Phison Electronics Corp. and Subsidiary

Consolidated Financial Statements for the Years Ended December 31, 2008 and 2007 and Independent Auditors' Report

REPRESENTATION LETTER

The affiliates of Phison Electronics Corp. (the "Corporation"), which should have been included in the combined financial statements of the Corporation and its affiliates as of and for the year ended December 31, 2008 based on the "Regulations Governing The Preparation of Combined Financial Statements of Public Companies and Their Affiliates" in the Republic of China (ROC), are the same as those included in the consolidated financial statements of the Corporation and its subsidiary as of and for the year ended December 31, 2008, prepared under the Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements," in the ROC. The information required to be disclosed in the combined financial statements has already been disclosed in the above consolidated financial statements. Consequently, there is no need to prepare separate combined financial statements of the Corporation and its affiliates.

Very truly yours,

PHISON ELECTRONICS CORP.

By

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KHEIN SENG PUA
Chairman

February 11, 2009

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Phison Electronics Corp.

We have audited the accompanying consolidated balance sheets of Phison Electronics Corp. (the "Corporation') and subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation'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 the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Phison Electronics Corp. and subsidiary as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the consolidated financial statements, in March 2007, the Accounting Research and Development Foundation of the Republic of China issued Interpretation No. 2007-052, which requires companies to recognize as compensation expenses the bonuses to employees and remuneration to directors and supervisors beginning January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings.

February 11, 2009

Notice 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.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

PHISON ELECTRONICS CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$2,378,368	32	$2,767,961	36
Notes and accounts receivable				
Third parties, net (Notes 2 and 6)	1,409,999	19	1,805,808	23
Related parties (Note 18)	139,945	2	47,401	1
Other financial assets	31,906	1	1,241	-
Inventories, net (Notes 2 and 7)	1,129,995	15	1,783,098	23
Prepayments	703,641	10	45,498	-
Deferred income tax assets - current (Notes 2 and 13)	150,198	2	169,999	2
Restricted assets (Note 19)	5,100	-	10,253	-
Other	78,397	1	222,721	3
Total current assets	6,027,549	82	6,853,980	88
LONG-TERM INVESTMENTS				
Investments accounted for by the equity method (Notes 2 and 9)	396,684	5	246,870	3
Financial assets carried at cost - noncurrent (Notes 2 and 8)	45,356	1	49,300	1
Total long-term investments	442,040	6	296,170	4
PROPERTIES (Notes 2, 10 and 19)				
Cost				
Land	388,000	5	180,000	3
Buildings	391,868	5	-	-
Testing equipment	97,502	2	85,355	1
Office equipment	14,948	-	8,737	-
Leasehold improvements	-	-	2,588	-
Other equipment	1,870	-	2,024	-
Total cost	894,188	12	278,704	4
Less: Accumulated depreciation	67,969	1	35,772	1
	826,219	11	242,932	3
Construction in progress	-	-	287,243	4
Prepayment for equipment	3,682	-	4,972	-
Net properties	829,901	11	535,147	7
INTANGIBLE ASSETS (Notes 2, 11, 18 and 20)	54,591	1	75,577	1
OTHER ASSETS				
Guarantee deposits paid (Note 19)	4,228	-	6,712	-
Deferred income tax assets - noncurrent (Notes 2 and 13)	1,448	-	121	-
Miscellaneous (Notes 2 and 12)	4,332	-	3,703	-
Total other assets	10,008	-	10,536	-
TOTAL	$7,364,089	100	$7,771,410	100

	2008		2007	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Notes and accounts payable				
Third parties	$ 986,659	13	$1,056,618	13
Related parties (Note 18)	695,063	10	1,369,446	18
Income tax payable (Notes 2 and 13)	10	-	111,670	2
Accrued expenses (Note 15)	359,842	5	208,020	3
Other (Note 18)	48,043	1	29,059	-
Total current liabilities	2,089,617	29	2,774,813	36
OTHER LIABILITIES				
Guarantee deposits received	353	-	-	-
Deferred credits (Notes 2 and 18)	10,257	-	-	-
Total other liabilities	10,610	-	-	-
Total liabilities	2,100,227	29	2,774,813	36
SHAREHOLDERS' EQUITY (Notes 2, 3 and 15)				
Capital stock - NT$10.00 par value				
Authorized - 180,000 thousands shares in 2008 and 130,000 thousand shares in 2007				
Issued and outstanding - 126,766 thousand shares in 2008 and 101,180 thousand shares in 2007	1,267,662	17	1,011,802	13
Capital surplus				
Additional paid-in capital	2,235,062	31	1,767,962	23
From long-term investment	21,088	-	4,517	-
Employee stock options	321	-	-	-
Total capital surplus	2,256,471	31	1,772,479	23
Retained earnings				
Legal reserve	374,481	5	235,243	3
Unappropriated retained earnings	1,492,893	20	1,977,073	25
Total retained earnings	1,867,374	25	2,212,316	28
Other equity				
Treasury stock - 750 thousand shares	(127,645)	(2)	-	-
Total shareholders' equity	5,263,862	71	4,996,597	64
TOTAL	$7,364,089	100	$7,771,410	100

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

(With Deloitte & Touche audit report dated February 11, 2009)

PHISON ELECTRONICS CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 2 and 18)				
Gross sales	$ 18,969,987	101	$ 20,322,964	101
Less: Sales returns and allowances	124,368	1	138,745	1
Net sales	18,845,619	100	20,184,219	100
Service revenue	10,695	-	73,972	-
Total operating revenue	18,856,314	100	20,258,191	100
OPERATING COSTS (Notes 14 and 18)	17,572,188	93	17,956,828	89
GROSS PROFIT	1,284,126	7	2,301,363	11
OPERATING EXPENSES (Notes 14 and 18)				
Marketing	201,810	1	191,255	1
General and administrative	235,296	2	135,194	-
Research and development	415,098	2	390,276	2
Total operating expenses	852,204	5	716,725	3
OPERATING INCOME	431,922	2	1,584,638	8
NONOPERATING INCOME AND GAINS				
Foreign exchange gains, net (Note 2)	114,011	1	8,673	-
Interest income	24,810	-	24,519	-
Gains on disposal of investments, net (Notes 2, 5 and 8)	3,420	-	3,140	-
Equity in net gain of investees (Notes 2 and 9)	-	-	45,376	1
Other (Note 18)	69,803	-	16,716	-
Total nonoperating income and gains	212,044	1	98,424	1
NONOPERATING EXPENSES AND LOSSES				
Losses on inventory valuation and obsolescence (Notes 2 and 7)	24,036	-	145,583	1
Impairment loss on financial assets carried at cost (Notes 2 and 8)	11,800	-	-	-
Equity in net loss of investees (Notes 2 and 9)	1,895	-	-	-
Other (Note 2)	1,274	-	6,940	-
Total nonoperating expenses and losses	39,005	-	152,523	1

(Continued)

PHISON ELECTRONICS CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
CONSOLIDATED INCOME BEFORE INCOME TAX	$ 604,961	3	$ 1,530,539	8
INCOME TAX EXPENSE (Notes 2 and 13)	50,977	-	135,986	1
CONSOLIDATED NET INCOME	$ 553,984	3	$ 1,394,553	7
ATTRIBUTED TO SHAREHOLDERS OF THE PARENT	$ 553,984	3	$ 1,394,553	7

	2008		2007	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 16)				
Basic	$ 4.86	$ 4.45	$ 12.77	$ 11.64
Diluted	$ 4.76	$ 4.36	$ 12.75	$ 11.61

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

(With Deloitte & Touche audit report dated February 11, 2009) (Concluded)

PHISON ELECTRONICS CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stocks Issued and Outstanding		Capital Surplus				Retained Earnings				Total Shareholders' Equity (Note 15)
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	Long-term Investment	Employee Stock Options	Total	Legal Reserve	Unappropriated	Total	Treasury Stock	
BALANCE, JANUARY 1, 2007	72,577	$ 725,771	$ 722,962	$ 562	$ -	$ 723,524	$ 128,122	$ 1,269,708	$ 1,397,830	$ -	$ 2,847,125
Appropriation of the 2006 earnings											
Legal reserve	-	-	-	-	-	-	107,121	(107,121)	-	-	-
Bonus to employees - stock	1,830	18,300	-	-	-	-	-	(18,300)	(18,300)	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	(40,000)	(40,000)	-	(40,000)
Stock dividends - NT$2.84329 per share	21,773	217,731	-	-	-	-	-	(217,731)	(217,731)	-	-
Cash dividends - NT$3.79106 per share	-	-	-	-	-	-	-	(290,309)	(290,309)	-	(290,309)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(11,558)	(11,558)	-	(11,558)
Balance after appropriation	96,180	961,802	722,962	562	-	723,524	235,243	584,689	819,932	-	2,505,258
Effect of change in equity in an investee due to the Corporation's subscription for additional shares issued by an investee at a rate not equal to its current equity	-	-	-	3,955	-	3,955	-	(2,169)	(2,169)	-	1,786
Issuance of capital stock as of June 14, 2007 - NT$214.00 per share	4,000	40,000	816,000	-	-	816,000	-	-	-	-	856,000
Issuance of capital stock as of October 31, 2007 - NT$239.00 per share	1,000	10,000	229,000	-	-	229,000	-	-	-	-	239,000
Consolidated net income in 2007	-	-	-	-	-	-	-	1,394,553	1,394,553	-	1,394,553
BALANCE, DECEMBER 31, 2007	101,180	1,011,802	1,767,962	4,517	-	1,772,479	235,243	1,977,073	2,212,316	-	4,996,597
Appropriation of the 2007 earnings											
Legal reserve	-	-	-	-	-	-	139,238	(139,238)	-	-	-
Bonus to employees - stock	2,200	22,000	-	-	-	-	-	(22,000)	(22,000)	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	(60,000)	(60,000)	-	(60,000)
Stock dividends - NT$1.93637 per share	20,086	200,860	-	-	-	-	-	(200,860)	(200,860)	-	-
Cash dividends - NT$5.80912 per share	-	-	-	-	-	-	-	(602,582)	(602,582)	-	(602,582)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(13,484)	(13,484)	-	(13,484)
Balance after appropriation	123,466	1,234,662	1,767,962	4,517	-	1,772,479	374,481	938,909	1,313,390	-	4,320,531
Effect of change in equity in an investee due to the Corporation's subscription for additional shares issued by an investee at a rate not equal to its current equity	-	-	-	16,571	-	16,571	-	-	-	-	16,571
Issuance of capital stock as of June 16, 2008 - NT$128.00 per share	1,200	12,000	141,600	-	-	141,600	-	-	-	-	153,600
Issuance of capital stock as of June 23, 2008 - NT$165.00 per share	2,100	21,000	325,500	-	-	325,500	-	-	-	-	346,500
Acquisition of treasury stock - 750 thousand shares	-	-	-	-	-	-	-	-	-	(127,645)	(127,645)
Compensation cost recognized for employee stock options	-	-	-	-	321	321	-	-	-	-	321
Consolidated net income in 2008	-	-	-	-	-	-	-	553,984	553,984	-	553,984
BALANCE, DECEMBER 31, 2008	126,766	$ 1,267,662	$ 2,235,062	$ 21,088	$ 321	$ 2,256,471	$ 374,481	$ 1,492,893	$ 1,867,374	$(127,645)	$ 5,263,862

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

(With Deloitte & Touche audit report dated February 11, 2009)

PHISON ELECTRONICS CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 553,984	$ 1,394,553
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	55,013	45,953
Depreciation	40,531	22,091
Gain on disposal of intangible assets	(38,813)	(197)
Losses on inventory valuation and obsolescence	24,036	145,583
Deferred income tax	18,474	(37,118)
Provision (reversal of) allowance for doubtful accounts	(18,433)	5,391
Impairment loss on financial assets carried at cost	11,800	-
Equity in net loss (gain) of investees	1,895	(45,376)
Loss on disposal of financial assets carried at cost	755	-
Compensation cost recognized for employee stock options	321	-
Loss on disposal and retirement of properties, net	207	4,073
Donation of shares of an equity-method investee	-	372
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss - current	-	150,129
Notes and accounts receivable	321,698	305,663
Other financial assets	(30,665)	(1,076)
Inventories	629,067	(429,829)
Other current assets	(513,694)	(45,100)
Notes and accounts payable	(744,342)	(223,174)
Income tax payable	(111,660)	25,215
Accrued expenses	151,822	25,321
Other current liabilities	21,734	4,344
Prepaid pension cost	(629)	(1,262)
Net cash provided by operating activities	373,101	1,345,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties	(340,376)	(482,143)
Increase in investments accounted for by the equity method	(135,138)	(114,500)
Proceeds of the disposal of intangible assets	50,000	200
Increase in intangible assets	(35,082)	(28,123)
Increase in financial assets carried at cost	(10,356)	(29,300)
Decrease in restricted assets	5,153	18,764
Decrease (increase) in guarantee deposits paid	2,484	(1,724)
Proceeds of the disposal of properties	2,134	-
Proceeds of the disposal of financial assets carried at cost	1,745	-
Net cash used in investing activities	(459,436)	(636,826)

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PHISON ELECTRONICS CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	$ (602,582)	$ (290,309)
Proceeds of the issuance of capital stock	500,100	1,095,000
Capital paid for acquisition of treasury stock	(127,645)	-
Cash remuneration to directors and supervisors and bonus to employees	(73,484)	(51,558)
Increase in guarantee deposit received	353	-
Net cash (used in) provided by financing activities	(303,258)	753,133
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(389,593)	1,461,863
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,767,961	1,306,098
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,378,368	$ 2,767,961
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 756	$ 174
Income tax paid	$ 144,173	$ 141,744
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NONCACH ITEMS		
Increase in properties	$ 337,626	$ 483,694
Decrease (increase) in payables to contractors and equipment suppliers (included in other current liabilities)	2,750	(1,551)
Acquisition of properties	$ 340,376	$ 482,143

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

(With Deloitte & Touche audit report dated February 11, 2009) (Concluded)

1. ORGANIZATION AND OPERATIONS

Phison Electronics Corp. (the "Corporation") was incorporated on November 8, 2000 under the Company Law of the Republic of China (ROC). The Corporation mainly designs and sells flash memory controllers and peripheral system applications as well as designs the TI DSP (Texas Instruments' digital signal processor) system.

The Corporation's shares have been traded on the Gre-Tai Securities Market (the over-the-counter securities exchange of the ROC) since December 6, 2004.

As of December 31, 2008 and 2007, the Corporation and subsidiary had 391 and 355 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China. In preparing consolidated financial statements in conformity with these guidelines and principles, the Corporation is required to make certain estimates and assumptions that could affect the amounts of allowance for sales returns and discounts; allowance for doubtful accounts, allowance for inventory valuation and obsolescence losses, pension, probable litigation loss, depreciation of properties, impairment loss on assets and amortization of intangible assets, bonuses to employees and remuneration to directors and supervisors, etc. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

Basis of Consolidation

a. Basis of consolidation

The consolidated financial statements as of and for the year ended December 31, 2008 have been prepared in accordance with the Statement of Financial Accounting Standards (SFAS) No. 7 - "Consolidated Financial Statements" and included the financial statements of the Corporation, its direct and indirect subsidiaries and other investees controlled by the Corporation and its subsidiaries.

b. The consolidated subsidiary and related information are as follows:

Investor	Subsidiary	Nature of Business	Percentage of Ownership as of December 31		Description
			2008	2007	
The Corporation	Lian Xu Dong Investment Corp.	Investment	100%	100%	-

c. No subsidiaries were excluded from the consolidated financial statements.

d. There were no significant transactions between the Corporation and its subsidiary.

Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

Short-term bills and bonds acquired under repurchase agreements that require them to be sold within three months are classified as cash equivalents.

Financial Instruments at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss are financial assets or liabilities held for trading and those designated on initial recognition to be measured at fair value, with fair value changes recognized as profit or loss. On initial recognition, the financial instruments are recognized at fair value, and transaction costs are recognized as expense. When the instruments are remeasured at fair value, the fair value changes are recognized as profit or loss. On financial instrument disposal, the difference between the purchase or selling price and book value of the financial instrument is recognized as profit or loss. A regular purchase or sale of the financial instruments is recognized and de-recognized using trade date accounting.

Derivative financial instruments that do not meet the criteria for hedge accounting are classified as financial assets or liabilities held for trading. If the fair value of the derivative is a positive amount, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

The fair value of open-end funds is based on their net asset value on the balance sheet date.

Sales Recognition and Allowance for Doubtful Accounts

Sales are recognized when titles to products and risk of ownerships are transferred to customers, primarily upon shipment, since the earnings process is completed or virtually completed and earnings are realized or realizable. For products shipped for further processing, sales are not recognized because there is no transfer of titles and risks. Provisions for sales discounts and returns are estimated on the basis of historical experience and relevant factors.

Sales are determined at fair value, taking into account sales discounts agreed on by the Corporation and its customers. If the terms of sale receivables are within one year, the amounts of receivables are not significantly different from fair value, and the transactions are frequent, then the sale revenues are not discounted to fair value.

Allowance for doubtful accounts is provided on the basis of a periodic review of the collectibility of receivables, including the analysis of the aging of all receivables as well as the economic environment.

Inventories

Inventories are stated at the lower of weighted-average cost or market value. Market value is based on replacement cost or net realizable value. An allowance for slow-moving items is provided on the basis of the Corporation's policy to an appropriate percentage of the allowance for losses.

Financial Assets Carried at Cost

If there is no active market for an equity instrument and the fair value of the equity instrument cannot be reliably estimated, the equity instrument - unlisted stocks, emerging-market stock, etc. - is measured at original cost. Cash dividends are recognized as dividend income on the ex-dividend date, but are accounted for as reductions of the original cost of investments if these dividends are declared on investees' earnings attributable to periods before the purchase of the investments. Stock dividends are not recognized as current income but are accounted for only as increase in the number of shares held. Impairment losses are recognized if a decrease in the fair value of the instruments can be objectively related to an event. The reversal of impairment loss is not allowed.

Investments Accounted for by the Equity Method

Long-term investments in which the Corporation owns 20% or more of an investee's outstanding voting shares or exercises significant influence on an investee are accounted for by the equity method.

Under the equity method, the investment is stated at cost on the acquisition date and subsequently adjusted for the Corporation's proportionate share in the investee's net income or net loss and in other changes in shareholders' equity of the investees in the same accounting period as that of the Corporation. If the Corporation subscribes for additional shares issued by an investee at a rate not equal to its current equity, the increase in the Corporation's equity in the investee's net assets is credited to capital surplus. Any decrease in the Corporation's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the debit is made against unappropriated earnings.

Cash dividends received are accounted for as reductions of the carrying values of the long-term investments. Stock dividends received are recorded as an increase in the number of shares held.

Costs of long-term investments sold are determined using the weighted-average method.

Properties

Properties are stated at cost less accumulated depreciation. Significant additions and betterments are capitalized, while maintenance and repairs are expensed currently.

Depreciation is calculated using the straight-line method over service lives estimated as follows: buildings, 20 years; testing equipment, 3 to 6 years; office equipment, 3 years; leasehold improvements, 2 to 3 years; and other equipment, 2 to 5 years. If an asset is still in use beyond its initially estimated service life, its residual value is written off over its newly estimated service life.

When properties are retired or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to nonoperating income in the current period.

Intangible Assets

Intangible assets, consisting of costs to acquire royalty, patents, technology license fee and the costs of acquiring computer software, are amortized using the straight-line method over 1 to 6 years.

Asset Impairment

If the carrying value of assets (including properties, intangible assets and investments accounted for by the equity method) is less than their recoverable amount, which indicates that an impairment exists, an impairment loss should be recognized. For long term equity investments for which the Corporation has significant influence but with no control, the carrying amount of each investment is compared with its own recoverable amount for the purpose of impairment testing. Any subsequent reversal of the impairment loss due to the increase in recoverable amount is recognized as income. However, the increased carrying amount should not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized.

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment." Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation. The Corporation adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Deferred Credits

Gains from transaction with equity-method investees are deferred in the year of transaction and will be realized and recognized in the year when the gains are realized.

Pension Costs

The Corporation has two types of pension plans: Defined benefit and defined contribution.

Pension costs under the defined benefit pension plan are recognized on the basis of actuarial calculations. Pension costs under the defined contribution pension plan are recognized as current expenses during the employees' service periods.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction to arrive at shareholders' equity.

Income Tax

The Corporation uses inter-period tax allocation, in which deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused investment tax credits. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. A deferred tax asset or liability should be classified as current or noncurrent according to the classification of the related asset or liability for financial reporting. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it should be classified as current or noncurrent on the basis of the expected realization date of the temporary difference.

Tax credits for certain purchases of equipment and technology, research and development expenditures and personnel training expenditures are accounted for by the flow-through method.

Adjustments of prior years' tax are added to or deducted from the current year's tax expense.

Income taxes (10%) on undistributed earnings generated annually since 1998 are recorded as expense in the year when the shareholders resolve to retain these earnings.

Foreign-currency Transactions

Assets, liabilities, revenues or expenses denominated in foreign currencies as a result of nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the exchange rates prevailing on the dates of the transactions. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

On the balance sheet date, monetary assets or liabilities denominated in foreign currencies are translated at the prevailing exchange rates, and the resulting exchange differences are included in gain or loss for the current period.

The exchange rates used in currency translation are based on the average of the buying and selling rates of major banks.

Reclassification

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2007 have been reclassified to be consistent with the presentation of consolidated financial statements as of and for the year ended December 31, 2008.

3. ACCOUNTING CHANGES

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the Accounting Research and Development Foundation (the "ARDF") of the Republic of China issued Interpretation No. 2007-052, which requires companies to recognize as compensation expenses the bonuses to employees and remunerations to directors and supervisors beginning January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings. This accounting change resulted in decreases of $109,775 thousand in consolidated net income and of NT$0.88 in basic earnings per share after income tax for the year ended December 31, 2008.

Accounting for Employee Stock Options

On January 1, 2008, the Corporation and subsidiary adopted the newly released SFAS No. 39, "Accounting for Share-Based Payments" to account for employee stock options. The adoption resulted would not have a material effect in net income for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

	December 31 2008	December 31 2007
Cash on hand	$ 176	$ 185
Savings accounts	1,008,344	567,243
Certificates of deposits	842,039	384,034
Foreign savings accounts	527,799	1,335,603
Checking accounts	10	685
Short-term bills and bonds acquired under repurchase agreements	-	480,211
	$ 2,378,368	$ 2,767,961

5. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Corporation entered into forward exchange contracts to hedge exposures due to exchange rate fluctuations. The purpose of the hedge strategy was to reduce most of the risks arising from changes in market prices and cash flows. All of the forward exchange contracts had matured as of December 31, 2008 and 2007.

On the financial instruments held for trading in the years ended December 31, 2008 and 2007, net gains on financial assets were $2,982 thousand and $3,247 thousand, respectively, and net gain or loss on financial liabilities in the years ended December 31, 2008 and 2007 were gain $1,193 thousand and loss $107 thousand, respectively.

6. NOTES AND ACCOUNTS RECEIVABLE - THIRD PARTIES

	December 31 2008	December 31 2007
Notes receivable	$ 4,140	$ 1,609
Accounts receivable	1,414,720	1,831,597
	1,418,860	1,833,206
Less: Allowance for doubtful accounts	8,861	27,398
	$ 1,409,999	$ 1,805,808

The factored accounts receivable were as follows:

Factor	Factored Amount	Settle Amount	Prepayment	Discounting Rate (%)	Factor's Limit
2008					
Standard Chartered Bank	$ 8,537	$ 8,537	$ -	3.1237-4.4027	US$2,000 thousand
2007					
Standard Chartered Bank	14,725	11,228	3,497	5.3858-6.3583	US$2,000 thousand

The limit above is used in revolving bases.

The factor is Standard Chartered Bank (SCB). This sale is without recourse.

7. INVENTORY, NET

	December 31	
	2008	2007
Finished goods	$ 9,078	$ 16,917
Semifinished goods	379,020	452,072
Work in process	98,837	171,562
Raw materials	831,555	1,465,959
	1,318,490	2,106,510
Less: Allowance for inventory valuation and obsolescence losses	188,495	323,412
	$ 1,129,995	$ 1,783,098

8. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2008	2007
Common stock - unlisted stocks	$ 30,900	$ 42,700
Foreign beneficiary certificate	14,456	6,600
	$ 45,356	$ 49,300

These stocks and beneficiary certificate were measured at cost because they had no active market and their fair value could not be reliably measured.

An investment impairment loss was recognized for 2008 after an evaluation of the net asset value of common stocks, summarized as follows:

	Year Ended December 31 2008
Trison Technology Corporation	$ 6,900
Metison Technologies Corporation	1,900
Hycon Technologies Corporation	3,000
	$ 11,800

9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2008		2007	
	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
Unlisted stocks				
Aptos Technology	$ 326,088	20.81	$ 186,912	19.89
Flexmedia Electronics Corporation	48,927	30.00	59,958	30.00
Microtops Design Corporation	21,669	49.00	-	-
	$ 396,684		$ 246,870	

In June 2006, the Corporation invested in Aptos Technology, which assembles and tests memory cards to stabilize the production of the Corporation's memory cards.

In November 2007, the Corporation and Wintek Corp., a TFT-LCD panel manufacturer, jointly established Flexmedia Electronics Corporation, which researches, develops, produces and sells high-tech multimedia products.

In September 2008, the Corporation and TOSHIBA Corporation, Japan, a corporate member of the Corporation's board of directors, jointly established Microtops Design Corporation, which researches, develops and designs flash memory controllers and peripheral system applications.

The investment gain and loss recognized by the equity-method in the year ended December 31, 2008 and 2007 were summarized as follows:

	December 31	
	2008	**2007**
Audited		
Aptos Technology	$ 10,105	$ 45,418
Flexmedia Electronics Corporation	(11,031)	(42)
Microtops Design Corporation	(969)	-
	$ (1,895)	$ 45,376

10. PROPERTIES

	December 31	
	2008	**2007**
Accumulated depreciation		
Buildings	$ 18,400	$ -
Testing equipment	42,068	27,976
Office equipment	6,460	4,681
Leasehold improvements	-	2,161
Other equipment	1,041	954
	$ 67,969	$ 35,772

11. INTANGIBLE ASSETS

	December 31	
	2008	**2007**
Computer software	$ 36,434	$ 45,804
Royalty	16,090	25,943
Patents	1,652	2,793
Technology license fee	415	1,037
	$ 54,591	$ 75,577

12. PENSION PLAN

The Labor Pension Act provides for a defined contribution pension plan. Based on this plan, the rate of the Corporation's required monthly contributions, starting on July 1, 2005, to the employees' individual pension accounts is at 6% of monthly salaries and wages. The Corporation recognized defined contribution pension cost of $10,732 thousand and $9,074 thousand in the years ended December 31, 2008 and 2007, respectively.

The Labor Standards Law provides for a defined benefit pension plan. This pension plan provides benefits based on the employee's length of service and average basic salary or wage of the year before retirement. The Corporation contributes an amount equal to 2% of monthly salaries and wages to a pension fund. The fund is administered by the employees' pension fund committee and deposited in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity) in the committee's name. As of December 31, 2008 and 2007, the pension fund balances were $11,848 thousand and $9,892 thousand, respectively.

Defined benefit pension information was summarized as follows:

a. Pension cost

	2008	2007
Service cost	$ 478	$ 249
Interest cost	419	214
Expected return on plan assets	(272)	(225)
Amortization	388	29
Net pension cost	$ 1,013	$ 267

b. Reconciliation of the fund status of the plan and prepaid pension cost

	December 31	
	2008	2007
Benefit obligation		
Vested	$ -	$ -
Non-vested	(7,924)	(5,226)
Accumulated	(7,924)	(5,226)
Additional benefits based on future salaries	(11,117)	(6,753)
Projected benefit obligation	(19,041)	(11,979)
Fair value of plan assets	11,848	9,892
Funded status	(7,193)	(2,087)
Unrecognized net transitional obligation	613	642
Unrecognized net loss (gain)	10,912	5,148
Prepaid pension cost	$ 4,332	$ 3,703
Vested benefits	$ -	$ -

c. Actuarial assumptions

	2008	2007
Discount rate used in determining present values	2.75%	3.50%
Future salary increase rate	4.00%	4.00%
Expected rate of return on plan assets	1.50%	2.75%

13. INCOME TAX

a. A reconciliation of income tax on pretax income at statutory rate and current income tax payable was as follows:

	2008	2007
Income tax on pretax income at statutory rate (25%)	$ 151,238	$ 382,641
Add (deduct) tax effects of		
Permanent difference	2,316	(11,803)
Temporary difference	(44,422)	31,450
Tax-exempt income	(35,033)	(97,707)
Additional 10% tax on unappropriated earnings	35,639	38,619
Investment tax credits	(71,718)	(171,589)
Current income tax payable	$ 38,020	$ 171,611

b. Income tax expense consisted of:

Current income tax payable	$ 38,020	$ 171,611
Deferred income tax	18,474	(37,118)
Adjustments to prior year's taxes	(5,517)	1,493
Income tax expense	$ 50,977	$ 135,986

c. Deferred income tax assets (liabilities) consisted of:

	December 31	
	2008	2007
Current		
Investment tax credits	$ 112,517	$ 86,559
Allowance for inventory valuation and obsolescence losses	47,123	80,852
Foreign exchange (gain) loss	(10,700)	271
Deferred revenue	1,116	-
Allowance for doubtful accounts	-	2,186
Other	142	131
	150,198	169,999
Less: Valuation allowance	-	-
	$ 150,198	$ 169,999
Noncurrent		
Deferred revenue	$ 1,448	$ -
Other	-	121
	1,448	121
Less: Valuation allowance	-	-
	$ 1,448	$ 121

The effective tax rate used for computing deferred income tax assets on December 31, 2008 and 2007 was 25%.

d. As of December 31, 2008, investment tax credits were as follows:

Tax credit on the basis of Laws and Statutes	Items of Tax Credit	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	$ 108,939	$ 56,876	2012
	Investment in an undeveloped area	$ 72,495	$ 55,641	2012

e. The Corporation's net operating income generated from the following expansion projects is exempt from income taxes:

	Tax-exemption Period
First expansion and construction of the Corporation's factories	September 15, 2002 to September 14, 2007
Second expansion and construction of the Corporation's factories	August 1, 2004 to July 31, 2009
Third expansion and construction of the Corporation's factories	February 28, 2006 to February 27, 2011
Fourth expansion and construction of the Corporation's factories	August 10, 2007 to August 9, 2012

f. Integrated income tax information was as follows:

	December 31	
	2008	2007
Balance of imputation credit account (ICA):		
The Corporation	$ 109,698	$ 119,695
Subsidiary - Lian Xu Dong Investment Corp.	$ 78	$ 68

The estimated creditable ratio of the Corporation for the 2008 earnings appropriation and the actual creditable ratio of the Corporation for the 2007 earnings appropriation were 7.35% and 11.71%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2008 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

g. As of December 31, 2008, there were no unappropriated earnings generated before January 1, 1998.

h. The Corporation and subsidiary income tax returns through 2006 had been examined by the tax authorities.

14. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSES

	2008			2007		
	Classified as Operating Cost	Classified as Operating Expense	Total	Classified as Operating Cost	Classified as Operating Expense	Total
Labor cost						
Salary	$ 45,578	$287,943	$333,521	$ 51,800	$243,727	$295,527
Labor and health insurance	3,845	13,089	16,934	3,187	11,254	14,441
Pension cost	2,708	9,037	11,745	2,122	7,219	9,341
Other	8,710	22,832	31,542	10,509	27,099	37,608
	$ 60,841	$332,901	$393,742	$ 67,618	$289,299	$356,917
Depreciation	$ 13,199	$ 27,332	$ 40,531	$ 6,553	$ 15,538	$ 22,091
Amortization	408	54,605	55,013	662	45,291	45,953

15. SHAREHOLDERS' EQUITY

a. Capital

In their meeting on November 1, 2006, the Corporation's shareholders decided to issue up to 13,500 thousand common shares by private place, as follows: (1) on November 2, 2006, the board of directors resolved to issue 2,000 thousand common shares at $10.00 par value and set December 15, 2006 as the fund raising deadline, with $120.5 as the offering price. This common share issuance was approved by and registered with the government authorities on January 12, 2007. The difference in price between par value and offering price was $221,000 thousand, recognized as additional paid-in capital. (2) on April 26, 2007, the board of directors resolved to issue 4,000 thousand common shares at $10.00 par value and set June 14, 2007 as the fund raising deadline, with $214 as the offering price. This common share issuance was approved by and registered with the government authorities on July 4, 2007. The difference in price between par value and offering price was $816,000 thousand, recognized as additional paid-in capital. (3) on October 12, 2007, the board of directors resolved to issue 1,000 thousand common shares at $10.00 par value and set October 31, 2007 as the fund raising deadline, with $239 as the offering price. This common share issuance was approved by and registered with the government authorities on November 16, 2007. The difference in price between par value and offering price was $229,000 thousand, recognized as additional paid-in capital.

As of December 31, 2007, the Corporation had 7,000 thousand common shares issued and outstanding. Because the Corporation had no plan to raise capital soon, the Corporation decided to cancel the remain 6,500 thousand authorized common shares, in accordance with the Securities and Exchange Act of the Republic of China.

In their meeting on March 24, 2008, the Corporation's shareholders decided to issue up to 5,000 thousand common shares by private place, as follows: (1) on March 25, 2008, the board of directors resolved to issue 1,200 thousand common shares at $10.00 par value and set June 16, 2008 as the fund raising deadline, with $128 as the offering price. This common share issuance was approved by and registered with the government authorities on June 30, 2008. The difference in price between par value and offering price was $141,600 thousand, recognized as additional paid-in capital. (2) on April 21, 2008, the board of directors resolved to issue 2,100 thousand common shares at $10.00 par value and set June 23, 2008 as the fund raising deadline, with $165 as the offering price. This common share issuance was approved by and registered with the government authorities on June 30, 2008. The difference in price between par value and offering price was $325,500 thousand, recognized as additional paid-in capital. As of December 31, 2008 there were 1,700 thousand common shares had not been privately placed. On February 3, 2009, the board of directors resolved to have a private placement of 1,700 thousand common shares at NT$10.00 par value and set February 18, 2009 as the fund-raising deadline, with NT$53 as the offering price.

On February 3, 2009, the board of directors decided to issue upper limit 320,000 thousand common shares by private place. However, this plan had not been resolved by the shareholders meeting.

b. Capital surplus

Under the Company Law, capital surplus may only be used to offset a deficit. However, capital surplus generated from the issue of shares in excess of par value, including the stock issued for new capital and the buyback of treasury stock, may be transferred to capital as stock dividends, and this transfer is restricted to a certain percentage of the paid-in capital. Capital surplus on long-term equity investments should not be used for any purpose.

c. Appropriation of earnings and dividend policy

The Corporation's Articles of Incorporation provide that, under the board of directors' resolution, annual net income (less any deficit and 10% as legal reserve) less special reserve based on relevant laws and regulations and any portion decided to be retained plus unappropriated earnings of prior years should be distributed as follows:

1) 1%, as remuneration to directors and supervisors;

2) 22% to 32%, as bonus to employees; and

3) The remainder, as dividends.

If the bonus to employees is distributed as stock dividend, the employees of the Corporation must be matched certain specific terms, when the stock dividend be distributed.

The Corporation's dividend appropriation is based on its profitability. In addition, since the Corporation is expanding fast, dividends will be appropriated considering the current and future investment environment, capital requirements, domestic and international competition, capital budget plans, shareholders' interests, balance between cash and stock dividends, and the Corporation's long-term financial plans. The board of directors prepares the proposal on annual earnings distribution for the shareholders' approval. Profits may be distributed as cash or stock dividend; however, cash dividends should be at least 10% of total distribution.

For the year ended December 31, 2008, the bonus to employees of $140,003 thousand and remuneration to directors and supervisors of $6,364 thousand, which representing 22% and 1% of net income (net of the bonus to employees and remuneration to directors and supervisors), respectively, were accrued based on past experiences. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as changes in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

Legal reserve should be appropriated until the reserve equals the Corporation's paid-in capital. The reserve can only be used to offset an accumulated deficit. When the reserve exceeds 50% of the Corporation's paid-in capital, the excess may be distributed as follows: (a) if the Corporation has no earnings, the excess may be declared as dividends or bonus; and (b) if the Corporation has no deficit, only the excess portion that is over 50% of the Corporation's paid-in capital may be declared as stock dividends.

Under the Imputed Income Tax System, ROC-resident shareholders are allowed tax credits for the income tax paid by the Corporation. Tax credits allocated to shareholders are based on the balance of the imputation credit account (ICA) on the dividend distribution date.

On June 13, 2008 and 2007, the shareholders approved the Board of Directors' proposal on the appropriation and dividends per share of the 2007 and 2006 earnings, as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2007	For Fiscal Year 2006	For Fiscal Year 2007	For Fiscal Year 2006
Legal reserve	$ 139,238	$ 107,121	$ -	$ -
Bonus to employees - stock	22,000	18,300	-	-
Bonus to employees - cash	60,000	40,000	-	-
Stock dividends	200,860	217,731	1.93637	2.84329
Cash dividends	602,582	290,309	5.80912	3.79106
Remuneration to directors and supervisors	13,484	11,558	-	-
	$ 1,038,164	$ 685,019		

Had the above employee bonus and remuneration to directors and supervisors been expensed, the basic EPS after income tax in 2007 and 2006 would have decreased from NT$14.15 to NT$13.18 in 2007 and from NT$15.15 to NT$14.16 in 2006. The shares distributed as bonus to employees were 2,200 thousand and 1,830 thousand as of December 31, 2007 and 2006, respectively. There were 2.17% and 2.52% of the Corporation's total outstanding common shares as of December 31, 2007 and 2006, respectively.

As of February 11, 2009, the date of the accompanying independent auditors' report, the Board of Directors had not resolved the appropriation of the 2008 earnings. Information on earnings appropriation can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

d. Stock options

On May 23, 2007 and January 3, 2008, the Financial Supervisory Commission under the Executive Yuan approved the Corporation's Employee Stock Option Plan ("the third plan" and "the forth plan"), under which qualified employees obtained 1,000 thousand units and 500 thousand units, respectively, of option rights. For all the plans, each unit represents one common share, and the option rights are valid for three years from the date of issuance and exercisable at certain percentages after the second year of issuance.

Under the Plans, the options are granted at an exercise price equal to the closing price of the Corporation's common shares as shown on the OTC exchange on the grant date. Based on the Plans, the number of outstanding options and exercise prices have been adjusted to reflect the appropriation of dividends.

The changes in outstanding stock options in 2008 and 2007 were as follows:

	2008		2007	
	Number of Options (in Thousands)	Weighted Average Exercise Price (NT$)	Number of Options (in Thousands)	Weighted Average Exercise Price (NT$)
Balance, beginning of year	1,000	$ 139.60	-	$ -
Options granted	500	39.10	1,000	139.60
Options exercised	-	-	-	-
Balance, end of year	1,500		1,000	
Options exercisable, end of year	-		-	
Weighted-average fair value of options granted (NT$)	$15.43		$60.57	

The information about outstanding options as of December 31, 2008 and 2007 was as follows:

December 31			
2008		2007	
Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
$139.60	1.67	$139.60	2.5
39.60	2.43		

The third plan was issued the options on December 21, 2007, and if the third plan was priced using the Black-Scholes pricing model, and the inputs to the model were as follows:

Grant-date share price (NT$)	$139.60
Exercise price (NT$)	$139.60
Expected volatility	53.12%
Expected life (years)	2.50
Expected dividend yield	0%
Risk-free interest rate	2.2%

The pro forma information for the year ended December 31, 2008 and 2007 assuming employee stock options granted before January 1, 2008 were accounted for under Statement of Financial Accounting Standards No. 39 - “Accounting for Share-Based Payments” is as follows:

	December 31	
	2008	2007
Consolidated net income	$ 522,786	$ 1,393,640
After income tax basic earnings per share (NT$)	$ 4.20	$ 14.14

The forth plan was issued the options on November 20, 2008, and the forth plan was priced using the Black-Scholes pricing model, and the inputs to the model were as follows:

Grant-date share price (NT$)	$39.10
Exercise price (NT$)	$39.10
Expected volatility	63.47%
Expected life (years)	2.50
Expected dividend yield	0%
Risk-free interest rate	1.33%

Compensation cost recognized was NT$321 thousand for the year ended December 31, 2008.

On November 19, 2008, the Financial Supervisory Commission under the Executive Yuan approved the Corporation's Employee Stock Option Plan ("the fifth plan"), under which qualified employees obtained 4,000 thousand units of option rights. For this plan, each unit represents one common share, and the option rights are valid for four years from the date of issuance and exercisable at certain percentages after the second year of issuance.

Under the Plan, the options are granted at an exercise price equal to the closing price of the Corporation's common shares as shown on the OTC exchange on the grant date. Based on the Plan, the number of outstanding options and exercise price have been adjusted to reflect the appropriation of dividends. On January 19, 2009, the Corporation issued 3,157 thousand units of option rights.

e. Treasury stock

(Shares in Thousands)

Purpose of Treasury Stock	**Number of Shares, Beginning of Period**	**Addition During the Period**	**Reduction During the Period**	**Number of Shares, End of Period**
<u>Year ended December 31, 2008</u>				
For transfer to employees	-	750	-	750

Under the Securities and Exchange Act, the Corporation should neither pledge treasury stock nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

16. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) were as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (in Thousands)	EPS (NT$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
2008					
Basic EPS					
Income available to common shareholders	$ 604,961	$ 553,984	124,585	$ 4.86	$ 4.45
Effect of dilutive potential common stock					
Employee stock options			260		
Bonus to employees			2,177		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	$ 604,961	$ 553,984	127,022	$ 4.76	$ 4.36
2007					
Basic EPS					
Income available to common shareholders	$ 1,530,539	$ 1,394,553	119,833	$ 12.77	$ 11.64
Effect of dilutive potential common stock					
Employee stock options			239		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	$ 1,530,539	$ 1,394,553	120,072	$ 12.75	$ 11.61

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees and remuneration to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The average number of shares outstanding for EPS calculation had been adjusted retroactively for the distribution of stock dividends and stock bonuses. This adjustment caused the basic and diluted after income tax EPS for the year ended December 31, 2007 to decrease from NT$14.15 to NT$11.64 and from NT$14.12 to NT$11.61.

17. FINANCIAL INSTRUMENTS

a. Fair value

	December 31			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash and cash equivalents	$ 2,378,368	$ 2,378,368	$ 2,767,961	$ 2,767,961
Notes and accounts receivable	1,549,944	1,549,944	1,853,209	1,853,209
Other financial assets	31,906	31,906	1,241	1,241
Restricted assets	5,100	5,100	10,253	10,253
Financial assets carried at cost - noncurrent	45,356		49,300	
Guarantee deposits paid	4,228	4,228	6,712	6,712
Liabilities				
Notes and accounts payable	1,681,722	1,681,722	2,426,064	2,426,064
Accrued expenses	359,842	359,842	208,020	208,020
Guarantee deposits	353	353	-	-

b. The methods and assumptions applied in determining fair values of financial instruments were as follows:

1) Short-term financial instruments - the carrying value reported in the balance sheets is a reasonable basis for estimating fair value because these instruments have short maturities. These instruments included cash and cash equivalents, notes and accounts receivables, other financial assets, restricted assets, notes and accounts payable, and accrued expenses.

2) Financial assets carried at cost-noncurrent have no active market; thus their fair value cannot be reliably estimated.

3) For guarantee deposits paid and guarantee deposits received, fair values are estimated at their carrying amount because these deposits do not have specific due dates.

c. The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using valuation methods.

d. No gain or loss was recognized for changes in fair value estimates based on valuation methods in the year ended December 31, 2008 and 2007.

e. The financial assets exposed to fair value interest rate risk amounted to $849,139 thousand and $874,498 thousand as of December 31, 2008 and 2007, respectively. The financial assets exposed to cash flow interest rate risk amounted to $1,536,143 thousand and $1,902,846 thousand as of December 31, 2008 and 2007, respectively.

f. Financial risks:

1) Market risk

All derivative transactions are used to hedge exchange rate fluctuations of net foreign currency-denominated assets or liabilities. Gains or losses on these hedging instruments are likely to offset the gains or losses on the hedged items. Thus, the market risk is immaterial.

2) Credit risk

Credit risk represents the potential impact on financial assets that the Corporation and subsidiary might encounter if counter-parties or third parties breach the contracts. Other factors that affect financial assets include credit risk concentration, components of financial instruments, contract amount and other receivables. The maximum credit risk exposure of each financial instrument is the same as its carrying value.

3) Liquidity risk

The Corporation and subsidiary have no cash flow risks because they have sufficient operating capital to meet cash needs, and had no forward exchange contracts outstanding as of December 31, 2008 and 2007. However, as of December 31, 2008 and 2007, the Corporation and its subsidiary had equity instruments without any active market; thus, they expect to have significant liquidity risk.

4) Cash flow interest rate risk.

Due to market interest rate fluctuations, assets and liabilities with floating interest rate will affect cash flows. However, the Corporation and subsidiary have no liabilities with floating interest rate; thus, they expect to have no significant cash flow interest rate risks.

18. RELATED-PARTY TRANSACTIONS

The transactions of the Corporation and subsidiary with their related parties were as follows:

a. The Corporation's and its subsidiary related parties were as follows:

Related Party	Relationship with the Corporation and Subsidiary
Toshiba Corporation, Japan ("Toshiba")	Board director of the Corporation
Toshiba Europe GmbH	Subsidiary of Toshiba
Toshiba International Procurement Hong Kong Ltd.	Subsidiary of Toshiba
Toshiba America Information	Subsidiary of Toshiba
Toshiba Singapore Pte. Ltd., Computer System Division	Subsidiary of Toshiba
Toshiba Personal Computer System Corporation	Subsidiary of Toshiba
Toshiba Electronics Taiwan Corp.	Subsidiary of Toshiba
Aptos Technology	Equity method investee of the Corporation
Flexmedia Electronics Corp.	Equity method investee of the Corporation
Microtops Design Corporation	Equity method investee of the Corporation

b. The significant transactions with the related parties were summarized as follows:

The transaction terms and prices for related and third parties were similar.

	2008		2007	
	Amount	**%**	**Amount**	**%**
1) Net sales				
Toshiba Corporation, Japan	$ 884,448	5	$ 161,508	1
Aptos Technology	173,253	1	88,422	1
Other	34,932	-	70,957	-
	$ 1,092,633	6	$ 320,887	2
2) Purchase				
Toshiba Electronics Taiwan Corp.	$ 5,958,937	40	$ 5,023,465	30
Other	5,285	-	3,156	-
	$ 5,964,222	40	$ 5,026,621	30
3) Processing expenses (included in manufacture expenses)				
Aptos Technology	$ 361,462	17	$ 255,343	14

	December 31			
	2008		**2007**	
	Amount	**%**	**Amount**	**%**
4) Notes and accounts receivable				
Toshiba Corporation, Japan	$ 80,101	5	$ 22,038	2
Aptos Technology	59,044	4	20,088	1
Other	800	-	5,275	-
	$ 139,945	9	$ 47,401	3
5) Notes and accounts payable				
Toshiba Electronics Taiwan Corp.	$ 630,493	37	$ 1,324,803	55
Aptos Technology	64,426	4	44,643	2
Other	144	-	-	-
	$ 695,063	41	$ 1,369,446	57

6) In January 2008, the Corporation sold its high-tech multimedia technology and the related patent to Flexmedia Electronics Corp. ("Flexmedia") for $50,000 thousand. The gain on this sale was $49,070 thousand, but of this amount, $14,721 thousand was deferred and recognized at the percentage of the Corporation's equity in Flexmedia. As of December 31, 2008, the realized deferred credits had accumulated to $4,464 thousand. The Corporation also sold to Flexmedia some testing equipment at their book value for $2,134 thousand.

7) On July 31, 2008, the board of directors approved the sale of a part of the Corporation's land and buildings to Aptos Technology Corporation ("Aptos"), an equity-method investee, to expand Aptos' production facilities for its growing share of the market. The expected selling price was $170,040 thousand, payment is in three installments, with a first payment of $34,000 thousand completed as of December 31, 2008 (included in other current liabilities).

c. Compensation of directors, supervisors and management personnel:

	Year Ended December 31	
	2008	**2007**
Salaries	$ 10,531	$ 7,990
Bonus	8,975	24,225
Remuneration to directors and supervisors	6,500	13,484
Incentives	1,925	4,158
	$ 27,931	$ 49,857

The compensation of directors, supervisors and management personnel for the year ended December 31, 2007 included the bonuses appropriated from earnings for 2007 which had been approved by shareholders in their annual meeting held in 2008. For further information, please refer to annual report.

19. PLEDGED ASSETS

The following assets had been pledged or mortgaged as collaterals to get a credit line from a bank for purchasing materials and as refundable deposits as required by customs authorities and by the court in line with a certain lawsuit :

	December 31	
	2008	**2007**
Building, net	$ 267,828	$ -
Land	135,000	-
Refundable deposits for the Customs Duty Bureau - certificates of deposits	5,100	10,253
Guarantee deposits paid - certificates of deposits	2,000	-
	$ 409,928	$ 10,253

20. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies as of December 31, 2008 were as follows:

a. The Corporation rents its office under operating lease agreements expiring in February 2010.

As of December 31, 2008, future remaining lease payments were as follows:

Period/Year	**Amount**
2009	$ 2,513
2010	228
	$ 2,741

b. Unused letters of credit amounted to $1,014,178 thousand.

c. In November 2004, the Corporation signed a license agreement on pen drive products with M-Systems. Under this agreement, the Corporation should pay M-Systems royalties and commissions at a percentage of net sales over six years.

d. On February 21, 2006, the Corporation received a formal complaint from Carry Computer Eng Co., Ltd. (“Carry”) on its product, a UFD with display which can show the density and related data. Carry claimed that the Corporation, the Corporation’s chairman and engineers infringed Carry’s copyright, reneged, and accessed Carry’s trade secrets. On October 3, 2008, the Hsinchu District Court judged the Corporation’s chairman and engineers win in lawsuit.

e. In October 2007, SanDisk Corporation (“Sandisk”) filed three complaints of patent infringement in the United States District Court of the Western District of Wisconsin and in the United States International Trade Commission (ITC) against the Corporation.

   1) In the ITC lawsuit filed on October 24, 2007, SanDisk sued the Corporation for infringement of four SanDisk patents. In response to Judge’s order to stay, SanDisk terminated three of the patents at issue from investigation in May, August and September of 2008. The result of these developments is that there is only one of the original patent still asserted against the Corporation.

   2) In the first United States District Court of the Western District of Wisconsin case filed on October 24, 2007, SanDisk is suing the Corporation for infringement of two patents.

   3) In the second United States District Court of the Western District of Wisconsin case filed on October 25, 2007, SanDisk is suing the Corporation for infringement of the same four patents at issue in the ITC complaint.

   The Corporation has authorized the U.S. law firm Fish & Richardson P.C. and Whyte Hirschboeck Dudek S.C. to handle these lawsuits. The Wisconsin cases are presently stayed, pending the outcome of the ITC investigation. Up to currently, the Corporation believes this case would not have a material effect on the Corporation’s financial statements.

f. On January 25, 2008, Uniquestar Electronics Inc. filed a complaint, demanding that the Corporation pay $3,525 thousand, because the Corporation’s processing factory went out of business. The district court will investigate this case soon. The Corporation believes this case would not have a material effect on the Corporation’s financial statements.

g. On July 17, 2008, the Corporation filed a complaint against Fineart Technology Co., Ltd. (“Fineart”) because the Corporation claimed that Fineart did not carry out its obligations under a software development contract. The Corporation believes this case would not have a material effect on the Corporation’s financial statements.

21. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Corporation and its investees:

a. Financing provided: None

b. Endorsement/guarantee provided: None

c. Marketable securities held: Table 1 (attached)

d. Marketable securities acquired and disposed of at costs or prices of at least $100 million or 20% of the paid-in capital: Table 2 (attached)

e. Acquisition of individual real estate at costs of at least $100 million or 20% of the paid-in capital: Table 3 (attached)

f. Disposal of individual real estate at prices of at least $100 million or 20% of the paid-in capital: Table 4 (attached)

g. Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital: Table 5 (attached)

h. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: None

i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 6 (attached)

j. Derivative transactions: Notes 5 and 17 to the financial statements

k. Investment in Mainland China: None

l. Business relationship between the Corporation and subsidiaries, and significant intercompany transactions: None

22. SEGMENT INFORMATION

a. Industry information

Operations in the ROC	2008 Electronics Department	Investment Department	Adjustments and Elimination	Consolidated
Segment revenue from unaffiliated customers	$ 18,856,314	$ -	$ -	$ 18,856,314
Segment operating income	$ 431,980	$ (58)	$ -	$ 431,922
Nonoperating income and gains				212,044
Nonoperating expenses and losses				39,005
Income before income tax				$ 604,961
Identifiable assets	$ 6,911,600	$ 10,449	$ -	$ 6,922,049
Long-term investments				442,040
Total assets				$ 7,364,089
Depreciation and amortization				$ 95,544
Capital expenditure				$ 340,376

Operations in the ROC	Electronics Department	Investment Department	Adjustments and Elimination	Consolidated
	2007			
Segment revenue from unaffiliated customers	$ 20,258,191	$ -	$ -	$ 20,258,191
Segment operating income	$ 1,584,666	$ (28)	$ -	$ 1,584,638
Nonoperating income and gains				98,424
Nonoperating expenses and losses				152,523
Income before income tax				$ 1,530,539
Identifiable assets	$ 7,464,908	$ 10,332	$ -	$ 7,475,240
Long-term investments				296,170
Total assets				$ 7,771,410
Depreciation and amortization				$ 68,044
Capital expenditure				$ 482,143

b. Geographic information

As of December 31, 2008, the Corporation and subsidiary had no revenue-generating operating unit outside the Republic of China.

c. Export sales

Geographic Area	2008	2007
Asia	$ 4,243,499	$ 2,942,180
Europe	4,328,411	5,057,139
United States	2,255,446	4,768,585
Australia	316,399	110,210
Other	7,333	22,068

d. Major customer

Sales to a customer accounting for at least 10% of the Corporation and subsidiary's total sales were as follows:

	2008		2007	
Customer	**Amount**	**%**	**Amount**	**%**
A	$ 881,528	5	$ 2,020,968	10

PHISON ELECTRONICS CORP. AND SUBSIDIARY

MARKETABLE SECURITIES HELD
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type/Name and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Phison Electronics Corp.	Common stock							
	Lian Xu Dong Investment Corp.	Subsidiary	Investments accounted for by the equity method	2,000	$ 20,439	100.00	$ 20,439	Note 2
	Aptos Technology	Investment by the equity method	Investments accounted for by the equity method	19,513	326,088	20.81	326,088	Note 3
	Flexmedia Electronics Corp.	Investment by the equity method	Investments accounted for by the equity method	6,000	48,927	30.00	48,927	Note 3
	Microtops Design Corp.	Investment by the equity method	Investments accounted for by the equity method	2,264	21,669	49.00	21,669	Note 3
	Trison Technology Corporation	-	Financial assets carried at cost - noncurrent	2,000	13,100	11.76	13,074	Note 2
	Metison Technologies Corporation	-	Financial assets carried at cost - noncurrent	570	3,800	19.00	3,761	Note 2
	Hycon Technologies Corporation	-	Financial assets carried at cost - noncurrent	700	4,000	7.95	3,974	Note 2
	Foreign beneficiary certificate							
	Jafco Asia Technology Fund IV L.P.	-	Financial assets carried at cost - noncurrent	450	14,456	0.50	12,989	Note 4
Lian Xu Dong Investment Corp.	Common stock							
	Jim-Dandy Technologies Corporation	-	Financial assets carried at cost - noncurrent	1,113	10,000	19.23	13,808	Note 2

Note 1: The Corporation held marketable securities that had not been guaranteed, pledged or mortgaged as collaterals or restricted by other commitments.

Note 2: The calculation of the net asset value was based on the investee’s financial statements as of December 31, 2008, which had not been audited.

Note 3: The calculation of the net asset value was based on the investee’s financial statements as of December 31, 2008, which had been audited.

Note 4: The calculation of the market value was based on their net assets value as of December 31, 2008.

PHISON ELECTRONICS CORP. AND SUBSIDIARY

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units (Thousands)	Amount	Units (Thousands)	Amount	Units (Thousands)	Amount	Carrying Value	Gain on Disposal	Units (Thousands)	Amount
Phison Electronics Corp.	Beneficiary certificate													
	Pca Well Pool Fund	Financial assets at fair value through profit or loss	-	-	-	$ -	8,582	$ 110,000	8,582	$ 110,446	$ 110,000	$ 446	-	$ -
	Common stock													
	Aptos Technology	Long-term investments - equity method.	-	-	12,121	186,912	4,500	112,500	-	-	-	-	19,513 (Note)	326,088 (Note)

Note: The shares included the stock dividends adjustment of 2,892 thousand shares. The amount included the effect of change in equity in an investee due to the Corporation's subscription for additional shares issued by an investee at a rate not equal to it's current equity adjustment $16,571 thousand and the investment income adjustment of $10,105 thousand.

PHISON ELECTRONICS CORP. AND SUBSIDIARY

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
Phison Electronics Corp.	Land	May 1, 2008	$ 98,000	Full payment	Kuan Yuan Paper MAG. Co., Ltd.	-	-	-	-	-	Valuation report	For constructing a building	-
	Land	June 23, 2008	110,000	Full payment	Kuan Yuan Paper MAG. Co., Ltd.	-	-	-	-	-	Valuation report	For constructing a building	-

PHISON ELECTRONICS CORP. AND SUBSIDIARY

DISPOSAL OF INDIVIDUAL REAL ESTATE PROPERTIES AT PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Type of Property	Transaction Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Proceeds Collection Status	Gain(Loss) on Disposal	Counter-party	Nature of Relationship	Purpose of Disposal	Price Reference	Other Terms
Phison Electronics Corp.	Land and buildings	August 21, 2008 (Note 1)	Land: January 15, 2007 Buildings: April 1, 2008	$125,971 (Note 2)	$170,040	Payment is in three installments; with a first payment of $34,000 thousand completed as of December 31, 2008.	$43,769 (Note 2)	Aptos Technology	Investment by the equity method	Providing the growing need for Aptos	Valuation report	-

Note 1: The transaction date is the signing day of the contract, which stipulated that payments should be made in three installments and that property turnover would be made only on the last installment payment.

Note 2: The above amount was based on the property book value as of July 31, 2008, the day the Corporation's board of directors approved this sale. The total transaction amount will be determined on the day this transaction is registered with the authorities.

PHISON ELECTRONICS CORP. AND SUBSIDIARY

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Phison Electronics Corp.	TOSHIBA Electronics Taiwan Corp.	Subsidiary of a corporate member of the Corporation’s board of directors	Purchase	$ 5,958,937	40	Net 30 days after monthly closing	None	None	$ (630,493)	(37)	-
	TOSHIBA Corporation, Japan	A corporate member of the Corporation’s board of directors	Sale	(884,448)	(5)	Net 30 days after monthly closing	None	None	80,101	5	-
	Aptos Technology	Investment by the equity method	Sale	(173,253)	(1)	Net 30 days after monthly closing	None	None	59,044	4	-

PHISON ELECTRONICS CORP. AND SUBSIDIARY

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2008			Net (Loss) Income of the Investee	Investment (Loss) Income	Note
				December 31, 2008	December 31, 2007	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Phison Electronics Corp.	Lian Xu Dong Investment Corp.	Hsinchu, Taiwan	Investment	$ 20,000	$ 20,000	2,000	100.00	$ 20,440	$ 107 (Note 1)	$ 107	Subsidiary
	Aptos Technology	Miaoli, Taiwan	Memory card assembly and test flash application	245,947	133,447	19,513	20.81	326,088	44,163 (Note 2)	10,105	Investment by the equity method
	Flexmedia Electronics Corp.	Hsinchu, Taiwan	High-tech Multi-Media production R&D, sales and product	60,000	60,000	6,000	30.00	48,927	(36,769) (Note 2)	(11,031)	Investment by the equity method
	Microtops Designs Corp.	Miaoli, Taiwan	Flash memory controllers and peripheral system applications and design TI DSP system	22,638	-	2,264	49.00	21,669	(1,979) (Note 2)	(969)	Investment by the equity method

Note 1: The calculation of the investee carrying value was based on the investee’s financial statements, which had not been audited.

Note 2: The calculation of the investee carrying value was based on the investee’s financial statements, which had been audited.