



TATUNG CO., LTD  
BALANCE SHEETS  
As of December 31, 2008 and 2007  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2008		December 31, 2007		Liabilities and Shareholders' Equity	Notes	December 31, 2008		December 31, 2007	
		Amount	Amount	Amount	%			Amount	%	Amount	%
<b>Current Assets</b>		<b>20,443,759</b>	<b>23.86</b>	<b>25,610,927</b>	<b>26.71</b>	<b>Current Liabilities</b>		<b>21,239,056</b>	<b>24.79</b>	<b>25,994,877</b>	<b>27.12</b>
Cash and cash equivalents	2 and 4	3,375,192	3.94	1,965,306	2.05	Short-term loans	4	7,997,002	9.33	8,977,894	9.37
Financial assets at fair value through profit or loss - current	2 and 4	-	-	6,943	0.01	Short-term notes and bills payable	4	1,148,009	1.34	1,445,540	1.51
Notes receivable, net	2 and 4	499,705	0.58	594,081	0.62	Financial liabilities at fair value through profit or loss - current	2 and 4	816	-	347	-
Notes receivable- affiliates, net	2, 4 and 5	332,564	0.39	444,492	0.46	Accounts payable		3,342,118	3.90	4,817,953	5.03
Accounts receivable, net	2 and 4	4,315,620	5.04	7,523,839	7.85	Accounts payable - affiliates	5	3,048,111	3.56	4,780,613	4.99
Accounts receivable - affiliates, net	2, 4 and 5	1,854,201	2.16	3,088,335	3.22	Other payables - affiliates	5	1,176,870	1.37	1,973,436	2.06
Other receivables, net	2	117,009	0.14	1,692,401	1.77	Other payables		1,652,172	1.93	1,900,794	1.98
Other receivables - affiliates, net	2, 4 and 5	3,084,257	3.60	3,816,926	3.97	Advance receipts		1,060,126	1.24	597,826	0.62
Inventories, net	2 and 4	5,871,157	6.85	5,823,430	6.08	Current portion of long-term debt	4	1,718,739	2.01	1,273,376	1.33
Prepayments	5	399,070	0.47	304,445	0.32	Other current liabilities		95,093	0.11	138,921	0.14
Restricted assets-current	6	11,901	0.01	89,313	0.09	Deferred tax liabilities- current	2 and 4	-	-	88,177	0.09
Other current assets- others		583,083	0.68	261,416	0.27						
						<b>Long-term Liabilities</b>		<b>20,925,452</b>	<b>24.43</b>	<b>18,451,554</b>	<b>19.27</b>
						Financial liabilities at fair value through profit or loss - noncurrent	2 and 4	193,200	0.23	532,450	0.56
<b>Funds and Investments</b>	2 and 4	<b>59,393,281</b>	<b>69.31</b>	<b>63,338,685</b>	<b>66.10</b>	Bonds payable	2 and 4	2,014,654	2.35	1,923,372	2.01
Long-term investments accounted for under the equity method		59,222,652	69.11	62,991,405	65.74	Long-term loans	4	17,769,773	20.74	15,978,631	16.68
Available-for-sale financial assets - noncurrent		89,354	0.10	266,005	0.28	Long-term payable		400,000	0.47	-	-
Financial assets carried at cost- noncurrent		81,275	0.10	81,275	0.08	Long-term deferred revenue	2	547,825	0.64	17,101	0.02
						Reserve for incremental tax on land revaluation	4	3,418	-	3,418	-
<b>Property, Plant and Equipment</b>	2, 4 and 5	<b>4,471,904</b>	<b>5.22</b>	<b>3,977,568</b>	<b>4.16</b>						
Cost						<b>Other Liabilities</b>		<b>6,319,304</b>	<b>7.37</b>	<b>7,123,441</b>	<b>7.43</b>
Buildings		1,667,145	1.95	1,675,878	1.75	Accrued pension liability	2 and 4	3,466,040	4.04	3,471,458	3.62
Machinery and equipment		5,879,168	6.86	5,946,559	6.21	Deposits in		1,960	-	2,810	-
Transportation equipment		94,252	0.11	93,604	0.10	Deferred credit among affiliate	2 and 4	851,463	1.00	850,379	0.89
Instrument of equipment		624,041	0.73	670,414	0.70	Other liabilities- others	2 and 4	1,999,841	2.33	2,798,794	2.92
Leased assets		447,349	0.52	419,200	0.44						
Miscellaneous equipment		2,030,098	2.37	2,069,062	2.16	<b>Total Liabilities</b>		<b>48,487,230</b>	<b>56.59</b>	<b>51,573,290</b>	<b>53.82</b>
Revaluation increment		258,351	0.30	258,351	0.27						
Subtotal		11,000,404	12.84	11,133,068	11.63	<b>Total Shareholders' Equity</b>		<b>37,200,207</b>	<b>43.41</b>	<b>44,243,082</b>	<b>46.18</b>
Less: accumulated depreciator		(7,950,494)	(9.28)	(7,973,814)	(8.32)	Capital stock	4	45,495,276	53.09	44,877,758	46.84
Construction in progress and prepayment for equipment		1,421,994	1.66	818,314	0.85	Capital reserve					
						Premium on convertible bonds	2	33,038	0.04	164,471	0.17
<b>Intangible Assets</b>	2, 3 and 4	<b>593,759</b>	<b>0.69</b>	<b>884,423</b>	<b>0.93</b>	Treasury stock transactions	2	-	-	37,802	0.04
Computer software cost		-	-	244	-	Long-term investment	2	12,061,469	14.08	11,781,400	12.30
Deferred pension cost		572,640	0.67	858,960	0.90						
Other intangible assets		21,119	0.02	25,219	0.03	<b>Retained earnings</b>					
						Accumulated deficits	4	(18,537,818)	(21.63)	(11,232,973)	(11.72)
<b>Other Assets</b>		<b>784,734</b>	<b>0.92</b>	<b>2,004,769</b>	<b>2.10</b>	Adjusting items in shareholders' equity					
Refundable deposits		257,106	0.30	256,042	0.27	Cumulative translation adjustment	2	1,630,404	1.90	869,239	0.91
Deferred charges	2 and 4	1,872	-	4,538	-	Unrecognized net loss on pension cost	2	(1,205,673)	(1.40)	(1,020,706)	(1.07)
Long-term receivables - affiliates, net	2, 4 and 5	116,185	0.14	1,196,508	1.25	Unrealized gain or loss on financial instruments	2	(1,342,705)	(1.57)	(554,422)	(0.58)
Deferred tax assets - noncurrent	2 and 4	334,829	0.39	458,021	0.48	Unrealized gain or loss on cash flow hedge		(26,011)	(0.03)	711	-
Restricted assets - noncurrent	6	-	-	15,006	0.02	Unrealized increment of revaluation	4	222,059	0.26	222,059	0.23
Other assets- others	4	74,742	0.09	74,654	0.08	Treasury stock	2 and 4	(1,129,832)	(1.32)	(902,257)	(0.94)
<b>Total Assets</b>		<b>85,687,437</b>	<b>100.00</b>	<b>95,816,372</b>	<b>100.00</b>	<b>Total Liabilities and Shareholders' Equity</b>		<b>85,687,437</b>	<b>100.00</b>	<b>95,816,372</b>	<b>100.00</b>

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



TATUNG CO., LTD.  
STATEMENTS OF OPERATIONS  
For the Years Ended December 31, 2008 and 2007  
(Expressed in Thousands of New Taiwan Dollars, Except for (Loss) Earnings Per Share)

Contents	Notes	January 1 to December 31, 2008			January 1 to December 31, 2007		
		Subtotal	Total	%	Subtotal	Total	%
Operating revenues	2 and 5						
Sales revenues			37,459,190	100.49		43,157,507	100.20
Less: Sales returns		(178,333)			(81,620)		
Sales allowances		(4,592)	(182,925)	(0.49)	(3,750)	(85,370)	(0.20)
Net operating revenues			37,276,265	100.00		43,072,137	100.00
Operating cost	4 and 5		(34,215,168)	(91.79)		(40,580,259)	(94.21)
Gross profit include unrealized intercompany profit			3,061,097	8.21		2,491,878	5.78
Unrealized intercompany profit, net	2, 4 and 5		(49,589)	(0.13)		(48,505)	(0.11)
Realized intercompany profit, net	2, 4 and 5		48,505	0.13		-	-
Net gross profit			3,060,013	8.21		2,443,373	5.67
Operating expenses	4 and 5		(4,990,290)	(13.39)		(4,393,972)	(10.20)
Sales and marketing		(3,335,741)			(2,568,980)		
General and administrative		(708,853)			(671,197)		
Research and development		(945,696)			(1,153,795)		
Operating loss			(1,930,277)	(5.18)		(1,950,599)	(4.53)
Non-operating income			1,151,354	3.09		6,928,027	16.08
Interest income		16,883			16,777		
Investment income accounted for under equity method	2 and 4	-			5,431,132		
Dividend income		9,613			6,133		
Gain on disposal of property, plant and equipment	2	17,922			14,662		
Gain on disposal of investments	2	173,497			1,113,756		
Foreign exchange gain	2	-			7,817		
Gain on financial assets at fair value through profit or loss, net	2	-			15,043		
Gain on financial liabilities at fair value through profit or loss, net	2 and 4	339,250			36,553		
Miscellaneous income		594,189			286,154		
Non-operating expenses			(6,020,380)	(16.15)		(1,363,631)	(3.16)
Interest expenses	4	(1,115,943)			(998,565)		
Investment loss accounted for under equity method	2 and 4	(3,228,979)			-		
Loss on disposal of property, plant and equipment	2	(40,779)			(41,524)		
Foreign exchange loss	2	(260,785)			-		
Loss on decline and obsolescence of inventories	2	(509,780)			(24,112)		
Impairment loss	2	-			(81,105)		
Loss on financial liabilities at fair value through profit or loss, net	2	(7,412)			-		
Miscellaneous expenses	7	(856,702)			(218,325)		
(Loss) income from continuing operating units before income tax			(6,799,303)	(18.24)		3,613,797	8.39
Income tax expense	2 and 4		(55,770)	(0.15)		(37,169)	(0.09)
Net (loss) income			(6,855,073)	(18.39)		3,576,628	8.30
(Loss) earnings per share-basic (in New Taiwan Dollars)	2 and 4						
(Loss) income from continuing operating units before income tax			(1.52)			0.82	
Net (loss) income			(1.53)			0.81	
(Loss) earnings per share-diluted (in New Taiwan Dollars)	2 and 4						
(Loss) income from continuing operating units before income tax			(1.53)			0.80	
Net (loss) income			(1.54)			0.79	
Pro forma information on (loss) gain as if subsidiaries' investment in the Company is not treated as treasury stock	2 and 4						
Net (loss) income			(6,855,073)			3,614,430	
(Loss) earnings per share-basic (in New Taiwan dollars)			(1.51)			0.81	
(Loss) earnings per share-diluted (in New Taiwan Dollars)			(1.52)			0.79	

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



TATUNG CO., LTD.  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2008 and 2007  
(Expressed in Thousands of New Taiwan Dollars)

	January 1 to December 31, 2008	January 1 to December 31, 2007
Cash flows from operating activities:		
Net (loss) income	(6,855,073)	3,576,628
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Effects on foreign exchange	(40,825)	(32,512)
Depreciation	587,041	617,087
Amortization (including other losses)	7,138	33,198
Discount on bonds payable	106,242	9,956
Investment loss (income) accounted for under equity method	3,228,979	(5,431,132)
Impairment loss	-	81,105
Cash dividends received under equity method	1,993,021	1,016,580
Gain on disposal of investments	(173,497)	(1,113,756)
Gain on financial assets at fair value through profit or loss, net	-	(15,043)
Gain on financial liabilities at fair value through profit or loss, net	(331,838)	(36,553)
Gain on disposal of property, plant and equipment	(17,922)	(14,662)
Loss on disposal of property, plant and equipment	40,779	41,524
Changes in assets and liabilities:		
Notes receivable	94,376	89,199
Accounts receivable	3,208,219	(1,921,421)
Other receivables	1,575,392	(1,589,930)
Notes receivable- affiliates	111,928	(302,028)
Accounts receivable- affiliates	1,234,134	(18,885)
Other receivables- affiliates	732,972	(956,600)
Inventories	(110,987)	(188,212)
Transfer of inventories into property, plant and equipment	7,699	(14,727)
Prepayments	(94,625)	(62,749)
Other current assets	138,438	(33,787)
Deferred pension cost	286,320	286,320
Long-term receivables - affiliates, net	137,452	266,658
Accounts payable	(1,475,835)	1,400,137
Accounts payable- affiliates	(1,732,502)	1,905,879
Other payables	(248,622)	394,732
Other payables-affiliates	(796,566)	732,886
Other current liabilities	(43,828)	(47,998)
Advance receipts	462,300	(827,274)
Accrued pension liability	(200,361)	(430,851)
Deferred tax assets	123,192	79,130
Deferred tax liabilities	(88,177)	6,995
Long-term deferred revenue	530,724	17,101
Deferred credit among affiliates	1,084	48,505
Net cash provided by (used in) operating activities	2,396,772	(2,434,500)
Cash flows from investing activities:		
Decrease in restricted assets	92,330	99,027
Proceeds from disposal of available-for-sale financial assets	393,635	28,242
Acquisition of available-for-sale financial assets	(200,000)	-
Proceeds from disposal of financial assets carried at cost	-	528,169
Acquisition of long-term investments accounted for under equity method	(1,931,784)	(2,821,608)
Proceeds from disposal of long-term investments accounted for under equity method	210,168	1,199,975
Proceeds from disposal of property, plant and equipment	147,694	124,461
Acquisition of property, plant and equipment	(1,656,472)	(1,309,248)
Increase in deferred charges	(500)	(3,923)
Increase in refundable deposits	(1,064)	(46,055)
Net cash used in investing activities	(2,945,993)	(2,200,960)
Cash flows from financing activities:		
(Decrease) increase in short-term loans	(980,892)	1,529,173
(Decrease) increase in short-term notes and bills payable	(297,531)	399,981
(Decrease) increase in bonds payable	(35,160)	2,482,766
Increase in long-term loans	2,449,205	600,388
Increase in long-term payables	400,000	-
Decrease in deposits-in	(850)	(523)
(Decrease) increase in other liabilities- others	(1,915)	53
Exercise of employees' stock options	385,425	189,102
Net cash provided by financing activities	1,918,282	5,200,940
Effects on foreign exchange	40,825	32,512
Increase in cash and cash equivalents	1,409,886	597,992
Cash and cash equivalents, at beginning of the period	1,965,306	1,367,314
Cash and cash equivalents, at end of the period	3,375,192	1,965,306
Supplemental disclosures of cash flow information:		
Cash paid for interest	1,011,517	971,419
Cash paid for income tax	-	-
Investing and financing activities not affecting cash flows:		
Advance to the investee offset the credit balance of long-term investments	942,871	1,227,985
Current portion of long-term debt	1,718,739	1,273,376
Conversion of convertible bonds into common stock	192,128	1,351,395

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