service programs and customer replacement), Hong Kong (depot and on-site center), Bangalore (India) (repair center), Sao Paulo (Brazil) (repair center), Singapore (repair and parts center), Toronto (Canada) (repair center), Brno (Czech Republic) (repair center), Australia and Dallas (U.S.A.) (including hub-to-hub system, hub-to-authorized-service-provider and third-party management swap system, depot service, customer replacement, return material authorization support, spare parts supply, on-site servicing, vendor logistics and warehouse management). These service centers serve as important contact points with SBU's customers. It also engages third-party sub-contractors to service areas outside of its direct coverage and provides certain additional services (e.g. call center functions) not otherwise offered by SBU's service centers. This global service center and sub-contractor network enable SBU to provide seamless and comprehensive after-sales services to its consumers across the globe.

SBU provides after-sales services such as system repair services and component repair services both for products manufactured by other business groups within Wistron and by other outside producers, in the latter case under contractual arrangements with such external third parties.

SBU also serves as an important part of our quality control procedures. SBU tracks problems reported to its customer service centers and relays this information to our other business groups who then take corrective action for the most frequently recurring problems.

RESEARCH AND DEVELOPMENT

Our R&D platform is the backbone of our strengths in design, engineering and systems integration, with over 2,800 researchers and engineers at our corporate headquarters in Taipei, the ROC, and at our R&D facility in the Shanghai region in the PRC. Our R&D platform is organized into separate project teams under each individual business group where each team tailors its R&D efforts to focus on specific product offerings. We staff each project team with engineers who specialize in different technical areas, such as hardware, software and mechanical engineering. As a consequence, we believe our well-regarded R&D platform has helped us to attract and retain significant business.

Each of our R&D teams adopts a comprehensive checklist-based design system that effectively leverages our substantial engineering experience and extensive library of design references to enable cost savings, faster time-to-market, and high quality finished products. This checklist-based system drives and reinforces consistent and quality-focused development and validation processes. Our collaborative, web-based product management system, engineering change control system, and bug-tracking system work collectively to ensure that we maintain quality in our design process. We also employ computer-aided design, engineering and manufacturing (CAD/CAE/CAM) and simulation systems, such as mould flow, stress, and air flow analyses, early in the product design cycle prior to tool release in order to analyze and predict materials' behavior and to reduce inefficiencies and waste that often result from a "trial and error" approach. Our R&D team also works extensively with selected third-party software vendors and other key component suppliers to offer our customers flexibility and choices, especially with respect to designing special software applications for BIOS and utilities and procuring special materials such as carbon fiber, glass fiber, aluminum, magnesium and titanium alloys. Working closely with key component suppliers also assists our own R&D efforts because such collaboration affords us access to new components and technologies before they reach the market, therefore giving us an opportunity to stay ahead of our competitors.

Our in-house EMC labs (certified by FCC (ANSI C63.4), NVLAP (FCC Part 15 and CISPR22), NEMKO, VCCI, BSMI and TAF) allow faster design iterations, debugging and agency certification. Our R&D facilities and equipment include two 10-meter chambers, seven 3-meter EMC anechoic chambers, two 10-meter open area test sites, 20 spectrum analyzers for debugging, one EMC scanner, two network analyzers, one vector signal analyzer and three complete test facilities for the IEC 1000-4 series. We have invested NT$241.0 million to build an EMC/RF test and certification lab in order to reduce EMC/RF certification time. We have also built Bluetooth and GSM protocol labs which have further enhanced our design competency across various next-generation products.

We provide all designs and most test services in-house in order to maintain confidentiality, meet tight time requirements, achieve in-time debugging and collaborate on easier joint-qualification with our customers.

Overall, we devote most of our R&D resources to meeting ongoing customer design and product development needs, and use the remainder for the discretionary development of new technology and value-added designs in anticipation of future market needs and business expansion and diversification. This arrangement has allowed us to develop improved processes and technologies for use in products such as VOIP phones, storage equipment, LCD TVs, digital home electronics, and other industrial/rugged products, CULV and AIOs.

Our R&D efforts are focused on the following areas:

- designing and developing new products and technologies, value-added features and functions;
- improving enclosure design including appearance, texture and "fit and finish"; and
- developing innovative, practical and high-quality manufacturing processes to improve production efficiency and reduce overall manufacturing costs.

Our business groups' relationships with their customers typically begin at the R&D and design stage. At each stage of product design and development, our engineers work closely with the product marketing, program management and engineering teams of our customers with respect to specifications, schedule, prices and manufacturing readiness. Our R&D personnel conduct phase reviews and a series of tests for each new product, and our engineers routinely call our customers on a weekly basis and visit customers regularly.

MBG maintains 7 core R&D engineering teams totaling over 1,300 employees, and each team is assigned to one of our key ODM notebook PC customers. Its current R&D activities relating to notebook PCs are focused mainly on (i) quality leadership in each stage of design and production, be it component or supplier selection, facility optimization or quality control validation and (ii) innovation to generate new value with respect to existing and new technologies such as long battery life and 3-D displays. In terms of our focus on quality leadership, our customers have consistently ranked us as a top quality design and manufacturing provider during their periodic business reviews. Our attention to each stage of design and production has allowed us to concentrate our efforts and resources more effectively on areas that need improvement and/or enhancement. With respect to our focus on product innovation, our recent notebook PC R&D initiatives include development of rugged tablet notebooks, integration of wireless next generation applications, improvement on material technology, enhancement of battery life, integration of multi-media and digital home entertainment applications and development of VOIP system and 3-D technologies. Our R&D teams also maintain direct communications with industry leaders such as Intel and Microsoft on a routine basis.

DBG maintains R&D engineering teams totaling approximately 640 employees that focus on desktop PCs, LCD TVs and other E-home consumer electronics products. For desktop PCs, our recent R&D initiatives include "all-in-one" design to capture design opportunities for key components for desktop PCs, media center design integration of digital home center capabilities, and development and production of multi-function printers with one of our key OEM customers. We recently expanded our R&D division that specializes in LCD TVs after our acquisition of the assets of Lite-On which added 103 employees to R&D, and we are also working with third parties to jointly design certain components.

EBG maintains R&D engineering teams totaling approximately 430 employees that focus on server and storage systems. With respect to server systems, in addition to the mid-end server market, we have also triggered R&D initiatives to develop blade servers. With respect to storage systems, in addition to our R&D efforts in the NAS systems, we are also developing SAN storage appliance and subsystems. A SAN system is a high-speed sub-network of shared storage that makes storage available to all other servers on a LAN or a wireless LAN.

QUALITY CONTROL

We place strong emphasis on product and process quality control, which we consider to be crucial to our success in the ODM industries. We have established strict quality control and management systems, which are designed not only to ensure quality product design but also high production efficiency and high yields at our production facilities. We subject our prototypes to a rigorous multi-stage design and manufacturing process, beginning with component selection, supplier qualification and management, through to reliability testing, design simulation, reviews, tests and manufacturing. These controls are followed by each business group for its products and are managed by a team dedicated to quality management. In addition to our quality management system, we have implemented methodologies such as the "6 sigma" program and statistical methods at our design and production facilities. For customers having their own specifications, our business groups also carry out customer designated tests. Each business group also receives feedback reports from its customers on a consistent basis, and conducts on-site audits of major suppliers' facilities to ensure adherence to defined processes and drive continuous improvement. The notebook PCs that we have developed and manufactured for our customers have received numerous awards and are recognized for their innovation, quality, reliability and ruggedness.

Each of our existing manufacturing facilities has received ISO 9001-2000 certification. We are in compliance with other regulations applicable to our business, such as green products, environment, health & safety and social accountability.

Our product warranty service period typically ranges from 12 to 36 months, depending on the request of our customers, and the cost is reflected in the purchase price charged by us for our products.

SALES AND MARKETING

Customers

We sell our products primarily on an ODM basis. We have established a strong customer portfolio consisting of major brands such as Acer, Dell, HP, Lenovo, Sony, Fujitsu and IBM and we provide them with total solutions for the design, development, manufacture, distribution and after-sales services of their products. Our largest customer accounted for approximately 33.4% of our consolidated net revenues in the three months ended March 31, 2009, and for 23.8%, 32.7% and 28.8% of our consolidated net revenues in 2006, 2007 and 2008, respectively. In aggregate, our three largest customers accounted for approximately 79.8% of our consolidated net sales in the three months ended March 31, 2009, and for approximately 61.9%, 73.3% and 73.2% of our consolidated net sales in 2006, 2007 and 2008 respectively.

Marketing

Substantially all of our marketing is conducted through customer visits on a regular basis, where account management and product management personnel of individual business groups present product proposals and roadmaps, and explain to the customer how to best utilize the relevant business group's capabilities to optimize its product lines. We devote substantial resources to account management and new business development. The three business groups together employ approximately 300 sales executive and sales support staff, and are working with approximately 300 product managers who in turn collaborate with R&D professionals to service our customers. Our approach to winning new business from new and existing customers is to provide differentiated product concepts and service, as well as platform product portfolio quotation to promote and utilize our entire product and service offering to meet our customers' current service needs and future product projections.

Sales and orders

We typically receive 13-week and six-month non-binding rolling forecasts on a regular basis from each customer, which are then used in materials and production planning. Upon receipt of shipment forecasts, we typically reply to the customers within a day to outline our capacity commitment for the next three to six months. Orders are usually placed three to five days before production. The typical contract life is six to twelve months, largely depending upon product life cycles, with a 30- to 90-day notice period for termination.

Pricing and billing

Pricing of orders is normally set on a cost-plus basis, accounting for component and material costs, transformation costs including direct and indirect labor, manufacturing overhead, warranty costs, non-recurring expenses such as development and testing costs, royalty payments (if necessary) and logistics services. Such dialogue includes ongoing review of component suppliers, selection and pricing. If we are required to procure unique components to fulfill an order based on a new contract, the costs of such parts are generally charged to the customer in addition to standard pricing terms. Final pricing is determined by senior account executives in negotiations with customers, based on a number of broad-based business issues, including future product plans, relationship-specific factors and our desire to increase our market share with the customer in question, and the opportunity cost associated with deploying resources given a projected profit margin.

We generally bill our customers upon delivery of goods with a credit term averaging 45 to 70 calendar days. Most customer payments are made in US dollars.

To the extent that our actual costs are different from our anticipated direct manufacturing costs, our realized margin may differ from the agreed amount from time to time. Our actual costs, and therefore profitability, may vary due to factors such as whether we can achieve our target yield performance and whether we can procure input components at prices agreed with our customers. This pricing arrangement provides us with a profit incentive to maximize our efficiency and procurement power. However, we may from time to time incur lower margins in the short term as a result of unexpected factors beyond our control, such as adverse macroeconomic conditions. In some situations, we and our customers will agree to after-sales price adjustments. Our pricing arrangement permits some risk sharing, and we believe it has enabled us to reach equitable outcomes on a consistent basis with our customers.

MATERIALS MANAGEMENT

Input components

Input components generally comprise the largest single cost for all of our products and accounted for over 90% of our total cost of revenues on a consolidated basis in 2008 and the three months ended March 31, 2009. Our ability to control our own supplier relationships is a key competitive advantage and is critical to maintaining a competitive margin structure. This advantage is largely dependent on our production volume and purchasing power, and our proprietary agreements with our suppliers. The five key input components used in the production of our notebook PCs include LCDs, hard disk drives, optical disk drives, CPUs and batteries. We also sell partially-assembled notebook PCs, which are sold without one or more of the foregoing input components. Our other products typically use some combination of the foregoing input components.

The following table sets forth our current principal suppliers for each of the named key input components:

Input component	Principal suppliers
LCDs	AU Optronics Corporation and Chi-Mei Optoelectronics
Hard disk drives	Hitachi Global Storage Technologies Singapore Pte. and Seagate Singapore International
Optical disk drives	Hitachi-LG Data Storage, Inc., Toshiba, Samsung Storage Technology Corp. and Philips & Lite-On Digital Solutions Corporation
CPUs	Intel and Advance Micro Devices Inc.
Batteries/power supply	Sanyo Energy (Taiwan), Simplo Technology Co., Ltd. and Delta Electronics Corporation

Procurement and inventory management

Inventory management is a key aspect of our business. We do not maintain large inventories of input components. Instead, we order input components on a "just-in-time" basis. We utilize a supply chain tracking system to monitor our input component and inventory levels. For production in the PRC, we generally select suppliers with input components stored in the PRC, which enables us to receive input components in as little as 12 hours under most circumstances. We also have certain other cooperative arrangements with various suppliers of key input components to support a convenient and reliable supply of such key input components in the future.

We typically source our input components under three models:

"Buy-Sell"— Certain of our top-tier customers enter into their own contracts with suppliers on their approved vendor lists for input components that we use during the production process and these approved suppliers on-sell the input components to us. These contracts typically provide for shipping of input components directly to us for assembly and testing. We pay our customers for these input components and add the costs to our manufacturing costs as part of our price quotations to the customers.

Consignment — From time to time, some of our OEM customers source certain key components for their products, such as LCD panels, directly from suppliers of such components. Such components are delivered to us, typically from hubs located close to our production facilities, for use in our production on a consignment basis. The costs of such components are paid by the customers to the suppliers directly and do not constitute part of our price quotations.

Direct procurement — We source some key components directly from suppliers. We enter into supply contracts with, and pay, the suppliers directly. The components costs form part of our price quotations to our customers.

To the extent input components are to be procured by us directly, we aim to source each major input component from at least two suppliers to ensure a stable supply of input components at competitive prices. We generally maintain relationships with a number of suppliers, so as to retain maximum flexibility and pricing advantages. We are generally able to procure our input components from a variety of suppliers.

In selecting suppliers, we consider their production capacity and technological capabilities as well as their prices. We have a flexible procurement policy and periodically monitor the quality of our suppliers through vendor surveys, random inspections and monthly reports from our materials quality and control department. In addition, we work closely with many of our key input component suppliers, assisting them in the testing of their new products. We believe that collaborating with suppliers assists us in selecting the best input components for our products and strengthens our relationships with those suppliers.

We typically do not enter into long-term contracts with our suppliers for purchase of input components that are not in short supply. We do, however, provide to these suppliers, on a monthly basis, one- to six-month rolling, non-binding forecasts of our input component requirements, which are based on forecasts provided to us by our customers. We then submit firm purchase orders for our short-term requirements closer to the time of delivery. The prices we pay for input components are typically not set at the time we place our firm purchase orders. Rather, we negotiate prices with our suppliers periodically, typically on a monthly basis.

From time to time, we experience shortages of various input components. For input components that are in short supply, we typically purchase a supplier's capacity in advance when we foresee that we will require additional supply or purchase additional stock in excess of our anticipated requirements.

PRODUCTION

We have one production facility in Taiwan, two production facilities in the PRC, one production facility in the Philippines, one product configuration center in the Czech Republic, and one product configuration center in Mexico. The following table sets forth information relating to our production facilities as at March 31, 2009:

Location	Factory space (in square meters)(1)	Number of employees(2)	Number of PCBA production lines	Number of final assembly lines	Ownership (Leased/ owned)
Kunshan, PRC manufacturing facility	225,000	19,367	20	24	Granted land use rights
Zhongshan, PRC manufacturing facility	166,600	9,562	42	32	Granted land use rights
Hsinchu, Taiwan manufacturing facility	55,700	1,014	2	5	Leased
Subic Bay, Philippines manufacturing facility	126,500	1,487	2	6	Leased
Juarez, Mexico product configuration center	76,360	900	0	11	Owned
Brno, Czech Republic product configuration center	29,471	476	0	6	Leased
Total	679,631	32,806	66	84	

Notes:

(1) Represents the approximate floor area of the facility and not the total size of the land leased, owned or granted at the relevant site.

(2) Includes only production employees and not R&D, sales, management and support staff as of March 31, 2009.

Each business group has its own production facilities. Our production facilities for notebook PCs and handheld devices are tailored to our major customers, but any excess capacity may be flexibly re-allocated among the facilities.

The Kunshan facility has been in operation since 2001. We produce primarily notebook PCs at this production facility. We hold the land use right in respect of the land on which the Kunshan facility is located for a term of 50 years.

The Zhongshan facility has been in operation since 1999. We produce desktop PCs, servers, VOIPs, set-top boxes, LCD TVs, monitors and telecommunications products at this production facility. We hold the land use right in respect of the land on which the Zhongshan facility is located for a term of 50 years.

The Hsinchu facility has been in operation since 1988. This facility is our manufacturing headquarters. It focuses on new product introduction, pilot run and verification, advance manufacturing technology development and RoHS compliance development. We also produce some low-volume but high-value products such as high-end servers, rugged notebooks, storages, industry PCs and LCD TVs at this production facility. We lease from a third party the land on which the Hsinchu Facility is located.

The Subic Bay facility has been in operation since 1995. We produce primarily handhelds at this production facility. We lease the land on which the Subic Bay facility is located.

The Juarez facility has been in operation since 1997. We produce desktop PCs, servers, VOIPs, LCD TVs and monitors at this production facility. We own the land on which the Juarez facility is located.

The Czech Republic facility has been in operation since 2007. We produce desktop PCs and servers at this production facility. We lease the facility from a third party.

Most of our manufacturing equipment can be quickly converted to accommodate different product specifications as requested by our customers. This enables us to ramp up mass production of our new products quickly.

To take advantage of the lower manufacturing costs in the PRC, we have shifted most of our production capacity to the PRC, and we intend to continue to expand our production facilities in the PRC. We completed the expansion of our production facilities in Kunshan, PRC in 2008, which contributes to our production and cost efficiency.

We believe that our existing production facilities, together with our currently planned expansions, should provide us with sufficient capacity to meet the expected demand for our products for the remainder of the years ending December 31, 2009 and 2010. For the full year 2009, we expect to spend approximately NT$3,874 million (US$114.4 million) on capital improvements, mostly on buildings and machine improvements at our facilities in the PRC.

DISTRIBUTION AND LOGISTICS

We provide comprehensive logistics and distribution services to our customers. We are able to deliver a complete product to a customer or end-user in any part of the world. Actual deliveries are typically carried out by third-party courier services.

In addition, we have established more than 60 warehouse logistical hubs near certain customers to provide storage and distribution services in order to timely fulfill their requirements. Products are delivered in bulk from our factories at the customer’s instruction to each hub, which enables customers to receive their products on a just-in-time basis from these hubs rather than from our factories, permitting them to minimize transportation lead-time, reduce their inventory carrying costs, and better identify real-time inventory needs. Further, we do not bill our customers for our work on these products until they are shipped from the hub. This system requires us to carry a greater inventory of finished products. We are working to offset the additional carrying cost to us by requiring the same arrangement from our suppliers. Depending upon whether the service contract specifies a BTO or CTO preference, the products are usually shipped within two days after orders are accepted by factories.

As part of our premium customer services, we make available to our customers our internal information and monitoring system, which enables customers to monitor orders in progress at each stage of production. Our approach to customer-centric SCM and technology infrastructure is evident in our commitment to a robust IT platform, which is leveraged by “linking” with customers to achieve electronic data interchange whereby customers have access to real-time manufacturing information, parts entitlement and monitoring of R&D for an entire “virtual manufacturing solution”.

INTELLECTUAL PROPERTY

As of March 31, 2009, we owned approximately 1,400 patents, of which approximately 400 patents are co-owned with Acer, in Taiwan, the PRC, the United States, Canada, Australia, Japan, Korea, Hong Kong and the European Union, relating primarily to systems integration and mechanical designs, and had approximately 1,200 patent applications pending in Taiwan, the United States, the PRC, Japan, and the European Union. In addition, we have registered our major trademarks, including “Wistron”, and our corporate logo in Taiwan, the PRC and in several other countries. We currently license certain intellectual property from third parties for use in manufacturing our products. In general, the types of technology that require licensing are for use in manufacturing PCs, handheld devices, communication devices and LCD TV products. Specifically, for our IBM and IBM-compatible notebook PCs, we license, on a non-exclusive basis, various patents from IBM. We also have several non-exclusive licenses for essential digital TV standard patents from various third-party patent owners.

We generally require our R&D employees to sign non-disclosure agreements which prohibit the disclosure of trade secrets.

All technologies, whether or not patentable or copyrightable, used by us and developed by, owned by or licensed by us prior to the separation from Acer, are jointly owned by Acer and us.

INFORMATION TECHNOLOGIES

The mission of our IT departments is to help increase our competitiveness by facilitating more accurate decision-making through timely dissemination of information. IT enables us to align ourselves closely with our customers, suppliers and business partners, keeping abreast of changing market conditions and new business opportunities. It also increases our overall productivity through the use of state-of-the-art application systems and technologies.

Enterprise application systems

Our IT capabilities, as they relate to customer relationships, start from customers' requirements and link with related IT infrastructures and systems, supporting major business models and functions, including supply chain management, customer order fulfillment, manufacturing flow control and design and engineering change management.

Application system teams are primarily responsible for customer-centric applications and linkage with customers. Our headquarters-based core application IT teams closely align with customers' business requirements. We also maintain a programming center at our Zhongshan facility with a staff of 53 employees who develop and manage various applications used by us, including ERP (SAP), SFCS, SCM(I2), and HRIS (PeopleSoft). We are able to connect customers according to their choices through business-to-business XML and Standard EDI connectivity in the course of receiving orders, verifying the fulfillment capability to respond with appropriate resources, managing logistics and tracking delivery status at all times.

We employ the SAP enterprise resource system. The SAP system provides end-to-end functionality for our business analytics, financials, operations, and corporate services. The SAP system gives us real-time visibility across our entire business organization and enables us to further streamline our supply chain and bring our products to the market faster, reduce procurement costs, and eliminate duplication of effort. The SAP system enables us to operate through a consolidated end-to-end business process, even though business requirements differ among our customers.

Our backup policy tailors to the status of the data preserved, where a different back schedule exists for mission critical service, non-mission critical service and historical service.

Infrastructure

The infrastructure team is responsible for ensuring the reliability, availability and serviceability of our communications and IT platforms. Such tasks involve designing and maintaining the hardware and networking systems necessary for ongoing business activities, as well as optimizing resources and asset management. The infrastructure team also safeguards our IT environment from virus attacks and unwanted visitors. Our anti-hacking and anti-virus architecture provides comprehensive coverage to preserve sensitive data. We recently set up a project taskforce to study and build an energy and space saving computing environment by leveraging blade server and virtualization technologies. The infrastructure team uses both internal resources and third-party vendors for various maintenance functions.

EMPLOYEES

As of March 31, 2009, we had over 36,000 employees, and we had 21,600, 30,300 and 36,500 employees as of December 31, 2006, 2007 and 2008, respectively.

Of the over 36,000 employees employed by us as of March 31, 2009, approximately 88.9% were based outside of the ROC. We generally hire foreign workers for a term of two years, principally for production.

Our employees are not covered by any collective bargaining agreements. We believe our wages are competitive with other Taiwanese companies in our industry. In addition, we provide our employees with benefits such as lunch and transportation to work and, in the case of our foreign employees, housing subsidies. In compliance with ROC law, we also provide health benefits to our employees in the ROC under the National Universal Health Plan and the Labor Health Plan. We consider our relationships with our employees to be good. To date we have not experienced any strikes or disruptions due to labor disputes.

Staff turnover

Overall staff turnover for 2009 is expected to be approximately 15%, with the exception of the Kunshan facility, which has an average turnover of approximately 60% to 80%, which we believe is common in the PRC. However, we do not believe such staff turnover has any material adverse effect on our business operations. While all of our ROC employees have two-year non-compete agreements in their employment contracts, such non-compete agreements are in reality rarely enforceable under ROC law. All employees are, however, bound by strict confidentiality undertakings, both during and after their employment with us.

Review process and performance related pay

Employee performance is reviewed twice per year and employees receive a formal appraisal once per year, usually during the month of December. On the basis of this review, employees are eligible for performance-related bonuses, for which a minimum of 5% of our net income is typically reserved each year. Employees also receive an extra month's salary prior to Chinese New Year and an additional two weeks' pay at both the Dragon Boat Festival and the Mid-Autumn Festival.

We have a profit-sharing program for our employees. Under our Articles of Incorporation, no less than 5% of our annual net income (after adjustment for losses incurred in prior years and deduction of 10% of our annual net income, with certain adjustments for disposal of properties, as legal reserve) must be allocated as a special bonus to employees (in form of cash, stock or a combination thereof) and an amount of 1% of our annual net income (after similar adjustments and deductions) may be allocated as cash remuneration for directors and supervisors. These profit-sharing amounts to employees may be made in cash or Shares or a combination thereof. If Shares are to be issued, our shareholders must approve the issuance of Shares for this purpose at a shareholders' meeting. See "Description of share capital".

Pension

We maintain a pension plan for our employees in accordance with the ROC Labor Standards Law (the "Labor Law"). Pursuant to the ROC's Rules for the Allocation and Management of Employees' Retirement Fund (the "Rules"), we have an obligation to contribute on a monthly basis an amount ranging from 2% to 15% of an employee's total monthly wages to the retirement fund of our pension plan. The applicable rate of contribution under the Rules is determined by the seniority of employees, the wage structure, the employee turnover rate during the preceding five years, the number of employees who will retire over the succeeding five years and the amount of funds that were in our retirement account prior to the effectiveness of the Rules. The contribution rate we use, determined in accordance with the Rules and approved by the relevant government authorities, was 2% in 2006, 2007 and 2008. As of March 31, 2009, our retirement fund had approximately NT$616 million. See "Summary of certain significant differences between ROC GAAP and U.S. GAAP" for a description of certain differences between accounting for pensions under ROC GAAP and U.S. GAAP.

Actual payment of pension or retirement benefits under the Labor Law and our retirement benefits plan is financed by this pension fund, and any insufficiency is funded by us and charged to income. See Note 2(r) to our audited consolidated financial statements for the year ended December 31, 2008 included elsewhere in this Offering Circular.

A new law governing pension funds was promulgated and came into effect on July 1, 2005. Under the law, we have an obligation to contribute, on a monthly basis, an amount equal to at least 6% of each employee's monthly wage into an account in each employee's individual name maintained with the Bureau of Labor Insurance. As the pension fund will be deposited in each employee's individual account, such pension fund is portable with each employee. Employees who joined us on or after July 1, 2005 must enroll in the new plan while those who joined us before that date have the option until 2010 to enroll in either the new plan or the prior plan. For those employees who choose to enroll in the new plan and keep the existing pension fund previously deposited under the prior plan, in addition to the contribution of at least 6% of each employee's monthly wage payment as required by the new law, we also have to deposit until 2010 an amount calculated based on the current contribution rate into our pension fund account maintained with the Central Trust of China as required by the then existing law. Alternatively, we may provide private pension insurance products to employees after we satisfy certain requirements under relevant laws, which will require us to pay a premium in an amount of not less than 6% of the employees' monthly wages.

For our employees at our PRC facilities, we are required to participate in various pension programs and government-sponsored benefits including unemployment, health and housing benefits.

Health and safety

We comply in all material aspects with all applicable local health and safety regulations.

GOVERNMENT REGULATION

With respect to our business operations, we believe that we are in compliance, in all material aspects, with all government regulations relating to our business operations in the jurisdictions in which we operate.

With respect to product government regulations, our products are subject to certain environmental regulatory controls in a number of jurisdictions, including the United States and the European Union, where the majority of our products are sold. These controls include measures relating to safety and electromagnetic interference. Certain electronic equipment sold in the United States should meet applicable regulations, including FCC rules in relation to requirements on electromagnetic interference and Department of Health and Human Services rules in relation to safety requirements. Similarly, all of our products sold in Europe meet applicable regulations of the European Community, including requirements relating to electromagnetic compatibility (encompassing electromagnetic interference and electromagnetic susceptibility) and safety (for example, "EN60950"). There is a series of ergonomic European country-specific measures with which products distributed in those countries must also comply. Our customers require related government certifications prior to selling their products in these respective areas. As part of the product development support services to our customers, we also provide regulatory certification process services to our customers.

ENVIRONMENTAL MATTERS

We have not incurred any loss due to environmental problems in the past three years and believe that we are in compliance with all relevant environmental protection laws in the jurisdictions in which we operate.

Under applicable ROC laws enacted for the protection of the environment, we are not required to obtain permits for our waste facilities or for waste emission, nor are we required to pay pollution prevention fees or establish an environmental protection department.

In 1997, we established our own environmental management system. Our system is assessed and certified by an external certification agency, Bureau Veritas Quality International ("BVQI"), and by passing the assessment, we obtained the ISO 14001:1996 certification on environmental management systems in September 1997. Subsequently, we have been re-certified by BVQI every three years.

From May 2006 onwards, the environmental management systems of all our manufacturing plants across the globe have passed renewed audits by external certification agencies including BVQI and SGS, and we obtained the updated ISO 14001:2004 certification on environmental management systems in July 2005. In addition, we implemented annual plans to engage in internal audits of our business units twice every year. Through internal audits and periodic assessment by external certification agencies, we ensure that our systems are efficient and in compliance with relevant laws and regulations.

LEGAL PROCEEDINGS

We are not involved in any material litigation or other proceedings the outcome of which we believe might individually or collectively, have any material adverse effect on our results of operations or financial condition, and no material litigation or claim of material importance is known to be pending or threatened against us.

As is the case with many companies in our industry, we, including some of our subsidiaries, investee companies and affiliates, have from time to time received letters from third parties alleging infringement of intellectual property rights. Some of these letters have requested royalty payments based on the sales of notebook PCs, and other letters have requested royalty payments based on the sales of other products we produce. We evaluate each claim related to our products and, if appropriate, seek a license to use the protected technology. If we enter into such license agreements and are required to pay royalties, there can be no assurance that the payment of such royalties would not have a material adverse effect on our business, results of operations or financial condition.

INSURANCE

We maintain various insurance policies to protect our property and assets against certain risks, including losses to our production facilities and inventory. In addition, we also maintain product liability insurance as well as directors' and officers' liability insurance. We do not maintain business interruption insurance, nor do we maintain key-man life insurance on our executive officers. This practice is consistent with what we believe to be the industry practice in the ROC. Accordingly, there may be circumstances in which we will not be covered or compensated for certain losses, damages and liabilities, which may in turn adversely affect our financial condition and results of operations.

Subsidiaries and affiliates

SIGNIFICANT SUBSIDIARIES

Each of Win Smart Co., Ltd. and Cowin Worldwide Corporation are consolidated entities which accounted for more than 10% of our total assets as at March 31, 2009.

Win Smart Co., Ltd. ("WINS")

WINS was established in 2001 and is an investment-holding company. As of March 31, 2009, we owned a 100% equity interest in WINS. Its registered office is at 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. Investments currently held through WINS consist of our investments in WAKS, WIKS, WEKS, WSKS, WSSH, WMKS and WHK (defined below). As of March 31, 2009, WINS had 69,980,000 shares of common stock (excluding treasury stocks) outstanding, amounting to a paid-in capital of approximately US$69.9 million. For the year ended December 31, 2008, WINS' consolidated net profit (after tax) was NT$2,932.1 million (US$86.6 million). As of March 31, 2009, we held the shares of WINS at a value of NT$7,634.2 million (US$225.4 million) in our accounts, which we account for using the equity method. As of March 31, 2009, WINS had reserves of NT$5,219.8 million. We have no amounts outstanding on the shares of WINS held by us. For the year ended December 31, 2008, we received no dividends from our equity holding in WINS. As of March 31, 2009, we owed no amounts to WINS and were owed no amounts by WINS. As of March 31, 2009, we owned a 100% equity interest in WINS.

Cowin Worldwide Corporation ("Cowin Worldwide")

Cowin Worldwide was established in 2001 and is an investment holding company investing in WZS. As of March 31, 2009, we owned a 100% equity interest in Cowin Worldwide. Its registered office is at 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. Cowin also does trading business with WZS, supports WZS procurement and conducts sales activities. As of March 31, 2009, Cowin Worldwide had 63,050,000 shares of common stock (excluding treasury stocks) outstanding, amounting to a paid-in capital of approximately US$63.1 million. For the year ended December 31, 2008, Cowin Worldwide's consolidated net loss (after tax) was NT$2.0 million. As of March 31, 2009, we held the shares of Cowin Worldwide at a value of NT$1,223.1 million (US$36.1 million) in our accounts, which we account for using the equity method. We have no outstanding amounts on the shares of Cowin Worldwide held by us. The reserves for Cowin Worldwide as that date were NT$(1,013.9) million (US($29.9) million). For the year ended December 31, 2008, we received no dividends from our equity holding in Cowin Worldwide. As of March 31, 2009, we owed NT$357.1 million to Cowin Worldwide and were owed no amounts by Cowin Worldwide.

No other non-consolidated or consolidated subsidiary or other consolidated entity had total assets which were more than 10% of our total assets as at March 31, 2009, December 31, 2008, 2007 and 2006. No other non-consolidated or consolidated subsidiary or other consolidated entity in which we owned a direct or indirect interest had a book value representing at least 10% of our capital and reserves or accounted for at least 10% of our net profit or loss during any given period during the three months ended March 31, 2009 and in the years ended December 31, 2006, 2007 and 2008.

CONSOLIDATED SUBSIDIARIES

As of March 31, 2009, we had 46 subsidiaries that required consolidation for the three-month period ended as of such date. Under ROC GAAP, an entity is deemed to be a consolidated subsidiary if we directly or indirectly own more than 50% of its voting stock or are able to exercise control over its operations and financial policies.

Design and manufacturing

The following subsidiaries are engaged in the research, design, testing, manufacturing and sales of PCs, servers, multi-media application products, telecommunication products and network systems:

Name	Issued share capital	Percentage ownership by the Company(1)	Place of incorporation
International Standard Labs	NT$11,926,370	100.0	ROC
Wistron Mexico S.A. de C.V.	US$45,400,000	100.0	Mexico
Wistron lnfoComm (Zhongshan) Corporation	US$88,000,000	100.0	PRC
AII Technology (Zhongshan) Inc.	US$8,000,000(2)	100.0	PRC
Wistron InfoComm (Kunshan) Co., Ltd.	US$20,000,000	100.0	PRC
Wistron InfoComm Technology (Kunshan) Co., Ltd	US$12,000,000	100.0	PRC
Wistron InfoComm Manufacturing (Kunshan) Co., Ltd	US$28,000,000	100.0	PRC
Wistron InfoComm (Philippines) Corporation	P345,463,542	100.0	The Philippines
WisVision Corporation	US$12,005,000	100.0	British Virgin Islands
Wistron Optronics Corp.	NT$100,000,000	75.5(3)	ROC
Wistron Optronics (Kunshan) Co., Ltd.	US$17,800,000(4)	100.0	PRC
AOpen Inc.	NT$1,636,090,000	27.1(5)	ROC
AOpen Information Products (Zhongshan) Inc.	US$10,000,000	27.1	PRC
Wistron InfoComm (Czech) s.r.o.	CZK$275,200,000	100.0	Czech Republic

Note:

(1) Percentage ownership is approximate and calculated as of March 31, 2009.

(2) The registered capital is US$16,000,000 and the issued capital is US$8,000,000. The remaining US$8,000,000 is to be paid by us in accordance with a payment schedule.

(3) We directly owned 70% of the outstanding capital stock, and indirectly owned 5.5% of the outstanding capital stock through WiseCap Ltd.

(4) Of the US$17,800,000 issued capital, issued capital of US$9,800,000 has been approved and fully contributed and is subject to further completion of registration with the relevant PRC authority.

(5) We directly owned 24.7% of the outstanding capital stock, and indirectly owned 2.4% of the outstanding capital stock through WiseCap Ltd.

International Standard Labs ("ISL")

ISL was established in 1986. Its registered office is in 17F, 84, Sec. 1, Hsin Tai Wu Road, Hsichih, Taipei County, Taiwan, ROC. ISL provides a wide range of testing services, such as safety testing, reliability testing, telecommunications interference testing, telecommunications compatibility testing and telecommunications susceptibility testing.

Wistron Mexico S.A. de C.V. ("WMX")

WMX was established in 1997. Its registered office is in Calle. Baudelio Perez Mucharras #420 Ote.Col. Zaragoza, Cd.Ju areez, Chih. C.P. 32570, Mexico. WMX is engaged in the assembly of desktop PC systems, LCD TV and servers.

Wistron InfoComm (Zhongshan) Corporation ("WZS")

WZS was established in 1998. Its registered office is in Zhongshan Torch Hi-tech Industrial Development Zone, Zhongshan City, Guangdong, PRC. WZS is engaged in the manufacturing of desktop PC systems, motherboards, set-top boxes, servers and LCD TVs.

AII Technology (Zhongshan) Inc. ("ATZS")

ATZS was established in 2000. Its registered office is in Zhongshan Torch Hi-tech Industrial Development Zone, Zhongshan City, Guangdong, PRC. ATZS is engaged in the manufacturing of PC products, server, LCM, LCD monitors and providing sales support.

Wistron InfoComm (Kunshan) Co., Ltd. ("WAKS")

WAKS was established in 2001. Its registered office is in Avenue 1, Export Processing Zone, Kunshan City, Jiangsu Province, PRC. WAKS is engaged in the manufacturing of notebook PCs and motherboards.

Wistron InfoComm Technology (Kunshan) Co., Ltd ("WIKS")

WIKS was established in 2003. Its registered office is in Avenue 1, Export Processing Zone, Kunshan City, Jiangsu Province, PRC. WIKS is engaged in the manufacturing of notebook PCs.

Wistron InfoComm Manufacturing (Kunshan) Co., Ltd ("WEKS")

WEKS was established in 2004. Its registered office is in Avenue 1, Export Processing Zone, Kunshan City, Jiangsu Province, PRC. WEKS is engaged in the manufacturing of notebook PCs.

Wistron InfoComm (Philippines) Corporation ("WPH")

WPH was established in 1995. Its registered office is in No.4, Rizal Highway comer Aim High Avebue, Subic Bay Industria; Park Phase I, Subic Bay Freeport Zone, Olongapo City, Zambales, Philippines. WPH is engaged in the manufacturing of handheld device products.

WisVision Corporation ("WVS")

WVS was established in 2008. Its registered office is in P.O. Box 933, 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. WVS is engaged in the providing LCD monitor sales support.

Wistron Optronics Corp. ("WOC")

WOC was established in 2006. Its registered office is in 7F.-8, No.38, Taiyuan St., Zhubei City, Hsinchu County 302, Taiwan, ROC. WOC is engaged in the design and manufacturing of TFT-LCD panels and modules, which are for the application of mobile phone, Smart phone, PDA and PMP.

Wistron Optronics (Kunshan) Co., Ltd. ("WOK")

WOK was established in 2006. Its registered office is in No.1, Central Avenue, Area B, Export Processing Zone, Kunshan City, Jiangsu Province, PRC. WOK is engaged in the manufacturing of TFT-LCD panels and modules for use in mobile phone, Smart phone, PDA and PMP products.

AOpen Inc. ("AOI")

AOI was established in 1996. Its registered office in No.68, Ruiguang Rd, Neihu District, Taipei, 114, Taiwan, ROC. AOI offers an extensive PC product line including production of motherboards, optical drives, housings to multimedia, communication solutions, monitors and bare systems and notebooks.

AOpen Information Products (Zhongshan) Inc. ("AOZ")

AOZ was established in 2001. Its registered office is in Jing-Ye Road, Zhongshan Torch High-tech Industrial Development Zone, Zhongshan City, GuangDong, PRC. AOZ is engaged in the manufacturing of PC product, including motherboards, optical drives, housings for multimedia products, monitors and bare systems and notebooks.

Wistron InfoComm (Czech) s.r.o. ("WCZ")

WCZ was established in 2007. Its registered office is in Brno, Slatina, Turanka 1328/102, 62700, Czech Republic. WCZ is engaged in the manufacturing of servers, desktop PCs, LCD monitors and LCD TVs, and also provide repair services.

Sales and maintenance

The following subsidiaries are engaged in the sales and maintenance of computer products and related parts and components, data storage equipment and digital monitoring systems:

Name	Issued share capital	Percentage ownership by the Company(1)	Place of incorporation
Wistron K.K.	¥90,000,000	100.0	Japan
Wistron lnfoComm (Texas) Corporation	US$7,500,000	100.0	U.S.A.
Wistron Service B.V.	€11,110,000	100.0	The Netherlands
Wistron Service (Kunshan) Corp	US$360,000	100.0	PRC
Cowin Worldwide Corporation	US$63,050,000	100.0	British Virgin Islands
AII Holdings Corporation	US$220,634,926.56	100.0	British Virgin Islands
Anextek Global Incorporated	NT$151,000,000	99.4	ROC
SMS InfoComm (Singapore) Pte. Ltd.	SGD$3,460,000	100.0	Singapore
Wistron InfoComm Technology (America) Corporation	US$30,500,000	100.0	U.S.A.
Wistron Hong Kong Limited	HK$1,500,000	100.0	Hong Kong
Wistron Service (Shanghai) Co., Ltd.	US$140,000	100.0	PRC
SMS (Kunshan) Co., Ltd.	US$2,000,000	100.0	PRC
Wistron Optronics (Shanghai) Corporation	US$150,000	100.0	PRC
Wistron Optronics (Shanghai) Co., Ltd.	US$500,000	100.0	PRC
AOpen America Inc.	US$15,000,000	27.1	U.S.A.
AOpen Computer B.V.	€18,151	27.1	The Netherlands
AOpen Japan Inc.	¥10,000,000	27.1	Japan
AOpen Technology Asia Pacific Taiwan Co., Ltd	NT$60,000,000	27.1	ROC
Great Connection Ltd.	HK$300,000	27.1	Hong Kong
AOpen International (Shanghai) Co., Ltd	US$4,800,000	27.1	PRC
AOpen Computer GmbH	€25,000	27.1	Germany
AOpen Components B.V.	€18,000	27.1	The Netherlands
Wistron InfoComm Technology (Zhongshan) Co., Ltd	US$2,000,000	100.0	PRC
ICT Service Management and Solutions (India) Private Limited	INR72,144,321.97	100.0	India

Note:

(1) Percentage ownership is approximate and calculated as of March 31, 2009.

Wistron K.K. ("WJP")

WJP was established in 1994. Its registered office is in 2-6-2 Akanehama Narashino-shi, Chiba, Japan. WJP provides various services to our customers in Japan.

Wistron InfoComm (Texas) Corporation ("WTX")

WTX was established in 1997. Its registered office is in 4051 Freeport Parkway, suite 200 Grapevine, Texas 76051, U.S.A. WTX provides various services to our customers in North America.

Wistron Service B.V. (“WSE”)
WSE was established in 2002. Its registered office is in Siriusstraat 45, 5015 BT, Tilburg, The Netherlands. WSE provides various services to our customers in Europe.

Wistron Service (Kunshan) Corp (“WSKS”)
WSKS was established in 2004. Its registered office is in No.199 First avenue, Kunshan Export Processing Zone, Kunshan, Jiangsu, PRC. WSKS provides various services to our customers in the PRC.

AII Holdings Corporation (“AIIH”)
AIIH was established in 1994. Its registered office is in P.O. Box 933, 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. AIIH is an investment-holding company. The investment currently held through AIIH consists of our investment in WZS, WJP, WSH, ATZS and WDC. AIIH also does trading business out of its warehouse in the PRC.

Anextek Global Incorporated (“AGI”)
AGI was established in 1994. Its registered office is in 22F, 88, Sec.1, Hsin Tai Wu Road, Hsichih, Taipei County, Taiwan, ROC. AGI offers a storage networking product line including DAS, NAS and fiber channel SAN system.

SMS InfoComm (Singapore) Pte. Ltd. (“WSG”)
WSG was established in 2008. Its registered office is in 37A TAMPINES ST.92 No.03-00 Singapore. WSG provides various services to our customers in Asia.

Wistron InfoComm Technology (America) Corporation (“WITX”)
WITX was established in 2008. Its registered office is in 800 Parker Square, Suite 285-A, Flower Mound, Texas 75028, U.S.A. WITX is engaged in the sales and distribution of notebook, desktop PC, server, LCD TV and LCD monitor products in the USA.

Wistron Hong Kong Limited (“WHK”)
WHK was established in 2005. Its registered office is in Room 1405, 14/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong. WHK provides various services to our customers in Asia.

Wistron Service (Shanghai) Co., Ltd. (“WSSH”)
WSSH was established in 2006. Its registered office is in 4F, No.1010, Kaixuan Road, Shanghai, PRC. WSSH provides various services to our customers in the PRC.

SMS (Kunshan) Co., Ltd. (“WMKS”)
WMKS was established in 2008. Its registered office is in Qingsong Road, Yushan town, Kunshan Jiangsu, PRC. WMKS provides various services to our customers in the PRC.

Wistron Optronics (Shanghai) Corporation (“WOS”)
WOS was established in 2005. Its registered office is in Room 696, No.88, Tai Gu Road, Waigaoqiao FTZ, Pudong, Shanghai, PRC. WOS is engaged in the sales of optics and communication products in the PRC.

Wistron Optronics (Shanghai) Co., Ltd. (“WOSH”)
WOSH was established in 2008. Its registered office is in Room 1203, Zhao Feng Plaza, 1027 Chang Ning Road Chang Ning Area, Shanghai, PRC. WOSH is engaged in the sales of optics and communication products in the PRC.

AOpen America Inc. (“AOA”)
AOA was established in 1997. Its registered office is in 1911 Lundy Avenue San Jose, CA 95131, California, U.S.A. AOA is engaged in the sale of extensive PC product lines including motherboards, optical drives, housings to multimedia, communication solutions, monitors and bare systems and notebooks.

AOpen Computer B.V. ("AOE")

AOE was established in 1997. Its registered office is in Ploegweg 5, 5232 BR's-Hertogenbosch, The Netherlands. AOE is engaged in the sale of extensive PC product lines including motherboards, optical drives, housings to multimedia, communication solutions, monitors and bare systems and notebooks.

AOpen Japan Inc. ("AOJ")

AOJ was established in 2000. Its registered office is in 3F, Imai-Building 3-2-14 Sotokada, Chiyda-Ku Tokyo 101-0021, Japan. AOJ is engaged in the sale of extensive PC product lines including motherboards, optical drives, housings to multimedia, communication solutions, monitors and bare systems and notebooks.

AOpen Technology Asia Pacific Taiwan Co., Ltd ("AOAT")

AOAT was established in 2002. Its registered office is in 7F., No.122, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan, ROC. AOAT is engaged in the sale of extensive PC product lines including motherboards, optical drives, housings to multimedia, communication solutions, monitors and bare systems and notebooks.

Great Connection Ltd. ("GCL")

GCL was established in 1993. Its registered office is in Room 1403-5, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong. GCL is engaged in the sale of extensive PC product lines including motherboards, optical drives, housings to multimedia, communication solutions, monitors and bare systems and notebooks.

AOpen International (Shanghai) Co., Ltd ("AOC")

AOC was established in 2000. Its registered office is in Room 306, No.80 Xin Ling Road, Shanghai WaiGaoQiao Free Trade Zone, Shanghai, PRC. AOC is engaged in the sale of extensive PC product lines including motherboards, optical drives, housings to multimedia, communication solutions, monitors and bare systems and notebooks.

AOpen Computer GmbH ("AOG")

AOG was established in 1999. Its registered office is in Uerdinger Strasse 92, 40474 Duesseldorf, Germany. AOG is engaged in the sale of extensive PC product lines including motherboards, optical drives, housings to multimedia, communication solutions, monitors and bare systems and notebooks.

AOpen Components B.V. ("AOEC")

AOEC was established in 2003. Its registered office is in Ploegweg 5, 5232 BR's-Hertogenbosch, The Netherlands. AOEC is engaged in the sale of extensive PC product lines including motherboards, optical drives, housings to multimedia, communication solutions, monitors and bare systems and notebooks.

Wistron InfoComm Technology (Zhongshan) Co., Ltd ("WTZS")

WTZS was established in 2008. Its registered office is in Zhongshan Torch Hi-tech Industrial Development Zone, Zhongshan City, Guangdong, PRC. WTZS is engaged in the sale of PC products in the PRC.

ICT Service Management and Solutions (India) Private Limited ("WIN")

WIN was established in 2008. Its registered office is in No.92, Industrial Suburb II Stage Yeshwanthpur, Bangalore 560022, Karnataka, India. WIN provides various services to our customers in Asia.

Investment holding companies

The following subsidiaries are investment-holding companies:

Name	Issued share capital	Percentage ownership by the Company(1)	Place of incorporation
Win Smart Co., Ltd.	US$69,980,000	100.0	British Virgin Islands
Xserve Technology Incorporated	US$200,000	99.9	British Virgin Islands
WiseCap Ltd.	NT$378,000,000	100.0	Taiwan
Wistron LLC	US$30,650,000	100.0	U.S.A.
WinDisplay Corporation	US$8,650,000	100.0	British Virgin Islands
WLB Ltd.	NT$4,500,000	100.0	Taiwan
AOpen Technology Inc.	US$50,000	27.1	British Virgin Islands

Note:
(1) Percentage ownership is approximate and calculated as of March 31, 2009.

Xserve Technology Incorporated ("XTI")

XTI was established in 2003. Its registered office is in 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. XTI is 99.94% owned by AGI. XTI is an investment-holding company. Investments currently held through XTI consist of our investments in XSH, which was liquidated in 2008.

WiseCap Ltd. ("WCL")

WCL was established in 1999. Its registered office is in 2F, 88, Sec.1, Hsin Tai Wu Road, Hsichih, Taipei County, Taiwan, ROC. WCL is an investment holding company. Investments currently held through WCL consist of our investments in WLB, WOC, AOI and Wistron NeWeb.

Wistron LLC ("WLLC")

WLLC was established in 2003. Its registered office is in 800 Parker Square, Suite 285A , Flower Mound, TX 75028, Texas, U.S.A. WLLC is an investment-holding company. Investments currently held through WLLC consist of our investments in WITX.

WinDisplay Corporation ("WDC")

WDC was established in 2005. Its registered office is in 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. WDC is an investment-holding company. Investments currently held through WDC consist of our investments in WOK, WOS and WOSH.

WLB Ltd. ("WLB")

WLB was established in 2006. Its registered office is in 22F, 88, Sec.1, Hsin Tai Wu Rd., Hsichih, Taipei County, Taiwan, ROC. WLB is an investment holding company. Investments currently held through WLB consist of our investments in ACA Digital Corporation.

AOpen Technology Inc. ("AOTH")

AOTH was established in 1999. Its registered office is in 1st Floor, Lake Building, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. AOTH is an investment-holding company. Investments currently held through AOTH consist of our investments in AOZ, AOC and GCL.

Software

The following subsidiaries are engaged in software research, development, design, trading and consultation:

Name	Issued share capital	Percentage ownership by the Company[(1)]	Place of incorporation
Wistron lnfoComm (Shanghai) Corporation	US$1,000,000	100.0	PRC

Note:

(1) Percentage ownership is approximate and calculated as of March 31, 2009.

Wistron InfoComm (Shanghai) Corporation ("WSH")

WSH was established in 1997. Its registered office is in 5F, Fab 39, No.333, Xinjiang Road, Chaohe Hi-Tech Park, Shanghai, PRC. WSH is engaged in software development including BIOS, firmware and server management.

Board of directors and management

GENERAL

Our Articles of Incorporation provide for seven directors. In accordance with the ROC Company Act, our board of directors is to be elected by our shareholders in a shareholders' meeting at which a quorum, consisting of a majority of all the issued and outstanding Shares having voting rights, is present. Our directors and supervisors are elected at the same time for three-year terms unless one-third or more of the directorships are vacant, at which time a special shareholders' meeting is convened to elect directors to fill the vacancies. The current term of our directors and supervisors expires upon election of new directors and supervisors in the annual shareholders' meeting to be held on June 23, 2009. Directors may serve any number of consecutive terms and may be removed from office at any time by a resolution adopted by the majority vote of the holders present at a meeting of shareholders at which holders of at least two-thirds of all issued and outstanding shares are present. Alternatively, a resolution removing a board member may be approved by at least two-thirds votes of shareholders present at a meeting of shareholders at which holders of at least a majority of issued and outstanding shares are present. The chairperson is a director elected by the directors who, in turn, have been elected by the shareholders. The chairperson of the board of directors presides at meetings of our shareholders, meetings of our board of directors and also represents us in connection with external matters. The board of directors is responsible for the management of our business and the members of the board of directors have fiduciary duties to us and our shareholders. The board of directors generally meets once per quarter. Unless otherwise provided by the ROC Company Act, all matters presented to the board of directors requires a quorum of the presence of at least a majority of all the directors and an affirmative vote of at least a majority of all directors present.

Our Articles of Incorporation provide for three supervisors. In accordance with the ROC Company Act, supervisors are elected by our shareholders and cannot concurrently serve as one of our directors, officers or have any staff position with us. Their duties and powers include, but are not limited to, overseeing our activities and the activities of the board of directors, investigating our business and financial condition, inspecting corporate records, verifying statements prepared by the board of directors prior to the annual general shareholders' meeting, calling shareholders meetings if they deem it necessary, representing us in negotiations with directors and notifying, when appropriate, the board of directors to cease acting in contravention of applicable law or regulation or in contravention of our Articles of Incorporation or any resolution adopted by our shareholders. When conducting investigations, supervisors may engage independent experts at our cost.

In accordance with ROC laws and regulations, each of our directors and supervisors is elected either in his or her capacity as an individual or as an individual representative of a corporate or government shareholder. Several of our directors and supervisors serve in their capacity as representatives of corporate entities, which entities hold such board or supervisor seats, and do not serve in their individual capacity. If any of the individuals representing a corporate or governmental entity withdraws, dies or otherwise becomes unable to serve, the corporate entity he or she represents has the ability to replace that person with a different representative of its choice.

Our board of directors currently comprises seven directors and two supervisors. Two of our directors and one of our supervisors are independent.

BOARD OF DIRECTORS

The name, age and position(s) of each of the members of our board of directors as of the date hereof are set forth below:

Name	Age	Director since	Position
Simon Lin	57	2001	Chairman, Chief Executive Officer and Director
Stan Shih	65	2001	Director
Haydn Hsieh	55	2005	Director
William Lu	56	2002	Representative Director, Acer
John Hsuan	57	2002	Independent Director
Michael Tsai	56	2002	Independent Director
Robert Hwang	53	2006	President, Chief Operation Officer and Director

For the purpose of this Offering Circular, the business address of the directors is our registered office address which is No. 7 Hsin-An Road, Hsinchu Science-Based Industrial Park, Taiwan, ROC.

All of the above listed directors are ROC citizens, and two directors are employed by us on a full time basis. All of the directors hold outside positions.

Simon Lin has served as a director, and as our Chairman and Chief Executive Officer, since our inception in 2001. Mr. Lin is also the Chairman of AOI, Wistron NeWeb, Wistron ITS, and Changing. Mr. Lin is also a Director of Gamania and Independent Director of TICP and Neo Solar Power Corporation. Mr. Lin received a bachelors degree from National Chiao Tung University. In 1989, Mr. Lin received the National Management Excellence Award from The Commercial Professional Management Association and was named National Chiao Tung University's Outstanding Alumnus in 1996. In 2008, Mr. Lin received the Asia's Viewers Choice Award from the 7th CNBC Asia Business Leaders Award.

Stan Shih has served as a director since our inception in 2001. Mr. Shih is currently the Chairman of iD SoftCapital Group. Mr. Shih is also a director of over 20 public and private companies, including Acer, Qisda, Nanshan Life Insurance Co., Ltd. and Taiwan Semiconductor Manufacturing Ltd. Mr. Shih received a bachelors degree, a masters degree and a honorary doctorate degree in electrical engineering from the National Chiao Tung University. Mr. Shih was also awarded a honorary doctorate degree by the Hong Kong Polytechnic University and the degree of Doctor of International Law from the Thunderbird American Graduate School.

Haydn Hsieh has served as a director since 2005. Mr. Hsieh has been with the Acer Group since 1981 and is currently the CEO and President of Wistron NeWeb. Mr. Hsieh also serves as a director of Wistron NeWeb, AOI, Raydium and aEnrich Technology Corporation. Mr. Hsieh received a bachelors degree in electrical engineering from Ta-Tung Institute of Technology and also completed the Executive MBA Training Program at National Cheng-Chi University.

William Lu has served as a director since 2002. Mr. Lu resigned on April 18, 2008 and was re-elected for a one-year term on June 25, 2008. Mr. Lu is currently the Chairman of iD Tech Ventures Inc. Mr. Lu is also a director of HerolT Co. Ltd. Mr. Lu received a bachelors degree in electrical engineering from the National Chiao Tung University. Mr. Lu was recognized with the "Outstanding Alumnus" award from National Chiao Tung University in 1999.

John Hsuan has served as a director since 2002. Mr. Hsuan is currently the Emeritus Vice Chairman of United Microelectronics Corporation. Mr. Hsuan is also the chairman or a director of over 30 public and private companies, including Unimicron Technology Corporation, Faraday Technology Corp., TPO Display Corporation, SysJust Co., Ltd. and United Microdisplay Optronics Corporation. Mr. Hsuan was recognized as the Prominent Alumnus of National Chiao Tung University and received an honorary doctorate from National Chiao Tung University. Mr. Hsuan received the "Most Outstanding Marketing Manager Award" from the Chinese Association for the Advancement of Management and the Feng-Chang Leu Memorial Award by the Chinese Management Association.

Michael Tsai has served as a director since 2002. Mr. Tsai is currently the Vice Chairman of Powerchip Semiconductor Corporation and the Independent director of Koryo Electronics Co., Ltd. Mr. Tsai received a bachelors degree in computer science and control engineering from the National Chiao Tung University.

Robert Hwang has served as director, president and Chief Operations Officer since 2007. Mr. Hwang is also the director of AnexTEK, ACA and WLB. Mr. Hwang received a bachelors degree from Ta-Tung Institute of Technology and also completed the Executive MBA Training Program at National Cheng-Chi University.

SUPERVISORS

The name, age and position(s) of our supervisors as of the date hereof are set forth below:

Name	Age	Supervisory Director since	Position
Philip Peng	56	2001	Representative Supervisor, Acer Digital Service Co.
Victor C.J. Cheng	61	2005	Independent Supervisor

All of the above listed supervisors are ROC citizens and none of the supervisors are employed by us. All of the supervisors hold outside positions.

Philip Peng has been a supervisor since 2001. Mr. Peng resigned on April 18, 2008 and was re-elected for a one-year term on June 25, 2008. Mr. Peng is currently the President of iD SoftCapital Inc. Mr. Peng is also the chairman, a director or a supervisor of over 30 public and private companies, including Smart Capital Corp., Wistron NeWeb, Wistron ITS, AOI, Wellypower, Interserv, Chung Hwa Investment Co., Ltd. and Acer. Mr. Peng received a masters degree in business administration from National Cheng-Chi University.

Victor C.J. Cheng has been a supervisor since 2005. Mr. Cheng is currently a professor at the College of Law, Shih Hsin University. Mr. Cheng is currently a director or independent supervisor of LOTES Co., Ltd., Asus, Apacer Taiwan, Kinsus Interconnect Technology Corp and COXOC. Mr. Cheng received a bachelors degree in law from Soochow University and a S.J.D. from Stanford University.

The business address of each of the directors and supervisors indicated above for the purposes of this Offering is our principal executive office at 21F, 88, Sec. 1, Hsin Tai Wu Road, Hsichih, Taipei Hsien 221, Taiwan, ROC.

SENIOR MANAGEMENT

The name, age and position(s) of our senior management as of the date hereof are set forth below:

Name	Age	Position since	Position
Simon Lin	57	2001	Chairman, Chief Executive Officer and Director
Robert Hwang	53	2006	Director, President and Chief Operation Officer
Frank F.C. Lin	55	2002	Chief Staff Officer
Henry Lin	54	2002	Chief Financial Officer
M.Y. Lin	59	2002	General Auditor
Emily Hong	52	2001	President, EBG
Donald Hwang	52	2007	President, MBG
David Shen	43	2007	President, DBG
Andy Wang	47	2004	General Manager, SBU
Kenny Wang	51	2007	General Plant Manager
Stone Shih	48	2002	Controller

Set forth below is a short biography of each of our senior management executive officers:

Simon Lin has served as our Chairman, Chief Executive Officer and director since 2001. Mr. Lin is a chairman, CSO, president, director, independent director or a supervisor of Wistron NeWeb, AOI, ITS, Changing, Gamania, TICP, Neo Solar Power Corp. Mr. Lin received a bachelors degree from National Chiao Tung University.

Robert Hwang has served as our President, Chief Operations Officer and a director since 2006. Mr. Hwang is also the director of AnexTEK, ACA, and WLB. Mr. Hwang received a bachelors degree from Ta-Tung Institute of Technology and also completed the Executive MBA Training Program at National Cheng-Chi University.

Frank F.C. Lin has served as our Chief Staff Officer since 2002. Mr. Lin is a director, chairman or a supervisor of AOI, Wistron NeWeb, AnexTEK, Wistron ITS, Changing, aEnrich Technology Corporation, WiseCap Ltd., Wistron Optronics Corporation, WLB, T-CONN, Changing and ISL. Mr. Lin received an accounting degree from Feng Chia University.

Henry Lin has served as our Chief Financial Officer since 2002. Mr. Lin received a bachelors degree in accounting from National Chung Hsing University and a masters degree in international business management from National Taiwan University. Mr. Lin is also a supervisor or independent director of Wistron NeWeb, AOI, Youngoptics, RDC and Browave Corporation.

M.Y. Lin has served as our General Auditor since 2002. Mr. Lin received a bachelors degree in communication engineering, a masters degree in electronic engineering and a doctorate degree in computer engineering, all from National Chiao Tung University.

Emily Hong has served as President of EBG since 2001. Ms. Hong received a bachelors degree in political science from National Taiwan University and a masters degree in business administration from National Cheng-Chi University.

Donald Hwang has served as President of MBG since 2007. Mr. Hwang received his bachelors degree and his masters degree in electronic engineering from National Chiao Tung University. Mr. Hwang is also Chairman of ISL.

David Shen has served as President of DBG since 2007. Mr Shen received a bachelors degree in industrial engineering and management from National Chiao Tung University and a masters degree in computer science systems from University of California at Santa Barbara.

Andy Wang has served as General Manager of SBU since 2004. Mr. Wang received a bachelors degree in electrical engineering from Ching Tung University.

Kenny Wang has served as General Plant Manager since 2007. Mr. Wang received a bachelors degree in industrial engineering from Feng Chia University.

Stone Shih has served as Controller since 2002. Mr. Shih is the director or supervisor of WiseCap Ltd, WLB, Wistron Optronics Corporation. ISL, AnexTEK and ACA. Mr. Shih received a bachelors degree in accounting from Soochow University and a masters degree in finance from Golden Gate University.

The business address of each of the executive officers indicated above is our principal executive office at 21F, 88, Sec. 1, Hsin Tai Wu Road, Hsichih, Taipei Hsien 221, Taiwan, ROC.

Compensation

The remuneration and benefits in kind paid to our directors and supervisors for the year ended December 31, 2008 were NT$54.0 million and NT$8.4 million, respectively. For the same period, the total amount of salaries and bonuses paid to all executive officers, including members of our senior management, was approximately NT$44.5 million. Our directors are not entitled to any benefits under any employee share bonus scheme or any employee share option scheme in their capacity as directors. Our supervisors cannot at the same time be considered as our employees, and therefore are not entitled to receive benefits under any employee share bonus or employee share option schemes.

We also maintain an employee stock option plan, which was established in November 2007. As of the date of this Offering Circular, a total of 105 million units of employee stock options under the plan were outstanding, which will vest on November 17, 2009, 2010 and 2011, respectively. Each unit confers the right to purchase one Share at the applicable exercise price approved by our board of directors. As of the date of this Offering Circular, none of our employees, including members of our senior management, owned any of our outstanding Shares through our employee stock option plan.

For the profits earned in 2008, our board of directors has proposed to distribute an employee bonus of NT$982,073,250 in the form of Shares, with the price per Share to be calculated in accordance with the closing price on the day prior to the 2009 General Shareholders' Meeting and this proposal has been submitted for our shareholders' approval at the 2009 General Shareholders' Meeting to be held on June 23, 2009.

The following table sets forth the name of each director, supervisor and executive officer who directly or indirectly owns 0.1% or more of the Shares as at April 25, 2009, as it appears on our register:

Name	Position	Number of Shares Held	% of Share capital
Simon Lin	Chairman, Chief Executive Officer and Director	9,306,988(1)	0.61%
William Lu	Representative Director	66,109,656(2)	4.36%
Philip Peng	Representative Supervisor	8,513,050(2)	0.56%
Stan Shih	Director	1,883,466	0.12%
Donald Hwang	President, MBG	1,661,290(3)	0.11%
Emily Hong	President, EBG	1,568,527(4)	0.10%
Robert Hwang	President, Chief Operation Officer and Director	2,232,761(5)	0.15%
Frank F.C. Lin	Chief Staff Officer	1,864,933(6)	0.12%

Note:

(1) Does not include 13,000,000 Shares held by a trustee under a trust account, under which Simon Lin is a beneficiary.

(2) Represents the number of Shares owned by the corporate shareholder represented by such director.

(3) Does not include 500,000 Shares held by a trustee under a trust account, under which Donald Hwang is a beneficiary.

(4) Does not include 800,000 Shares held by a trustee under a trust account, under which Emily Hong is a beneficiary under a trustee account.

(5) Includes the 1,032,761 Shares held directly by Robert Hwang and 1,200,000 Shares held as a beneficiary under a trust account.

(6) Includes the 864,933 Shares held directly by Frank F.C. Lin and 1,000,000 Shares held as a beneficiary under a trust account.

As of the date of the Offering Circular, neither we nor any of our subsidiaries had made any loans or advances or guarantees in relation to loans or advances received by our directors, supervisors and executive officers, and none of our directors, supervisors and executive officers has or has had interests in transactions which are or were unusual in their nature or conditions or significant in relation to our business or any of our subsidiaries' business during the current fiscal year or the fiscal year immediately preceding the date of this Offering Circular, or during earlier fiscal years and remain, in any respect, outstanding or unperformed.

As of the date of the Offering Circular, we had not made any loans or other outstanding credits (including guarantees) to any of our directors, supervisors or executive officers except in the ordinary course of business, nor had we entered into any transactions with our directors, supervisors or executive officers which are unusual in their nature or conditions during the last fiscal year and the current fiscal year.

SHARE OWNERSHIP

The following table sets out certain information relating to the ten largest holders of our Shares as of April 25, 2009 (the latest record date), except as otherwise indicated below.

	As of April 25, 2009	
Name of Shareholder	Number of Shares	Percentage of Total Issued Shares
Acer Incorporated	66,109,656	4.36
Chunghwa Post Co., Ltd.	65,998,681	4.35
Management Board of Public Service Pension Fund	41,229,023	2.72
Holders of Existing GDSs	34,308,885	2.26
Labor Pension Fund Supervisory Committee (A)	33,702,074	2.22
Bureau of Labor Insurance	30,000,452	1.98
Labor Pension Fund Supervisory Committee (B)	28,808,747	1.90
Government of Singapore Fund	26,198,433	1.73
LITE-ON Technology Corp.	25,179,515	1.66
GMO Emerging Markets Fund	20,377,000	1.34

Related party transactions

GENERAL

We have from time to time engaged in a variety of transactions with our related parties (as defined under ROC GAAP) which include our primary stockholder, Acer, our subsidiaries, subsidiaries of our subsidiaries, our investee companies, and investee companies of our investee companies and primary stockholder. For more details, see notes to our audited consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008, and notes to the unaudited consolidated financial statements as of and for the three-month periods ended March 31, 2008 and 2009 included elsewhere in this Offering Circular. Under ROC GAAP, if one party, whether an organization or individual, can exercise control or significant influence over the operations or financing policies of another party, then these two parties are considered related parties. Entities under common ownership or control of the same organization or individual are also deemed to be related parties. In addition, any entity or person will be deemed to be a related party of a company (except where it can be shown that there is no control or significant influence) if:

- that entity is an investee of such company, accounted for by the equity method;
- that entity or person is an investor in such company, using the equity method to account for the investment in such company;
- the chairperson of the board of directors or the president of that entity is also the chairperson of the board of directors or the president of such company, or is the spouse or a second-degree family member of the chairperson of the board of directors or the president of such company;
- that entity is a non-profit organization of which the funds donated from such company exceed one-third of the entity's total funds;
- that person is the director, supervisor, president, vice-president, assistant vice-president or departmental head reporting to the president of such company;
- that person is the spouse of a director, a supervisor or the president of such company; or
- that person is a second-degree family member of the chairperson of such company.

Our policy on transactions with related parties is that such transactions shall be conducted on terms substantially as favorable to us as would be obtainable at the time in a comparable arm's length transaction with a person other than a related party.

SIGNIFICANT TRANSACTIONS

The following summary of significant transactions with related parties in the first quarter of 2009 and for the years ended December 31, 2006, 2007 and 2008 are based on the notes to our audited consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008 and our unaudited consolidated financial statements as of and for the three months ended March 31, 2009 included elsewhere in this Offering Circular:

Names and relationships

The names and relationships of the related parties with whom we and our subsidiaries had significant transactions are listed in Note 5(a) to our audited consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008 and our unaudited consolidated financial statements as of and for the three months ended March 31, 2009 included elsewhere in this Offering Circular.

Spin-off from Acer Incorporated

We took over Acer design, manufacturing and services business, including related assets and liabilities as set forth in the spin-off plan, which as of February 28, 2002 had a total book value of NT$5,800 million. In exchange for the assets received and the liabilities assumed from Acer, we issued 400 million Shares at NT$14.5 per share to Acer. We had a net receivable from (payable to) Acer amounting to nil, NT$220.3 million, NT$(84.6) million and NT$(84.6) million as of December 31, 2006, 2007 and 2008, and March 31, 2009, respectively.

Sales

Sales to our related parties totaled 21.4%, 26.7%, 27.0% and 23.5% of our consolidated net sales in 2006, 2007, 2008 and the three months ended March 31, 2009. The terms of such sales transactions with our related parties do not differ significantly from those with third-party customers. We typically require our related parties to pay within 60 to 90 days from the date of invoice.

Purchases

Purchases we procured from our related parties totaled 14%, 22%, 9% and 20% of our consolidated net purchases in 2006, 2007, 2008 and the three months ended March 31, 2009. The terms of such purchase transactions with our related parties are similar to those with third-party vendors.

Total Receivables

Most of our receivables from related parties are notes and accounts receivable. Beginning in 2003, we began factoring our accounts receivable with domestic and international banks in Taiwan, including those receivables from our related parties. We factored receivables from related parties in the amounts of US$573.0 million (NT$19,407.5 million) and US$437.2 million (NT$14,808.0 million) in 2008 and the three months ended March 31, 2009, respectively. We had no factored receivables from related parties in 2006 or 2007. Our factoring arrangements with these banks have effectively lowered outstanding receivables from our related parties.

Total Payables

Most of our payables to related parties are notes and accounts payable. Total payables, including other payables, to our related parties amounted to NT$7,597.2 million, NT$15,092.2 million, NT$16,388.7 million and NT$16,960.7 million (US$500.8 million) in 2006, 2007, 2008 and the three months ended March 31, 2009, respectively.

Notes and accounts receivable and payable

Notes and accounts receivable from our related parties totaled NT$7,285.7 million, NT$19,209.9 million, NT$12,518.4 million (US$369.6 million) and NT$10,891.2 million (US$321.6 million) in 2006, 2007, 2008 and the three months ended March 31, 2009. Notes and accounts payable to our related parties totaled NT$7,208.0 million, NT$15,067.4 million, NT$16,294.3 million (US$481.1 million) and NT$16,868.8 million (US$498.0 million) in 2006, 2007, 2008 and the three months ended March 31, 2009, respectively.

Overdue Receivables

Overdue receivables from our related parties totaled NT$38.2 million, NT$23.9 million and NT$0.6 million (US$0.02 million) in 2006, 2007 and 2008. We had no such overdue receivables in the three months ended March 31, 2009.

Rental income

Rental income from leasing our factory buildings, machinery and equipment to Wistron NeWeb Corporation totaled NT$53.1 million, NT$54.7 million, NT$50.4 million (US$1.5 million) and NT$8.9 million (US$0.3 million) in 2006, 2007, 2008 and the three months ended March 31, 2009, respectively. As of December 31, 2006, 2007 and 2008 and March 31, 2009, our rent receivables were NT$5.3 million, NT$4.6 million, NT$3.7 million (US$0.1 million) and NT$2.9 million (US$0.1 million), respectively.

Rental expenses

For the years ended December 31, 2006, 2007 and 2008 and the three months ended March 31, 2009, we had an operating lease contract with Acer Incorporated for the use of office space and a warehouse. Rental expense incurred by us from lease contracts amounted to NT$31.0 million, NT$34.4 million, NT$37.3 million and NT$8.8 million for the years ended December 31, 2006, 2007 and 2008 and the three months ended March 31, 2009, respectively. The balance of rental payables as of December 31, 2007 and 2008 and March 31, 2009, was NT$2.7 million, NT$0.1 million and NT$0.05 million, respectively. We had no such rental payables as of December 31, 2006.

Advances to related parties

We and our subsidiaries paid certain expenses on behalf of our related parties, such as product repairing income and miscellaneous expense paid on related parties' behalf, which totaled NT$36.1 million, NT$33.4 million, NT$29.3 million (US$0.9 million) and NT$30.6 million (US$0.9 million) as of December 31, 2006, 2007 and 2008 and March 31, 2009, respectively.

Advances from related parties

Our related parties paid certain expenses on behalf of us and our subsidiaries, including product repairing expenses, business travelling expenses and salaries for overseas employees. As of December 31, 2006, 2007 and 2008 and March 31, 2009, the related outstanding payables were accounted for as advances from related parties which totaled NT$4.2 million, NT$22.0 million, NT$9.7 million (US$0.3 million) and NT$5.3 million (US$0.2 million), respectively.

Property transaction

In 2002, which is prior to the merger of Wistron Nexus Incorporated ("WNI") with Wistron NeWeb Corporation, WNI sold its factory facilities to Wistron NeWeb Corporation for NT$351.6 million. The related unrealized disposal gain as of December 31, 2006, 2007 and 2008 and March 31, 2009, was NT$51.7 million, NT$50.6 million, NT$49.5 million (US$1.5 million) and NT$49.2 million (US$1.5 million), respectively, and recognized as "deferred credits on long-term equity investments".

Main management compensation

For the years ended December 31, 2006, 2007 and 2008 and the three months ended March 31, 2009, the total compensation of our main management was NT$435.4 million, NT$344.6 million, NT$246.2 million (US$7.3 million) and NT$61.9 million (US$1.8), respectively.

Endorsements and guarantees

As of December 31, 2007 and 2008, we provided endorsements and guarantees to vendors for Wistron NeWeb Corporation amounting to NT$324.4 million and NT$328.6 million, respectively. We had no such endorsements or guarantees as of December 31, 2006 or March 31, 2009.

Information relating to the Depositary

Citibank, N.A. ("Citibank") is the Depositary pursuant to the Deposit Agreements. Citibank is an indirect wholly-owned subsidiary of Citigroup Inc. Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

Citibank was originally organized on June 16, 1812, and is now a national banking association organized under the U.S. National Bank Act of 1864. Citibank is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal office is at 399 Park Avenue, New York, NY 10043.

Citibank's consolidated balance sheets are set forth in Citigroup's most recent Annual Report and Quarterly Report each on file on Form 10-K and Form 10-Q, respectively, with the United States Securities and Exchange Commission.

Citibank's Articles of Association and By-laws, each as currently in effect, together with Citigroup's Annual Report on Form 10-K and Quarterly Report on Form 10-Q, are available for inspection at the Depositary Receipt office of Citibank, 388 Greenwich Street, New York, NY 10013 and at the offices of the Luxembourg intermediary.

Description of global depositary shares

Any italicized text in this section, "Description of global depositary shares", describes ROC law as it applies to the GDSs and may not be contained in the Deposit Agreements.

Citibank, N.A. acts as the Depositary for the GDSs. Citibank's depositary offices are located at 388 Greenwich Street, 14th Floor, New York, New York 10013. Rule 144A and Regulation S Global Depositary Shares are referred to as "Rule 144A GDSs" and "International GDSs", respectively. In this summary we use the term "GDSs" to encompass Existing Rule 144A GDSs and both Existing International GDSs and Offer GDSs. GDSs are represented by certificates that are commonly known as "Global Depositary Receipts" or "GDRs". The GDSs we are selling in this Offering outside the United States in reliance on Regulation S are referred to and will be issued as International GDSs. GDSs represent ownership interests in securities that are on deposit with the Depositary. No Rule 144A GDSs will be offered or sold in this Offering.

The Depositary has appointed a custodian to safekeep the securities on deposit. In this case, the custodian is First Commercial Bank Co. Ltd., having its principal office at No. 30, Chung King S. Road, Sec. 1, Taipei 100, ROC.

We have appointed Citibank as depositary pursuant to two separate deposit agreements: one for the Rule 144A GDSs (the "Rule 144A Deposit Agreement"), and one for the Offer GDSs and Existing International GDSs (the "International Deposit Agreement"), each as amended by the Letter Agreement, dated June 19, 2009, by and between the Company and the Depositary. A copy of each of the Deposit Agreements may be obtained from the Depositary. This is a summary description of the material terms of the GDSs and of your material rights as an owner of GDSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of GDSs will be determined by reference to the terms of the applicable Deposit Agreement and not by this summary. We urge you to review the Deposit Agreements in their entirety.

Each GDS represents the right to receive 10 Shares on deposit with the custodian. A GDS will also represent the right to receive any other property received by the Depositary or the custodian on behalf of the owner but that has not been distributed to the owners of GDSs because of legal restrictions or practical considerations.

If you become an owner of GDSs, you will become a party to the applicable Deposit Agreement and therefore will be bound to its terms and to the terms of the GDR that represents your GDSs. The Deposit Agreements and the GDR specify our rights and obligations as well as your rights and obligations as owner of GDSs and those of the Depositary. As a GDS owner you appoint the Depositary to act on your behalf for the Shares represented by your GDSs, upon either (1) your specific instructions when we call a meeting of shareholders, distribute an elective dividend or make a rights offering, or (2) the specific terms of the applicable Deposit Agreement to receive any dividends we distribute in New Taiwan Dollars or Shares and to convert the New Taiwan Dollars received.

The Deposit Agreements are governed by New York law. However, our obligations to the holders of Shares will continue to be governed by ROC laws, which may be different from the laws in the United States. In addition, we note that the laws and regulations of the ROC may restrict the deposit and withdrawal of the Shares into or from the depositary receipts facility.

Presently, you may hold your GDSs only through a brokerage or safekeeping account. As such, you must rely on the procedures of your broker or bank to assert your rights as a GDS owner. Please consult with your broker or bank to determine what those procedures are. When we refer to "you", we assume the reader owns GDSs and will own GDSs at the relevant time. When we refer to a "holder" we assume the person owns GDSs and such person's agent (i.e., broker, custodian, bank, trust company) is the holder of the applicable GDR.

The New Shares represented by the Offer GDSs in this Offering were approved by our shareholders on June 25, 2008 and the existing shareholders have duly waived their pre-emptive right in respect of the New Shares.

DISTINCTIONS BETWEEN RULE 144A GDSs AND INTERNATIONAL GDSs

Rule 144A GDSs and International GDSs are similar in many ways but are different primarily on account of the requirements of the U.S. securities laws. Rule 144A GDSs are "restricted securities" under the U.S. securities laws and as such are subject to limitations on their issuance, transfer and cancellation. International GDSs are not per se "restricted securities" under the U.S. securities laws, but we have imposed certain contractual restrictions on International GDSs in an effort to prevent their transfer in violation of the U.S. securities laws. Such restrictions will be in place for a period of 40 days after we close the offering of the Offer GDSs described in this Offering Circular. We refer to this 40-day period as the "restricted period".

The different restrictions imposed on International GDSs and Rule 144A GDSs are primarily:

- Venue for trading GDSs:
  - International GDSs may be traded only outside the United States
  - Rule 144A GDSs may only be traded in PORTAL among "Qualified Institutional Buyers" (as defined in Rule 144A).
- Persons who may own and trade GDSs:
  - only "Qualified Institutional Buyers" (as defined in Rule 144A) and persons other than "U.S. persons" (as defined in Regulation S) located outside the United States (as defined in Regulation S) may own and trade Rule 144A GDSs
  - upon the expiration of the "restricted period", any person may own and trade International GDSs
  - during the "restricted period", only persons other than U.S. persons (as defined in Regulation S) located outside the United States (as defined in Regulation S) may own and trade the International GDSs and only outside the United States.
- Persons who may create additional GDSs:
  - only persons other than "U.S. persons" (as defined in Regulation S) located outside the United States (as defined in Regulation S) who acquired the Shares to be deposited outside the United States may deposit Shares to receive International GDSs
  - only "Qualified Institutional Buyers" (as defined in Rule 144A) and persons other than "U.S. persons" (as defined in Regulation S) located outside the United States (as defined in Regulation S) who acquired the Shares to be deposited outside the United States may deposit Shares to receive Rule 144A GDSs.
- Persons to whom you may transfer GDSs, upon sale or otherwise:
  - you may transfer Rule 144A GDSs only to "Qualified Institutional Buyers" (as defined in Rule 144A) or to persons other than "U.S. persons" (as defined in Regulation S) located outside the United States (as defined in Regulation S)
  - during the "restricted period", you may transfer International GDSs only to persons other than "U.S. persons" (as defined in Regulation S) located outside the United States (as defined in Regulation S) or to "Qualified Institutional Buyers" (as defined in Rule 144A) but in this latter case only after "converting" International GDSs into Rule 144A GDSs.
- Restrictions on transfers and withdrawal of Shares represented by GDSs:
  - Please refer to "Legends" below.
- Eligibility to book-entry transfer:
  - Please refer to "Settlement and safekeeping" below.

These distinctions and the requirements of the U.S. securities laws may require us and the Depositary to treat International GDSs and Rule 144A GDSs differently at any time in the future. There can be no guarantee that holders of Rule 144A GDSs will receive the same entitlements as holders of International GDSs and vice versa.

SETTLEMENT AND SAFEKEEPING

International GDSs

We and the Depositary have made arrangements with DTC, Euroclear and Clearstream, Luxembourg to act as securities depositaries for International GDSs. All International GDSs issued in this Offering will be registered in the name of Cede & Co. One Master International GDR will represent all International GDSs issued to and registered in the name of Cede & Co. Euroclear and Clearstream, Luxembourg will hold the International GDSs on behalf of their participants through their respective depositories, which are participants in DTC, and transfers will be permitted only within DTC, Euroclear and Clearstream, Luxembourg in accordance with usual rules and operating procedures of the relevant system. Transfers of ownership interests in International GDSs are to be accomplished by entries made on the books of DTC, Euroclear and Clearstream, Luxembourg and participants in

DTC, Euroclear and Clearstream, Luxembourg, acting on behalf of International GDS owners. Owners of International GDSs will not receive certificates representing their ownership interests in International GDSs, except in the event that use of the DTC book-entry system for International GDSs is discontinued.

DTC may discontinue providing its services as securities depositary with respect to International GDSs at any time by giving reasonable notice to the Depositary. Under such circumstances, in the event that a successor securities depository cannot be appointed, International GDRs will be printed and delivered to the applicable International GDS owners.

If at any time Euroclear, Clearstream, Luxembourg or DTC, as the case may be, ceases to make its respective book-entry settlement systems available for International GDSs, the Company and the Depositary will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depositary will make available International GDSs in physical certificated form.

Rule 144A GDSs

All Rule 144A GDSs are registered in the name of Cede & Co. (DTC's nominee). One Master Rule 144A GDR represents all Rule 144A GDSs registered in the name of Cede & Co. Transfers of ownership interests in Rule 144A GDSs are accomplished by entries made on the books of DTC and of the participants in DTC acting on behalf of Rule 144A GDS owners. Owners of Rule 144A GDSs will not receive certificates representing their ownership interests in Rule 144A GDSs, except in the event that a successor securities depositary cannot be appointed.

DTC may discontinue providing its services as securities depositary with respect to Rule 144A GDSs at any time by giving reasonable notice to the Depositary. Under such circumstances, in the event that a successor securities depository cannot be appointed, Rule 144A GDRs will be printed and delivered to the applicable Rule 144A GDS owners.

TRANSFER RESTRICTIONS

GDSs may be resold, pledged or otherwise transferred only in compliance with the U.S. securities laws and are subject to the following restrictions:

Restrictions upon transfer

Rule 144A GDSs	International GDSs
Rule 144A GDSs may be resold, pledged or otherwise transferred only:	During the "restricted period", International GDSs may be resold, pledged or otherwise transferred only:
(i) outside the U.S. to a person other than a U.S. person (as defined in Regulation S under the Securities Act) in accordance with Regulation S; or	(i) outside the U.S. to a person other than a U.S. person (as defined in Regulation S under the Securities Act) in accordance with Regulation S; or
(ii) to a "Qualified Institutional Buyer" (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A; or	(ii) to a "Qualified Institutional Buyer" (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A; or
(iii) pursuant to Rule 144 under the U.S. Securities Act of 1933, if available; or	(iii) pursuant to Rule 144 under the U.S. Securities Act of 1933, if available; or
(iv) pursuant to an effective registration statement under the U.S. Securities Act of 1933.	(iv) pursuant to an effective registration statement under the U.S. Securities Act of 1933.
	If International GDSs are transferred to a "Qualified Institutional Buyer" in a transaction meeting the requirements of Rule 144A, the transferor is required to convert International GDSs into Existing Rule 144A GDSs and make delivery of Existing Rule 144A GDSs to the transferee.
	After the "restricted period", International GDSs shall be freely transferable.

Rule 144A GDSs	Restrictions upon deposit of Shares
Shares will be accepted for deposit under the Rule 144A Deposit Agreement only if delivered by, or on behalf of, a person that is: (a) not us or one of our affiliates or a person acting on our behalf or on behalf of one of our affiliates, and (b) is (i) a "Qualified Institutional Buyers" (as defined in Rule 144A), or (ii) a person other than a U.S. person (as defined in Regulation S) located outside the United States (as defined in Regulation S) and acquired the Shares to be deposited outside the United States.	Shares will be accepted for deposit under the International Deposit Agreement only if delivered by, or on behalf of, a person that is: (a) not us or one of our affiliates or a person acting on our behalf or on behalf of one of our affiliates, and (b) is a person other than a U.S. person (as defined in Regulation S) located outside the United States (as defined in Regulation S) and acquired the Shares to be deposited outside the United States.

Rule 144A GDSs	Restrictions upon withdrawal of Shares
Shares may be withdrawn under the Rule 144A Deposit Agreement only by: (i) a person other than a U.S. person (as defined in Regulation S) located outside the United States (as defined in Regulation S) who acquired the Rule 144A GDSs outside the United States who will be the beneficial owner of the Shares upon withdrawal; or (i) a "Qualified Institutional Buyer" (as defined in Rule 144A) who (x) has sold the Rule 144A GDSs to another "Qualified Institutional Buyer" (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, or to a person other than a U.S. person (as defined in Regulation S) in accordance with Regulation S, or (y) will be beneficial owner of the Shares and agrees to observe the transfer restrictions applicable to Rule 144A GDSs in respect of the Shares so withdrawn.	During the "restricted period" Shares may be withdrawn under the International Deposit Agreement only by: (i) a person other than a U.S. person (as defined in Regulation S) located outside the United States (as defined in Regulation S) who will be the beneficial owner of the Shares upon withdrawal and agrees to observe the transfer restrictions applicable to the International GDSs in respect of the Shares so withdrawn or who has sold the Shares to a person other than a U.S. person in accordance with Regulation S or to a "Qualified Institutional Buyer" (as defined in Rule 144A) in which case delivery will be made in the form of Rule 144A GDSs, or (ii) a "Qualified Institutional Buyer" (as defined in Rule 144A) who will cause International GDSs to be exchanged for Existing Rule 144A GDSs. After the "restricted period" Shares may be withdrawn by any person and are freely transferable.

DIVIDENDS AND DISTRIBUTIONS

As a holder, you generally have the right to receive the distributions we make on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders will receive such distributions under the terms of the Deposit Agreements in proportion to the number of GDSs held as of a specified record date.

Distributions of Cash

Whenever we make a cash distribution for the securities on deposit with the custodian, we will notify the Depositary and deposit the funds with the custodian. Upon receipt of confirmation of the deposit of the requisite funds, the Depositary will arrange for the funds to be converted into US dollars and for the distribution of the US dollars to the holders, subject to ROC laws and regulations.

The conversion into US dollars will take place only if practicable and if the US dollars are transferable to the United States. The amounts distributed to holders will be net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreements. The Depositary will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreements.

Distributions of Shares

Whenever we make a free distribution of Shares for the securities on deposit with the custodian, we will notify the Depositary and deposit the applicable number of Shares with the custodian. Upon receipt of confirmation of such deposit, the Depositary will either distribute to holders new GDSs representing the Shares deposited or modify the GDS-to-Shares ratio, in which case each GDS you hold will represent rights and interests in the additional Shares so deposited. Only whole new GDSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new GDSs or the modification of the GDS-to-Shares ratio upon a distribution of Shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreements. In order to pay such taxes or governmental charges, the Depositary may sell all or a portion of the new Shares so distributed.

In the event that (x) the Depositary determines that any such distribution is subject to any tax or other governmental charge which the Depositary must withhold, (y) we furnish an opinion of counsel determining that the distribution must be registered under the Securities Act or other laws (and no such registration statement has been declared effective), or (z) the deposit of Shares is not permitted under ROC law, the Depositary may dispose of all or a portion of such Shares in such accounts and in such manner as it deems necessary and practicable. The Depositary will distribute the proceeds of any such sale as in the case of a distribution of cash.

Distributions of Rights

Whenever we intend to distribute rights to purchase additional Shares, we will give prior notice to the Depositary and we will assist the Depositary in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional GDSs to holders.

The Depositary will establish procedures to distribute rights to purchase additional GDSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to GDS holders, and if we provide all of the documentation contemplated in the applicable Deposit Agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new GDSs upon the exercise of your rights. The Depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new Shares other than in the form of GDSs.

The Depositary will not distribute the rights to you if:

- we do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or
- we fail to deliver satisfactory documents to the Depositary; or
- it is not lawful and reasonably practicable to distribute the rights.

The Depositary will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the Depositary is unable to sell the rights, it will allow the rights to lapse.

Elective Distributions

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional Shares, we will give prior notice thereof to the Depositary and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the Depositary in determining whether such distribution is lawful and reasonably practicable.

The Depositary will make the election available to you only if it is lawful and reasonably practicable and if we have provided all of the documentation contemplated in the Deposit Agreements. In such case, the Depositary will establish procedures to enable you to elect to receive either cash or additional GDSs, in each case as described in the Deposit Agreements.

If the election is not made available to you, you will receive either cash or additional GDSs, depending on what a shareholder in the ROC would receive upon failing to make an election, as more fully described in the applicable Deposit Agreement. The distribution will be made net of fees, expenses, taxes and government charges payable by holders of GDSs under the terms of the applicable Deposit Agreement.

Other Distributions

Whenever we intend to distribute property other than cash, Shares, or rights to purchase additional Shares, we will notify the Depositary in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the Depositary in determining whether such distribution to holders is lawful and reasonably practicable.

If it is lawful and reasonably practicable to distribute such property to you and if we provide all of the documentation contemplated in the Deposit Agreements, the Depositary will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement. In order to pay such taxes and governmental charges, the Depositary may sell all or a portion of the property received.

The Depositary will not distribute the property to you and will sell the property if:

- we do not request that the property be distributed to you or if we ask that the property not be distributed to you; or
- we do not deliver satisfactory documents to the Depositary; or
- the Depositary determines that all or a portion of the distribution to you is not lawful and reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

CHANGES AFFECTING SHARES

The Shares held on deposit for your GDSs are subject to change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or reclassification of such Shares, or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, your GDSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the Shares held on deposit. The Depositary may in such circumstances deliver new GDSs to you or call for the exchange of your existing GDSs for new GDSs. If the Depositary may not lawfully distribute such property to you, the Depositary may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

ISSUANCE OF GDSs UPON DEPOSIT OF SHARES

In connection with the issuance by a ROC company of new shares for cash, such as the New Shares underlying the GDSs being offered in this Offering, settlement is initially made by delivery to the persons purchasing the new shares of a global certificate of payment representing the right to receive the definitive share certificates evidencing such shares in scripless form. The initial deposit of the New Shares offered in connection with this Offering will be made by the delivery to the Custodian on the Closing Date of a Global Certificate of Payment evidencing the New Shares offered by us on the Closing Date, which New Shares will be registered in the name of Depositary or its nominee, as representatives of the holders of the GDSs. We will apply to the TSE for listing of the Certificate of Payment no later than the second ROC Business Day following the Closing Date. It is expected that the TSE will approve the listing of the Certificate of Payment no later than the fifth ROC Business Day following the Closing Date although we cannot assure you that such approval will be obtained by such date (if at all). Immediately upon the listing of the Certificate of Payment on the TSE (the "Share Listing Date"), the Global Certificate of Payment we have delivered to the Custodian on the Closing Date will be replaced by the Certificate of Payment in scripless form.

Under the ROC Securities and Exchange Law and applicable regulations, we are required to deliver the underlying New Shares in scripless form to the Custodian within 30 days after receiving approval from the relevant governmental authority of our corporate amendment registration. We are required under ROC Company Act to file an amendment to our corporate registration within 15 days after receiving the proceeds from this Offering. Prior to the issue of the underlying New Shares in scripless form, we will apply for and obtain approval to list the underlying New Shares on the TSE. It is expected that the underlying New Shares in scripless form, will be issued and delivered in respect of the Certificates of Payment in connection with this Offering, on or about 30 to 50 days after the Closing Date, subject to obtaining approvals from the relevant government authorities and the TSE. Until the underlying New Shares have been so issued and delivered, the GDSs will represent New Shares evidenced by the Global Certificate of Payment (from the Closing Date to the date immediately prior to the Share Listing Date) or the Certificate of Payment (after the Share Listing Date). When *the Certificate of Payment are listed on the TSE, holders who choose to exchange GDSs for Shares may receive Individual Scripless Certificates of Payment rather than the underlying Shares in scripless form at the discretion of the Depositary. Such holders will be entitled to the same rights as if the Depositary were holding the underlying Shares in scripless form.*

Subject to limitations set out in the Deposit Agreements and the GDRs, the Depositary may create GDSs on your behalf if you or your broker deposit Shares with the custodian. The Depositary will deliver these GDSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the Shares to the custodian and you provide the applicable deposit certification. Your ability to deposit Shares and receive GDSs may be limited by U.S. and ROC legal considerations applicable at the time of deposit.

After the deposit of a Global Certificate of Payment or of Shares offered by us in connection with this Offering (the "Deposit"), without obtaining regulatory approval from the ROC FSC, no Shares may be accepted for deposit and no GDSs may be issued under the terms of the Deposit Agreements, except in the following circumstances:

(1) upon dividend on, or a free distribution of, Shares to existing shareholders;

(2) upon the exercise by existing shareholders of their pre-emptive rights in connection with capital increases for cash;

(3) subject to receipt of all applicable approvals in the ROC the issuance of Shares by us to holders of bonds in connection with the exercise of conversion rights of such bondholders;

(4) as permitted under the Deposit Agreements, the purchase directly by a person or through the Depositary of Shares on the TSE, or the delivery by any person of Shares held by such person for deposit in the depositary receipt facility; and

(5) upon the exchange of Rule 144A GDSs for International GDSs and vice versa;

provided that the total number of GDSs outstanding after an issuance described in clause (4) does not exceed the number of GDSs issued and previously approved by the ROC FSC in connection with the Offering plus any GDSs created under clauses (1), (2) and (3) described above and subject to any adjustment on the number of Shares represented by each GDS; provided further that the deposit described in clause (4) may only be made to the extent previously issued GDSs have been cancelled; and, that the Depositary will refuse to accept Shares for deposit under clause (4) if such deposit is not permitted under any restriction about which we notify the Depositary from time to time, which restrictions may specify blackout periods during which deposits may not be made, time periods during which deposits may be made, minimum and maximum sizes and frequencies of deposit.

The Depositary will refuse to accept Shares for deposit whenever it is notified in writing that such deposit would result in any violation of applicable laws, including ownership restrictions under ROC laws. The Depositary will also refuse to accept certain Shares for deposit under the Rule 144A Deposit Agreement if notified in writing that the Shares are listed on a U.S. securities exchange or quoted on a U.S. automated inter-dealer quotation system, unless accompanied by evidence satisfactory to the Depositary that any Shares presented for deposit are eligible for resale pursuant to Rule 144A.

The issuance of GDSs may be delayed until the Depositary or the Custodian receives confirmation that all required approvals have been given and that the Shares have been duly transferred to the Custodian. The Depositary will only issue GDSs in whole numbers.

When you make a deposit of Shares, you will be responsible for transferring good and valid title to the Depositary. As such, you will be deemed to represent and warrant that:

- the Shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained;
- all pre-emptive (and similar) rights, if any, with respect to such Shares have been validly waived or exercised;
- you are duly authorized to deposit the Shares;
- the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim and, in the case of a deposit of Shares under the International Deposit Agreement, are not, and International GDSs issuable upon such deposit will not be, "restricted securities" (as defined in the corresponding Deposit Agreement); and
- the Shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the Depositary may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

When you deposit Shares to receive Rule 144A GDSs, you will be required to provide the Depositary with a deposit certification stating, inter alia, that:

- you acknowledge that the Shares and Rule 144A GDSs have not been and will not be registered under the U.S. Securities Act of 1993 or with any securities regulatory authority in any state or other jurisdiction in the United States; and
- you are not one of our "affiliates" and you are not acting on our behalf or on behalf of one of our "affiliates"; and
- you certify that you are, or are acting on behalf of, (i) a "Qualified Institutional Buyer" (as defined in Rule 144A), or (ii) a person other then a U.S. person (as defined in Regulation S) located outside the United States (as defined in Regulations S) and acquired the Shares to be deposited outside the United States; and
- you agree, as the owner of Rule 144A GDSs, to offer, sell, pledge and otherwise transfer Rule 144A GDSs or the common shares represented by the Rule 144A GDSs in accordance with the applicable U.S. state securities laws and only:
  - (a) to a "Qualified Institutional Buyer" (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A; or
  - (b) outside the United States to a person other than a U.S. person (as defined in Regulation S) in accordance with Regulation S; or
  - (c) in accordance with Rule 144 under the U.S. Securities Act of 1933, if available; or
  - (d) pursuant to an effective registration statement under the U.S. Securities Act of 1993.

A copy of the form of deposit certification for Rule 144A GDSs is attached to the Rule 144A Deposit Agreement and may be obtained from the Depositary upon request.

When you deposit Shares to receive International GDSs, you will be required to provide the Depositary with a deposit certification stating, inter alia, that:

- you acknowledge that the Shares and International GDSs have not been and will not be registered under the U.S. Securities Act of 1933 or with any securities regulatory authority in any state or other jurisdiction in the United States; and
- you are not one of our "affiliates" and you are not acting on our behalf or on behalf of one of our "affiliates;" and
- you certify that you are, or are acting on behalf of, a person other than a U.S. person (as defined in Regulation S) located outside the United States (as defined in Regulation S) and acquired the Shares to be deposited outside the United States; and
- you agree, as the owner of International GDSs, to offer, sell, pledge and otherwise transfer the International GDSs or the Shares represented by the International GDSs in accordance with the applicable U.S. state securities laws and during the "restricted period" only:
  - (a) to a "Qualified Institutional Buyer" (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, in which case you are required to "convert" International GDSs into Rule 144A GDSs prior to making delivery to the transferee; or
  - (b) outside the United States to a person other than a U.S. person (as defined in Regulation S) in accordance with Regulation S.

A copy of the form of deposit certification for International GDSs is attached to the International Deposit Agreement and may be obtained from the Depositary upon request.

WITHDRAWAL OF SHARES UPON CANCELLATION OF GDSs

You will not be able to withdraw any Shares underlying International GDSs until the Share Listing Date (i.e. the date on which the Certificate of Payment is listed on the TSE). It is expected that on no later than the fifth Business Day following the Closing Date, which is expected to be June 26, 2009 but subject always to the approval from the TSE for the listing of the Certificate of Payment and the relevant provisions of the Deposit Agreement, a holder may withdraw and hold the underlying Shares or, as the case may be, Individual Scripless Certificates of Payment evidencing the right to receive underlying Shares (in each case at the discretion of the Depositary), or request Citibank, N.A., as Depositary, acting pursuant to the Deposit Agreements, to sell or cause to be sold on behalf of such holder the underlying Shares or, as the case may be, the Individual Scripless

Certificates of Payment. The Individual Scripless Certificates of Payment, which are without physical form and traded on book-entry settlement system of the Taiwan Depository & Clearing Corporation, carry the same rights as those attaching to Shares in respect of dividends and are eligible for trading on the TSE in the same manner as Shares.

Subject always to the withdrawal of deposited property being permitted under ROC laws and regulations and provided that the number of Shares requested for withdrawal are listed for trading on the TSE, as a holder, you will be entitled to present your GDSs to the Depositary for cancellation and then receive the corresponding number of underlying Shares at the custodian's offices. Your ability to withdraw the Shares may be limited by U.S. and ROC legal considerations applicable at the time of withdrawal.

If you are a non-ROC person, under current ROC law, if you wish to withdraw and hold underlying Shares from a depositary receipt facility, you will be required to appoint an eligible agent in the ROC to open a securities trading account with a local brokerage firm (after receiving an approval from the TSE) and a bank account (the securities trading account and the bank account collectively, the "Accounts"), to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as you may designate upon such withdrawal. In addition, you will be required to appoint a custodian bank to hold the securities in safekeeping, make confirmation and settle trades and report all relevant information. Without the opening of such Accounts, the withdrawing holder would be unable to hold or subsequently sell the underlying Shares withdrawn from the depositary receipt facility on the Taiwan Stock Exchange or otherwise. In addition, you are required to register with the TSE. These laws may change from time to time. We cannot assure you that current ROC law will remain in effect or that future changes in ROC law will not adversely affect your ability to withdraw our Shares from the GDS facility.

Holders of GDSs withdrawing Shares represented by GDSs are also required under current ROC law and regulations to appoint an agent in the ROC for filing tax returns and making tax payments. Such agent must meet certain qualifications set by the ROC FSC and, upon appointment, becomes a guarantor of such withdrawing holder's ROC tax obligations. Evidence of the appointment of such agent and the approval of such appointment by the ROC tax authorities may be required as conditions to such withdrawing holder's repatriation of the proceeds from the sale of the withdrawn Shares. There can be no assurance that such withdrawing holder will be able to appoint and obtain approval for such agent in a timely manner.

Subject always to the withdrawal of deposited property being permitted under ROC laws and regulations and provided that the number of Shares requested for withdrawal are listed for trading on the TSE, you may also request that the Shares represented by your GDSs be sold on your behalf. The Depositary may require that you deliver your request for sale in writing. Any sale of our Shares will be conducted according to applicable ROC law through a securities company in the ROC on the TSE or in other manner as is permitted under applicable ROC law. Any sale will be at your risk and expense. You may also be required to enter into a separate agreement to cover the terms of the sale of our Shares.

In addition, under ROC laws, a PRC person must meet certain qualification criteria set by the FSC in order to hold the GDSs or the Shares and, if the aggregate ownership of the Shares will, immediately following the withdrawal, be more than 10% of the total number of the Shares outstanding, such qualified PRC person shall obtain the prior approval from the ROC government authorities. Failure to meet such criteria by a PRC person or failure to obtain prior approval will result in no withdrawal. There is no assurance that such approval can be obtained in a timely manner or at all.

Upon receipt of any proceeds from any sale, subject to any restrictions imposed by ROC laws and regulations, the Depositary shall convert the proceeds into US dollars and distribute the proceeds to you, net of any fees, expenses, taxes or governmental charges (including, without limitation, any ROC and U.S. taxes) incurred in connection with the sale. Sales of our Shares may be subject to ROC taxation on capital gains and will be subject to a securities transaction tax in the ROC. The ROC does not currently impose capital gains tax on ROC securities transactions for a Non-ROC Holder, but we cannot assure you that a capital gains tax will not be imposed in the future or the manner in which any ROC capital gains tax would be imposed or calculated.

In order to withdraw or instruct the sale of the Shares represented by your GDSs, you will be required to pay to the Depositary the fees for cancellation of GDSs and any charges and taxes payable upon the transfer of the Shares being withdrawn, and you will be required to provide to the Depositary the applicable withdrawal certification. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the GDSs will not have any rights under the corresponding Deposit Agreement.

During any period in which the Custodian holds the Global Certificate of Payment underlying GDSs (i.e. from the Closing Date to the day immediately before the Share Listing Date), you will not be entitled to withdraw the Shares upon surrender of such GDSs.

If you hold a GDR registered in your name, the Depositary may ask you to provide proof of identity and genuineness of any signature and such other documents as the Depositary may deem appropriate before it will cancel your GDSs. The withdrawal of the Shares represented by your GDSs may be delayed until the Depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the Depositary will only accept GDSs for cancellation that represent a whole number of securities on deposit.

We have reporting obligations under ROC law in respect of the depositary facilities. In order to enable us to gather the information necessary for these reporting obligations, you will be asked to complete and sign a certification upon withdrawal of Shares from the applicable depositary facility. In this certification you will be asked to certify, among other information, that:

- *the holder is or is not a "related person", as such term is defined in the applicable Deposit Agreement, to us;*
- *the holder, or the person on whose account he acts, is the beneficial owner of the GDSs surrendered to the Depositary thereby;*
- *the name, address, and nationality of the beneficial owner of the GDSs, as included upon presentation of GDRs for cancellation, is true and correct;*
- *the number of GDSs surrendered, and the number of Shares withdrawn, as included upon presentation of GDRs for cancellation, is true and correct;*
- *if the presenter is a broker-dealer, the owner of the account for which he is acting has confirmed the accuracy of the above representations;*
- *the holder is or is not a PRC person meeting the qualifications required under the laws of the ROC ("Qualified PRC Person"), as such term is defined in the applicable laws of ROC; and*
- *if the holder is a Qualified PRC person, its aggregate holding (including, direct and beneficial ownership) of the shares in our company, and if the aggregate holding will, immediately upon the withdrawal, be more than 10% of our issued and outstanding shares, a representation letter certifying the receipt of the prior approval required under the laws of ROC and a confirmation letter issued by the company confirming the receipt of all such approval.*

In addition, a holder may be required to certify to other information that we or the Depositary deem necessary or desirable to comply with any ROC disclosure or reporting requirement. The Depositary will refuse to release Shares to you until you deliver to the Depositary a completed and signed certification to it.

When you request the withdrawal of the Shares represented by your Rule 144A GDSs, you will be required to provide the Depositary with a withdrawal certification stating, inter alia, that:

- You acknowledge that the Shares represented by your Rule 144A GDSs have not been and will not be registered under the U.S. Securities Act of 1933 or with any securities regulatory authority in any state or other jurisdiction in the United States; and
- you certify that:

  (X) you are, or are acting on behalf of, a "Qualified Institutional Buyer" (as defined in Rule 144A) who is the beneficial owner of the Rule 144A GDSs presented for cancellation, and

    (A) either

      (i) you have sold or agreed to sell the Shares to a person other than a U.S. person (as defined in Regulation S) in accordance with Regulation S, or

      (ii) you have sold or agreed to sell the Shares to a "Qualified Institutional Buyer" (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, or

      (iii) you (or the person on whose behalf you are acting) will be the beneficial owner of the Shares upon withdrawal and you (or the person on whose behalf you are acting) will sell the Shares only:

        (a) to another Qualified Institutional Buyer (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, or

(b) to a person other than a U.S. person (as defined in Regulation S) located outside the United States (as defined in Regulation S) in accordance with Regulation S; or

(c) in accordance with Rule 144 (if available), or

(d) pursuant to an effective registration statement under the U.S. Securities Act of 1933; and

(B) you (or the person on whose behalf you are acting) will not deposit the Shares in any depositary receipts facility that is not a "restricted" depositary receipts facility; or

(Y) you are a person other than a U.S. person (as defined in Regulation S) located outside the United States (as defined in Regulation S) and you acquired or agreed to acquire the Shares outside the United States and will be the beneficial owner of the Shares upon withdrawal.

When you request the withdrawal of the Shares represented by your International GDSs at any time during the restricted period, you will be required to provide the Depositary with a withdrawal certification stating, inter alia, that:

- you acknowledge that the Shares represented by your International GDSs have not been and will not be registered under the U.S. Securities Act of 1933 or with any securities regulatory authority in any state or other jurisdiction in the United States; and
- you certify that

(X) you are, or are acting on behalf of, a person other than a U.S. person (as defined in Regulation S) who is located outside the United States (as defined in Regulation S) and is the beneficial owner of the International GDSs presented for cancellation, and

either

(i) you have sold or agreed to sell the Shares to a person other than a U.S. person (as defined in Regulation S) in accordance with Regulation S, or

(ii) you have sold or agreed to sell the Shares to a "Qualified Institutional Buyer" (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, and will make delivery thereof in the form of Rule 144A GDSs, or

(iii) you (or the person on whose behalf you are acting) will be the beneficial owner of the Shares upon withdrawal and you (or the person on whose behalf you are acting) will at any time during the restricted period sell the Shares only:

(a) to a Qualified Institutional Buyer (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, or

(b) to a person other than a U.S. person (as defined in Regulation S) in accordance with Regulation S; or

(Y) you are a "Qualified Institutional Buyer" (as defined in Rule 144A), you have agreed to acquire the International GDSs in a transaction made in reliance on Rule 144A and you will take all action necessary to cause the Shares to be withdrawn and deposited under the Rule 144A Deposit Agreement for the purpose of receiving Rule 144A GDSs.

VOTING RIGHTS

According to the ROC Company Act, a shareholder's voting rights must, as to all matters brought to a vote of shareholders, be exercised as to all shares held by the shareholder in the same manner, except in the case of an election of directors and supervisors, which may be conducted by means of cumulative voting or other mechanisms adopted in our Articles. Pursuant to the ROC Company Act and our Articles, the election of Directors and Supervisors is by means of cumulative voting. The voting rights of holders of Shares are described in "Description of the Shares — Voting rights".

Except as described below, you generally have no right under the Deposit Agreements to instruct the Depositary to exercise the voting rights for the Shares represented by your GDSs. Instead, by accepting GDSs or any beneficial interest in GDSs, you will be deemed to have authorized and directed the Depositary to appoint our Chairman or his or her designee to represent you at our shareholders' meeting and to vote the Shares deposited with the Custodian according to the terms of the applicable Deposit Agreement.

The Depositary will mail to you any notice of shareholders' meeting received from us together with information explaining how to instruct the Depositary to exercise the voting rights of the securities represented by GDSs.

If we fail to timely provide the Depositary with an English language translation of our notice of meeting or other materials related to any meeting of owners of Shares, the Depositary will endeavor to cause all the Share represented by GDRs to be present at the applicable meeting, insofar as practicable and permitted under applicable law, but will not cause those securities to be voted.

If the Depositary timely receives voting instructions from holders of at least 51.0% of the outstanding GDSs to vote in the same direction regarding one or more resolutions to be considered at the meeting, including the election of directors and supervisors, the Depositary will notify our Chairman or his/her designee of the instructions to attend the meeting and vote all the securities represented by the holders' GDSs in accordance with the direction received from holders of at least 51.0% of the outstanding GDSs.

If we have timely provided the Depositary with the materials described in the applicable Deposit Agreement and the Depositary has not timely received instructions from holders of at least 51.0% of the outstanding GDSs to vote in the same direction regarding any resolution to be considered at the meeting, including the election of directors and supervisors, then, you will be deemed to have authorized and directed the Depositary to give a discretionary proxy to our Chairman or his/her designee to attend and vote at the meeting the Shares represented by your GDSs in any manner our Chairman or his/her designee may wish, which may not be in the interests of holders.

As a GDS holder, you will not be able to exercise cumulative voting rights on an individual basis in the elections of directors and supervisors under the Deposit Agreements. Instead, if at least 51.0% of the votes represented by outstanding GDSs are cast for particular Directors or Supervisors in an election, the Depositary shall, subject to the terms of the Deposit Agreements, instruct all of the Shares underlying the outstanding GDSs to be voted in favor of such Directors and Supervisors. If less than 51.0% of all votes represented by outstanding GDSs are cast for particular Directors or Supervisors, the Depositary shall, subject to the terms of the Deposit Agreements, authorize the Chairman or his/her designee to vote all the Shares on deposit in his or her discretion.

To the extent practicable, candidates standing for election as representatives of a shareholder may be replaced by the shareholder before the meeting of shareholders, and the votes cast by the holders for these candidates will be counted as votes for their replacements.

By accepting and continuing to hold GDSs or any interest therein, a holder will be deemed to have agreed to the voting provisions set forth in the applicable Deposit Agreement, as such provisions may be amended from time to time to comply with applicable ROC law.

Please note that the ability of the Depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the Depositary in a timely manner.

FEES AND CHARGES

As a GDS holder, you will be required to pay the following service fees to the Depositary:

Service	Fees
• Issuance of GDSs	Up to 5¢ per GDS issued
• Cancellation of GDSs	Up to 5¢ per GDS canceled
• Distribution of cash dividends or other cash distributions	Up to 2¢ per GDS held
• Distribution of GDSs pursuant to stock dividends, free stock distributions or exercise of rights	Up to 5¢ per GDS issued
• Distribution of securities other than GDSs or rights to purchase additional GDSs	Up to 5¢ per Share (or Share equivalent) distributed
• Annual Depositary Services Fee	Annually up to 2¢ per GDS held at the end of each calendar year except to the extent of any cash dividend fee charged during such calendar year
• Transfer of GDRs	$1.50 per certificate presented for transfer

As a GDS holder you will also be responsible for certain fees and expenses incurred by the Depositary and certain taxes and governmental charges such as:

- fees for the transfer and registration of Shares charged by the registrar and transfer agent for the Shares in the ROC (i.e., upon deposit and withdrawal of Shares);
- expenses incurred for converting foreign currency into US dollars;
- expenses for cable, telex and fax transmissions and for delivery of securities;
- fees and expenses incurred in connection with compliance with exchange control and other regulatory requirements applicable to Shares, GDSs and GDRs; and
- fees and expenses incurred in connection with the delivery or servicing of Shares on deposit.

We have agreed to pay certain other charges and expenses of the Depositary. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the Depositary. You will receive prior notice of such changes.

AMENDMENTS AND TERMINATION

We may agree with the Depositary to modify the Deposit Agreements at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the Deposit Agreements. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the GDSs to be registered under the Securities Act or to be settled solely in electronic book-entry form and do not, in either case impose or increase the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the Deposit Agreements if you continue to hold your GDSs after the modifications to the applicable Deposit Agreements become effective. The Deposit Agreements cannot be amended to prevent you from withdrawing the Shares represented by your GDSs (except as permitted by law).

We have the right to direct the Depositary to terminate the Deposit Agreements. Similarly, the Depositary may in certain circumstances on its own initiative terminate the Deposit Agreements. In either case, the Depositary must give notice to the holders at least 30 days before termination.

Upon termination, the following will occur under the Deposit Agreements:

- for a period of six months after termination, you will be able to request the cancellation of your GDSs and the withdrawal of the Shares represented by your GDSs and the delivery of all other property held by the Depositary in respect of those Shares on the same terms as prior to the termination. During such six-month period the Depositary will continue to collect all distributions received on the Shares on deposit (i.e., dividends) but will not distribute any such property to you until you request the cancellation of your GDSs.
- after the expiration of such six-month period, the Depositary may sell the securities held on deposit. The Depositary will hold the proceeds from such sale and any other funds then held for the holders of GDSs in a non-interest bearing account. At that point, the Depositary will have no further obligations to holders other than to account for the funds then held for the holders of GDSs still outstanding.

BOOKS OF DEPOSITARY

The Depositary will maintain GDS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the GDSs and the Deposit Agreements.

The Depositary will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of GDRs. These facilities may be closed from time to time, to the extent not prohibited by law.

LIMITATIONS ON OBLIGATIONS AND LIABILITIES

The Deposit Agreements limit our obligations and the Depositary's obligations to you. Please note the following.

- We and the Depositary are obligated only to take the actions specifically stated in the Deposit Agreements without negligence or bad faith.

- The Depositary disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the Deposit Agreements.
- The Depositary disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in Shares, for the validity or worth of the Shares, for any tax consequences that result from the ownership of GDSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the Deposit Agreements, for the timeliness of any of our notices, for our failure to give notice or for any failure to list the Shares.
- We and the Depositary will not be obligated to perform any act that is inconsistent with the terms of the Deposit Agreements.
- We and the Depositary disclaim any liability if we are prevented or forbidden from acting on account of any law or regulation, any provision of our Articles of Incorporation, any provision of any securities on deposit or by reason of any act of God or war or other circumstances beyond our control.
- We and the Depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for the Deposit Agreements or in our Articles of Association or in any provisions of securities on deposit.
- We and the Depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Shares for deposit, any holder of GDSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the Depositary also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit which is made available to holders of Shares but is not, under the terms of the Deposit Agreements, made available to you.
- We and the Depositary may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the Depositary also disclaim any liability for consequential or punitive damages for any breach of the terms of the applicable Deposit Agreements.

PRE-RELEASE TRANSACTIONS

The Depositary may, in certain circumstances, issue GDSs before receiving a deposit of Shares or release Shares before receiving GDSs for cancellation. These transactions are commonly referred to as “pre-release transactions”. The Deposit Agreements limit the aggregate size of pre-release transactions and impose a number of conditions on such transactions (i.e., the need to receive collateral, the type of collateral required, the representations required from brokers, etc.). The Depositary may retain the compensation received from the pre-release transactions.

TAXES

You will be responsible for the taxes and other governmental charges payable on the GDSs and the securities represented by the GDSs. We, the Depositary and the Custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The Depositary may refuse to issue GDSs, to deliver, transfer, split and combine GDRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The Depositary and the Custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the Depositary and to the Custodian proof of taxpayer status and residence and such other information as the Depositary and the Custodian may require to fulfill legal obligations. You are required to indemnify us, the Depositary and the Custodian for any claims with respect to taxes based on any tax benefit obtained for you.

FOREIGN CURRENCY CONVERSION

The Depositary will arrange for the conversion of all foreign currency received into US dollars if such conversion is practicable, and it will distribute the US dollars in accordance with the terms of the Deposit Agreements. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practicable or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the Depositary may take the following actions in its discretion:

- convert the foreign currency to the extent practicable and lawful and distribute the US dollars to the holders for whom the conversion and distribution is lawful and practicable;
- distribute the foreign currency to holders for whom the distribution is lawful and practicable; or
- hold the foreign currency (without liability for interest) for the applicable holders.

LEGENDS

The International GDRs issued to represent the International GDSs offered for sale herein shall contain, and all owners of International GDSs shall be bound by the terms of a legend substantially to the following effect:

NEITHER THIS INTERNATIONAL GDR, NOR THE INTERNATIONAL GDSs EVIDENCED HEREBY, NOR THE SHARES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS INTERNATIONAL GDR, THE INTERNATIONAL GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY EACH IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS INTERNATIONAL GDR AND THE INTERNATIONAL GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH INTERNATIONAL GDR, THE INTERNATIONAL GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS INTERNATIONAL GDR, THE INTERNATIONAL GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND, PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD (DEFINED AS 40 DAYS AFTER THE LATER OF (I) THE COMMENCEMENT OF THE OFFERINGS OF (A) INTERNATIONAL GDSs OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S AND ANY OTHER APPLICABLE LAW IN TRANSACTIONS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, (B) RULE 144A GDSs IN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS AND (C) SHARES IN THE ROC IN RELIANCE ON REGULATION S, AND (II) THE FINAL CLOSING DATE WITH RESPECT TO THE INTERNATIONAL GDSs) ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; PROVIDED THAT IN CONNECTION WITH ANY TRANSFER UNDER (2) ABOVE, THE TRANSFEROR SHALL, PRIOR TO THE SETTLEMENT OF SUCH SALE, WITHDRAW THE SHARES IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE INTERNATIONAL DEPOSIT AGREEMENT AND INSTRUCT THAT SUCH SHARES BE DELIVERED TO THE CUSTODIAN UNDER THE RULE 144A DEPOSIT AGREEMENT FOR ISSUANCE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS THEREOF, OF RULE 144A GLOBAL DEPOSITARY SHARES TO OR FOR THE ACCOUNT OF SUCH QUALIFIED INSTITUTIONAL BUYER.

UPON THE EXPIRATION OF THE RESTRICTED PERIOD, THIS INTERNATIONAL GDR, THE INTERNATIONAL GDSs EVIDENCED HEREBY AND THE COMMON SHARES SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, PROVIDED THAT

AT THE TIME OF SUCH EXPIRATION THE OFFER AND SALE OF THE INTERNATIONAL GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY BY THE HOLDER THEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE, TERRITORY OR POSSESSION OF THE UNITED STATES.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS INTERNATIONAL GDR OR A BENEFICIAL INTEREST IN THE INTERNATIONAL GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

The Rule 144A GDRs which represent the Rule 144A GDSs contain, and all owners of Rule 144A GDSs are bound by the terms of a legend substantially to the following effect:

NEITHER THIS RULE 144A GDR, NOR THE RULE 144A GDSs EVIDENCED HEREBY, NOR THE SHARES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS RULE 144A GDR AND THE RULE 144A GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS RULE 144A GDR OR A BENEFICIAL INTEREST IN THE RULE 144A GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

THE BENEFICIAL OWNER OF COMMON SHARES RECEIVED UPON CANCELLATION OF ANY RULE 144A GDS MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SHARES INTO ANY DEPOSITARY RECEIPT FACILITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SHARES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE SHARES OR THE RULE 144A GDSs.

Description of share capital

Set forth below is certain information relating to our share capital, including brief summaries of certain provisions of our Articles of Incorporation, the ROC Securities and Exchange Law, the regulations promulgated under the ROC Securities and Exchange Law and the ROC Company Act as at the date of this Offering Circular.

GENERAL

We were incorporated on May 30, 2001 as a company limited by shares under the ROC Company Act. Our authorized and paid-in share capital as of December 31, 2008 was NT$20,000,000,000 and NT$15,166,367,090 respectively, divided into 2,000,000,000 and 1,516,636,709 Shares, respectively, of which 105,000,000 Shares have been reserved for issuance in connection with the employee stock options. In the general shareholders' meeting to be held on June 23, 2009, a proposal will be presented to our shareholders to increase authorized capital to NT$25,000,000,000 consisting of 2,500,000,000 Shares or preferred shares of NT$10 par value per share, which may be issued upon the terms as approved by our board of directors. Our Articles of Incorporation currently do not permit the issuance of preference shares but a proposal will also be presented to our Shareholders in the general shareholders' meeting to be held on June 23, 2009 granting the authorization to issue up to 150,000,000 Series A preferred Shares. All of our issued and outstanding Shares are fully paid and in registered form.

DIVIDENDS AND DISTRIBUTIONS

Except in limited circumstances, the ROC Company Act does not permit us to distribute dividends or make any other distributions to shareholders in respect of any year in which we did not record net income. The ROC Company Act also requires that 10% of our annual net income, after deduction of prior years' losses and any gains on the disposal of properties, must be set aside as a legal reserve until the accumulated legal reserve equals our paid-in capital. In addition, our Articles of Incorporation require that a minimum of 5% of our annual net income (after adjustment for losses incurred in prior years and deduction of the legal reserve) must be paid to employees as bonuses and that 1% of our annual net income (after adjustment for losses incurred in prior years and deduction of the legal reserve) may be paid in cash to the directors and supervisors as remuneration. See "Dividends and dividend policy".

At the annual general meeting of our shareholders, our board of directors submits to our shareholders for their approval our financial statements for the preceding fiscal year and any proposal for the distribution of dividends or the making of any other distribution to shareholders from our net income (subject to compliance with the requirements mentioned above) for the preceding fiscal year. Except for Series A preferred shares (if any), all Shares issued and outstanding and fully paid as of the relevant record date are entitled to share equally in any dividend or other distribution approved by the shareholders. Dividends may be distributed in cash, in the form of Shares or a combination of cash and Shares, as determined by our shareholders at the annual general meeting. In addition to the approval by our shareholders, approval from the relevant government authorities in the ROC and compliance with applicable ROC laws are required before we can issue any new shares as stock dividend or employee stock bonus.

In addition to permitting dividends to be paid out of net income, the ROC Company Act also permits us to make distributions to our shareholders of additional Shares by capitalizing our reserves (including the legal reserve, any special reserves and capital surpluses). However, the capitalized portion payable out of our legal reserve is limited to 50% of the total accumulated legal reserve and the capitalization of the legal reserve can only be effected when the accumulated legal reserve exceeds 50% of our paid-in capital.

Cash dividends which are unclaimed for a period of five years from the date of the relevant notice of distribution may no longer be claimed. Such unclaimed cash dividends will, upon expiry of such five-year period, become our property. However, stock dividends are not subject to any prescription period under ROC law. Thus, uncollected stock dividends will remain in our safekeeping and continue to be claimable by the relevant shareholders.

For information on the dividend paid by us in recent years, see "Dividends and dividend policy". For information as to ROC taxes on dividends and other distributions, see "Taxation — ROC taxation".

CHANGES IN SHARE CAPITAL AND PRE-EMPTIVE RIGHTS

The ROC Company Act and the ROC Securities and Exchange Law provide that any change in the authorized share capital of a company limited by shares, such as ours, requires an amendment to the company's articles of incorporation approved by the shareholders at a shareholders' meeting. In addition, for a public company such as ours, the approval of the ROC FSC is required if the paid-in capital is increased. Approval of the Hsinchu Science Park Administration is also required for changes to our authorized and paid-in share capital. Our authorized but unissued Shares may be issued at such times and, subject to the provisions of the ROC Company Act and the ROC Securities and Exchange Law mentioned below, upon such terms as our board of directors may determine.

Under the ROC Company Act, when we issue new Shares for cash, our employees, whether or not they are shareholders, have rights to subscribe for 10% to 15% of the new issue as determined by our board of directors, and our existing shareholders who are listed on our shareholders' register as of the record date have pre-emptive rights to subscribe for the remaining portion of new issue in proportion to their existing shareholdings. Any new Shares that remain unsubscribed by either our existing shareholders or our employees at the end of the subscription period may be offered to the persons selected by the board of directors.

In addition, in accordance with the ROC Securities and Exchange Law, normally a public company such as ours, whose securities are listed on the TSE and that intends to offer new shares for cash, must offer to the public at least 10% of these shares. This percentage may be increased by a resolution passed at our shareholders' meeting, thereby diminishing the number of new Shares subject to the pre-emptive rights of existing shareholders.

MEETINGS OF SHAREHOLDERS

Meetings of our shareholders may be ordinary meetings or extraordinary meetings. Ordinary meetings of our shareholders are generally held in Taipei, Taiwan, within six months following the end of each fiscal year. Extraordinary meetings may be convened by our board of directors by passing a board resolution or by our board of directors upon the written request of any shareholder or shareholders who has or have held 3% or more of our issued and outstanding Shares for a period exceeding one year. Extraordinary meetings of our shareholders may also be convened by a supervisor. Notice in writing of our shareholders' meetings, stating the place, time and purpose of the meeting, must be dispatched to each shareholder of record at least 30 days (in the case of ordinary meetings) and at least 15 days (in the case of extraordinary meetings) prior to the date set for the meeting.

VOTING RIGHTS

The ROC Company Act provides that a shareholder has one vote for each share held, except that the holder of the following shares shall not vote or exercise voting rights:

(1) the shares held by the company;

(2) the shares of a controlling company held by the controlled company whereby the controlling company holds more than half of the outstanding voting shares or total capital of such controlled company; and

(3) the shares of a controlling company and its controlled company held by a third company where the controlling company and the controlled company hold, directly and indirectly, in the aggregate, more than half of the outstanding voting shares or total capital of such third company.

There is cumulative voting for the election of directors and supervisors. Ballots for the election of directors are cast separately from those for the election of supervisors. Candidates for the election of directors and supervisors are nominated by our shareholders at our shareholders' meeting at which ballots for the election are cast. It is customary practice in the ROC for a company to provide its shareholders and their proxies attending a shareholders' meeting with a list of candidates proposed by the company for election as directors and supervisors. The list of candidates we propose may differ from the list of nominated candidates to be voted on at our shareholders' meeting since our shareholders may nominate other candidates for election. Except as otherwise provided by law, a resolution can be adopted by the holders of at least a majority of the Shares represented at our shareholders' meeting at which the holders of a majority of all issued and outstanding Shares are present. Under the ROC Company Act, however, to approve certain major corporate actions, including any amendment to the articles of incorporation (which is required, among other things, for any increase in the authorized share capital), the dissolution or amalgamation of a company, the transfer of the whole or an important part of a company's business, the taking over of the whole of the business of another company, or the distribution of any stock dividend, a meeting of the shareholders must be convened with a quorum of holders of at least two-thirds of all issued and outstanding shares at which the shareholders of at least a majority of the shares represented at the meeting vote in favor of the corporate action. Alternatively, the ROC Company Act provides that in the case of a public company, such as ours, a resolution to approve these major corporate actions may be adopted by the holders of at least two-thirds of the shares represented at a meeting of shareholders at which holders of at least a majority of issued and outstanding shares are present.

A shareholder may be represented at our ordinary or extraordinary meetings by proxy if a valid proxy form is delivered to us at least five days prior to the commencement of the ordinary or extraordinary meeting.

Voting rights attached to our Shares that are exercised by our shareholders' proxy shall be subject to ROC proxy regulations.

Any shareholder who has a personal interest in a matter to be discussed at our shareholders' meeting, the outcome of which may impair our interests, shall not vote or exercise voting rights nor vote or exercise voting rights on behalf of another shareholder on such matter.

REGISTER OF SHAREHOLDERS AND RECORD DATES

We maintain our own share register at our offices at 7Fl., No.137, Section 2, Jianguo N. Road, Taipei, Taiwan, ROC, and enter transfers of our Shares in our share register upon presentation of, among other documents, certificates in respect of the Shares transferred.

Under the ROC Company Act and our Articles of Incorporation, we may, by giving advance public notice, set a record date and/or close our share register for a specified period (60 days, 30 days and five days, respectively, immediately before each ordinary meeting of shareholders, extraordinary meeting of shareholders and the relevant record date) in order for us to determine the shareholders that are entitled to certain rights pertaining to the Shares.

OTHER RIGHTS OF SHAREHOLDERS

Under the ROC Company Act, dissenting shareholders are entitled to appraisal rights in certain major corporate actions such as a proposed amalgamation by the company. A dissenting shareholder may request the company to redeem all of the shares owned by the shareholder at a fair price determined by mutual agreement or determined by a court order if an agreement cannot be reached. Shareholders may exercise their appraisal rights by serving written notice on the company prior to the related shareholders' meeting or by raising and registering an objection at the shareholders' meeting. In addition to appraisal rights, shareholders have the right to sue for the annulment of any resolution adopted at a shareholders' meeting where the procedures or the method of resolution were legally defective within 30 days from the date on which a shareholders' resolution is adopted. One or more shareholders who have held more than 3% of the issued and outstanding shares of a company for more than one year may require a supervisor to bring a derivative action on behalf of the company against a director as a result of the director's unlawful actions or failure to act. In addition, one or more shareholders who have held more than 3% of the issued and outstanding shares of a company for more than one year may require the board of directors to convene an extraordinary shareholders' meeting by sending a written request to the board of directors.

FINANCIAL STATEMENTS

For a period of at least 10 days prior to our annual shareholders' meeting, our annual financial statements must be available at our principal office in Hsinchu and our share registrar in Taipei for inspection by our shareholders.

TRANSFER OF SHARES

Under the ROC Company Act, the transfer of shares is effected by endorsement and delivery of the related share certificates. However, in order to exercise his shareholder's rights, a transferee of our Shares must have his name and address registered on our share register. Our shareholders are also required to file their respective specimen seals with us. The settlement of trading of Shares on the TSE is carried out on the book-entry system maintained by Taiwan Securities Central Depositary Co. Ltd.

ACQUISITION OF SHARES BY THE COMPANY

With limited exceptions, we may not acquire our Shares under the ROC Company Act and any Shares we acquire under these exceptions must be sold at the current market price within six months after our acquisition of the Shares.

In addition, under an amendment to the Securities and Exchange Law, which took effect on July 21, 2000, we may, by a board resolution adopted by majority consent at a meeting with two-thirds of our directors present, purchase our Shares on the TSE or by a tender offer, in accordance with the procedures prescribed by the ROC FSC, for the following purposes:

(1) to transfer Shares to our employees;

(2) to transfer Shares that are issuable upon conversion of bonds with warrants, preferred shares with warrants, convertible bonds, convertible preferred shares or certificates of warrants (collectively, the "convertible securities") issued by us; and

(3) if necessary, to maintain our credit and our shareholders' equity; provided that the Shares so purchased shall be cancelled thereafter.

Shares purchased pursuant to items 1 and 2 above shall be transferred to our employees or holders of convertible securities, as the case may be, within three years after the date of such purchase. Shares purchased pursuant to item 3 above shall be cancelled within six months after the date of such purchase.

We are not allowed to purchase more than 10% of our total issued and outstanding Shares. In addition, we may not spend more than the aggregate amount of the retained earnings, the premium from issuing stock and the realized portion of the capital reserve to purchase our Shares.

We may not pledge or hypothecate any purchased Shares. In addition, we may not exercise any shareholders' rights attaching to such Shares. In the event that we purchase our Shares on the TSE, our affiliates, directors, supervisors, managers and their respective spouses and minor children and/or nominees are prohibited from selling any of our Shares during the period in which we purchase our Shares.

According to the ROC Company Act, as amended and effective from November 14, 2001, an entity, referred to as a controlled entity, in which we directly or indirectly own more than 50% of the voting shares or paid-in capital, may not purchase our Shares. Also, if we and a controlled entity jointly own, directly or indirectly, more than 50% of the voting shares or paid-in capital of another entity, referred to as a third party, the third party may not purchase shares in either us or a controlled entity. This restriction does not, however, affect any of our Shares acquired by a controlled entity or a third-party entity prior to November 14, 2001.

Our board approved a share buy-back program on June 16, 2006 and bought 20,000,000 Shares, out of which 89,000 shares were transferred to employees and of which the balance was cancelled as of December 19, 2006.

LIQUIDATION RIGHTS

In the event of our liquidation, the assets remaining after payment of all our debts, liquidation expenses and taxes will be distributed pro rata to our shareholders in accordance with the ROC Company Act.

TRANSFER RESTRICTIONS

The ROC Securities and Exchange Law (i) requires each director, supervisor, manager or shareholder holding 10% or more of the shares of a public company to report any changes in that person's shareholding to the company and (ii) limits the number of shares that can be sold or transferred on the TSE or on the GTSM by that person per day, subject to certain exemptions. The number of common shares that can be sold or transferred on the TSE by any such person per day is, subject to certain exemptions, either (i) for a company with no more than 30 million outstanding common shares, 0.2% of the outstanding common shares of the company; for a company with more than 30 million outstanding common shares, the aggregate amount of 0.2% of the 30 million common shares plus 0.1% of the outstanding shares exceeding 30 million common shares, or (ii) 5.0% of the average trading volume (number of common shares) on the TSE for the 10 consecutive trading days preceding the reporting day on which the director, supervisor, manager or a 10% shareholder reports the intended share transfer to the SFC.

Transfer restrictions

Terms used in this discussion that are defined in Rule 144A or Regulation S are used in this discussion as defined in Rule 144A or Regulation S, as the case may be.

Except in certain limited circumstances, interests in the GDSs may only be held through holding interests in the Master GDRs. Interests in the Master GDRs will be shown on, and transfers of interests in the Master GDRs will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

TRANSFER RESTRICTIONS ON THE RULE 144A GDSs

Each owner of an interest in the Rule 144A GDSs will, by its acceptance of that interest, be deemed to have acknowledged, represented and agreed that:

(1) the Rule 144A GDSs and the underlying Shares have not been, and are not expected to be registered under the Securities Act or with any securities regulatory authority of any State of the United States and are subject to significant restrictions on transfer;

(2) the owner is (i) a QIB acquiring the Rule 144A GDSs for its own account, for the accounts of one or more QIBs with respect to which account it exercises sole investment discretion, and the owner is aware that the transferor of those securities is relying on the exemption from registration under the Securities Act provided by Rule 144A for the transfer, or (ii) a person other than a "U.S. person" (as defined in Regulation S) located outside the United States (as defined in Regulation S);

(3) the owner will not offer, sell, pledge or otherwise transfer any interest in the Rule 144A GDSs and underlying Shares except:

    (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB;

    (b) to a person other than a "U.S. person" (as defined in Regulation S) located outside the United States (as defined in Regulation S);

    (c) pursuant to an effective registration statement under the Securities Act; or

    (d) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), in each case in accordance with any applicable securities laws of any State of the United States.

(4) the Rule 144A GDR(s), issued to represent the Rule 144A GDSs bear a legend to the following effect, unless the Depositary and we determine otherwise in compliance with applicable law, and that it will observe the restrictions set forth below:

NEITHER THIS RULE 144A GDR, NOR THE RULE 144A GDSs EVIDENCED HEREBY, NOR THE SHARES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS RULE 144A GDR AND THE RULE 144A GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY

BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS RULE 144A GDR OR A BENEFICIAL INTEREST IN THE RULE 144A GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

THE BENEFICIAL OWNER OF SHARES RECEIVED UPON CANCELLATION OF ANY RULE 144A GDS MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SHARES INTO ANY DEPOSITARY RECEIPT FACILITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SHARES ARE “RESTRICTED SECURITIES” WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE SHARES OR THE RULE 144A GDSs.

(5) before any beneficial interest in the Rule 144A GDSs may be sold or otherwise transferred to a person who takes delivery in the form of a beneficial interest in the International GDSs, the transferee and the transferor will be required to provide a written certification, as described below in “Other provisions regarding transfer of the GDSs”;

(6) any resale or other transfer, or attempted resale or other transfer, of the Rule 144A GDSs made other than in compliance with the above stated restrictions will not be recognized by us or the Depositary in respect of the Rule 144A GDSs;

(7) we, the Depositary, the registrar, the Purchasers and their affiliates, and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any GDSs for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the GDSs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

TRANSFER RESTRICTIONS ON THE INTERNATIONAL GDSs

Each owner of an interest in the International GDSs will, by its acceptance of that interest, be deemed to have acknowledged, represented and agreed that:

(1) the International GDSs and the underlying Shares have not been, and are not expected to be, registered under the Securities Act or with any securities regulatory authority of any State of the United States;

(2) the owner acquiring the International GDSs is a not a “U.S. person” (as defined in Regulation S) and is located outside the United States (as defined in Regulation S) and acquired International GDSs in a transaction meeting the requirements of Regulation S;

(3) the owner will not offer, sell, pledge or otherwise transfer any interest in the International GDSs and underlying Shares except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB, or (b) outside the United States to a person other than a U.S. person (as such terms are defined in Regulation S) in accordance with Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;

(4) the International GDR(s), issued to represent the International GDSs offered for sale herein, will bear a legend to the following effect, unless the Depositary and we determine otherwise in compliance with applicable law, and that it will observe the restrictions set forth below:

NEITHER THIS INTERNATIONAL GDR, NOR THE INTERNATIONAL GDSs EVIDENCED HEREBY, NOR THE SHARES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH

ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS INTERNATIONAL GDR, THE INTERNATIONAL GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY IS EACH SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS INTERNATIONAL GDR AND THE INTERNATIONAL GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH INTERNATIONAL GDR, THE INTERNATIONAL GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS INTERNATIONAL GDR, THE INTERNATIONAL GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND, PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD (DEFINED AS 40 DAYS AFTER THE LATER OF (I) THE COMMENCEMENT OF THE OFFERINGS OF (A) INTERNATIONAL GDSs OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S AND ANY OTHER APPLICABLE LAW IN TRANSACTIONS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, (B) RULE 144A GDSs IN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS AND(C) SHARES IN THE ROC IN RELIANCE ON REGULATION S AND (II) THE FINAL CLOSING DATE WITH RESPECT TO THE INTERNATIONAL GDSs) ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; PROVIDED THAT IN CONNECTION WITH ANY TRANSFER UNDER (2) ABOVE, THE TRANSFEROR SHALL, PRIOR TO THE SETTLEMENT OF SUCH SALE, WITHDRAW THE SHARES IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE INTERNATIONAL DEPOSIT AGREEMENT AND INSTRUCT THAT SUCH SHARES BE DELIVERED TO THE CUSTODIAN UNDER THE RULE 144A DEPOSIT AGREEMENT FOR ISSUANCE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS THEREOF, OF RULE 144A GLOBAL DEPOSITARY SHARES TO OR FOR THE ACCOUNT OF SUCH QUALIFIED INSTITUTIONAL BUYER. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS INTERNATIONAL GDR OR A BENEFICIAL INTEREST IN THE INTERNATIONAL GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

UPON THE EXPIRATION OF THE RESTRICTED PERIOD, THIS INTERNATIONAL GDR, THE INTERNATIONAL GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION THE OFFER AND SALE OF THE INTERNATIONAL GDSs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY BY THE HOLDER THEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE, TERRITORY OR POSSESSION OF THE UNITED STATES.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS INTERNATIONAL GDR OR A BENEFICIAL INTEREST IN THE INTERNATIONAL GDSs EVIDENCED HEREBY, AS THE CASE MAYBE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

(5) we, the Depositary, the registrar, the Purchasers and their affiliates, and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements;

(6) any resale or other transfer, or attempted resale or other transfer, of the International GDSs made other than in compliance with the above-stated restrictions will not be recognized by us or the Depositary in respect of the International GDSs.

OTHER PROVISIONS REGARDING TRANSFER OF THE GDSs

The above legends and the certifications as further described in the Deposit Agreements and this Offering Circular prohibit or restrict certain transfers as summarized below. Interests in GDSs evidenced by the Master Rule 144A GDR may be transferred to a person whose interests in those GDSs are subsequently represented by the Master International GDR only upon receipt by the Depositary of written certifications from the transferor and the transferee to the effect that the transfer is being made in accordance with Regulation S and subject to the terms and any further representations as may be required by the Deposit Agreements. Any interest in GDSs evidenced by one of the two Master GDRs that is transferred to a person whose interest in those GDSs is subsequently evidenced by an interest in the other Master GDR will, upon transfer, cease to be an interest in the GDSs evidenced by that first Master GDR and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to interests in GDSs evidenced by that other Master GDR for so long as it remains.

Except in the limited circumstances described in the Deposit Agreements and this Offering Circular, no person will be entitled to receive physical delivery of definitive GDRs. The GDRs are not issuable in bearer form.

We will not recognize any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions.

Clearance and settlement

Ownership of GDSs evidenced by the two Master GDRs will be limited to DTC participants or persons who hold interests through DTC participants. Ownership of such GDSs will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and DTC participants, including Euroclear and Clearstream, Luxembourg (with respect to interests of persons other than DTC participants). Transfer of GDSs will settle in same-day funds.

So long as DTC, or its nominee, is the registered holder of the two Master GDRs, DTC or such nominee, as the case may be, will be considered the holder of the GDSs evidenced thereby for all purposes under the Deposit Agreements. In addition, no owner of an interest in the GDSs evidenced by the two Master GDRs will be able to transfer that interest except in accordance with DTC's applicable procedures or, if applicable, the procedures of Euroclear or Clearstream, Luxembourg. Clearstream, Luxembourg has advised that it will not accept transfers by U.S. persons.

So long as the GDSs are represented by the two Master GDRs registered in the name of DTC or its nominee, the GDSs will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in the GDSs will be required by DTC to settle in immediately available funds.

Transfers between DTC participants will be effected through DTC. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in GDSs evidenced by the two Master GDRs to such persons may not be possible. As DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in GDSs evidenced by the two Master GDRs to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be affected by the lack of individual definitive GDRs evidencing such interest. Transfers between accountholders in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the GDSs described above, cross-market transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected through DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depository. However, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving GDSs, as the case may be, and making or receiving payment in accordance with normal procedures for settlement applicable to DTC. Euroclear and Clearstream, Luxembourg accountholders may not deliver instructions directly to the depositories for Euroclear or Clearstream, Luxembourg.

Due to time zone differences, the securities of a Euroclear or Clearstream, Luxembourg accountholder purchasing an interest in a security from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, Luxembourg, as the case may be) immediately following DTC settlement date, and such credit of any transactions in interests in such securities settled during such processing day will be reported to the relevant Euroclear or Clearstream, Luxembourg accountholder on such day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in securities by or through a Euroclear or Clearstream, Luxembourg accountholder to a DTC participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in DTC.

DTC has advised us that it will take any action permitted to be taken by an owner of GDSs only at the discretion of one or more DTC participants to whose account or accounts with DTC interests in the GDSs evidenced by the two Master GDRs are credited and only in respect of such portion of the number of GDSs as to which such DTC participant or DTC participants has or have given such direction. Owners of indirect interests in securities evidenced by the two Master GDRs through DTC participants have no direct rights to enforce such interests while the securities are in global form.

DTC has advised us that it is a limited purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934, as amended. DTC holds securities for its participants and facilitates the settlement of securities transactions, such as transfers and pledges, between its participants through electronic computerized book-entry changes in its participants' accounts, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system also is available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a direct participant either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate the transfer of interests in the two Master GDRs among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. Neither we, the Depositary, the Custodian nor any of our or their agents will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective participants of their respective obligations under the rules and procedures governing their operations.

Clearstream, Luxembourg's agreement to accept the GDSs represented by the Master International GDR into the Clearstream, Luxembourg system is made on an exceptional basis and should Clearstream, Luxembourg deem it necessary or appropriate, Clearstream, Luxembourg may at any time require that such GDSs be withdrawn from the Clearstream, Luxembourg system. Clearstream, Luxembourg has advised that it will not accept transfers by U.S. persons.

DTC, Euroclear and Clearstream, Luxembourg will not monitor compliance with any transfer or ownership restrictions.

Foreign investment and exchange controls in the ROC

The information provided in this discussion has been extracted from various government and other publicly available publications that have not been prepared or independently verified by us or the Purchasers in connection with the offering of the GDSs.

FOREIGN INVESTMENT

Historically, foreign investment in the ROC securities markets has been restricted. Since 1983, the ROC government has periodically enacted legislation and adopted regulations to permit foreign investment in the ROC securities market.

On September 30, 2003, the Executive Yuan approved the amendment to Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals (the "Regulations"), which took effect on October 2, 2003. According to the Regulations, the ROC FSC abolished the mechanism of the so-called "qualified foreign institutional investors" and "general foreign investors" as stipulated in the Regulations before the amendment.

Under the Regulations, foreign investors are classified as either "onshore foreign investors" or "offshore foreign investors" according to their respective geographical location. Both onshore and offshore foreign investors are allowed to invest in the ROC securities after they register with the TSE. The Regulations further classify foreign investors into foreign institutional investors and foreign individual investors. "Foreign institutional investors" refer to those investors incorporated and registered in accordance with foreign laws outside of the ROC (i.e., offshore foreign institutional investors) or their branches set up and recognized within the ROC (i.e., onshore foreign institutional investors). Offshore overseas Chinese and foreign individual investors are subject to a maximum investment ceiling that will be separately determined by the ROC FSC after consultation with the CBC. Foreign institutional investors, on the other hand, are not subject to any ceiling for investment in the ROC securities markets.

On April 30, 2009, the FSC promulgated regulations allowing PRC institutional investors that meet the qualifications imposed by PRC financial regulators for Qualified Domestic Institutional Investors ("QDII") and certain other PRC persons (together with the QDII, "Qualified PRC Persons") to invest in securities of ROC companies. However, if the holding of a Qualified PRC Person in a listed company will be more than 10% of the issued and outstanding shares, prior approval from the Investment Commission of the ROC Ministry of Economic Affairs is required.

DEPOSITARY RECEIPTS

In April 1992, ROC companies with securities listed on the TSE were permitted, with the prior approval of the ROC SFB (currently the ROC FSC), to sponsor the issue and sale to foreign investors of depositary receipts. Depositary receipts represent deposited shares of ROC companies. In December 1994, companies whose shares are traded on the GTSM or listed on the TSE were allowed, upon approval of the ROC SFB (currently the ROC FSC), to sponsor the issuance and sale of depositary receipts. On October 24, 2002, the ROC government began allowing public companies that are not listed on the TSE and GTSM to sponsor the issuance and sale of depositary receipts by way of private placement outside the ROC.

In the past, for depositary shares that represented new shares, three months after the issuance of the depositary receipts, a holder of the depositary receipts (other than citizens of the PRC and entities organized under the laws of the PRC) could request the depositary either to cause the underlying shares to be sold in the ROC and to distribute the sale proceeds to the holder or to withdraw from the depositary receipt facility the shares represented by the depositary receipts and transfer the shares to the holder. For depositary shares that represent previously issued and existing shares, a holder of the depositary receipts (other than citizens of the PRC and entities organized under the laws of the PRC) could, immediately after the issuance of the depositary receipts, request the depositary either to cause the underlying shares to be sold in the ROC and to distribute the sale proceeds to the holder or to withdraw from the depositary receipt facility the shares represented by the depositary receipts and transfer the shares to the holder. In 2003, the Executive Yuan and the ROC FSC amended the relevant regulations such that the three-month withdrawal restriction has been removed. Accordingly, a holder of depositary receipts (other than citizens of the PRC and entities organized under the laws of the PRC) may now withdraw shares after the issuance of the depositary receipts representing new shares to the extent permitted under the deposit agreement (in practice, typically four to seven business days thereafter).

Under existing laws and regulations relating to foreign exchange control, a depositary or a holder of depositary receipts may, without obtaining further approvals from the CBC or any other governmental authority or agency of the ROC, convert NT dollars into other currencies, including US dollars, in respect of the following: proceeds of the sale of shares represented by depositary receipts, proceeds of the sale of shares received as stock dividends and deposited into the depositary receipt facility and any cash dividends or cash distributions received in respect of the shares represented by depositary receipts. In addition, a depositary, also without any of these approvals, may convert inward remittances of payments into NT dollars for purchases of underlying shares for deposit into the depositary receipt facility against the creation of additional depositary receipts. A depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into other currencies relating to the sale of subscription rights for new shares if proceeds exceed US$100,000 per remittance. Proceeds from the sale of any underlying shares by holders of depositary receipts withdrawn from the depositary receipt facility may be converted into other currencies without obtaining CBC approval. Proceeds from the sale of the underlying shares withdrawn from the depositary receipt facility may be used for reinvestment in the TSE or the Gre Tai Securities Market.

Under current ROC laws, a non-ROC holder of depositary receipts, when withdrawing the depositary receipts, will be required to register with the TSE and appoint a local agent (with such qualifications as are set by the Regulations) to open a securities trading account with a local brokerage firm, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such holder of depositary receipts on behalf of and as an agent for such holder of depositary receipts. If a GDR holder is already a registered foreign investor, the common shares held in the special securities trading account that the GDR holder has already opened for withdrawing the shares represented by the GDRs can be transferred into the general securities trading account upon filing an application with the appropriate government agency. Any such holder of depositary receipts is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. Without making this appointment, opening these accounts and registering with the TSE, the withdrawing holder would be unable to subsequently hold or sell the shares withdrawn from a depositary receipt facility on the TSE or otherwise. In addition, such holder of depositary receipts is required to appoint a tax guarantor for filing tax returns and making tax payments.

OTHER FOREIGN INVESTMENT

In addition to investments permitted under the Regulations, foreign investors (other than foreign investors who have registered with the TSE for making investments in the ROC securities markets) who wish to make direct investments in the shares of ROC companies are required to submit a Foreign Investment Approval application to the Investment Commission of the ROC Ministry of Economic Affairs or other government authority. The Investment Commission or such other government authority reviews each Foreign Investment Approval application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the ROC FSC).

Under current law, any non-ROC person possessing a Foreign Investment Approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment may be repatriated upon submitting certain required documents to the remitting bank, and investment capital and capital gains attributable to such investment may be repatriated after approvals of the Investment Commission or other authorities have been obtained.

In addition to the general restriction against direct investment by non-ROC persons in securities of ROC companies, non-ROC persons (except in certain limited cases) are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List, as amended by the Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain industries are restricted so that non-ROC persons (except in certain limited cases) may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement.

In addition, under ROC laws, a PRC person must meet certain qualification criteria set by the FSC in order to hold the GDSs or the Shares and if the aggregate ownership of the Shares will, immediately following the withdrawal, be more than 10% of the total number of the Shares outstanding, such qualified PRC person is required to obtain the prior approval from the ROC government authorities. Failure to meet such criteria by a PRC person or failure to obtain prior approval will preclude the PRC person from making the withdrawal. There is no assurance that such approval can be obtained in a timely manner or at all.

EXCHANGE CONTROLS

The Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated to handle such business by the MOF and by the CBC. Current regulations favor trade-related foreign exchange transactions and Foreign Investment Approval investments. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters, and all foreign currency needed for the importation of merchandise and services may be purchased freely from the designated foreign exchange banks.

Aside from trade-related foreign exchange transactions, ROC companies and residents may remit to and from ROC companies by filing a declaration with the bank for any remittance exceeding NT$500,000 for an ROC resident or an ROC corporate entity. However, prior approval from the CBC would be required if remittances exceed US$50.0 million (or its equivalent) for an ROC company and US$5.0 million (or its equivalent) for an ROC resident respectively in each calendar year. Furthermore, any remittance of foreign currency into the ROC by an ROC company or resident individual in a year will be offset by the amount remitted out of the ROC by the company or individual (as applicable) within its annual quota and will not use up its annual inward remittance quota to the extent of such offset. The above limits apply to remittances involving a conversion of NT dollars to a foreign currency and vice versa. A requirement is also imposed on all enterprises to register medium and long-term foreign debt with the CBC.

In addition, foreign persons, may, subject to certain requirements but without foreign exchange approval of the CBC, remit outside and into the ROC foreign currencies of up to US$100,000 (or its equivalent) for each remittance. The above limit applies to remittances involving a conversion of NT dollars to a foreign currency and vice versa.

The securities market in the ROC

The information presented in this section has been extracted from publicly available documents, such as statistical data and information published by the ROC FSC and the TSE, which have not been prepared or independently verified by us, the Purchasers or any of our respective affiliates or advisors in connection with this Offering. We only accept responsibility for correctly reproducing such information.

THE TAIWAN STOCK EXCHANGE

In 1961, the TSE was established to provide a marketplace for securities trading. The TSE is a corporation owned by government controlled and private banks and enterprises. The TSE is independent of entities transacting business through it, each of which pays a user's fee. Generally, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TSE.

The TSE commenced operations in 1962. During the early 1980s, the ROC government actively encouraged new listings on the TSE and the number of listed companies grew from 119 in 1983 to 725 on May 31, 2009. As of May 31, 2009, the market capitalization of companies listed on the TSE was approximately NT$17.3 trillion.

Historically, ROC companies have listed only shares and bonds on the TSE. However, the ROC government has encouraged companies to list other types of securities. In 1988, Taiwan's first exchangeable bonds were issued. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed end investment funds and Dragon Bonds issued by the Asian Development Bank are also listed on the TSE or traded on the Gre Tai Securities Market. Foreign issuers are permitted to list their equity securities directly on the TSE or through the use of depositary receipts. To date, six foreign issuers have listed their equity securities on the TSE through the use of depositary receipts in accordance with these regulations.

The TSE requirements for listing are based on the following company attributes:

- the number and distribution of shareholders, including the diversification of such shareholders;
- length of time in business;
- amount of paid-in capital; and
- profitability.

However, special listing criteria apply to technology companies and key businesses engaging in national economic development.

THE ROC GRE TAI SECURITIES MARKET

To complement the TSE, the GTSM was established in September 1982 on the initiative of the ROC government to encourage the trading of securities of companies who do not qualify for listing on the TSE. As of May 31, 2009, 545 companies had listed equity securities on the GTSM and the total market capitalization of those companies was approximately NT$1.4 trillion.

TSE INDEX

The TSE Index is calculated on the basis of a wide selection of listed shares weighted according to the number of shares outstanding. This weighted average method is also used for the Standard and Poor's Index in the United States and the Nikkei Stock Average in Japan. The TSE Index is compiled by dividing the market value by the base day's total market value for the index shares. The TSE Index is the oldest and most widely quoted market index in Taiwan.

The weighting of shares in the index is fixed as long as the number of shares outstanding remains constant. When the total number of shares outstanding changes, the weight of each stock is adjusted. Stock splits and stock dividends are adjusted automatically. Cash dividends are not included in the calculation. The following table sets forth, for the periods indicated, information relating to the TSE Index.

Period ended December 31,	Number of listed companies at period end[(1)]	Aggregate trading values[(1)]	Index high[(1)]	Index low[(1)]	Period end[(1)]
		NT$ (in billions)			
1999	462	29,291.5	8,608.9	5,474.8	8,448.8
2000	531	30,526.6	10,202.2	4,614.6	4,739.1
2001	584	18,354.9	6,104.2	3,446.3	5,551.2
2002	638	21,874.0	6,462.3	3,850.0	4,452.5
2003	669	20,333.2	6,142.3	4,139.5	5,890.7
2004	697	23,875.4	7,034.1	5,316.9	6,139.7
2005	691	18,818.9	6,575.5	5,633.0	6,548.3
2006	688	23,900.4	7,823.7	6,257.8	7,823.7
2007	698	33,043.8	9,809.9	7,344.6	8,506.3
2008	718	26,115.4	9,295.2	4,089.9	4,591.2
2009 (through May 31)	725	11,056.4	6,890.4	4,242.6	6,890.4

Note:
(1) Source: Taiwan Stock Exchange.

As indicated above, the performance of the TSE has in recent years been characterized by extreme price volatility.

PRICE LIMITS, COMMISSIONS, TRANSACTION TAX AND OTHER MATTERS

The TSE has placed limits on block trading and on the range of daily price movements. Fluctuations in the price of securities traded on the TSE is restricted to 7% above and below the previous day's closing price in the case of equity securities, and 5% in the case of debt securities. The price limit for movements below the previous day's closing price has been modified from time to time by the ROC FSC based on market conditions.

The Securities brokers are permitted to set the brokerage commission at any rate subject to reporting to TSE, and if the rate is higher than 0.1425% of the transaction price, are required to notify their customers of the rate.

A securities transaction tax of 0.3% of the transaction price is payable by the seller of equity securities. These securities transaction taxes are withheld at the time of the transaction. According to the amended ROC Statute of Upgrading Industries, which became effective on February 1, 2002, no securities transaction tax will be imposed on the transfer of corporate bonds and financial debentures until December 31, 2009.

Sales of shares of listed companies on the TSE are generally sold in "round lots" of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in making these sales. Transactions that involve 500 trading lots (500,000 shares) or more must be registered and executed in accordance with TSE guidelines.

REGULATION AND SUPERVISION

The ROC FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain approval from, or registration with, the ROC FSC for all securities offerings. The ROC FSC requires periodic reporting of financial and operating information by all public companies. In addition, the ROC FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the Taiwan securities market.

The ROC FSC has responsibility for implementing the ROC Securities and Exchange Law and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, the ROC Securities and Exchange Law specifically empowers the ROC FSC to promulgate necessary rules. The ROC Securities and Exchange Law prohibits market manipulation. For example, it permits an issuer to recover short-term trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders who (together with their spouses, minor children and nominees) hold 10% or more of the shares of the issuer. The ROC Securities and Exchange Law prohibits trading by "insiders" based on non-public information that materially affects share price movement. "Insiders" include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold 10% or more of the issuing company's shares;
- any person who has learned material, non-public information due to an occupational or controlling relationship with the issuing company; and
- any person who has learned material, non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction.

The ROC Securities and Exchange Law also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other documents related to securities transactions. The ROC FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, the ROC Securities and Exchange Law provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers.

The ROC FSC does not have criminal or civil enforcement powers under the ROC Securities and Exchange Law. Criminal actions may be pursued only by the government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The ROC FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;
- temporary suspension of operation;
- imposition of administrative fines; and
- revocation of licenses.

In addition to providing a market for securities trading, the TSE reviews applications by ROC issuers to list securities on the TSE. If issuers of listed securities violate laws and regulations or encounter extended or severe negative results of operations, the TSE may, with the approval of the ROC FSC, delist securities of these issuers.

Taxation

ROC TAXATION

The following is the summary under present law of the principal ROC tax consequences of the ownership and disposition of GDSs and Shares to a Non-Resident Individual or a Non-Resident Entity that owns GDSs or Shares (each a "Non-ROC Holder"). As used in the preceding sentence, a "Non-Resident Individual" is an individual who is not an ROC citizen who is not physically present in the ROC for 183 days or more during any calendar year, and a "Non-Resident Entity" is a corporation or a noncorporate body that is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or other permanent establishment in the ROC. Prospective purchasers of the GDSs should consult their tax advisors concerning the ROC tax consequences of owning the GDSs or Shares and the laws of any other relevant taxing jurisdiction to which they are subject.

GDSs

Dividends

Dividends (whether in cash or stock) that we declare out of retained earnings and distribute to a Non-ROC Holder in respect of Shares represented by GDSs are subject to ROC income tax collected by way of withholding at the time of distribution, currently at a rate of 20% on the amount of the distribution (in the case of cash dividends) or on the par value of the distributed shares (in the case of stock dividends).

A 10% retained earnings tax is imposed on an ROC company's after-tax earning generated after January 1, 1998 that are not distributed in the following year. The retained earnings tax so paid reduces the retained earnings available for future distribution. When we declare a dividend out of those retained earnings, a maximum amount of up to 10% of the declared dividend is credited against the 20% withholding tax imposed on Non-ROC Holders so that the actual withholding tax imposed on Non-ROC Holders may be less than 20%.

Distributions of stock dividends that we declare out of our capital reserves will not be subject to ROC withholding tax.

Sale

Under current ROC law, transfers of GDSs are not subject to ROC securities transaction tax. Gains on the sale of GDSs are not subject to ROC income tax.

SHARES

Dividends

Dividends (whether in cash or stock) that we declare out of retained earnings and distribute to a Non-ROC Holder in respect of Shares are subject to ROC income tax collected by way of withholding at the time of distribution, currently at the rate of 20%, on the amount of the distribution (in the case of cash dividends) or on the par value of the Shares (in the case of share dividends).

A 10% retained earnings tax is imposed on an ROC company's after-tax earnings generated after January 1, 1998 that are not distributed in the following year. The retained earnings tax so paid reduces the retained earnings available for future distribution. When we declare a dividend out of those retained earnings, a maximum amount of up to 10% of the declared dividend is credited against the 20% withholding tax imposed on Non-ROC Holders so that the actual withholding tax imposed on Non-ROC Holders may be less than 20%.

Distributions of stock dividends that we declare out of our capital reserves will not be subject to ROC withholding tax.

Sale

A securities transaction tax will be withheld at the rate of 0.3% of the transaction price upon a sale of Shares.

Under current ROC law, capital gains received by a non-ROC Holder on transactions in securities issued by ROC companies are exempt from income tax. This exemption applies to capital gains derived from the sale of Shares received by a non-ROC Holder.

Subscription

Distributions of statutory subscription rights for the Shares in compliance with the ROC Company Act are not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are currently exempted from income tax but are subject to securities transactions tax, currently at the rate of 0.3% of the gross amount received. Proceeds derived from sales of statutory subscription rights which are not evidenced by securities are subject to capital gains tax at the rate of (1) 25% of the gains realized by a Non-Resident Entity and (2) 35% of the gains realized by a Non-Resident Individual. Subject to compliance with ROC law, we have sole discretion to determine whether statutory subscription rights will be evidenced by the issuance of securities.

Tax treaties

At present, the ROC does not have a double taxation treaty with the United States, but it does have double taxation treaties with Indonesia, Singapore, South Africa, Australia, Vietnam, New Zealand, Malaysia, Switzerland, Macedonia, Gambia, the Netherlands, the United Kingdom, Senegal and Sweden, which generally have reduced the rate of withholding tax on dividends and interest paid by ROC companies to residents of these countries. It is unclear whether a Non-ROC Holder of GDSs will be considered as owning Shares for the purposes of these treaties. Accordingly, residents of these countries should consult their tax advisors concerning their eligibility for benefits under the relevant treaty.

Estate taxation and gift tax

Subject to allowable exclusions, deductions and exemptions, ROC estate tax is payable on any property within the ROC of a deceased Non-Resident Individual, and ROC gift tax is payable on any property within the ROC donated by a Non-Resident Individual. Estate tax is currently imposed at 10% of the eligible estate value in excess of certain deductible amount. Gift tax is imposed at 10% of amounts donated in excess of certain deductible amounts. Under ROC estate and gift tax laws, the Shares will be deemed to be located in the ROC without regard to the location of the owner. It is unclear whether a holder of GDSs will be considered to own Shares for this purpose.

TAX GUARANTOR

Any holder of GDSs withdrawing Shares represented by those GDSs and being a non-ROC person is required under the current ROC laws and regulations to appoint an agent in the ROC. The agent must meet certain qualifications set by the MOF and, upon appointment, becomes a guarantor of the withdrawing holder’s ROC tax obligations. Evidence of the appointment of the agent and the approval for that appointment by the ROC tax authorities may be required as conditions to the withdrawing holder’s repatriation of the profits derived from the sale of withdrawn Shares. There can be no assurance that a withdrawing holder of GDSs will be able to appoint and obtain approval for the required agent in a timely manner.

Under current ROC laws, repatriation of profits by any holder of Shares sold within the ROC is subject to the submission of evidence of the appointment of a tax guarantor to, and approval thereof by, the tax authority, or submission of tax clearance certificates or submission of evidencing documents issued by such agent to the tax authority so long as the capital gains from securities transactions are exempt from ROC income tax. Notwithstanding the above requirements for the appointment of a tax guarantor or submission of tax clearance certificates as provided in the ROC regulations, the CBC has not required submission of such evidence or tax clearance certificates as a condition to repatriation of sale proceeds of shares from sales that take place within the ROC. However, there can be no assurance that the CBC will not require submission of such evidence or tax clearance certificates in the future.

Plan of distribution

We and the Purchasers have entered into a Purchase Agreement with respect to the GDSs and the Shares evidenced by the GDSs. Subject to certain terms and conditions set forth in the Purchase Agreement, each Purchaser has agreed, severally, but not jointly, to take and pay for the total number of GDSs indicated opposite its name in the following table. The Global Coordinator is the representative of the Purchasers, except for Credit Suisse.

Purchasers	Total Number of GDSs
J.P. Morgan Securities Ltd.	8,625,000
Credit Suisse (Hong Kong) Limited	3,750,000
The Hongkong and Shanghai Banking Corporation Limited	1,500,000
BNP Paribas Capital (Asia Pacific) Limited	1,125,000
	15,000,000

The purchase price per GDS will be the initial offering price set forth on the cover page of this Offering Circular (the "Offering Price"). The Company will pay Purchasers an underwriting commission of 1.5% of the issue price of the GDSs offered pursuant to this Offering. The Purchasers propose to offer the GDSs at the Offering Price. After the GDSs are released for sale, the Purchasers may change the Offering Price and other selling terms.

Buyers of GDSs may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offering Price.

The Purchase Agreement provides that the obligations of the Purchasers are subject to certain conditions precedent, and entitles the Purchasers to terminate their obligations in certain circumstances prior to payments being made to us.

In connection with this Offering, the Purchasers may purchase and sell the GDSs in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Purchasers of a greater number of GDSs than they are required to purchase in this Offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the GDSs while the Offering is in progress. These activities may stabilize, maintain or otherwise affect the market price of the GDSs. As a result, the price of the GDSs may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Purchasers at any time. These transactions may be effected on the Luxembourg Stock Exchange, in the over-the-counter market or otherwise.

The Purchasers and their affiliates have provided and may provide certain commercial banking, financial advisory and investment banking services for us for which they receive fees. The Purchasers and their affiliates may from time to time in the future engage in transactions with us and perform services for us in the ordinary course of their business.

The Company has undertaken to the Purchasers that, subject to limited exceptions, neither it nor Simon Lin will, for a period from the date of the Purchase Agreement up to 90 days after the Closing Date, without the prior written consent of the Joint Bookrunners, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal or any intention to effect any such issuance, offer, sale or disposal), any GDSs or Shares or securities convertible or exchangeable into or exercisable for GDSs or Shares or warrants or other rights to purchase GDSs or Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the GDSs or Shares, including equity swaps, forward sales and options representing the right to receive any GDSs or Shares (whether or not such contract is to be settled by delivery of Shares or such other securities, in cash or otherwise).

We have agreed to indemnify the Purchasers and certain other persons against certain liabilities, including liabilities under the Securities Act, or to contribute to payments which the Purchasers or such other persons may be required to make in respect of such liabilities.

GENERAL

No action has been or will be taken in any jurisdiction that would permit a public offering of the GDSs or the Shares, or the possession, circulation or distribution of this Offering Circular or any other material relating to us, the GDSs or the Shares, in any jurisdiction where action for the purpose is required. Accordingly, neither the

GDSs nor any Shares may be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the GDSs or the Shares, may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction.

UNITED STATES

The GDSs and the underlying Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Each Purchaser has agreed that, except as permitted by the Purchase Agreement, the GDSs will not be offered or sold (i) as part of their distribution at any time or (ii) otherwise until 40 calendar days after the later of the commencement of the Offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells GDSs during the distribution compliance period, a confirmation or other notice detailing the restrictions on offers and sales of the GDSs within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resale of the GDSs and the Shares are restricted as described under "Transfer restrictions".

In addition, until 40 days after the commencement of the offering of the GDSs, any offer or sale of GDSs or Shares represented thereby within the United States by any dealer that is not participating in the Offering may violate the registration requirements of the Securities Act.

The International GDSs are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area (including the European Union and Iceland, Norway and Liechtenstein) which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), the GDSs will not be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the GDSs which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except with effect from and including the Relevant Implementation Date, the GDSs may be offered to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require us to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of GDSs to the public" in relation to any GDSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the GDSs to be offered so as to enable an investor to decide to purchase or subscribe the GDSs, as the same may be varied in the Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2007/71/EC and includes any relevant implementing measure in each Relevant Member State.

UNITED KINGDOM

No invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by us in connection with the issue or sale of the GDSs may be communicated or caused to be communicated except in circumstances in which section 21(1) of the FSMA does not apply to us. All applicable provisions of the FSMA must be complied with respect to anything done or to be done by us in relation to any GDSs in, from or otherwise involving the United Kingdom.

THE ROC

The GDSs have not been and will not be offered, sold or delivered, directly or indirectly, in the ROC.

HONG KONG

Each Purchaser has agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any GDSs other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the GDSs, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to GDSs which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

REPUBLIC OF ITALY

The offering of the GDSs has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly, each Purchaser has represented and agreed that it has not offered, sold or distributed, and will not offer, sell or distribute any GDSs or any copy of this Offering Circular or any other offer document in the Republic of Italy ("Italy") except:

(a) to qualified investors (investitori qualificati), pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "Consolidated Financial Services Act") and the implementing CONSOB regulation and Article 2(1)(e)of the Prospectus Directive; or

(b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Consolidated Financial Services Act or Article 33 of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Moreover, and subject to the foregoing, any offer, sale or delivery of the GDSs or distribution of copies of this Offering Circular or any other document relating to the GDSs in Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "Banking Act"), CONSOB Regulation No. 16190 of 29 October 2007, all as amended;

(ii) in compliance with Article 129 of the Banking Act and the implementing guidelines, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time, inter alia, by CONSOB or the Bank of Italy.

Article 100-bis of the Consolidated Financial Services Act affects the transferability of the GDSs in Italy to the extent that any placing of the GDSs is made solely with qualified investors and such GDSs are then systematically resold to non-qualified investors on the secondary market at any time in the 12 months following such placing. Where this occurs, if has not been published a prospectus compliant with the Prospectus Directive, purchasers of GDSs who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorized person at whose premises the GDSs were purchased, unless an exemption provided for under the Consolidated Financial Services Act applies.

This Offering Circular and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

JAPAN

The GDSs offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "Financial Instruments and Exchange Act"). In connection with the offering made hereby, no

GDS will be offered or sold directly or indirectly in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

SINGAPORE

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, No GDSs have been offered or sold or to be caused to be offered or sold or to be made the subject of an invitation for subscription or purchase, and this Offering Circular has not been circulated or distributed, nor will it be circulated or distributed with any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such GDSs, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 304 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

UAE

The GDSs may not be, have not been and are not being offered, sold, subscribed for, transferred or delivered in the UAE other than in compliance with the laws of the UAE governing the offering, sale, subscription for, transfer and delivery of securities.

Legal matters

We are being represented by Tsar & Tsai Law Firm regarding matters of ROC law. The Purchasers are being represented by Linklaters regarding matters of New York state law and United States federal law and by King & Wood Law Firm regarding matters of PRC law.

Independent auditors

Our consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008 have been audited, and our unaudited consolidated financial statements as of and for the three months ended March 31, 2008 and 2009 have been reviewed, by KPMG.

Our financial statements are prepared using accounting principles, procedures and reporting practices generally accepted in the ROC, or ROC GAAP, and 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, including the United States, other than those in the ROC.

General information

APPROVAL AND CONSENTS

The offering of the GDSs and the issue of the New Shares to be represented by the GDSs were authorized and approved by our shareholders and board of directors at meetings held on June 25, 2008 and April 29, 2009, respectively. All consents, approvals, authorizations or other orders required under the prevailing laws of the ROC have been given or obtained for the offer, issue and sale of the GDSs. A copy of this Offering Circular will be filed with the FSC subsequent to the closing of this Offering.

LISTING

Application has been made to list the GDSs on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market.

For so long as any of the GDSs are outstanding and listed on the Official List and traded on the Euro MTF market of the Luxembourg Stock Exchange, we will publish all notices to holders of the GDSs either on the website of the Luxembourg Stock Exchange (http://www.bourse.lu) or in a newspaper having general circulation in Luxembourg. We publish audited consolidated annual financial statements and unaudited consolidated semi-annual financial statements, as well as audited non-consolidated annual and semi-annual financial statements and unaudited non-consolidated quarterly financial statements. These financial statements shall be available for inspection at the specified office of the Listing Agent in Luxembourg during normal business hours.

NO MATERIAL ADVERSE CHANGE

There has been no material change in our or our subsidiaries' financial position since December 31, 2008, the date of our latest audited consolidated financial statements. Except as disclosed in this Offering Circular, there has been no material adverse change in our financial position or prospects since March 31, 2009, the date of our latest unaudited consolidated financial statements.

NO LITIGATION

Neither we nor any of our subsidiaries are involved in any litigation or arbitration proceedings that may have, or have had during the 12 months preceding the date of this Offering Circular, a material adverse effect on our or our subsidiaries' financial condition, nor, so far as any of them is aware, is any such proceeding pending or threatened.

CLEARANCE SYSTEM AND SETTLEMENT

The GDSs have been accepted for clearance and settlement through the facilities of the DTC. The CUSIP number for the International GDSs is 977372309, the ISIN for the International GDSs is US9773723096 and the Common Code is 022948334. The CUSIP number for the Rule 144A GDSs is 977372200, the ISIN for the Rule 144A GDSs is US9773722007 and the Common Code is 022948261.

Trades for the International GDSs will be cleared and settled through Clearstream, Luxembourg and Euroclear in accordance with their respective rules and operating procedures. Only GDSs evidenced by the Master International GDR have been accepted for clearance and settlement through Clearstream, Luxembourg and Euroclear. Interests in GDSs evidenced by the Master Rule 144A GDR may be transferred to a person whose interest in such GDSs is subsequently represented by the Master International GDR only upon receipt by the Depositary of certain certifications as provided in the Deposit Agreements.

AVAILABLE DOCUMENTS

Copies of our Articles of Incorporation, the Articles of Incorporation of the Depositary, the two Deposit Agreements and the Purchase Agreement will, for so long as the International GDSs are listed on the Official List and traded on the Euro MTF market of the Luxembourg Stock Exchange, be available for inspection during usual business hours on any weekday (except public holidays) at the offices of the Luxembourg Listing Agent in Luxembourg. As long as any of the GDSs remain outstanding, English copies of our most recent (i) audited consolidated annual financial statements; (ii) audited non-consolidated annual financial statements; (iii) audited semi-annual non-consolidated financial statements; (iv) unaudited quarterly non-consolidated financial reports; and (v) unaudited semi-annual consolidated financial statements published by us will be delivered to and be obtainable from the offices of the Luxembourg Listing Agent specified on the back cover of this Offering Circular and for so long as the GDSs are listed on the Official List and traded on the Euro MTF market of the

Luxembourg Stock Exchange in Luxembourg. We are not required by the ROC laws or regulations to publish audited or reviewed consolidated quarterly financial statements for the three months ended March 31 and for the nine months ended September 30 and we may not publish such audited or reviewed consolidated quarterly financial statements in the future.

REGISTRATION

We are registered with the ROC Ministry of Economic Affairs. Our registration number is 12868358. According to Article 2 of our Articles of Incorporation, the scope of our business is to engage in design and manufacturing of information and communication technology products and other related businesses approved by the competent authority and in accordance with relevant law and regulations.

Summary of certain significant differences between ROC GAAP and U.S. GAAP

Our consolidated financial statements have been prepared in conformity with ROC GAAP, which differ in certain significant respects from U.S. GAAP. A brief description of certain significant differences between ROC GAAP and U.S. GAAP is set out below. The regulatory organizations that promulgate ROC GAAP and U.S. GAAP have projects ongoing that could have a significant impact on future comparisons such as the comparison below.

The summary is not intended to provide a comprehensive listing of all existing or future differences between ROC GAAP and U.S. GAAP, including those specifically related to us and our subsidiaries or to the industries in which we operate. No attempt has been made to identify (a) future differences between ROC GAAP and U.S. GAAP that may arise as a result of prescribed changes in accounting standards, or (b) disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in our financial statements, or the financial statements of any of our subsidiaries, or the respective notes thereto. Further, had we undertaken to identify the differences specifically affecting the financial statements presented in this Offering Circular, other potentially significant differences may have come to our attention which are not provided in the following summary. Accordingly, this summary is not intended to provide a complete description of all differences which may have a significant impact on our financial statements. U.S. GAAP is generally more restrictive and comprehensive than ROC GAAP regarding the recognition and measurement of transactions, account classification and disclosure requirements.

Management has not quantified the effects of the differences between ROC GAAP and U.S. GAAP on our financial results or the financial results of any of our subsidiaries.

The following discussion refers to our historical practices in preparing our financial statements in accordance with ROC GAAP. We expect that we will follow comparable practices when preparing our financial statements in the future.

ROC GAAP	U.S. GAAP
Bonuses to Employees, Directors and Supervisors	
Under the ROC regulations and the company's Articles of Incorporation, a portion of distributable earnings should be set aside as bonuses to employees, directors and supervisors. Bonuses to directors and supervisors are always paid in cash. However, bonuses to employees may be granted in cash or shares or both. Shares issued as part of these bonuses are not necessarily recorded at fair value as they are normally determined based on a fixed amount determined and approved by the Board of Directors and Shareholders and the number of shares thereof are determined by simply dividing such fixed amount by the par value per share of NT$10. All of these appropriations are charged against retained earnings after such appropriations are formally approved by the shareholders in the following year. Effective January 1, 2008, the directors' and supervisors' remunerations are estimated and expensed as services are rendered under ROC GAAP. This change in accounting principle is accounted for prospectively in accordance with ARDF Interpretation No. 2007-052. Under ROC GAAP, effective January 1, 2008, employee bonuses are estimated and expensed in the period when the related services are rendered. However, a "true-up" adjustment is made if the estimated amounts of employee bonus and directors' and supervisors' remuneration and actual outcomes thereof differ.	Bonuses and remuneration are generally estimated and expensed as services are rendered. Shares issued as part of these bonuses are recorded at fair market value. There is no "true-up" to the actual outcome.

ROC GAAP	U.S. GAAP
Stock dividends	
Under ROC GAAP, stock dividends are recorded as a reduction to retained earnings using the par value of the stock issued, and the same amount is recorded to the common stock account. Unlike U.S. GAAP, there is no such de minimis test for recording stock dividends using fair value method and for determining stock split.	Under U.S. GAAP, when the ratio of distribution is less than 20% or 25% of shares of the same class outstanding, stock dividends are generally recorded based on the fair value method, with the par value recorded in the capital stock accounts and the excess of fair value over the par value being recorded as additional paid-in capital. Distribution in excess of 20% or 25% is generally considered as stock split.
Business combination	
Under ROC GAAP, business combinations are generally accounted for under the purchase method, but the pooling of interest method is still allowed if certain criteria are met. When business combinations are accounted for under the purchase method and the consideration given up by the acquirer is in the form of shares, the cost to the acquirer is generally determined based on the fair value of the assets acquired and liabilities assumed. When business combinations are accounted for under the pooling of interest method, the acquired company's income and loss accounts before the merger are included in the acquirer company's income, and then transferred to capital reserve pursuant to the Company Act and related regulations in the ROC.	Under U.S. GAAP, all business combinations initiated after June 30, 2001 are accounted for under the purchase method. The cost to the acquirer in a purchase business combination is the fair value of the consideration given or the fair value of the assets acquired, whichever is more clearly evident and more reliably measurable. When the consideration is the publicly traded equity securities issued by the acquirer, fair value is generally based on the market price of the equity securities issued. The market price is determined based on a reasonable period before and after the date of the terms of the acquisition are agreed to and announced. The cost of an acquired company should be allocated to the assets (both tangible and intangible) acquired and liabilities assumed on the basis of their estimated fair values at the date of acquisition.
Under ROC GAAP, the company's profit and loss accounts may include the results of operations of the acquired company for the period prior to the acquisition date, then adjusted through minority interest income/loss account for the same amount.	Under U.S. GAAP, the company's profit and loss accounts only include the results of operations of the acquired company after acquisition.
Equity-method investments and other-than-temporary impairment	
Under ROC GAAP, in accordance with ROC SFAS No. 35, an equity-method investment is considered to be impaired if there is objective evidence of impairment as a result of one or more events that had occurred as of the balance sheet date indicating that the recoverable amount is below the carrying amount of the investment. Impairment is assessed at the individual security level. The recoverable amount is determined based on one of the two following approaches: (1) the discounted expected future net cash flows from the investee company; or (2) the combination of expected cash dividends from the investee company and the discounted cash flows from the ultimate disposal of the investment. The impairment loss is recorded in profit or loss. If the recoverable amount increases in the future period, the amount previously recognized as impairment loss could be reversed and recognized as a gain in profit or loss.	Under US GAAP, an equity-method investment is considered to be impaired if such impairment is other than temporary. The amount of the impairment loss is calculated by reference to the excess of the carrying value of the equity-method investment over its fair value. In determining whether a decline in value is other than temporary, the duration and severity of the decline in value, the financial condition of the investee, the extent of recovery in market value subsequent to the reporting date, and reports of external market analysts for the investee and/or the industry that the investee operates in were considered. Unlike ROC GAAP, an impairment loss recognized cannot be reversed subsequently.

ROC GAAP	U.S. GAAP
Accounting for changes in ownership interest in investee companies	
Under ROC GAAP, when an investee company issues additional shares and the investor's ownership interest changes as a result, any resulting difference between the investor's investment balance and its proportionate share of the investee company's net equity is adjusted to the investor's investment account against the investor's capital reserve or retained earnings if the related capital reserve balance is insufficient. Upon subsequent disposition of the investment, amounts previously recorded to capital reserve or retained earnings relating to the respective investment will be reversed and recorded as part of the gain or loss on disposal.	Under U.S. GAAP, if the reduction in the investor's equity interest occurs due to a public offering by the investee company to external investors, gain recognition is permitted provided the transaction is not 'a part of a broader corporate reorganization' planned by the investor company. Gains and losses arising from issuances by an investee company of its own stock should be presented as a separate line item in the consolidated income statement and clearly be designated as non-operating income. Examples of situations where gain recognition would not be appropriate are: (a) where subsequent capital transactions are contemplated that raise concerns about the investor realizing the gain that arises; or (b) where the investee company is a start-up company, a research and development company or an entity with going concern problems. In such cases, realization is not assured and so the change in the investor's proportionate share of a investee's equity should be accounted as an equity transaction, i.e. through reserves.
Impairment of long-lived assets and long-lived assets to be disposed of	
Reversal of losses is permitted in certain circumstances, but no reversal is permitted for impairment of goodwill.	Reversals of impairment losses are prohibited.
Accounting for financial instruments	
ROC GAAP allows classification of any financial asset or financial liability with an available public market price as held for trading.	There is no such provision under U.S. GAAP.
Reversals of impairment losses for held-to-maturity are permitted in certain circumstances.	Reversals of impairment losses are prohibited for held-to maturity.
Cost of sales	
Prior to January 1, 2009, under ROC GAAP, provisions for normal inventory scrap and obsolescence are recorded as non-operating expenses. Effective January 1, 2009, provisions for normal inventory scrap and obsolescence are generally charged to cost of sales.	Under U.S. GAAP, provisions for normal inventory scrap and obsolescence are generally charged to cost of sales.
Under ROC GAAP, the unrealized gross profit generated from downstream intercompany transactions for equity method investees is eliminated and presented as a reconciling item of realized gross profit in the statement of income. A corresponding liability is recorded for the amount of the unrealized gross profit in the balance sheet.	Under U.S. GAAP, the unrealized gross profit generated from downstream transactions is generally eliminated in the preparation of consolidated financial statements.

ROC GAAP	U.S. GAAP
Segment information	
ROC GAAP requires disclosure of segment information in the footnotes to the financial statements according to industry and geographic information, which need not necessarily be the same as the management's approach for reporting segments information to company's chief operating decision makers that are used internally for evaluating segment performance and deciding resource allocation to segments.	Under U.S. GAAP, a public business enterprise is required to present segment information based on operating segments. Several operating segments may, provided aggregation criteria are met, be aggregated to reportable segments for which the required information is disclosed. Disclosure is based on the management's approach for reporting segments information to company chief operating decision makers that are used internally for evaluating segment performance and deciding resources allocation to segments.
Statement of cash flows	
Under ROC GAAP, certificates of time deposits with original maturities of greater than three months and within one year are classified as cash and cash equivalents.	Under U.S. GAAP, certificates of time deposits with original maturities of over three months are classified as trading securities.
Comprehensive income	
Under ROC GAAP, there is currently no specific standard for accounting and reporting of comprehensive income.	Comprehensive income and its components (revenues, expenses, gains and losses) must be presented in a full set of financial statements under U.S. GAAP. Comprehensive income includes all changes in stockholders' equity during a period except for those resulting from investments by or distributions to owners, including certain items not included in the current results of operations.
Valuation of inventory	
Prior to January 1, 2009, inventory is valued at the lower of cost or market. Market is determined on the basis of replacement cost or net realizable value. Any write-down of inventory that is no longer required must be reversed. Effective January 1, 2009, under the amended ROC SFAS No. 10, "Inventory", market is determined on the basis of net realizable value.	Inventory is valued at the lower of cost or market, with market limited to an amount that is not more than net realizable value nor less than net realizable value less a normal profit margin. Any write-down of inventory that is no longer required must not be reversed.
Prior to January 1, 2009, actual production volume can be used in lieu of normal capacity of production facilities in the allocation of fixed production overhead when it represents more realistic results. Effective January 1, 2009, under the amended ROC SFAS No. 10, the allocation of fixed production overhead to inventory is based on the normal capacity of the production facilities. Unallocated overheads are recognized as an expense in the period in which they are incurred.	Under SFAS 151, allocation of fixed production overhead to the costs of conversion should be based on the normal capacity of the production facilities. This provision shall be effective for inventory costs incurred during fiscal years beginning after June 15, 2009. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 2004.

ROC GAAP	U.S. GAAP
Employee stock options	
Prior to January 1, 2008, the employee stock options were accounted for based on Interpretations (92) 070, 071 and 072 issued by the Accounting Research and Development Foundation, under which, the intrinsic value method is adopted to recognize the compensation cost, which is the difference between the market price of the stock and the exercise price of the employee stock option on the measurement date. Any compensation cost is charged to expense over the employee vesting period and increases the stockholders' equity accordingly. Effective from January 1, 2008, under ROC SFAS No. 39, "Accounting for Share-based Payment," share-based payment transactions are measured at fair value and charged against profit and loss.	Before the revised SFAS 123 becomes effective in 2006, U.S. GAAP offers a choice of two methods to account for share based compensation (including stock options): either the intrinsic value method or the fair value method; under the intrinsic value method compensation cost is measured as the excess, if any, of the quoted price of the stock at the measurement date over the amount paid by the employee. Under the fair value method, compensation cost is measured at the fair value of the award on the applicable measurement date. SFAS 123 (R), which is effective for the annual reporting beginning after December 15, 2005, establishes fair value as the measurement objectives in accounting for share-based payment arrangements (including employee stock options) and requires all entities to apply a fair-value based measurement method in accounting for share-based transactions with employees, except for equity instruments held by employee share ownership plans. However, it provides certain exceptions to that measurement method if it is not possible to reasonably estimate the fair value of an award at the grant date.
Treasury stock	
When a company acquires its outstanding shares as treasury stock, the acquisition cost is debited to the treasury stock account if the shares are purchased. The carrying value of treasury stock is calculated by using the weighted average approach according to the same class of treasury stock (common stock or preferred stock). Only cost method is allowed under ROC GAAP. Under ROC GAAP, for a stock purchase plan that is effective prior to January 1, 2008, the difference, if any, between the cost paid by the company for the treasury stock and the cash received from employees is charged to a shareholders' equity account. However, the ARDF Interpretation No. 96-266, "Accounting for treasury stock purchased by employees" issued in 2008, requires recognition of compensation expenses on treasury stock sold to employees from the stock purchase plan that is effective from January 1, 2008.	Two general methods of handling treasury stock in the accounts are the cost method and the par value method. Both methods are generally acceptable. The cost method is debiting the Treasury Stock account for the reacquisition cost and in reporting this account as a deduction from the total paid-in capital and retained earnings on the balance sheet. The par value method records all transactions in treasury shares at their par value and reports the treasury stock as a deduction from capital stock only. An excess of purchase price over par value may be allocated between capital surplus and retained earnings. Alternatively, the excess may be charged entirely to retained earnings. An excess of par value over purchase price should be credited to capital surplus.

ROC GAAP	U.S. GAAP
Income tax	
ROC SFAS No. 22 "Accounting for Income Taxes" which was issued in June 1994, is substantially similar to U.S. GAAP. However, under ROC GAAP, the criteria for determining whether a valuation allowance is required are less stringent as compared to U.S. GAAP.	Under U.S. GAAP, current tax liabilities are recognized for estimated taxes payable for the current period. U.S. SFAS No. 109 requires that all temporary differences between the carrying amounts of assets and liabilities and their respective tax bases be recognized as deferred tax liabilities or assets. A valuation allowance is not provided on tax assets to the extent that it is not "more likely than not" that such deferred tax assets will be realized. Under U.S. GAAP, if a company has experienced cumulative losses in recent years, it is not generally able to consider projections of future operating profits for the purpose of determining the valuation allowance for deferred income tax assets. A change in tax rate or law requires an adjustment to such deferred tax assets and liabilities in the period of enactment and is reported as part of the results of operations.
Under ROC GAAP, in accordance with ROC SFAS 22, there are no differences in the calculation of income tax provision and the same corporate income tax rate of 25% is adopted for both periods between annual financial statements and interim quarterly financial statements.	Under U.S. GAAP, tax provisions in interim quarterly financial statements are provided based on an estimated effective tax rate expected to be applicable to the full fiscal year. Such estimated effective tax rate takes into account all anticipated tax attributes for the full fiscal year.
Companies in the ROC are subject to a 10% tax on profits retained and earned after December 31, 1997. If the retained profits are distributed to the shareholders in the following fiscal year, no 10% surtax is due. Under ROC GAAP, income tax expense is recorded in the statement of operations in the following fiscal year if the earnings are not distributed to the shareholders.	Under U.S. GAAP, income tax expense related to the 10% retained profit tax is recorded in the statement of income in the year that the profits were earned based on management's estimate of the amount of profits to be retained. The income tax expense, including the tax effects of temporary differences, is measured by using the rate that includes the estimated tax on undistributed earnings.
Investment tax credits	
Companies in the ROC generally record the benefits of investment tax credits in the year in which the related acquired asset is placed in service.	Under U.S. GAAP, the benefit of the investment tax credit should reduce the basis in the long-lived asset acquired and should be reflected in net income over the productive life of the acquired long-lived asset.

Earnings per share

Under ROC GAAP, basic earnings per share are calculated by dividing net income attributable to common shareholders by the weighted average number of shares outstanding during the year. The shares distributed for employee bonus are treated as outstanding at the beginning of each period. Diluted earnings per share are calculated by taking basic earnings per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. Net income is also adjusted for the interest and other income or expenses derived from any underlying dilutive share equivalents. The weighted average shares outstanding are adjusted retroactively for stock dividends issued, capitalization of additional paid-in capital and employee bonus. Anti-dilutive effects are not included in the dilutive EPS calculation. Under the ARDF Interpretation No. 97-169 "Impacts of Employee Stock Bonuses on Earnings Per Share" which took effect in 2008, the shares distributed for employee bonus are treated as outstanding as of their grant date in the calculation of basic earnings per share after 2008. For employee bonus that may be distributed in shares, the number of shares to be distributed is taken into consideration assuming the distribution will be made entirely in shares when calculating for diluted earnings per share in and after 2008. Commencing from 2009, distribution of employees' bonus in the form of shares is not adjusted retroactively.

Under U.S. GAAP, when a simple capital structure exists, basic earnings per share is based on the weighted average number of shares outstanding. When a complex capital structure exists, diluted earnings per share is based on the weighted average number of shares outstanding plus the number of additional shares that would have been outstanding if dilutive potential common shares had been issued, with appropriate adjustments to income or loss that would result from the assumed conversions of those potential common shares. The materiality of the dilutive effect is not considered.

Glossary and defined terms

In this Offering Circular, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"3G"	means 3rd generation.
"AAC"	means advanced audio coding, a wideband audio coding algorithm.
"Acer"	means Acer Incorporated.
"Acer Group"	means Acer and its subsidiaries and affiliates.
"AIO"	means all-in-one PC.
"AOI"	means AOpen Inc.
"BIOS"	means Basic Input Output System.
"BPI"	means business process improvement.
"BTO"	means built-to-order.
"CAD"	means computer-aided design.
"CBC"	means the Central Bank of the Republic of China (Taiwan).
"CD-ROM"	means Compact Disc Read Only Memory.
"CPUs"	means central processing units.
"CRT"	means a specialized vacuum tube in which images are produced when an electron beam strikes a phosphorescent surface, which is used mainly for TV screens and the standard computer display screen.
"CSMP"	means Customer Satisfaction Management Program.
"CTO"	means configured-to-order.
"DAS"	means direct attached storage.
"DASP"	means Disk Anti-Shock Protection.
"DMS"	means design, manufacturing and services.
"DVD"	means Digital Versatile Disc.
"E-home"	means home electronics.
"EMC"	means Electronic Media Claims.
"EMS"	means Electronics Manufacturing Services.
"GPS"	means Global Positioning System.
"GTSM"	means the Gre Tai Securities Market, the over-the-counter securities market in the ROC.
"GSM"	means Global System for Mobile Communications.
"ISO-9001"	means the 9001 certification from the International Standards Organization.
"LAN"	means local area network, a group of computers and associated devices that share a common communications line or wireless link.
"liquid crystal display" or "LCD"	means a type of flat panel display that works by using an electrical field to deform a liquid crystal medium, thus acting as a switch for incident light or ambient light to pass through it.
"MIC"	means Market Intelligence Center.
"MP3"	means MPEG-1 Audio Level-3, a standard technology and format for compressing a sound sequence into a very small file while preserving the original of level of sound.

"MTF"	means Multilateral Trading Facility.
"NAS"	means Network Access Server.
"ODM"	means original design manufacturer.
"OEM"	means original equipment manufacturer.
"panel"	means the finished TFT-LCD product that consists of a color filter assembled to a TFT-array with the cell gap filled with liquid crystal.
"PC"	means personal computer.
"PDA"	means personal digital assistant.
"R&D"	means research and development.
"SAN"	means Storage Area Network.
"SAP"	means Systems Applications Products.
"SCM"	means Station Class Mark.
"SIAS"	means Standard Intel architecture server.
"TFT-LCD"	means thin-film-transistor liquid crystal display, which is a type of flat panel display technology that has two glass substrates sandwiching a layer of liquid crystal. The TFT-LCD panel's top glass substrate incorporates a color filter, while the bottom glass substrate has a cell structure that gives definition to each pixel and at least one TFT to control the on-and-off of each pixel.
"VOIP"	means voice-over internet protocol, which converts a voice signal from your telephone into a digital signal that travels over the internet and converts back at the other end.

Index to financial statements

Independent auditors' report of the consolidated financial statements of Wistron Corporation as of and for the years ended December 31, 2006, 2007 and 2008 . . . . . F-2

Audited consolidated financial statements of Wistron Corporation as of and for the years ended December 31, 2006, 2007 and 2008 . . . . . F-3

Independent auditors' review report of the unaudited consolidated financial statements of Wistron Corporation as of and for the three months ended March 31, 2008 and 2009 . . . . . F-57

Unaudited consolidated financial statements of Wistron Corporation as of and for the three months ended March 31, 2008 and 2009 . . . . . F-58

Independent Auditors' Report

The Board of Directors
Wistron Corporation:

We have audited the consolidated balance sheets of Wistron Corporation (the "Company") and its subsidiaries as of December 31, 2006, 2007 and 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" in the Republic of China. Those 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 consolidated financial position of Wistron Corporation and its subsidiaries as of December 31, 2006, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

As stated in note 3(a) to the accompanying consolidated financial statements, the Company and its subsidiaries recognized employee bonus and directors' and supervisors' emoluments as expenses in accordance with Interpretation (96) 052 issued by the Accounting Research and Development Foundation commencing from January 1, 2008. This change in accounting principle decreased the consolidated net income and earnings per share of the Company and its subsidiaries by NT$856,059,000 and NT$0.57, respectively, for the year ended December 31, 2008.

As stated in note 3(b) to the accompanying consolidated financial statements, the Company and its subsidiaries adopted Republic of China Statement of Financial Accounting Standards ("SFAS") No. 37 "Intangible Assets" commencing from January 1, 2007. In accordance with SFAS No. 37, the Company and its subsidiaries re-evaluated the useful lives or amortization methods of their recorded intangible assets. In addition, the Company and its subsidiaries adopted SFAS No. 38 "Non-current Assets Held for Sale and Discontinued Operations", and reclassified, re-measured, and disclosed non-current assets held for sale. The adoption of these new accounting principles did not effect the consolidated financial statements for the year ended December 31, 2007.

As stated in notes 3(c) and 3(d) to the accompanying consolidated financial statements, the Company and its subsidiaries adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement", SFAS No. 36 "Financial Instruments: Disclosure and Presentation", the newly amended SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", and SFAS No. 5 "Long-term Investments under Equity Method" commencing from January 1, 2006. The adoption of these new accounting principles increased the consolidated net income and earnings per share of the Company and its subsidiaries by NT$23,956,000 and NT$0.02, respectively, for the year ended December 31, 2006 and resulted in an adjustment to stockholders' equity of NT$82,008,000 on January 1, 2006.

The accompanying consolidated financial statements as of and for the year ended December 31, 2008, have been translated into United States dollars solely for the convenience of the readers. We have audited the translation, and in our opinion, the consolidated financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2(y) of the notes to the consolidated financial statements.

KPMG
Taipei, Taiwan (the Republic of China)
February 26, 2009, except for note 2(y) of the notes to the consolidated financial statements, which is dated March 31, 2009.

Note to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

At December 31, 2006, 2007 and 2008
(In thousands of dollars)

Assets	2006 NT$	2007 NT$	2008 NT$	2008 US$
Current assets:				
Cash and cash equivalents (notes 4(a) and 4(p))	9,526,049	7,454,229	13,174,000	388,958
Financial assets at fair value through profit or loss - current (notes 4(b) and 4(p))	6,321	72,179	12,914	381
Notes and accounts receivable, net of allowance for doubtful accounts of NT$44,233, NT$83,362 and NT$207,059 as of December 31, 2006, 2007 and 2008, respectively (notes 4(c), 4(p) and 7)	15,191,284	35,433,276	51,199,670	1,511,652
Notes and accounts receivable - related parties (notes 4(p) and 5)	7,285,693	19,209,853	12,518,442	369,603
Other receivable - related parties (notes 4(p) and 5)	79,614	258,223	33,567	991
Other financial assets - current (notes 4(c) and 4(p))	5,443,218	1,412,465	2,194,774	64,800
Inventories (notes 4(d) and 4(g))	14,043,755	22,813,011	31,891,937	941,598
Deferred income tax assets - current (note 4(m))	795,564	878,824	1,310,289	38,686
Prepaid expenses and other current assets	970,684	1,137,703	1,224,350	36,149
Available-for-sale financial assets - current (notes 4(b) and 4(p))	3,195,573	105,659	4,833	143
Total current assets	56,537,755	88,775,422	113,564,776	3,352,961
Long-term investments:				
Long-term equity investments under equity method (notes 4(e) and 5)	2,028,339	1,976,914	2,781,128	82,112
Advance payments for investment (note 4(e))	-	-	20,000	590
Available-for-sale financial assets - non-current (notes 4(b) and 4(p))	110,448	882,733	588,831	17,385
Financial assets carried at cost - non-current (notes 4(b) and 4(p))	587,736	756,446	997,636	29,455
Total long-term investments	2,726,523	3,616,093	4,387,595	129,542
Property, plant and equipment (notes 4(f), 4(g) and 6):				
Land	1,148,782	1,183,416	1,349,558	39,845
Buildings and improvements	5,254,475	5,610,949	7,230,888	213,490
Machinery and equipment	7,634,448	7,954,325	9,045,325	267,060
Molding equipment	1,914,789	2,720,271	4,217,286	124,514
Research and development equipment	383,735	596,535	818,850	24,176
Furniture and fixtures	650,484	833,574	1,023,424	30,216
Other equipment	1,003,103	1,414,959	1,765,365	52,122
	17,989,816	20,314,029	25,450,696	751,423
Less: accumulated depreciation	(6,772,798)	(8,529,187)	(10,484,157)	(309,541)
Construction in progress and advance payments for purchases of property and equipment	776,112	2,096,254	2,454,177	72,459
Net property, plant and equipment	11,993,130	13,881,096	17,420,716	514,341
Intangible assets (note 4(g))	942,046	1,235,684	2,579,209	76,150
Other non-current receivable - related parties (note 5)	-	23,870	-	-
Deferred income tax - non-current (note 4(m))	442,244	-	-	-
Deferred expenses and other assets (notes 4(h), 4(l) and 6)	1,014,463	1,128,784	1,508,843	44,548
Total Assets	**73,656,161**	**108,660,949**	**139,461,139**	**4,117,542**

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets — (continued)

At December 31, 2006, 2007 and 2008
(In thousands of dollars)

	2006	2007	2008	
Liabilities, Minority Interest and Stockholders' Equity	**NT$**	**NT$**	**NT$**	**US$**
Current liabilities:				
Short-term borrowings (notes 4(i), 4(p) and 6)	2,805,446	10,068,985	2,875,183	84,889
Long-term borrowings due within one year (notes 4(k) and 4(p))	40,319	-	-	-
Notes and accounts payable (note 4(p))	28,625,513	42,311,775	61,666,602	1,820,685
Notes and accounts payable - related parties (notes 4(p) and 5)	7,208,001	15,067,422	16,294,315	481,084
Financial liabilities at fair value through profit or loss - current (notes 4(b) and 4(p))	4,006	45,076	4,748	140
Other payable - related parties (notes 4(p) and 5)	389,223	24,737	94,377	2,786
Accrued warranty costs	830,314	781,144	573,956	16,946
Accrued expenses and other current liabilities (note 4(l))	4,744,984	5,836,174	8,895,583	262,639
Deferred inter-company profits	1,407	-	13,588	401
Total current liabilities	44,649,213	74,135,313	90,418,352	2,669,570
Long-term borrowings (notes 4(k) and 4(p))	56,403	-	9,858,000	291,054
Deferred income tax liabilities - non-current (note 4(m))	-	393,811	1,171,976	34,602
Unrealized gain on sale-and-leaseback (note 4(f))	-	207,794	83,118	2,454
Other liabilities (notes 4(e) and 4(l))	121,323	174,037	146,851	4,336
Total liabilities	44,826,939	74,910,955	101,678,297	3,002,016
Stockholders' equity (notes 4(b), 4(e), 4(l) and 4(n)):				
Common stock	12,723,568	13,819,261	15,166,367	447,782
Capital surplus - paid-in capital in excess of par value	10,209,222	10,209,222	11,103,702	327,833
Capital surplus - resulting from long-term equity investments	1,554	-	1,965	58
Legal reserve	657,949	1,190,636	1,851,181	54,656
Unappropriated earnings	5,477,540	7,365,296	8,506,578	251,154
Foreign currency translation adjustment	423,904	231,626	651,450	19,234
Unrecognized pension cost	-	(29,673)	(11,551)	(341)
Unrealized gain (loss) on available-for-sale financial assets	49,646	(48,128)	(398,467)	(11,765)
Treasury stock	(817,555)	-	-	-
Total stockholders' equity	28,725,828	32,738,240	36,871,225	1,088,611
Minority interest	103,394	1,011,754	911,617	26,915
Total stockholders' equity and minority interest	28,829,222	33,749,994	37,782,842	1,115,526
Commitments and contingencies (notes 4(b), 4(c), 4(m), 4(p), 5 and 7)				
Total Liabilities, Minority Interest and Stockholders' Equity	**73,656,161**	**108,660,949**	**139,461,139**	**4,117,542**

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2006, 2007 and 2008
(In thousands of dollars, except for earnings per common share)

	2006	2007	2008	
	NT$	NT$	NT$	US$
Net revenues (note 5)	221,053,807	286,754,433	445,117,684	13,141,945
Cost of revenues (notes 4(l), 4(n), 5 and 10)	(206,309,594)	(268,396,822)	(420,252,159)	(12,407,799)
Gross profit	14,744,213	18,357,611	24,865,525	734,146
Realized inter-company profits	466	3,259	-	-
Realized gross profit	14,744,679	18,360,870	24,865,525	734,146
Operating expenses (notes 4(g), 4(l), 4(n), 5 and 10):				
Selling	(3,622,868)	(4,417,165)	(7,653,934)	(225,980)
Administrative	(1,171,219)	(1,519,692)	(2,170,732)	(64,090)
Research and development	(2,991,114)	(4,407,314)	(6,428,195)	(189,790)
Total operating expenses	(7,785,201)	(10,344,171)	(16,252,861)	(479,860)
Operating income	6,959,478	8,016,699	8,612,664	254,286
Non-operating income and gains:				
Interest income	149,070	139,362	277,709	8,199
Investment income recognized under equity method, net (note 4(e))	152,055	286,929	239,353	7,067
Gain on disposal of property, plant and equipment (note 4(f))	-	369,547	121,347	3,583
Gain on disposal of investments, net (notes 4(b) and 4(e))	134,187	105,879	182,519	5,389
Foreign currency exchange gain, net	268,472	-	-	-
Gain on reversal of impairment loss, net (notes 4(f), 4(g) and 4(h))	-	47,557	-	-
Rental income (note 5)	122,307	135,224	98,079	2,896
Evaluation gain on financial instruments, net (notes 4(b) and 4(p))	2,315	-	36,550	1,079
Other income	245,566	268,240	438,263	12,939
	1,073,972	1,352,738	1,393,820	41,152
Non-operating expenses and losses:				
Interest expense (note 4(f))	(1,138,451)	(767,533)	(939,415)	(27,736)
Loss on disposal of property, plant and equipment	(41,079)	(136,536)	(55,424)	(1,636)
Other investment loss (note 4(b))	(91,688)	(8,806)	(7,472)	(221)
Foreign currency exchange loss, net	-	(161,076)	(37,742)	(1,114)
Evaluation loss on financial instruments, net (notes 4(b) and 4(p))	-	(30,634)	-	-
Other loss (note 10)	(238,219)	(226,606)	(109,567)	(3,235)
	(1,509,437)	(1,331,191)	(1,149,620)	(33,942)
Income before income taxes	6,524,013	8,038,246	8,856,864	261,496
Income tax expense (note 4(m))	(1,249,004)	(1,321,786)	(1,958,459)	(57,823)
Consolidated net income (note 3)	**5,275,009**	**6,716,460**	**6,898,405**	**203,673**
Income attributable to:				
Shareholders of parent company	5,326,873	6,605,450	6,877,929	203,068
Minority shareholders	(51,864)	111,010	20,476	605
	5,275,009	**6,716,460**	**6,898,405**	**203,673**
	NT$	**NT$**	**NT$**	**US$**
Earnings per common share (in dollars) (notes 3 and 4(o)):				
Basic earnings per share - retroactively adjusted	**3.68**	**4.45**	**4.57**	**0.13**
Diluted earnings per share - retroactively adjusted	**3.67**	**4.39**	**4.15**	**0.12**

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity and Minority interest

For the years ended December 31, 2006, 2007 and 2008
(In thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Foreign currency translation adjustment	Pension adjustment - unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Treasury stock	Minority interest	Total stockholders' equity and minority interest
Balance at December 31, 2005	11,782,742	9,892,705	339,755	3,281,559	280,469	-	(1,907)	(532,886)	164,179	25,206,616
Effect of adoption of ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement" commencing from January 1, 2006 (note 3)	-	-	-	-	-	-	82,008	-	-	82,008
Consolidated net income	-	-	-	5,326,873	-	-	-	-	(51,864)	5,275,009
2006 appropriation of earnings (note 4(n)):						-				
Legal reserve	-	-	318,194	(318,194)	-	-	-	-	-	-
Stock dividends to shareholders	588,466	-	-	(588,466)	-	-	-	-	-	-
Stock dividends to employees as bonus	171,481	-	-	(171,481)	-	-	-	-	-	-
Directors' and supervisors' emoluments	-	-	-	(28,638)	-	-	-	-	-	(28,638)
Cash dividends	-	-	-	(1,765,397)	-	-	-	-	-	(1,765,397)
Employees bonus	-	-	-	(114,321)	-	-	-	-	-	(114,321)
Foreign currency translation adjustment	-	-	-	-	143,435	-	-	-	-	143,435
Issuance of common stock for exercise of stock option (note 4(n))	10,640	3,298	-	-	-	-	-	-	-	13,938
Common stock and capital surplus from conversion of ECB (notes 4(j) and 4(n))	170,239	313,841	-	-	-	-	-	-	-	484,080
Treasury stock sold to employees (note 4(n))	-	932	-	-	-	-	-	433,063	-	433,995
Common stock acquired by the Company	-	-	-	-	-	-	-	(717,732)	-	(717,732)
Decrease in retained earnings resulting from long-term equity investments (note 4(e))	-	-	-	(144,395)	-	-	-	-	-	(144,395)
Adjustment for available-for-sale financial assets	-	-	-	-	-	-	(30,455)	-	-	(30,455)
Change in minority interest	-	-	-	-	-	-	-	-	(8,921)	(8,921)
Balance at December 31, 2006	12,723,568	10,210,776	657,949	5,477,540	423,904	-	49,646	(817,555)	103,394	28,829,222

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity and Minority interest — (continued)

For the years ended December 31, 2006, 2007 and 2008
(In thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Foreign currency translation adjustment	Unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Treasury stock	Minority interest	Total stockholders' equity and minority interest
Balance at December 31, 2006	12,723,568	10,210,776	657,949	5,477,540	423,904	-	49,646	(817,555)	103,394	28,829,222
Consolidated net income	-	-	-	6,605,450	-	-	-	-	111,010	6,716,460
2007 appropriation of earnings (note 4(n)):										
Legal reserve	-	-	532,687	(532,687)	-	-	-	-	-	-
Stock dividends to shareholders	760,771	-	-	(760,771)	-	-	-	-	-	-
Stock dividends to employees as bonus	334,922	-	-	(334,922)	-	-	-	-	-	-
Directors' and supervisors' emoluments	-	-	-	(47,942)	-	-	-	-	-	(47,942)
Cash dividends	-	-	-	(2,789,492)	-	-	-	-	-	(2,789,492)
Employee bonus	-	-	-	(143,538)	-	-	-	-	-	(143,538)
Foreign currency translation adjustment	-	-	-	-	(192,278)	-	-	-	-	(192,278)
Treasury stock sold to employees (note 4(n))	-	(1,554)	-	(34,415)	-	-	-	817,555	-	781,586
Decrease in retained earnings resulting from long-term equity investments (note 4(e))	-	-	-	(73,927)	-	-	-	-	-	(73,927)
Change in available-for-sale financial assets accounted for under long-term equity investments	-	-	-	-	-	-	(13,162)	-	-	(13,162)
Adjustment for available-for-sale financial assets (note 4(b))	-	-	-	-	-	-	(84,612)	-	-	(84,612)
Pension adjustment - unrecognized pension cost (note 4(k))	-	-	-	-	-	(29,673)	-	-	-	(29,673)
Change in minority interest	-	-	-	-	-	-	-	-	797,350	797,350
Balance at December 31, 2007	13,819,261	10,209,222	1,190,636	7,365,296	231,626	(29,673)	(48,128)	-	1,011,754	33,749,994
Consolidated net income	-	-	-	6,877,929	-	-	-	-	20,476	6,898,405
2008 appropriation of earnings (note 4(n)):										
Legal reserve	-	-	660,545	(660,545)	-	-	-	-	-	-
Stock dividends to shareholders	690,963	-	-	(690,963)	-	-	-	-	-	-
Stock dividends to employees as bonus	416,143	-	-	(416,143)	-	-	-	-	-	-
Directors' and supervisors' emoluments	-	-	-	(59,449)	-	-	-	-	-	(59,449)
Cash dividends	-	-	-	(3,731,201)	-	-	-	-	-	(3,731,201)
Employee bonus	-	-	-	(178,346)	-	-	-	-	-	(178,346)
Issuance of common stock (note 4(n))	240,000	894,480	-	-	-	-	-	-	-	1,134,480
Foreign currency translation adjustment	-	-	-	-	471,244	-	-	-	-	471,244
Increase in capital surplus resulting from long-term equity investments (note 4(e))	-	1,965	-	-	-	-	-	-	-	1,965
Change in available-for-sale financial assets accounted for under long-term equity investments	-	-	-	-	-	-	(65,801)	-	-	(65,801)
Adjustment for available-for-sale financial assets (note 4(b))	-	-	-	-	-	-	(284,538)	-	-	(284,538)
Decrease in foreign currency translation adjustment resulting from financial assets carried at cost (note 4(b))	-	-	-	-	(51,420)	-	-	-	-	(51,420)
Pension adjustment - unrecognized pension cost (note 4(l))	-	-	-	-	-	18,122	-	-	-	18,122
Change in minority interest	-	-	-	-	-	-	-	-	(120,613)	(120,613)
Balance at December 31, 2008	**15,166,367**	**11,105,667**	**1,851,181**	**8,506,578**	**651,450**	**(11,551)**	**(398,467)**	**-**	**911,617**	**37,782,842**

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2006, 2007 and 2008
(In thousands of dollars)

	2006	2007	2008	
	NT$	NT$	NT$	US$
Cash flows from operating activities:				
Consolidated net income	5,275,009	6,716,460	6,898,405	203,673
Adjustments to reconcile consolidated net income to cash provided by (used in) operating activities:				
Depreciation and amortization (including the depreciation of property for operating lease)	2,230,217	2,736,002	3,452,530	101,935
Net investment income accounted for by equity method and cash dividends received	(83,578)	(144,495)	(125,315)	(3,700)
Loss (gain) on disposal of property, equipment, and the property for operating lease, net	41,079	(233,011)	(65,923)	(1,946)
Gain on sale-and-leaseback transferred to rental expense	-	(6,951)	(28,532)	(842)
Gain on disposal of investments, net	(134,187)	(105,879)	(182,519)	(5,389)
Gain on reversal of impairment loss, net	-	(47,557)	-	-
Other investment loss	91,688	8,806	7,472	221
Property and equipment reclassified as expense	-	330	10,143	300
Loss on write-off of inventories	1,897	-	-	-
Loss (gain) on valuation of financial instruments, net	(2,315)	30,634	(36,550)	(1,079)
Deferred income tax expense	217,210	334,230	331,957	9,801
Change in operating assets and liabilities:				
Net financial assets at fair value through profit or loss	-	(55,415)	-	-
Notes and accounts receivable	(566,812)	(19,697,726)	(15,520,646)	(458,242)
Notes and accounts receivable - related parties	(6,830,956)	(11,912,061)	8,592,766	253,698
Other receivable - related parties	11,696	279,323	224,227	6,620
Other financial assets - current	(2,732,159)	4,054,532	(786,858)	(23,232)
Inventories	4,426,843	(8,239,866)	(8,446,447)	(249,378)
Prepaid expenses and other current assets	(149,373)	(191,857)	(64,379)	(1,901)
Other non-current receivable - related parties	-	6,932	-	-
Notes and accounts payable	3,306,838	13,061,275	18,535,538	547,255
Notes and accounts payable - related parties	1,073,155	7,821,739	(770,097)	(22,737)
Other payable - related parties	(320,687)	(395,272)	120,859	3,568
Accrued warranty costs	224,957	(49,170)	(195,791)	(5,781)
Accrued expenses and other current liabilities	1,623,321	420,671	2,911,189	85,952
Deferred inter-company profits	151	(1,407)	(421)	(12)
Other liabilities	19,583	25,850	45,586	1,346
Cash provided by (used in) operating activities	7,723,577	(5,583,883)	14,907,194	440,130
Cash flows from investing activities:				
Decrease in available-for-sale financial assets - current	2,409,631	3,167,461	172,530	5,094
Increase in long-term equity investments	(145,788)	(161,697)	(376,947)	(11,129)
Proceeds from disposal of long-term investments and returned capital from investees	23,882	48,330	104,491	3,085
Advance payments for investment	-	-	(20,000)	(591)
Decrease (increase) in available-for-sale financial assets - non-current	1,032	(822,210)	(75,478)	(2,228)
Increase in financial assets carried at cost - non-current	(89,488)	(131,424)	(540,151)	(15,948)
Proceeds from return of investments in financial assets carried at cost - non-current	-	-	199,060	5,877
Additions to property, plant and equipment	(3,512,697)	(4,904,094)	(6,852,695)	(202,323)
Proceeds from disposal of property, plant and equipment	1,210,027	1,976,037	661,963	19,544
Increase in intangible assets, deferred expenses and other assets	(634,916)	(714,092)	(1,967,697)	(58,096)
Cash used in investing activities	(738,317)	(1,541,689)	(8,694,924)	(256,715)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	(252,606)	6,566,456	(7,298,219)	(215,477)
Increase in long-term borrowings	-	-	9,858,000	291,054
Decrease in long-term borrowings	(243,210)	(513,389)	-	-
Decrease (increase) in treasury stock	(283,737)	781,586	-	-
Issuance of common stock	13,938	-	1,134,480	33,495
Cash dividends to shareholders	(1,765,397)	(2,789,492)	(3,731,201)	(110,163)
Employee bonus (including subsidiaries' distribution of NT$162 in 2007)	(114,321)	(143,700)	(178,346)	(5,266)
Directors' and supervisors' emoluments	(28,638)	(47,942)	(59,449)	(1,755)
Increase (decrease) in subsidiaries' capital from minority interest	(8,921)	797,350	(120,613)	(3,561)
Cash provided by (used in) financing activities	(2,682,892)	4,650,869	(395,348)	(11,673)
Effects of foreign currency exchange rate changes on cash and cash equivalents	(130,137)	99,788	44,057	1,301
Effects of the change in consolidated entities	-	303,095	(141,208)	(4,169)
Net increase (decrease) in cash and cash equivalents	4,172,231	(2,071,820)	5,719,771	168,874
Cash and cash equivalents at beginning of year	5,353,818	9,526,049	7,454,229	220,084
Cash and cash equivalents at end of year	**9,526,049**	**7,454,229**	**13,174,000**	**388,958**

WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows — (continued)

For the years ended December 31, 2006, 2007 and 2008
(In thousands of dollars)

	2006	2007	2008	
	NT$	NT$	NT$	US$
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest, excluding capitalized interest	1,152,201	796,750	897,684	26,504
Income taxes	113,974	1,657,003	1,033,275	30,507
Supplemental information on non-cash investing and financing activities:				
Foreign currency translation adjustment	143,435	(192,278)	419,824	12,395
Change in available-for-sale financial assets accounted for under long-term equity investments	-	(13,162)	(65,801)	(1,943)
Unrealized gain (loss) on available-for-sale financial assets	51,553	(84,612)	(284,538)	(8,401)
Prepaid expenses reclassified as intangible assets	-	78,576	-	-
Long-term borrowings due within one year	40,319	-	-	-
Convertible bonds converted into common stock	484,080	-	-	-

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of and for the years ended December 31, 2006, 2007 and 2008
(amounts expressed in thousands of New Taiwan dollars and US dollars, except for per share information and unless otherwise noted)

1. Reporting Entities of the Consolidated Financial Statements and Their Business Scopes

Wistron Corporation (the "Company") was incorporated on May 30, 2001, as a company limited by shares under the laws of the Republic of China (ROC). Pursuant to a restructuring plan of Acer Inc. (AI) to improve its business performance and competitiveness, the Company was formed to assume and operate the net assets spun off from AI's DMS (Design, Manufacturing, and Service products) business.

As of December 31, 2006, 2007 and 2008, the consolidated financial statements included the accounts of the Company and its subsidiaries (hereinafter jointly referred to as the "Consolidated Companies"). The Consolidated Companies, which are classified according to their primary business activity and percentage of ownership, are as follows:

(a) Research, design, testing, manufacturing and sales of personal computers, servers, multi-media appliance products, telecommunication products, and network systems:

	Investor	Percentage of direct and indirect ownership by the Company at December 31, 2006	2007	2008
1. Wistron Corporation (Taiwan)	-	-	-	-
2. International Standard Labs ("ISL", Taiwan)	the Company	100.00	100.00	100.00
3. Wistron InfoComm (Philippines) Corporation ("WPH", Philippines)	the Company	100.00	100.00	100.00
4. Wistron Mexico S.A. de C.V. ("WMX", Mexico)	the Company	100.00	100.00	100.00
5. WisVision Corporation ("WVS", British Virgin Islands)	the Company	-	-	100.00
6. Wistron InfoComm (Zhongshan) Co., Ltd. ("WZS", China)	Cowin	100.00	100.00	100.00
7. AII Technology (Zhongshan) Co., Ltd. ("ATZS", China)	AIIH	100.00	100.00	100.00
8. Wistron InfoComm (Kunshan) Co., Ltd. ("WAKS", China)	Win Smart	100.00	100.00	100.00
9. Wistron InfoComm Technology (Kunshan) Co., Ltd. ("WIKS", China)	Win Smart	100.00	100.00	100.00
10. Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. ("WEKS", China)	Win Smart	100.00	100.00	100.00
11. Wistron Optronics Corporation ("WOC", Taiwan)	the Company	63.22	-	-
12. Wistron Optronics (Kunshan) Co., Ltd. ("WOK", China)	WDC	63.22	100.00	100.00
13. Wistron Optronics Corp. ("WOC", formerly "WOD")	the Company	100.00	75.50	75.50
14. AOpen Inc. ("AOI", Taiwan)	the Company	27.04	27.10	27.10 (note 1)
15. AOpen Information Products (Zhongshan) Inc. ("AOZ", China)	AOTH	27.04	27.10	27.10 (note 1)
16. Wistron InfoComm (Czech) s.r.o. ("WCZ", Czech Republic)	WSE	-	100.00	100.00
17. Wistron InfoComm Technology (Zhongshan) Co., Ltd. ("WTZS", China)	WVS	-	-	100.00

(Continued)

(b) Sale and maintenance of computer products and related parts and components, data storage equipment, and digital monitoring systems:

	Investor	Percentage of direct and indirect ownership by the Company at December 31, 2006	2007	2008
1. Cowin Worldwide Corporation ("Cowin", British Virgin Islands)	the Company	100.00	100.00	100.00
2. AII Holding Corporation ("AIIH", British Virgin Islands)	the Company	100.00	100.00	100.00
3. Wistron Service B.V. ("WSE", Holland)	the Company	100.00	100.00	100.00
4. Wistron InfoComm (Texas) Corporation ("WTX", E1 Paso, U.S.A.)	the Company	100.00	100.00	100.00
5. Anextek Global Incorporated ("AGI", Taiwan)	the Company	84.21	99.90	99.94
6. SMS InfoComm (Singapore) Pte. Ltd. ("WSG", Singapore)	the Company	-	-	100.00
7. Wistron InfoComm Technology (America) Corporation ("WITX", America)	WLLC	-	100.00	100.00
8. Wistron Service (Kunshan) Corp. ("WSKS", China)	Win Smart	100.00	100.00	100.00
9. Wistron Hong Kong Limited ("WHK", Hong Kong)	Win Smart	100.00	100.00	100.00
10. Wistron Service (Shanghai) Co., Ltd. ("WSSH", China)	Win Smart	100.00	100.00	100.00
11. SMS (Kunshan) Co., Ltd. ("WMKS", China)	Win Smart	-	-	100.00
12. Wistron K.K. ("WJP", Japan)	AIIH	100.00	100.00	100.00
13. Xserve (Far East) Limited ("XFE", Hong Kong)	AGI	84.21	-	-
14. Xserve International (Shanghai) Co., Ltd. ("XSH", China)	XTI	84.21	99.90	-
15. Wistron Optronics (Shanghai) Corporation ("WOS", China)	WDC	63.22	100.00	100.00
16. Wistron Optronics (Shanghai) Co., Ltd. ("WOSH", China)	WDC	-	-	100.00
17. AOpen America Inc. ("AOA", U.S.A.)	AOI	27.04	27.10	27.10 (note 1)
18. AOpen Computer B.V. ("AOE", Holland)	AOI	27.04	27.10	27.10 (note 1)
19. AOpen Japan Inc. ("AOJ", Japan)	AOI	27.04	27.10	27.10 (note 1)
20. AOpen Technology Asia Pacific Taiwan Co., Ltd. ("AOAT", Taiwan)	AOI	27.04	27.10	27.10 (note 1)
21. Great Connection Ltd. ("GCL", Hong Kong)	AOTH	27.04	27.10	27.10 (note 1)
22. AOpen International (Shanghai) Co., Ltd. ("AOC", China)	AOTH	27.04	27.10	27.10 (note 1)
23. AOpen Computer GmbH ("AOG", Germany)	AOE	27.04	27.10	27.10 (note 1)
24. AOpen Components B.V. ("AOEC", Holland)	AOE	27.04	27.10	27.10 (note 1)

(Continued)

(c) Investment and holding companies:

	Investor	Percentage of direct and indirect ownership by the Company at December 31, 2006	2007	2008
1. WiseCap Ltd. ("WCL", Taiwan)	the Company	100.00	100.00	100.00
2. Win Smart Co., Ltd. ("Win Smart", British Virgin Islands)	the Company	100.00	100.00	100.00
3. Wistron LLC ("WLLC", America)	the Company	-	-	100.00
4. Xserve Technology Incorporated ("XTI", British Virgin Islands)	AGI	84.21	99.90	99.94
5. Wistron Information Technology and Services Inc. ("WIBI", British Virgin Islands)	WITS	45.08	52.67	41.68 (note 2)
6. WinDisplay Corporation ("WDC", British Virgin Islands)	AIIH	63.22	100.00	100.00
7. WLB Ltd. ("WLB", Taiwan)	WCL	100.00	100.00	100.00
8. AOpen Technology Inc. ("AOTH", British Virgin Islands)	AOI	27.04	27.10	27.10 (note 1)

(d) Software research, development, design, trading and consultation:

	Investor	Percentage of direct and indirect ownership by the Company at December 31, 2006	2007	2008
1. Wistron InfoComm (Shanghai) Corporation ("WSH", China)	AIIH	100.00	100.00	100.00
2. Wistron Information Technology and Services Corporation ("WITS", Taiwan)	the Company	45.08	52.67	41.68 (note 2)
3. Wistron Information Technology Incorporated ("MIT", Taiwan)	WITS	45.08	52.67	41.68 (note 2)
4. Wistron Information Technology and Services (Japan) Inc. ("WIJP", Japan)	WITS	45.08	52.67	41.68 (note 2)
5. Wistron Information Technology and Services Limited ("WIHK", Hong Kong)	WITS	45.08	52.67	41.68 (note 2)
6. Wistron Information Technology and Services (Dalian) Inc. ("WIDL", China)	WIBI	45.08	52.67	41.68 (note 2)
7. Wistron Information Technology and Services (Hangzhou) Inc. ("WIHZ", China)	WIBI	45.08	-	-
8. Wistron Information Technology and Services (Zhuhai) Inc. ("WIZH", China)	WIBI	45.08	52.67	41.68 (note 2)
9. Wistron Information Technology and Services (Beijing) Inc. (WIBJ, China)	WIBI	45.08	52.67	41.68 (note 2)

(note 1) Included as consolidated entities commencing from April 25, 2007.
(note 2) WITS and its subsidiaries were deconsolidated starting from July 1, 2008.

As of December 31, 2007, the Consolidated Companies included AOI and its subsidiaries as consolidated entities, even though the Consolidated Companies' ownership percentage was lower than 50%, because the Company's representative was appointed as AOI's general manager and the Company obtained the power to control AOI on April 25, 2007. Accordingly, AOI and its subsidiaries' consolidated net income for the period from April 25 to December 31, 2007, was included in the accompanying consolidated financial statements.

(Continued)

During their meeting on June 30, 2008, WITS's shareholders reelected its members of the board of directors. As a result, the Company lost its power to control WITS. Accordingly, WITS and its subsidiaries were deconsolidated starting from July 1, 2008.

To mitigate the financial difficulty and to restructure the ownership of WOC, the respective board of directors and stockholders of WOC and WOD approved a resolution to merge WOD with WOC effective March 10, 2007. Following the merger, WOD was the surviving company and WOC was the dissolved company. In addition, WOD changed its name to WOC on August 17, 2007.

WSG, WTZS, WMKS, WVS, WLLC and WOSH were established in 2008. However, XSH was liquidated in 2008 for the purpose of simplifying the Company's investment structure.

WCZ and WITX were established in 2007. For the purpose of simplifying the Company's investment structure, XFE and WIHZ were liquidated in 2007.

As of December 31, 2007, the Consolidated Companies included WITS and its subsidiaries as consolidated entities, even though the Consolidated Companies' ownership percentage in WITS was lower than 50%, because they have the power to control WITS.

As of December 31, 2006, 2007 and 2008, the Consolidated Companies had 21,494, 31,682 and 35,875 employees, respectively.

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the ROC. These consolidated financial statements are intended to present the financial position of the Consolidated Companies, results of operations, and cash flows in accordance with accounting principles generally accepted in the ROC and not those of any other jurisdictions. The significant accounting policies adopted in preparing the consolidated financial statements are as follows:

(a) Consolidation policies

The consolidated financial statements include the accounts of the Company and subsidiaries in which the Company is able to exercise control over the subsidiary's operations and financial policies. The operating activity of the subsidiary is included in the consolidated statements of income from the date of acquisition and is excluded from the consolidated statements of income when the Company loses its power to control the subsidiary. All significant inter-company transactions among the Consolidated Companies are eliminated in consolidation.

The difference between the net purchase price and the net equity of the acquired subsidiary is accounted for as goodwill or negative goodwill (classified under "intangible assets" or "other liabilities" in the accompanying consolidated balance sheets) and previously was amortized over 5 years using the straight-line method. Goodwill is no longer amortized starting from January 1, 2006, but an asset impairment test thereof is performed every year.

(b) Use of estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(c) Foreign currency transactions and translation

The functional and reporting currency of the domestic consolidated entities is the New Taiwan dollar. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the

(Continued)

transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates on that date. The resulting unrealized exchange gain (loss) from such translations is reflected in the accompanying consolidated statements of income. According to amended ROC Statement of Financial Accounting Standards (SFAS) No. 14 "The Effects of Changes in Foreign Exchange Rates", commencing from January 1, 2006, non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. If the financial assets or liabilities are evaluated at fair value through profit or loss, non-monetary assets and liabilities are translated using the spot rate on the balance sheet date, and the resulting unrealized exchange gain (loss) from such translations is reflected in the accompanying consolidated statements of income. If the financial assets or liabilities are evaluated at fair value through stockholders' equity, the resulting unrealized exchange gain (loss) from such translations is recorded as a separate component of stockholders' equity.

The financial statements of those foreign consolidated subsidiaries and investees, which are accounted for under the equity method, are remeasured, if their reporting currency is not their functional currency. The remeasurement difference is recorded as foreign currency exchange gain/loss. Furthermore, those financial statements are translated into the Company's reporting currency. Translation adjustments resulting from such translation are accounted for as foreign currency translation adjustment, which is a separate component of stockholders' equity.

(d) Classification criteria for current or non-current assets and liabilities

Cash and cash equivalents and assets, which are held for trading purposes or held for the short term and expected to be liquidated within 12 months after the balance sheet date, are classified as current assets, otherwise are classified as non-current assets.

Liabilities which are expected to be paid within 12 months after the balance sheet date are classified as current liabilities, otherwise are classified as non-current liabilities.

(e) Asset impairment

The Consolidated Companies assess at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill may have been impaired. If any such indication exists, the Consolidated Companies estimate the recoverable amount of the asset. The Consolidated Companies recognize impairment loss for an asset whose carrying value is higher than the recoverable amount. An impairment loss recognized in prior periods is reversed for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

Goodwill, intangible assets with indefinite useful life, and not-in-use intangible assets are subject to impairment test annually, and an impairment loss is recognized on the excess of carrying value over the recoverable amount.

(f) Cash and cash equivalents

The Consolidated Companies' cash and cash equivalents consist of cash on hand, cash in banks, miscellaneous petty cash, and other highly liquid investments which do not have a significant level of market or credit risk from potential interest rate changes.

(g) Financial instruments

Financial instruments are recognized at fair value plus, in the case of a financial instrument not reported at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument. A regular way purchase or sale of financial assets is recognized and

(Continued)

derecognized using the trade date accounting. Subsequent to initial recognition, financial instruments are measured as follows:

i Financial assets/liabilities at fair value through profit or loss

An instrument is classified as financial instrument at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Financial instruments at fair value through profit or loss are measured at fair value, and changes in fair value are recognized in profit or loss.

ii Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value, and changes in fair value, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. If there is an objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

iii Financial assets carried at cost

Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. If there is an objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

iv Other

Other financial instruments are measured at amortized cost using the effective interest method. If there is an objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount of the financial asset that exceeds the amortized cost that would have been determined if no impairment loss had been recognized.

(h) Receivables from related parties

All notes and accounts receivable arising from the sale of inventories, equipment and services to related parties and advance payments to related parties are accounted for as notes and accounts receivable - related parties or other receivable - related parties.

The collection policies on accounts receivable from related parties are similar to those for third parties. However, if the policies cannot be enforced due to the insolvency or negative equity of the related parties, the accounts receivable overdue for a certain period after the normal credit term are reclassified to other receivables.

(i) Allowance for doubtful accounts

Allowance for doubtful accounts is provided according to the status of collectibility of each account. The amount is determined by considering the past collection experience, customers' credit, an aging analysis, and the Consolidated Companies' internal controls on credit policy.

(Continued)

(j) Inventories

The standard cost method is adopted in accounting for inventory cost. The variance between the standard costs and the actual costs is allocated to cost of goods sold and ending inventories based on the weighted-average method. Inventories are stated at the lower of weighted-average cost or market value. Market value represents net realizable value.

(k) Non-current assets held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are classified as "held for sale" when all of the following criteria are met: a decision has been made to sell, the assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and their sale within one year must be highly probable. Non-current assets or disposal groups classified as "held for sale" are measured at the lower of their book value or fair value less costs to sell. Non-current assets or disposal groups classified as held for sale are not depreciated, amortized or depleted. Total assets and total liabilities of disposal groups classified as held for sale are each shown separately and excluded from the individual line items of the consolidated balance sheets. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continuously recognized until it is sold.

In accordance with SFAS No. 35 "Impairment of Assets", an impairment loss is recognized for any initial or subsequent write-down of the assets (or disposal groups) to fair value less costs to sell in the consolidated statements of income. A gain from any subsequent recovery in fair value less costs to sell of an asset (or a disposal group) is recognized, but shall not exceed the cumulative impairment loss that has been recognized and the amount of depreciation or amortization which should have been accumulated had the assets (or a disposal group) not classified as "held for sale".

(l) Long-term equity investments

Long-term investments in which the Consolidated Companies, directly or indirectly, own 20% or more of the investee companies' voting shares, or own less than 20% of the investee companies' voting shares but have significant influence on the investee companies, are accounted for by the equity method. Starting from January 1, 2006, differences between investment cost and investee's net equity determined at fair value are accounted for as follows:

i If the cause of the difference is attributable to a specific transaction, the difference is accounted for using the original accounting treatment. However, goodwill is no longer amortized and the amortization expense recognized in previous years cannot be reversed.

ii If the difference is related to a difference that is originally amortized for a certain period, the unamortized portion relating to the excess of investment cost over the investee's net equity is accounted for as goodwill.

iii Deferred credit of long-term equity investment is amortized over the remaining period of the 5-year period previously used for the amortization.

An impairment test is performed annually. If any indication of impairment is identified, an impairment test is performed immediately. When the recoverable amount is below the book value, impairment loss is recognized.

The difference between the selling price and the book value of long-term equity investments under the equity method is recognized as disposal gain or loss in the accompanying consolidated statements of income. If there is a capital surplus arising from long-term equity investments, such capital surplus is debited against the disposal gain or loss based on the disposal ratio.

Unrealized gains and losses resulting from transactions between the Consolidated Companies and their investee companies and among investee companies are deferred. Gains and losses arising from transactions relating to depreciable or amortizable assets are recognized over their useful lives. Gains and losses from other assets are recognized when realized.

(Continued)

When investee companies issue common stock and the Consolidated Companies do not purchase the stock in accordance with their ownership holding ratio, the Consolidated Companies adjust their capital surplus based on the net changes in the capital surplus and long-term equity investments. If the capital surplus arising from long-term investment accounted for under the equity method is insufficient, the deficiency is debited to retained earnings.

If the Consolidated Companies exercise significant influence but have no power to control an investee company and the investee's equity becomes negative and the Consolidated Companies have guaranteed the payments of the investee's debt or have provided other financial commitments to the investee, or if the investee's loss is temporary in nature, then the investment loss is recognized continuously by using the equity method. On the other hand, if the Consolidated Companies have the power to control an investee company and the investee's equity becomes negative and other shareholders have no obligation or are unable to provide funds to cover the loss, the Consolidated Companies recognize the loss in full. The excess of recognized investment loss over the related long-term equity investment is accounted for as long-term equity investment credits and, after offsetting against the receivables from related parties, is reflected as a liability in the accompanying consolidated balance sheets.

(m) Property, plant and equipment

Property, plant and equipment are stated at cost. Interest expense related to the purchase and construction of property and equipment is capitalized and included in the cost of the related assets. Significant additions, improvements and replacements are capitalized. Maintenance and repair costs are expensed in the period incurred. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method.

Beginning November 20, 2008, the Consolidated Companies account for the removal and recovery costs for fixed assets that are accrued during the non-production period in accordance with Interpretation (97) 340 issued by the Accounting Research and Development Foundation. If any component of a fixed asset is a significant part of the total cost, it should be depreciated individually. The Consolidated Companies evaluate the residual useful lives, the depreciation method, and the residual value at each financial year-end and changes thereof are accounted for as changes in accounting estimates.

The estimated useful lives of the respective classes of property, plant and equipment are as follows:

i Buildings and improvements: 5~55 years

ii Machinery and equipment: 2~10 years

iii Molding equipment: 1~2 years

iv Research and development equipment: 1~5 years

v Furniture, fixtures and other equipment: 2~10 years

Gains or losses on the disposal of property, plant and equipment are accounted for as non-operating income or expense.

Property being leased to others is classified as other assets.

(n) Intangible assets

Goodwill is accounted for in accordance with ROC SFAS No. 25 "Business Combinations". It represents the excess of the cost of the acquisition over the Consolidated Companies' interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses. Other intangible assets are stated at cost and primarily consist of core technology, customer relationships, patents and computer software. Effective

(Continued)

from January 1, 2007, the Consolidated Companies adopted SFAS No. 37, "Intangible Assets". In accordance with ROC SFAS No. 37, other than an intangible asset acquired by way of a government grant, which is measured at its fair value, an intangible asset is measured initially at cost. After the initial recognition, an intangible asset is measured at its cost plus revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

The depreciable amount of capitalized development expenditure is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date when they are made available for use. The estimated useful lives of the intangible assets are as follows:

i	Patents	3~10 years
ii	Software	3~10 years
iii	Core technology	2 years
iv	Customer relationships	5 years
v	Land use rights	50 years

Effective from January 1, 2006, goodwill is no longer amortized. Instead, an impairment test is performed annually.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Any changes thereon are accounted for as changes in accounting estimates.

In accordance with SFAS No. 37, except when it forms part of the cost of a business combination, expenditure on research is recognized as an expense when it is incurred.

An intangible asset arising from development is recognized if, and only if, the Consolidated Companies can demonstrate all of the following:

i the technical feasibility of completing the intangible asset so that it will be available for use or sale.

ii their intention to complete the intangible asset and use or sell it.

iii their ability to use or sell the intangible asset.

iv how the intangible asset will generate probable future economic benefits.

v the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

vi their ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated impairment losses.

In accordance with SFAS No. 37, an intangible asset with an indefinite useful life is not amortized.

The useful life of capitalized development expenditure that is not being amortized is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to definite is accounted for as a change in accounting estimate.

(Continued)

The Consolidated Companies currently cannot separate the research stage and development stage for their R&D projects. Therefore, all R&D expenditures are treated as incurred at the research stage.

(o) Lease

The gain/loss on disposal of property is deferred and recognized as "unrealized gain/loss on sale-and-leaseback" when the property is sold and leased back. The unrealized gain/loss on sale-and-leaseback is amortized as follows:

i Over the expected lease period (including renewal period) under an operating lease; or

ii Over the estimated useful life of the property under a capital lease, if the lessor transfers ownership of the property to the lessee by the end of the lease term or the lessee has a bargain purchase option; or

iii Over the contractual leasing period under other type of capital lease.

(p) Deferred expenses

Deferred expenses are stated at cost and primarily consist of costs of improvements of buildings used for operations. These expenses are amortized using the straight-line method over their economic useful lives of 2 to 5 years.

(q) Accrued warranty costs

For products under warranty, warranty costs are accrued based on the past record of the cost of returns for repair, failure rate and warranty period. Warranty costs are accounted for as current expenses when the sales are recognized.

(r) Retirement plan

The Company and its domestic consolidated subsidiaries established non-contributory employee defined benefit retirement plans (the "Plans") covering full-time employees. In accordance with the Plans, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on an employee's average monthly salary for the last six months before the employee's retirement and the number of points accumulated by the employee according to his/her years of service. Each employee receives 2 points for each service year from year 1 to year 15, and 1 point thereafter. A lump-sum retirement benefit is paid through the retirement fund. Under this retirement plan, the Company and its domestic consolidated subsidiaries are responsible for making the entire pension payment. Starting from July 1, 2005, the enforcement rules of the newly enacted Labor Pension Act (the "New Act") require the following categories of employees to adopt the New Act's defined contribution plan:

(i) employees covered by the original Plans who opted to be subject to the pension mechanism under the New Act; and

(ii) employees who commenced working after the enforcement date of the New Act.

In accordance with the New Act, the rate of the employer's monthly contribution to an individual labor pension fund account per month shall not be lower than 6% of the worker's monthly wages.

The Consolidated Companies adopted ROC SFAS No. 18, "Accounting for Pensions", for their retirement plans. SFAS No. 18 requires a company to have an actuarial calculation of its pension liability using the balance sheet date as the measurement date. The accumulated benefit obligation in excess of the fair value of pension plan assets is deemed to be the minimum pension liability and is recognized as accrued pension liability. The Consolidated Companies provide contributions to the retirement fund monthly equal to 2% of the paid salaries and wages. The funds are deposited with Bank of Taiwan.

(Continued)

Certain of the Company's foreign subsidiaries have defined contribution retirement plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred.

(s) Treasury stock

Treasury stock is accounted for at acquisition cost. Upon disposal of the treasury stock, the sale proceeds in excess of cost are accounted for as capital surplus - treasury stock. If the sale proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus - treasury stock. If the remaining balance of capital surplus - treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings.

If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off to offset the par value and the capital surplus premium, if any, of the stock retired. If the weighted-average cost written off exceeds the sum of both the par value and the capital surplus premium, the difference is accounted for as a reduction of capital surplus - treasury stock, or a reduction of retained earnings for any deficiency where capital surplus - treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of both the par value and premium, if any, of the stock retired, the difference is accounted for as an increase in capital surplus - treasury stock.

(t) Share-based payment

The employee stock options which were granted before January 1, 2008, were accounted for based on Interpretations (92) 070, 071 and 072 issued by the Accounting Research and Development Foundation. The Consolidated Companies adopt the intrinsic value method to recognize the compensation cost, which is the difference between the market price of the stock and the exercise price of the employee stock option on the measurement date. Any compensation cost is charged to expense over the employee vesting period and increases the stockholders' equity accordingly.

(u) Revenue recognition

Revenue is recognized when products are delivered to customers and the significant risks and rewards of ownership are transferred. Repair income is recognized when the services are provided.

(v) Employee bonuses and directors' and supervisors' emoluments

Employee bonuses and directors' and supervisors' emoluments appropriated on or after January 1, 2008, are accounted for based on Interpretation (96) 052 issued by the Accounting Research and Development Foundation. The Consolidated Companies estimate the amount of employee bonuses and directors' and supervisors' emoluments according to the Interpretation and recognize it as expenses. The difference between the amount approved in the shareholders' meeting and recognized in the consolidated financial statements, if any, is accounted for as changes in accounting estimates and recognized as profit or loss.

(w) Income taxes

The Consolidated Companies adopted ROC SFAS No. 22 "Income Taxes" for the computation of income taxes. Accordingly, deferred income tax is determined based on differences between assets and liabilities' accounting and tax basis using anticipated or enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, operating loss carryforwards, and investment tax credit are recognized as deferred income tax assets. In addition, the realization of deferred income tax assets is evaluated in order to recognize a valuation allowance, if needed. Deferred income tax assets and liabilities are classified as either current or non-current based on the classification of related assets or liabilities. If the deferred income tax assets or liabilities are not related to any assets or liabilities, then the classification is based on the expected realization date of the deferred income tax asset or liability.

(Continued)

The investment tax credit granted for purchases of equipment, research and development expenses, and training costs is recognized currently.

In accordance with the ROC Income Tax Act, the Company and its domestic consolidated subsidiaries may retain their earnings arising after December 31, 1997, by paying a 10% surtax on the undistributed earnings. Such surtax is accounted for as income tax expense on the date when the stockholders approve a resolution not to distribute the earnings.

(x) Earnings per common share

Earnings per common share is calculated as net income divided by the weighted-average number of outstanding common shares. The increase in the number of outstanding shares through distribution of stock dividends from retained earnings or capital surplus is included in the outstanding shares retroactively.

Stock options and common stock issued for employee bonus are potentially dilutive common stock. The diluted earnings per share are calculated based on the above-mentioned weighted-average number of outstanding common shares plus the weighted-average number of common shares which would be issued on the conversion of all potentially dilutive common shares into common shares.

(y) Convenience translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the December 31, 2008, New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the spot rate of Federal Reserve Statistical Release on March 31, 2009, of NT$33.87 to US$1 uniformly for all the financial statement accounts. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

3. Changes in Accounting Policies

(a) Income (loss) effects of changes in accounting principles

The Consolidated Companies recognize employee bonus and directors' and supervisors' emoluments as expenses in accordance with Interpretation (96) 052 issued by the Accounting Research and Development Foundation commencing from January 1, 2008. This change in accounting principle decreased the consolidated net income and earnings per share of the Consolidated Companies by NT$856,059 and NT$0.57, respectively, for the year ended December 31, 2008. Basic earnings per share and diluted earnings per share are not retroactively adjusted for stock dividends to employees as bonus in accordance with Interpretation (97) 169 issued by the Accounting Research and Development Foundation. If the stock dividends to employees as bonus are potentially dilutive, they are accounted for in the diluted earnings per share.

(b) Effective from January 1, 2007, the Consolidated Companies adopted ROC SFAS No. 37, "Intangible Assets". In accordance with SFAS No. 37, the Consolidated Companies re-evaluated the useful lives or amortization method of their recorded intangible assets. In addition, the Consolidated Companies adopted SFAS No. 38 "Non-current Assets Held for Sale and Discontinued Operations", and reclassified, re-measured and disclosed non-current assets held for sale. The adoption of these new accounting principles did not effect the consolidated financial statements for the year ended December 31, 2007.

(c) Income (loss) effects of changes in accounting principles

The Consolidated Companies adopted ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement", SFAS No. 36 "Financial Instruments: Disclosure and Presentation", amended SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements" and

(Continued)

SFAS No. 5 "Long-term Investments under Equity Method" starting from January 1, 2006. The effects on net income and earnings per share (EPS) for the year ended December 31, 2006, were as follows:

Nature of change in accounting principle	Increase (decrease) in net income	Increase in EPS
	NT$	NT$
Accounting for financial instruments	(3,204)	-
Accounting for the difference between investment cost and net equity at fair value	27,160	0.02
	23,956	**0.02**

Under the amended SFAS No. 5, differences between the cost of investments made prior to January 1, 2006 and the investees' net equity determined at fair value that are not identifiable and were originally amortized over five years are no longer amortized starting from January 1, 2006.

(d) Effect of changes on stockholders' equity

The Consolidated Companies adopted ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement" commencing from January 1, 2006. Accordingly, available-for-sale financial assets are measured at fair value and reclassified. Therefore, an unrealized gain of NT$82,008 on available-for-sale financial assets was recorded under stockholders' equity as of January 1, 2006.

4. Significant Account Disclosures

(a) Cash and cash equivalents

The components of cash and cash equivalents as of December 31, 2006, 2007 and 2008, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Cash on hand	12,772	14,957	18,773	554
Cash in banks	1,513,770	2,102,562	9,649,668	284,903
Time deposits	6,888,799	5,227,517	3,479,995	102,746
Short-term notes	1,110,708	109,193	25,564	755
	9,526,049	**7,454,229**	**13,174,000**	**388,958**

(b) Financial instruments

(1) Financial assets and liabilities at fair value through profit or loss as of December 31, 2006, 2007 and 2008, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Financial assets:				
Foreign currency swap contracts	1,553	5,134	8,094	239
Foreign currency forward contracts	4,768	11,622	4,820	142
Bond fund	-	55,423	-	-
	6,321	**72,179**	**12,914**	**381**
Financial liabilities:				
Foreign currency swap contracts	1,215	31,054	-	-
Foreign currency forward contracts	2,791	14,022	4,748	140
	4,006	**45,076**	**4,748**	**140**

(Continued)

For the years ended December 31, 2006, 2007 and 2008, unrealized gain (loss) on derivative contracts due to the change in fair market value amounted to NT$2,315, NT$(30,634) and NT$36,550, respectively, and was accounted for under "gain (loss) on valuation of financial instruments".

Derivative contracts signed between the Consolidated Companies and several banks were intended to hedge foreign currency exchange and interest rate risks from operating, financing, and investing activities. As of December 31, 2006, 2007 and 2008, derivative financial instruments not qualified for hedge accounting were as follows:

(i) Foreign currency forward contracts

2006

Notional amount	Currency	Settlement Date
USD 91,000	USD Put /NTD Call	2007.1.3~2007.1.29

2007

Notional amount	Currency	Settlement Date
USD 160,000	USD Put / NTD Call	2008.1.2~2008.1.24
JPY 30,000	JPY Put / USD Call	2008.1.15
EUR 300	EUR Put / USD Call	2008.1.11
USD 13,000	NTD Put / USD Call	2008.1.7

2008

Notional amount	Currency	Settlement Date
USD 10,000	USD Put / NTD Call	2009.1.20
USD 2,500	USD Put / RMB Call	2009.1.31
USD 10,000	NTD Put / USD Call	2009.1.22

(ii) Foreign currency swap contracts

2006

Notional amount	Currency	Settlement Date
USD 183,000	USD Put / NTD Call	2007.1.3~2007.1.31

2007

Notional amount	Currency	Settlement Date
USD 310,000	USD Put / NTD Call	2008.1.7~2008.1.31
EUR 4,400	EUR Put / USD Call	2008.1.28

2008

Notional amount	Currency	Settlement Date
USD 10,000	USD Put / NTD Call	2009.1.5

(Continued)

(2) Available-for-sale financial assets as of December 31, 2006, 2007 and 2008, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Available-for-sale financial assets – current:				
Bond fund	3,195,573	105,659	4,833	143
Available-for-sale financial assets – non-current:				
Publicly traded stock – Xplore	38,790	26,060	9,873	291
Publicly traded stock – Alpha Networks	-	747,959	481,798	14,225
Publicly traded stock – Compucase	-	45,004	18,354	542
Stock traded on OTC – High-Tek	65,292	63,710	24,954	737
Stock traded on OTC – Gamania	-	-	53,852	1,590
Stock traded on OTC – PESI	6,366	-	-	-
	110,448	882,733	588,831	17,385

As of December 31, 2006, 2007 and 2008, unrealized loss on available-for-sale financial assets recognized as adjustments to stockholders' equity amounted to NT$51,553 (including the effect of adoption of ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement"), NT$84,612 and NT$284,538, respectively.

(3) Financial assets carried at cost as of December 31, 2006, 2007 and 2008, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Non-current:				
Privately held stock – Super Elite Ltd.	22,330	49,460	49,808	1,471
Privately held stock – Bcom Electronics Inc.	18,728	18,728	18,728	553
Privately held stock – Golana Technology Corp..	8,500	-	-	-
Privately held stock – IP Fund II L.P.	15,000	15,000	15,000	443
Privately held stock – IP Fund III L.P.	49,329	49,329	44,817	1,323
Privately held stock – Vmedia Research	7,472	7,472	-	-
Privately held stock – Jafco AT Fund III L.P.	94,680	133,106	124,924	3,688
Privately held stock – Wistron InfoComm Hungary KFT (WHU)	178,681	178,681	-	-
Privately held stock – Jafco AT Fund IV L.P.	-	32,750	71,480	2,110
Privately held stock – Bluechip Infotech Pty Ltd. (SAL)	-	13,827	13,827	408
Privately held stock – Aopen Center–MD	-	4,807	-	-
Privately held stock – Gold Connection Ltd.	80,473	80,095	-	-
Privately held stock – IP Fund One, L.P.	69,452	65,090	60,073	1,774
Privately held stock – Golden Unify International Enterprises Ltd.	7,297	7,263	7,356	217
Privately held stock – AcroSense Technology Co., Ltd.	-	-	157,920	4,662
Privately held stock – IP Cathay II, L.P.	-	-	24,168	714
Privately held stock – IP Cathay One, L.P.	32,678	98,065	144,991	4,281
Privately held stock – Keen High Technologies Limited	-	-	129,249	3,816
Privately held stock – Hartec Asia Pte. Ltd.	-	-	132,118	3,901
Others	3,116	2,773	3,177	94
	587,736	756,446	997,636	29,455

No market prices were available for determining the fair value of the above privately held stocks; therefore, cost was used.

(Continued)

In 2006, WHU, a subsidiary of the Company, was liquidated and the investment thereon was recorded under financial assets carried at cost - non-current. During the year ended December 31, 2008, the related legal processes were completed. Total capital recovered from liquidation was NT$169,299. The recovered capital in excess of the book value (including the carrying value and the foreign currency translation adjustment of NT$178,681 and NT$(51,420), respectively) amounting to NT$42,038 was accounted for under "gain on disposal of investments".

As Vmedia Research had incurred continuous losses and it was not possible to make a profit in the short term, the Consolidated Companies recognized NT$7,472 of valuation loss on investment and recorded it as "other investment loss" for the year ended December 31, 2008.

Because Golana Technology Corp. and Aopen Center-MD had incurred continuous losses and they were not possible to make a profit in the short term, the Consolidated Companies recognized NT$8,806 of valuation loss on the investments in these entities and recorded it as "other investment loss" for the year ended December 31, 2007.

Because Vmedia Research had incurred continuous losses and it was not possible to make a profit in the short term, the Consolidated Companies recognized NT$68,000 of valuation loss on investment and recorded it as "other investment loss" for the year ended December 31, 2006.

(c) Accounts receivable

As of December 31, 2006, 2007 and 2008, the factored accounts receivable that conformed to the derecognition criteria were as follows:

2006

Buyer	Factored amount	Factoring credit limit	Advance amount	Interest rate	Collateral	Important derecognition clause	Derecognized amount
Standard Chartered Bank	US$ 26,275	100,000	24,422		-	Without recourse	26,275
Chinatrust Bank	38,392	60,000	34,754		-	"	38,392
Mega International Commercial Bank	280,000	280,000	222,547		250,000	"	280,000
HSBC	230,686	240,000	167,771		240,000	"	230,686
Fuhwa Bank	11,615	13,000	-		13,000	"	11,615
TC Bank	10,838	50,000	-		-	"	10,838
	US$ 597,806	**743,000**	**449,494**	4.83%~6.02%	**503,000**		**597,806**

2007

Buyer	Factored amount	Factoring credit limit	Advance amount	Interest rate	Collateral	Important derecognition clause	Derecognized amount
Mega International Commercial Bank	**US$ 180,626**	**280,000**	**149,895**	5.14%~6.37%	**250,000**	Without recourse	**180,626**

2008

Buyer	Factored amount	Factoring credit limit	Advance amount	Interest rate	Collateral	Important derecognition clause	Derecognized amount
Bank Sinopac	US$ 274,548	135,000	135,000		135,000	Without recourse	135,000
Mega International Commercial Bank (note 1)	759,783	450,000	449,668		450,000	"	472,902
Taishin Bank	1,157	30,000	-		-	"	1,157
	US$ 1,035,488	**615,000**	**584,668**	1.22%~5.72%	**585,000**		**609,059**

(note 1): Includes a related-party receivable from AI of US$573,035.

The above-mentioned sales of accounts receivable to banks are recognized when the ownership and significant risks of the factored accounts receivable are transferred. As of December 31, 2006, 2007 and

(Continued)

2008, the accounts receivable factored to banks amounted to US$611,578 (approximately NT$20,714,147), US$180,626 (approximately NT$6,117,803) and US$1,035,488 (approximately NT$35,071,979), respectively. Among the factored accounts receivable, are factored accounts receivable of NT$5,283,286, NT$997,006 and NT$801,458, respectively, that were still receivable from banks and were included in “other financial assets - current” in the accompanying consolidated balance sheets.

(d) Inventories

The components of inventories as of December 31, 2006, 2007 and 2008, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Raw materials	10,361,641	13,758,953	16,024,476	473,117
Work in process	1,408,770	2,539,404	3,658,275	108,009
Finished goods	2,695,579	5,669,426	9,907,979	292,530
Inventories in transit	385,119	1,978,667	4,090,158	120,760
Less: provision for obsolescence	(807,354)	(1,133,439)	(1,788,951)	(52,818)
	14,043,755	**22,813,011**	**31,891,937**	**941,598**

(e) Long-term equity investments

Long-term equity investments as of December 31, 2006, 2007 and 2008, and related investment income or loss for the years ended December 31, 2006, 2007 and 2008, were as follows:

Investee	2006 Percentage of ownership	2006 Book value	2006 Investment income (loss)
		NT$	NT$
Under equity method:			
Wistron NeWeb Corporation (WNC)	29.57%	1,593,614	346,788
PlayCoo Corporation (PCC)	38.83%	5,245	(12,412)
AOpen Inc. (AOI)	27.04%	283,876	(176,718)
Formosoft International Inc. (FII)	27.59%	54,544	(3,449)
Mindforce Holdings Limited	30.00%	141,853	(6,942)
Main Source Technology Co., Ltd.	35.48%	-	-
Xserve (BVI) Corp.	31.63%	955	(4,265)
Others	-	-	7,916
Deferred credits of long-term equity investments (note 5(b))		(51,748)	1,137
		2,028,339	**152,055**

(Continued)

Investee	2007 Percentage of ownership	2007 Book value	2007 Investment income (loss)
		NT$	NT$
Under equity method:			
Wistron NeWeb Corporation (WNC)	28.30%	1,687,811	296,267
PlayCoo Corporation (PCC)	36.60%	6,829	(12,981)
AOpen Inc. (AOI)	27.10%	-	13,975
ACA Digital Corporation (ACA)	41.21%	70,688	(79,305)
Formosoft International Inc.	27.59%	46,095	562
Mindforce Holdings Limited	30.00%	215,695	63,184
Main Source Technology Co., Ltd.	35.48%	-	-
Open Tech	31.67%	407	(237)
JNS Technology Co., Ltd.	35.00%	-	-
Others	-	-	11,105
Deferred credits of long-term equity investments (note 5(b))		(50,611)	1,137
		1,976,914	293,707
Long-term investment credit (note 5) (note A):			
Xserve (BVI) Corp.	39.13%	**(5,596)**	(6,778)
			286,929

(note A): Of the long-term investment credit, NT$44 was recorded as a credit to other receivable - related parties and the remaining balance of NT$5,552 was recorded in other liabilities.

Investee	2008 Percentage of ownership	2008 Book value		2008 Investment income (loss)	
		NT$	US$	NT$	US$
Under equity method:					
Wistron NeWeb Corporation (“WNC”)	27.70%	1,744,301	51,500	188,599	5,568
Formosoft International Inc.	27.59%	42,809	1,264	(3,286)	(97)
Mindforce Holdings Limited	29.00%	457,362	13,503	132,682	3,917
ACA Digital Corporation (“ACA”)	41.21%	10,692	316	(59,759)	(1,764)
Wistron Information Technology and Services Corporation (“WITS”)	41.68%	235,482	6,952	10,241	302
KunShan ChangNun Precision Die Casting Co., Ltd.	5.00%	4,201	124	(966)	(28)
Park Orchid Limited (“POL”)	46.88%	148,355	4,380	(7,311)	(216)
Gold Connection Ltd. (“GDCL”)	29.00%	180,454	5,328	(20,314)	(600)
Hsieh Yuh Technology Co., Ltd.	30.00%	1,921	57	(122)	(4)
Open Tech	31.67%	696	21	272	8
AOpen Center-MD	25.33%	4,329	128	(518)	(15)
PlayCoo Corporation (“PCC”)	-	-	-	(1,298)	(38)
Others	-	-	-	(4)	-
Deferred credits of long-term equity investments (note 5(b))		(49,474)	(1,461)	1,137	34
		2,781,128	**82,112**	239,353	7,067
Long-term investment credit (included in “other liabilities”):					
Xserve (BVI) Corp.	39.14%	**(5,636)**	**(166)**	-	-
				239,353	**7,067**
Advance payments for investment:					
ACA		**20,000**	**590**		

(Continued)

The market values of long-term equity investments in listed companies were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
WNC	4,024,473	3,295,471	1,435,925	42,395
AOI	381,328	-	-	-
	4,405,801	**3,295,471**	**1,435,925**	**42,395**

The above-mentioned long-term investment credits were netted against other receivable - related parties (see note 5). Deferred credits of long-term investments represent the unamortized balance of deferred gains and losses derived from the transfer of equity investment ownership among the affiliated companies. These deferred credits are debited when the investee companies' related assets are depreciated or amortized or the Consolidated Companies' holding ratios in the investee companies have changed.

To restructure the investment holdings, the Consolidated Companies sold their ownership in PCC for NT$75,321 in 2008. The gain from the sale of those equity ownership amounting to NT$75,514 was accounted for under "gain on disposal of investments".

As of December 31, 2008, capital surplus had increased by NT$1,965 due to WNC's and WITS's distribution of employee bonuses, WCL's disposal of long-term equity investment, and the change in the Consolidated Companies' equity holding ratio in WITS resulting from the capital increase.

As of December 31, 2007, retained earnings had decreased by NT$73,927 due to the change in the Consolidated Companies' equity holding ratio in WNC, PCC, WCL and WOC resulting from the exercise of employee stock options in WNC and capital increase in PCC, WCL and WOC.

As of December 31, 2006, retained earnings had decreased by NT$144,395 due to the change in the Consolidated Companies' equity holding ratio in WNC, AOI and WOC resulting from the of exercise of employee stock options in WNC, cancellation of treasury stock in AOI, and capital increase in WOC.

(f) Property, plant and equipment and lease

For the years ended December 31, 2006, 2007 and 2008, capitalized interest amounted to NT$5,850, NT$6,493 and NT$9,861, respectively. The capitalized interest rate was 3% per annum.

For the year ended December 31, 2006, AOI recognized an impairment loss of NT$226,374 on property, plant and equipment particularly for those items whose recoverable amounts were less than carrying value. In April 2007, AOI decided to sell the land and building located in Neihu. Since the expected future cash inflow was increased and the recoverable amount was greater than the carrying value, AOI reversed its impairment loss provision and recognized a gain thereon of NT$196,874 (the Consolidated Companies recognized the gain on reversal of impairment loss of NT$135,385) accordingly. In August 2007, AOI sold the above-mentioned properties and leased back part of the building under a two-year operating lease agreement. The proceeds and gain from the disposal of properties were NT$1,426,032 and NT$297,597, respectively, and the unrealized gain on sale-and-leaseback was NT$249,355. For the years ended December 31, 2006, 2007 and 2008, the Consolidated Companies recognized the realized gain of NT$0, NT$28,580 (NT$21,629 was recorded as "gain on disposal of property, plant and equipment" and the balance of NT$6,951 was offset against rental expense) and NT$124,676 (NT$96,144 was recorded as "gain on disposal of property, plant and equipment" and the balance of NT$28,532 was offset against rental expense), respectively. As of December 31, 2006, 2007 and 2008, the unamortized unrealized gain on sale-and-leaseback was NT$0, NT$207,794 and NT$83,118, respectively.

As property, plant, and equipment had been evaluated to have a higher recoverable amount than their carrying value, the Consolidated Companies reversed an impairment loss recognized previously of NT$20,436, which was recorded under "gain on reversal of impairment loss, net", for the year ended December 31, 2007. The measurement of the recoverable amount was based on the value-in-use.

(Continued)

The details of property and equipment provided as collateral as of December 31, 2006, 2007 and 2008, are disclosed in note 6.

(g) Intangible assets

	Patents	Goodwill	Software	Core technology	Customer relationships	Land use rights	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Original cost								
Balance at December 31, 2005	1,235	95,118	164,726	-	-	546,727	672	808,478
Additions	1,035	-	343,352	-	-	96,726	6	441,119
Reclassification	-	-	(6,263)	-	-	-	-	(6,263)
Others	-	-	-	-	-	-	229	229
Foreign currency translation	-	-	5	-	-	5,923	-	5,9286
Balance at December 31, 2006	2,270	95,118	501,820	-	-	649,376	907	1,249,491
Effect of subsidiaries consolidated for the first time	-	57,244	-	-	-	-	144	57,388
Additions	232,079	-	254,246	-	-	743	404	487,472
Acquisition	-	4,310	-	-	-	-	-	4,310
Reclassification	78,576	-	(6,263)	-	-	-	-	72,313
Others	-	-	-	-	-	-	(531)	(531)
Foreign currency translation	-	-	53	-	-	(17,173)	5	(17,115)
Balance at December 31, 2007	312,925	156,672	749,856	-	-	632,946	929	1,853,328
Additions	234,153	-	386,344	-	-	9,310	-	629,807
Disposal	-	-	-	-	-	(15,868)	-	(15,868)
Acquisition	-	561,485	-	355,100	264,800	-	-	1,181,385
Reclassification	24	(51,521)	(1,833)	-	-	-	(205)	(53,535)
Others	-	(105,151)	(455)	-	-	-	(580)	(106,186)
Foreign currency translation	-	-	87	-	-	9,819	-	9,906
Balance at December 31, 2008	**547,102**	**561,485**	**1,133,999**	**355,100**	**264,800**	**636,207**	**144**	**3,498,837**
Accumulated amortization								
Balance at December 31, 2005	-	63,918	31,337	-	-	53,182	-	148,437
Amortization	631	(1,931)	151,503	-	-	11,259	136	161,598
Impairment loss	-	1,586	-	-	-	-	-	1,586
Reclassification	-	-	(4,176)	-	-	-	-	(4,176)
Balance at December 31, 2006	631	63,573	178,664	-	-	64,441	136	307,445
Amortization	23,322	-	219,617	-	-	13,230	164	256,333
Impairment loss	-	4,310	-	-	-	-	-	4,310
Effect of subsidiaries consolidated for the first time	-	57,244	-	-	-	-	-	57,244
Reclassification	-	-	(5,381)	-	-	-	-	(5,381)
Foreign currency translation	-	-	3	-	-	(2,310)	-	(2,307)
Balance at December 31, 2007	23,953	125,127	392,903	-	-	75,361	300	617,644
Amortization	36,175	-	320,283	44,387	13,240	12,870	-	426,955
Reclassification	24	(51,521)	(284)	-	-	-	(39)	(51,820)
Others	-	(73,606)	(307)	-	-	-	(261)	(74,174)
Foreign currency translation	-	-	5	-	-	1,018	-	1,023
Balance at December 31, 2008	**60,152**	**-**	**712,600**	**44,387**	**13,240**	**89,249**	**-**	**919,628**
Book value								
Balance at December 31, 2005	**1,235**	**31,200**	**133,389**	**-**	**-**	**493,545**	**672**	**660,041**
Balance at December 31, 2006	**1,639**	**31,545**	**323,156**	**-**	**-**	**584,935**	**771**	**942,046**
Balance at December 31, 2007	**288,972**	**31,545**	**356,953**	**-**	**-**	**557,585**	**629**	**1,235,684**
Balance at December 31, 2008	**486,950**	**561,485**	**421,399**	**310,713**	**251,560**	**546,958**	**144**	**2,579,209**

As of December 31, 2006, 2007 and 2008, deferred pension cost amounting to NT$637, NT$250 and NT$144, respectively, was included in other intangible assets.

For the years ended December 31, 2006, 2007 and 2008, the amortization of intangible assets amounted to NT$161,598, NT$256,333 and NT$426,955, respectively, which was recorded as operating expense.

(Continued)

On April 29, 2008, the Company's board of directors approved a resolution to acquire Lite-On Technology Corporation's (Lite-On) Digital Display Business Unit (DDBU) for NT$9,200,000 (including intangible assets of NT$1,200,000 and tangible assets of NT$8,000,000). The acquisition included inventories, machinery and equipment, intellectual property rights, and the commitment to continue to employ its employees, but did not include land and buildings.

This business acquisition was accounted for in accordance with ROC SFAS No. 25, "Business Combinations". Accordingly, the Company recognized goodwill, which represents the excess of the purchase price and direct transaction cost over the fair value of the net identifiable tangible and intangible assets.

The following represents the allocation of the purchase price to the acquired net assets of Lite-On as of December 31, 2008:

	NT$	NT$
Purchase price:		8,928,420
The identifiable assets acquired:		
Inventories	7,094,703	
Machinery and equipment	652,332	
Core technology	355,100	
Customer relationships	264,800	8,366,935
Goodwill		561,485

As of December 31, 2008, the total acquisition cost of inventories, and machinery and equipment is still not certain because the Company has not reached full agreement with Lite-On. However, management is not expecting to incur additional liability when a full agreement is reached with Lite-On.

The core technology is being amortized using the straight-line method over 2 years, the estimated period in which the economic benefits will be consumed. Customer relationships are being amortized using the straight-line method over the estimated useful life of 5 years.

Because the goodwill of AOA, a consolidated subsidiary, had a lower recoverable amount than its carrying value, the Consolidated Companies recognized an impairment loss thereon of NT$57,244 for the year ended December 31, 2007. The carrying value, recoverable amount, and assumptions used in testing for the impairment of this goodwill were as follows:

	2007
	NT$
Goodwill's carrying value as of December 31, 2007	-
Recoverable amount	-
Impairment loss	**57,244**
Discounted rate	14.48%
Growth rate of operating revenue	-
Expected rate of COGS (including depreciation and amortization)	88.98%
Expected rate of operating expenses	12.02%

In addition, the Consolidated Companies recognized an impairment loss on goodwill amounting to NT$4,310 for the year ended December 31, 2007. Goodwill was recognized originally from the merger between WOD and WOC.

(Continued)

(h) Deferred expenses and other assets

The components of deferred expenses and other assets as of December 31, 2006, 2007 and 2008, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Deferred improvement costs	266,774	369,087	678,754	20,040
Unused assets	306,521	272,624	243,254	7,182
Property for operating leases, net	225,287	198,154	194,894	5,754
Refundable deposits	98,222	138,569	160,097	4,727
Restricted deposit (note 6)	20,554	17,941	28,032	828
Prepaid pension cost (note 4(k))	19,531	25,412	37,725	1,114
Deferred expenses and others	77,574	106,997	166,087	4,903
	1,014,463	**1,128,784**	**1,508,843**	**44,548**

Due to the change in operation and production strategy, some of the Consolidated Companies' assets were idle. As a result, the Consolidated Companies recognized an impairment loss thereon amounting to NT$46,710 for the year ended December 31, 2007.

(i) Short-term borrowings

Short-term borrowings as of December 31, 2006, 2007 and 2008, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Short-term bank loans	**2,805,446**	**10,068,985**	**2,875,183**	**84,889**

For the years ended December 31, 2006, 2007 and 2008, the average interest rates on short-term borrowings were 0.53% to 6.02%, 0.85% to 6.57% and 0.96% to 8.29% per annum, respectively. Unused credit facilities consisting of short-term bank loans, long-term bank loans, etc. as of December 31, 2006, 2007 and 2008, amounted to NT$29,101,325, NT$23,612,732 and NT$34,602,868, respectively. Under these bank credit facilities, the Consolidated Companies were not required to pay a commitment fee but provided some assets as collateral. Please refer to note 6 for the details of pledged assets related to these credit facilities.

(j) Convertible bonds payable

The Company issued overseas convertible bonds in Luxembourg with a face value of US$120,000 in February 2004. As of January 1, 2006, the carrying amount of the convertible bonds payable, which was calculated based on amortized cost amounted to NT$493,544. The remaining bonds payable had been fully converted into 17,023,900 shares of the Company's common stock as of March 17, 2006.

(k) Long-term borrowings

The components of long-term borrowings as of December 31, 2006, 2007 and 2008, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Long-term borrowings	96,722	-	9,858,000	291,054
Less: due within one year	(40,319)	-	-	-
Due over one year	**56,403**	**-**	**9,858,000**	**291,054**

For the years ended December 31, 2006, 2007 and 2008, the average interest rates on long-term borrowings were approximately 2.40% to 3.16%, 2.40% to 3.22% and 3.14% to 4.90% per annum, respectively. Please refer to note 6 for the details of pledged assets related to the bank credit facilities

(Continued)

As of December 31, 2008, the details of the syndicated loan agreement were as follows:

Financial institutions	Repayment period
Yuanta Bank and 11 other banks	On June 16, 2008, the Company entered into a three-year syndicated loan agreement with 12 banks in Taiwan. The principal is payable in a lump sum on maturity date if not refinanced before the payment date.

(1) As of December 31, 2008, all of the long-term credit facility granted by financial institutions had been utilized. The Company provided a US$300,000 promissory note as collateral for the syndicate loan but is not required to pay any commitment fee.

(2) The significant terms of the syndicated loan agreement entered into in 2008 are as follows:

Total credit facility: US$300,000.

Bank syndicates:

(i) Lead bank and arranger: Yuanta Bank.

(ii) Other participating banks: Land Bank, Chang Hwa Bank, Taiwan Business Bank, UnionBanCal Corporation, Mizuho Corporate Bank, First Bank, Hua Nan Bank, Shanghai Commercial & Savings Bank, Cathay United Bank, E. Sun Bank and Industrial Bank of Taiwan.

Credit category: mid-term loan.

Credit term: three years from the agreement signing date.

Repayment: The principal is payable in a lump sum on maturity date if not refinanced before the payment date.

Covenants: during the credit term, the Company is committed to maintain the following financial ratios:

(i) Current ratio should not be lower than 100%.

(ii) Loan to equity ratio should not be higher than 100%.

(iii) Interest coverage ratio should not be lower than 400%.

(iv) Total tangible net assets should not be lower than NT$25,000,000.

Compliance with the above-mentioned financial ratios is based on the semi-annual and annual consolidated financial statements reviewed or audited by independent auditors recognized by the lead bank and arranger. As of December 31, 2008, the Company was in compliance with all of the covenants.

Breach of covenant: if a breach of covenant occurs, the Company's credit facility is immediately restricted. Without the consent of a majority of banks, the credit facility is no longer available to the Company. In addition, if the consent of a majority of banks is obtained, the lead bank and arranger is eligible to act as follows:

(i) To call part or all of the unused credit facility;

(ii) To inform the Company in writing that the loan is due immediately, and the principal with corresponding interest and penalty should be repaid to each bank;

(iii) To request payment from the Company by exercising the right derived from the promissory note;

(Continued)

(iv) To exercise the rights within the regulations, agreement, guarantee and other documents without further notifications. Under the loan agreement, the Company has agreed to waive its rights for the above-mentioned notifications from the bank syndicates.

(l) Accrued pension liability

(1) The following tables set forth the benefit obligation and net retirement plan assets (accrued pension liabilities) related to the Consolidated Companies' defined benefit retirement plans as of December 31, 2006, 2007 and 2008:

	2006	
	Plan assets in excess of accumulated benefit obligation	Accumulated benefit obligation in excess of plan assets
	NT$	NT$
Benefit obligation:		
Vested benefit obligation	(64,877)	(8,957)
Nonvested benefit obligation	(503,725)	(61,776)
Accumulated benefit obligation	(568,602)	(70,733)
Projected compensation increases	(124,127)	(19,014)
Projected benefit obligation	(692,729)	(89,747)
Plan assets at fair value	620,743	17,302
Funded status	(71,986)	(72,445)
Unrecognized net loss (gain)	138,963	(18,073)
Unrecognized transition obligation (assets)	(47,446)	9,727
Additional minimum liability	-	(637)
Net retirement plan assets / (Accrued pension liabilities)	**19,531**	**(81,428)**

	2007	
	Plan assets in excess of accumulated benefit obligation	Accumulated benefit obligation in excess of plan assets
	NT$	NT$
Benefit obligation:		
Vested benefit obligation	(2,491)	(90,711)
Non-vested benefit obligation	(52,384)	(590,576)
Accumulated benefit obligation	(54,875)	(681,287)
Projected compensation increases	(13,752)	(312,764)
Projected benefit obligation	(68,627)	(994,051)
Plan assets at fair value	105,115	646,571
Funded status	36,488	(347,480)
Unrecognized net loss (gain)	(8,672)	346,611
Unrecognized transition assets	(2,404)	(31,882)
Additional minimum pension liability	-	(29,923)
Net retirement plan assets / (Accrued pension liabilities)	**25,412**	**(62,674)**

(Continued)

	2008			
	Plan assets in excess of accumulated benefit obligation		Accumulated benefit obligation in excess of plan assets	
	NT$	US$	NT$	US$
Benefit obligation:				
Vested benefit obligation	(1,735)	(51)	(114,957)	(3,394)
Non-vested benefit obligation	(56,208)	(1,660)	(570,221)	(16,836)
Accumulated benefit obligation	(57,943)	(1,711)	(685,178)	(20,230)
Projected compensation increases	(11,687)	(345)	(388,824)	(11,480)
Projected benefit obligation	(69,630)	(2,056)	(1,074,002)	(31,710)
Plan assets at fair value	105,669	3,120	671,094	19,814
Funded status	36,039	1,064	(402,908)	(11,896)
Unrecognized net loss	2,432	72	439,551	12,978
Unrecognized transition assets	(602)	(18)	(39,176)	(1,157)
Additional minimum pension liability	(144)	(4)	(11,551)	(341)
Net retirement plan assets / (Accrued pension liabilities)	**37,725**	**1,114**	**(14,084)**	**(416)**

Accrued pension liabilities are included in "other liabilities" and net retirement plan assets are included in "deferred expenses and other assets" in the consolidated balance sheets.

As of December 31, 2008, the above-mentioned additional minimum liability was recorded against unrecognized pension cost amounting to NT$11,551 and deferred pension cost amounting to NT$144. As of December 31, 2007, the additional minimum liability was recorded against unrecognized pension cost amounting to NT$29,673 and deferred pension cost amounting to NT$250. As of December 31, 2006, the additional minimum liability was recorded against deferred pension cost amounting to NT$637.

(2) The components of the net periodic pension cost for 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Service cost	19,242	20,752	25,392	750
Interest cost	20,558	22,086	28,498	841
Actual return on plan assets	(14,375)	(18,966)	(25,212)	(744)
Amortization and deferral	(10,757)	80	7,276	215
Net periodic pension cost	**14,668**	**23,952**	**35,954**	**1,062**

Significant actuarial assumptions used in the above calculations were as follows:

	2006	2007	2008
Discount rate	2.75%	2.75%	2.50%
Rate of increase in future compensation levels	1.50%	1.50%~3.00%	1.00%~3.00%
Expected long-term rate of return on plan assets	2.75%	2.75%	2.50%

In 2006, 2007 and 2008, pension cost under the Defined Contribution Pension Plan was NT$170,888, NT$216,822 and NT$275,239, respectively, of which NT$16,842, NT$23,583 and NT$27,408 was yet to be deposited with the Bureau of Labor Insurance as of December 31, 2006, 2007 and 2008, respectively, and was recorded under "accrued expenses and other current liabilities".

(m) Income taxes

(1) Each consolidated entity files its own separate income tax return.

(Continued)

(2) The Company obtained government approval for tax exemption on certain products for 5 years, and the last year of tax exemption is 2012. WPH was also granted tax office approval to avail itself of a six-year income tax exemption for income related to the production of PDAs. The tax exemption is from July 2005 to July 2011, based on WPH's compliance with certain criteria under the Philippines Tax Statutes. The tax exemption is eligible for a two-year extension.

(3) The components of income tax expense for the years ended December 31, 2006, 2007 and 2008, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Current income tax expense	(1,031,794)	(987,556)	(1,626,502)	(48,022)
Deferred income tax expense	(217,210)	(334,230)	(331,957)	(9,801)
Income tax expense	**(1,249,004)**	**(1,321,786)**	**(1,958,459)**	**(57,823)**

(4) The domestic consolidated entities are subject to ROC income tax at a maximum rate of 25%. The domestic consolidated entities were subject to the "Income Basic Tax Act" commencing from January 1, 2006. The estimated income tax calculated on pre-tax income at the Company's statutory income tax rate was reconciled with the actual income tax expense reported in the accompanying consolidated statements of income for the years ended December 31, 2006, 2007 and 2008, as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Expected income tax expense calculated on pre-tax income using the statutory tax rate	(1,631,003)	(2,009,562)	(2,214,216)	(65,374)
Discrepancy caused by different tax rates applied to the Company's subsidiaries	42,993	(78,018)	(263,085)	(7,767)
Tax-exempt investment income	75,371	101,116	55,173	1,629
Gain on disposal of land not subject to income tax	-	53,731	28,723	848
Investment tax credits	639,945	839,497	976,380	28,827
Gain on disposal of marketable securities not subject to income tax	33,354	26,282	29,748	878
Prior-period tax adjustment	(84,221)	(80,726)	44,602	1,317
Estimated adjustment of prior year's income tax expense (note 4(m)(9))	(387,107)	-	-	-
Prior-period deferred income tax asset adjustment	(255,253)	(48,974)	(159,560)	(4,711)
Change in valuation allowance for deferred income tax assets	343,314	(58,918)	(257,945)	(7,616)
10% surtax on undistributed earnings	(19,545)	(74,140)	(87,755)	(2,591)
Others	(6,852)	7,926	(110,524)	(3,263)
Income tax expense	**(1,249,004)**	**(1,321,786)**	**(1,958,459)**	**(57,823)**

(Continued)

(5) The components of deferred income tax assets (liabilities) as of December 31, 2006, 2007 and 2008, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Deferred income tax assets - current:				
Provision for inventory obsolescence	200,999	246,646	368,025	10,866
Unrealized warranty reserve	203,078	197,382	147,270	4,348
Unrealized inter-company profits	42,121	29,595	68,034	2,009
Unrealized foreign exchange loss, net	-	-	139,101	4,107
Unrealized sales discount	112,637	224,177	291,662	8,611
Accrued expenses	123,655	66,216	107,149	3,164
Investment tax credits	222,065	435,456	647,183	19,108
Loss carryforwards	12,702	18,587	17,515	517
Others	11,143	64,932	48,068	1,419
Less: valuation allowance	(73,643)	(335,686)	(496,697)	(14,665)
Net deferred income tax assets - current	854,757	947,305	1,337,310	39,484
Deferred income tax liabilities - current:				
Unrealized foreign exchange gain, net	(49,708)	(31,535)	-	-
Others	(9,485)	(36,946)	(27,021)	(798)
Deferred income tax liabilities - current	(59,193)	(68,481)	(27,021)	(798)
Deferred income tax assets, net - current	**795,564**	**878,824**	**1,310,289**	**38,686**
Deferred income tax assets - non-current:				
Long-term investment loss under equity method	978,538	940,674	1,104,749	32,617
Investment tax credits	546,646	88,136	60,778	1,795
Loss carryforwards	139,857	749,218	740,187	21,854
Impairment loss	-	80,226	51,240	1,513
Unrealized loss on available-for-sale financial assets	6,330	3,988	8,033	237
Others	13,866	41,230	18,646	551
Less: valuation allowance	(1,115,805)	(1,781,956)	(1,878,890)	(55,474)
Net deferred income tax assets - non-current	569,432	121,516	104,743	3,093
Deferred income tax liabilities - non-current:				
Long-term investment income under equity method	(119,940)	(498,067)	(1,257,054)	(37,114)
Others	(7,248)	(17,260)	(19,665)	(581)
Deferred income tax liabilities - non-current	(127,188)	(515,327)	(1,276,719)	(37,695)
Deferred income tax assets (liabilities) - non-current, net	**442,244**	**(393,811)**	**(1,171,976)**	**(34,602)**
Total deferred income tax assets	**2,613,637**	**3,186,463**	**3,817,640**	**112,716**
Total deferred income tax liabilities	**(186,381)**	**(583,808)**	**(1,303,740)**	**(38,493)**
Total valuation allowance for deferred income tax assets	**(1,189,448)**	**(2,117,642)**	**(2,375,587)**	**(70,139)**

(6) The domestic consolidated entities were granted investment tax credits for investment in certain high-tech industries, for purchases of automatic machinery and equipment, and for expenditures in research and development and employee training. These investment tax credits can be used to reduce the income tax liability in the current year and in the following four years. The amount of investment tax credit that can be used shall not exceed 50% of the income tax liability for each year during the first four years, with full utilization of the remaining balance of unused investment tax credits in the final year.

As of December 31, 2008, unused investment tax credits available to the Consolidated Companies were as follows:

Expiry year	Unused investment tax credits	
	NT$	US$
2009	2,957	87
2010	41,302	1,220
2011	135,075	3,988
2012	528,627	15,608
	707,961	**20,903**

(Continued)

(7) Loss carryforwards available to the Consolidated Companies as of December 31, 2008, were as follows:

Expiry year	Loss carryforwards NT$	Loss carryforwards US$
2012	4,312	127
2013	54,175	1,599
2014	45,570	1,346
2015	285,137	8,419
2016	241,128	7,119
2017	41,016	1,211
2018 and thereafter	86,364	2,550
	757,702	**22,371**

(8) Imputation credit account (ICA) and creditable ratio

As of December 31, 2006, 2007 and 2008, the undistributed earnings and balance of ICA were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Before January 1, 1998	-	-	-	-
From January 1, 1998	5,477,540	7,365,296	8,506,578	251,154
	5,477,540	**7,365,296**	**8,506,578**	**251,154**
Balance of ICA	**15,734**	**874,383**	**534,848**	**15,791**

	2006 (actual)	2007 (actual)	2008 (estimated)
Creditable ratio for earnings distribution to domestic stockholders	**16.19%**	**15.91%**	**16.83%**

(9) The ROC income tax authorities have examined the Company's income tax returns for all years through 2005. However, the Company disagreed with the assessment for its 2003 and 2004 income tax returns. Therefore, the Company filed a request with the tax authorities for re-examination of its 2003 and 2004 income tax returns. For 2002, the Company was assessed additional income tax of NT$296,957 because the tax authorities rejected some of the Company's reported investment loss, tax-exempt income, and investment credits from the spin-off. The Company accrued the additional income tax liability which should be borne by the Company in 2006 and paid half of the additional income tax in 2007. In 2008, the ROC income tax authorities re-examined the 2002 income tax return, and revised their additional income tax assessment to NT$154,135 (but the Company should pay another NT$2,840 for interest expense). The main difference between the original and revised additional income tax assessments is the income tax credits received from the business unit spin-off from AI. The Company has adjusted the income tax liability against the receivable from AI.

For 2003 and 2004, the tax authorities concluded that the Company should pay additional income tax of NT$107,197 and NT$120,652, respectively, as the tax authorities reduced some of the Company's tax-exempt income and rejected some of the Company's investment tax credits from the spin-off. In 2006, the Company accrued this additional income tax liability which should be borne by the Company and paid it in 2007. This tax assessment case had been re-examined by the tax authorities, and the Company was refunded income tax for the years 2003 and 2004 of NT$107,197 and NT$74,054, respectively. The main difference between the original and revised additional income tax is the income tax credits received from the spin-off from AI. The Company has adjusted the income tax liability against the receivable from (payable to) AI, accounted for

(Continued)

under other receivable (payable) - related parties. As the Company could not accept the result of the re-examination, it formally filed for a request with the tax authorities for further re-examination of its 2003 and 2004 income tax returns. As of December 31, 2008, the re-examination of the 2003 and 2004 returns was still in process.

The above-mentioned additional income tax liabilities which should be borne by AI were recognized as other receivable (payable) - related parties (see note 5).

(n) Stockholders' equity

(1) Common stock

On June 25, 2008, the Company's board of directors approved a resolution to increase capital by cash through private placement from Lite-On. The Company issued 24,000,000 shares of common stock at NT$47.27 per share, and the record date of the private placement was July 1, 2008. The premium on issuance of common shares for cash amounted to NT$894,480, which was recorded in capital surplus. The related registration processes were completed.

On June 25, 2008, the Company's shareholders approved a resolution to distribute a stock dividend of 50 shares per thousand shares with a face value of NT$690,963 and stock dividends to employees as bonus of NT$416,143. Because the Company increased its capital by cash through private placement, the ratio for the stock dividend distributed to shareholders changed to 49.146 shares per thousand shares. The dividend distribution date was set on August 31, 2008, and the related registration processes were completed.

On June 21, 2007, the Company's shareholders approved a resolution to distribute a stock dividend of 60 shares per thousand shares with a face value of NT$760,771 and stock dividends to employees as bonus of NT$334,922.

Because the Company sold treasury stock to employees, the ratio for the stock dividend distributed to shareholders changed to 59.90 shares per thousand shares. The dividend distribution date was set on August 7, 2007, and the related registration processes were completed.

On June 8, 2006, the Company's shareholders approved a resolution to distribute a stock dividend of 50 shares per thousand shares with a face value of NT$588,466 and stock dividends to employees as bonus of NT$171,481.

Because the Company acquired treasury stock between June 19 and July 7, 2006, the ratio for the stock dividend distributed to shareholders changed to 50.49 shares per thousand shares. The dividend distribution date was set on August 2, 2006. The related registration processes were completed.

For the year ended December 31, 2006, 1,064,000 units of employee stock options were exercised at a conversion cost of NT$13.10 per share. The related registration processes were completed.

For the year ended December 31, 2006, parts of the convertible bonds payable were converted into 17,023,900 shares of the Company's common stock. The related registration processes were completed.

As of December 31, 2006, 2007 and 2008, the Company's authorized common stock consisted of 1,600,000,000 shares, 2,000,000,000 shares and 2,000,000,000 shares, respectively, with par value of NT$10 per share, of which 1,272,357,000 shares, 1,381,926,000 shares and 1,516,637,000 shares, respectively, were issued.

(Continued)

(2) Employee stock option plan

The Company

On October 28, 2007, the Company's board of directors approved a resolution to issue 105,000,000 units of stock options, with the right for each unit to purchase one share of the Company's common stock. These options were fully issued on November 16, 2007. The major terms of the plan were as follows:

(i) Exercise price: NT$61.

(ii) Vesting period:

The options are exercisable according to the following schedule subsequent to the second anniversary of the grant date.

Exercise period	Accumulated exercisable percentage
2009/11/17	1/3
2010/11/17	2/3
2011/11/17	3/3

(iii) Shares to be issued: the Company's new common stock.

(iv) Exercise procedure: according to the employee stock option plan, the Company will apply to the government authorities for approval to convert options into common stock at least once each quarter and, likewise, apply to register the change in share capital with the authorities after issuing the new shares.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation issued by the Accounting Research and Development Foundation.

A. The Company adopted the intrinsic value method to recognize the compensation cost. As there was no difference between the exercise price and market price, no compensation cost was recognized for the year ended December 31, 2008.

B. If the Company adopted the fair value method to recognize the compensation cost, the related information would be as follows:

a. If the Company adopted the Black-Scholes option pricing model to estimate the fair value of the options on the grant date, the estimated fair value of the options granted on November 16, 2007, would be NT$17.2, and the related compensation cost would be NT$1,806,000, of which NT$652,167 (NT$534,777 net of tax) should have been recognized in 2008. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	2.39%
Expected volatility of stock price	32.23%
Risk-free interest rate	2.597%
Expected life of the option	7 years

b. The information related to the employee stock option plan in 2008 is as follows:

	Number of options (in thousands)	Weighted-average exercise price (NT$)
Outstanding balance at the beginning of period	105,000	61
Options granted	-	-
Options exercised	-	-
Outstanding balance at the end of period	**105,000**	53.1
Exercisable number at the end of period	**105,000**	-

(Continued)

c. As of December 31, 2008, the outstanding and exercisable options were as follows:

	Options outstanding			Options exercisable	
Exercise price	Number of options (in thousands)	Weighted-average remaining contractual life	Weighted-average exercise price	Shares (in thousands)	Weighted-average exercise price
(NT$)		(years)	(NT$)		(NT$)
53.1	105,000	6	53.1	-	-

AOI

On October 26, 2007, AOI's board of directors approved a resolution to issue 16,000,000 units of stock options, with the right for each unit to purchase one share of AOI's common stock. The options were fully issued on November 28, 2007. The major terms of the plan were as follows:

(i) Exercise price: NT$13.2.

(ii) Vesting period:

The options are exercisable according to the following schedule subsequent to the second anniversary of the grant date.

Exercise period	Accumulated exercisable percentage
2009/11/28	40%
2010/11/28	70%
2011/11/28	100%

(iii) Shares to be issued: AOI's new common stock.

(iv) Exercise procedure: according to the employee stock option plan, AOI will apply to the government authorities for approval to convert options into common stock at least once each quarter and, likewise, apply to register the change in share capital with the authorities after issuing the new shares.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation issued by the Accounting Research and Development Foundation.

A. AOI adopted the intrinsic value method to recognize the compensation cost. As there was no difference between exercise price and market price, no compensation cost was recognized for the year ended December 31, 2008.

B. If AOI adopted the fair value method to recognize the compensation cost, the related information would be as follows:

a. If AOI adopted the Black-Scholes option pricing model to estimate the fair value of the options on the grant date, the estimated fair value of the options granted on November 28, 2007, would be NT$6.70, and the related compensation cost would be NT$107,200, of which NT$26,800 should have been recognized in 2008. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	0%
Expected volatility of stock price	47.11%
Risk-free interest rate	2.488%
Expected life of the option	7 years

(Continued)

b. The information related to the employee stock option plan in 2008 is as follows:

	Number of options (in thousands)	Weighted-average exercise price (NT$)
Outstanding balance at the beginning of period	16,000	13.2
Options granted	-	-
Options exercised	-	-
Outstanding balance at the end of period	**16,000**	13.2
Exercisable number at the end of period	**16,000**	-

c. As of December 31, 2008, the outstanding and exercisable options were as follows:

	Options outstanding			Options exercisable	
Exercise price	Number of options (in thousands)	Weighted-average remaining contractual life	Weighted-average exercise price	Shares (in thousands)	Weighted-average exercise price
(NT$)		(years)	(NT$)		(NT$)
13.2	16,000	5.92	13.2	-	-

WOC (formerly WOD)

On November 26 and December 25, 2007, WOC's (formerly WOD) board of directors approved a resolution to issue 500 units and 1,000 units of stock options, respectively, with the right for each unit to purchase one thousand shares of WOC's common stock. Both of the above-mentioned stock options are valid for four years from the resolution approval date. The major terms of the plans were as follows:

(i) Exercise price: NT$10.6.

(ii) Vesting period:

The options are exercisable subsequent to the first anniversary of the date of issuance.

(iii) Shares to be issued: WOC's (formerly WOD) new common stock.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation issued by the Accounting Research and Development Foundation.

A. WOC (formerly WOD) adopted the intrinsic value method to recognize the compensation cost. As there was no difference between the exercise price and market price, no compensation cost was recognized for the year ended December 31, 2008.

B. If WOC (formerly WOD) adopted the fair value method to recognize the compensation cost, the related information would be as follows:

a. If WOC (formerly WOD) adopted the Black-Scholes option pricing model to estimate the fair value of the options on the grant date, the estimated fair value of the options granted on November 26 and December 25, 2007, would be NT$0, and the related compensation cost would be NT$0. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	0%
Expected volatility of stock price	8.15%
Risk-free interest rate	2.420%
Expected life of the option	4 years

(Continued)

b. The information related to the employee stock option plan in 2008 was as follows:

	Number of options (in thousands)	Weighted-average exercise price (NT$)
Outstanding balance at the beginning of period	1,500	10.6
Options granted	-	-
Options exercised	-	-
Options forfeited	(323)	10.6
Outstanding balance at the end of period	**1,177**	10.6
Exercisable number at the end of period	**1,177**	-

c. As of December 31, 2008, the outstanding and exercisable options were as follows:

	Options outstanding			Options exercisable	
Exercise price	Number of options (in thousands)	Weighted-average remaining contractual life	Weighted-average exercise price	Shares (in thousands)	Weighted-average exercise price
(NT$)		(years)	(NT$)		(NT$)
10.6	1,177	2.9	10.6	-	-

The Consolidated Companies' pro forma net income and earnings per share using the fair value method were as follows:

		2008	
		NT$	US$
Net income attributed to shareholders of parent company	Net income	6,877,929	203,068
	Pro forma net income	6,316,352	186,488
Basic EPS (after tax)	EPS	4.57	0.13
	Pro forma EPS	4.20	0.12
Diluted EPS (after tax)	EPS	4.15	0.12
	Pro forma EPS	3.81	0.11

In addition, the Company's board of directors during their meetings on April 2 and 4, 2002, approved the issuance of 50 million and 22 million units, respectively, of employee stock options with the right for each unit to purchase one share of the Company's common stock. These options were fully issued on April 3 and 9, 2002.

(i) Exercise price:

The exercise price per share was adjusted to NT$13.8 from NT$14.5 when the Company's shareholders passed a resolution during their meeting on June 17, 2003, to distribute stock dividends from unappropriated earnings. This exercise price was reduced further from NT$13.8 to NT$13.1 when the Company's shareholders passed a resolution during their meeting on June 16, 2004, to distribute stock dividends.

(ii) Vesting period: Options are valid for four years and are not transferable. Upon expiry, options will be cancelled and will not be re-issued. Granted and issued options are eligible for exercise in 3 installments according to the following schedule:

Exercise period	Accumulated exercisable percentage
January 2003	1/3
January 2004	2/3
January 2005	3/3

(iii) Shares to be issued: the Company's new common stock.

(Continued)

(iv) Exercise procedure: According to the employee stock option plan, the Company will apply to the government authorities for approval to convert options into common stock at least once each quarter and, likewise, apply to register the change in share capital with the authorities after issuing the new shares.

The options issued in April 2002 expired in 2006. As of December 31, 2006, 59,767,000 units of options had been exercised and converted into new shares of the Company's common stock.

(3) Treasury stock

As of December 31, 2006 and 2007, the Company had acquired 67,086,000 treasury shares, to be made available for sale to its employees in accordance with SFB regulations. As of December 31, 2006 and 2007, 41,482,000 shares and 67,086,000 shares, respectively, had been transferred. For the years ended December 31, 2006 and 2007, 26,236,000 shares and 25,604,000 shares, respectively, were sold to employees.

According to the Securities and Exchange Law, the number of treasury shares shall not exceed 10% of the number of shares issued. Moreover, the total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. Based on the Company's financial statements as of September 30, 2006 and 2007, the maximum number of Company shares that the Company was allowed to acquire was 127,236,000 shares and 138,193,000 shares, respectively, with a value not exceeding NT$14,465,371 and NT$15,240,553, respectively. For the years ended December 31, 2006 and 2007, the maximum number of shares acquired was 25,604,000 shares and 25,604,000 shares, respectively, with total cost of NT$817,555 and NT$817,555, respectively, which was below the ceiling set under the SFB regulations.

According to regulations, retained earnings up to the extent of the amount equal to the balance of outstanding treasury stock cannot be distributed as dividends.

According to the Securities and Exchange Law, treasury stock cannot be collateralized. In addition, treasury shares held do not bear shareholder rights.

(4) Capital surplus

As of December 31, 2006, 2007 and 2008, the components of capital surplus were as follows:

	2006	**2007**	**2008**	
	NT$	**NT$**	**NT$**	**US$**
Paid-in capital derived from a premium on issuance of common stock in exchange for the net assets of the DMS business of AI	1,800,000	1,800,000	1,800,000	53,144
Paid-in capital derived from a premium on issuance of common shares for cash	8,409,222	8,409,222	9,303,702	274,689
Capital surplus derived from treasury stock transactions	1,554	-	-	-
Long-term equity investments under equity method	-	-	1,965	58
	10,210,776	**10,209,222**	**11,105,667**	**327,891**

According to the ROC Company Act, with the exception of capital surplus derived from long-term equity investments accounted for by the equity method, realized capital surplus could only be transferred to common stock after deducting accumulated deficit, if any. Capital surplus derived from long-term equity investments accounted for by the equity method cannot be used for any purpose. Realized capital surplus includes paid-in capital in excess of par value of common stock. Issuance of stock dividends from paid-in capital in excess of par value of common stock is subject to certain restrictions.

(Continued)

(5) Legal reserve and unappropriated earnings

The Company's articles of incorporation stipulate that 10% of the balance of annual income after deducting accumulated deficit, if any, must be set aside as a legal reserve. The remaining balance, if any, must be distributed as follows:

(i) Minimum 5% of the unappropriated earnings as employee bonuses; employees eligible for bonuses include the employees of the Company's subsidiaries that meet certain criteria; the Company's board of directors determines the criteria;

(ii) 1% of unappropriated earnings as directors' and supervisors' emoluments, distributed in cash; and

(iii) the remainder, after retaining a portion for certain business considerations, as additional dividends to stockholders.

Legal reserve can only be used to offset an accumulated deficit and issue common stock. However, when the balance of legal reserve reaches an amount equal to one-half of the paid-in share capital, 50% of it can be transferred to common stock. In addition, stock dividends and bonuses cannot be distributed if the Company has no unappropriated earnings.

Because the Company is a technology- and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in the appropriation of its remaining earnings as its dividend policy, in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth. The ratio for distributing stock dividends shall not be lower than 10% of total distribution.

For the year ended December 31, 2008, the Company recognized employee bonuses and directors' and supervisors' emoluments amounting to NT$991,776 (NT$813,256 net of tax) and NT$52,199 (NT$42,803 net of tax), respectively. Such amounts were estimated at 14% and 1%, respectively, of the net income for the year ended December 31, 2008. The difference between the amounts of employee bonuses and emoluments approved in the shareholders' meeting and recognized in the financial statements, if any, is accounted for as changes in accounting estimates and recognized in profit or loss in the following year. In addition, the number of shares distributed to employees as employee bonuses is calculated based on the closing price on the day before the approval of stockholders and the effect of dividends that will be distributed.

The appropriation of 2005, 2006 and 2007 earnings was approved at the shareholders' meetings on June 8, 2006, June 21, 2007, and June 25, 2008, respectively, as follows:

	2005	2006	2007
	NT$	**NT$**	**NT$**
Employee bonuses - stock (par value)	171,481	334,922	416,143
Employee bonuses - cash	114,321	143,538	178,346
Directors' and supervisors' emoluments	28,638	47,942	59,449
	314,440	**526,402**	**653,938**

The appropriation of earnings did not differ from the resolutions approved by the Company's board of directors. Appropriation of employee bonuses and directors' and supervisors' emoluments, and the related information can be obtained from the public information website.

(Continued)

(o) Earnings per share ("EPS")

For the years ended December 31, 2006, 2007 and 2008, the Company's earnings per share were calculated as follows:

	2006		
	Amount (after income tax)	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
	NT$		NT$
Basic EPS - retroactively adjusted:			
Net income belonging to common shareholders of parent company	5,326,873	1,446,402	**3.68**
Diluted EPS:			
Effect of potentially dilutive common stock:			
Stock options	-	160	
Convertible bonds payable	-	3,800	
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	**5,326,873**	**1,450,302**	**3.67**

	2007		
	Amount (after income tax)	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
	NT$		NT$
Basic EPS - retroactively adjusted:			
Net income belonging to common shareholders of parent company	6,605,450	1,485,517	**4.45**
Diluted EPS:			
Effect of potentially dilutive common stock:			
Stock options	-	17,500	
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	**6,605,450**	**1,503,017**	**4.39**

	2008				
	Amount (after income tax)		Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)	
	NT$	US$		NT$	US$
Basic EPS - retroactively adjusted:					
Net income belonging to common shareholders of parent company	6,877,929	203,068	1,505,023	**4.57**	**0.13**
Diluted EPS:					
Effect of potentially dilutive common stock:					
Employee bonus	-	-	46,908		
Stock options	-	-	105,000		
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	**6,877,929**	**203,068**	**1,656,931**	**4.15**	**0.12**

(Continued)

(p) Disclosure of financial instruments

(1) The Consolidated Companies' non-derivative financial assets and liabilities include cash and cash equivalents, accounts receivable/payable, receivables from/payables to related parties, other payables and short-term borrowings. As the carrying amounts of these financial instruments approximate fair value because of their short term maturities, the book value method is considered to be a reasonable basis to assess their fair value.

As of December 31, 2006, 2007 and 2008, the carrying amount of the Consolidated Companies' financial assets and liabilities that were not recorded at fair value was as follows:

	2006		2007		2008			
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount		Fair value	
	NT$	NT$	NT$	NT$	NT$	US$	NT$	US$
Financial assets:								
Financial assets carried at cost - non-current:								
Privately held stock	587,736	-	756,446	-	997,636	29,455	-	-
Off-balance-sheet financial instrument:								
Endorsement	-	-	-	324,430	-	-	328,600	9,702

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

(i) If public quote of financial assets at fair value through profit or loss and available-for-sale financial assets is available, then the public quote is adopted as the fair value. If market value is not available, a valuation method is used. The assumptions used are the same as those used by financial market traders when quoting their prices and attainable by the Consolidated Companies.

(ii) Financial assets carried at cost - non-current: privately held stock is not traded in the public market, and fair value is impractical to assess.

(iii) Endorsement: The fair value is based on a predetermined amount stated in the contract.

(Continued)

The fair values of financial assets and liabilities evaluated using public quote or a valuation method by the Consolidated Companies as of December 31, 2006, 2007 and 2008, were as follows:

	2006		2007		2008			
	Public quote value	Valuation method value	Public quote value	Valuation method value	Public quote value		Valuation method value	
	NT$	NT$	NT$	NT$	NT$	US$	NT$	US$
Non-derivative financial instruments:								
Financial assets:								
Cash and cash equivalents	-	9,526,049	-	7,454,229	-	-	13,174,000	388,958
Notes and accounts receivable (including receivables from related parties)	-	22,476,977	-	54,643,129	-	-	63,718,112	1,881,255
Other receivable - related parties	-	79,614	-	258,223	-	-	33,567	991
Other financial assets - current	-	5,443,218	-	1,412,465	-	-	2,194,774	64,800
Financial assets at fair value through profit or loss:								
Bond fund	-	-	-	55,423	-	-	-	-
Available-for-sale financial assets - current:								
Bond fund	-	3,195,573	-	105,659	-	-	4,833	143
Available-for-sale financial assets - non-current:								
Publicly traded stock	110,448	-	882,733	-	588,831	17,385	-	-
Financial liabilities:								
Short-term borrowings	-	2,805,446	-	10,068,985	-	-	2,875,183	84,889
Notes and accounts payable (including payables to related parties)	-	35,833,514	-	57,379,197	-	-	77,960,917	2,301,769
Other payable - related parties	-	389,223	-	24,737	-	-	94,377	2,786
Long-term borrowings	-	96,722	-	-	-	-	9,858,000	291,054
Off-balance-sheet financial instrument:								
Endorsement	-	-	-	324,430	-	-	328,600	9,702
Derivative financial instruments:								
Financial assets:								
Foreign currency swap contract	-	1,553	-	5,134	-	-	8,094	239
Foreign currency forward contract	-	4,768	-	11,622	-	-	4,820	142
Financial liabilities:								
Foreign currency swap contract	-	1,215	-	31,054	-	-	-	-
Foreign currency forward contract	-	2,791	-	14,022	-	-	4,748	140

For the years ended December 31, 2006, 2007 and 2008, unrealized gain (loss) on the derivative contracts due to the change in fair market value amounted to NT$2,315, NT$(30,634) and NT$36,550, respectively, which was accounted for under “gain (loss) on valuation of financial instruments”.

(Continued)

(2) Disclosure of financial risks

(i) Market risk

The bond fund and part of publicly traded stock held by the Consolidated Companies were classified as financial assets at fair value through profit or loss and available-for-sale financial assets and were evaluated by fair value. Therefore, the Consolidated Companies were exposed to the risk of price fluctuation.

As sales and purchase transactions are denominated in US dollars, the Consolidated Companies' foreign currency assets and liabilities are exposed to exchange rate risk. To hedge such risk, the Consolidated Companies entered into foreign currency forward contracts and foreign currency swap contracts. The lengths of the contracts are in line with the payment date and anticipated cash flows of the Consolidated Companies' foreign currency assets and liabilities. As the gain or loss from exchange rate fluctuation is offset by the hedged assets and liabilities, the market risk related to the changes in exchange rates are not considered significant.

(ii) Concentrations of credit risk

The Consolidated Companies' majority customers are in high-tech industries. To reduce concentration of credit risk, the Consolidated Companies evaluate customers' financial positions periodically and request customers to provide collateral or promissory notes, if necessary. In addition, the Consolidated Companies review the aging of accounts receivable periodically and accrue allowance for doubtful receivables, if necessary. Historically, bad debt expense has always been under management's expectation. As of December 31, 2006, 2007 and 2008, 55%, 61% and 86%, respectively, of the Consolidated Companies' accounts receivable were concentrated on four, four and five specific customers, respectively. Accordingly, concentrations of credit risk exist.

(iii) Liquidity risk

In management's opinion, the Consolidated Companies' capital and operating funds are sufficient to meet all obligations. Therefore, management believes its liquidity risk is minimal.

(iv) Cash flow risk related to the fluctuation of interest rates

The Consolidated Companies' short-term and long-term borrowings and advances from factoring of accounts receivable bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Consolidated Companies' future cash flow. If the market interest rate increases by 1%, the Consolidated Companies' future yearly cash outflow would increase by approximately NT$319,454.

(3) Hedge strategy

The Consolidated Companies' assets and liabilities dominated in foreign currency may fluctuate along with the fluctuation of exchange rates. Therefore, the Consolidated Companies entered into derivative contracts such as foreign currency forward contracts and foreign currency swap contracts to hedge the exchange rate risk.

The Consolidated Companies' entering into forward and swap contracts is intended to hedge the exchange rate risk due to the Consolidated Companies' current and future demand for foreign currency. The contract periods are decided in consideration of the Consolidated Companies' foreseeable assets and liabilities and expected cash flow. Therefore, at the maturity date, the Consolidated Companies settle their assets and liabilities with contract obligations or rights.

(Continued)

5. Transactions with Related Parties

(a) The names and relationships of the related parties with which the Consolidated Companies had significant transactions were as follows:

Name	Relationship
AOpen Inc. ("AOI")	Subsidiary of the Company in 2007 and 2008; investee of the Company accounted for by equity method in 2006
Wistron NeWeb Corporation ("WNC")	Investee of the Company accounted for by equity method
Main Source Technology Co., Ltd. ("Main Source")	Investee of the Company accounted for by equity method
WIS Precision (Kunshan) Co., Ltd. ("WPKS")	Investee of the Consolidated Companies accounted for by equity method
Xserve India (Pvt.) Ltd. ("XID")	Investee of the Consolidated Companies accounted for by equity method
Fullerton Ltd. ("FLT")	Investee of the Consolidated Companies accounted for by equity method
LIAN-YI (FAR EAST) Ltd. ("LYF")	Investee of the Consolidated Companies accounted for by equity method
JNS Technology Co., Ltd. ("JNS")	Investee of the Consolidated Companies accounted for by equity method
Acer Incorporated ("AI")	One of the major stockholders of the Company
Webcom Communication (KunShan) Corporation ("NYC")	Subsidiary of WNC
AOpen Technology Incorporated ("AOTH")	Subsidiary of AOI
Gateway Manufacturing, LLC ("Gateway")	Subsidiary of AI
Acer Computer B.V. ("ACH")	Subsidiary of AI
Acer America Corp. ("AAC")	Subsidiary of AI
Sertek Limited ("STKL")	Subsidiary of AI (Note)
ESPLEX Limited ("AEX")	Subsidiary of AI
Acer Europe AG ("AEG")	Subsidiary of AI
Packard Bell B.V. ("PBHO")	Subsidiary of AI
Directors, supervisors, general manager and vice general manager	Main management of the Company

Note: STKL was no longer a related party of the Consolidated Companies as of July 1, 2007.

(b) Significant transactions with related parties for the years ended December 31, 2006, 2007 and 2008, were as follows.

(1) Spin-off of DMS business from AI

The Consolidated Companies took over AI's design, manufacturing and services business (DMS), including related assets and liabilities as set forth in the spin-off plan. As of December 31, 2006,

(Continued)

2007 and 2008, the payables to AI related to net assets received from the spin-off and the purchase of net assets amounted to NT$385,043, NT$289,845 and NT$289,845, respectively. However, the ROC income tax authorities examined the Company's income tax returns for the years 2003 and 2004, and disallowed the investment tax credits received from the spin-off. According to a business spin-off agreement, additional taxes related to disallowed investment tax credits are to be borne by AI. Therefore, the Consolidated Companies have recognized a receivable thereon from AI amounting to NT$0, NT$510,145 and NT$205,227 as of December 31, 2006, 2007 and 2008, respectively. In view of the existence of a payable account and a receivable account with AI, the Consolidated Companies had a net receivable from (payable to) AI resulting from the spin-off of NT$0, NT$220,300 and NT$(84,618) as of December 31, 2006, 2007 and 2008, respectively.

(2) Sales

	2006		2007		2008		
	Amount	% of net sales	Amount	% of net sales	Amount		% of net sales
	NT$		NT$		NT$	US$	
AI	46,249,826	21	73,301,215	26	113,312,803	3,345,521	26
AEG	275,714	-	290,953	-	5,481,858	161,850	1
Gateway	-	-	2,368,215	1	394,787	11,656	-
AAC	54,498	-	76,986	-	345,381	10,197	-
AEX	154,850	-	168,223	-	200,364	5,916	-
PBHO	-	-	-	-	169,018	4,990	-
AOI	42,344	-	-	-	-	-	-
Others	499,641	-	266,644	-	434,119	12,817	-
	47,276,873	**21**	**76,472,236**	**27**	**120,338,330**	**3,552,947**	**27**

The selling price and payment terms for sales to related parties depend on the economic environment and market competition, and are not significantly different from those with third-party customers. Trading terms of sales transactions with third parties required payment within 45 to 90 days for the years ended December 31, 2006, 2007 and 2008.

(3) Purchases

	2006		2007		2008		
	Amount	% of net purchases	Amount	% of net purchases	Amount		% of net purchases
	NT$		NT$		NT$	US$	
AI	25,663,114	13	58,481,197	21	33,441,626	987,353	8
WPKS	33,305	-	1,398,922	1	3,515,705	103,800	1
AEG	-	-	-	-	250,186	7,387	-
NYC	231,425	-	282,870	-	236,524	6,983	-
FLT	-	-	-	-	222,097	6,557	-
STKL	1,199,558	1	655,238	-	-	-	-
Gateway	-	-	606,247	-	-	-	-
Others	1,009,724	-	144,402	-	25,874	764	-
	28,137,126	**14**	**61,568,876**	**22**	**37,692,012**	**1,112,844**	**9**

Trading terms of purchase transactions with related parties are not significantly different from those with third-party vendors.

(Continued)

(4) Notes and accounts receivable/payable as of December 31, 2006, 2007 and 2008, were as follows:

	2006		2007		2008		
	Amount	%	Amount	%	Amount		%
	NT$		NT$		NT$	US$	
Notes and accounts receivable from:							
AI	7,056,499	31	18,228,732	34	19,598,420	578,636	31
AEG	109,200	1	183,443	-	2,038,940	60,199	3
AAC	4,714	-	5,981	-	113,870	3,362	-
Gateway	-	-	703,762	1	-	-	-
AOI	1,007	-	-	-	-	-	-
Others	114,273	1	87,935	-	170,229	5,026	-
	7,285,693	**33**	**19,209,853**	**35**	**21,921,459**	**647,223**	**34**

	2006		2007		2008		
	Amount	%	Amount	%	Amount		%
	NT$		NT$		NT$	US$	
Notes and accounts payable to:							
AI	6,453,710	18	13,930,638	24	13,757,649	406,190	18
WPKS	33,816	-	674,237	1	1,621,833	47,884	2
FLT	-	-	-	-	436,408	12,885	1
AEG	-	-	-	-	417,303	12,321	-
Gateway	-	-	346,889	1	-	-	-
STKL	444,736	1	-	-	-	-	-
Others	275,739	1	115,658	-	61,122	1,804	-
	7,208,001	**20**	**15,067,422**	**26**	**16,294,315**	**481,084**	**21**

(5) Overdue receivable

As of December 31, 2006, 2007 and 2008, the details of overdue receivable were as follows:

	2006		2007		2008		
	Amount	%	Amount	%	Amount		%
	NT$		NT$		NT$	US$	
Main Source	48,787	-	48,787	-	48,787	1,440	-
XID	-	-	38,966	-	39,467	1,165	-
AOI	37,478	-	-	-	-	-	-
JNS	-	-	73,519	-	-	-	-
Others	683	-	-	-	643	19	-
Less: allowance for doubtful accounts	(48,787)	-	(137,402)	-	(88,254)	(2,605)	-
	38,161	**-**	**23,870**	**-**	**643**	**19**	**-**

As of December 31, 2007, the receivables from XID and JNS amounting to NT$112,485 and the related allowance for doubtful accounts of NT$88,615 were accounted for under "other non-current receivable - related parties".

(6) Rental expense

For the years ended December 31, 2006, 2007 and 2008, the Consolidated Companies had operating lease contracts with AI for the use of office space and a warehouse. Rental expense incurred by the Consolidated Companies from these lease contracts amounted to NT$31,040, NT$34,389 and NT$37,287 for the years ended December 31, 2006, 2007 and 2008, respectively. The balance of rental payable as of December 31, 2006, 2007 and 2008, was NT$0, NT$2,747 and NT$67, respectively.

(7) Rental income

For the years ended December 31, 2006, 2007 and 2008, the Consolidated Companies leased their factory buildings to WNC. The rental income amounted to NT$53,106, NT$54,727 and NT$50,385 for the years ended December 31, 2006, 2007 and 2008, respectively. As of December 31, 2006, 2007 and 2008, the rent receivables were NT$5,325, NT$4,553 and NT$3,653, respectively.

(Continued)

(8) Property transactions

Prior to the merger of WNI with WNC, WNI sold a factory building to WNC and recognized an unrealized disposal gain thereon of NT$56,866. As of December 31, 2006, 2007 and 2008, unrealized disposal gain of NT$51,748, NT$50,611 and NT$49,474, respectively, was recognized as "deferred credits of long-term equity investments".

(9) Advances to related parties

The Consolidated Companies paid certain expenses on behalf of related parties. As of December 31, 2006, 2007 and 2008, the related outstanding receivables, accounted for as advances to related parties, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
AAC	27,932	27,801	28,158	831
WNC	79	3,168	756	22
AOI	5,379	-	-	-
AOTH	2,403	-	-	-
Others	335	2,445	357	11
	36,128	**33,414**	**29,271**	**864**

(10) Advances from related parties

Related parties paid certain expenses on behalf of the Consolidated Companies, including warranty expenses, traveling expenses, and salaries for overseas employees. As of December 31, 2006, 2007 and 2008, the related outstanding payables, accounted for as advances from related parties, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
LYF	-	-	4,497	133
ACH	-	17,519	2,905	86
AAC	2,635	2,141	1,814	53
AI	538	1,982	446	13
Others	1,007	348	30	1
	4,180	**21,990**	**9,692**	**286**

(11) Related-party receivables

As of December 31, 2006, 2007 and 2008, receivables from related parties resulting from the above transactions were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Notes and accounts receivable, net - related parties:				
Notes and accounts receivable	7,285,693	19,209,853	21,921,459	647,223
Less: Accounts receivable factored - AI (note 4(c))	-	-	(9,403,017)	(277,620)
	7,285,693	**19,209,853**	**12,518,442**	**369,603**
Other receivable - related parties:				
Receivable from related party from AI spin-off	-	220,300	-	-
Rent receivable	5,325	4,553	3,653	108
Overdue receivable	38,161	-	643	19
Advances to related parties	36,128	33,414	29,271	864
Less: long-term equity investment credits (note 4(e))	-	(44)	-	-
	79,614	**258,223**	**33,567**	**991**
Other non-current receivable - related parties	**-**	**23,870**	**-**	**-**

(Continued)

Long-term equity investment credits were deducted from receivable from related parties to reflect the net book value of receivable from related parties.

(12) Related-party payables

As of December 31, 2006, 2007 and 2008, payables to related parties resulting from the above transactions were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Notes and accounts payable - related parties	**7,208,001**	**15,067,422**	**16,294,315**	**481,084**
Other payable - related parties:				
Payable to related party from AI spin-off	385,043	-	84,618	2,498
Rental payable	-	2,747	67	2
Advances from related parties	4,180	21,990	9,692	286
	389,223	**24,737**	**94,377**	**2,786**

(13) As of December 31, 2006, 2007 and 2008, the Consolidated Companies had provided guarantees to vendors for WNC amounting to NT$0, NT$324,430 and NT$328,600, respectively.

(14) Key management compensation

For the years ended December 31, 2006, 2007 and 2008, the compensation of the Company's key management were as follows:

	2006	2007	2008	
	Amount	Amount	Amount	
	NT$	NT$	NT$	US$
Salaries	18,275	27,999	37,340	1,102
Cash awards and special allowances	70,059	78,898	71,738	2,118
Transportation allowances	390	360	460	14
Employee bonus	346,658	237,368	136,651	4,035

Please see note 4(n) for the details of the above amounts, including estimated employee bonus and directors' and supervisors' emoluments.

6. Pledged Assets

As of December 31, 2006, 2007 and 2008, details of pledged assets were as follows:

		Book value			
Pledged assets	**Pledged to secure**	**2006**	**2007**	**2008**	
		NT$	**NT$**	**NT$**	**US$**
Property, plant and equipment - land and building	Bank credit facilities	1,279,182	800,348	450,885	13,312
Other assets - restricted deposit	Standby LC	-	2,387	2,307	68
Other assets - restricted deposit	Litigation, performance guarantee	20,554	15,554	25,725	760
		1,299,736	**818,289**	**478,917**	**14,140**

(Continued)

7. Significant Commitments and Contingencies

(a) As of December 31, 2008, the Consolidated Companies had operating lease contracts for office premises, with future rental commitments as follows:

Period	Amount NT$	Amount US$
2009	101,453	2,995
2010	66,936	1,976
2011	43,863	1,295
2012	30,122	889
2013	16,917	500
	259,291	**7,655**

(b) As of December 31, 2006, 2007 and 2008, the Consolidated Companies had provided promissory notes amounting to US$503,000, US$250,000 and US$585,000, respectively, as collateral for factored accounts receivable. Please see note 4(c) for details.

8. Significant Casualty Loss: None.

9. Significant Subsequent Events: None.

10. Other

(a) Total personnel, depreciation, and amortization expenses incurred for the years ended December 31, 2006, 2007 and 2008, were as follows:

	2006			2007			2008					
	Cost of revenues	Operating expenses	Total	Cost of revenues	Operating expenses	Total	Cost of revenues	Operating expenses	Total	Cost of revenues	Operating expenses	Total
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$	US$	US$	US$
Personnel expenses												
Salaries	2,120,181	2,430,523	4,550,704	2,954,250	3,253,667	6,207,917	3,904,068	4,800,205	8,704,273	115,266	141,725	256,991
Labor and health insurance	109,105	155,478	264,583	147,857	205,925	353,782	215,900	251,979	467,879	6,374	7,440	13,814
Pension	72,161	113,395	185,556	90,271	150,503	240,774	122,712	188,481	311,193	3,623	5,565	9,188
Others	423,814	128,819	552,633	532,002	154,097	686,099	1,049,578	230,841	1,280,419	30,988	6,816	37,804
Depreciation	1,467,816	504,174	1,971,990	1,506,249	776,849	2,283,098	1,646,121	1,116,449	2,762,570	48,601	32,963	81,564
Amortization	88,344	166,623	254,967	136,025	313,619	449,644	159,547	527,153	686,700	4,711	15,564	20,275

(note) For each of the years ended December 31, 2006, 2007 and 2008, the depreciation of property for operating lease amounted to NT$3,260, which was accounted for under "other loss".

(b) Reclassification

Certain amounts in the 2006 and 2007 consolidated financial statements have been reclassified to conform to the 2008 financial statement presentation for comparison purposes. The reclassifications do not have a significant impact on the consolidated financial statements.

11. Disclosure of Segment Information

(a) Industry segment information

Industry segment financial information is not disclosed because the major activities of the Consolidated Companies are in one segment: the manufacturing and sale of information technology products.

(Continued)

(b) Geographic segment information

The Consolidated Companies' operations by geographic area for the years ended December 31, 2006, 2007 and 2008, were as follows:

	2006				
	Domestic	Asia	Others	Eliminations	Consolidated
	NT$	NT$	NT$	NT$	NT$
Operating revenue:					
Unaffiliated companies	195,152,143	26,420,127	889,670	-	222,461,940
Affiliated companies	24,931,511	156,522,571	868,278	(182,322,360)	-
	220,083,654	**182,942,698**	**1,757,948**	**(182,322,360)**	222,461,940
Investment income					378,061
Gain on disposal of investments					134,187
Total income					**222,974,188**
Segment profit before income taxes and minority interest	**6,884,158**	**362,672**	**129,392**	**-**	7,376,222
Investment income, net					152,055
Gain on disposal of investments, net					134,187
Interest expenses					(1,138,451)
Income before income taxes and minority interest					**6,524,013**
Segment identifiable assets	**51,641,344**	**47,986,316**	**1,292,465**	**(29,323,848)**	71,596,277
Long-term equity investments accounted for by equity method					2,028,339
Goodwill					31,545
Total assets					**73,656,161**
Depreciation and amortization	**817,375**	**1,377,517**	**32,065**		
Capital expenditures	**881,879**	**2,625,418**	**5,400**		

	2007				
	Domestic	Asia	Others	Eliminations	Consolidated
	NT$	NT$	NT$	NT$	NT$
Operating revenue:					
Unaffiliated companies	255,639,485	29,120,363	3,306,031	-	288,065,879
Affiliated companies	27,062,397	249,131,411	981,199	(277,175,007)	-
	282,701,882	**278,251,774**	**4,287,230**	**(277,175,007)**	288,065,879
Investment income					375,095
Gain on disposal of investments					105,879
Total income					**288,546,853**
Segment profit before income taxes and minority interest	**6,440,573**	**2,076,298**	**(103,900)**	**-**	8,412,971
Investment income, net					286,929
Gain on disposal of investments, net					105,879
Interest expenses					(767,533)
Income before income taxes and minority interest					**8,038,246**
Segment identifiable assets	**74,341,982**	**68,997,043**	**2,802,784**	**(39,489,319)**	106,652,490
Long-term equity investments accounted for by equity method					1,976,914
Goodwill					31,545
Total assets					**108,660,949**
Depreciation and amortization	**1,192,478**	**1,490,783**	**49,481**		
Capital expenditures	**1,259,596**	**3,475,136**	**169,362**		

(Continued)

	2008					
	Domestic	Asia	Others	Eliminations	Consolidated	
	NT$	NT$	NT$	NT$	NT$	US$
Operating revenue:						
Unaffiliated companies	369,029,253	29,839,074	47,739,530	-	446,607,857	13,185,942
Affiliated companies	58,682,756	390,784,387	886,891	(450,354,034)	-	-
	427,712,009	**420,623,461**	**48,626,421**	**(450,354,034)**	446,607,857	13,185,942
Investment income					332,656	9,822
Gain on disposal of investments					185,066	5,464
Total income					**447,125,579**	**13,201,228**
Segment profit before income taxes and minority interest	**6,412,777**	**2,981,914**	**(20,284)**	**-**	9,374,407	276,776
Investment income, net					239,353	7,067
Gain on disposal of investments, net					182,519	5,389
Interest expenses					(939,415)	(27,736)
Income before income taxes and minority interest					**8,856,864**	**261,496**
Segment identifiable assets	**92,915,123**	**94,244,408**	**17,085,751**	**(68,126,756)**	136,118,526	4,018,852
Long-term equity investments accounted for by equity method					2,781,128	82,112
Goodwill					561,485	16,578
Total assets					**139,461,139**	**4,117,542**
Depreciation and amortization	**1,668,534**	**1,684,014**	**96,722**			
Capital expenditures	**2,143,024**	**3,795,946**	**913,725**			

(c) Export sales

Export sales of the Consolidated Companies for the years ended December 31, 2006, 2007 and 2008, were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$
Sales to:				
Europe	41,708,191	67,516,132	134,596,398	3,973,912
Americas	84,840,493	72,663,119	129,257,050	3,816,270
Asia and others	68,026,116	110,520,626	96,478,435	2,848,492
	194,574,800	**250,699,877**	**360,331,883**	**10,638,674**

(d) Significant customer information

For the years ended December 31, 2006, 2007 and 2008, sales to customers representing greater than 10% of net revenue were as follows:

	2006		2007		2008		
Customer	Net revenue	Percentage of net revenue	Net revenue	Percentage of net revenue	Net revenue		Percentage of net revenue
	NT$		NT$		NT$	US$	
AI	46,249,826	21	73,301,215	26	113,312,803	3,345,521	26
Customer D	29,109,647	13	58,345,907	20	89,128,779	2,631,496	20

(Continued)

Independent Auditors' Review Report

The Board of Directors
Wistron Corporation:

We have reviewed the accompanying consolidated balance sheets of Wistron Corporation (the "Company") and subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of income and cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with Republic of China Statement on Auditing Standards No. 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the order VI 0960064020 issued by Financial Supervisory Commission under the Executive Yuan effective November 15, 2007, and accounting principles generally accepted in the Republic of China.

As stated in note 3 to the accompanying consolidated financial statements, the Company and its subsidiaries recognize the bonus to employees and emoluments to directors and supervisors as expenses in accordance with Interpretation (96) 052 issued by the Accounting Research and Development Foundation commencing from January 1, 2008. This change in accounting principle decreased the consolidated net income and earnings per share of the Company and subsidiaries by NT$256,529,000 and NT$0.19, respectively, for the three-month period ended March 31, 2008.

The accompanying consolidated financial statements as of and for the three-month period ended March 31, 2009, have been translated into United States dollars solely for the convenience of the readers. We have reviewed the translation, and our review disclosed that the financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2(b) to the accompanying consolidated financial statements.

KPMG
Taipei, Taiwan (the Republic of China)
June 8, 2009

Note to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

Reviewed only, not audited in accordance with generally accepted auditing standards

WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

At March 31, 2008 and 2009
(In thousands of dollars)

	2008	2009	
	NT$	NT$	US$
Assets			
Current assets:			
Cash and cash equivalents (notes 4(a) and 4(m))	4,775,519	16,079,149	474,731
Financial assets at fair value through profit or loss - current (notes 4(b) and 4(m))	67,287	224,786	6,637
Notes and accounts receivable, net of allowance for doubtful accounts of NT$84,418 and NT$295,903 as of March 31, 2008 and 2009, respectively (notes 4(c), 4(m) and 7)	32,527,638	50,807,057	1,500,061
Notes and accounts receivable - related parties (notes 4(m) and 5)	19,682,098	10,891,188	321,559
Other receivable - related parties (notes 4(e), 4(m) and 5)	112,478	33,501	989
Other financial assets - current (notes 4(c) and 4(m))	1,824,222	1,453,637	42,918
Inventories (notes 4(d) and 4(g))	25,187,638	24,321,275	718,077
Deferred income tax assets - current	967,929	1,448,987	42,781
Prepaid expenses and other current assets	1,118,879	1,690,325	49,906
Available-for-sale financial assets - current (notes 4(b) and 4(m))	10,799,019	4,332	128
Total current assets	97,062,707	106,954,237	3,157,787
Long-term investments:			
Long-term equity investments under equity method (notes 4(e) and 5)	2,032,984	3,040,667	89,775
Available-for-sale financial assets - non-current (notes 4(b) and 4(m))	854,259	704,026	20,786
Financial assets carried at cost - non-current (notes 4(b) and 4(m))	581,970	1,023,905	30,230
Total long-term investments	3,469,213	4,768,598	140,791
Property, plant and equipment (notes 4(f), 4(g) and 6):			
Land	1,230,072	1,334,054	39,388
Buildings and improvements	5,401,807	7,408,817	218,743
Machinery and equipment	7,627,104	9,697,719	286,322
Molding equipment	2,906,223	4,674,341	138,008
Research and development equipment	619,034	847,408	25,019
Furniture and fixtures	843,402	1,090,076	32,184
Other equipment	1,378,066	1,871,498	55,255
	20,005,708	26,923,913	794,919
Less: accumulated depreciation	(8,840,268)	(11,861,042)	(350,193)
Construction in progress and advance payments for purchases of property and equipment	2,123,561	2,645,115	78,096
Net property, plant and equipment	13,289,001	17,707,986	522,822
Intangible assets (note 4(g))	1,238,966	2,446,154	72,222
Other non-current notes and accounts receivable - related parties (note 5)	18,525	-	-
Deferred expenses and other assets (notes 4(h) and 6)	2,925,372	1,630,053	48,127
Total Assets	**118,003,784**	**133,507,028**	**3,941,749**

Reviewed only, not audited in accordance with generally accepted auditing standards

WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets — (continued)

At March 31, 2008 and 2009
(In thousands of dollars)

	2008	2009	
	NT$	NT$	US$
Liabilities, Minority Interest and Stockholders' Equity			
Current liabilities:			
Short-term borrowings (notes 4(i), 4(m) and 6)	18,263,123	2,529,106	74,671
Notes and accounts payable (note 4(m))	40,792,632	56,867,872	1,679,004
Notes and accounts payable - related parties (notes 4(m) and 5)	16,194,276	16,868,785	498,045
Financial liabilities at fair value through profit or loss - current (notes 4(b) and 4(m))	83,383	187,372	5,532
Other payable - related parties (notes 4(m) and 5)	17,435	91,884	2,713
Accrued warranty	870,529	706,485	20,859
Accrued expenses and other current liabilities	6,054,831	8,922,625	263,437
Deferred inter-company profits	14,874	13,588	401
Total current liabilities	82,291,083	86,187,717	2,544,662
Long-term borrowings (notes 4(j) and 4(m))	-	6,105,060	180,250
Deferred income tax liabilities - non-current	519,534	1,245,729	36,780
Unrealized gain on sale-and-leaseback (note 4(f))	176,625	51,949	1,534
Other liabilities (note 4(e))	165,694	170,759	5,042
Total liabilities	83,152,936	93,761,214	2,768,268
Stockholders' equity (note 4(b), 4(e) and 4(k)):			
Common stock	13,819,261	15,166,367	447,782
Capital surplus - paid-in capital in excess of par value	10,209,222	11,103,702	327,833
Capital surplus - resulting from long-term equity investments	-	7,443	220
Legal reserve	1,190,636	1,851,181	54,655
Unappropriated earnings	9,036,331	9,931,067	293,211
Foreign currency translation adjustment	(327,389)	1,094,561	32,317
Unrecognized pension cost	(29,673)	(11,551)	(341)
Unrealized loss on available-for-sale financial assets	(87,370)	(307,537)	(9,080)
Total stockholders' equity	33,811,018	38,835,233	1,146,597
Minority interest	1,039,830	910,581	26,884
Total stockholders' equity and minority interest	34,850,848	39,745,814	1,173,481
Commitments and contingencies (notes 4(b), 4(c), 4(m), 5 and 7)			
Total Liabilities, Minority Interest and Stockholders' Equity	**118,003,784**	**133,507,028**	**3,941,749**

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

For the three-month periods ended March 31, 2008 and 2009
(In thousands of dollars, except earnings per common share)

	2008	2009	
	NT$	NT$	US$
Net revenues (note 5)	86,809,820	112,523,838	3,322,227
Cost of revenues (notes 4(d), 4(k), and 5)	(81,577,232)	(106,958,822)	(3,157,922)
Gross profit	5,232,588	5,565,016	164,305
Operating expenses (notes 4(g), 4(k) and 5):			
Selling	(1,682,669)	(1,849,875)	(54,617)
Administrative	(467,075)	(600,405)	(17,727)
Research and development	(1,396,228)	(1,739,820)	(51,367)
Total operating expenses	(3,545,972)	(4,190,100)	(123,711)
Operating income	1,686,616	1,374,916	40,594
Non-operating income and gains:			
Interest income	22,102	11,684	345
Investment income recognized under equity method, net (note 4(e))	74,950	71,771	2,119
Gain on disposal of property, plant and equipment (note 4(f))	24,309	24,429	721
Gain on disposal of investments, net (notes 4(b) and 4(e))	127,808	1,067	32
Foreign currency exchange gain, net	221,479	342,295	10,106
Rental income (note 5)	32,088	24,842	733
Gain on valuation of financial instruments, net (notes 4(b) and 4(m))	14,870	29,280	865
Other income	86,131	62,624	1,849
	603,737	567,992	16,770
Non-operating expenses and losses:			
Interest expense (note 4(f))	(146,152)	(121,975)	(3,601)
Loss on disposal of property, plant and equipment	(1,025)	(11,908)	(352)
Other loss	(26,295)	(17,336)	(512)
	(173,472)	(151,219)	(4,465)
Income before income taxes	2,116,881	1,791,689	52,899
Income tax expense	(411,211)	(372,236)	(10,990)
Consolidated net income (note 3)	**1,705,670**	**1,419,453**	**41,909**
Income attributable to:			
Shareholders of parent company	1,676,662	1,424,489	42,058
Minority shareholders	29,008	(5,036)	(149)
	1,705,670	**1,419,453**	**41,909**
	NT$	**NT$**	**US$**
Earnings per common share (in dollars) (notes 3 and 4(l)):			
Basic earnings per share - retroactively adjusted	**1.12**	**0.94**	**0.03**
Diluted earnings per share - retroactively adjusted	**1.05**	**0.86**	**0.03**

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2008 and 2009
(In thousands of dollars)

	2008	2009	
	NT$	NT$	US$
Cash flows from operating activities:			
Consolidated net income	1,705,670	1,419,453	41,909
Adjustments to reconcile consolidated net income to cash provided by operating activities:			
Depreciation and amortization (including the depreciation of property for operating lease)	761,851	1,258,037	37,143
Net investment income accounted for by equity method and cash dividends received	(74,950)	(71,771)	(2,119)
Gain on disposal of property and equipment, net	(23,284)	(12,521)	(369)
Gain on sale-and-leaseback offset against rental expense	(7,140)	(7,130)	(210)
Gain on disposal of investments, net	(127,808)	(1,067)	(32)
Gain on valuation of financial instruments, net	(14,870)	(29,280)	(865)
Property and equipment reclassified as expense	15,822	19,752	583
Deferred income tax expense (benefit)	36,802	(65,316)	(1,928)
Change in operating assets and liabilities:			
Notes and accounts receivable	2,905,637	392,613	11,592
Notes and accounts receivable - related parties	(472,244)	1,627,254	48,044
Other receivable - related parties	4,125	66	2
Other financial assets - current	(411,757)	741,137	21,882
Inventories	(2,374,627)	7,570,662	223,521
Prepaid expenses and other current assets	18,846	(402,172)	(11,874)
Other non-current notes and accounts receivable - related parties	5,344	-	-
Notes and accounts payable	(1,519,143)	(4,798,730)	(141,681)
Notes and accounts payable - related parties	1,126,854	574,469	16,961
Other payable - related parties	(7,302)	(2,492)	(74)
Accrued warranty	89,385	132,529	3,913
Accrued expenses and other current liabilities	365,682	27,043	798
Deferred inter-company profits	14,873	-	-
Other liabilities	(13,771)	153,783	4,540
Cash provided by operating activities	2,003,995	8,526,319	251,736
Cash flows from investing activities:			
(Increase) decrease in available-for-sale financial assets - current	(10,626,029)	1,551	46
Increase in long-term equity investments	-	(128,885)	(3,805)
Proceeds from disposal of long-term investments and returned capital from investee	75,321	-	-
Increase in available-for-sale financial assets - non-current	(8,420)	(21,492)	(634)
Increase in financial assets carried at cost - non-current	(31,670)	(13,264)	(392)
Proceeds from return of investments in financial assets carried at cost - non-current	179,578	-	-
Additions to property, plant and equipment	(682,310)	(1,263,648)	(37,309)
Proceeds from disposal of property, plant and equipment	58,360	141,136	4,167
Additions to intangible assets, deferred expenses and other assets	(2,005,296)	(252,728)	(7,462)
Cash used in investing activities	(13,040,466)	(1,537,330)	(45,389)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	8,194,138	(346,078)	(10,218)
Decrease in long-term borrowings	-	(3,752,940)	(110,804)
Increase (decrease) in subsidiaries' capital from minority interest	(932)	4,000	118
Cash provided by (used in) financing activities	8,193,206	(4,095,018)	(120,904)
Effects of foreign currency exchange rate changes on cash and cash equivalents	164,555	11,178	330
Net increase (decrease) in cash and cash equivalents	(2,678,710)	2,905,149	85,773
Cash and cash equivalents at beginning of period	7,454,229	13,174,000	388,958
Cash and cash equivalents at end of period	**4,775,519**	**16,079,149**	**474,731**
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest, excluding capitalized interest	**136,059**	**150,682**	**4,449**
Income taxes	**124,888**	**312,359**	**9,222**
Supplemental information on non-cash investing and financing activities:			
Foreign currency translation adjustment	**(559,015)**	**443,111**	**13,083**
Unrealized gain (loss) on available-for-sale financial assets	**(33,401)**	**69,512**	**2,052**
Change in available-for-sale financial assets accounted for under long-term equity investments	**(5,841)**	**21,418**	**632**

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of and for the three-month periods ended March 31, 2008 and 2009
(amounts expressed in thousands of New Taiwan dollars and US dollars
except for per share information and unless otherwise noted)

1. Reporting Entities of the Consolidated Financial Statements and Their Business Scopes

Wistron Corporation (the "Company") was incorporated on May 30, 2001, as a company limited by shares under the laws of the Republic of China (ROC). Pursuant to a restructuring plan of Acer Inc. (AI) to improve its business performance and competitiveness, the Company was formed to accept the net assets spun off from AI's DMS (Design Manufacturing and Service products) business.

As of March 31, 2008 and 2009, the consolidated financial statements included the accounts of the Company and its subsidiaries (hereinafter jointly referred to as the "Consolidated Companies"). The Consolidated Companies, which are classified according to their primary business activity and percentage of the ownership, are as follows:

(a) Research, design, testing, manufacturing and sales of personal computers, servers, multi-media appliance products, telecommunication products, and network systems:

	Investor	Percentage of direct and indirect ownership by the Company at March 31, 2008	2009
1. Wistron Corporation (Taiwan)	-	-	-
2. International Standard Labs ("ISL", Taiwan)	the Company	100.00	100.00
3. Wistron InfoComm (Philippines) Corporation ("WPH", Philippines)	the Company	100.00	100.00
4. Wistron Mexico S.A. de C.V. ("WMX", Mexico)	the Company	100.00	100.00
5. WisVision Corporation ("WVS", British Virgin Islands)	the Company	-	100.00
6. Wistron InfoComm (Zhongshan) Co., Ltd. ("WZS", China)	Cowin	100.00	100.00
7. AII Technology (Zhongshan) Co., Ltd. ("ATZS", China)	AIIH	100.00	100.00
8. Wistron InfoComm (Kunshan) Co., Ltd. ("WAKS", China)	Win Smart	100.00	100.00
9. Wistron InfoComm Technology (Kunshan) Co., Ltd. ("WIKS", China)	Win Smart	100.00	100.00
10. Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. ("WEKS", China)	Win Smart	100.00	100.00
11. Wistron Optronics (Kunshan) Co., Ltd. ("WOK", China)	WDC	100.00	100.00
12. Wistron Optronics Corp. ("WOC", formerly "WOD")	the Company	75.50	75.50
13. AOpen Inc. ("AOI", Taiwan)	the Company	27.10	27.10
14. AOpen Information Products (Zhongshan) Inc. ("AOZ", China)	AOTH	27.10	27.10
15. Wistron InfoComm (Czech) s.r.o. ("WCZ", Czech Republic)	WSE	100.00	100.00
16. Wistron InfoComm Technology (Zhongshan) Co., Ltd. ("WTZS", China)	WVS	-	100.00

(Continued)

(b) Sale and maintenance of computer products and related parts and components, data storage equipment, and digital monitoring systems:

	Investor	Percentage of direct and indirect ownership by the Company at March 31, 2008	2009
1. Cowin Worldwide Corporation ("Cowin", British Virgin Islands)	the Company	100.00	100.00
2. AII Holding Corporation ("AIIH", British Virgin Islands)	the Company	100.00	100.00
3. Wistron Service B.V. ("WSE", Holland)	the Company	100.00	100.00
4. Wistron InfoComm (Texas) Corporation ("WTX", El Paso U.S.A.)	the Company	100.00	100.00
5. Anextek Global Incorporated ("AGI", Taiwan)	the Company	99.94	99.94
6. SMS InfoComm (Singapore) Pte. Ltd. ("WSG", Singapore)	the Company	100.00	100.00
7. Wistron InfoComm Technology (America) Corporation ("WITX", U.S.A.)	WLLC	100.00	100.00
8. Wistron Service (Kunshan) Corp. ("WSKS", China)	Win Smart	100.00	100.00
9. Wistron Hong Kong Limited ("WHK", Hong Kong)	Win Smart	100.00	100.00
10. Wistron Service (Shanghai) Co., Ltd. ("WSSH", China)	Win Smart	100.00	100.00
11. SMS (Kunshan) Co., Ltd. ("WMKS", China)	Win Smart	-	100.00
12. Wistron K.K. ("WJP", Japan)	AIIH	100.00	100.00
13. Xserve International (Shanghai) Co., Ltd. ("XSH", China)	XTI	99.94	-
14. Wistron Optronics (Shanghai) Corporation ("WOS", China)	WDC	100.00	100.00
15. Wistron Optronics (Shanghai) Co., Ltd. ("WOSH", China)	WDC	-	100.00
16. ICT Service Management Solutions (India) Private Limited ("WIN", India)	WSG	-	100.00
17. AOpen America Inc. ("AOA", U.S.A.)	AOI	27.10	27.10
18. AOpen Computer B.V. ("AOE", Holland)	AOI	27.10	27.10
19. AOpen Japan Inc. ("AOJ", Japan)	AOI	27.10	27.10
20. AOpen Technology Asia Pacific Taiwan Co., Ltd. ("AOAT", Taiwan)	AOI	27.10	27.10
21. Great Connection Ltd. ("GCL", Hong Kong)	AOTH	27.10	27.10
22. AOpen International (Shanghai) Co., Ltd. ("AOC", China)	AOTH	27.10	27.10
23. AOpen Computer GmbH ("AOG", Germany)	AOE	27.10	27.10
24. AOpen Components B.V. ("AOEC", Holland)	AOE	27.10	27.10

(c) Investment and holding companies:

	Investor	Percentage of direct and indirect ownership by the Company at March 31, 2008	2009
1. WiseCap Ltd. ("WCL", Taiwan)	the Company	100.00	100.00
2. Win Smart Co., Ltd. ("Win Smart", British Virgin Islands)	the Company	100.00	100.00
3. Wistron LLC ("WLLC", U.S.A)	the Company	-	100.00
4. Xserve Technology Incorporated ("XTI", British Virgin Islands)	AGI	99.94	99.94
5. Wistron Information Technology and Services Inc. ("WIBI", British Virgin Islands)	WITS	52.67 (note 1)	41.68
6. WinDisplay Corporation ("WDC", British Virgin Islands)	AIIH	100.00	100.00
7. WLB Ltd. ("WLB", Taiwan)	WCL	100.00	100.00
8. AOpen Technology Inc. ("AOTH", British Virgin Islands)	AOI	27.10	27.10

(d) Software research, development, design, trading and consultation:

	Investor	Percentage of direct and indirect ownership by the Company at March 31, 2008	2009
1. Wistron InfoComm (Shanghai) Corporation (“WSH”, China)	AIIH	100.00	100.00
2. Wistron Information Technology and Services Corporation (“WITS”, Taiwan)	the Company	52.67 (note 1)	41.68
3. Wistron Information Technology Incorporated (“MIT”, Taiwan)	WITS	52.67 (note 1)	41.68
4. Wistron Information Technology and Services (Japan) Inc. (“WIJP”, Japan)	WITS	52.67 (note 1)	41.68
5. Wistron Information Technology and Services Limited (“WIHK”, Hong Kong)	WITS	52.67 (note 1)	41.68
6. Wistron Information Technology and Services (Dalian) Inc. (“WIDL”, China)	WIBI	52.67 (note 1)	41.68
7. Wistron Information Technology and Services (Zhuhai) Inc. (“WIZH”, China)	WIBI	52.67 (note 1)	41.68
8. Wistron Information Technology and Services (Beijing) Inc. (“WIBJ”, China)	WIBI	52.67 (note 1)	41.68

(note 1) WITS and its subsidiaries were deconsolidated starting from July 1, 2008.

As of March 31, 2008 and 2009, the Consolidated Companies included AOI and its subsidiaries, even though the Consolidated Companies’ ownership percentage was lower than 50%, because the Company’s representative was appointed as AOI’s general manager and the Company had power to control AOI.

During their meeting on June 30, 2008, WITS’s shareholders reelected its members of the board of directors. As a result, the Company lost its power to control WITS. Accordingly, WITS and its subsidiaries were not included in the consolidated entities starting from July 1, 2008.

WTZS, WMKS, WVS, WLLC, WOSH and WIN were established after April 2008. However, XSH was liquidated in 2008 for the purpose of simplifying the Company’s investment structure.

As of March 31, 2008 and 2009, the Consolidated Companies had 30,220 and 36,377 employees, respectively.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in conformity with the order VI 0960064020 issued by Financial Supervisory Commission (FSC) under the Executive Yuan on November 15, 2007 (which allows Taiwan companies not disclose certain accounting policies and information in their first and third quarter consolidated financial statements of each year) and accounting principles generally accepted in the Republic of China (“ROC”). Due to limited disclosures in the Company’s consolidated financial statements for the first quarter and third quarter of each year, the Company’s consolidated financial position, consolidated results of operations and consolidated cash flows in each of these quarters every year can be understood by reading them together with the Company’s audited annual consolidated financial statements. The Company’s significant accounting policies are the same as those disclosed in its 2008 consolidated financial statements, except for the following:

(a) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on standard cost but the difference between standard cost and actual cost is allocated to inventory on a proportional basis except for an unfavorable variance from normal capacity. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(b) Convenience translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the March 31, 2009, New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the spot rate of the Federal Reserve Statistical Release on March 31, 2009, of NT$33.87 to US$1 uniformly for all the financial statement accounts. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

3. Changes in Accounting Policies

Effective from January 1, 2009, the Consolidated Companies adopted the amended ROC Statement of Financial Accounting Standards ("SFAS") No. 10 "Inventories". The adoption of this new accounting principle did not materially effect the consolidated financial statements as of and for the three-month period ended March 31, 2009.

The Consolidated Companies recognized employees' bonus and directors' and supervisors' emoluments as expenses in accordance with Interpretation (96) 052 issued by the Accounting Research and Development Foundation commencing from January 1, 2008. This change in accounting principle decreased the Consolidated Companies' consolidated net income and earnings per share for the three-month period ended March 31, 2008, by NT$256,529 and NT$0.19, respectively. Basic earnings per share and diluted earnings per share are not be retroactively adjusted for stock dividends distributed to employees as bonus in accordance with Interpretation (97) 169 issued by the Accounting Research and Development Foundation. If the stock dividends distributed to employees as bonus are potentially dilutive, these stock dividends are accounted for in the calculation of diluted earnings per share.

4. Significant Account Disclosures

(a) Cash and cash equivalents

The components of cash and cash equivalents as of March 31, 2008 and 2009, were as follows:

	2008	2009	
	NT$	NT$	US$
Cash on hand	32,379	63,639	1,879
Cash in banks	1,998,373	14,546,888	429,492
Time deposits	2,398,137	1,408,786	41,594
Short-term notes and government bonds	346,630	59,836	1,766
	4,775,519	**16,079,149**	**474,731**

(b) Financial instruments

(1) Financial assets and liabilities at fair value through profit or loss as of March 31, 2008 and 2009, were as follows:

	2008	2009	
	NT$	NT$	US$
Financial assets:			
Foreign currency swap contracts	48,268	168,378	4,971
Foreign currency forward contracts	19,019	56,408	1,666
	67,287	**224,786**	**6,637**
Financial liabilities:			
Foreign currency swap contracts	43,313	163,550	4,829
Foreign currency forward contracts	34,665	23,822	703
Foreign currency structured notes	5,405	-	-
	83,383	**187,372**	**5,532**

For the three-month periods ended March 31, 2008 and 2009, unrealized gain on the derivative contracts due to the change in fair market value amounted to NT$14,870 and NT$29,280, respectively, which was accounted for under "gain on valuation of financial instruments, net".

Derivative contracts signed between the Consolidated Companies and several banks were intended to hedge foreign currency exchange and interest rate risks from operating, financing, and investing activities. As of March 31, 2008 and 2009, derivative financial instruments not qualified for hedge accounting were as follows:

(i) Foreign currency swap contracts

2008

Notional amount	Currency	Settlement Date
USD 403,000	USD Put / NTD Call	2008.4.1~2008.5.2
USD 14,000	USD Put / NTD Call	2008.4.1

2009

Notional amount	Currency	Settlement Date
USD 180,000	USD Put / NTD Call	2009.4.3~2009.4.13
USD 300,000	NTD Put / USD Call	2009.4.10~2009.6.10

(ii) Foreign currency forward contracts

2008

Notional amount	Currency	Settlement Date
USD 195,000	USD Put / NTD Call	2008.4.7~2008.4.28
USD 11,000	NTD Put / USD Call	2008.4.8~2008.5.13

2009

Notional amount	Currency	Settlement Date
USD 67,000	USD Put / NTD Call	2009.4.2~2009.5.4
USD 146	USD Put / EUR Call	2009.4.1
USD 586	USD Put / CZK Call	2009.4.7
USD 35,000	NTD Put / USD Call	2009.4.10~2009.5.4

(iii) Foreign currency structured notes

2008

Notional amount	Currency	Settlement Date
EUR 1,100~2,200	EUR Put / USD Call	2008.4.3~2008.6.12

The balance on foreign currency structured notes is settled weekly during the contract period. The contract ends if the accumulated devaluation from the exchange of EUR for USD equals or is greater than 0.08.

(2) Available-for-sale financial assets as of March 31, 2008 and 2009, were as follows:

	2008	**2009**	
	NT$	**NT$**	**US$**
Available-for-sale financial assets - current:			
Bond fund	**10,799,019**	**4,332**	**128**
Available-for-sale financial assets - non-current:			
Publicly traded stock – Xplore	25,327	9,081	268
Publicly traded stock – DDD Group PLC	-	23,769	702
Publicly traded stock – Alpha Networks	715,869	533,918	15,764
Publicly traded stock – Compucase	48,797	22,193	655
Stock traded on OTC – High-Tek	55,900	32,804	968
Stock traded on OTC – Gamania	8,366	82,261	2,429
	854,259	**704,026**	**20,786**

As of March 31, 2008 and 2009, unrealized gain (loss) on available-for-sale financial assets recognized as adjustments to stockholders' equity was NT$(33,401) and NT$69,512, respectively.

(3) Financial assets carried at cost as of March 31, 2008 and 2009, were as follows:

	2008	2009	
	NT$	NT$	US$
Non-current:			
Privately held stock – Super Elite Ltd.	47,755	50,692	1,497
Privately held stock – Bcom Electronics Inc.	18,728	18,728	553
Privately held stock – IP Fund II L.P.	15,000	15,000	443
Privately held stock – IP Fund III L.P.	49,329	44,817	1,323
Privately held stock – Vmedia Research	7,472	-	-
Privately held stock – Jafco AT Fund III L.P.	122,827	124,924	3,688
Privately held stock – Jafco AT Fund IV L.P.	32,750	71,480	2,110
Privately held stock – Bluechip Infotech Pty Ltd. (SAL)	13,827	13,827	408
Privately held stock – Gold Connection Ltd.	75,064	-	-
Privately held stock – IP Fund One, L.P.	61,001	62,006	1,831
Privately held stock – Golden Unify International Enterprises Ltd.	6,807	7,593	224
Privately held stock – AcroSense Technology Co., Ltd.	-	157,920	4,663
Privately held stock – IP Cathay II, L.P.	-	37,432	1,105
Privately held stock – IP Cathay One, L.P.	129,736	144,991	4,281
Privately held stock – Keen High Technologies Limited	-	133,407	3,939
Privately held stock – Hartec Asia Pte. Ltd.	-	136,367	4,026
Others	1,674	4,721	139
	581,970	**1,023,905**	**30,230**

No market prices were available for determining the fair value of the above privately held stocks; therefore, cost was used.

In 2006, Wistron InfoComm Hungary KFT ("WHU"), a subsidiary of the Company, was liquidated and the Company's equity investment in WHU was recorded in financial assets carried at cost - non-current. During the three-month period ended March 31, 2008, the related legal processes for the liquidation of WHU were completed. Total capital recovered from this liquidation was NT$169,299. The recovered capital in excess of the book value of this equity investment (including the carrying value and the foreign currency translation adjustment of NT$178,681 and NT$(51,420), respectively) amounting to NT$42,038 was accounted for under "gain on disposal of investments".

(c) Accounts receivable

As of March 31, 2008 and 2009, the factored accounts receivable that conformed to the derecognition criteria were as follows:

2008

Buyer	Factored amount	Factoring credit limit	Advance amount	Interest rate	Collateral	Important derecognition clause	Derecognized amount
Mega International Commercial Bank	US$179,411	280,000	156,870		250,000	Without recourse	179,411
Chinatrust Bank	78,916	60,000	49,809		-	"	78,916
	US$258,327	**340,000**	**206,679**	2.86%~5.44%	**250,000**		**258,327**

2009

Buyer	Factored amount	Factoring credit limit	Advance amount	Interest rate	Collateral	Important derecognition clause	Derecognized amount
Bank Sinopac	US$335,731	135,000	135,000		135,000	Without recourse	135,000
Mega International Commercial Bank (note 1)	549,953	450,000	449,724		450,000	"	462,518
Taishin Bank	1	30,000	-		-	"	1
	US$885,685	**615,000**	**584,724**	1.13%~2.35%	**585,000**		**597,519**

(note 1): Included a related-party receivable of US$437,177 from AI

The factoring of the above-mentioned accounts receivable to banks is recognized when the ownership and significant risks of the factored accounts receivable are transferred. As of March 31, 2008 and 2009, the accounts receivable factored to banks amounted to US$258,327 (approximately NT$8,749,536) and US$885,685 (approximately NT$29,998,151), of which, NT$1,570,343 and NT$433,979, respectively, were still receivable from banks and were included under "other financial assets - current" in the accompanying consolidated balance sheets.

(d) Inventories

The components of inventories as of March 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	**NT$**	**US$**
Raw materials	14,122,676	14,251,835	420,780
Work in process	3,589,174	3,969,313	117,193
Finished goods	6,477,754	4,405,955	130,084
Inventories in transit	2,065,949	3,561,934	105,165
Less: provision for obsolescence	(1,067,915)	(1,867,762)	(55,145)
	25,187,638	**24,321,275**	**718,077**

For the three-month periods ended of March 31, 2008 and 2009, the Consolidated Companies recognized related losses on inventories against cost of sales of NT$445,246 and NT$173,536, respectively, from the write down of the book value of inventories from cost to net realizable value.

(e) Long-term equity investments

Long-term equity investments and long-term investment credit as of March 31, 2008 and 2009, and related investment income or loss for the three-month periods ended March 31, 2008 and 2009, were as follows:

	2008		2008
Investee	**Percentage of ownership**	**Book value**	**Investment income (loss)**
		NT$	**NT$**
Under equity method:			
Wistron NeWeb Corporation (WNC)	28.30%	1,744,369	67,586
PlayCoo Corporation (PCC)	-	-	(1,298)
ACA Digital Corporation (ACA)	41.21%	61,250	(9,453)
Formosoft International Inc.	27.59%	41,844	(4,251)
Mindforce Holdings Limited	30.00%	230,961	22,082
Main Source Technology Co., Ltd.	35.48%	-	-
Open Tech	31.67%	382	-
AOpen Center MD	25.33%	4,505	-
JNS Technology Co., Ltd.	35.00%	-	-
Deferred credits of long-term equity investments (note 5(b))		(50,327)	284
		2,032,984	74,950
Long-term investment credit (note 5(b)) (note A): Xserve (BVI) Corp.	39.14%	**(5,399)**	**-**
			74,950

(note A): Of the long-term investment credit, NT$44 was recorded as a credit to other receivable - related parties and the remaining balance of NT$5,355 was recorded in other liabilities.

Investee	2009 Percentage of ownership	2009 Book value NT$	2009 Book value US$	2009 Investment income (loss) NT$	2009 Investment income (loss) US$
Under equity method:					
Wistron NeWeb Corporation ("WNC")	27.70%	1,809,133	53,414	55,170	1,629
Formosoft International Inc.	27.59%	39,735	1,173	(3,074)	(91)
Mindforce Holdings Limited	29.00%	508,317	15,008	38,295	1,131
Main Source Technology Co., Ltd.	35.48%	-	-	-	-
ACA Digital Corporation ("ACA")	37.70%	29,140	860	(6,680)	(197)
Wistron Information Technology and Services Corporation ("WITS")	41.68%	240,633	7,105	4,133	122
KunShan ChangNun Precision Die Casting Co., Ltd.	5.00%	4,314	127	(13)	-
Park Orchid Limited ("POL")	46.88%	135,999	4,015	(17,138)	(506)
Gold Connection Ltd. ("GDCL")	29.00%	287,745	8,496	3,653	108
Hsieh Yuh Technology Co., Ltd.	30.00%	29,653	876	(2,859)	(85)
Open Tech	31.67%	718	21	-	-
AOpen Center-MD	25.33%	4,469	132	-	-
Deferred credits of long-term equity investments (note 5(b))		(49,189)	(1,452)	284	8
		3,040,667	**89,775**	71,771	2,119
Long-term investment credit (note 5(b)) (note B):					
Xserve (BVI) Corp.	39.14%	**(5,738)**	**(169)**	-	-
				71,771	**2,119**

(note B): Of the long-term investment credit, NT$44 was recorded as a credit to other receivable - related parties and the remaining balance of NT$5,694 was recorded in other liabilities.

The market values of long-term equity investments in listed companies were as follows:

	2008 NT$	2009 NT$	2009 US$
WNC	**3,078,815**	**1,694,916**	**50,042**

The above-mentioned long-term investment credits were netted against other receivable - related parties (see note 5). Deferred credits of long-term investments represent the unamortized balance of deferred gains and losses derived from the transfer of equity investment ownership among the affiliated companies. These deferred credits are debited when the investee companies' related assets are depreciated or amortized or the Consolidated Companies' holding ratios in the investee companies have changed.

The investment income or loss recognized under the equity method is based on the unreviewed financial statements of the investee companies in the same period.

In order to restructure the equity investment holdings, the Consolidated Companies sold their equity ownership in PCC for NT$75,321 during the three-month period ended March 31, 2008. The gain from the sale of those equity investments of NT$75,514, which was determined based on the selling price less book value of NT$(193), was accounted for under "gain on disposal of investments".

As of March 31, 2009, the Consolidated Companies' capital surplus had increased by NT$5,478 due to change in ratio of the Consolidated Companies' equity holdings in ACA as a result of capital increase. As of March 31, 2008, retained earnings had decreased by NT$5,627 due to WCL's disposal of its long-term equity investment.

(f) Property, plant and equipment and lease

For the three-month periods ended March 31, 2008 and 2009, capitalized interest expense amounted to NT$1,958 and NT$1,300, respectively. The capitalized interest rate was 3% per annum.

In August 2007, AOI sold the land and building located in Neihu and leased back part of the building under a two-year operating lease agreement. The proceeds and gain from the disposal of these properties were NT$1,426,032 and NT$297,597, respectively, and the unrealized gain on sale-and-leaseback was NT$249,355. For the three-month periods ended March 31, 2008 and 2009, the Consolidated Companies recognized the realized gain of NT$31,169 (NT$24,029 was recorded as "gain on disposal of property, plant and equipment" and the remaining NT$7,140 was recorded as a credit to rental expense) and NT$31,169 (NT$24,039 was recorded as "gain on disposal of property, plant and equipment" and the remaining NT$7,130 was recorded as a credit to rental expense), respectively. As of March 31, 2008 and 2009, the unamortized unrealized gain on sale-and-leaseback was NT$176,625 and NT$51,949, respectively.

Property and equipment provided as collateral as of March 31, 2008 and 2009, are disclosed in note 6.

(g) Intangible assets

	Patents	Goodwill	Software	Core technology	Customer relationships	Land use rights	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Original cost								
Balance at December 31, 2007	312,925	156,672	749,856	-	-	632,946	929	1,853,328
Additions		-	107,677	-	-	8,358	953	116,988
Disposal	-		-	-	-	(7,419)	-	(7,419)
Foreign currency translation	-	-	(68)	-	-	(38,822)	(9)	(38,899)
Balance at March 31, 2008	**312,925**	**156,672**	**857,465**	**-**	**-**	**595,063**	**1,873**	**1,923,998**
Balance at December 31, 2008	547,102	561,485	1,133,999	355,100	264,800	636,207	144	3,498,837
Additions	-	-	13,173	-	-	-	-	13,173
Reclassification	-	-	259	-	-	-	-	259
Foreign currency translation	-	-	113	-	-	20,548	-	20,661
Balance at March 31, 2009	**547,102**	**561,485**	**1,147,544**	**355,100**	**264,800**	**656,755**	**144**	**3,532,930**
Accumulated amortization								
Balance at December 31, 2007	23,953	125,127	392,903	-	-	75,361	300	617,644
Amortization	5,364	-	64,255	-	-	2,416	79	72,114
Foreign currency translation	-	-	(17)	-	-	(4,709)	-	(4,726)
Balance at March 31, 2008	**29,317**	**125,127**	**457,141**	**-**	**-**	**73,068**	**379**	**685,032**
Balance at December 31, 2008	60,152	-	712,600	44,387	13,240	89,249	-	919,628
Amortization	13,736	-	90,136	44,388	13,240	2,666	-	164,166
Reclassification	-	-	7	-	-	-	-	7
Foreign currency translation	-	-	19	-	-	2,956	-	2,975
Balance at March 31, 2009	**73,888**	**-**	**802,762**	**88,775**	**26,480**	**94,871**	**-**	**1,086,776**
Book value								
Balance at December 31, 2007	**288,972**	**31,545**	**356,953**	**-**	**-**	**557,585**	**629**	**1,235,684**
Balance at March 31, 2008	**283,608**	**31,545**	**400,324**	**-**	**-**	**521,995**	**1,494**	**1,238,966**
Balance at December 31, 2008	**486,950**	**561,485**	**421,399**	**310,713**	**251,560**	**546,958**	**144**	**2,579,209**
Balance at March 31, 2009	**473,214**	**561,485**	**344,782**	**266,325**	**238,320**	**561,884**	**144**	**2,446,154**

As of March 31, 2008 and 2009, deferred pension cost of NT$250 and NT$144, respectively, was included in other intangible assets.

For the three-month periods ended March 31, 2008 and 2009, the amortization of intangible assets amounted to NT$72,114 and NT$164,166, respectively, and was accounted for as operating expense.

On April 29, 2008, the Company's board of directors approved a resolution to acquire Lite-On Technology Corporation's (Lite-On) Digital Display Business Unit (DDBU), for NT$9,200,000, which included intangible assets of NT$1,200,000 and tangible assets of NT$8,000,000. This business acquisition included acquisition of inventories, machinery and equipment, intellectual property rights, and the commitment to continuously employ its employees, but did not include land and buildings.

The acquisition was accounted for in accordance with ROC SFAS No. 25, "Business Combinations", under which, the Company recognized goodwill, which was determined based on the excess of the purchase price and direct transaction cost over the fair value of the net identifiable tangible and intangible assets.

The following represents the allocation of the purchase price to the acquired net assets of Lite-On as of March 31, 2009:

	NT$	NT$
Purchase price:		8,928,420
Identifiable assets acquired:		
Inventories	7,094,703	
Machinery and equipment	652,332	
Core technology	355,100	
Customer relationships	264,800	8,366,935
Goodwill		**561,485**

As of March 31, 2009, the total acquisition cost of inventories, and machinery and equipment is still not certain because the Company has not reached full agreement with Lite-On. However, Company management is not expecting to incur additional liabilities upon reaching full agreement with Lite-On.

The core technology is being amortized using the straight-line method over 2 years, the estimated period in which the economic benefits will be consumed. Customer relationships are being amortized using the straight-line method over the estimated useful life of 5 years.

(h) Deferred expenses and other assets

The components of deferred expenses and other assets as of March 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	**NT$**	**US$**
Deferred improvement costs	366,894	761,121	22,472
Unused assets	249,596	244,622	7,222
Property for operating leases, net	197,340	194,080	5,730
Refundable deposits	133,661	161,187	4,759
Restricted deposit (note 6)	1,861,425	27,977	826
Prepaid pension cost	21,580	37,681	1,113
Deferred expenses and others	94,876	203,385	6,005
	2,925,372	**1,630,053**	**48,127**

(i) Short-term borrowings

Short-term borrowings as of March 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	**NT$**	**US$**
Bank loans	**18,263,123**	**2,529,106**	**74,671**

For the three-month periods ended March 31, 2008 and 2009, the average interest rates on short-term borrowings were 1.22% to 7.50% and 0.90% to 5.35% per annum, respectively. Unused credit facilities as of March 31, 2008 and 2009, amounted to NT$14,404,933 and NT$38,560,193, respectively. The Consolidated Companies were not required to pay a commitment fee on these facilities. The Consolidated Companies provided some assets as collateral for the above-mentioned credit facilities. Please refer to note 6 for the details of pledged assets related to these credit facilities.

(j) Long-term borrowings

		2008		2009		
Financial institutions	**Repayment period**	**Amount**	**Interest rate (p.a.) (%)**	**Amount**		**Interest rate (p.a.) (%)**
		NT$		**NT$**	**US$**	
Yuanta Bank and 11 other banks	On June 16, 2008, the Company entered into a three-year syndicated loan agreement with 12 banks in Taiwan. The principal is payable in lump sum on maturity date if not refinanced before the payment date.	**-**	-	**6,105,060**	**180,250**	1.00% to 3.18%

(1) As of March 31, 2009, NT$4,070,040 of the long-term credit facility granted by financial institutions had not been used. The Company provided a US$300,000 promissory note as collateral for this credit facility but is not required to pay any commitment fee thereon. No transaction occurred during the three-month period ended March 31, 2008.

(2) The significant terms of the syndicated loan agreement entered into in 2008 are as follows:

Total credit facility: US$300,000.

Bank syndicates:

(i) Lead bank and arranger: Yuanta Bank.

(ii) Other participating banks: Land Bank, Chang Hwa Bank, Taiwan Business Bank, UnionBanCal Corporation, Mizuho Corporate Bank, First Bank, Hua Nan Bank, Shanghai Commercial & Savings Bank, Cathay United Bank, E. Sun Bank and Industrial Bank of Taiwan.

Credit category: mid-term loan.

Credit term: three years from the date agreement is signed.

Repayment: The principal is payable in a lump sum on maturity date if not refinanced before the payment date.

Covenants: during the credit term, the Company is committed to maintain the following financial ratios:

(i) Current ratio should not be lower than 100%.

(ii) Loan to equity ratio should not be higher than 100%.

(iii) Interest coverage ratio should not be lower than 400%.

(iv) Total tangible net assets should not be lower than NT$25,000,000.

Compliance with the above-mentioned financial ratios is determined based on the semi-annual and annual consolidated financial statements reviewed or audited by independent auditors recognized by the lead bank and arranger. As of March 31, 2009, the Company was in compliance with these covenants.

Breach of covenant: if a breach of covenant occurs, the Company's credit facility is promptly restricted. Without the consent of a majority of banks, the credit facility is no longer available to the Company. In addition, if the consent of a majority of banks is obtained, the arranger is eligible to act as follows:

(i) To call part or all of the unused credit facility;

(ii) To inform the Company in writing that the loan is due immediately, and the principal with corresponding interest and penalty should be repaid to each bank;

(iii) To request payment from the Company by exercising the right derived from the promissory note;

(iv) To exercise the rights within the regulations, agreement, guarantee and other documents without further notifications. The Company has agreed to waive its rights for the above-mentioned notifications from the bank syndicates.

(k) Stockholders' equity

(1) Common stock

On June 25, 2008, the Company's board of directors approved a resolution to increase capital by cash through private placement from Lite-On. The Company issued 24,000,000 shares of common stock at NT$47.27 per share, and the base date of the private placement was July 1, 2008. The premium on issuance of common shares for cash of NT$894,480, was accounted for as capital surplus. The related registration processes were completed.

On June 25, 2008, the Company's shareholders approved a resolution to distribute a stock dividend of 50 shares per thousand shares with a face value of NT$690,963 and stock dividends to employees as bonus of NT$416,143. As the Company increased its capital by cash through private placement, the ratio for the stock dividend distributed to shareholders changed to 49.146 shares per thousand shares. The dividend distribution date was set on August 31, 2008, and the related registration processes were completed.

On June 21, 2007, the Company's shareholders approved a resolution to distribute a stock dividend of 60 shares per thousand shares with a face value of NT$760,771 and stock dividends to employees as bonus of NT$334,922.

Because the Company sold treasury stock to employees, the ratio for the stock dividend distributed to shareholders changed to 59.90 shares per thousand shares. The dividend distribution date was set on August 7, 2007, and the related registration processes were completed.

As of March 31, 2008 and 2009, the Company's authorized common stock consisted of 2,000,000,000 shares, with par value of NT$10 per share, of which 1,381,926,000 shares and 1,516,637,000 shares, respectively, were issued.

(2) Employee stock option plan

The Company

On October 28, 2007, the Company's board of directors approved a resolution to issue 105,000,000 units of stock options, with the right for each unit to purchase one share of the Company's common stock. These options were fully issued on November 16, 2007. The major terms of the plan were as follows:

(i) Exercise price: NT$61.

(ii) Vesting period:

The options are exercisable according to the following schedule subsequent to the second anniversary of the grant date.

Exercise period	**Accumulated exercisable percentage**
2009/11/17	1/3
2010/11/17	2/3
2011/11/17	3/3

(iii) Shares to be issued: the Company's new common stock.

(iv) Exercise procedure: according to the employee stock option plan, the Company will apply to the government authorities for approval to convert options into common stock at least once every quarter and, likewise, apply to register the change in share capital with the authorities after issuing the new shares.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation thereon issued by the Accounting Research and Development Foundation.

A. The Company adopted the intrinsic value method to recognize the compensation cost. As the exercise price and market value were the same, there was no compensation cost recognized for the three-month period ended March 31, 2009.

B. If the Company adopted the fair value method to recognize the compensation cost, the related information are as follows:

a. If the Company adopted the Black-Scholes option pricing model to estimate the fair value of the options on grant date, the estimated fair value of the options granted on November 16, 2007, would be NT$17.2, and the related compensation cost would be

NT$1,806,000, of which NT$153,635 (NT$130,590 net of tax) should have been recognized for the three-month period ended March 31, 2009. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	2.39%
Expected volatility of stock price	32.23%
Risk-free interest rate	2.597%
Expected life of the option	7 years

b. The information related to the employee stock option plan for the three-month period ended March 31, 2009 is as follows:

	Number of options (in thousands)	Weighted-average exercise price (NT$)
Outstanding balance at the beginning of period	105,000	61.0
Options exercised	-	-
Outstanding balance at the end of period	**105,000**	53.1
Exercisable number at the end of period	**105,000**	-

c. As of March 31, 2009, the outstanding and exercisable options were as follows:

	Options outstanding			**Options exercisable**	
Exercise price	**Number of options (in thousands)**	**Weighted-average remaining contractual life**	**Weighted-average exercise price**	**Shares (in thousands)**	**Weighted-average exercise price**
(NT$)		**(years)**	**(NT$)**		**(NT$)**
53.1	105,000	5.62	53.1	-	-

AOI

On October 26, 2007, AOI's board of directors approved a resolution to issue 16,000,000 units of stock options, with the right for each unit to purchase one share of AOI's common stock. These options were fully issued on November 28, 2007. The major terms of the stock option plan were as follows:

(i) Exercise price: NT$13.2.

(ii) Vesting period:

The options are exercisable according to the following schedule subsequent to the second anniversary of the grant date.

Exercise period	**Accumulated exercisable percentage**
2009/11/28	40%
2010/11/28	70%
2011/11/28	100%

(iii) Shares to be issued: AOI's new common stock.

(iv) Exercise procedure: according to the employee stock option plan, AOI will apply to the government authorities for approval to convert options into common stock at least once every quarter and, likewise, apply to register the change in share capital with the authorities after issuing the new shares.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation thereon issued by the Accounting Research and Development Foundation.

A. AOI adopted the intrinsic value method to recognize the compensation cost. As there was no difference between the exercise price and market value, there was no compensation cost recognized for the three-month period ended March 31, 2009.

B. If AOI adopted the fair value method to recognize the compensation cost, the related information are as follows:

a. If AOI adopted the Black-Scholes option pricing model to estimate the fair value of the options on the grant date, the estimated fair value of the options granted on November 28, 2007, would be NT$6.70, and the related compensation cost would be NT$107,200, of which NT$9,603 should have been recognized for the three-month period ended March 31, 2009. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	0%
Expected volatility of stock price	47.11%
Risk-free interest rate	2.488%
Expected life of the option	7 years

b. The information related to the employee stock option plan for the three-month period ended March 31, 2009 were as follows:

	Number of options (in thousands)	Weighted-average exercise price (NT$)
Outstanding balance at the beginning of period	16,000	13.2
Options exercised	-	-
Outstanding balance at the end of period	**16,000**	13.2
Exercisable number at the end of period	**16,000**	-

c. As of March 31, 2009, the outstanding and exercisable options were as follows:

	Options outstanding			Options exercisable	
Exercise price	Number of options (in thousands)	Weighted-average remaining contractual life	Weighted-average exercise price	Shares (in thousands)	Weighted-average exercise price
(NT$)		(years)	(NT$)		(NT$)
13.2	16,000	5.67	13.2	-	-

WOC (formerly WOD)

On November 26 and December 25, 2007, WOC's (formerly WOD) board of directors approved a resolution to issue 500 units and 1,000 units of stock options, respectively, with the right for each unit to purchase one thousand shares of WOC's common stock. Both of the above-mentioned stock options are valid for four years from resolution approval date. The major terms of the stock option plans were as follows:

(i) Exercise price: NT$10.6.

(ii) Vesting period:

The options are exercisable subsequent to the first anniversary of the date of issuance.

(iii) Shares to be issued: WOC's (formerly WOD) new common stock.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation issued by the Accounting Research and Development Foundation.

A. WOC (formerly WOD) adopted the intrinsic value method to recognize the compensation cost. As there was no difference between the exercise price and market value, there was no compensation cost recognized for the three-month period ended March 31, 2009.

B. If WOC (formerly WOD) adopted the fair value method to recognize the compensation cost, the related information are as follows:

a. If WOC (formerly WOD) adopted the Black-Scholes option pricing model to estimate the fair value of the options on the grant date, the estimated fair value of the options granted on November 26 and December 25, 2007, would be NT$0, and the related compensation cost would be NT$0. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	0%
Expected volatility of stock price	8.15%
Risk-free interest rate	2.42%
Expected life of the option	4 years

b. The information related to the employee stock option plan for the three-month period ended March 31, 2009 were as follows:

	Number of options (in thousands)	Weighted-average exercise price (NT$)
Outstanding balance at the beginning of period	1,177	10.6
Options exercised	-	-
Outstanding balance at the end of period	**1,177**	10.6
Exercisable number at the end of period	**1,177**	-

c. As of March 31, 2009, the outstanding and exercisable options were as follows:

	Options outstanding			Options exercisable	
Exercise price	**Number of options (in thousands)**	**Weighted-average remaining contractual life**	**Weighted-average exercise price**	**Shares (in thousands)**	**Weighted-average exercise price**
(NT$)		(years)	(NT$)		(NT$)
10.6	1,177	2.65	10.6	1,177	10.6

The Consolidated Companies' pro forma net income and earnings per share using the fair value method were as follows:

		2009	
		NT$	**US$**
Net income attributed to shareholders of parent company	Net income	1,424,489	42,058
	Pro forma net income	1,284,296	37,918
Basic EPS (after tax)	EPS	0.94	0.03
	Pro forma EPS	0.85	0.03
Diluted EPS (after tax)	EPS	0.86	0.03
	Pro forma EPS	0.77	0.02

(3) Capital surplus

As of March 31, 2008 and 2009, the components of capital surplus were as follows:

	2008	2009	
	NT$	**NT$**	**US$**
Paid-in capital derived from a premium on issuance of common stock in exchange for the net assets of the DMS business of AI	1,800,000	1,800,000	53,144
Paid-in capital derived from a premium on issuance of common shares for cash	8,409,222	9,303,702	274,689
Long-term equity investments under equity method	-	7,443	220
	10,209,222	**11,111,145**	**328,053**

According to the ROC Company Act, with the exception of capital surplus derived from long-term equity investments accounted for by the equity method, realized capital surplus could only be transferred to common stock after deducting the accumulated deficit, if any. Capital surplus derived from long-term equity investments accounted for by the equity method cannot be used for any purpose. Realized capital surplus includes paid-in capital in excess of par value of common stock. Issuance of stock dividends from paid-in capital in excess of par value of common stock is subject to certain restrictions.

(4) Legal reserve and unappropriated earnings

The Company's articles of incorporation stipulate that 10% of the balance of annual income after deducting the accumulated deficit, if any, must be set aside as a legal reserve. The remaining balance, if any, must be distributed as follows:

(i) Minimum 5% of the unappropriated earnings as employee bonuses; the employees eligible for the bonuses include the employees of the Company's subsidiaries that meet certain criteria; the Company's board of directors determines the criteria;

(ii) 1% of unappropriated earnings as directors' and supervisors' emoluments, distributable in cash; and

(iii) the remainder, after retaining a portion for certain business considerations, as additional dividends to stockholders.

Legal reserve can only be used to offset an accumulated deficit and issue common stock. However, when the legal reserve reaches an amount equal to one-half of the paid-in share capital, 50% of it can be transferred to common stock. In addition, no stock dividends and bonuses can be distributed if the Company has no unappropriated earnings.

As the Company is a technology- and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in the appropriation of its remaining earnings as its dividend policy, in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth. Under this approach, the stock dividend distribution shall not be lower than 10% of total dividend distribution.

For the three-month periods ended March 31, 2008 and 2009, the Company recognized employees' bonus amounting to NT$297,198 (or NT$243,702, net of tax) and NT$173,293 (or NT$147,299 net of tax), respectively, and directors' and supervisors' emoluments amounting to NT$15,642 (NT$12,827, net of tax) and NT$12,378 (or NT$10,521, net of tax), respectively. Employees' bonus was estimated at 19% and 14%, and directors' and supervisors' emoluments at 1% and 1% of net income for the three-month periods ended March 31, 2008 and 2009, respectively. The difference between the amounts of employees' bonus and directors' and supervisors' emoluments approved in the shareholders' meeting and recognized in the financial statements, if any, is accounted for as a change in accounting estimates and recognized in profit or loss in the following year. In addition, the number of shares distributed to employees as employees' bonus is calculated based on the closing price on the day before the approval of stockholders and the effect of stock dividends that will be distributed.

The appropriation of 2006 and 2007 earnings was approved at the shareholders' meetings on June 21, 2007, and June 25, 2008, respectively, as follows:

	2006	**2007**
	NT$	**NT$**
Employee bonuses - stock (par value)	334,922	416,143
Employee bonuses - cash	143,538	178,346
Directors' and supervisors' emoluments	47,942	59,449
	526,402	**653,938**

The appropriation of earnings did not differ from the resolutions approved by the Company's board of directors. Appropriations for the 2007 employee bonuses and directors' and supervisors' emoluments, and the related information can be obtained from the public information website.

On April 29, 2009, the board of directors of the Company decided to appropriate the 2008 earnings for dividends, employee bonuses and directors' and supervisors' emoluments as follows:

	NT$
Stock dividends (NT$1.08/share)	1,637,968
Cash dividends (NT$1.08/share)	1,637,968
Employee bonuses - stock	982,073
Directors' and supervisors' emoluments	61,901
	4,319,910

The shareholders of the Company have not yet approved the 2008 earnings appropriation. The related information can be obtained from the public information website.

(l) Earnings per share ("EPS")

For the three-month periods ended March 31, 2008 and 2009, the Company's earnings per share were calculated as follows:

	2008		
	Amount (after income tax)	**Weighted-average number of outstanding shares of common stock (in thousands)**	**EPS (in dollars)**
	NT$		**NT$**
Basic EPS - retroactively adjusted:			
Net income belonging to common shareholders of parent company	1,676,662	1,492,637	1.12
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonus	-	6,140	
Stock options	-	105,000	
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	**1,676,662**	**1,603,777**	**1.05**

	2009				
	Amount (after income tax)		**Weighted-average number of outstanding shares of common stock (in thousands)**	**EPS (in dollars)**	
	NT$	**US$**		**NT$**	**US$**
Basic EPS:					
Net income belonging to common shareholders of parent company	1,424,489	42,058	1,516,637	**0.94**	**0.03**
Diluted EPS:					
Effect of potentially dilutive common stock:					
Employee bonus	-	-	36,236		
Stock options	-	-	105,000		
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	**1,424,489**	**42,058**	**1,657,873**	**0.86**	**0.03**

(m) Disclosure of financial instruments

(1) The Consolidated Companies' non-derivative financial assets and liabilities include cash and cash equivalents, accounts receivable/payable, receivables from/payables to related parties, other payables and short-term borrowings. The carrying amounts of these instruments approximate fair value because of their short maturities.

As of March 31, 2008 and 2009, the carrying amounts of the Consolidated Companies' financial assets and liabilities that were not recorded at fair value were as follows:

	2008		2009			
	Carrying amount	Fair value	Carrying amount		Fair value	
	NT$	NT$	NT$	US$	NT$	US$
Financial assets:						
Financial assets carried at cost - non-current:						
Privately held stock	581,970	-	1,023,905	30,230	-	-
Off-balance-sheet financial instrument:						
Endorsement	-	304,050	-	-	-	-

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

(i) If public quote of financial assets at fair value through profit or loss and available-for-sale financial assets is available, then the public quote is used as the fair value. If market value is not available, a valuation method is used to estimate fair value. Under this valuation method, the assumptions used are the same as those used by financial market traders when quoting their prices and attainable by the Consolidated Companies.

(ii) Financial assets carried at cost - non-current: privately held stock, which is not traded in the public market, and fair value is impractical to assess.

(iii) Endorsement: The fair value is based on a pre-determined amount in the contract.

The fair values of financial assets and liabilities, which were evaluated using public quote or a valuation method by the Consolidated Companies as of March 31, 2008 and 2009, were as follows:

	2008		2009			
	Public quote value	Valuation method value	Public quote value		Valuation method value	
	NT$	NT$	NT$	US$	NT$	US$
Non-derivative financial instruments:						
Financial assets:						
Cash and cash equivalents	-	4,775,519	-	-	16,079,149	474,731
Notes and accounts receivable (including receivables from related parties)	-	52,209,736	-	-	61,698,245	1,821,620
Other receivable - related parties	-	112,478	-	-	33,501	989
Other financial assets - current	-	1,824,222	-	-	1,453,637	42,918
Available-for-sale financial assets - current:						
Bond fund	-	10,799,019	-	-	4,332	128
Available-for-sale financial assets - non-current:						
Publicly traded stock	854,259	-	704,026	20,786	-	-
Financial liabilities:						
Short-term borrowings	-	18,263,123	-	-	2,529,106	74,671
Notes and accounts payable (including payables to related parties)	-	56,986,908	-	-	73,736,657	2,177,049
Other payable - related parties	-	17,435	-	-	91,884	2,713
Long-term borrowings	-	-	-	-	6,105,060	180,250
Off-balance-sheet financial instrument:						
Endorsement	-	304,050	-	-	-	-
Derivative financial instruments:						
Financial assets:						
Foreign currency swap contract	-	48,268	-	-	168,378	4,971
Foreign currency forward contract	-	19,019	-	-	56,408	1,666
Financial liabilities:						
Foreign currency swap contract	-	43,313	-	-	163,550	4,829
Foreign currency forward contract	-	34,665	-	-	23,822	703
Foreign currency structured notes	-	5,405	-	-	-	-

For the three-month periods ended March 31, 2008 and 2009, unrealized gain on derivative contracts due to the change in fair market value amounted to NT$14,870 and NT$29,280, respectively, which was accounted for under "gain on valuation of financial instruments".

(2) Disclosure of financial risks

(i) Market risk

The bond fund and part of publicly traded stock held by the Consolidated Companies were classified as available-for-sale financial assets and were evaluated at fair value. Therefore, the Consolidated Companies are exposed to the risk of price fluctuation.

As sales and purchase transactions are denominated in US dollars, the Consolidated Companies' foreign currency assets and liabilities are exposed to the risk of exchange rate fluctuation. To hedge such risk, the Consolidated Companies entered into foreign currency forward contracts, foreign currency swap contracts and foreign currency structured notes. The length of the contracts is in line with the payment date and anticipated cash flows of the Consolidated Companies' foreign currency assets and liabilities. As a result, the gain or loss from exchange rate fluctuation is offset by the hedged assets and liabilities. Therefore, the market risk related to changes in exchange rates is not considered significant.

(ii) Concentrations of credit risk

The Consolidated Companies' majority customers are in high-tech industries. To reduce concentration of credit risk, the Consolidated Companies evaluate customers' financial positions regularly and require customers to provide collateral or promissory notes, if necessary. In addition, the Consolidated Companies review the aging of accounts receivable periodically and accrue allowance for doubtful receivables, if necessary. Historically, bad debt experience has always been under management's expectation. As of March 31, 2008 and 2009, 67% of the Consolidated Companies' accounts receivable were concentrated on five and three specific customers, respectively. Accordingly, concentrations of credit risk exist.

(iii) Liquidity risk

In management's opinion, the Consolidated Companies' capital and operating funds are sufficient to meet all financial obligations. Therefore, management believes its liquidity risk is minimal.

(iv) Cash flow risk related to the fluctuation of interest rates

The Consolidated Companies' short-term and long-term borrowings and advances from factoring of accounts receivable bear floating interest rates. Consequently, the effective rate changes along with the fluctuation of the market interest rate would likely influence the Consolidated Companies' future cash flow. If the market interest rate increases by 1%, the Consolidated Companies' future yearly cash outflow would increase by approximately NT$284,662.

(3) Hedging strategy

The Consolidated Companies' assets and liabilities denominated in foreign currency may fluctuate along with the fluctuation of exchange rates. Therefore, the Consolidated Companies entered into derivative contracts such as foreign currency forward contracts, foreign currency swap contracts and foreign currency structured notes to hedge the exchange rate risk.

The Consolidated Companies enter into forward, swap contracts and structured notes purposely to hedge the exchange rate risk as the Consolidated Companies have current and future demand for foreign currency. The contracts periods are decided in consideration of the Consolidated Companies' foreseeable assets and liabilities and expected cash flow. Therefore the Consolidated Companies settle their assets and liabilities with contract obligations or rights on maturity date.

5. Transactions with Related Parties

(a) The names and relationships of the related parties with which the Consolidated Companies had significant transactions were as follows:

Name	Relationship
Wistron NeWeb Corporation ("WNC")	Investee of the Company accounted for by equity method
Main Source Technology Co., Ltd. ("Main Source")	Investee of the Company accounted for by equity method
WIS Precision (Kunshan) Co., Ltd. ("WPKS")	Investee of the Consolidated Companies accounted for by equity method
Xserve India (Pvt.) Ltd. ("XID")	Investee of the Consolidated Companies accounted for by equity method
Fullerton Ltd. ("FLT")	Investee of the Consolidated Companies accounted for by equity method
LIAN-YI (FAR EAST) Ltd. ("LYF")	Investee of the Consolidated Companies accounted for by equity method
JNS Technology Co., Ltd. ("JNS")	Investee of the Consolidated Companies accounted for by equity method
HIGH-TEK ENTERPRISE (KUNSHAN) Co., Ltd. ("HTKS")	Investee of the Consolidated Companies accounted for by equity method
Acer Incorporated ("AI")	One of the major stockholders of the Company
Webcom Communication (KunShan) Corporation ("NYC")	Subsidiary of WNC
Gateway Manufacturing, LLC ("Gateway")	Subsidiary of AI
Acer Computer B.V. ("ACH")	Subsidiary of AI
Acer America Corp. ("AAC")	Subsidiary of AI
ESPLEX Limited ("AEX")	Subsidiary of AI
Acer Europe AG ("AEG")	Subsidiary of AI
Acer Computer (Shanghai) Ltd. (ACCN)	Subsidiary of AI

(b) Significant transactions with related parties for the three-month periods ended March 31, 2008 and 2009, were as follows.

(1) Spin-off of DMS business from AI

The Consolidated Companies took over AI's design, manufacturing and services business (DMS), including related assets and liabilities as set forth in the spin-off plan. As of March 31, 2008 and 2009, the payables to AI related to net assets received from the spin-off and purchase of net assets amounted to NT$289,845. However, the ROC income tax authorities have examined the Company's income tax returns for the years 2003 and 2004, and disallowed the investment tax credits received from the spin-off. According to a business spin-off agreement, additional taxes related to disallowed investment tax credits are to be borne by AI. Therefore, the Consolidated Companies have recognized a receivable thereon from AI amounting to NT$368,524 and NT$205,227 as of March 31, 2008 and 2009, respectively. In view of the existence of a payable account and a receivable account with AI, the Consolidated Companies had a net receivable from (payable to) AI resulting from the spin-off of NT$78,679 and NT$(84,618) as of March 31, 2008 and 2009, respectively.

(2) Sales

	2008		2009		
	Amount	% of net sales	Amount		% of net sales
	NT$		NT$	US$	
AI	27,339,107	31	24,069,096	710,632	22
AEG	404,879	-	1,672,060	49,367	1
AAC	85,806	-	383,736	11,330	-
ACCN	851	-	136,428	4,028	-
AEX	38,137	-	54,289	1,603	-
Gateway	408,121	1	-	-	-
Others	102,269	-	119,380	3,525	-
	28,379,170	**32**	**26,434,989**	**780,485**	**23**

The selling price and payment terms of sales to related parties depend on the economic environment and market competition, and are not significantly different from those with third-party customers. Trading terms of sales transactions with third parties required payment within 60 to 90 days for the three-month periods ended March 31, 2008 and 2009.

(3) Purchases

	2008		2009		
	Amount	% of net purchases	Amount		% of net purchases
	NT$		NT$	US$	
AI	21,972,923	27	18,191,887	537,109	19
WPKS	648,777	1	882,283	26,049	1
HTKS	-	-	83,130	2,454	-
FLT	-	-	53,778	1,588	-
NYC	65,619	-	52,802	1,559	-
Gateway	148,103	-	-	-	-
Others	4,824	-	33,061	976	-
	22,840,246	**28**	**19,296,941**	**569,735**	**20**

Trading terms of purchase transactions with related parties are not significantly different from those with third-party vendors.

(4) Notes and accounts receivable/payable as of March 31, 2008 and 2009, were as follows:

	2008		2009		
	Amount	%	Amount		%
	NT$		NT$	US$	
Notes and accounts receivable from:					
AI	18,825,949	36	20,737,265	612,261	34
AEG	387,675	1	1,412,329	41,698	3
AAC	42,389	-	329,590	9,731	-
ACCN	410	-	136,298	4,024	-
Gateway	315,032	1	-	-	-
Others	110,643	-	137,904	4,072	-
	19,682,098	**38**	**22,753,386**	**671,786**	**37**

	2008		2009		
	Amount	%	Amount		%
	NT$		NT$	US$	
Notes and accounts payable to:					
AI	15,166,250	27	14,912,237	440,279	20
WPKS	787,142	1	1,295,733	38,256	2
FLT	-	-	221,892	6,551	1
AEG	-	-	197,457	5,830	-
HTKS	-	-	142,428	4,205	-
Gateway	138,967	-	-	-	-
Others	101,917	-	99,038	2,924	-
	16,194,276	**28**	**16,868,785**	**498,045**	**23**

(5) Overdue receivables

As of March 31, 2008 and 2009, the details of overdue receivables were as follows:

	2008		2009		
	Amount	%	Amount		%
	NT$		NT$	US$	
Main Source	48,787	-	48,787	1,440	-
XID	36,518	-	40,736	1,203	-
JNS	66,978	-	-	-	-
Less: allowance for doubtful accounts	(133,758)	-	(89,523)	(2,643)	-
	18,525	**-**	**-**	**-**	**-**

As of March 31, 2008, the receivables from XID and JNS amounting to NT$103,496 and the related allowance for doubtful accounts of NT$84,971 were recorded as “other non-current notes and accounts receivable - related parties”.

(6) Rental expense

For the three-month periods ended March 31, 2008 and 2009, the Consolidated Companies had operating lease contracts with AI for the use of office space and a warehouse. Rental expense incurred by the Consolidated Companies from these lease contracts amounted to NT$9,311 and NT$8,793 for the three-month periods ended March 31, 2008 and 2009, respectively. The balance of rental payable as of March 31, 2008 and 2009, was NT$63 and NT$48, respectively.

(7) Rental income

For the three-month periods ended March 31, 2008 and 2009, the Consolidated Companies leased their factory buildings to WNC. The rental income amounted to NT$13,546 and NT$8,863 for the three-month periods ended March 31, 2008 and 2009, respectively. As of March 31, 2008 and 2009, the rent receivables were NT$4,425 and NT$2,933, respectively.

(8) Property transactions

Prior to the merger of Wistron Nexus Incorporated (“WNI”) with WNC, WNI sold a factory building to WNC and recognized an unrealized disposal gain thereon of NT$56,866. As of March 31, 2008 and 2009, unrealized disposal gain of NT$50,327 and NT$49,189, respectively, was recognized as “deferred credits of long-term equity investments”.

The Consolidated Companies purchased fixed assets from LYF for NT$1,867 during the three-month period ended March 31, 2009. The unpaid liability from this transaction amounted to NT$1,960 as of March 31, 2009. No similar transaction occurred during the three-month period ended March 31 2008.

(9) Advances to related parties

The Consolidated Companies paid certain expenses on behalf of related parties. As of March 31, 2008 and 2009, the related outstanding receivables, accounted for as advances to related parties, were as follows:

	2008	2009	
	NT$	NT$	US$
AAC	26,055	29,064	858
WNC	1,409	1,330	39
Others	1,954	218	7
	29,418	**30,612**	**904**

(10) Advances from related parties

Related parties paid certain expenses on behalf of the Consolidated Companies, including warranty expenses, traveling expenses, and salaries for overseas employees. As of March 31, 2008 and 2009, the related outstanding payables, accounted for as advances from related parties, were as follows:

	2008	2009	
	NT$	NT$	US$
ACH	15,146	3,049	90
AAC	1,465	1,576	46
Others	761	633	19
	17,372	**5,258**	**155**

(11) Related-party receivables

As of March 31, 2008 and 2009, receivables from related parties resulting from the above transactions were as follows:

	2008	2009	
	NT$	NT$	US$
Notes and accounts receivable - related parties:			
Notes and accounts receivable	19,682,098	22,753,386	671,786
Less: Accounts receivable factored - AI (note 4(c))	-	(11,862,198)	(350,227)
	19,682,098	**10,891,188**	**321,559**
Other receivable - related parties:			
Receivable from related party from AI spin-off	78,679	-	-
Rent receivable	4,425	2,933	86
Advances to related parties	29,418	30,612	904
Less: long-term equity investment credits (note 4(e))	(44)	(44)	(1)
	112,478	**33,501**	**989**
Other non-current receivable - related parties	**18,525**	**-**	**-**

Long-term equity investment credits were deducted from the other receivable from related parties to reflect the net book value of receivable from related parties.

(12) Related-party payables

As of March 31, 2008 and 2009, payables to related parties resulting from the above transactions were as follows:

	2008	2009	
	NT$	NT$	US$
Notes and accounts payable - related parties	**16,194,276**	**16,868,785**	**498,045**
Other payable - related parties:			
Payable to related party from AI spin-off	-	84,618	2,498
Payable on purchase of fixed assets	-	1,960	58
Rental payable	63	48	2
Advances from related parties	17,372	5,258	155
	17,435	**91,884**	**2,713**

(13) As of March 31, 2008 and 2009, the Consolidated Companies had provided guarantees to vendors for WNC amounting to NT$304,050 and NT$0, respectively.

6. Pledged Assets

As of March 31, 2008 and 2009, details of pledged assets were as follows:

Pledged assets	Pledged to secure	Book value 2008	2009	
		NT$	NT$	US$
Property, plant and equipment - land and building	Bank credit lines	819,068	427,932	12,635
Other assets - restricted deposit	Standby LC	2,401	2,252	66
Other assets - restricted deposit	Bank lone	1,831,960	-	-
Other assets - restricted deposit	Litigation, performance guarantee	27,064	25,725	760
		2,680,493	**455,909**	**13,461**

7. Significant Commitments and Contingencies

(a) As of March 31, 2009, the Consolidated Companies had operating lease contracts for office premises, with future rental commitments as follows:

Period	Amount NT$	US$
2009.4~2010.3	163,122	4,816
2010.4~2011.3	120,994	3,572
2011.4~2012.3	107,957	3,188
2012.4~2013.3	51,106	1,509
2013.4~2014.3	40,621	1,199
	483,800	**14,284**

(b) As of March 31, 2008 and 2009, the Consolidated Companies had provided promissory notes amounting to US$250,000 and US$585,000, respectively, as collateral for factored accounts receivable. Please see note 4(c) for details.

8. Significant Casualty Loss: None.

9. Significant Subsequent Events: None.

10. Other

(a) In accordance with order VI 0960064020 issued by Financial Supervisory Commission under the Executive Yuan on November 15, 2007, an enterprise is not required to disclose the related information about income taxes, accrued pension liability and the total personnel, depreciation and amortization expenses in its first and third quarter consolidated financial statements of each year.

(b) Reclassification

Certain accounts in the 2008 consolidated financial statements have been reclassified to conform to the 2009 financial statement presentation for comparison purposes. These reclassifications do not have a significant impact on the consolidated financial statements.

11. Segment Information

In accordance with ROC SFAS No 23, "Interim Financial Reporting", an enterprise is not required to comply with the disclosure requirements prescribed under ROC SFAS No. 20, "Segment Reporting", when preparing interim financial statements.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

REGISTERED AND HEAD OFFICE OF THE COMPANY

Wistron Corporation
No. 7 Hsin-An Road,
Hsinchu Science-Based Industrial Park
Taiwan, ROC

GDR DEPOSITARY

Citibank, N.A.
388 Greenwich Street
14th Floor
New York, New York 10013
USA

GDR CUSTODIAN IN ROC

First Commercial Bank Co. Ltd.
No. 30, Chung King S. Road
Sec. 1, Taipei 100
Taiwan, ROC

ROC LEGAL ADVISERS TO THE COMPANY

as to ROC law
Tsar & Tsai Law Firm
8th Floor
245 Dun Hua S. Rd., Sec. 1
Taipei 106
Taiwan, ROC

INTERNATIONAL LEGAL ADVISERS TO THE PURCHASERS

as to United States law

Linklaters
10th Floor
Alexandra House
Chater Road, Central
Hong Kong

as to PRC law

King & Wood
28-30th Floor, Huai Hai Plaza,
1045 Huai Hua Road
Shanghai 200031
PRC

INDEPENDENT AUDITORS OF THE COMPANY

KPMG
68th Floor, TAIPEI 101 TOWER, No. 1,
Sec. 5, Xinyi Road, Taipei, 11049
Taiwan, ROC

LUXEMBOURG LISTING AGENT
The Bank of New York Mellon
(Luxembourg) S.A.
Aerogolf Center
1A, Hoechenhof
L-1736 Senningerberg
Luxembourg