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2008 Annual Report

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I. Letter to Shareholders

Dear Shareholders,

Global financial crisis has led to the worldwide economic slowdown in the year of 2008. As a result of hard work of the staff, Topoint's consolidated revenue for 2008 totaled NT\$1,967 million, decreasing by 8% from NT\$2,140 million in 2007. Due to rigorous cost control, we managed to achieve a decent gross margin of 37%. Net income was NT\$258 million with basic after-tax earnings per share of NT2.42. Although the visibility of this year remains limited, we are confident of delivering better sales and profit results than our competitors in 2009.

I. Operation Results in 2008

1. Consolidated financial result

Unit: NT\$million

	2008		2007	
	AMT	%	AMT	%
Net Sales	1,967	100%	2,140	100%
Cost of Goods Sold	1,240	63%	1,242	58%
Gross Profit	727	37%	899	42%
Operating Expense	316	16%	254	12%
Operating Income	412	21%	645	30%
Pretax Income	285	14%	608	28%
Net Income	258	13%	512	24%

2. Budget Implementation

As dictated in current statutory laws and regulations, we didn't release our 2008 financial forecast to the public. However, our overall operating results are generally in line with the internal operation plan.

3. Profitability Analysis

Item	2008	2007
Debt to Asset Ratio (%)	55.0	46.7
Long-term Capital to Fixed Asset Ratio (%)	120	126
Current Ratio (%)	142	147
Accounts Receivable Turnover (x)	3.58	4.01
Inventory Turnover (x)	2.21	2.55
Return on Assets (%)	6.39	13.72
Return on Shareholders' Equity (%)	10.46	23.97
Basic after-tax EPS (NT\$)	2.42	4.92

4. Research and Development Status

- (1) We have successfully developed shank 2.0mm composite drill in 2007 and went into mass production in 2008. While meeting multiple stacks and high hole accuracy requirement for high speed drilling machine, which is the best cost down solution to our customers through its special design and technology of composite material.
- (2) We have introduced new generation material brazing technology to mass production in 2008. In the end of 2008, we have 90% of products completed conversion.
- (3) We have accomplished development and readied conditions for mass production of 0.05mm micron drills. We are ahead of market and waiting for demand to start immediate production.
- (4) We are continuously developing high aspect ratio drills, special tools for environment friendly PCBs, and long life cutting tools. We have completed some product certification with several key customers.

5. Other Projects Execution Results

- (1) Capacity Expansion: In anticipation of business expansion and new market demand, we have completed the construction of Shanghai new facility. Our global monthly capacity is increased from 13 million to 17 million in 2008.
- (2) Market Development and Competition Status: Sales volume of 2008 reached 129 million pieces, marking a 13.5% YoY. Year 2008 was a successful year for us in terms of gaining new market share; our global market share was growing from 13% in 2007 to 17% in the end of 2008. At present, it is only second to Japan-based Union Tool to rank the 2nd place in the world.
- (3) Quality Certification: We were awarded “Supplier of the Year” and “2008 Excellent Material Supplier” by two major international IC substrates manufacturers. This is a significant recognition showing that our product and service quality has reached the international standard.

II. Overview of Operation Plan in 2009

1. Operation Principle and Important Policies

- (1) Based on “discipline, insistence and innovation”, our tenet is to earn utmost customer satisfaction.
- (2) To expand domestic and overseas customer base, further increase our global market share.
- (3) To boost sales proportion of micro-drills below 0.25mm in order to improve our product mix.
- (4) To continue developing drills with finer size and higher aspect ratio so as to catch market trends in the future.

- (5) To effectively lower production cost by enhancing material technology, optimizing production process, and improving yield rate.

2. Perspectives

Since 4th quarter of 2008, market researchers have projected that PCB market growth of 2009 will decline by 4-16%, based on current turbulent economic climate. However, while the market keeps rolling out “smaller, thinner, and multi-function” electronic products, the demand for high-end substrates has been accelerated, which results in the design of PCB heading towards higher hole density and finer line width/spacing in an attempt to directly drive the demand for micro-drill. It will bring more micro-size drills demand and form higher entry barrier from which Topoint have been well positioned to benefit.

Finally, we would like to thank you for your continued support for Topoint. All of us at Topoint will continue to commit ourselves to assuring customers’ success and increasing shareholders’ value.

Xu-Ting Lin
Chairman/CEO

Zhen-Wen Jiang
President

Li-ching Ko
Financial Manager

II. Introduction of Corporation

1. Establishment date :

Established on: April 12, 1996

2. Development history :

- 1) 1996: Topoint Technology Co., Ltd. was established to engage in production and sales of precision drills with NT\$15 million in capital.
- 2) 1997 : In order to meet the market demand, it increased its capital by NT\$17.5 million to purchase new machinery equipment. By then, the total paid-in capital was NT\$32.5 million.
- 3) 1998 : It increased its capital by NT\$66.7 million to enlarge its business scale and purchase new machinery equipment. By then, the total paid-in capital was NT\$99.2 million. The factory was relocated to Beinei Street of Shulin where the factory buildings were enlarged so as to meet future expanding operation
- 4) 1999: It garnered RWTUV ISO9002, a quality assurance accreditation, in April, and had a cash capital increase of NT\$20.8 million on Sep. 20 for the purchase of leading-edge equipment to enhance production capacity. By then, the capital increase by earnings recapitalization was NT\$18.25 million, whereas the paid-in capitalization was NT\$138.25 million.
- 5) 2000: As approved by the competent authorities in May for public offer, it increased NT\$120 million of capital in cash in June to purchase production equipment and advanced inspection instruments to elevate production capacity and assure product quality. By then, the capital increase by earnings recapitalization was NT\$10.56 million, capital increase by capital surplus as stock dividends was NT\$4.19 million and the paid-in capitalization was NT\$273 million.
- 6) 2001: It increased NT\$54.91 million of capital by earnings recapitalization and NT\$12.09 million of capital by capital surplus as stock dividends in August. In December of the same year, it increased NT\$ 50 million of capital in cash to purchase production equipment, repay bank loans and supplement the working capital. By then, the paid-in capitalization was NT\$390 million.
- 7) 2003: It registered for the listing of the emerging stock on January 2, and increased NT20 million of capital in cash in December to purchase equipment and expand production capacity. By then, the paid-in capitalization was NT\$410 million.
- 8) 2004: It increased NT\$16.93 million of capital by earnings recapitalization in June to supplement the working capital. In December, it increased NT\$57 million of capital in cash to repay bank loans. As a total the paid-in capitalization was NT\$483.93 million. In December, its stock went public on the OTC market.
- 9) 2005: It relocated its factory to the present address having larger space so as to

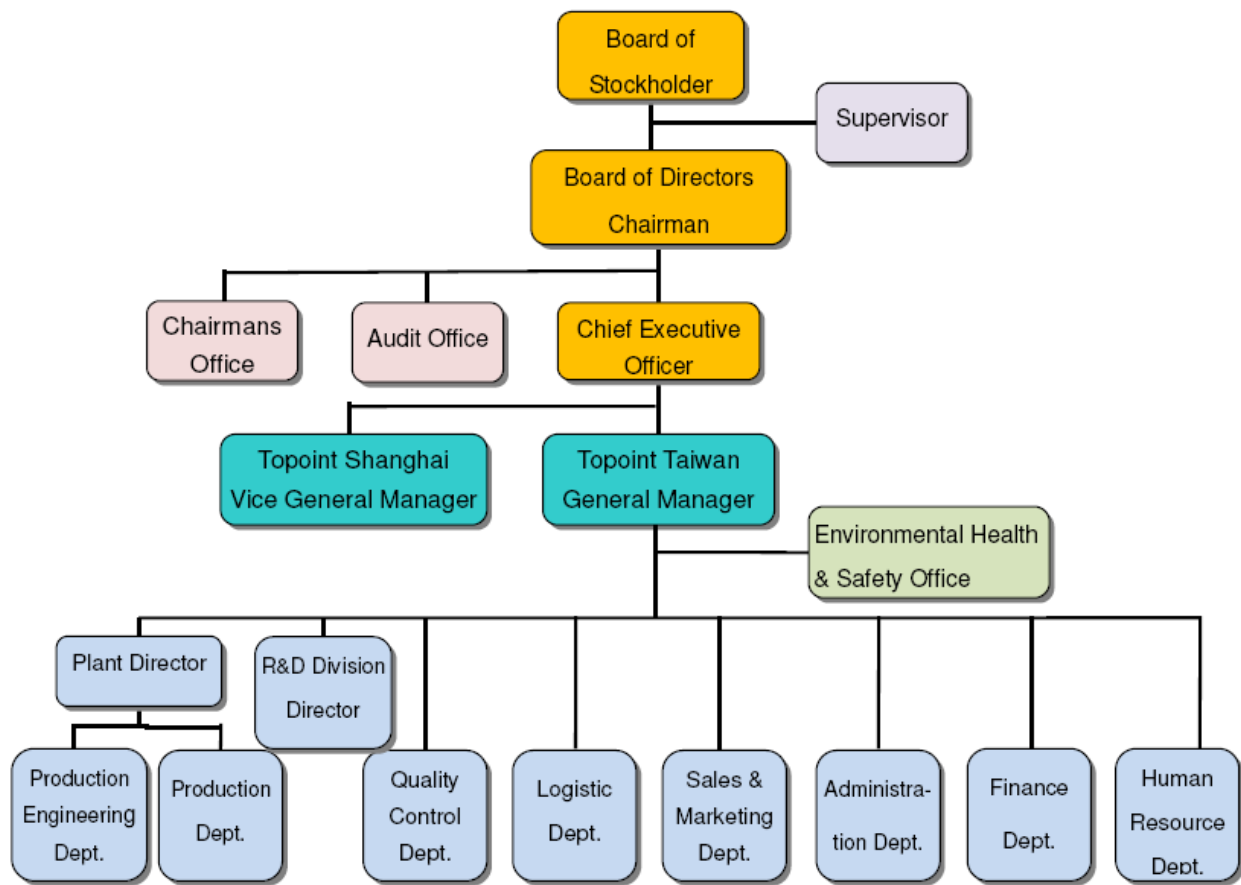
meet the demand for future expanding operation, and increased NT\$68,651,250 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT\$552,581,250.

- 10) 2006: It issued NT\$40 million of its first local unsecured convertible corporate bonds in February to purchase equipment and repay bank loans, increased NT\$100 million of capital in cash in March to purchase equipment and expand production capacity, issued 5,520 units of employee stock options in April, and increased NT\$101,706,700 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT\$773,881,710.
- 11) 2007: It increased NT\$112,269,820 of capital by earnings recapitalization in July to supplement the working capital. As a total, the paid-in capitalization was NT\$954,691,270.
- 12) 2008: It increased NT\$115,873,410 of capital by earnings recapitalization and change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,070,564,680.

III. Corporate Governance Report

1. Organization System

(1) Organization Chart



(2) Major Corporate Functions

Department	Major functions
Chairman Office	To establish corporate guidelines, strategies and operation plans. To plan and management of company projects. Planning and execution of relationships with investors. Corporate stock affairs and investment evaluation.
Audit Office	To audit and evaluate the functions and operations of each department and the execution of internal control system.
Environmental Health & Safety Office	Planning and implementation of the systems relating to factory environment, security and health.
Research & Development Division	R&D of advanced technologies and development of new products. Patent planning and management.

Production Dept.	Production schedule planning, and management of product process and manufacture
Production Engineering Dept.	Management of production technology and process standardization, and maintenance of production equipment
Quality Control Dept.	Planning and execution of quality control system
Sales & Marketing Dept.	Planning sales and promotion strategies. Expansion of markets, introduction of customers, and increase market share to achieve company's sales goals. Provision of production forecast to coordinate production and sales.
Logistic Dept.	Management and planning of purchasing and warehousing
Administration Dept.	Planning and execution of general affairs, factory affairs, and information systems.
Human Resource Dept.	Management of human resources, personnel administration and regulated systems.
Finance Dept.	Corporate financial planning and investment management. Planning and execution of accounting and taxes system.

2. Information about Directors, Supervisors, Presidents, Vice presidents, Assistant presidents, Chiefs of Respective Divisions and Branch Offices
(1)Directors and supervisors :

a. directors and supervisors

April 30, 2009

Title	name	Elected (inaugurated) date	Term	1 st elected date	Shares held when being elected		Current shareholding		Shareholding of spouse and minors		Shares held in the names of others		Current post and/or e d u c a t i o n	Post concurrently taken in the company or other c o m p a n i e s	Other executives, directors or supervisors in spouse relationship or kin relationship within 2 nd degree		
					shares	Shareholding ratio	Number of shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation
Chairman	Lin Xu-ting	06/20/2006	3 yrs	03/18/1996	3,701,900	6.05%	5,138,322	4.80%	-	-	-	-	President of the company/Student of National Open University	CEO of the company	Special assistant to the President Vice General m a n a g e r	L i n Ruo-ping W a n g Jia-jong	Father / daughter
Director	Liu Rong-rong	06/20/2006	3 yrs	06/20/2006	-	-	-	-	-	-	-	-	MBA from the Wharton School	General Manager of Crimson Asia Capital Holdings, Ltd. Director of Gordon Auto Body Parts Co., Ltd., the Director of Infosystem Technology Corporation, Ltd., and the Director of Rosta Inter Ltd.	-	-	-
Director	UMC Capital Corporation D.C Cheng	06/20/2006	3 yrs	06/20/2006	100,000	0.37%	1,892,967	1.77%	-	-	-	-	MBA from Columbia University /General manager of AIG United Guaranty.	President of UMC Capital Corporation , Director of United Microdisplay Optronics Corp Director of SerComm Corp. Independent director of DEOM Technology Co., Ltd.	-	-	-
Director	China Development Industrial Bank C.C Chang	06/20/2006	3 yrs	09/30/2000	4,709,001	8.35%	7,152,796	6.68%	-	-	-	-	EMBA from National Cheng Chi University	Vice President of China Development Industrial Bank.	-	-	-
Independent director	Lo Tsung-Ming	06/20/2006	3 yrs	06/20/2006	1,487	-	2,355	0.00%	2,355	0.00%	-	-	Graduate of NTU College of Law/Legal affairs manager of Sampo Group.	Legal Manager of Sampo	-	-	-
Independent director	Ko Po-cheng	06/20/2006	3 yrs	06/06/2003	-	-	-	-	-	-	-	-	Associate professor of the Accounting Department of Soochow University	Supervisor of High Tech Computer Corp. Supervisor of CyberPower Systems,Inc.	-	-	-
Independent director	Pai Jung-sheng	06/13/2008	1yrs	06/13/2008	-	-	-	-	-	-	-	-	National Chung Hsing University, Chemistry	TPCA technical consultant and magazine editor. currently technical consultant of Unimicron Corporation, Delta Electronics, Inc., Atotech Taiwan Ltd.,	-	-	-
Supervisor	Chen Ken-ching	06/20/2006	3 yrs	06/20/2006	819,891	1.43%	1,299,627	1.21%	310,394	0.29%	-	-	Graduate of a commercial senior high school / employee of Sampo Group	President of Hong Gy Co., Ltd. Supervisor of Lustrous Technology Ltd.	-	-	-
Independent supervisor	Liang Shwu-jian	06/20/2006	3 yrs	06/06/2003	60,755	0.08%	72,232	0.07%	-	-	-	-	PhD of Materials Science from University of Pennsylvania	Senior Consultant of High Tech Computer Corp.	-	-	-
Independent supervisor	Niu Cheng-chie	06/20/2006	3 yrs	06/20/2006	-	-	2,119	0.00%	-	-	-	-	PhD of Polymer Chemistry from Polytechnic Institute of Brooklyn.	IT director of STTC consultancy Co.	-	-	-

Major institutional shareholders:

April 30, 2009

Name of institutional shareholder	Major shareholders of the institutional shareholders
UMC Capital Corporation	99.99% of shares are held by United Microelectronics Corp.
China Development Industrial Bank	100% of shares are held by China Development Financial Holding Company.

Major shareholders of the major shareholders that are Juridical Persons

April 30, 2009

Institutional shareholder name	Major shareholders of the institutional shareholder
United Microelectronics Corp.	<p>8.31% of shares are held by Citicorp Financial Service Ltd., as representative of holders of the ADRs and as nominee for Citibank, N.a.</p> <p>3.40% of shares are held by Hsun Chieh Investment Co., Ltd.</p> <p>2.43% of shares are held by Silicon Integrated Systems Corp.</p> <p>2.13% of shares are held by Deutsche Bank AG</p> <p>1.77% of shares are held by Alliance Bernstein International Value Fund</p> <p>1.24% of shares are held by Citicorp Financial Service Ltd., as representative of the ABN AMRO Bank N.V.</p> <p>0.92% of shares are held by Cathay Life Insurance Co., Ltd.</p> <p>0.79% of shares are held by Administrative Committee, Yao Hua Glass Co., Ltd.</p> <p>0.77% of shares are held by Sanford Bernstein Emerging Markets Value Portfolio</p> <p>0.73% of shares are held by Citicorp Financial Service Ltd., as representative of the Singapore Government Fund</p>
China Development Financial Holding Co., Ltd.	<p>1.42% of shares are held by Mega International Commercial Bank.</p> <p>1.8% of shares are held by Bank of Taiwan.</p> <p>0.75% of shares are held by Taiwan Post Co., Ltd.</p> <p>5.67% of shares are held by Xing Wen Investment Co., Ltd.</p>

b. Personal data of directors and supervisors

Condition Name (Note1)	With over five years of job experience and the following business qualification			Are they in compliance with the independence terms (Note)										Also an independent director of other public company
	Teachers of public or private colleges for the subject Of commerce, law, finance, accounting, or business	Judge, prosecutor, attorney, accountant, or business salespersons passed national exam & certified specialists or technicians	With job experience in commerce, law, finance, accounting, or business	1	2	3	4	5	6	7	8	9	10	
Lin Xu-ting			✓				✓	✓	✓	✓	✓	✓	✓	-
Liu Rong-rong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
D.C. Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
C.C Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Lo Tsung-ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Ko Po-cheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Pai Jung-sheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chen Ken-ching			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Liang Shwu-jian			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Niu Cheng-chie			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note: Directors and supervisors who have qualified the following conditions two years before being elected and during the term are to tick the box ("✓") of the corresponding condition.

- (1) Not the employee of the company or its affiliated enterprises
- (2) Not the director or supervisor of the company or its affiliated enterprises (however, it is not limited to the independent director of the subsidiary in which the company directly or indirectly holds more than 50% of voting shares.)
- (3) Not the shareholder whose spouse, minor children or related persons in his or her name hold more for than 1% of the company's issued shares, nor the one who is one of company's top-10 nature person shareholders.
- (4) Not the direct lineal blood relative (including spouse and the relatives within 2nd degree) of the persons listed in the preceding three items.
- (5) Not the director, supervisor or employee of the institutional shareholder who directly holds more than 5% of the company's issued shares, nor the director, supervisor or employee of the top 5 institutional shareholders.
- (6) Not the director, supervisor, manager of the specific company or institute having financial or business relationship with the company, nor the shareholders holding more than 5% of the company's shares.
- (7) Not the professional who offers business, legal, accounting or consulting services to the company or its affiliated enterprises, nor the proprietor, partner, director, supervisor, manager and their spouses of the business entity solely invested or partnered by the company.
- (8) Not the spouse nor a relative within two degrees of lineal consanguinity of an individual.
- (9) Free of any of the behaviors as defined in Article 30 of Company Act.
- (10) Not a governmental officer, juridical person or its representative as defined in Article 27 of Company Act.

(2) President, Vice President, Junior V.P., and Department Heads

April 30, 2009

Title	Name	Date Elected	Shareholding		Shareholding of spouse and minor		Shares held by other persons in their name		Experience (Education)	Current position with other companies	Executives who are spouses or second consanguinity		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO	Lin Xu-ting	11/29/2005	5,138,322	4.80	-	-	-	-	President of the company/Student of National Open University	The Chairman of the company	Special assistant to the Chairman V.P.	Lin Ruo-ping Wang Jia-hong	Father/daughter cousin-in-law
President	Jiang Zhen-wen	07/06/2007	55,969	0.05	12,883	0.01	-	-	Vice general manager of COMPEQ/ Chemical Institute of Fu Jen Catholic University	-	-	-	-
Vice President	Wang Jia-hong	06/01/2006	465,143	0.43	2,950	0.01	-	-	Manager of Topoint / Graduate of the accounting department of Soochow University	-	-	-	-
Plant Director	Huang Yin-ming	05/08/2006	131,659	0.13	13,869	0.01	-	-	Manager of ASE Inc. / Graduate of the materials science and engineering department of Feng Chia University	-	-	-	-
R&D Director	Chen Zhao-yang	02/01/2002	117,899	0.11	-	-	-	-	Manager of Topoint / Graduate of Minghsin Junior College.	-	-	-	-
Financial Manager	Ko Li-ching	06/26/2008	1,119	0.00	-	-	-	-	Junior manager of Taiwan International Securities / Graduate of the accounting department of Soochow University	-	-	-	-
Audit Manager	Lin Rong-le	09/16/2002	6,185	0.00	-	-	-	-	Financial manager of Sampo Group / Graduate of the statistics department of National Cheng Kung University	-	-	-	-

(3) Remuneration of Directors, Supervisors, President, and Vice President

A. Remuneration of Directors

Unit: NT\$1000/1000 shares

Title	Name	Remuneration								Total Remuneration(A+B+C+D)as a % of 2008 Net income	Compensation earned as employee of TOP or of TOP's consolidated entities										Total compensation as a % of 2008 Net income(Note2)		Compensation Received from Non-consolidated affiliates		
		Base Compensation(A)		Severance Pay(B) (Note3)		Bonus to directors(C) (Note1)		Allowances(D)			Salary(E)		Severance Pay (F)		Employee profit sharing (G)				Exercisable employee stock options(H)						
		From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities				
Chairman	Lin Xu-ting	-	-	-	-	2,373	2,373	102	102	0.96%	0.96%	5,702	7,601	-	-	1,000	-	1,000	-	-	-	-	3.55%	4.29%	-
Director	Liu Rong-rong																								
Director	Representative of China development Industrial Bank: CC Chang																								
Director	UMC Capital Corporation : DC Cheng																								
Independent director	Lo Tsung-ming																								
Independent director	Ko Po-cheng																								
Independent director	Pai Jung-sheng																								

Note 1 : As passed in the board meeting on March 17, 2009 for 2008 annual earnings distribution, NT\$3,489,954 is for remuneration of directors and supervisors and NT\$17,449,768 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 2: Income after Income Tax is less by Bonus to employees.

Note 3: Total Severance Pay to TOP's directors in 2008 was \$0.

Remuneration Bracket

Remuneration to directors	2008			
	Total Remuneration(A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From TOP	From all consolidated entities	From TOP	From all consolidated entities
Below \$2,000,000	Lin Xu-ting , Liu Rong-rong, China Development Industrial Bank, UMC Capital Corporation, Lo Tsung-ming , Ko Po-cheng , Pai Jung-sheng	Lin Xu-ting , Liu Rong-rong, China Development Industrial Bank, UMC Capital Corporation, Lo Tsung-ming , Ko Po-cheng, Pai Jung-sheng	Liu Rong-rong, China Development Industrial Bank, UMC Capital Corporation, Lo Tsung-ming, Ko Po-cheng, Pai Jung-sheng	Liu Rong-rong, China Development Industrial Bank, UMC Capital Corporation, Lo Tsung-ming , Ko Po-cheng,
\$2,000,000 ~ \$5,000,000		-	-	-
\$5,000,000 ~ \$10,000,000	-	-	Lin Xu-ting	Lin Xu-ting
\$10,000,000 ~ \$15,000,000	-	-	-	-
\$15,000,000 ~ \$30,000,000	-	-		-
\$30,000,000 ~ \$50,000,000	-	-	-	-
\$50,000,000 ~ \$100,000,000	-	-	-	-
Over \$100,000,000	-	-	-	-
Total amount	7	7	7	7

B. Remuneration for supervisors

Unit: NT\$1000/1000 shares

Title	Name	2008								Total Remuneration(A+B+C+D)as a % of 2008 Net income (Note2)		Compensation Received from Non-consolidated affiliates
		Base Compensation(A)		Severance Pay(B) (Note3)		Bonus to supervisors (C) (Note1)		Base Compensation(A)				
		From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	
Supervisor	Chen Ken-ching	-	-	-	-	1,117	1,117	46	46	0.45%	0.45%	-
Independent supervisor	Liang Shwu-jian											
Independent supervisor	Niu Cheng-chie											

Note 1 : As passed in the board meeting on March 17, 2009 for 2008 annual earnings distribution, NT\$3,489,954 is for remuneration of directors and supervisors and NT\$17,449,768 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 2: Income after Income Tax is less by Bonus to employees.

Note3: Total Severance Pay to TOP's supervisors in 2008 was \$0.

Remuneration Bracket

Remuneration to supervisors	2008	
	Total Remuneration(A+B+C+D)	
	From TOP	From all consolidated entities
Below \$2,000,000	Chen Ken-ching, Liang Shwu-jian, Niu Cheng-chie	Chen Ken-ching, Liang Shwu-jian, Niu Cheng-chie
\$2,000,000 ~ \$5,000,000	-	-
\$5,000,000 ~ \$10,000,000	-	-
\$10,000,000 ~ \$15,000,000	-	-
\$15,000,000 ~ \$30,000,000	-	-
\$30,000,000 ~ \$50,000,000	-	-
\$50,000,000 ~ \$100,000,000	-	-
Over \$100,000,000	-	-
Total amount	3	3

C. Remuneration for President and V.P.

Unit: NT\$1,000/1,000 shares

Title (Note1)	Name	Salary(A)		Severance Pay(B) (Note3)		Rewards and special payments, etc. (C)		Bonuses and Allowances(D) (Note1)				Total Remuneration(A+B+C+D)as a % of 2008 Net income (Note2)		Exercisable employee stock options		Compensation Received from Non-consolidated affiliates
		From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP		From all consolidated entities		From TOP	From all consolidated entities	From TOP	From all consolidated entities	
								Cash	Stock	Cash	Stock					
Chairman	Lin Xu-ting	9,745	11,083	-	-	10,448	13,246	3,000	-	3,000	-	8.97%	10.59%	-	-	-
President	Jiang Zhen-wen															
President of the new product business div.	Huang Li-qiang															
Vice President	Wang Jia-hong															

Note 1 : As passed in the board meeting on March 17, 2009 for 2008 annual earnings distribution, NT\$3,489,954 is for remuneration of directors and supervisors and NT\$17,449,768 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 2: Income after Income Tax is less by Bonus to employees.

Note3: Total Severance Pay to TOP's President and V.P. in 2008 was \$0, that pensions funded according to applicable law. In 2008 was NT\$308,502.

Grades of remuneration

Grades of the remuneration for the company's general managers and vice general managers	2008	
	From TOP	From all consolidated entities
Below \$2,000,000	-	-
\$2,000,000 ~ \$5,000,000	Huang Li-qiang	Huang Li-qiang
\$5,000,000 ~ \$10,000,000	Lin Xu-ting, Jiang Zhen-wen, Wang Jia-hong	Lin Xu-ting, Jiang Zhen-wen, Wang Jia-hong
\$10,000,000 ~ \$15,000,000	-	-
\$15,000,000 ~ \$30,000,000	-	-
\$30,000,000 ~ \$50,000,000	-	-
\$50,000,000 ~ \$100,000,000	-	-
Over \$100,000,000	-	-
Total amount	4	4

D. Name of managers who received dividend and the distribution of dividend
April 30, 2009
Unit: NT\$1,000

	Title	Name	Stock Dividend	Cash Dividend (Note1)	Total	Ratio of total amount to net income (%) (Note2)
Managers	Chairman & CEO	Lin Xu-ting	-	4,660	4,660	1.80%
	President	Jian Zhen-wen				
	President of the new product business div.	Huang Li-qiang				
	Vice President	Wang Jia-hong				
	Plant Director	Huang Yin-ming				
	R&D Director	Chen Zhao-yang				
	Finance & Accounting Manager	Ko Li-ching				

Note 1 : As passed in the board meeting on March 17, 2009 for 2008 annual earnings distribution, NT\$3,489,954 is for remuneration of directors and supervisors and NT\$17,449,768 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 2: Income after Income Tax is less by Bonus to employees.

- (1) Analysis of the ratio of the total remuneration for the directors, supervisors, general managers and vice general managers of the company and its consolidated statement companies in the recent two years to after-tax net profit, and description of remuneration payment policies, standards, combinations, procedure to determine the remuneration and the correlation with operating performance :

Y e a r	Total remuneration of directors, supervisors, general managers and vice general managers	Ratio of the preceding remuneration to after-tax net profit	Remuneration payment policies, standards, combinations, procedure to determine the remuneration and the correlation with operation performance
2007	42,934 thousand	8.34%	(Note1)
2008	26,831 thousand (Note2)	10.38% (Note3)	(Note1)

Note 1: The remuneration for directors and supervisors is regulated according to the dividend distribution policy stipulated in the company's constitution, in which the annual earning distribution status shall be submitted to the board of directors for discussion before being sent to the shareholders' meeting for resolution. The remuneration for general managers shall be released according to the company's performance evaluation system.

Note 2 : As passed in the board meeting on March 17, 2009 for 2008 annual earnings distribution, NT\$3,489,954 is for remuneration of directors and supervisors and NT\$17,449,768 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 3: Income after Income Tax is less by Bonus to employees.

3. Business management

(1) Board of Directors

The attendance of Directors for 9(A) Board Meetings in 2008:

Title	Name	Attendance (B)	Proxy	Frequency of attendance (%)(B/A)	Remarks
Chairman	Lin Xu-ting	9	0	100	-
Director	Representative of China Development Industrial Bank: Chang Cheng-chiu	5	1	56	-
Director	Liu Rong-rong	0	3	0	-
Director	Representative of UMC Capital Corporation D.C. Cheng	5	3	56	-
Independent Director	Lo Tsung-Ming	7	2	78	-
Independent Director	Ko Po-cheng	8	1	89	-
Independent Director	Pai Jung-sheng	5	0	83	Date Elected: 2008.6.13 Attendance of 6th

Remarks:

- For the events stated in SEC Article 14.3 and other opposing or qualified opinion of independent directors that are recorded or declared in writing, the date, term, the content of the case, independent director's opinion, and the company's response to the director's opinion must be stated in details: N/A
- The name of the directors who have excused themselves from the meeting due to a conflict of interest, the name of the directors, the content of the case, the reason for the conflict of interest, and the voting must be stated in details: N/A
- The goal for improving the function of the board of directors (e.g. establishing the audit committee and enhancing information transparency, etc.) and execution evaluation:
Other than placing Three independent directors, and according to the "rules of board meeting procedure", which was attendance of Directors to enhance their operating efficiency and reinforce their decision making capacity.

(2) Board of Supervisors

The attendance of Directors for 9(A) Board Meetings in 2008:

Title	Name	Attendance (B)	Proxy Frequency of attendance (%) (B/A)	Remarks
Supervisors	Chen Ken-ching	9	100	
Independent Supervisors	Liang Shwu-jian	5	56	
Independent Supervisors	Niu Cheng-chie	7	78	

Remarks:

1. The formation and responsibility of the supervisors:
 - (1) Communication among the employees and shareholders of the company:

The company's supervisors use periodical or non-periodical meetings and shareholders' meetings to communicate with the company's employees and shareholders.
 - (2) Communication among the audit Manager and CPA of the company:

The company's supervisors use periodical or non-periodical meetings with the company's audit manager and CPA.
2. If supervisors have opinion from the meeting that are recorded or declared in writing, the date, term, the content of the case, supervisor's opinion, and the company's response to the supervisor's opinion must be stated in details: N/A

(3) Corporate governance and the deviation from the Rules Governing Listed & OTC
corporate governance and the causes

Item	Operation	Deviation from the rules Governing Listed & OTC corporate governance and the causes
<p>1. The company's equity structure and shareholders' equity</p> <p>(1) The way that the company handles suggestions and disputes with shareholders.</p> <p>(2) The status that the company gets hold of the list of the company's major active shareholders and the final controllers of the company's major shareholders.</p> <p>(3) The mechanism for company establishment, risk control of its affiliated enterprises, and fire wall establishment.</p>	<p>(1)The company has a spokesman (Lin Rong-le), a deputy spokesperson (Lin Ruo-ping) and the stock affairs division.</p> <p>(2) The company has entrusted a stock affairs agency (the stock affairs agency division of Taiwan International Securities Group) and has exclusive stock affairs personnel to serve shareholders.</p> <p>(3) The company has laid down the regulations for trading operation with its affiliated enterprises, and for surveillance of its subsidiaries.</p>	None
<p>2. Constitution of the board of directors and its function</p> <p>(1) The status of placing independent directors.</p> <p>(2) To periodically review the independence status of the certified public accountants</p>	<p>(1) The company places three independent directors (Lo Tsung-Ming, Ko Po-cheng and Pai Jung-sheng)</p> <p>(2) In compliance with statutory regulations, the company's board of directors periodically evaluates the independent status of its certified public accountants.</p>	None
<p>3. The status for the establishment of communication channel with related parties.</p>	<p>The company setup Investor Relations on its website to periodically release the company's business and financial information. In addition, an e-mail address is also available for shareholders to contact the company.</p>	None
<p>4. To make information public</p> <p>(1) The company uses its own website to disclose its financial status and company</p>	<p>(1) The address of the company's website is: www.topoint.tw The company has already</p>	None

Item	Operation	Deviation from the rules Governing Listed & OTC corporate governance and the causes
<p>governance information</p> <p>(2) The company also uses other information disclosure ways (e.g. establishment of English website, designation of exclusive personnel to collect and disclose the company's information, fulfillment of spokesperson system, and posting prospectus seminar process on the company's website, etc.)</p>	<p>posted its governance information on the website. Viewers may also use the website to link to the Market Observation Post System for enquiry of the company's financial and business information.</p> <p>(2) The company has its spokesperson system which is used to collect and disclose information and as the bridge to communicate with outsiders.</p>	None
5. The operation of the function committees set for the function of nomination or remuneration determination.	None	None
<p>6. If the company has corporate governance rules stipulated according to the "rules governing Listed/ OTC corporate governance, "please state the variation of the business operation from the rules:</p> <p>The corporate governance rules instituted by the company and their spirit have all been included in the company's internal control system. The new entrants are all requested to follow the internal control system in their oriental training. At the same time, the "rules of shareholders' meeting procedure", "rules of board meeting procedure" and "director and supervisor election regulations" have all been laid down. The board of directors passed the "director, supervisor and manager moral code" on April 25, 2008 and sent it to the shareholders" meeting for resolution.</p>		
<p>7. Other in formation that helps understand the corporate governance (for example, advanced study of directors and supervisors, attendance of directors and supervisors for board meeting, enforcement of risk management policy and risk measurement standards, protection for consumers and customers, director's excusing himself/herself from a case involving conflict of interest, liability insurance acquired for directors and supervisors, and corporate social responsibilities):</p> <p>(1) Advanced study of directors and supervisors: Please go to the corporate governance section of the "Market Observation Post System" on http://newmops .tse.com.tw.</p> <p>(2) The risk management/measurement and customers protection policy are defined in the company's internal control system, and executed according to the regulations.</p> <p>(3) The directors and supervisors attend of the board when the trustee like fords to a trustee office row bill have excused themselves and benefit that not join the vote.</p> <p>(4) Liability insurance is acquired for directors and supervisors according to the articles of Incorporation.</p>		

Item	Operation	Deviation from the rules Governing Listed & OTC corporate governance and the causes
8. If there is an internal evaluation report or an independent appraisal report furnished on corporate governance, the internal (external) performance evaluation report must be furnished with the nonconformities (or suggestions) and corrective actions detailed: The company assisted “Asia Pacific Industry Analysis Association (APIAA)” in training its members with industrial technology, market information analysis, consultation competence, so as to enhance our country’s industrial competitiveness. In addition, the company also donated fire-fighting equipment to the voluntary fire brigade of Shulin City Office. As a whole, the company is dedicated to a variety of public welfare activities in an attempt to contribute to society.		

- (4) Please state the systems and measures of the company in fulfilling corporate social responsibility (for example, human rights, employee’s welfare, environmental protection, community watch, relationship with suppliers, and related party’s rights) :
The company sponsored “TPCA (Taiwan Printed Circuit Association)” to establish industry technology and market information service. Furthermore, the company also sponsored “Phoenix Hope Engineering Education Foundation” to care for education and cultivate talents. The company believes in the operating concepts of devotes by each public welfare activity, carries out the enterprise back coupling society function.
- (5) Enquiry of corporate governance rules and related regulations: Please go to the corporate governance section of the “Market Observation Post System” °
- (6) The information to help investors more aware of how the company’s corporate governance is operated:
a. Please go to “Investor Relations” of company’s website www.topoint.tw
b. Advanced study the governance rules of Mangers:

Title	Name	Date	Organizing unit	Curriculum	Time
Audit Manger	Lin Rong-le	2008.11.25	TWSE	The Corporate Governance and Prohibition against Insider Trading	3hr

- (7) Execution of internal control system:
a. Internal control declaration: Please refer to P. 51 in the annual report for details
b. Entrustment of CPA to audit internal control system: N/A

- (8) The punishments applied to the company and its employees due to law violation, the punishments applied by the company to its internal employee due to violation of internal control system, major drawbacks and improvement in the recent year and the current year as of the annual report publication date:

As regulated by the company, other than including the violation of internal control system in the rating of personnel annual performance evaluation, the company has also given a detailed account of the punishments, major drawbacks and expected improvement deadline in each audit report. At the same time, the audit unit has continued to track the improvement status and make records. The major drawbacks had been corrected in the recent year and the current year as of the annual report publication date.

- (9) Major resolutions made in shareholders' meetings and board meetings in the recent year and the current year as of the annual report publication date:

A. The company had the 2008 general shareholders meeting held with the following resolution reached (06/13/2008):

- (a) Recognized 2007 final account statements.
- (b) Recognized 2007 earnings distribution
To distribute \$2.7859/share of cash dividends and give 119.3981 shares/1000 shares of scrip dividends.
The board of directors is authorized to adjust the ensuing change to be caused by the change in shareholder's stock dividend/cash dividend rate resulting from the outstanding shares which are influenced by the change of capitalization.
- (c) Passed the company's issue of new shares from capital increase by 2007 earnings and employee bonus recapitalization
- (d) Passed the revision of the company's "endorsement guarantee regulations"
- (e) Passed the revision of the company's "derivatives trading procedure"
- (f) Passed the revision of the company's "Articles of Incorporation "
- (g) Passed the revisions of the Mainland China investment cap amount.
- (h) Passed the elect one Independent Director.
- (i) Passed the release the non-competition restriction of Independent director elected as an individual.

As approved by Financial Supervisory Commission, Executive Yuan with doc. no. jin-guan-zeng (1) 0970033324 on July 3, 2008, the company set July 25, 2008 as the based day for the release of the common stock's cash dividends and capital-increased stock dividends. The dividends would be released on September 17, 2009 on which the trading of the stock dividends could also begin in the TSMC market.

B. Board meetings

Date	Contents
1. Jan 29, 2008	1. Approved the suspension of capital increase by cash.
2. Mar. 7, 2008	1. Approved the 2007 Profit Distribution Proposal. Cash dividends of NT\$265,972,982 (NT\$2.7859 per share) Stock dividends of NT\$113,988,410 (119.3981 shares for each 1,000 shares owned) 2. Approved to convene the 2008 Regular Shareholders'

Date	Contents
	Meeting.
3. July 10, 2008	1. Approved the record date for common share dividend.
4. Aug. 28, 2008	1. Approved the Financial Statements of first half year of 2. Approved capital increase from earning of its subsidiary (Shanghai Topoint Precision Technology Company)
5. Mar. 17, 2009	1. Approved the financial Statements and Business Report of 2008. 2. Approved the 2008 Profit Distribution Proposal. Cash dividends of NT\$10,586,193(NT\$0.0988 per share) Stock dividends of NT\$95,275,730(88.99 shares for each 1,000 shares owned) 3. Approved the election of directors and supervisors. 4. Approved the release of non-competition restriction of directors elected as an individual. 5. Approved the amendment of Company's "Articles of Incorporation". 6. Approved the amendment of Company's "Endorsement and Guarantee Procedure" & "External Lending Procedure" & "Derivatives Transaction Procedure". 7. Approved to convene the 2009 Regular Shareholders' Meeting.

(10) The directors or supervisors who have objected to the resolutions reached by the board of directors and the objections are recorded or declared in writing in the most recent years and up to the date of the annual report printed: N/A

(11) The resignation or discharge of personnel who are responsible for financial statements in the most recent years and up to the date of the annual report printed.

Title	Name	Employment date	Dismissal date	Reasons of resignation or discharge
Financial manager	Lien Zhen-huei	Aug. 3, 2000	Jun. 26, 2008	Leave Without Pay

4. CPAs Fees: N/A.

5. CPA's Information:

(1) Regarding former CPA:

Replacement date	Approved by the board of directors on Jun. 26, 2008.			
Replacement reasons	The CPA certifying the company's 2008 financial statements were Xie Jian-xin and Wu En-ming at Deloittee & Touche – Taiwan. However, due to the firm's internal task transfer and arrangement, the company's 2007 financial statements were certified by CPA Xie Jian-xin and Chen Zhao-mei.			
Please explain whether the termination or refusal of the commission is initiated by the entrusted or CPA.	The party		CPA	Entrustor
	Status		Not applicable	
	Took initiative in terminating the commission			
	Refusal (discontinuation) of the commission			
The opinions on the auditing reports in the recent two years and reasons, except the issue of unqualified opinions.	For the modified non-qualified opinions, the company has adopted the newly released SFAS no. 34 “Accounting for the Financial Instruments”, no. 36 “Financial Instruments: disclosure and presentation”, and the articles which have been modified as from Jan. 1, 2006 following the release of preceding articles.			
Different opinions with the issuer:	Yes		Accounting principle or practice	
			Disclosure of financial reports	
			Auditing range and steps	
			Others	
	No	√		
	Why	Not applicable.		
Other disclosure items: (The items required to be disclosed as per item 4, subparagraph 1 of article 11 in regulations governing the preparation of financial reports by securities issuers.)	N/A			

(2) Regarding successor CPA:

Name of the firm	Deloitte & Touche – Taiwan
Names of CPA	Xie Jian-xin and Chen Zhao-mei
Date of commission	As passed by the board of directors on June 26, 2008
Items and results of the consultation made before the commission for the possible opinions on the accounting process method or accounting principle and the financial reports of specific transactions	N/A
The written opinions from the successor CPA against the ones from the former CPA.	N/A

(3) The response made by former CPA for the issues listed in item 3 of subparagraph 1 of article 22 of “regulations governing the preparation of financial reports by securities issuers”: N/A

6. If the Chairman, President, and financial or accounting manager of the company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: N/A

7. Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads, and Shareholders 10% shareholding or more:

(1) Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads and Shareholders

Unit: share

Title	Name	2007		As of April 30	
		Net change in Shareholding	Net change in Share Pledged	Net change in Shareholding	Net change in Share Pledged
Chairman	Lin Xu-ting	348,067	1,500,000	-	-
Director	UMC Capital Corporation	201,909	-	-	-
Director	China Development Industrial Bank	762,937	-	-	-
Independent director	Lo Tsung-ming	251	-	-	-
Supervisor	Chen Gen-qing	138,621	-	-	-
Independent supervisor	Liang Shwu-jian	7,704	-	-	-
Independent supervisor	Niu Cheng-chie	2,119	-	-	-
President	Jiang Zhen-wen	5,969	-	-	-
V.P.	Wang Jia-hong	(134,387)	(250,000)	-	-
Plant Director	Huang Yin-ming	(4,624)	-	(40,000)	-
R&D Director	Chen Zhao-yang	(46,865)	-	(24,000)	-
Financial Manager	Ko Li-ching	1,119	-	-	-

(2) The information of the related party who was the corresponding party of the equity transfer: N/A

(3) The information of the related party who was the corresponding party of the equity pledge: N/A

8. The relation of the top ten shareholders as defined by Finance Standard Article 6: N/A

9. Investment form Directors, Supervisors, Managers and directly or indirectly controlled businesses:

Unit: Share

Trans-investment business	The company's investment		Investment made by directors, supervisors, managers and the businesses directly or indirectly controlled by the company		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Total shareholding ratio
Topoint Technology Co.,Ltd.(B.V.I)	3,130	100%	-	-	3,130	100%
Warpspeed Corporation(B.V.I)	50,000	100%	-	-	50,000	100%
Topoint Japan Co., Ltd.	312	52%	-		312	52%
Shanghai Topoint Precision Tool Co., Ltd.	-	-	-	100%	-	100%

IV. Stock subscription

1. Capital and shares:

(1) Stock capital

Unit: NT\$1,000/1,000 shares

Month / year	Issued price (\$)	Approved capitalization		Paid-in capitalization		Capital sources		Remarks	
		Shares	Amount	Shares	Amount	Amount	Source	Use of non-cash property to pay for the shares	Others
4/1996	10	1,500	15,000	1,500	15,000	15,000	Cash capital increase	-	04/12/1996 1996 Jien (3) Geng Zi No. 48510
5/1997	10	6,000	60,000	3,250	32,500	17,500	Cash capital increase	-	02/23/1998 1998 Jien (3) Jia Zi No. 124692
6/1998	10	20,000	200,000	9,920	99,200	49,200 17,500	Cash capital increase Capital surplus transfer	-	11/18/1998 1998 Jien (3) Jia Zi No. 259480
9/1999	10	20,000	200,000	13,852	138,253	20,800 18,253	Cash capital increase Earnings transfer	-	10/21/1999 Jing (1999) Shang Zi No. 08813853
5/2000	23	49,000	490,000	27,300	273,000	120,000 14,747	Cash capital increase, earnings and capital surplus transfer	-	06/28/200 Jing (2000) Shang Zi No. 089121529
05/2002	10	49,000	490,000	34,000	340,000	67,000	Earnings and capital surplus transfer	-	09/19/2001 Jing (2001) Shang Zi No. 0901372890
11/2002	20	49,000	490,000	39,000	390,000	50,000	Cash capital increase	-	01/03/2002 Jing (2001) Shang Zi No. 09001523010
12/2003	10	49,000	490,000	41,000	410,000	20,000	Cash capital increase	-	12/29/2003 Jing-Shou-Zhong Zi No. 09233192270
08/2004	10	42,693	426,930	42,693	426,930	16,930	Earnings transfer	-	10/05/2004 Jing-Shou-Zhong Zi No. 09332806590
10/2004	16.8	70,000	700,000	48,393	483,930	57,000	Cash capital increase	-	12/29/2004 Jing-Shou-Zhong Zi No. 09333262600
09/2005	10	70,000	700,000	55,258	552,581	68,651	Earnings and capital surplus transfer	-	09/16/2005 Jing-Shou-Shang Zi No. 09401183300
06/2006	10	140,000	1,400,000	65,258	652,581	100,000	Cash capital increase	-	06/20/2006 Jing-Shou-Shang Zi No 09501118760

Month / year	Issued price (\$)	Approved capitalization		Paid-in capitalization		Remarks			
		Shares	Amount	Shares	Amount	Amount	Source	Use of non-cash property to pay for the shares	Others
09/2006	10	140,000	1,400,000	75,428	754,288	101,707	Earnings transfer	-	09/07/2006 Jing-Shou-Shang Zi No. 09501202460
10/2006	10	140,000	1,400,000	76,116	761,161	6,873	Shares transferred from corporate bonds	-	10/07/2006 Jing-Shou-Shang Zi No. 09501232720
01/2007	10	140,000	1,400,000	77,388	773,882	12,721	Shares transferred from corporate bonds	-	10/23/2007 Jing-Shou-Shang Zi No. 09601018460
04/2007	10	140,000	1,400,000	78,605	786,050	12,168	Shares transferred from corporate bonds	-	04/17/2007 Jing-Shou-Shang Zi No. 09601080210
07/2007	10	140,000	1,400,000	84,242	842,421	56,371	Shares transferred from corporate bonds	-	07/23/2007 Jing-Shou-Shang Zi No. 09601175210
08/2007	10	140,000	1,400,000	95,469	954,691	112,270	Earnings transfer	-	08/24/2007 Jing-Shou-Shang Zi No. 09601206420
08/2008	10	140,000	1,400,000	106,868	1,068,680	113,988	Earnings transfer	-	08/28/2008 Jing-Shou-Shang Zi No. 09701219390
10/2008	10	140,000	1,400,000	107,056	1,070,565	1,885	Stock Option transfer	-	10/21/2008 Jing-Shou-Shang Zi No. 09701266600

Unit: share

Type of Shares	Authorized Shares			R e m a r k s
	Outstanding shares	Un-issued shares	Total	
Common stock	107,056,468	32,943,532	140,000,000	Listed shares

(2) Status of shareholders

April 30, 2009

Status of shareholders Q'ty	Government agencies	Financial institutions	Other institutional investors	Domestic Natural Persons	Foreign institutional & Natural Persons	Total
Number of shareholders	0	16	32	6,253	25	6,326
Shareholding	0	22,875,057	15,040,358	54,318,494	14,822,559	107,056,468
Shareholding ratio	0%	21.37%	14.05%	50.74%	13.84%	100.00%

(3) Status of Shareholding Distributed

Face value per share: \$10

April 30, 2009

Classification	Number of shareholder	Shareholding	Shareholding Ratio(%)
1-999	1,605	407,884	0.3810
1000-5,000	3,175	6,946,041	6.4882
5,001-10,000	673	5,094,632	4.7588
10,001-15,000	278	3,404,390	3.1800
15,001-20,000	142	2,576,710	2.4069
20,001-30,000	165	4,137,114	3.8644
30,001-40,000	78	2,696,438	2.5187
40,001-50,000	44	2,057,614	1.9220
50,001-100,000	72	4,978,614	4.6505
100,001-200,000	44	6,211,964	5.8025
200,001-400,000	17	4,899,565	4.5766
400,001-600,000	7	3,351,647	3.1307
600,001-800,000	3	2,185,265	2.0412
800,001-1000,000	3	2,747,463	2.5664
1000,001 以上	20	55,361,127	51.7121
Total	6,326	107,056,468	100

(4) Roster of Major shareholders:

April 30, 2009

Shareholding Shareholder's Name	Shareholding	Shareholding ratio
China Development Industrial Bank	7,152,796	6.68%
TLC Capital Co., Ltd.	5,185,253	4.84%
Lin Xu-ting	5,138,322	4.80%
Contracted Customer Investment Account of KGI Asia under the trusteeship of Standard Chartered Bank.	5,041,031	4.71%
Account of Cathay Greater China Fund	4,277,006	4.00%
Rui Zhan Investment Co., Ltd.	3,626,791	3.39%
Account of Cathay Small & Medium Capital Fund	3,417,522	3.19%
Account of CITC Marathon Fund	3,025,129	2.83%
Lin Liu-ze	2,910,710	2.72%
	2,311,878	2.16%

(5) Market price, net value, earnings, dividend per share and related information in the recent two years. .

Unit: NT\$/share

Unit: NT\$/share

Year			2007	2008	As of April 30,2009
Item					
Market price per share	Highest		123.00	66.00	27.30
	Lowest		63.60	12.80	14.20
	Average		85.94	38.90	19.35
NAV	Pre-distribution		25.83	23.16	23.77(note 1)
	Post-distribution		19.81	(note 2)	--
EPS	Weighted average shares		104,662,000	106,907,000	107,056,468
	EPS (pre-adjustment)		5.52	2.42	0.20(note 1)
	(post-adjustment)		4.92	(note 2)	--
DPS	Cash dividend		2.786	(note 2)	--
	Scrip issue	Stock dividend from retained earnings	1.194	(note 2)	--
		Stock dividend from capital reserve	--	(note 2)	--
	Accumulated dividends having yet to be paid		--	--	--
Analysis of ROI	P/E		17.47	(note 2)	--
	Dividend ratio		21.59	(note 2)	--
	Cash dividend yield		3.24%	(note 2)	--

Note 1 : The NAV and EPS shown above are the data certified by the CPA as of the 1st quarter of 2009.

Note 2: Subject to the approval of the annual shareholders meeting.

(6) Execution of Dividend Policy

a. Given the fact that the company is in its growing period and taking its future development, financial structure and shareholders' equity into account, the company has concurrently released stock and cash dividends, in which the cash dividend shall not be lower than 10% of the total shareholder bonus released in the current year.

b. The dividends planned to be distributed this year are as below: (the proposal has been passed by the board of directors, and planned to be submitted to the shareholders' meeting for discussion)

As passed in the board meeting on March 17, 2009 for 2008 earnings distribution, the company plans to distribute the stock dividend at \$0.8899 per share and cash dividend at \$0.0988 per share. (It is planned to request shareholders to authorize the board of directors to adjust the ensuing change to be caused by the change in shareholder's stock dividend/cash dividend rate resulting from the outstanding shares which are influenced by the change of capitalization).

(7) Impact of the proposed stock dividend in shareholders meeting on business performances and EPS: Not Applicable

Note: The Company did not have financial forecast proposed up to the date of the annual report printed.

(8) Employee bonuses and remuneration of directors and supervisors

a. The ratio or range of employee bonuses and remuneration of directors and supervisors stated in the corporate constitution:

If there is surplus in the company's annual final account, the surplus shall be first used to pay tax and cover past losses, followed by appropriating 10% of the remaining surplus as the legal reserve. Then, a special surplus reserve may be set aside as needed. If there is still a balance left, it can be added to the earnings accumulated from past years, and if it is resolved in the shareholders' meeting, the accumulated earnings can be used for the shareholder bonus, employee bonus and director/supervisor remuneration, in which the employee bonus shall be over 1% and below 25%.

b. Information of the employee bonus and director/supervisor remuneration passed by the board of directors:

1) The amounts of the employee cash bonus, stock bonus and director/supervisor remuneration planned to be distributed are as below:

As approved by the board of directors on March 17, 2009, it is expected to distribute \$17,449,768 of employee cash bonuses and \$3,489,954 of director/supervisor remuneration for 2008.

2) The shares of employee stock bonuses planned to be distributed and their ratio to the increased capital from earnings transfer: N/A

3) Recounted EPS after recommended distribution of dividend to employees and remuneration to directors and superiors is NT\$2.42.

c. The actual distributions of dividend to employees and remuneration to directors and supervisors with retained in 2007:

	Resolved in shareholders meeting on June 13,2008	Resolved by board of directors on March 26,2007	Difference
Distribution status:			
Employee cash bonus	69,505,000	69,505,000	-
Employee stock bonus			
Shares	-	-	-
Amount	-	-	-
Ratio to the outstanding shares at the end of 2007	-	-	-
Director/supervisor remuneration	\$13,901,000	\$13,901,000	-
Information of EPS			
Original EPS	\$5.52	\$5.52	-
EPS taking bonuses and remuneration into account	\$4.63	\$4.63	-

(9) Treasury stock: N/A

2. Corporate bonds: N/A

3. Preferred stock: N/A

4. ADR/GDR: N/A

5. Employee stock option certificates :

(1) The handling status as of the annual report publication date, and the influence on shareholders' equity:

April 30, 2009

Cat. of employee stock option certificates	1 st time (phase) Employee stock option certificate	2 nd time (phase) Employee stock option certificate
Date approved by the competent authority	March 29, 2006	Dec. 13, 2007
Issue date	Apr. 7, 2006	Dec. 18, 2007
Issued units	5,520	5,000
Ratio of the shares eligible for subscription to total issued shares	5.16%	4.67%
Share subscription period	For Apr. 7, 2006 through Apr. 7, 2011	For Dec. 18, 2007 through Dec. 18, 2012
Fulfillment method	The common stock newly issued by the company	The common stock newly issued by the company
Restriction on subscription and ratio (%)	Two years of seniority: 50% ; Three years of seniority: 75% ; Four years of seniority : 100%	Two years of seniority: 50% ; Three years of seniority: 75% ; Four years of seniority : 100%
Shares acquired	188,500	-
Amount of executed subscription shares	6,113,055	-
Unexecuted subscription shares	3,911,000	4,234,000
The unexecuted subscription share price	32.43	56.60
The ratio of the unexecuted subscription shares to total issued shares (%)	3.65%	3.95%
Influence on shareholders' equity	The issue of employee stock option certificates may create common interests between the company and its shareholders. Furthermore, the issued shares have only very trivial impact on equity dilution, so no significant influence will be made on shareholders' equity	The issue of employee stock option certificates may create common interests between the company and its shareholders. Furthermore, the issued shares have only very trivial impact on equity dilution, so no significant influence will be made on shareholders' equity

(2) Acquisition and subscription status of the managers acquired the employee stock option certificates, and the employees who acquired top 10 employee stock options, in which the subscription amount is more than NT\$30 million as of the annual report publication date:

April 30, 2009

	Title	Name	Acquired subscription shares	Ratio of acquired subscription shares to total issued shares	Executed				Not yet to be executed			
					Executed subscription shares	Executed subscription price	Amount of executed subscription shares	Ratio of the executed subscription shares to total issued shares	Unexecuted subscription shares	Unexecuted subscription share price	Amount of unexecuted subscription shares	Ratio of unexecuted subscription shares to total issued shares
Managerial personnel	CEO	Lin Xu-ting	1,460 1,300	1.36% 1.21%	-	-	-	-	1,460 1,300	32.43 56.6	47,348 73,580	1.36% 1.21%
	President	Jiang Zhen-wen										
	Vice President	Wang Jia-hong										
	Plant Director	Huang Yin-ming										
	R&D Director	Chen Zhao-yang										

6. Merger and acquisition (including merger, acquisition, and split): N/A

7. Fund implementation plan:

Up to the last quarter before the printing of the financial statements, outstanding equity issuance or marketable security subscription or the completed equity issuance or subscribed marketable security without success: Not applicable.

Up to the last quarter before the printing of the financial statements, equity issuances were completed successfully.

V. Overview of business operation

1. Principal activities

(1) Scope of Business

- ①. Major Business the Company has Engaged
 - i. Manufacture and sales of micro-drill bits exclusively for printed circuit boards
 - ii. Manufacture and sales of digital drilling machines exclusively for printed circuit boards
 - iii. Manufacture and sales of the peripheral facilities for the process of printed circuit boards
 - iv. General export/import trading and agency businesses

②. Major products and their ratios in the company's total businesses

Unit: NT\$thousand

Business items	2007		2008	
	Amount of sales	% in revenue	Amount of sales	% in revenue
Drill bit	1,057,566	68.45	768,300	66.96
Router bit	265,404	17.18	172,386	15.02
Others	222,119	14.37	206,768	18.02
Total	1,545,089	100	1,147,454	100

③. Major Products of the Company

Product		Specification
Drill bit	Micro size	Below 0.25mm
	Mini size	0.30mm~0.45mm
Router bit	Micro size	0.50 mm~0.75mm
	Mini size	0.80mm~3.175mm
	Large size	Over 3.175mm

④. New Products under Development

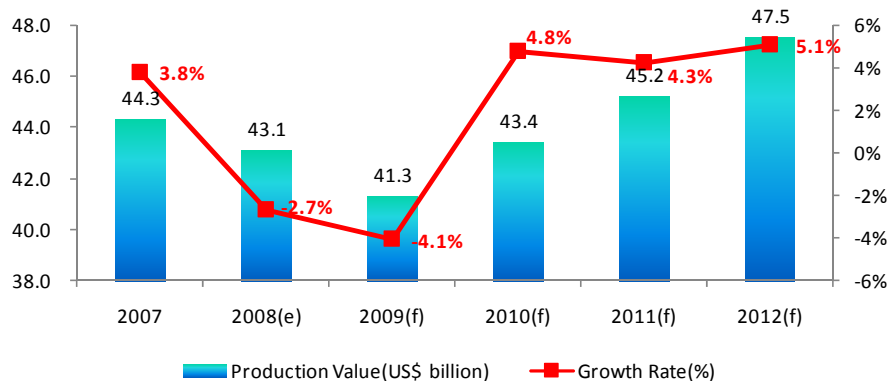
- i. Development of micro drills continuously
- ii. Development of micro routers continuously
- iii. Development of high aspect ratio drills and longer lifetime cutting tools

(2) Industry Overview

①. Industry Status and Development

Drills are one of critical material applied to the PCB manufacturing process. PCB market was affected by worldwide financial crisis in 2008. According to IEK survey, global PCB production value was US\$43.1 billion in 2008, representing 2.7% decline compared with 2007. IEK also estimates global PCB production value in 2009 at US\$41.3 billion, down 4.1% from 2008, and it will not recover until 2010.

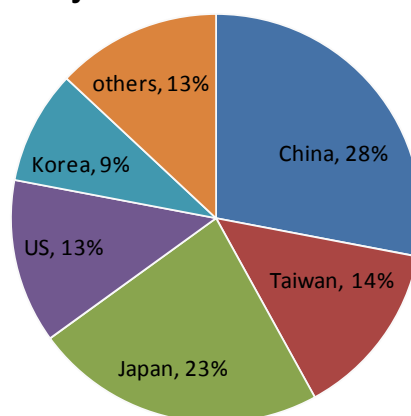
Global PCB Production Value



Data source : IEK(2008/12), compiled by the company

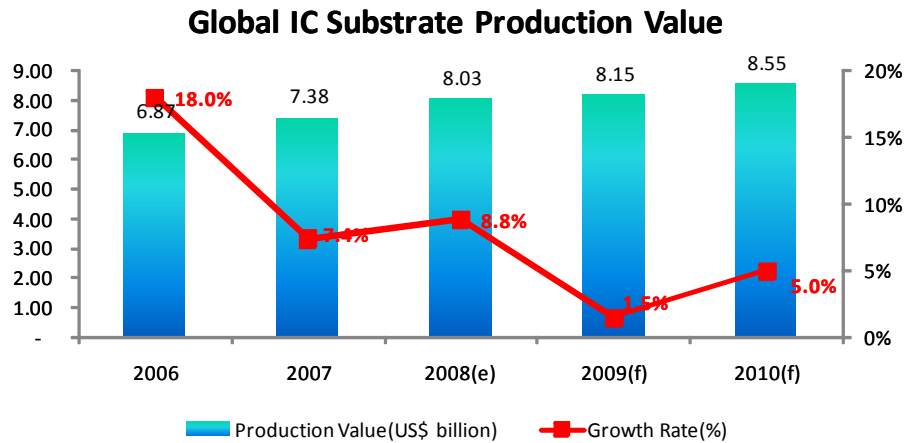
China has taken the lead to have 28% share among PCB production countries in 2008. Its production value is US\$12.1 billion with 0.9% growth. In 2009, China market will be also impacted by global economic crisis but the decline will be less than worldwide average level. Its production value is estimated to be US\$11.8 billion, down 2.4% compared with 2008. Current production are mainly low-end products (e.g. traditional PCBs), but the percentage of mid-to-high end products (e.g. HDI and IC substrate) will gradually increase in China. Japan account for 23% of global PCB production value. High-end HDI, IC substrates, and flexible boards are produced domestically in Japan, and the rest products are moving to the production base in South-East Asia. Taiwan takes 14% of global production value in 2008. PCB manufacturers in Taiwan are approaching higher HDI technology level, higher layer, and substrates. In the year 2009, the percentage of major production countries is projected to at the similar level as the previous year.

2008 Major PCB Production Region



Data source : IEK(2008/12), compiled by the company

Micro-size drills are mainly applied to IC substrates. According to IEK, the global production value of IC substrates in 2008 was US\$8.03 billion representing an annual growth of 8.82%. As estimated, IC substrates production value would reach US\$8.15 and US\$8.55 billion in 2009 and 2010 respectively. New applications (e.g. netbook, game console, LCD TV) drive the growth of IC substrate is superior to the overall PCB industry.



Data source : IEK(2008/11), compiled by the company

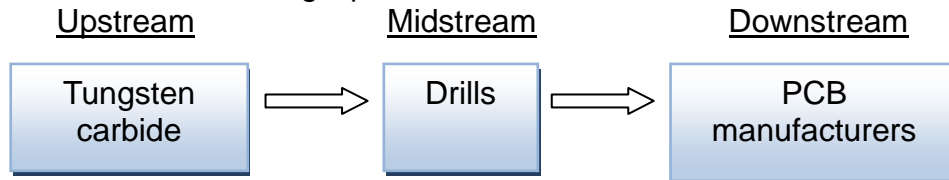
IC substrates are carriers for ICs of all kinds of electronic products. The following table explains the relations between substrate types and end applications. Flip Chip substrates will be the main stream for high end packaging. This trend will also bring demand for micro-size drills.

Current and Future Substrate Types of Different Applications

Application	Current Substrate Type	Product Trend	Future Substrate Type
Computer	FC	<ul style="list-style-type: none"> Intel's 45nm process Chipset integration Low cost NB 	FC
Communication	CSP	<ul style="list-style-type: none"> High-end cellular phone (smart phone) Cell phone chip move to 65nm process 	FC CSP
Consumer	BGA	<ul style="list-style-type: none"> Pixel and transfer speed request from family digital peripheral devices 	FC

Data source : IEK(2008/11), compiled by the company

②. Correlations among Upstream, Midstream and Downstream Industries



③. Product Development

- i. The market has continued rolling out “thinner and smaller” products, which has made the twin-high (high function and high speed) the mainstream. At the same time, the industry has also continued to develop products with high frequency, high speed and multiple IO chips. As a result, the design of PCB has to be developed towards the attributes of high hole density, finer line width/space, and multiple electrical components. Hence, the demand for drilling quality has become more critical.

- ii. Chipsets, memories or cell phones are major applications of high-end substrates. The major trend is toward smaller size and more units. It will increase the demand of micro-size drills.
- iii. Due to increasing worldwide consciousness of green environmental protection, higher norms (e.g. Halogen-Free, Lead-Free and High Tg, etc.) for PCB materials will be imposed. Under such circumstances, it is imperative for the company to take measures as early as possible to counter the change in materials, so our drilling quality can comply with the future market demand.

④. Competition Status

In the early days, Japan and Europe manufacturers were the mainstay of global drill production. However, in the face of new electronic products that keep rolling out in recent years, those electronic giants could no longer sustain intense price competition, so the production has gradually been moved to Asian area. Drills are indispensable materials in the overall electronic supply chain, so they have also shown some change in competition. Led by Union Tool, Japan-based drill production is still taking up the highest global market share. On the other hand, as strangled by the problems of cost and technology, Europe drill manufacturers have gradually lost their market share to Taiwan drill manufacturers. Currently, the market share taken by Taiwan drill manufacturers has continued to grow.

There is difference for the drills being applied to general PCB and IC substrates in terms of the hole diameter and technology level. The manufacturers in Taiwan and China have mainly produced the mini sizes (more than 0.30 mm) for traditional PCBs. Since there are too many competitors in this sector, it results in severe price competition. On the other hand, Japanese drill manufacturers have mainly produced micro sizes (lower than 0.25 mm) for HDIs and IC substrates. The company has also mainly produced drills with sizes lower than 0.25 mm. Except for Japanese manufacturers, the company currently has the highest micro-drill output in the world.

(3) Technology and R&D Overview

①. R&D personnel and their education as well as work experience

April 30, 2009

Item / Education	PhD / Masters	University graduates	Senior high school	Total	Service seniority
No. of personnel	2	8	0	10	12
Ratio	20%	80%	0%	100%	5.92

②. Amounts invested in annual R&D in the recent five years

Unit: NT\$thousand

Item / year	2004	2005	2006	2007	2008
R&D expense	21,486	38,234	36,220	36,517	39,521
Sales revenue	631,050	829,749	1,241,680	1,545,089	1,147,454
Ratio	3%	5%	3%	2%	3%

③. The products and technology successfully developed

2004	Development and mass production of 0.075mm drills
2005	Development and mass production of 2mm shank drills
2006	Development and mass production of 2 blade router type of BOC routing. Development and trial production of 0.05mm drills.
2007	Development and trial production of composite 2mm shank drills. Development and mass production of new generation composite material.
2008	Development and mass production of composite 2mm shank drills. Development and trial production of 0.03mm drills.

④. Long and Short-term Business Development Plans

i. Short-term Plan

a. Marketing Strategy

- Continuously increase market share from tier-1 clients in China and Taiwan.
- Profoundly develop the Japan, European and US market.
- Build up comprehensive customer service and technology supporting system, to provide integrated resolutions according to clients demand in a timely basis.

b. Production Strategy

- To keep the production across the straits flexible and agile considering lowest cost and gaining optimal production and sales benefits.
- To execute various projects to enhance output performance, improve production yield, and control every item of production cost.

c. R&D Strategy

- To develop drills with higher aspect ratio and longer lifetime in order to form higher entry barrier.
- To develop drills applicable to the use of green laminate material and grasp the trend of technology development.

ii. Long-term Plan

- Continue to devote its efforts to pursue the balance of the markets (Taiwan, China, Japan, Korea, Europe and US) and the applications (Computer, Communication and Consumer products) and being the leading drill manufacturer of the world.
- Continue to seek any opportunity of strategic alliances to enforce the company's competitive capacity.
- Continue to develop and promote high value-added cutting tools.

2. Market analysis and the condition of sale and production

(1) Market Analysis

①. Sales Breakdown by Region

Unit: NT\$thousand

Region Year		2008		2007	
		Amount of sales	% in revenue	Amount of sales	% in revenue
Domestic sales		825,239	53.41%	650,891	56.72%
Export sales	China	440,139	28.49%	317,472	27.67%
	Korea	258,246	16.71%	158,312	13.80%
	Japan	15,751	1.02%	7,653	0.67%
	Others	5,714	0.37%	13,126	1.14%
	Sub-total	719,850	46.59%	496,563	43.28%
Total		1,545,089	100%	1,147,454	100%

②. Market Share

According to the company's estimation, global drill demand of hot season (highest utilization of the year) is about 88 million pieces per month. The company's global market share was 17% according to its monthly average sales volume is 15 million pieces in the same period. In terms of market share, the company is the 2nd largest drill manufacturer throughout the world.

③. The Status of Future Market Demand and Supply and its Growth

i. Demand Side

With the trend of electronic products being thinner and smaller with multi-function, circuit layout miniaturization has naturally turned out to be a related trend. Thus, the growth of the annual demand for drills is equivalent to (the growth rate of PCB/IC substrates) X (the growth rate of layout density). As estimated by Prismark, the compound growth rate of global IC substrates for 2008 through 2013 would be about 3.7%. By multiplying it with the growth rate of layout density, the annual growth rate of drill demand is estimated to be around 10%.

ii. Supply Side

Total monthly capacity of top six drill suppliers which take over 80% of global shares is around 93 million pieces at the end of 2008. In 2009, there is no capacity expansion plan among drill manufacturers. It will be helpful for the balance of demand and supply situation when the market demand recover.

④. Competition Niche and Advantages/Disadvantages for the Future Development and Solutions

SWOT Analysis

Strength	Weakness
<ol style="list-style-type: none"> 1. Key technologies for micro-drill: the company accurately follows the development trend of IC substrates to become the only local manufacturer capable of giving mass production of 0.075mm products. Its technology level is at the same level with Japanese suppliers. 2. Good cost control ability: The company perfects its processing management system, uses automatic processing technology, accumulates its micro-drill mass production scale, enhances cost control efficiency and utilizes the edge of material cost to present its competitiveness. 3. Comprehensive customer base: Given that the existing clients are worldwide well-known manufacturers and the orders placed by them are very stable, the company will continue to develop new clients in the markets of Taiwan and China. 	<ol style="list-style-type: none"> 1. Influence of the condition of electronic supply chain and dependence on PCB cutting tool sales. 2. High proportion of sales is from Taiwan, China and Korea. Now the company is strengthening its business in the rest of overseas markets. 3. Main raw material of the company's products is tungsten carbide. The company's bargaining power is relatively weak because of its characteristic of rareness. In the event of huge and drastic hike of raw material, the company's material cost will be affected.
Opportunity	Threat
<ol style="list-style-type: none"> 1. New generation of electronic products and technology, like smart phones and high-end substrates, will increase the demands of micro drills. 2. New clients development in the Japan, Europe, and US market will bring sales and profit to the company. 	<ol style="list-style-type: none"> 1. Severe price competition for the low-end products in the industry is likely to result in vicious competition in the market.
Solutions	
<ol style="list-style-type: none"> 1. To strengthen the company's global marketing and distribution deployment to develop tier 1 clients in Japan, Europe and US market. 2. To expedite R&D and give mass production of the drills with high aspect ratio. In order to use the high performance drills, more precision mass production technology shall be equipped. Thus, the manufacturers using our advanced drills can be more competitive than their rivals in the industry because it requires a higher threshold to have their competitors simulate the required skills. 3. To strengthen process management capability, enhance the yield rate and effectively reduce the production cost. 4. To develop new type of raw material, and further reduce the company's material cost. 	

(2) Major Applications and Production Process of the Main Products

①. Major Applications of the Main Products

Item	Major Functions	Major Applications
Drills	Used to open through-holes for interlayer of IC substrate, HDI, traditional PCB and FPC	Computer : PC, notebook, server Communication: cell phones, PDA Consumer: TV, digital camera, game console, DVD, set-top box
Routers	Used to cut printed circuit board	

②. Production process



③. Supply Status of Major Materials

The major material of the company's products is tungsten carbide. Its material features and quality stability are the major concern of the company in purchase. The company has established good relationship with its suppliers, hence the supply has kept normal and stable.

Major material	Suppliers	Supply status
Tungsten carbide	Japan-based Mitsubishi Japan-based Sumitomo	Good

④. Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years:

a. Material supplier list

Unit: NT\$1,000

2007				2008			
Name	Amount	Ratio to annual purchase net amount (%) [%]	Relationship with the issuer	Name	Amount	Ratio to annual purchase net amount (%) [%]	Relationship with the issuer
Sumitomo	160,676	28.38%	N/A	Sumitomo	139,349	31.99%	N/A
Mitsubishi	115,467	20.40%	N/A	Mitsubishi	85,720	19.68%	N/A

Reasons for the change in increase or decrease: Percentage of changes is under 10%.

b. List of major clients

Unit: NT\$1,000

2007				2008			
Name	Amount	Ratio to annual net sales turnover (%)	Relationship with the issuer	Name	Amount	Ratio to annual net sales turnover (%)	Relationship with the issuer
Client A	440,139	28.49%	Subsidiary	Client A	315,993	27.54%	Subsidiary
Client B	198,885	12.87%	N/A	N/A	N/A	N/A	N/A
Client D	158,153	10.24%	N/A	N/A	N/A	N/A	N/A

Reasons for the change in increase or decrease: Three of my customers possessed over 10% of sales in 2007, while the ratio of the main customers was between 5% and 9% in 2008 because of considering the operating risk.

⑤. Output values in the recent two years

Unit: NT\$1,000/1,000pcs.

Year/output value Major products	2007			2008		
	Production capacity	Output	Output value	Production capacity	Output	Output value
Precision drills	65,161	64,280	633,482	65,161	59,074	568,423
Precision milling cutters	9,277	9,076	146,841	9,277	7,462	85,570
Total	74,438	73,356	780,323	74,438	66,536	653,993

⑥. Sales turnovers in the recent two years

Unit: NT\$1,000/1,000 pcs

Year/sales turnover Major products	2007				2008			
	Domestic sales		Export sales		Domestic sales		Export sales	
	volume	value	Volume	Value	Volume	Value	Volume	Value
Precision drills	32,235	598,820	28,395	458,746	30,441	486,168	21,189	282,132
Precision milling cutter	6,900	218,909	1,134	46,495	6,074	157,048	462	15,338
Others	705	7,510	42,845	214,609	808	7,675	30,613	199,093
Total	39,840	825,239	72,374	719,850	37,323	650,891	52,264	496,563

3. Status of employees:

Year		2006	2007	2009 as of April 30
Number of employees	Indirect	90	76	73
	Direct	236	120	121
	Total	326	196	194
Average age		31.1	32.2	32.7
Average service years		2.98	4.15	4.4
Education distribution ratio	PhD	0%	0%	0%
	Master	2.5%	2.7%	3.1%
	College	40.5%	42.9%	43.1%
	Senior high school graduate	48.2%	47.3%	46.7%
	senior high school and Below	8.9%	7.1%	7.1%

4. Expenditure on Environmental Protection:

(1) To elaborate on the amount the company spent on loss (including compensation) and punishment caused by environmental pollution for the recent two years and the current year as of the annual report publication date, and disclose the counter measures (including improvement measures) and possible disbursements (covering the estimated amounts of possible losses, punishments and compensation caused by not taking counter measures. If the amounts can not be appropriately estimated, please state why): N/A

(2) Influence of RoHS :

As confirmed by the Industrial Development Bureau of Ministry of Economic Affairs as per doc. Guang-Dian-Zi no. 09500240130 dated March 29, 2006, the company is free from the restriction of RoHS requested by EU for hazardous substances.

5. Employee / Employer relation:

(1) Employee's working environment and personal safety

- i. To institute the guidelines of safety and health operation
- ii. To non-periodically hold safety and health education seminars
- iii. To post warning signs

(2) Appraisal of employee's behavior and morality

- i. To institute "behavior code" for directors, supervisors and managers to follow.
- ii. To institute "employee reward and punishment management regulations" for employees to follow. In the event requiring giving a boost and punishment to an employee, the regulations shall be applied as the standards.
- iii. Additionally, employee performance evaluation standards have also been specifically laid down, so employees will know how to comply with the behavior expected by the company.

(3) Employee welfare

To value its employees and take good care of them, the company has set employee recreation areas, and offered extra life and medical insurance to protect its employees, in which the field personnel are given higher benefit limits of accident insurance.

There is an employee welfare committee set in the company to plan a variety of employee welfare activities. Other than holding employee traveling and other recreational activities, the company also sends gifts or prizes for marrying and child birth cases and gives education subsidies, consolation money, holiday benefits and birthday gifts, etc. to its employees.

(4) Employee advanced studies and training

By instituting the "implementation and management procedure of education training", the company has conducted a variety of training courses as scheduled, so the employees across the board can be capable of taking on the tasks. In order to ensure the efficiency of the training, the training system is divided into: internal and external training courses and accreditation appraisal. The company has given language, oriental and on-the-job training to its employees, aggressively trained their own lecturers from within, and encouraged its employees to self study. It is anticipated that, by cultivating professional talents in the company through the training system and encouraging employee's persistent self-studies, employees' quality will be enhanced and the working efficiency will be boosted. At the same time, the company has also brought out the knowledge management system and hoped that, through the knowledge management platform, more talents will be quickly nurtured, technology can be enhanced and experiences can be forever passed along,

This company 97 year conduct each kind of training program altogether 32 school grade orders, the curriculum hour altogether 583.5 hours, the participation curriculum staff reaches 567 people, the education and training expense 157,000 dollar . The curriculum altogether divides into 5 broad headings, the curriculum category with carries out the condition to be as follows:

Item	class	hour	people
Specialized kind of training	16	207	306
Management training	1	42	21
New person training	2	132	22
Computer training	10	32.5	37
Laborer safety and health training	3	170	181
Total	32	583.5	567

(5) Employee's retirement system

The company follows chapter 6 of Labor Standard Law to implement employee retirement related affairs. It has monthly contributed employee pension reserves as regulated in the old system and labor pension as regulated in the new system.

(6) Labor relations

Since its establishment, the company has valued employee's welfare, interests and rights, so its labor relationship has kept amicable. The company has periodically met with its employees, encouraged employees to submit proposals and set suggestion boxes for employees to reflect their opinions, in order to have good interaction and build harmonious labor relations.

(7) Were there any labor disputes resulting in the loss or possible loss of the company in the recent year and the current year as of the annual report publication date? If so, what is the loss or estimated loss amount? Are there any counter measures to be taken? If the amount can not be appropriately estimated, please state why:

The labor dispute has been settled in May 2008. An agreement was signed to terminate the employment relationship between the subject employee and the company on May 15th, 2008, and the company has disbursed NT\$ 256,149 in the settlement.

6. Important agreements (including supply and sales contracts, technical corporation contracts, engineering contracts, long-term loan contracts, and the important contracts which may influence shareholders' equity)

Contract characteristics	The interested party	Contract start and end dates	Major content	Restriction
Long-term loan contract	China Development Industrial Bank	2005.12.28 ~ 2012.4.27	Installments	N/A
Long-term loan contract	Taiwan Cooperative Bank	2004.5.27 ~ 2014.9.24	Installments	N/A
Long-term loan contract	Syndicated loan - Industrial Bank of Taiwan, etc.	2008.8.25 ~ 2011.8.25	Installments	N/A

VI. Financial information

1. Condensed balance sheet and Income statement of the last five years

A. Condensed Balance Sheet

Unit: NT\$ Thousands

Item \ Year		Condensed Balance Sheet of fiscal year 2004~2008					As of March 31, 2009 (Audited by CPAs)
		2004	2005	2006	2007	2008	
Current Assets		578,883	668,293	997,918	1,183,344	1,254,899	946,523
Funds&investments		197,897	373,928	587,712	1,078,436	1,353,866	1,588,328
Fixed Assets		481,875	828,123	1,469,448	1,901,401	1,734,551	1,686,260
Intangible Assets		-	-	-	-	-	-
Other Assets		20,918	29,478	52,283	20,565	55,904	49,359
Total Assets		1,279,573	1,899,822	3,107,361	4,183,746	4,399,220	4,270,470
Current Liabilities	Before allocation	322,410	535,309	840,756	1,042,632	571,680	496,495
	After allocation	336,782	624,906	-	-	-	-
Long-term Liabilities		193,491	381,541	535,020	767,432	1,263,211	1,146,725
Other Liabilities		7,716	6,911	21,823	109,470	85,369	82,022
Total Liabilities	Before allocation	523,617	923,761	1,717,658	1,841,537	1,920,260	1,725,242
	After allocation	537,989	1,013,358	-	-	-	-
Capital Stock		483,930	552,581	773,882	954,692	1,070,566	1,070,566
Capital surplus		182,431	175,172	619,648	841,477	845,705	845,705
Retained earnings	Before allocation	106,398	243,909	603,314	680,757	398,461	419,945
	After allocation	30,633	-	-	-	-	-
Unrealized gain on financial instruments		-	-	-	932	-	4,992
Cumulative translation adjustments		(16,803)	4,399	18,742	65,673	164,228	204,020
Total shareholders' equity	Before allocation	755,956	976,061	-	2,466,088	2,478,960	2,545,228
	After allocation	741,584	886,464	-	-	-	-

B. Condensed Income Statement

Unit: NT\$ Thousands

Item \ Year	Condensed Income Statement of fiscal year 2004~2008					As of March 31, 2009 (Audited by C P A s)
	2004	2005	2006	2007	2008	
Net sales	631,050	829,749	1,241,680	1,545,089	1,147,454	143,805
Gross Profit	198,239	281,789	471,488	604,739	424,919	19,015
Operating Income	112,689	156,057	316,978	420,319	212,997	(788)
Non operating income	21,820	74,532	116,922	212,313	204,718	38,358
Non operating expenses	26,175	35,258	39,099	54,499	146,032	9,953
Income from continuing operations before Tax	108,334	195,331	394,801	578,133	271,683	27,617
Income from continuing operations	99,020	213,274	364,026	514,853	258,515	21,484
Income from discontinued operations	-	-	-	-	-	-
Extraordinary gain (loss)	-	-	-	-	-	-
Cumulative effect of change in accounting principle	-	-	964	-	-	-
Net Income	99,020	213,274	364,990	514,853	258,515	21,484
EPS(\$)	2.31	3.26	5.10	5.52	2.42	0.20

C. Auditing by CPAs

CPAs and their auditing opinions in the past five years

Year	CPAs	Opinions
2004	Shieh Chien-Shin, Yu Chih-Hui (Deloitte & Touche-Taiwan)	Unqualified
2005	Wu En-Ming, Chen Chao-Mei (Deloitte & Touche-Taiwan)	Unqualified
2006	Shieh Chien-Shin, Wu En-Ming (Deloitte & Touche-Taiwan)	Amended Unqualified
2007	Shieh Chien-Shin, Wu En-Ming (Deloitte & Touche-Taiwan)	Unqualified
2008	Shieh Chien-Shin, Chen Chao-Mei (Deloitte & Touche-Taiwan)	Amended Unqualified

2. Financial analysis in the past five years

Item \ Year		Financial analysis in the past five years					As of March 31, 2009 (Audited by CPAs)
		2003	2004	2005	2006	2007	
Financial structure (%)	Ratio of liabilities to assets	40.92	48.62	41.11	41.06	43.65	40.40
	Ratio of long-term capital to fixed assets	197.03	163.94	160.94	170.17	215.74	218.94
Solvency (%)	Current Ratio	179.55	124.84	138.47	140.75	219.51	190.64
	Quick Ratio	143.23	94.76	89.12	99.90	145.47	116.03
	Times interest Earned Ratio	11.98	20.23	14.64	18.88	6.9	3.78
Operating ability	Account Receivables Turnover (times)	2.62	2.51	3.30	3.25	2.5	2.02
	Days sales in accounts receivable	139.10	145.23	110.71	112.24	146.20	180.30
	Inventory Turnover (times)	3.82	3.89	2.96	2.74	1.93	1.50
	Account Payable Turnover (times)	7.74	6.13	7.82	9.25	11.03	23.09
	Average days in sales	95.58	93.88	123.22	133.32	189.15	243.48
	Fixed Assets Turnover (times)	1.31	1.00	0.84	0.81	0.66	0.34
	Total Assets Turnover(times)	0.49	0.44	0.40	0.37	0.26	0.13
Profitability	Ratio of Return on assets (%)	9.11	13.90	15.38	14.73	6.82	2.67
	Ratio of Return on shareholders' equity (%)	14.72	24.63	26.02	23.97	10.46	3.42
	Ratio to issued capital stock (%)	Operating income	23.29	28.24	41.64	44.03	19.90
		Income before tax	22.39	35.35	51.87	60.56	25.38
	Profit ratio (%)	15.69	25.70	29.39	33.32	22.53	14.94
	EPS (\$)	2.31	3.86	5.10	5.52	2.42	0.20
Cash Flows (%)	Cash flow ratio (%)	53.11	19.46	30.28	51.16	72.56	25.12
	Cash flow adequacy ratio (%)	29.67	36.01	34.76	36.64	40.47	35.27
	Cash reinvestment ratio (%)	12.47	5.40	4.85	6.09	3.49	2.93
Balance	Degree of operating leverage	2.70	2.44	2.06	1.94	3.19	-84.48
	Degree of financial leverage	1.10	1.07	1.09	1.08	1.27	0.07

Explanations for significant changes (over 20%) in operating results include:

- (1) Solvency
 - A、Current ratio and quick ratio increase is mainly due to short loans repayment and the unused long-term loan.
 - B、Times interest earned ratio decrease is mainly due to the additional long-term loan created the increase of the interest expenses and the financial storm resulted in the decrease of the net profit.
- (2) Profitability and Operating ability
The revenues and profit dropped because the financial storm of the fourth quarter in 2008 brought about the global economic recession
- (3) Cash Flows
The Syndicated loan in 2008 formed the reduction of the current liability. At the same time, the reduction of the current liability and the increase of long investment led to that the changes of cash flow ratio and cash reinvestment ratio reached to above 20%.
- (4) The ratio of long-term capital to fixed assets grew because of the increase of long-term loan.
- (5) That degree of operating leverage increases was mainly due to the decrease of operating profit.

Note1: Equations:

1. Financial structure

(1) Ratio of liabilities to assets = Total liabilities / Total assets

(2) Ratio of long-term capital to fixed assets = (Net Shareholder's equity + Long-term liabilities) / Net fixed assets.

2. Debt-paying ability

(1) Current Ratio = Current assets / Current liabilities

(2) Quick Ratio = (Current assets - Inventory - Prepaid expense) / Current liabilities

(3) Times interest Earned Ratio = Net profit before tax and interest expense / interest expense

3. Operating ability

(1) Receivables (including accounts receivable and the notes receivable due to operation) turnover ratio = Net sales / Average receivables (including accounts receivable and the notes receivable due to operation) balance

(2) Average cash receiving days = 365 / Turnover rate of total assets.

(3) Inventory Turnover Ratio = Cost of sales / Average amount of inventory

(4) Payables (including accounts payable and the notes payable due to operation) turnover ratio = Cost of sales / Average Payables (including accounts payable and the notes payable due to operation) balance

(5) Average period of sales = 365 / Inventory Turnover Ratio

(6) Ratio of Fixed Assets Turnover = Net sales / Net fixed assets

(7) Ratio of Total Assets Turnover = Net sales / Total assets

4. Profitability

(1) Return on assets = [gain and loss after tax + interest expense × (1 - tax ratio)] / Average Total assets

(2) Return on shareholders' equity = gain and loss after tax / Average Net shareholders' equity.

(3) Net profit margin = gain and loss after tax / Net sales

(4) EPS = (Net income - Preferred dividend) / weighted average number of issued shares (Note 4)

5. Cash Flows

(1) Cash flow ratio = Operating net Cash Flows / Current liabilities

(2) Net Cash flow adequacy ratio = the past five years' operating net Cash Flows / the past five years' (capital expense + inventory increasing amount + cash dividend).

(3) Ratio of cash reinvestment = (Operating net Cash Flows - cash dividend) / (Gross fixed assets + Long-term investment + other financial assets + operating capital) (Note 5)

6. Balance:

(1) Degree of Operating leverage = (Net operating income - operating cost and expense changes) / Operating income (Note 6)

(2) Degree of Financial leverage = Operating income / (Operating income - interest expense)

Note 2: The notice items for calculating EPS are as follows:

1. Based on weighted average common shares, not the weighted average number of issued shares.
2. For capitalization with cash or Treasury stock trade, the stock circulation must be included for consideration to calculate weighted average stock shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred stock

shares are not cumulative, preferred stock dividend should be deducted from net income if there is any but it needs not be added to net loss if there is any.

Note3: The notice items for cash flow analysis are as follows:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Statement of Cash Flow.
2. Capital expenditure meant for the cash outflow of capita investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross fixed assets meant for the total fixed assets before deducting the cumulative depreciation.

Note4: Issuers are to have operating cost and operating expenses classified into the category of fixed and variable. If the classification of operating cost and operating expense involves estimation or discretionary judgment, it must be made reasonably and consistently.

3. Supervisor's Report in the past five years: Please refer to P. 51 in the annual report for details.
4. Financial statements in the most recent years: Please refer to P.52~P.91 in the annual report for details.
5. Consolidated financial difficulties of the Company and related party on the Company's financial position: Please refer to P. 92~97 in the annual report for details.
6. Impact of financial difficulties of the Company and related party on the Company's financial position: N/A

Topoint Technology Co., Ltd.

Supervisor's Report

The 2007 consolidated financial statements, business report, and remuneration of the company and its subsidiaries has been audited and certified by the CPAs: Shieh Chien-Shin, and Chen Chao-Mei of Deloitte & Touche-Taiwan. The supervisors have reviewed and audited the above-mentioned issued documents, composed and presented by the Board of Directors. It is concluded that the said documents are presented fairly; therefore, the Supervisor's Report is hereby issued in accordance with Article 219 of Company Law.

Sincerely yours,

2009 Shareholder's Meeting of TOP

Supervisor: Chen Ken-Ching

Independent supervisor: Liang Shwu-Jian

Independent supervisor: Niu Cheng-Chie

March 17, 2009

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Topoint Technology Co., Ltd.

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

We conducted our audits in accordance with the Rules Governing the Audit 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 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 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Topoint Technology Co., Ltd. as of December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2008, the Corporation adopted Interpretation 2007-052 issued by the Accounting Research and Development Foundation of the Republic of China, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses. These bonuses were previously recorded as appropriations from earnings.

We have also audited the consolidated financial statements of the Corporation and subsidiaries as of and for the years ended December 31, 2008 and 2007 and have issued a modified unqualified opinion thereon in our report dated February 20, 2009.

February 20, 2009

Notice to Readers

The accompanying 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 financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail.

TOPOINT TECHNOLOGY CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2008		2007	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 4)	\$ 428,579	10	\$ 96,074	2
Financial assets at fair value through profit or loss (Notes 2 and 5)	423	-	1,790	-
Available-for-sale financial assets (Notes 2 and 6)	18,251	-	8,030	-
Notes receivable (Note 2)	10,753	-	23,083	1
Accounts receivable (Notes 2 and 7)	203,918	5	283,348	7
Notes and accounts receivable - related parties (Note 20)	114,434	3	278,400	7
Other financial assets	1,383	-	7,351	-
Inventories, net (Notes 2 and 8)	376,147	9	326,460	8
Prepayments	1,837	-	16,962	-
Deferred income tax assets (Notes 2 and 17)	45,303	1	93,504	2
Certificates of deposits - restricted (Note 21)	53,864	1	48,300	1
Other current assets	<u>7</u>	<u>-</u>	<u>42</u>	<u>-</u>
Total current assets	<u>1,254,899</u>	<u>29</u>	<u>1,183,344</u>	<u>28</u>
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	<u>1,353,866</u>	<u>31</u>	<u>1,078,436</u>	<u>26</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 21)				
Cost				
Land	75,652	2	75,652	2
Buildings and equipment	259,329	6	253,422	6
Machinery and equipment	1,790,847	40	1,678,716	40
Transportation equipment	2,778	-	1,620	-
Office equipment	2,672	-	2,672	-
Miscellaneous equipment	<u>35,345</u>	<u>1</u>	<u>34,629</u>	<u>1</u>
Total cost	2,166,623	49	2,046,711	49
Less: Accumulated depreciation	<u>437,049</u>	<u>10</u>	<u>317,858</u>	<u>8</u>
	1,729,574	39	1,728,853	41
Construction in progress and prepayments for equipment	<u>4,977</u>	<u>-</u>	<u>172,548</u>	<u>4</u>
Net property, plant and equipment	<u>1,734,551</u>	<u>39</u>	<u>1,901,401</u>	<u>45</u>
OTHER ASSETS				
Refundable deposits	5,282	-	14,774	1
Deferred income tax assets (Notes 2 and 17)	45,021	1	-	-
Miscellaneous (Notes 2 and 18)	<u>5,601</u>	<u>-</u>	<u>5,791</u>	<u>-</u>
Total other assets	<u>55,904</u>	<u>1</u>	<u>20,565</u>	<u>1</u>
TOTAL	<u>\$4,399,220</u>	<u>100</u>	<u>\$4,183,746</u>	<u>100</u>

LIABILITIES AND STOCKHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term loans (Note 11)	\$ -	-	\$ 50,000	1
Commercial paper, net (Note 12)	-	-	29,982	1
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	47	-	-	-
Notes payable	10,733	-	51,606	1
Accounts payable	22,039	-	30,805	1
Notes and accounts payable - related parties (Note 20)	-	-	1,030	-
Income tax payable (Notes 2 and 17)	31,530	1	58,366	1
Accrued expenses (Notes 2, 18 and 20)	123,402	3	127,198	3
Balance payable - machinery and equipment	2,712	-	176,396	4
Deferred income (Note 2)	28,017	1	25,285	1
Long-term loans - current portion (Notes 13, 20 and 21)	351,640	8	289,995	7
Other current liabilities	<u>1,560</u>	<u>-</u>	<u>1,515</u>	<u>-</u>
Total current liabilities	<u>571,680</u>	<u>13</u>	<u>842,178</u>	<u>20</u>
LONG-TERM LOANS, NET OF CURRENT PORTION (Notes 13, 20 and 21)	<u>1,263,211</u>	<u>29</u>	<u>767,432</u>	<u>18</u>
OTHER LIABILITIES				
Deferred income tax liabilities (Notes 2 and 17)	-	-	23,766	1
Deferred income (Note 2)	<u>85,369</u>	<u>2</u>	<u>84,282</u>	<u>2</u>
Total other liabilities	<u>85,369</u>	<u>2</u>	<u>108,048</u>	<u>3</u>
Total liabilities	<u>1,920,260</u>	<u>44</u>	<u>1,717,658</u>	<u>41</u>
STOCKHOLDERS' EQUITY				
Capital stock, NT\$10.00 par value; authorized - 140,000 thousand shares; issued and outstanding - 107,057 thousand shares in 2008 and 95,469 thousand shares in 2007	<u>1,070,566</u>	<u>24</u>	<u>954,692</u>	<u>23</u>
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	<u>845,705</u>	<u>19</u>	<u>841,477</u>	<u>20</u>
Retained earnings				
Legal reserve	123,143	3	71,658	2
Special reserve	16,803	-	16,803	-
Unappropriated earnings	<u>258,515</u>	<u>6</u>	<u>514,853</u>	<u>12</u>
Total retained earnings	<u>398,461</u>	<u>9</u>	<u>603,314</u>	<u>14</u>
Other equity adjustments				
Cumulative translation adjustments	164,228	4	65,673	2
Unrealized gain on financial instruments	-	-	<u>932</u>	<u>-</u>
Total other equity adjustments	<u>164,228</u>	<u>4</u>	<u>66,605</u>	<u>2</u>
Total stockholders' equity	<u>2,478,960</u>	<u>56</u>	<u>2,466,088</u>	<u>59</u>
TOTAL	<u>\$4,399,220</u>	<u>100</u>	<u>\$4,183,746</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated February 20, 2009)

TOPOINT TECHNOLOGY CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	%	Amount	%
SALES (Note 20)	\$ 1,165,162	102	\$ 1,560,853	101
LESS: SALES RETURNS	10,006	1	14,794	1
SALES DISCOUNTS AND ALLOWANCES	<u>7,702</u>	<u>1</u>	<u>970</u>	<u>-</u>
NET SALES	1,147,454	100	1,545,089	100
COST OF SALES (Note 20)	<u>726,400</u>	<u>63</u>	<u>944,254</u>	<u>61</u>
GROSS PROFIT BEFORE REALIZED PROFIT ON INTERCOMPANY TRANSACTIONS	421,054	37	600,835	39
REALIZED PROFIT ON INTERCOMPANY TRANSACTIONS (Note 2)	<u>3,865</u>	<u>-</u>	<u>3,904</u>	<u>-</u>
GROSS PROFIT	<u>424,919</u>	<u>37</u>	<u>604,739</u>	<u>39</u>
OPERATING EXPENSES				
Marketing and selling	53,186	5	69,073	5
General and administrative	119,215	10	78,830	5
Research and development	<u>39,521</u>	<u>3</u>	<u>36,517</u>	<u>2</u>
Total operating expenses	<u>211,922</u>	<u>18</u>	<u>184,420</u>	<u>12</u>
OPERATING INCOME	<u>212,997</u>	<u>19</u>	<u>420,319</u>	<u>27</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	176,875	16	191,583	13
Income from sale of scraps	12,985	1	7,974	1
Gain on disposal of property, plant and equipment	9,956	1	4,830	-
Interest income	1,652	-	715	-
Gain from valuation of financial assets	423	-	1,790	-
Gain on sale of investments, net	219	-	3	-
Others	<u>2,608</u>	<u>-</u>	<u>5,418</u>	<u>-</u>
Total nonoperating income and gains	<u>204,718</u>	<u>18</u>	<u>212,313</u>	<u>14</u>
NONOPERATING EXPENSES AND LOSSES				
Losses on inventory valuation and obsolescence	64,752	6	12,356	1
Interest expenses (Note 20)	45,793	4	29,596	2
Loss on impairment of available-for-sale financial assets	31,621	3	-	-

(Continued)

TOPOINT TECHNOLOGY CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	%	Amount	%
Exchange loss, net	\$ 1,651	-	\$ 5,310	-
Loss on disposal of property, plant and equipment	468	-	1,564	-
Loss from valuation of financial liabilities	47	-	-	-
Others	<u>1,700</u>	<u>-</u>	<u>5,673</u>	<u>1</u>
Total nonoperating expenses and losses	<u>146,032</u>	<u>13</u>	<u>54,499</u>	<u>4</u>
INCOME BEFORE INCOME TAX	271,683	24	578,133	37
INCOME TAX EXPENSE (Notes 2 and 17)	<u>13,168</u>	<u>1</u>	<u>63,280</u>	<u>4</u>
NET INCOME	<u>\$ 258,515</u>	<u>23</u>	<u>\$ 514,853</u>	<u>33</u>
	2008		2007	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 16)				
Basic	<u>\$ 2.54</u>	<u>\$ 2.42</u>	<u>\$ 5.52</u>	<u>\$ 4.92</u>
Diluted	<u>\$ 2.50</u>	<u>\$ 2.38</u>	<u>\$ 5.28</u>	<u>\$ 4.70</u>

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

(With Deloitte & Touche audit report dated February 20, 2009)

(Concluded)

TOPOINT TECHNOLOGY CO., LTD.

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

	Capital Surplus										
	Capital Stock Issued and Outstanding		Capital Collected in Advance	Additional Paid-in Capital from Share Issuance in Excess of Par Value	Bond Conversion Option (Notes 2 and 23)	Retained Earnings (Note 14)			Cumulative Translation Adjustments (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 6)	Total Stockholders' Equity
						Legal Reserve	Special Reserve	Unappropriated Earnings			
	Shares (Thousands)	Amount									
BALANCE, JANUARY 1, 2007	76,116	\$ 761,161	\$12,721	\$596,038	\$23,610	\$ 35,159	\$16,803	\$365,633	\$ 18,742	\$ -	\$1,829,867
Appropriation of prior year's earnings											
Legal reserve	-	-	-	-	-	36,499	-	(36,499)	-	-	-
Stock dividend - NT\$1.146 per share	8,871	88,710	-	-	-	-	-	(88,710)	-	-	-
Cash dividend - NT\$2.674 per share	-	-	-	-	-	-	-	(206,990)	-	-	(206,990)
Bonus to employees	2,356	23,560	-	-	-	-	-	(23,560)	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(9,874)	-	-	(9,874)
Capital collected in advance	1,272	12,721	(12,721)	-	-	-	-	-	-	-	-
Conversion of convertible bond	6,854	68,540	-	245,439	(23,610)	-	-	-	-	-	290,369
Net income in 2007	-	-	-	-	-	-	-	514,853	-	-	514,853
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	46,931	-	46,931
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	932	932
BALANCE, DECEMBER 31, 2007	95,469	954,692	-	841,477	-	71,658	16,803	514,853	65,673	932	2,466,088
Appropriation of prior year's earnings											
Legal reserve	-	-	-	-	-	51,485	-	(51,485)	-	-	-
Stock dividend - NT\$1.194 per share	11,399	113,989	-	-	-	-	-	(113,989)	-	-	-
Cash dividend - NT\$2.786 per share	-	-	-	-	-	-	-	(265,973)	-	-	(265,973)
Bonus to employees	-	-	-	-	-	-	-	(69,505)	-	-	(69,505)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(13,901)	-	-	(13,901)
Net income in 2008	-	-	-	-	-	-	-	258,515	-	-	258,515
Issuance of stock due to the exercise of stock options	189	1,885	-	4,228	-	-	-	-	-	-	6,113
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	98,555	-	98,555
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	(932)	(932)
BALANCE, DECEMBER 31, 2008	107,057	\$1,070,566	\$ -	\$845,705	\$ -	\$123,143	\$16,803	\$258,515	\$164,228	\$ -	\$2,478,960

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

(With Deloitte & Touche audit report dated February 20, 2009)

TOPOINT TECHNOLOGY CO., LTD.

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

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 258,515	\$ 514,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	3,482	389
Depreciation and amortization	188,633	158,877
Loss on impairment of available-for-sale financial assets	31,621	-
Gain on sale of investments, net	(219)	(3)
Loss on inventory valuation	12,980	6,885
Loss on inventory obsolescence	51,772	5,471
Equity in net income of investees	(176,875)	(191,583)
Realized gain on intercompany transactions	(3,865)	(3,904)
Net gain on disposal of property, plant and equipment	(9,488)	(3,266)
Gain from valuation of financial assets	(423)	(1,790)
Loss from valuation of financial liabilities	47	-
Provision for reversed pension costs	(2,513)	(1,431)
Deferred income tax	(20,586)	3,466
Interest expenses on bonds payable	-	1,594
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	1,790	-
Notes receivable	12,330	9,855
Accounts receivable	79,430	(110,362)
Notes and accounts receivable - related parties	163,966	(35,100)
Other financial assets	7,362	12,968
Inventories	(114,439)	(5,484)
Prepayments	15,125	5,728
Other current assets	35	259
Overdue receivables	(3,482)	(389)
Notes payable	(40,873)	(5,145)
Accounts payable	(8,766)	8,733
Notes and accounts payable - related parties	(1,030)	(1,178)
Income tax payable	(26,836)	23,083
Accrued expenses	(2,953)	39,493
Other current liabilities	45	(1,923)
Net cash provided by operating activities	<u>414,785</u>	<u>430,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(142,848)	(7,142)
Proceeds from disposal of available-for-sale financial assets	100,293	47
Acquisition of property, plant and equipment	(317,150)	(657,065)
Proceeds of the disposal of property, plant and equipment	139,827	187,138
Decrease from refundable deposits	9,492	4,920

(Continued)

TOPOINT TECHNOLOGY CO., LTD.

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

	2008	2007
Decrease (increase) in certificates of deposits - restricted	\$ (5,564)	\$ 18,733
Increase in miscellaneous assets	(506)	(1,668)
Acquisition of long-term equity investments	<u>-</u>	<u>(252,210)</u>
Net cash used in investing activities	(216,456)	(707,247)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in short-term loans	(50,000)	(164,073)
Net decrease in commercial paper	(29,982)	(60,009)
Increase in long-term loans	1,206,000	855,940
Repayment of long-term loans	(648,576)	(185,347)
Cash dividends paid	(265,973)	(206,990)
Bonus to employees paid	(69,505)	-
Remuneration to directors and supervisors paid	(13,901)	(9,874)
Proceeds from exercise of employee stock options	<u>6,113</u>	<u>-</u>
Net cash provided by financing activities	<u>134,176</u>	<u>229,647</u>
NET INCREASE (DECREASE) IN CASH	332,505	(47,504)
CASH, BEGINNING OF YEAR	<u>96,074</u>	<u>143,578</u>
CASH, END OF YEAR	<u>\$ 428,579</u>	<u>\$ 96,074</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 46,062	\$ 30,662
Less: Interest capitalized	<u>245</u>	<u>1,902</u>
Interest paid excluding capitalized interest	<u>\$ 45,817</u>	<u>\$ 28,760</u>
Income tax paid	<u>\$ 60,590</u>	<u>\$ 36,731</u>
NONCASH FINANCING ACTIVITIES		
Current portion of long-term loans	<u>\$ 351,640</u>	<u>\$ 289,995</u>
Conversion of convertible bonds	<u>\$ -</u>	<u>\$ 290,369</u>
CASH PAID FOR PROPERTY ACQUISITION		
Increase in properties	\$ 143,466	\$ 788,642
Net decrease (increase) in payables on equipment	173,684	(130,888)
Capitalized interest on convertible bonds	<u>-</u>	<u>(689)</u>
Cash paid	<u>\$ 317,150</u>	<u>\$ 657,065</u>

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

(With Deloitte & Touche audit report dated February 20, 2009)

(Concluded)

TOPOINT TECHNOLOGY CO., LTD.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Topoint Technology Co., Ltd. (the "Corporation") was incorporated in 1996. It manufactures and markets micro-drills for printed circuit boards (PCBs), numerically controlled drilling machines for PCBs and peripheral equipment used in PCB manufacture. On May 10, 2000, the Securities and Futures Commission (SFC) approved the Corporation's application to become a public company. Since December 21, 2004, the Corporation's shares have been traded on the GreTai Securities Market (over-the-counter securities exchange). Later, when the Corporation's shares ceased to be traded over the counter, the Corporation's shares became listed on the Taiwan Stock Exchange on January 21, 2008.

As of December 31, 2008 and 2007, the Corporation had 196 and 326 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China (ROC). In preparing 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 doubtful accounts; inventory devaluation; property, plant and equipment depreciation; pension, bonuses to employees and remuneration to directors and supervisors; etc. Actual results could differ from these estimates.

For the convenience of readers, the accompanying 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 auditors' report and financial statements shall prevail.

The Corporation's significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets are cash and those assets held for trading or to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due within one year from the balance sheet date. All other assets and liabilities are classified as noncurrent.

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets or financial liabilities classified as held for trading and financial instruments that are designated on initial recognition as at fair value through profit or loss, with direct instrument acquisition costs expensed as incurred. After initial recognition, financial instruments are remeasured at fair value, with the changes in fair value recognized in as gain or loss. A regular purchase or sale of financial assets is recognized and de-recognized using settlement date accounting.

Derivative financial instruments that need not be subject to hedge accounting are classified as financial assets when their fair value exceeds zero and are classified as financial liabilities when their fair value is lower than zero.

For forward contracts, the valuation method is used to determine their fair value.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus direct asset acquisition costs. At each balance sheet date after the initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of. On asset disposal, the cumulative gain or loss previously recognized in equity is included in gain or loss for the year. All regular purchases or sales of financial assets are recognized and de-recognized on a settlement date basis.

The fair value bases of available-for-sale financial assets are similar to those of financial instruments at fair value through profit or loss.

Cash dividends are recognized on the ex-dividend date; however, dividends distributed from the pre-acquisition earnings are treated as a reduction of investment cost. Stock dividends received are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares after the increase is used to recalculate the cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any decrease in impairment loss on an equity instrument classified as available for sale is recognized directly under equity.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Sales are recognized when titles to products and risks of ownerships are transferred to customers because the earning process has been completed or substantially completed and revenue is realized or realizable. Sales are determined at fair value, taking into account business and quantity discounts agreed upon by the Corporation and customer. The imputed interest rate is not included in calculating fair value because the fair value of receivables approximates the nominal amount of payments and sales transactions are frequent.

Allowance for doubtful accounts is provided on the basis of a review of the collectibility of receivables.

Inventories

Inventories are stated at the lower of weighted-average cost or market value (net realizable value or replacement cost).

Long-term Equity Investments Accounted for by the Equity Method

Under the equity method, long-term investments are stated at cost on the acquisition date and subsequently adjusted for the Corporation's equity in the investee's net income or net loss. Any cash dividends received from investees are accounted for as a reduction of the carrying value of the related investments.

Stock dividends received from an investee are accounted for as increases in the number of shares held and are not recognized as investment income.

The costs of equity investments sold are determined using the weighted-average method.

An impairment loss is recognized when there are objective evidences of the recoverable amount of an asset becoming less than its carrying amount.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Major additions or betterments are capitalized, while maintenance and repairs are expensed currently.

Depreciation expense is calculated using the straight-line method over service lives estimated as follows (plus one year to represent estimated salvage value): buildings, 3 to 50 years; machinery and equipment, 3 to 10 years; transportation equipment, 3 to 5 years; office equipment, 3 years; and miscellaneous equipment, 3 to 7 years. Property, plant and equipment still in use beyond their originally estimated service lives are depreciated over their newly estimated service lives.

During property construction, interest charges for borrowings used to finance the construction are capitalized and debited to fixed assets.

When property, plant and equipment are retired or disposed of, the related cost and accumulated depreciation are removed from the accounts, and any gains or losses are recognized as nonoperating income or expenses.

Impairment losses are recognized when the carrying values of property, plant and equipment exceed their recoverable amounts on the balance sheet date. If the recoverable amount increases, the increase in carrying value is recognized as gain. However, this increase should not exceed the carrying value that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

Convertible Bonds

For convertible bonds issued on or after January 1, 2006, the liability and equity components should be identified. The liability component (excluding the embedded non-equity derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. The carrying amount of the equity component is calculated by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole.

The book value approach is used to account for bond conversion by the bondholders. Under this method, no gain or loss on bond conversion is recorded, but the shares resulting from the bond conversion and related accounts are transferred to capital and capital surplus.

Deferred Income

Unrealized gains or losses from downstream transactions with equity-method investees are deferred at the percentage of the Corporation's equity interest in the investee if the Corporation has no controlling power over the investees. Unrealized gains or losses on sales to investees over which the Corporation has a controlling power are totally eliminated. Gains or losses arising from equipment purchases from equity-method investees are eliminated and recognized over the estimated remaining useful life of the equipment.

Compensatory Stock Options

Employee stock options granted on or after January 1, 2008 are accounted for under Statement of Financial Accounting Standards No. 39 - "Share-based Payment."

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 (ARDF). Until 2007, the Corporation used the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Based on Interpretation 96-330 issued by ARDF in December 2007, the compensation cost remains the same if the revised plan meets the related criteria stated in this interpretation. Otherwise, the revised plan would replace the original plan and the Corporation should calculate the incremental compensation cost using the intrinsic value method and amortize this cost over the vesting period.

Pension Costs

Pension costs under the defined benefit plan are recognized in accordance with actuarial reports. Unrecognized net transition obligation is amortized within 25 years. Prior service cost and pension gain (loss) are amortized using the straight-line method over the average remaining service years of employees. Pension costs under the defined contribution plan are recognized in accordance with the amount of required contributions by the Corporation during the employees' service period.

Income Tax

The Corporation accounts for income tax using the inter-period allocation method. Under this method, deferred income tax is recognized for investment tax credits and tax consequences of differences between financial statement carrying amounts and their respective tax bases. A valuation allowance is recognized if evidence indicates that it is more likely than not that a portion or the entire deferred tax asset will not be realized. A deferred tax asset or liability is classified as current or noncurrent according to the classification of the related asset or liability. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected reversal date of the temporary difference.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax expense. Income tax (10%) on the undistributed earnings is recorded as expense in the year when the stockholders resolve to retain the earnings.

Foreign-currency Transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses from settling foreign-currency assets and liabilities at prevailing rates are credited or charged to current income. Year-end balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are credited or charged to current income. However, differences pertaining to foreign-currency long-term stock investments accounted for by the equity method are reported as cumulative translation adjustments under stockholders' equity.

3. ACCOUNTING CHANGE

In March 2007, the Accounting Research and Development Foundation issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. This accounting change resulted in decreases of \$15,310 thousand in net income and of NT\$0.14 in after income tax basic earnings per share for 2008.

4. CASH

	2008	2007
Cash on hand	\$ 641	\$ 694
Checking accounts and demand deposits	156,700	62,132
Foreign-currency demand deposits	55,198	33,248
Time deposits, annual yield rate - 0.35%-1.77%	<u>216,040</u>	<u>-</u>
	<u>\$ 428,579</u>	<u>\$ 96,074</u>

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

	<u>December 31</u>	
	2008	2007
Financial assets held for trading		
Forward exchange contracts	<u>\$ 423</u>	<u>\$ 1,790</u>
Financial liabilities held for trading		
Forward exchange contracts	<u>\$ 47</u>	<u>\$ -</u>

The Corporation used derivative contracts in 2008 and 2007 to manage exposures due to exchange rate fluctuations.

The Corporation's hedge strategy is to use instruments with negative correlation to the values of the hedged items.

Forward exchange contracts as of December 31, 2008 and 2007 were as follows:

	Currency	Maturity Due	Contract Amount (in Thousands)
<u>December 31, 2008</u>			
Forward exchange contracts - sell	US\$/NT\$	2009.1.5-2009.3.20	US\$2,830/NT\$93,062
<u>December 31, 2007</u>			
Forward exchange contracts - buy	NT\$/CHF	2008.3.18-2008.5.20	NT\$98,879/CHF3,500

Net gains (losses) on financial assets held for trading were \$6,744 thousand in 2008 and \$(739) thousand in 2007.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2008	2007
Domestic mutual funds	\$ 10,000	\$ -
Quoted domestic stocks	<u>8,251</u>	<u>8,030</u>
	<u>\$ 18,251</u>	<u>\$ 8,030</u>

The Corporation evaluated the carrying value of available-for-sale assets in 2008. This evaluation resulted in the recognition of an impairment loss of \$31,621 thousand on these assets in 2008.

Movements of unrealized gain (loss) on financial instruments were as follows:

	December 31	
	2008	2007
Balance, beginning of year	\$ 932	\$ -
Reported as a separate component of stockholders' equity	(32,334)	932
Recognized in earnings	<u>31,402</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 932</u>

7. ACCOUNTS RECEIVABLE

In 2008, the Corporation used nonrecourse maturity factoring by selling to a bank its accounts receivable amounting to \$33,732 thousand.

As of December 31, 2008, all of the receivables on the factored accounts had been received by the Corporation.

8. INVENTORIES

	2008	2007
Merchandise	\$ 7,597	\$ 9,486
Finished goods	98,510	65,200
Work in process	15,685	67,188
Raw materials	225,038	150,130
Supplies	<u>60,930</u>	<u>53,089</u>
	407,760	345,093
Less: Allowance for inventory losses	<u>31,613</u>	<u>18,633</u>
	<u>\$ 376,147</u>	<u>\$ 326,460</u>

9. LONG-TERM EQUITY INVESTMENTS

	2008		2007	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
<u>Unlisted companies</u>				
Topoint Technology Co., Ltd. (B.V.I.)	\$ 1,351,716	100	\$ 1,076,003	100
Warpspeed Corporation (B.V.I.)	1,405	100	1,433	100
Topoint Japan Co., Ltd.	<u>745</u>	52	<u>1,000</u>	52
	<u>\$ 1,353,866</u>		<u>\$ 1,078,436</u>	

The Corporation invested indirectly in Shanghai Topoint Precision Technology Co., Ltd. through Topoint Technology Co., Ltd. (B.V.I.). Warpspeed Corporation (B.V.I.) was incorporated in 2001 to engage in international trading. The Corporation invested \$4,337 thousand to obtain a 52% equity interest in Topoint Japan Co., Ltd., which sells electronic components.

The investees' financial statements for the same reporting periods as those of the Corporation, which were used to calculate the carrying values of the investments, had all been audited by the Corporation's independent auditors, except those of Topoint Japan Co., Ltd. The Corporation believes that, had Topoint Japan Co., Ltd.'s financial statements been audited, any resulting adjustments would have had no material effect on the Corporation's financial statements.

All accounts of the Corporation's subsidiaries were included in the Corporation's consolidated financial statements of 2008 and 2007.

On December 10, 2008 and January 20, 2009, the Corporation's board of directors resolved to make capital transfers Topoint Technology Co., Ltd. (B.V.I.), and these transfers totaled US\$7,800 thousand. Topoint Technology Co., Ltd. (B.V.I.) resolved to transfer US\$8,000 thousand to the capital stock of Shanghai Topoint Precision Technology Co., Ltd. As of February 20, 2009, the date of the accompanying independent auditors' report, the registration of these transfers with the Investment Commission of the Ministry of Economic Affairs had been completed.

10. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of:

	2008	2007
Buildings	\$ 54,286	\$ 34,336
Machinery and equipment	360,381	268,432
Transportation equipment	862	1,619
Office equipment	1,464	833
Miscellaneous equipment	<u>20,056</u>	<u>12,638</u>
	<u>\$ 437,049</u>	<u>\$ 317,858</u>

Depreciation expenses were \$186,273 thousand in 2008 and \$155,811 thousand in 2007.

Interest charges of \$245 thousand in 2008 and \$2,591 thousand in 2007 were capitalized at interest rates of 3.25% to 3.28% and 2.34% to 2.73%, respectively.

11. SHORT-TERM LOANS

	2008	2007
Unsecured loans - annual interest of 2.51-2.80%	<u>\$ -</u>	<u>\$ 50,000</u>

12. COMMERCIAL PAPER

Commercial paper with one-year maturities were issued under guarantees by commercial institutions. These were issued at discount rates of 2.07% as of December 31, 2007.

13. LONG-TERM LOANS

December 31, 2008			
	Current Portion	Long-term Loans	Total
Credit bank			
Syndicated loan - Industrial Bank of Taiwan, etc.	\$ 133,333	\$ 766,667	\$ 900,000
Taiwan Cooperative Bank	134,527	320,072	454,599
China Development Industrial Bank	<u>83,780</u>	<u>176,472</u>	<u>260,252</u>
	<u>\$ 351,640</u>	<u>\$ 1,263,211</u>	<u>\$ 1,614,851</u>
December 31, 2007			
	Current Portion	Long-term Loans	Total
Credit bank			
Taiwan Cooperative Bank	\$ 108,497	\$ 318,998	\$ 427,495
China Development Industrial Bank	66,633	260,252	326,885
Chinatrust Commercial Bank	7,577	130,000	137,577
E.Sun Bank	55,455	58,182	113,637
Hsinchu International Bank	33,333	-	33,333
Industrial Bank of Taiwan	<u>18,500</u>	<u>-</u>	<u>18,500</u>
	<u>\$ 289,995</u>	<u>\$ 767,432</u>	<u>\$ 1,057,427</u>

a. Syndicated loan - Industrial Bank of Taiwan, etc.:

On August 15, 2008, the Corporation obtained an unsecured loan of \$900,000 thousand from a banking syndicate comprising the Industrial Bank of Taiwan, Chinatrust Commercial Bank, Taipei Fubon Commercial Bank, Chang Hwa Bank, Hua Nan Bank, Mega International Commercial Bank and Cathay United Bank. Related information as of December 31, 2008 is as follows:

	Credit Line	Amount to be Paid	Interest Rate	Repayment
Unsecured loan - type A	\$ 400,000	\$ 400,000	2.67%	Interest and principal are repayable semiannually from February 2009 to August 2011
Unsecured loan - type B	500,000	500,000	2.82%	Interest and principal amount are due in August 2011

Under the loan agreement, certain financial ratios based on audited annual consolidated financial statements of the Corporation must be in accordance with the criteria stated in the agreements.

- b. Taiwan Cooperative Bank: Secured loan; repayable monthly from June 2004 to September 2014; annual interest - 2.93% in 2008 and 3.24%-3.58% in 2007;
- c. China Development Industrial Bank: Secured loan; repayable quarterly from December 2006 to April 2012; under the loan agreement, certain financial ratios based on audited annual consolidated financial statements of the Corporation must be in accordance with the criteria stated in the agreements; annual interest - 2.38%-3.43% in 2008 and 3.43%-3.55% in 2007;
- d. Chinatrust Commercial Bank: Unsecured loan; repayable monthly from March 2005 to February 2009; fully repaid in 2008; annual interest - 2.50%-2.89% in 2007;

- e. E.Sun Bank: Unsecured loan; repayable quarterly from May 2006 to May 2010; fully repaid in 2008; annual interest - 2.96%-3.10% in 2007;
- f. Hsinchu International Bank (HIB): Loan contract with HIB turned over to Standard Chartered Bank (Taiwan) (SCB) when HIB merged with SCB in July 2007; unsecured loan; repayable quarterly from February 2006 to November 2008; annual interest - 2.70% in 2007;
- g. Industrial Bank of Taiwan: Unsecured loan; repayable quarterly from June 2006 to December 2008; fully repaid in June 2008; annual interest - 3.22% in 2007.

14. STOCKHOLDERS' EQUITY

As of December 31, 2008, the Corporation's Article of Incorporation stipulated that the Corporation's total authorized capital should be \$1,400,000 thousand, or a total of 140,000 thousand shares with NT\$10.00 par value. The Corporation's board of directors is entitled either to issue these shares in batches or to make a one-time issuance of all the shares. Of the authorized capital, \$300,000 thousand, or a total of 30,000 thousand shares, should be reserved for an employee stock option plan, preferred stock with warrant, and bonds with warrants attached. As of December 31, 2008, the Corporation's paid-in capital was \$1,070,566 thousand.

The Corporation's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income, less any accumulated deficit. The remainder of this income should be appropriated as follows:

- a. Remuneration of 3% (maximum) to directors and supervisors;
- b. Bonuses of 1% to 25% to employees; and
- c. The remainder, together with the unappropriated earnings of prior years, to be distributed to the stockholders.

These appropriations should be approved by the stockholders in, and given effect to in the financial statements of, the year following the year of earnings generation.

The Corporation is currently in a growth phase. To meet the requirements for present and future operational expansion and to satisfy the stockholders' need for cash inflow, the Corporation's dividend policy states that dividends will be in the form of shares and/or cash, with cash dividends to be at least 10% of total dividends.

Based on past experience, the bonus to the Corporation's employees and the remuneration to directors and supervisors for 2008 was calculated at 14% and 3%, respectively, of net income net of the 10% deduction for legal reserve.

If a bonus estimate differs from the amount approved by the stockholders, the difference is recorded in the year of stockholders' resolution as a change 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 stockholders' meeting.

Under the relevant law, capital surplus resulting from long-term equity investments should not be used for any purpose. In addition, other components of capital surplus may be used only for transfer to capital or for offsetting deficit. This transfer should be made within certain limits.

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the Corporation's authorized capital. The reserve may only be used to offset deficit. When the reserve reaches 50% of the Corporation's paid-in capital, up to 50% of the reserve may be transferred to capital.

As of February 20, 2009, the date of the accompanying independent auditors' report, the board of directors had not yet approved the proposal on the distribution of the 2008 earnings. Information on the appropriation of earnings, including the bonus to employees and remuneration to directors and supervisors, can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

The appropriations from the 2007 and 2006 earnings were approved by the stockholders on June 13, 2008 and June 15, 2007, respectively, as follows:

	Appropriation of Earnings and Capitalization of Capital Surplus		Earnings Per Share	
	2007	2006	2007	2006
Legal reserve	\$ 51,485	\$ 36,499		
Stock dividends	113,989	88,710	\$1.194	\$1.146
Cash dividends	265,973	206,990	2.786	2.674
Employee bonus	69,505	23,560		
Remuneration to directors and supervisors (cash)	13,901	9,874		

The actual distribution of the 2007 earnings as bonuses to employees and remuneration to directors and supervisors was as follows:

	Actual Distribution Approved by the Stockholders	Proposed Distribution Approved by the Board of Directors	Difference
a. Appropriation			
1) Employee bonus: Cash	\$69,505	\$69,505	-
2) Employee bonus: Stock			
a) Shares			-
b) Amounts			-
c) Percentage of outstanding shares			-
3) Directors and supervisors' remuneration	13,901	13,901	-
b. Earnings per share (New Taiwan dollars)			
1) Basic earnings per share	\$5.52	\$5.52	-
2) Imputed earnings per share	\$4.63	\$4.63	-

15. COMPENSATORY STOCK OPTIONS

Effective Date	Resolution Date	Thousand Units	Exercise Price (in New Taiwan Dollars)
2006.03.29	2006.04.07	5,520	\$32.43 (original price - \$57.20)
2007.12.13	2007.12.18	<u>5,000</u>	56.60 (original price - \$68.20)
		<u>10,520</u>	

Each option represented 10 common shares of the Corporation. The term of these options is five years. These options may be exercised after two years from the grant date. Under the terms of the stock option plan, if the number of the Corporation's common shares changes, the exercise price will be revised.

The Corporation's stock options in 2008 and 2007 are summarized as follows:

	2008			
	2007.12.18 Issued		2006.04.07 Issued	
	Thousand Units	Weighted-average Exercise Price (in Dollars)	Thousand Units	Weighted-average Exercise Price (in Dollars)
Outstanding units, beginning of year	5,000	\$ 68.20	5,110	\$ 39.09
Granted units	-	-	-	-
Exercised units	-	-	(189)	32.43
Canceled units	<u>(744)</u>	59.31	<u>(442)</u>	37.13
Outstanding units, end of year	<u>4,256</u>	56.60	<u>4,479</u>	32.43
Exercisable units, end of year	<u>-</u>	-	<u>2,177</u>	32.43

	2007			
	2007.12.18 Issued		2006.04.07 Issued	
	Thousand Units	Weighted-average Exercise Price (in Dollars)	Thousand Units	Weighted-average Exercise Price (in Dollars)
Outstanding units, beginning of year	-	\$ -	5,240	\$ 46.76
Granted units	5,000	68.20	-	-
Exercised units	-	-	-	-
Canceled units	<u>-</u>	-	<u>(130)</u>	43.22
Outstanding units, end of year	<u>5,000</u>	68.20	<u>5,110</u>	39.09
Exercisable units, end of year	<u>-</u>	-	<u>-</u>	-

Stock options outstanding as of December 31, 2008 are summarized as follows:

Exercise Price	Outstanding Stock Options as of December 31, 2008			Exercisable Stock Options as of December 31, 2008	
	Thousand Units	Weighted- average Remaining Contractual Life(Years)	Weighted- average Exercise Price (in Dollars)	Thousand Units	Weighted- average Exercise Price (in Dollars)
\$56.60	4,256	2.26 years	\$ 56.60	-	\$ -
32.43	4,479	3.96 years	32.43	2,177	32.43

No compensation cost under the intrinsic value method was recognized for 2008 and 2007.

Had the Corporation used the fair value method, the pro forma net income and basic and diluted earnings per share (EPS) of the Corporation in 2008 and 2007 would have been as follows:

		2008	2007
		New Taiwan Dollars	New Taiwan Dollars
Net income	Actual	\$258,515 thousand	\$514,853 thousand
	Pro forma	\$221,956 thousand	\$490,729 thousand
EPS - basic	Actual	\$2.42	\$5.52
	Pro forma	\$2.08	\$5.26
EPS - diluted	Actual	\$2.38	\$5.25
	Pro forma	\$2.04	\$5.00

Had the Black-Scholes pricing model been used to calculate compensation cost using the fair value method, the assumptions would have been as follows:

		2007.12.18 Issued	2006.04.07 Issued
Assumptions	Expected dividend yield	-	-
	Risk-free interest rate	2.43%	1.82%
	Expected duration	3.875 years	4 years
	Expected volatility	44.35%	30.25%
	Weighted-average fair value (in dollars)	\$25.17	\$15.22

16. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		<u>Weighted- average Number of Outstanding Shares (Denominator; Thousands)</u>	<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>2008</u>					
Basic EPS					
Net income of common stockholders	\$ 271,683	\$ 258,515	106,907	<u>\$ 2.54</u>	<u>\$ 2.42</u>
Effect of dilutive potential common stock					
Compensatory stock options	-	-	984		
Bonus to employees	<u>-</u>	<u>-</u>	<u>826</u>		
Diluted EPS					
Income available to common stockholders (including effect of dilutive potential common stock)	<u>\$ 271,683</u>	<u>\$ 258,515</u>	<u>108,717</u>	<u>\$ 2.50</u>	<u>\$ 2.38</u>
<u>2007</u>					
Basic EPS					
Net income of common stockholders	\$ 578,133	\$ 514,853	104,662	<u>\$ 5.52</u>	<u>\$ 4.92</u>
Effect of dilutive potential common stock					
Unsecured convertible bonds in Taiwan	1,594	1,195	2,206		
Compensatory stock options	<u>-</u>	<u>-</u>	<u>2,834</u>		
Diluted EPS					
Income available to common stockholders (including effect of dilutive potential common stock)	<u>\$ 579,727</u>	<u>\$ 516,048</u>	<u>109,702</u>	<u>\$ 5.28</u>	<u>\$ 4.70</u>

The Accounting Research and Development Foundation issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the bonus to employees will be in the form of 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. The dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The average number of shares outstanding used for EPS calculation was adjusted retroactively for the issuance of stock dividends. Because of this adjustment, the basic net income per share before and after income tax in 2007 decreased from NT\$6.20 to NT\$5.52 and from NT\$5.52 to NT\$4.92, respectively, and the diluted net income per share before and after income tax in 2007 decreased from NT\$5.90 to NT\$5.28 and from NT\$5.25 to NT\$4.70, respectively.

17. INCOME TAX

- a. The reconciliation of income tax on pretax accounting income at statutory rate and income tax expense - current was as follows:

	2008	2007
Tax on pretax accounting income at statutory rate (25%)	\$ 67,911	\$ 144,523
Adjusted for:		
Tax-free income	(45,619)	(53,256)
Permanent differences	7,870	402
Temporary differences	4,828	14,710
Investment tax credit	<u>(3,306)</u>	<u>(47,952)</u>
Income tax expense - current	<u>\$ 31,684</u>	<u>\$ 58,427</u>

Income tax expense - current minus the prepaid tax as of December 31, 2008 and 2007 was shown under income tax payable.

- b. Income tax expense consisted of the following:

	2008	2007
Income tax expense - current	\$ 31,684	\$ 58,427
Prior year's income tax adjustments	2,070	1,387
Deferred income tax	<u>(20,586)</u>	<u>3,466</u>
Income tax expense	<u>\$ 13,168</u>	<u>\$ 63,280</u>

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

	December 31	
	2008	2007
Current		
Investment tax credits	\$ 32,448	\$ 82,542
Allowance for inventory losses	7,903	4,658
Deferred unrealized gain, net	7,002	6,319
Provision for doubtful accounts	64	-
Unrealized exchange losses (gains)	(2,020)	432
Gain on valuation of financial assets, net	<u>(94)</u>	<u>(447)</u>
Net deferred income tax assets	<u>\$ 45,303</u>	<u>\$ 93,504</u>
Noncurrent		
Investment tax credits	\$ 65,699	\$ -
Deferred unrealized gain	21,337	21,064
Equity in net income of investees	(41,356)	(44,589)
Accrued pension cost	<u>(659)</u>	<u>(241)</u>
Net deferred income tax assets (liabilities)	<u>\$ 45,021</u>	<u>\$ (23,766)</u>

As of December 31, 2008, the unused investment tax credits were as follows:

Item	Total Tax Credits	Unused Tax Credits	Year of Expiration
Machinery and equipment	\$ 58,099	\$ 35,786	2010
Machinery and equipment	28,659	28,659	2011
Machinery and equipment	<u>5,393</u>	<u>5,393</u>	2012
	<u>92,151</u>	<u>69,838</u>	
Research and development	9,666	9,666	2010
Research and development	9,331	9,331	2011
Research and development	<u>8,424</u>	<u>8,424</u>	2012
	<u>27,421</u>	<u>27,421</u>	
Training	100	100	2010
Training	636	636	2011
Training	<u>152</u>	<u>152</u>	2012
	<u>888</u>	<u>888</u>	
	<u>\$ 120,460</u>	<u>\$ 98,147</u>	

Under Article 5 of the “Regulations Governing the Application of Profit-seeking Enterprise Income Tax Exemption to Capital Increase of the Manufacturing Industry and the Technological Services Industry,” which took effect on March 20, 2003, for the Corporation’s investment plan of expanding its capacity to produce micro drills and micro routers, the Corporation is exempted for five years from the profit-seeking enterprise income tax on the increased income as a result of this expansion. The exemption period is from January 1, 2005 to December 31, 2009. The calculation of the tax-exempt income is based on the “Guidelines Governing the Calculation of the Profit-seeking Enterprise’s Income Tax Exemption on the Capital Increase of the Manufacturing Industry and the Technological Services Industry.”

Income tax returns through 2006 had been examined and cleared by the tax authorities.

- d. Information on the Imputation Income Tax System is as follows:

	December 31	
	2008	2007
Balances of the imputation credit account	<u>\$ 154</u>	<u>\$ 1,909</u>

The estimated and actual ratios of imputation tax credits to undistributed earnings as of December 31, 2008 and 2007 were 12.26% and 12.11%.

The credit available for allocation to the stockholders is calculated on the basis of the balance of ICA on the date of dividend distribution. Thus, the estimated rate as of December 31, 2008 may differ from the actual rate depending on the ICA balance on the dividend distribution date.

- e. Under the Integrated Income Tax System, which took effect on January 1, 1998, resident stockholders are allowed a tax credit for the income tax paid by the Corporation on earnings generated since 1998. An imputation credit account is maintained by the Corporation for such income tax and the tax credit allocated to each stockholder.
- f. The Corporation’s earnings as of December 31, 2008 and 2007 did not include earnings generated until 1997.

18. PENSION PLAN

Pension expense recognized under the defined contribution plan required under the Labor Pension Act (the "Act") was \$8,550 thousand in 2008 and \$7,981 thousand in 2007. Accrued pension liabilities under the defined contribution plan, which were accounted for as accrued expenses, amounted to \$579 thousand and \$1,422 thousand as of December 31, 2008 and 2007, respectively.

Under the Labor Standards Law, which was promulgated earlier than the Act, the Corporation set up a defined benefit plan, which provides benefits based on length of service and average basic salaries or wages of the last six months before retirement. Before September 1, 2007, the Corporation made monthly contributions to a retirement fund equal to 2% of salaries and wages. The fund is administered by the employees' pension plan committee and deposited in the committee's name in the Bank of Taiwan. However, the Corporation decided to stop contributing to the fund because the fund had reached an amount enough to meet the Corporation's pension obligations. The registration with the Taipei County Government of the cessation of pension fund contributions was completed on September 1, 2007.

Other information on the defined benefit pension plan is as follows:

a. Pension cost components

	2008	2007
Service cost	\$ -	\$ 83
Interest cost	346	305
Expected return on plan assets	(314)	(281)
Amortization	154	(83)
Curtailement gain	<u>(1,856)</u>	<u>-</u>
Net pension cost	<u>\$ (1,670)</u>	<u>\$ 24</u>

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

	<u>December 31</u>	
	2008	2007
Benefit obligation		
Vested benefit obligation	\$ 145	\$ 188
Non-vested benefit obligation	<u>8,495</u>	<u>7,989</u>
Accumulated benefit obligation	8,640	8,177
Additional benefits based on future salaries	<u>2,094</u>	<u>1,735</u>
Projected benefit obligation	10,734	9,912
Fair value of plan assets	<u>(13,027)</u>	<u>(12,576)</u>
Funded status	(2,293)	(2,664)
Unrecognized net transition obligation	(198)	(480)
Unrecognized net benefit	<u>198</u>	<u>2,521</u>
Prepaid pension (classified under other assets - miscellaneous)	<u>\$ (2,293)</u>	<u>\$ (623)</u>

c. Vested benefit

	<u>\$ 156</u>	<u>\$ 208</u>
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d. Actuarial assumptions

Discount rate	2.5%	3.5%
Future salary increase rate	1.0%	1.0%
Expected rate of return on plan assets	2.5%	2.5%

e. Contributions and payments

	2008	2007
Contributions	\$ -	\$ 1,663
Payments	\$ -	\$ -

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2008		
	Operating Cost	Operating Expense	Total
Personnel expenses			
Payroll	\$ 158,487	\$ 100,949	\$ 259,436
Labor and health insurance	10,066	3,185	13,251
Pension	6,267	613	6,880
	<u>\$ 174,820</u>	<u>\$ 104,747</u>	<u>\$ 279,567</u>
Depreciation	<u>\$ 176,096</u>	<u>\$ 10,177</u>	<u>\$ 186,273</u>
Amortization	<u>\$ 883</u>	<u>\$ 1,477</u>	<u>\$ 2,360</u>
	2007		
	Operating Cost	Operating Expense	Total
Personnel expenses			
Payroll	\$ 152,096	\$ 59,897	\$ 211,993
Labor and health insurance	9,502	2,826	12,328
Pension	5,956	2,049	8,005
	<u>\$ 167,554</u>	<u>\$ 64,772</u>	<u>\$ 232,326</u>
Depreciation	<u>\$ 147,974</u>	<u>\$ 7,837</u>	<u>\$ 155,811</u>
Amortization	<u>\$ 1,075</u>	<u>\$ 1,991</u>	<u>\$ 3,066</u>

20. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Corporation
China Development Industrial Bank	Director and stockholder
Warspeed Corporation (B.V.I.)	Subsidiary
Topoint Technology Co., Ltd. (B.V.I.)	Subsidiary
Topoint Japan Co., Ltd.	Subsidiary
Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd. (B.V.I.)

b. Significant transactions with the related parties were as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>For the year</u>				
Sales				
Warpspeed Corporation (B.V.I.)	\$ 315,993	28	\$ 440,139	28
Topoint Japan Co., Ltd.	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>
	<u>\$ 315,993</u>	<u>28</u>	<u>\$ 440,156</u>	<u>28</u>
Purchase of materials				
Warpspeed Corporation (B.V.I.)	<u>\$ 63</u>	<u>-</u>	<u>\$ 48,142</u>	<u>9</u>
Interest expense				
China Development Industrial Bank	<u>\$ 10,360</u>	<u>23</u>	<u>\$ 6,472</u>	<u>22</u>
<u>At end of year</u>				
Notes and accounts receivable - related parties				
Warpspeed Corporation (B.V.I.)				
Accounts receivable	\$ 62,620	55	\$ 190,531	68
Receivables on equipment	44,352	39	85,226	31
Payment on behalf of others	<u>7,462</u>	<u>6</u>	<u>2,626</u>	<u>1</u>
	<u>114,434</u>	<u>100</u>	<u>278,383</u>	<u>100</u>
Topoint Japan Co., Ltd.	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>
	<u>\$ 114,434</u>	<u>100</u>	<u>\$ 278,400</u>	<u>100</u>
Interest payable (accrued expenses)				
China Development Industrial Bank	<u>\$ 103</u>	<u>-</u>	<u>\$ 154</u>	<u>-</u>
Notes and accounts payable - related parties				
Warpspeed Corporation (B.V.I.)	<u>\$ -</u>	<u>-</u>	<u>\$ 1,030</u>	<u>100</u>
Current portion of long-term loans				
China Development Industrial Bank	<u>\$ 83,780</u>	<u>24</u>	<u>\$ 66,633</u>	<u>23</u>
Long-term loans				
China Development Industrial Bank	<u>\$ 176,472</u>	<u>14</u>	<u>\$ 260,252</u>	<u>34</u>

In 2008 and 2007, the Corporation sold some of its property, plant and equipment to Warpspeed Corporation (B.V.I.) at their net book values of \$121,889 thousand and \$198,791 thousand, respectively, with selling prices of \$139,506 thousand and \$272,355 thousand, respectively. The gains on these sales of \$17,617 thousand in 2008 and \$73,564 thousand in 2007 will be amortized over the service lives of the property, plant and equipment sold.

The overdue receivables from Warpspeed Corporation (B.V.I.), shown as follows, were regarded as interest-free financing:

Name	2008		2007	
	Maximum Balance for the Period	Ending Balance	Maximum Balance for the Period	Ending Balance
Warpspeed Corporation (B.V.I.)	\$ -	\$ -	\$ 12,920	\$ -

Except for the selling price, purchase cost and other payment terms of the transactions with Warpspeed Corporation (B.V.I.) and Topoint Japan Co., Ltd., the terms and conditions of related-party transactions were similar to those for third parties.

- c. Compensation of directors, supervisors and management personnel:

	Year Ended December 31	
	2008	2007
Salaries	\$ 13,383	\$ 21,347
Incentives	10,448	9,187
Bonus	<u>3,000</u>	<u>12,400</u>
	<u>\$ 26,831</u>	<u>\$ 42,934</u>

The compensation of directors, supervisors and management personnel for the year ended December 31, 2007 included the bonuses appropriated from earnings for 2007, which were approved by stockholders in their annual meeting held in 2008.

21. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged or mortgaged as collaterals for short-term and long-term bank loans:

	December 31	
	2008	2007
Net property, plant and equipment	\$ 1,422,910	\$ 1,389,098
Certificates of deposits - restricted	<u>53,864</u>	<u>48,300</u>
	<u>\$ 1,476,774</u>	<u>\$ 1,437,398</u>

Of the above pledged certificates of deposits, collaterals amounting to \$53,864 thousand and \$24,932 were used to guarantee loans of Shanghai Topoint Precision Technology Co., Ltd. in 2008 and 2007, respectively.

22. SIGNIFICANT COMMITMENTS AS OF DECEMBER 31, 2008

- Unused letters of credit amounted to about \$4,872 thousand.
- The Corporation guaranteed bank loans of \$542,501 thousand of Shanghai Topoint Precision Technology Co., Ltd. and \$98,400 thousand of Topoint Technology Co., Ltd. (B.V.I.)

23. OTHERS

On February 17, 2006, the Corporation issued five-year unsecured zero coupon domestic convertible bonds with an aggregate face value of \$400,000 thousand, each with a face value of \$100 thousand. The Corporation separated the bond conversion option from the put option in accordance with the Statement of Financial Accounting Standards No. 36 - "Disclosure and Presentation of Financial Instruments" and recognized the equity and liability components accordingly. The initially recognized amount of the liability was \$364,515 thousand, with an effective rate of 2.32%. This amount was evaluated at fair value on February 17, 2006, including the amortized transaction costs of \$4,614 thousand. The equity component amounted to \$30,485 thousand, which was included in capital surplus - bond conversion option. This amount was at the initial total fair value of the bonds minus the fair value of the liability account, including the amortized transaction cost of \$386 thousand.

As of December 31, 2007, all bondholders had exercised their put options; the liability and equity components had been converted into common shares and paid-in capital in excess of par value.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments:

	December 31			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets:				
Cash	\$ 428,579	\$ 428,579	\$ 96,074	\$ 96,074
Available-for-sale financial assets	18,251	18,251	8,030	8,030
Notes receivable	10,753	10,753	23,083	23,083
Accounts receivable	203,918	203,918	283,348	283,348
Notes and accounts receivable - related parties	114,434	114,434	278,400	278,400
Other financial assets	1,383	1,383	7,351	7,351
Certificates of deposits - restricted	53,864	53,864	48,300	48,300
Long-term equity investments accounted for by the equity method	1,353,866	1,354,356	1,078,436	1,079,112
Refundable deposits	5,282	5,282	14,774	14,774
Liabilities:				
Short-term loans	-	-	50,000	50,000
Commercial paper, net	-	-	29,982	29,982
Notes payable	10,733	10,733	51,606	51,606
Accounts payable	22,039	22,039	30,805	30,805
Notes and accounts payable - related parties	-	-	1,030	1,030
Income tax payable	31,530	31,530	58,366	58,366
Accrued expenses	123,402	123,402	127,198	127,198
Balance payable - machinery and equipment	2,712	2,712	176,396	176,396
Current portion of long-term loans	351,640	351,640	289,995	289,995
Long-term loans	1,263,211	1,263,211	767,432	767,432

(Continued)

	December 31			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial derivatives are classified in accordance with the geographic location of the trading transaction				
In Taiwan				
Financial assets	\$ 423	\$ 423	\$ 1,790	\$ 1,790
Financial liabilities	47	47	-	-
				(Concluded)

- b. The Corporation uses the following methods and assumptions to estimate the fair values of its financial instruments:
- 1) For financial instruments, except those mentioned in (2) and (3) below, the carrying values reported in the balance sheet approximate their fair values because of their short maturities.
 - 2) The fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on quoted prices. The fair value of long-term investments is based on the net asset value of the investment.
 - 3) The fair value of long-term loans is estimated using the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans.
- c. The fair values of financial instruments were as follows:

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Assets:				
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ 423	\$ 1,790
Available-for-sale financial assets	18,251	8,030	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	47	-

- d. In 2008 and 2007, there was a gain of \$376 thousand and \$1,790 thousand on financial assets at fair value through profit or loss because of the change in fair value estimated by using a valuation technique.
- e. Financial risks
- 1) Market risk

The Corporation's available-for-sale assets were publicly traded securities, with fair values that are affected by changes in market prices. Since the Corporation carefully chooses its investments, there is no significant market risk. In addition, the Corporation uses forward exchange contracts to offset the exchange rate fluctuations of net assets, net liabilities or firm commitments. Thus, no significant market risk is anticipated.

2) Credit risk

The Corporation is exposed to credit risk on the default by counter-parties to forward contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. As a result, no material losses resulting from counter-party defaults are anticipated.

3) Liquidity risk

The Corporation's available-for-sale financial instruments are publicly traded in an active market and can be sold in the market at their fair values. In addition, the Corporation has enough operating capital to meet cash demand. Thus, no significant demand for extra cash is expected.

25. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Table 1 (attached)
- b. Endorsement/guarantee provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: None
- e. Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 6 (attached)
- j. Derivative financial transactions:
 - 1) The Corporation held or issued derivative financial instruments in 2008 and 2007: Notes 5 and 24.
 - 2) Shanghai Topoint Precision Technology Co., Ltd. (STPT) derivative contracts in 2008 and 2007 to manage exposures due to exchange rate fluctuations. STPT's hedge strategy was to use instruments with negative correlation to the values of the hedged items.

STPT's forward exchange contracts as of December 31, 2008 were as follows:

	Currency	Maturity Due	Contract Amount (in Thousands)
<u>December 31, 2008</u>			
Forward exchange contracts - buy	US/CHF	2009.01.15-2009.04.03	US\$4,600/CHF4,808

Net gains on forward exchange contracts held for trading were \$1,671 thousand in 2008.

STPT had no forward exchange contracts as of December 31, 2007.

a) Market risk

STPT uses forward exchange contracts to hedge against adverse exchange rate fluctuations of net assets, net liabilities or firm commitments. Thus, no significant market risk is anticipated.

b) Credit risk

STPT is exposed to credit risk on the default by counter-parties and third parties to forward contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. As a result, no material losses resulting from counter-party defaults are anticipated.

c) Liquidity risk

STPT uses forward exchange contracts to hedge against adverse exchange rate fluctuations of net assets, net liabilities or firm commitments. In addition, it has enough operating capital to meet cash demand. Thus, no significant demand for extra cash is expected.

k. Investment in Mainland China

- 1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 7 (attached)
- 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:
 - a) Amount and percentage of sales; the balance and percentage of related accounts payables: None
 - b) Amount and percentage of purchase; the balance and percentage of related accounts receivables: Table 8 (attached)
 - c) Gain (loss) on and amounts of assets: Table 8 (attached)
 - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: Table 2 (attached)
 - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: Table 1 (attached)
 - f) Other transactions which have significant influence over current year's gain or loss or financial status: None

26. SEGMENT INFORMATION

- a. Industry segment information: The Corporation operates in a single industry: The manufacture and sale of printed circuit boards (PCBs), numerically controlled drilling machines for PCBs and peripheral equipment used in PCB manufacture.
- b. Geographic information: The Corporation has no foreign operations.
- c. Export sales

Geographic Area	2008	2007
Asia	\$ 483,437	\$ 714,614
Europe	<u>13,126</u>	<u>5,235</u>
	<u>\$ 496,563</u>	<u>\$ 719,849</u>

- d. Major customers

	2008		2007	
	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales
Master dealer - A	\$ 315,993	28	\$ 440,139	28
Master dealer - B	<u>109,652</u>	<u>10</u>	<u>85,660</u>	<u>6</u>
	<u>\$ 425,645</u>	<u>38</u>	<u>\$ 525,799</u>	<u>34</u>

TABLE 1

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

No.	Financing Company Name	Counter-Party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Reasons	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limits (Note 2)
											Item	Value		
1	Topoint Technology Co., Ltd. (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Other receivables	US\$3,000	US\$3,000	4.72%	Short-term financing	\$ -	Operating turnover	\$ -	-	\$ -	\$495,792	\$991,584

Note 1: The maximum financing allowed for a single party is limited to 20% of the net value of Topoint Technology Co., Ltd. as of December 31, 2008.

Note 2: The maximum total financing provided is limited to 40% of the net value of Topoint Technology Co., Ltd. as of December 31, 2008.

TABLE 2

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES

ENDORSEMENT/ GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars, U.S. Dollars and Swiss Franc, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts (Note 2)	Maximum Balance for the Period	Ending Balance	Value of Collaterals Property, Plant, or Equipment (Note 3)	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	Topoint Technology Co., Ltd. (the “Corporation”)	Shanghai Topoint Precision Technology Co., Ltd.	(Note 1)	\$ 743,688	\$ 674,294 (US\$20,960)	\$ 542,501 (US\$16,540)	\$ 53,864	22%	\$ 1,239,480
0	Topoint Technology Co., Ltd. (the “Corporation”)	Topoint Technology Co., Ltd. (B.V.I.)	(Note 1)	743,688	98,400 (US\$3,000)	98,400 (US\$3,000)	-	4%	1,239,480

Note 1: Subsidiary.

Note 2: The maximum total endorsement/guarantee provided is limited to 50% of the net value of the Corporation as of December 31, 2008. The maximum endorsement/guarantee provided for a single partly is limited to 30% of the net value of the Corporation as of December 31, 2008.

Note 3: The collaterals provided by the Corporation are \$6,886 in demand deposits and \$46,978 in time deposits.

TABLE 3

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2008				
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value/ Net Asset Value	Note
Topoint Technology Co., Ltd.	<u>Mutual funds</u> IBT Ta Chong Bond Fund	-	Available-for-sale financial assets	742,291	\$ 10,000 (Note 1)	-	\$ 10,000	
	<u>Stock</u> Key Ware Electronics Co., Ltd.	-	Available-for-sale financial assets	4,275,000	39,827 (Note 1)	3	8,251	
	Topoint Technology Co., Ltd. (B.V.I.)	Subsidiary	Long-term equity Investments accounted for by the equity method	3,130	1,351,716	100	1,352,206	Notes 2 and 3
	Warpspeed Corporation (B.V.I.)	Subsidiary	Long-term equity investments accounted for by the equity method	50,000	1,405	100	1,405	Note 2
	Topoint Japan Co., Ltd.	Subsidiary	Long-term equity investments accounted for by the equity method	312	745 (Note 4)	52	745	Note 4
Topoint Technology Co., Ltd. (B.V.I.)	<u>Share certificates</u> Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary	Long-term equity investments accounted for by the equity method	-	US\$ 40,567	100	US\$ 40,567	Note 2

Note 1: The carrying value was the original cost, which was not marked to market.

Note 2: Based on audited financial statements.

Note 3: The difference between carrying value and net asset value was an unrealized profit of \$490 thousand from upstream intercompany transactions.

Note 4: Investment gains (losses) recognized were calculated from the unaudited financial statements.

TABLE 4

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE CAPITAL
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Company Name (Note 2)	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Account Payable or Receivable	
			Purchase/ Sale	Amount	% to Total (Note 2)	Payment Terms	Unit Price	Payment Terms	Ending Balance(Note 1)	% to Total (Note 2)
Topoint Technology Co., Ltd. (the “Corporation”)	Warpspeed Corporation (B.V.I.)	Subsidiary	Sale	\$ 315,993	28	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	\$ 62,620	19
Warpspeed Corporation (B.V.I.)	Topoint Technology Co., Ltd. (the “Corporation”)	Parent company	Purchase	315,993	100	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(62,620)	55
Warpspeed Corporation (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd. (B.V.I.)	Sale	315,993	100	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(62,620)	55
Shanghai Topoint Precision Technology Co., Ltd.	Warpspeed Corporation (B.V.I.)	Subsidiary of Topoint Technology Co., Ltd. (B.V.I.)	Purchase	315,993	36	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(62,620)	23

Note 1: The amounts refer to the receivables and payables on sales and purchases.

Note 2: The rate is calculated in accordance with individual financial statements of the company.

TABLE 5

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationship	Accounts Receivable - Related Parties		Turnover Rate	Overdue		Amounts Collected in Subsequent Period	Allowance for Bad Debts
			Account	Ending Balance		Amount	Actions Taken		
Topoint Technology Co., Ltd.	Warpspeed Corporation (B.V.I.)	Subsidiary	Accounts receivable	\$ 62,620	2.50	\$ -	-	\$ 57,559	\$ -
			Receivables on equipment	44,352	-				
			Payment on behalf of others	7,462	-				
Warpspeed Corporation (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd. (B.V.I.)	Accounts receivable	62,620	2.50	-	-	57,559	-
			Receivables on equipment	44,352	-				
			Payment on behalf of others	7,462	-				

TABLE 6

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2008			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)
				Dec. 31, 2008	Dec. 31, 2007	Shares	Percentage of Ownership	Carrying Value (Note 2)		
Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd. (B.V.I.)	British Virgin Islands	International investment	\$ 647,032	\$ 647,032	3,130	100	\$ 1,351,716	\$ 177,146	\$ 177,332 (Note 1)
	Warpspeed Corporation (B.V.I.)	British Virgin Islands	International trade	1,569	1,569	50,000	100	1,405	(28)	(28)
	Topoint Japan Co., Ltd.	Japan	Selling electronic components	4,337	4,337	312	52	745	(825)	(429)
Topoint Technology Co., Ltd. (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Mainland China	Manufacturing and selling precision equipment and measurement facilities	647,032 (US\$ 19,500)	647,032 (US\$ 19,500)	-	100	1,330,598 (US\$ 40,567)	177,161 (US\$ 5,619)	177,161 (US\$ 5,619)

Note 1: Investment gain is the investee’s net income of \$177,146 thousand minus unrealized profits of \$186 thousand from upstream intercompany transactions.

Note 2: The investees’ financial statements used as basis for calculating investment gains(losses) recognized had all been audited, except those of Topoint Japan Co., Ltd.

TABLE 7

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2008	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2008	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of Dec. 31, 2008 (Note 2)	Accumulated Inward Remittance of Earnings as of Dec. 31, 2008
					Outflow	Inflow					
Shanghai Topoint Precision Technology Co., Ltd.	Manufacturing and selling precision equipment and measurement facilities	\$ 829,116 (US\$ 25,100)	Indirect: through an investment company registered in a third region	\$ 647,032 (US\$ 19,500)	\$ -	\$ -	\$ 647,032 (US\$ 19,500)	100	\$ 177,161 (US\$ 5,619)	\$ 1,330,598 (US\$ 40,567)	\$ -

Accumulated Investment in Mainland China as of Dec. 31, 2008	Investment Amounts Authorized by Investment Commission, MOEA(Note 3)	Upper Limit on Investment Net Asset Value × 40% (Note 4)
\$647,032 (US\$19,500)	\$1,135,349 (US\$34,800)	\$1,487,376

Note 1: Including the capitalization of retained earnings of US\$5,600 of Shanghai Topoint Precision Technology Co., Ltd., in 2007.

Note 2: Investment gains (losses) were recognized on the basis of the investee’s financial statements audited by the CPA of the Corporation.

Note 3: Investment amounts authorized by Investment Commission, MOEA included the capitalization of retained earnings of US\$11,800 thousand.

Note 4: According to the Investment Commission under the Ministry of Economic Affairs, the Corporation’s issued capital is between \$80,000 thousand and \$5,000,000 thousand, and the upper limit on the Corporation’s investment is at the higher of 60% of the capital or \$80,000 thousand.

TABLE 8

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES

**SIGNIFICANT TRANSACTIONS WITH THE INVESTEE COMPANY IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)**

No.	Investor Company	Investee Company	Transaction Details	Amount	% to Total of Sales or Purchase	Deferred Gain	Note/Accounts Payable or Receivable		Note
							Ending Balance	% to Total	
0	Topoint Technology Co., Ltd. (the “Corporation”)	Shanghai Topoint Precision Technology Co., Ltd.	Sales	\$ 315,993	28	\$ 3,865	\$ 62,620	19	Note 1
			Sale of property, plant and equipment	139,506	-	17,617	44,532	14	Note 1
			Payment on behalf of others	-	-	-	7,462	2	Notes 1 and 2

Note 1: The Corporation’s transaction with Shanghai Topoint Precision Technology Co., Ltd. was made indirectly through Warpspeed Corporation (B.V.I.). The prices and payment terms were based on mutual agreement.

Note 2: The transaction refers to the Corporation’s purchase of new parts, material and supplies for Shanghai Topoint Precision Technology Co., Ltd.

TOPOINT TECHNOLOGY CO., LTD.

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

	2008		2007			2008		2007	
ASSETS	Amount	%	Amount	%	LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 2 and 4)	\$ 673,073	12	\$ 328,539	7	Short-term loans (Note 12)	\$ 175,316	3	\$ 94,400	2
Financial assets at fair value through profit or loss (Notes 2 and 5)	2,193	-	1,790	-	Commercial paper, net (Note 13)	-	-	29,982	1
Available-for-sale financial assets (Notes 2 and 6)	18,251	-	8,030	-	Financial liabilities at fair value through profit or loss (Notes 2 and 5)	47	-	-	-
Notes receivable (Note 2)	33,392	1	28,820	1	Notes payable	10,733	-	51,606	1
Accounts receivable (Notes 2 and 7)	430,574	8	607,751	13	Accounts payable	72,165	-	90,236	2
Other financial assets(Notes 7)	50,269	1	26,804	1	Income tax payable (Notes 2 and 18)	35,311	1	78,664	2
Inventories, net (Notes 2 and 8)	654,289	12	466,739	10	Accrued expenses (Notes 2, 19 and 21)	176,283	3	193,179	3
Prepayments	7,891	-	18,712	-	Balance payable - machinery and equipment	364,859	7	213,466	4
Deferred income tax assets (Notes 2 and 18)	47,788	1	93,504	2	Long-term loans - current portion (Notes 13, 20 and 21)	547,785	10	356,176	8
Certificates of deposits - restricted (Note 22)	53,864	1	48,300	1	Other current liabilities	<u>1,775</u>	<u>-</u>	<u>2,243</u>	<u>-</u>
Other current assets	<u>4</u>	<u>-</u>	<u>104</u>	<u>-</u>					
Total current assets	<u>1,971,588</u>	<u>36</u>	<u>1,629,093</u>	<u>35</u>	Total current liabilities	<u>1,384,274</u>	<u>25</u>	<u>1,109,952</u>	<u>24</u>
					LONG-TERM LOANS, NET OF CURRENT PORTION (Notes 14, 21 and 22)	<u>1,642,095</u>	<u>30</u>	<u>1,023,806</u>	<u>22</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 9 and 22)									
Cost					OTHER LIABILITIES				
Land	75,652	2	75,652	2	Guarantee deposits	164	-	1,039	-
Buildings and equipment	329,555	6	318,283	7	Deferred income tax liabilities (Notes 2 and 17)	-	-	23,766	1
Machinery and equipment	3,746,717	40	2,646,020	40	Total other liabilities	<u>164</u>	<u>-</u>	<u>24,805</u>	<u>1</u>
Transportation equipment	9,230	-	7,094	-					
Office equipment	6,117	-	5,174	-	Total liabilities	<u>3,026,533</u>	<u>55</u>	<u>2,158,563</u>	<u>47</u>
Miscellaneous equipment	<u>46,784</u>	<u>1</u>	<u>40,246</u>	<u>1</u>					
Total cost	4,214,055	77	3,092,469	67	STOCKHOLDERS' EQUITY				
Less: Accumulated depreciation	<u>1,078,628</u>	<u>20</u>	<u>718,691</u>	<u>17</u>	Capital stock, NT\$10.00 par value; authorized - 140,000 thousand shares; issued and outstanding - 107,057 thousand shares in 2008 and 95,469 thousand shares in 2007	<u>1,070,566</u>	<u>20</u>	<u>954,692</u>	<u>21</u>
Construction in progress and prepayments for equipment	<u>303,828</u>	<u>5</u>	<u>453,046</u>	<u>10</u>	Capital surplus				
Net property, plant and equipment	<u>3,439,255</u>	<u>62</u>	<u>2,763,824</u>	<u>60</u>	Additional paid-in capital from share issuance in excess of par value	<u>845,705</u>	<u>15</u>	<u>841,477</u>	<u>18</u>
OTHER ASSETS					Retained earnings				
Refundable deposits	6,752	-	18,905	-					
Deferred expenses(Notes 2,10 and 22)	44,187	1	44,147	1	Legal reserve	123,143	2	71,658	2
Deferred income tax assets (Notes 2 and 18)	38,948	1	-	-	Special reserve	16,803	-	16,803	-
Certificates of deposits - restricted (Note 11)	3,158	-	168,978	4	Unappropriated earnings	<u>258,515</u>	<u>5</u>	<u>514,853</u>	<u>11</u>
Miscellaneous (Notes 2 and 19)	<u>2,293</u>	<u>-</u>	<u>627</u>	<u>-</u>	Total retained earnings	<u>398,461</u>	<u>7</u>	<u>603,314</u>	<u>13</u>
					Other equity adjustments				
Total other assets	<u>95,338</u>	<u>2</u>	<u>232,657</u>	<u>5</u>	Cumulative translation adjustments	164,228	3	65,673	1
					Unrealized gain on financial instruments	<u>-</u>	<u>-</u>	<u>932</u>	<u>-</u>
					Total other equity adjustments	<u>164,228</u>	<u>3</u>	<u>66,605</u>	<u>1</u>
					Equity attributable to shareholders of the parent	2,478,960	45	2,466,088	53
					Minority interest	<u>688</u>	<u>-</u>	<u>923</u>	<u>-</u>
					Total stockholders' equity	<u>2,479,648</u>	<u>45</u>	<u>2,467,011</u>	<u>53</u>
TOTAL	<u>\$5,506,181</u>	<u>100</u>	<u>\$4,625,574</u>	<u>100</u>	TOTAL	<u>\$5,506,181</u>	<u>100</u>	<u>\$4,625,574</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated February 20, 2009)

TOPOINT TECHNOLOGY CO., LTD.

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	%
SALES	\$ 1,985,063	101	\$2,146,226	100
LESS: SALES RETURNS	10,006	1	5,232	-
SALES DISCOUNTS AND ALLOWANCES	<u>7,702</u>	<u>-</u>	<u>958</u>	<u>-</u>
NET SALES	1,967,355	100	2,140,036	100
COST OF SALES	<u>1,239,941</u>	<u>63</u>	<u>1,241,522</u>	<u>58</u>
GROSS PROFIT	<u>727,414</u>	<u>37</u>	<u>898,514</u>	<u>42</u>
OPERATING EXPENSES				
Marketing and selling	105,512	5	88,572	4
General and administrative	170,498	9	128,688	6
Research and development	<u>39,521</u>	<u>2</u>	<u>36,517</u>	<u>2</u>
Total operating expenses	<u>315,531</u>	<u>16</u>	<u>253,777</u>	<u>12</u>
OPERATING INCOME	<u>411,883</u>	<u>21</u>	<u>644,737</u>	<u>30</u>
NONOPERATING INCOME AND GAINS				
Foreign exchange gain, net	32,193	2	16,986	1
Income from sale of scraps	12,985	1	12,167	1
Interest income	5,413	-	3,116	-
Gain from valuation of financial assets	2,094	-	1,790	-
Gain on sale of investments, net	219	-	3	-
Gain on disposal of property, plant and equipment	23	-	-	-
Others	<u>9,215</u>	<u>-</u>	<u>6,515</u>	<u>-</u>
Total nonoperating income and gains	<u>62,142</u>	<u>3</u>	<u>40,577</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expenses	87,219	5	45,596	2
Losses on inventory valuation and obsolescence	64,500	3	14,893	1
Loss on impairment of available-for-sale financial assets	31,621	2	-	-

(Continued)

TOPOINT TECHNOLOGY CO., LTD.

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	%
Loss on disposal of property, plant and equipment	485	-	1,597	-
Loss from valuation of financial liabilities	47	-	-	-
Loss on impairment of idle assets	-	-	9,949	1
Others	<u>5,229</u>	<u>-</u>	<u>5,782</u>	<u>-</u>
Total nonoperating expenses and losses	<u>189,101</u>	<u>10</u>	<u>77,817</u>	<u>4</u>
INCOME BEFORE INCOME TAX	284,924	14	607,497	28
INCOME TAX EXPENSE (Notes 2 and 18)	<u>26,805</u>	<u>1</u>	<u>95,776</u>	<u>4</u>
NET INCOME	<u>\$ 258,119</u>	<u>13</u>	<u>\$ 511,721</u>	<u>24</u>
ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 258,515	13	\$ 514,853	13
Minority interests	<u>(396)</u>	<u>-</u>	<u>(3,132)</u>	<u>-</u>
	<u>\$ 258,119</u>	<u>13</u>	<u>\$ 511,721</u>	<u>24</u>

	2008		2007	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 17)				
Basic	<u>\$ 2.67</u>	<u>\$ 2.42</u>	<u>\$ 5.80</u>	<u>\$ 4.92</u>
Diluted	<u>\$ 2.62</u>	<u>\$ 2.38</u>	<u>\$ 5.55</u>	<u>\$ 4.70</u>

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

(With Deloitte & Touche audit report dated February 20, 2009)

(Concluded)

TOPOINT TECHNOLOGY CO., LTD.

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

	Capital Stock Issued and Outstanding		Capital	Capital Surplus		Retained Earnings (Note 15)	Cumulative Translation	Unrealized Gain (Loss) on Financial		Total		
	Shares (Thousands)	Amount		Additional Paid-in Capital from Share Issuance in Excess of Par Value	Bond Conversion			Instruments (Notes 2 and 6)	Minority Interests			
			Collected in Advance		Option (Notes 2 and 25)	Legal Reserve	Special Reserve	Unappropriated Earnings	Adjustments (Note 2)		Stockholders' Equity	
BALANCE, JANUARY 1, 2007	76,116	\$ 761,161	\$12,721	\$596,038	\$23,610	\$ 35,159	\$16,803	\$365,633	\$ 18,742	\$ -	\$ -	\$1,829,867
Appropriation of prior year's earnings												
Legal reserve	-	-	-	-	-	36,499	-	(36,499)	-	-	-	-
Stock dividend - NT\$1.146 per share	8,871	88,710	-	-	-	-	-	(88,710)	-	-	-	-
Cash dividend - NT\$2.674 per share	-	-	-	-	-	-	-	(206,990)	-	-	-	(206,990)
Bonus to employees	2,356	23,560	-	-	-	-	-	(23,560)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(9,874)	-	-	-	(9,874)
Setting up the subsidiary company	-	-	-	-	-	-	-	-	-	-	4,003	4,003
Capital collected in advance	1,272	12,721	(12,721)	-	-	-	-	-	-	-	-	-
Conversion of convertible bond	6,854	68,540	-	245,439	(23,610)	-	-	-	-	-	-	290,369
Net income in 2007	-	-	-	-	-	-	-	514,853	-	-	(3,132)	511,721
Translation adjustments	-	-	-	-	-	-	-	-	46,931	-	52	46,983
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	932	-	932
BALANCE, DECEMBER 31, 2007	95,469	954,692	-	841,477	-	71,658	16,803	514,853	65,673	932	923	2,467,011
Appropriation of prior year's earnings												
Legal reserve	-	-	-	-	-	51,485	-	(51,485)	-	-	-	-
Stock dividend - NT\$1.194 per share	11,399	113,989	-	-	-	-	-	(113,989)	-	-	-	-
Cash dividend - NT\$2.786 per share	-	-	-	-	-	-	-	(265,973)	-	-	-	(265,973)
Bonus to employees	-	-	-	-	-	-	-	(69,505)	-	-	-	(69,505)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(13,901)	-	-	-	(13,901)
Net income in 2008	-	-	-	-	-	-	-	258,515	-	-	(396)	258,119
Issuance of stock due to the exercise of stock options	189	1,885	-	4,228	-	-	-	-	-	-	-	6,113
Translation adjustments	-	-	-	-	-	-	-	-	98,555	-	161	98,716
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	(932)	-	(932)
BALANCE, DECEMBER 31, 2008	107,057	\$1,070,566	\$ -	\$845,705	\$ -	\$123,143	\$16,803	\$258,515	\$164,228	\$ -	\$ 688	\$2,479,648

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

(With Deloitte & Touche audit report dated February 20, 2009)

TOPOINT TECHNOLOGY CO., LTD.

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		
Net income	\$ 258,119	\$ 511,721
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	6,380	3,621
Depreciation and amortization	288,458	209,468
Loss on impairment of available-for-sale financial assets	31,621	-
Loss on impairment of idle assets	-	9,949
Gain on sale of investments, net	(219)	(3)
Loss on inventory valuation	12,728	9,422
Loss on inventory obsolescence	51,772	5,471
Net loss on disposal of property, plant and equipment	462	1,597
Gain from valuation of financial assets	(2,094)	(1,790)
Loss from valuation of financial liabilities	47	-
Provision for reversed pension costs	(2,513)	(1,431)
Deferred income tax	(17,201)	3,466
Interest expenses on bonds payable	-	1,594
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	1,790	-
Notes receivable	(4,572)	4,118
Accounts receivable	173,768	(213,148)
Notes and accounts receivable - related parties	-	835
Other financial assets	(23,465)	(5,942)
Inventories	(252,505)	27,314
Prepayments	10,821	4,262
Other current assets	100	190
Overdue receivables	(3,482)	(389)
Notes payable	(40,873)	(5,145)
Accounts payable	(18,071)	34,444
Notes and accounts payable - related parties	-	(14,067)
Income tax payable	(43,353)	37,972
Accrued expenses	(16,053)	78,180
Other current liabilities	(468)	(1,194)
Net cash provided by operating activities	<u>411,197</u>	<u>700,515</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(142,848)	(7,142)
Proceeds from disposal of available-for-sale financial assets	100,293	47
Acquisition of property, plant and equipment	(693,075)	(881,800)
Proceeds of the disposal of property, plant and equipment	321	569
Decrease from refundable deposits	12,153	7,095

(Continued)

TOPOINT TECHNOLOGY CO., LTD.

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

	2008	2007
Decrease (increase) in certificates of deposits - restricted	160,256	(149,388)
Increase in Deferred expenses	(724)	(16,987)
Decrease (increase) in miscellaneous assets	<u>4</u>	<u>(4)</u>
Net cash used in investing activities	(563,620)	(1,047,610)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	80,916	(144,723)
Net decrease in commercial paper	(29,982)	(60,009)
Increase in long-term loans	1,506,305	1,101,489
Repayment of long-term loans	(696,407)	(265,278)
Decrease in guarantee deposits	(875)	-
Cash dividends paid	(265,973)	(206,990)
Bonus to employees paid	(69,505)	-
Remuneration to directors and supervisors paid	(13,901)	(9,874)
Proceeds from exercise of employee stock options	6,113	-
Increase in minority interests	<u>-</u>	<u>4,003</u>
Net cash provided by financing activities	<u>516,691</u>	<u>418,618</u>
NET INCREASE IN CASH	364,268	71,523
CASH, BEGINNING OF YEAR	328,539	263,880
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(19,734)</u>	<u>(6,864)</u>
CASH, END OF YEAR	<u>\$ 673,073</u>	<u>\$ 328,539</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 86,669	\$ 46,456
Less: Interest capitalized	<u>245</u>	<u>1,902</u>
Interest paid excluding capitalized interest	<u>\$ 86,424</u>	<u>\$ 44,554</u>
Income tax paid	<u>\$ 80,939</u>	<u>\$ 49,395</u>
NONCASH FINANCING ACTIVITIES		
Current portion of long-term loans	<u>\$ 547,785</u>	<u>\$ 356,176</u>
Conversion of convertible bonds	<u>\$ -</u>	<u>\$ 290,369</u>
CASH PAID FOR PROPERTY ACQUISITION		
Increase in properties	\$ 844,468	\$ 1,040,353
Net decrease (increase) in payables on equipment	(151,393)	(157,864)
Capitalized interest on convertible bonds	<u>-</u>	<u>(689)</u>
Cash paid	<u>\$ 693,075</u>	<u>\$ 881,800</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 20, 2009)

(Concluded)

VII. Review of financial position, management performance and risk management

1. Financial position

A. Financial status comparison analysis

Unit: Thousands

Item \ Year	2008	2007	Difference	
			Amount	%
Current assets	\$1,254,899	\$1,183,344	71,555	6.05
Fixed assets	1,734,551	1,901,401	(166,850)	(8.78)
Other assets	55,904	20,565	35,339	171.84
Total assets	4,399,220	4,183,746	215,474	5.15
Current liabilities	571,680	840,756	(269,076)	(32.00)
Long-term liabilities	1,263,211	767,432	495,779	64.60
Other liabilities	85,369	109,470	(24,101)	(22.02)
Total liabilities	1,920,260	1,717,658	202,602	11.80
Common stock	1,070,566	954,692	115,874	12.14
Capital surplus	845,705	841,477	4,228	0.50
Retained earnings	398,461	603,314	(204,853)	(33.95)
Total shareholders' equity	2,478,960	2,466,088	12,872	0.52

Note:

- (1) Other assets increase is mainly due to the increase of deferred income tax assets in 2008.
- (2) Current liabilities decrease is mainly due to the decrease of equipment accounts payable in 2008.
- (3) Long-term liabilities increase is mainly due to the increase of long-term bank loans in 2008.
- (4) Other liabilities decrease is mainly due to decrease of deferred income tax liabilities in 2008.
- (5) The stocks increase is mainly due to the capital increase by retained earnings in 2008.
- (6) Retained earnings decrease is mainly due to cash dividends paid in 2008.

2. Management performance

A. Comparison of business performance

Unit: NT\$ Thousands

Item \ Year	2008	2007	Amount change	Ratio change (%)
Net operating income	\$1,147,454	\$1,545,089	(397,635)	(25.74)
Operating cost	726,400	944,254	(217,854)	(23.07)
Gross profit	424,919	604,739	(179,820)	(29.74)
Operating expense	211,922	184,420	27,502	14.91
Operating income	212,997	420,319	(207,322)	49.32
Non-operating income and gain	204,718	212,313	(7,595)	(3.58)
Non-operating expense and loss	146,032	54,499	91,533	168
Net income before tax	271,683	578,133	(306,450)	(53.00)
Income tax expense(gain)	13,168	63,280	(50,112)	(79.20)
Net income	258,515	514,853	(256,338)	(49.79)

Analysis of financial ratio change:

- (1) Sales revenue decrease is mainly due to financial storm of the fourth quarter in 2008 , creates the global economic recession, sends the sales drop result.
- (2) Sales cost decrease is mainly due to financial storm of the fourth quarter in 2008, creates the global economic recession, sends sales cost drop result.
- (3) For gross margin decrease, please refer to B. Analysis of Gross profit.
- (4) Operating income dropped due to gross margin reduced and the costs of employee bonus and director compensation raised.
- (5) Non-operating expense and loss increase is mainly due to loss on impairment of available-for-sale financial assets and losses on inventory valuation and obsolescence in 2008.
- (6) Net income before tax decrease is mainly due to operating income reduced and Non-operating expense and loss to increase the result.
- (7) Income tax expense decrease is mainly due to decrease of net income in 2008.
- (8) Net income decrease is mainly due to decrease of Net income before tax in 2008.

B. Analysis of Gross profit

Unit: NT\$ Thousands

Item	Change amount	Root cause			
		Price	Cost	Sales	Quantity
Gross margin	(179,820)	(148,898)	62,162	11,891	(104,975)
Remark	1. The sales price in 2008 decreased 7.41% compared with 2007, and is mainly due to the 14.74% decrease in the sales price of drills. 2. The cost price decrease in 2008 is mainly due to the production quantity increase of 2,679,000 from the production of 5,550,000 in 2007 in small tip braze. 3. The mixed sales difference increases are due to the high gross profit in the sales ratio increase of 57% in 2008 from 54% in 2007. 4. The quantity difference increase is mainly due to economic cycle , the total sales quantity decrease 19.81% cause by drill sales decrease 14.84%.				

C. KPI

Industry-specific Key Performance Indicator (KPI):

Market Share (%)	17%
Production Yield Rate (%)	92.2%
Production Utilization (%)	81%

3. Analysis of Cash Flows

A. Liquidity analysis of the last two years

Item \ Year	2008	2007	Fluctuation ratio %
Cash flow ratio	72.56	51.16	41.83
Cash adequacy ratio	40.47	36.64	5.41%
Cash reinvestment ratio	3.49	6.09	(25.57%)
Analysis of financial ratio change: (1) Cash flow ratio increase is mainly due to 2008's long-term bank loans repayment current liabilities, creates the cash flow ratio change to reach above 20%. (2) Cash reinvestment ratio decrease is mainly due to 2008's long-investment increased result cash reinvestment ratio change to reach above 20%.			

B. Analysis of cash liquidity in one year

Unit: NT\$ Thousands

Beginning cash balance	Expected net cash flow from operating activity of the year	Expected cash outflow of the year	Expected cash surplus (deficit)	Remedial measures for the expected insufficient cash	
				Investing activity	Financing activity
428,579	306,941	701,647	33,873	-	-
Remedial measures for the expected insufficient cash and liquidity analysis: N/A					

4. Impact of major capital expenditure on finance and business: N/A

5. Policies, reasons for gain or loss and action plan in regard to investment plans in current year and the next year:

Invested company	Holding Amount (Thousand dollars)	Policy	Major reason of gains and losses	Improvement plan	Future investment plan
Topoint Technology Co., Ltd.(B.V.I)	1,351,716	The company is an offshore subsidiary established with an investment in Mainland China	Investment income recognized in equity method	N/A	N/A
Warpspeed Corporation (B.V.I.)	1,405	The company is an offshore subsidiary established with international trade.	Investment loss recognized in equity method	N/A	N/A
Topoint Japan Co., Ltd.	745	The company is a subsidiary for selling electronic components	Investment loss recognized in equity method	N/A	N/A
KEY WARE ELECTRONICS CO., LTD	8,251	Long-term investment	Available-for-sale financial assets	N/A	N/A
Shanghai Topoint Precision Technology Company	1,330,598	Indirect investment in the good market development potential of Mainland China.	Excellent operating status	N/A	N/A

6. Risk Management

(1) Organization structure of risk management:

Name	Responsibility
High-ranked management level (CEO, president)	-Establish risk management decision and structure -Ensure the effectiveness of risk management policy
Chairman's Office	-Implement risk management policy -Coordinate the risk management interaction and communication between cross departments -Organize the implementation results of risk management activity -Assist and supervise the risk management activities of the branches
Headquarters and the various departments	-Implement daily risk management activities -Self-evaluate the process of risk control activity

(2) Risk Factors

- ①. Management of Economy Risk: the impact of changes of recent annual interest rate and exchange rate, and inflation on company income and future countermeasures:
- Interest rate: The Company's interest expenses in 2008 and 2007 are respectively \$45,793,000 and \$29,596,000, which is due to turnover growth and capacity expansion, and having bank loans to cover the operation capital. The company is in accordance with the fund demand and received a more favorable market loan financing interest rate and fund raising pathway, and has the most effective fund scheduling to reduce the interest expense.
 - Exchange rate: The Company's exchange profit in 2008 and 2007 are respectively \$1,651,000 and \$5,310,000, which are 0.775% and 1.26% of the operating income ratio, therefore, the exchange profit does not have a significant influence on company profit. In exchange rate fluctuations, the company closely monitors the changes in foreign exchange rate, the foreign currency assets and liabilities adopted long-term foreign exchange risk hedging trading strategy to reduce currency exchange risk.
 - Inflation: There is no significant influence on the company's profit due to inflation this year.
 - Future corresponding measures: The Company has grasped the changing situation of the upstream raw material price to reduce the impact on the company profit due to the raw material cost difference.

The economic risks control is responsible by the finance department.

- ②. Management of Finance Risk: transactions of high risk, high leverage investment, loan funds to others, endorsement, and derivatives commodity:
- Transactions of high risk or high leverage investment: N/A.
 - The company has set up "loan funds to others", "endorsement" and "transaction of derivatives commodity", etc. operation measures to be the base of the operation. Transactions of loaning funds to others is due to the invested subsidiary having the demand for short-term financing, therefore, until the end of December 31, 2007, the balance of loan funds to others is NT\$0. The

balance of endorsement for subsidiaries, due to business relations, is NT\$319,446,000 till the end of December 31, 2007. The purpose of transactions with a long-term foreign exchange contract is to hedge risk trading, until the end of the third season of 2007, the total amount of the abatement contract is 3,500,000 Swiss francs.

The finance risks control is responsible by the finance department.

- ③. Future R&D plans and expected R&D investment expense
The future research and development still focuses on micro drills (0.03mm), the expected investment amount is about 3% of the operating revenue. This will help to cope with the industrial technology demand to increase the development of Flipchip drill performance and DDRII tools.
- ④. The impact of change in major policies, and laws, in Taiwan, and abroad, upon the financial standing of the company and the countermeasures:
In accordance with the implementation of Financial Accounting Standards No.34 and No.36, the company has met the relevant laws and regulations; therefore, there is no significant impact on the company's financial operation. The operations of the company have all followed the relevant laws and regulations, and noticed the policy direction and corresponded with the strategy appropriately; therefore, the company can always effectively correspond and grasp the domestic and international important policy and legal changes.
- ⑤. The impact of change in technology and industry upon the financial standing of the company and the countermeasures:
The company always attaches great attention to the relevant technology changes of the industry to grasp the market trend and assess the impact it may cause to the company operations.
- ⑥. The impact of change in corporate image upon corporate risk management and the countermeasures:
Since the establishment of the company, it has been actively strengthening internal management, improving management quality and effectiveness, continuing to follow and implement various corporate governance requirements, setting up independent directors and supervisors, and appointing relevant experts to provide timely advice to reduce the occurrence of risks and the impact of risks to the company.
- ⑦. Expected benefit(s) and possible risk(s) for M&A activities: N/A
- ⑧. Expected profit and possible risk of plant expansion: N/A
- ⑨. Purchase and sales risks and the countermeasures: The Company sought to scatter suppliers or customers to reduce its risk caused by excessive concentration.
- ⑩. The impact upon and potential risks for the company due to a significant transfer and the impact upon and potential risks for the company due to a significant transfer and change in shareholding of the directors and supervisors or major shareholders holding over 10%: N/A
- ⑪. The impact of change in management and its potential risks: N/A
- ⑫. Litigation and non-litigation matters:
 - a. The company's major legal issues, non-legal issues, or administrative lawsuits settled or in pending: N/A
 - b. The related party's major legal issues, non-legal issues, or administrative lawsuits settled or in pending:
 - i. The director- China Development Industrial Bank was the director and supervisor of Cheng I Co., Ltd. (herein as Cheng I Co.) in 1998, and was accused of falsifying Cheng I Co.'s financial statements and

prospectus and has resulted in investment losses by He Jin-Xia, etc. 389 people, therefore, the amount of \$71,018,000 was requested (51 plaintiffs settled out of court for the amount of \$69,780,000), and China Development Industrial Bank is jointly and severally liable. Taipei District Court dismissed the plaintiff's claim on November 30, 2006; the plaintiff filed an appeal, which is currently being processed in the Taiwan High Court.

- ii. China Development Industrial Bank sold overseas investment using the whole batch method, and dealt with China Development Asset Management Corporation splits, due to it not establishing an appropriate internal control or not having the implementation properly done, according to Paragraph 1, Article 45-1 of Bank Law, the CDIB was fined \$10,000,000 in December, 2006. CDIB filed an appeal, which was rejected. Currently administrative litigation has been filed.
- iii. Hong Cheng Venture Capital and its representative, Cheng Tun-Chien was accused of assisting UMC to assist He Jian Technology in Suzhou, which was involved in the crime of Criminal Code Offenses of Breach of Trust and the breach of Commercial Account Law on January 9, 2006 by the prosecutors of Hsinchu District Court. The Hsinchu District Court acquitted the first instance with a not-guilty verdict on October 26, 2007. The prosecutor has filed an appeal, which is currently being processed in the Taiwan High Court.

⑬. Other major risks and countermeasures:

a. Market risk

The Corporation's available-for-sale assets were publicly traded securities, with fair values that are affected by changes in market prices. Since the Corporation carefully chooses its investments, there is no significant market risk. In addition, the Corporation uses forward exchange contracts to offset the exchange rate fluctuations of net assets, net liabilities or firm commitments. Thus, no significant market risk is anticipated.

b. Credit risk

The Corporation is exposed to credit risk on the default by counter-parties to forward contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. As a result, no material losses resulting from counter-party defaults are anticipated.

c. Liquidity risk

The Corporation's available-for-sale financial instruments are publicly traded in an active market and can be sold in the market at their fair values. In addition, the Corporation has enough operating capital to meet cash demand. Thus, no significant demand for extra cash is expected.

The Other major risks control is responsible by the finance department.

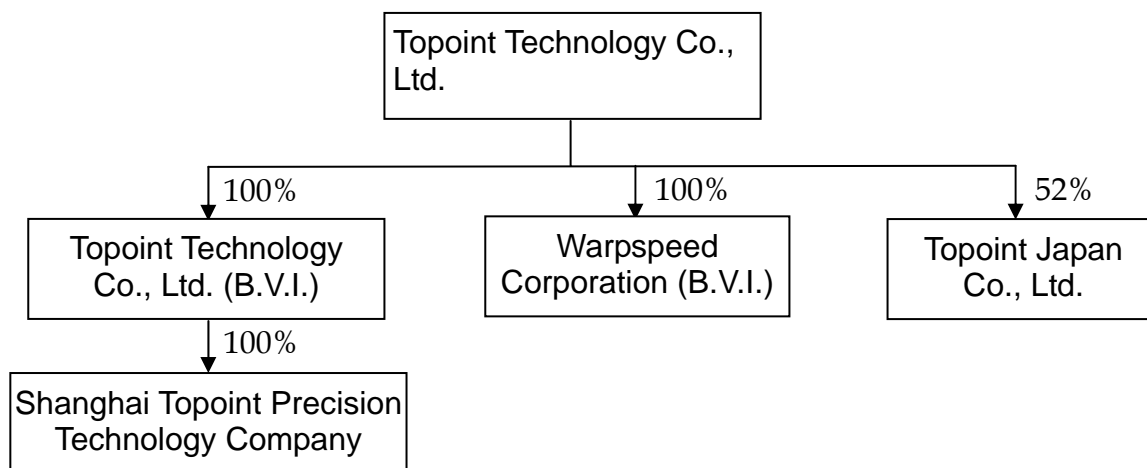
7. Other important matters: N/A

VIII. Special Disclosures

1. Information of Affiliated Firms

A. Affiliates Consolidated Business Report

(1) Organization chart



(2) Basic information

Name of the invested company	Area	Major business	Paid-up capital Unit: NT\$ Thousands
Topoint Technology Co., Ltd.(B.V.I.)	British Virgin Islands	International Investment	829,116
Warpspeed Corporation (B.V.I.)	British Virgin Islands	International Trade	1,569
Topoint Japan Co., Ltd.	Japan	Sales of electronic components	8,340
Shanghai Topoint Precision Technology Company	China	The production and sales of precision cutting tools and automatic measuring tools	829,116

(3) The shareholder's information presumed to have control and subordination: N/A

(4) The industry covered by the overall affiliates operating business

The operating business of the company and its affiliated enterprises include the R&D, manufacture, and sales of drills, etc.

(5) Affiliated enterprises directors, supervisors, and presidents

Company Name	Position	Name/Representative	Share holding	
			Amount	%
Topoint Technology Co., Ltd.(B.V.I.)	Major Shareholder	Topoint Technology/ Lin Shu-Ting	3,130	100%
Warspeed Corporation (B.V.I.)	Major Shareholder	Topoint Technology/ Chiang Chen-Wen	50,000	100%
Topoint Japan Co., Ltd.	Director	Topoint Technology/ Lin Shu-Ting	312	52%
Shanghai Topoint Precision Technology Company	Director	Lin Shu-Ting	-	-
	Director	Wang Chia-Hong	-	-
	Director	Chen Shiu-Tao	-	-

B. Affiliates Consolidated Financial Statements: See P.92~P.97

The affiliates of Topoint Technology Co., Ltd., which should have been included in the combined financial statements of Topoint Technology and its affiliates, as of 2008 (from January 1, 2008 to December 31, 2008), based on the “Principles and Guidelines for Preparation of the Affiliates Consolidated Business Report, Affiliates Consolidated Financial Statements, and the Report.”, are the same as those included in the consolidated financial statements of Topoint Technology and its subsidiaries as of 2008, prepared under the Statement of Financial Accounting Standards No.7. The information required to be disclosed in the consolidated financial statements has already been disclosed in the above consolidated financial statements. Consequently, there is no need to prepare a separate consolidated financial statement of Topoint Technology and its affiliates.

C. Affiliation Report: N/A

2. Subscription of marketable securities privately in the most recent years: N/A

3. The stock shares of the company held or disposed by the subsidiaries in the most recent years: N/A

4. Supplementary disclosures:

A. The status of financial information disclosure relevant personnel receiving relevant certifications from the authorities:

The company's internal auditors have received the Securities & Futures Institute's corporate internal control basic capacity test qualification certificates on January 15,

2008. The certificate number is: (96) Cheng Chin Chi Tse Cheng Tze No. 3610600731.

- B. The Boards to approved of the enactment of Major information Procedures on Apr.21, 2009, and announcement of all employees, executive officers, directors and supervisors.
4. Occurrence of events defined in Securities Transaction Law Article 36.2.2 that has great impact on shareholder's equity or security price in the most years and up to the date of the report printed: N/A

TOPOINT TECHNOLOGY CO., LTD.

Chairman: Xu-Ting Lin