

## **Chroma Ate Inc. and Subsidiaries**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Chroma Ate Inc.

We have audited the accompanying consolidated balance sheets of Chroma Ate Inc. (the "Corporation") and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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

February 13, 2009

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

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

## CHROMA ATE INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

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

ASSETS	2008		2007		LIABILITIES AND SHAREHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 4)	\$ 978,558	11	\$ 1,030,140	10	Short-term borrowings (Note 12)	\$ 839,900	10	\$ 935,997	10
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	22,547	-	28,574	-	Short-term bills payable (Note 13)	100,000	1	127,500	1
Notes receivable (Note 20)	11,649	-	37,630	1	Notes payable (Note 20)	96,334	1	51,820	1
Accounts receivable - related parties (Note 20)	7,465	-	22,465	-	Accounts payable (Note 20)	753,387	9	1,418,172	14
Accounts receivable (Notes 2 and 6)	2,196,188	26	3,014,839	30	Income tax payable (Notes 2 and 16)	510	-	226,605	2
Inventories, net (Notes 2 and 7)	1,660,003	19	1,773,790	18	Accrued expenses	404,123	5	237,840	2
Prepayments	110,665	1	40,388	1	Receipts in advance	41,725	-	141,675	2
Deferred income tax assets - current (Notes 2 and 16)	29,466	1	35,311	-	Current portion of long-term liabilities (Note 14)	150,905	2	826	-
Other current assets (Note 20)	63,136	1	106,905	1	Other current liabilities	37,863	-	17,653	-
Total current assets	5,079,677	59	6,090,042	61	Total current liabilities	2,424,747	28	3,158,088	32
<b>LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>				
Available-for-sale financial assets - noncurrent (Notes 2 and 8)	180,464	2	579,438	6	Long-term bank loans, net of current portion (Notes 14 and 21)	29,841	-	180,404	2
Financial assets carried at cost - noncurrent (Notes 2 and 9)	136,608	2	140,087	1	<b>OTHER LIABILITIES</b>				
Investments accounted for by the equity method (Notes 2 and 10)	294,519	3	311,348	3	Accrued pension costs (Note 18)	72,553	1	73,982	1
Total long-term investments	611,591	7	1,030,873	10	Guarantee deposits received	7,199	-	11,330	-
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 21)</b>					Deferred income tax liabilities - noncurrent (Note 16)	14,392	-	19,138	-
Cost					Total other liabilities	94,144	1	104,450	1
Land	450,575	5	450,575	5	Total liabilities	2,548,732	29	3,442,942	35
Buildings	1,876,917	22	1,853,308	19	<b>SHAREHOLDERS' EQUITY OF PARENT COMPANY (Notes 2 and 15)</b>				
Machinery and equipment	515,441	6	415,429	4	Capital stock - NT\$10 par value				
Miscellaneous equipment	876,379	10	741,638	7	Authorized: 400,000 thousand shares				
Total cost	3,719,312	43	3,460,950	35	Issued and outstanding: 329,915 thousand shares in 2008 and 304,244 thousand shares in 2007	3,299,151	38	3,042,441	30
Less: Accumulated depreciation	1,148,358	13	965,790	10	Capital surplus	829,898	10	821,980	8
Prepayments of equipment	1,001	-	12,016	-	Retained earnings				
Net plant, property and equipment	2,571,955	30	2,507,176	25	Legal reserve	724,105	8	570,330	6
<b>INTANGIBLE ASSETS (Notes 2 and 10)</b>					Unappropriated earnings	1,115,209	13	1,584,771	16
Trademark	9,648	-	6,127	-	Other equity				
Goodwill	122,481	1	114,006	1	Cumulative translation adjustments	115,402	1	55,131	1
Core technology	213,137	3	132,674	2	Unrealized gain on financial instruments	48,819	1	348,668	3
Total intangible assets	345,266	4	252,807	3	Treasury stock - 3,897 thousand shares in 2008 and 1,752 thousand shares in 2007	(75,685)	(1)	(33,243)	-
<b>OTHER ASSETS</b>					Total shareholders' equity of parent company	6,056,899	70	6,390,078	64
Refundable deposits	8,065	-	8,371	-	<b>MINORITY INTEREST</b>	53,955	1	92,329	1
Deferred charges, net (Note 2)	3,546	-	1,045	-	Total shareholders' equity	6,110,854	71	6,482,407	65
Deferred income tax assets - noncurrent (Notes 2 and 16)	14,741	-	10,750	-	<b>TOTAL</b>	\$ 8,659,586	100	\$ 9,925,349	100
Pledged time deposits (Note 21)	12,448	-	1,237	-					
Other	12,297	-	23,048	1					
Total other assets	51,097	-	44,451	1					
<b>TOTAL</b>	\$ 8,659,586	100	\$ 9,925,349	100					

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

(With Deloitte & Touche audit report dated February 13, 2009)

## CHROMA ATE INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 12,298,527	101	\$ 12,680,279	100
LESS :SALES RETURNS AND ALLOWANCES	<u>70,834</u>	<u>1</u>	<u>50,259</u>	<u>-</u>
NET OPERATING REVENUES (Notes 2 and 20)	12,227,693	100	12,630,020	100
OPERATING COSTS (Notes 19 and 20)	<u>9,261,947</u>	<u>76</u>	<u>9,218,829</u>	<u>73</u>
GROSS PROFIT	<u>2,965,746</u>	<u>24</u>	<u>3,411,191</u>	<u>27</u>
OPERATING EXPENSES (Note 19)				
Selling and general administrative	1,205,905	10	932,779	7
Research and development	<u>557,130</u>	<u>4</u>	<u>518,375</u>	<u>4</u>
Total operating expenses	<u>1,763,035</u>	<u>14</u>	<u>1,451,154</u>	<u>11</u>
OPERATING INCOME	<u>1,202,711</u>	<u>10</u>	<u>1,960,037</u>	<u>16</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of investment, net (Note 2)	61,922	1	95,345	1
Rental income (Note 20)	30,994	1	25,094	-
Dividend income (Note 2)	27,382	-	16,299	-
Investment income recognized by the equity method, net (Notes 2 and 10)	15,822	-	52,990	1
Subsidy income (Note 2)	14,242	-	11,858	-
Interest income	8,370	-	9,765	-
Reversal of loss on market value decline and slow-moving inventories (Note 2)	4,690	-	-	-
Other (Note 2)	<u>12,959</u>	<u>-</u>	<u>37,568</u>	<u>-</u>
Total nonoperating income and gains	<u>176,381</u>	<u>2</u>	<u>248,919</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expenses	34,726	1	36,446	-
Foreign exchange loss, net (Note 2)	23,566	-	18,766	-
Valuation loss on financial assets, net (Note 2)	11,369	-	-	-
Loss on disposal and retirement of property, plant and equipment (Note 2)	4,847	-	2,874	-
Impairment loss (Notes 2, 9, 10 and 11)	2,111	-	119,466	1
Loss on inventory market value decline and slow-moving inventories (Note 2)	-	-	53,530	1
Other (Note 2)	<u>6,575</u>	<u>-</u>	<u>21,323</u>	<u>-</u>
Total nonoperating expenses and losses	<u>83,194</u>	<u>1</u>	<u>252,405</u>	<u>2</u>

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## CHROMA ATE INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
CONSOLIDATED INCOME BEFORE INCOME TAX	\$ 1,295,898	11	\$ 1,956,551	16
INCOME TAX EXPENSE (Notes 2 and 16)	<u>198,077</u>	<u>2</u>	<u>361,707</u>	<u>3</u>
CONSOLIDATED NET INCOME	<u>\$ 1,097,821</u>	<u>9</u>	<u>\$ 1,594,844</u>	<u>13</u>
ATTRIBUTED TO:				
Shareholders of parent company	\$ 1,104,613	9	\$ 1,537,753	12
Minority interest	<u>(6,792)</u>	<u>-</u>	<u>57,091</u>	<u>1</u>
	<u>\$ 1,097,821</u>	<u>9</u>	<u>\$ 1,594,844</u>	<u>13</u>
	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 17)				
Basic	<u>\$ 3.86</u>	<u>\$ 3.38</u>	<u>\$ 5.68</u>	<u>\$ 4.85</u>
Diluted	<u>\$ 3.70</u>	<u>\$ 3.24</u>	<u>\$ 5.48</u>	<u>\$ 4.68</u>

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

(With Deloitte & Touche audit report dated February 13, 2009)

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**CHROMA ATE INC. AND SUBSIDIARIES**

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

	Issued and Outstanding Capital Stock	Capital Surplus				Total	Retained Earnings				Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	Minority Interests	Total Shareholders' Equity
		Additional Paid-in Capital	From Long-term Investments	Treasury Stock	From Merger		Legal Reserve	Special Reserve	Unappropriated Earnings	Total					
BALANCE, JANUARY 1, 2007	\$ 2,863,779	\$ 608,630	\$ 44,534	\$ 10,478	\$ 146,976	\$ 810,618	\$ 469,370	\$ 7,352	\$ 1,046,475	\$ 1,523,197	\$ 32,221	\$ 173,678	\$(440,048)	\$ -	\$ 4,963,445
Appropriation of the 2006 earnings															
Legal reserve	-	-	-	-	-	-	100,960	-	(100,960)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	(7,352)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(6,800)	(6,800)	-	-	-	-	(6,800)
Bonus to employees - stock	30,492	-	-	-	-	-	-	-	(30,492)	(30,492)	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	(45,738)	(45,738)	-	-	-	-	(45,738)
Stock dividends - NTS0.4 per share	112,000	-	-	-	-	-	-	-	(112,000)	(112,000)	-	-	-	-	-
Cash dividends - NT \$2.5 per share	-	-	-	-	-	-	-	-	(700,000)	(700,000)	-	-	-	-	(700,000)
Balance after appropriation	3,006,271	608,630	44,534	10,478	146,976	810,618	570,330	-	57,837	628,167	32,221	173,678	(440,048)	-	4,210,907
Consolidated net income in 2007	-	-	-	-	-	-	-	-	1,537,753	1,537,753	-	-	-	57,091	1,594,844
Exercise of employee stock options	36,170	10,925	-	-	-	10,925	-	-	-	-	-	-	-	-	47,095
Transfer of 11,004 thousand treasury shares to employees	-	-	-	(10,478)	-	(10,478)	-	-	(10,819)	(10,819)	-	-	405,754	-	384,457
Disposal of the Corporation's shares held by subsidiary	-	-	-	2,375	-	2,375	-	-	-	-	-	-	1,051	-	3,426
Cash dividends paid to subsidiary	-	-	-	4,135	-	4,135	-	-	-	-	-	-	-	-	4,135
Adjustments arising from changes in ownership percentage in investee	-	-	4,405	-	-	4,405	-	-	-	-	-	-	-	-	4,405
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	174,990	-	-	174,990
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	7,500	7,500
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	25,433	25,433
Translation adjustments on long-term investments accounted for by the equity method	-	-	-	-	-	-	-	-	-	-	22,910	-	-	2,305	25,215
BALANCE, DECEMBER 31, 2007	3,042,441	619,555	48,939	6,510	146,976	821,980	570,330	-	1,584,771	2,155,101	55,131	348,668	(33,243)	92,329	6,482,407
Appropriation of the 2007 earnings															
Legal reserve	-	-	-	-	-	-	153,775	-	(153,775)	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(8,500)	(8,500)	-	-	-	-	(8,500)
Bonus to employees - stock	51,520	-	-	-	-	-	-	-	(51,520)	(51,520)	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	(77,280)	(77,280)	-	-	-	-	(77,280)
Stock dividends - NTS0.6 per share	183,300	-	-	-	-	-	-	-	(183,300)	(183,300)	-	-	-	-	-
Cash dividends - NT\$3.6 per share	-	-	-	-	-	-	-	-	(1,099,800)	(1,099,800)	-	-	-	-	(1,099,800)
Balance after appropriation	3,277,261	619,555	48,939	6,510	146,976	821,980	724,105	-	10,596	734,701	55,131	348,668	(33,243)	92,329	5,296,827
Consolidated net income in 2008	-	-	-	-	-	-	-	-	1,104,613	1,104,613	-	-	-	(6,792)	1,097,821
Exercise of employee stock options	21,890	3,191	-	-	-	3,191	-	-	-	-	-	-	-	-	25,081
Disposal of the Corporation's shares held by subsidiary	-	-	-	4,027	-	4,027	-	-	-	-	-	-	2,221	-	6,248
Cash dividends paid to subsidiary	-	-	-	6,117	-	6,117	-	-	-	-	-	-	-	-	6,117
Adjustments arising from changes in ownership percentage in investee	-	-	730	-	-	730	-	-	-	-	-	-	-	(730)	-
Adjustment arising from changes in investee's equity in its investment	-	-	(6,147)	-	-	(6,147)	-	-	-	-	-	-	-	-	(6,147)
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(299,849)	-	-	(299,849)
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,169)	(27,169)
Translation adjustments on long-term investments accounted for by the equity method	-	-	-	-	-	-	-	-	-	-	60,271	-	-	(3,683)	56,588
Buyback of 2,147 thousand issued shares	-	-	-	-	-	-	-	-	-	-	-	-	(44,663)	-	(44,663)
BALANCE, DECEMBER 31, 2008	<u>\$ 3,299,151</u>	<u>\$ 622,746</u>	<u>\$ 43,522</u>	<u>\$ 16,654</u>	<u>\$ 146,976</u>	<u>\$ 829,898</u>	<u>\$ 724,105</u>	<u>\$ -</u>	<u>\$ 1,115,209</u>	<u>\$ 1,839,314</u>	<u>\$ 115,402</u>	<u>\$ 48,819</u>	<u>\$ (75,685)</u>	<u>\$ 53,955</u>	<u>\$ 6,110,854</u>

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

(With Deloitte & Touche audit report dated February 13, 2009)

# CHROMA ATE INC. AND SUBSIDIARIES

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

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 1,097,821	\$ 1,594,844
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	280,698	226,859
Gain on disposal of long-term investments	(58,536)	(92,549)
Cash dividends received from equity-method investees	26,504	32,415
(Reversal of loss) bad debts	17,290	(892)
Investment income recognized by the equity method, net	(15,822)	(52,990)
Loss on disposal and retirement of property, plant and equipment, net	4,778	1,971
(Reversal of) loss on inventory market value decline and slow-moving inventories	(4,690)	53,530
Deferred income taxes	3,976	(3,157)
Impairment loss on financial assets carried at cost	2,111	119,466
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	6,027	70,836
Notes receivable	25,981	16,141
Accounts receivable	816,361	(893,975)
Inventories	102,869	103,673
Prepayments	(70,277)	(27,357)
Other current assets	43,769	(17,039)
Notes payable	44,514	(96,098)
Accounts payable	(664,785)	63,388
Accrued expenses	166,485	22,391
Income tax payable	(226,095)	99,855
Receipts in advance	(99,950)	(274,992)
Other current liabilities	20,210	(9,801)
Accrued pension costs	(1,429)	(1,446)
Net cash provided by operating activities	<u>1,517,810</u>	<u>935,073</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(261,973)	(329,864)
Proceeds from disposal of long-term investment	149,996	142,366
(Increase) decrease in pledged time deposits	(11,211)	35,773
(Increase) decrease in other assets	10,751	(1,151)
Proceeds from disposal of property, plant and equipment	5,751	13,653
Increase in deferred charges	(2,749)	-
Proceeds from capital reduction of long-term investment	1,984	-
Decrease (increase) in refundable deposits	306	(5,348)
Cash paid to acquire subsidiaries	-	(301,132)
Cash received from consolidation of subsidiaries	-	<u>75,078</u>
Net cash used in investing activities	<u>(107,145)</u>	<u>(370,625)</u>

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# CHROMA ATE INC. AND SUBSIDIARIES

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

	2008	2007
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash dividends paid	\$(1,093,683)	\$ (695,865)
Acquisition of minority interest	(239,000)	-
Increase (decrease) in short-term borrowings	(96,097)	299,799
Bonus to employees and remuneration to directors and supervisors	(85,780)	(52,538)
Increase in minority interest	55,000	7,500
Acquisition of treasury stock	(44,663)	-
Decrease in short-term bills payable	(27,500)	(303,690)
Exercise of employee stock options	25,081	47,095
Proceeds from disposal of treasury stock	6,248	3,426
Increase (decrease) in guarantee deposits received	(4,131)	10,544
Transfer of treasury stock to employees	-	384,457
Decrease in long-term loans	<u>-</u>	<u>(50,779)</u>
Net cash used in financing activities	<u>(1,504,525)</u>	<u>(350,051)</u>
EFFECT OF CHANGES IN CONSOLIDATED ENTITIES	<u>-</u>	<u>12,478</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>42,278</u>	<u>30,174</u>
NET INCREASE (DECREASE) IN CASH	(51,582)	257,049
CASH, BEGINNING OF YEAR	<u>1,030,140</u>	<u>773,091</u>
CASH, END OF YEAR	<u>\$ 978,558</u>	<u>\$ 1,030,140</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 33,181</u>	<u>\$ 34,065</u>
Income taxes paid	<u>\$ 432,443</u>	<u>\$ 274,811</u>
<b>CASH PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT</b>		
Acquisition of property, plant and equipment	\$ 261,771	\$ 330,231
Add: Accrued expense, beginning of year	2,342	1,975
Deduct: Accrued expense, end of year	<u>(2,140)</u>	<u>(2,342)</u>
Cash paid	<u>\$ 261,973</u>	<u>\$ 329,864</u>

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## CHROMA ATE INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

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The Corporation acquired equity interests in Wei Kuang Automatic Equipment Co., Ltd. (“Taiwan Wei Kuang”) of 42.4% on January 1, 2008 and 57.6% on January 1, 2007, for a total equity of 100%. On January 1, 2007, the Corporation acquired equity interests of 100% each in Mou Kuan Technologies (Nanjin) Co., Ltd. (“Mou Kuan Nanjin”) and Wei Kuang Automatic Equipment (Nanjin) Co., Ltd. (“Wei Kuang Nanjin”). On March 31, 2007, the Corporation also acquired a 59.1% equity in Sajet Technology Inc. (Note 10). The fair values of related assets and liabilities as of the acquisition dates were as follows:

#### Taiwan Wei Kuang (January 2007)

Cash	\$ 11,881
Financial assets at fair value through profit or loss	43,734
Accounts and notes receivable	251,265
Inventories	317,415
Other current assets	3,083
Property, plant and equipment	17,000
Other assets	<u>3,015</u>
	<u>647,393</u>
Accounts payable	142,337
Accrued expense	16,429
Other current liabilities	<u>428,643</u>
	<u>587,409</u>
Net assets	59,984
Multiply by percentage of acquired shareholding	<u>57.6%</u>
	34,551
Core technology	165,842
Goodwill	85,949
Trademark	<u>7,658</u>
Cash paid to acquire Taiwan Wei Kuang	<u>\$ 294,000</u>

(Continued)

## CHROMA ATE INC. AND SUBSIDIARIES

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

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#### Taiwan Wei Kuang (January 2008)

Cash	\$ 159,822
Accounts and notes receivable	188,008
Inventories	25,979
Other current assets	4,765
Property, plant and equipment	14,674
Other asset	<u>3,735</u>
	<u>396,983</u>
Accounts and notes payable	100,144
Accrued expenses	24,734
Other current liabilities	<u>78,311</u>
	<u>203,189</u>
Net assets	193,794
Multiply by percentage of acquired shareholding	<u>42.4%</u>
	82,169
Core technology	142,040
Goodwill	8,476
Trademark	<u>6,315</u>
Cash paid to acquire Taiwan Wei Kuang	<u>\$ 239,000</u>

#### Mou Kuan Nanjin

Cash	\$ 34,269
Accounts and notes receivable	18,746
Other accounts receivable	5,321
Inventories	29,864
Other current assets	1,703
Property, plant and equipment	<u>2,147</u>
	<u>92,050</u>
Accounts and notes payable	19,152
Accrued expenses	668
Other current liabilities	<u>17,243</u>
	<u>37,063</u>
Net assets	<u>\$ 54,987</u>
Cash paid to acquire Mou Kuan Nanjin	<u>\$ 92,000</u>

(Continued)

## CHROMA ATE INC. AND SUBSIDIARIES

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

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Wei Kuang Nanjin	
Cash	\$ 14,011
Accounts and notes receivable	7,232
Other accounts receivable	8,802
Inventories	6,925
Other current assets	348
Property, plant and equipment	<u>2,285</u>
	<u>39,603</u>
Accounts and notes payable	13,987
Accrued expenses	598
Other current liabilities	<u>2</u>
	<u>14,587</u>
Net assets	<u>\$ 25,016</u>
Cash paid to acquire Wei Kuang Nanjin	<u>\$ 28,000</u>
Sajet Technology Inc.	
Cash	\$ 14,917
Accounts and notes receivable	32,050
Inventories	6,462
Pledged time deposit	3,400
Other current assets	1,529
Investments accounted for by the equity method	12,481
Property, plant and equipment	805
Other assets	<u>9,323</u>
	<u>80,967</u>
Accounts and notes payable	9,690
Accrued expenses	4,241
Other current liabilities	<u>3,753</u>
	<u>17,684</u>
Net assets	63,283
Multiply by percentage of acquired shareholding	<u>59.1%</u>
	<u>37,400</u>
Core technology	<u>9,795</u>
Cash paid to acquire Sajet Technology Inc.	<u>\$ 47,195</u>

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

(With Deloitte & Touche audit report dated February 13, 2009)

(Concluded)

# CHROMA ATE INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

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### 1. ORGANIZATION AND OPERATIONS

Chroma Ate Inc. (the "Corporation") was incorporated in the Republic of China (ROC) in November 1984. The Corporation mainly designs, assembles, calibrates, manufactures, sells, repairs and maintains software/hardware for computers and peripherals, computerized automatic test systems, electronic test instruments, signal generators, power supplies, telecom power supplies, etc. as well as serves as an agent to sell these products. The Corporation's shares have been listed on the Taiwan Stock Exchange since December 21, 1996.

As of December 31, 2008 and 2007, the Corporation and its subsidiaries had 1,638 and 1,639 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. In conformity with these guidelines and principles, the Corporation and its subsidiaries are required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, loss on inventory market value decline and slow-moving inventories; depreciation of property; plant and equipment; amortization of intangible assets and deferred charges; pension, asset impairment loss, bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

For readers' convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail.

The significant accounting policies of the Corporation and its subsidiaries (the "Group") are summarized as follows:

#### Consolidation

##### a. Basis of consolidation

The consolidated financial statements as of and for the years ended December 31, 2008 and 2007 have been prepared in accordance with the Statement of Financial Accounting Standards (SFAS) No. 7 - "Consolidated Financial Statements," and include the financial statements of the Corporation and all investees over which the Corporation has substantive control. All significant intercompany transactions and balances were excluded from the consolidation.

- b. In conformity with the above bases for consolidation, the consolidated financial statements as of and for the years ended December 31, 2008 and 2007 included the accounts of the Corporation and its direct and indirect subsidiaries as follows:

Investor	Investee	Business	Percentage of Ownership as of		Explanation
			December 31, 2008	December 31, 2007	
The Corporation	Newworld Electronics Ltd.	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	-
	Chroma Investment Co., Ltd.	Investment	100.0	100.0	Chroma Investment Co., Ltd. had 1,750 thousand shares of the Corporation's common stock as of December 31, 2008, which accounted for 0.5% of the Corporation's outstanding shares
	Sensational Holding Ltd.	Investment	100.0	100.0	-
	Chroma Ate Europe B.V.	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	-
	Chroma Ate Inc.	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	-
	Chen Hwa Technology Inc.	Test of inductance, capacitance and resistance equipment and sale of parts	100.0	100.0	-
	CHI Incorporation Ltd.	Test of inductance, capacitance and resistance equipment and sale of parts	100.0	100.0	-
	Nova Electronics Inc.	Import/export of computers, electronic instruments, etc.	99.9	99.9	-
	Chroma New Material Corporation	Sale and processing of gold wire	100.0	100.0	-
	San Eagle Development Corp. (San Eagle)	Investment	100.0	100.0	-
	Silver Town Electronic Co., Ltd. (Silver Town)	Investment	-	57.6	The subsidiary was merged in the first quarter of 2008
	Wei Kuang Automatic Equipment Co., Ltd.	Design, manufacturing, installment and testing of automatic factory conveyor systems	100.0	-	The subsidiary was acquired by the Corporation's mergence with Silver Town Electronic Co., Ltd. in the first quarter of 2008.
	Testar Electronic Corporation	Testing of LED products	58.3	70.0	-
	Deep Red Holding Co., Ltd.	Investment	100.0	-	The subsidiary was acquired because of the liquidation of Sajat Technology Inc. in the third quarter of 2008
	Chroma Japan Corp.	Sale and maintenance of electronic test instruments, etc.	100.0	-	The subsidiary was established in the third quarter of 2008
	Sajet Technology Inc.	Wholesale and retail of information, software, etc. and rendering related services	-	100.0	The subsidiary was liquidated in the third quarter of 2008

(Continued)

Investor	Investee	Business	Percentage of Ownership as of December 31		Explanation
			2008	2007	
Newworld Electronics Ltd.	Chroma Electronics (Shenzhen) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	100.0	100.0	-
	Chroma Electronics (Shanghai) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	100.0	100.0	-
Chroma Investment Co., Ltd.	Quickwin Limited	Investment	100.0	100.0	-
Quickwin Limited	Semiconductor Testing Advanced Research Lab, Inc.	Research, development and test on test instruments and signal generators.	100.0	100.0	The subsidiary was liquidated in the third quarter of 2008
Chen Hwa Technology Inc.	Chroma (Shanghai) Trading Co., Ltd.	International and transit trading, simple commercial processing, commercial consulting services, etc.	100.0	100.0	-
CHI Incorporation Ltd.	Chroma Ate (Suzhou) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	100.0	100.0	-
San Eagle Development Corp.	Wei Kuang Mech Eng Inc.	Investment	100.0	100.0	-
Wei Kuang Mech Eng Inc.	Mou Kuan Technologies (Nanjin) Co., Ltd.	Assembly, sale and maintenance of factory conveyors and related systems and renders related after-sales services	100.0	100.0	-
	Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	100.0	100.0	-
	Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	100.0	100.0	-
Silver Town Electronic Co., Ltd.	Wei Kuang Automatic Equipment Co., Ltd.	Design, manufacturing, installment and testing of automatic factory conveyor systems	-	100.0	-
Sajet Technology Inc.	Deep Red Holding Co., Ltd.	Investment	-	100.0	-
	Sajet Technology LLC	Sale of parts of information systems and computers	-	100.0	The subsidiary was liquidated in July 2008
Deep Red Holding Co., Ltd.	Sajet System Technology (Suzhou) Co., Ltd.	Research, development and design of computer network security systems and information management.	100.0	100.0	-

(Concluded)

The Corporation and consolidated subsidiaries are hereinafter referred to as the “Group.”

## **Current and Noncurrent Assets and Liabilities**

Current assets include cash, assets held for trading and those expected to be converted to cash, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are non-current assets. Current liabilities are obligations held for trading and those expected to be due within one year from the balance sheet date. All other liabilities not classified as current liabilities are non-current liabilities.

## **Financial Instruments at Fair Value through Profit or Loss**

Financial instruments at fair value through profit or loss the (“FVTPL”) are financial assets held for trading. On initial recognition, the financial instruments are recognized at fair value plus transaction costs and are subsequently measured at fair value with fair value changes recognized in profit or loss. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. Financial instrument de-recognition, the difference between the selling price or amount paid and the book value of the financial instrument is recognized as profit or loss. The regular purchase or sale of the financial instruments is recognized and derecognized using trade date accounting.

Forward exchange contract, which are derivatives used for trading purposes, are used mainly to avoid risks on exchange rate fluctuations.

Derivatives that are not designated as effective hedge instruments are classified as held for trading financial assets or liabilities. When the fair value of the derivative is positive, the derivative is listed as a financial asset; otherwise, the derivative is listed as a financial liability.

The fair values of FVTPL are based on the following: (a) listed stocks - closing prices as of the balance sheet date and (b) open-end beneficiary certificates - net asset values as of the balance sheet date.

## **Inventories**

Inventories are stated at the lower of weighted average cost or market, which refers to replacement cost or net realizable value.

Allowance for loss on inventory market price decline and on slow-moving inventories is provided on the bases of an analysis of the possible effect of changes in engineering process and aging of ending inventory.

## **Available-for-sale Financial Assets**

On initial recognition, available-for-sale financial assets are recognized at fair value plus transaction costs. When subsequently measured at fair value, the fair value changes (net of tax) are recognized directly in shareholders’ equity. The cumulative gain or loss that was recognized in shareholders’ equity is recognized in profit or loss when an available-for-sale financial asset is derecognized from the balance sheet. The purchase or sale of the financial instruments is recognized and derecognized using trade date accounting.

Cash dividends are recognized as dividend income on the ex-dividend date, but are accounted for as reductions to the original cost of investments if such dividends are attributable to periods prior to the purchase of investments. Stock dividends are not recognized as current income but are accounted for only as an increase in the number of shares held. The cost per share is re-calculated based on the new number of shares.

The fair value of listed stocks is based on the closing price on the balance sheet date.

### **Financial Assets Carried at Cost**

If there is no active market for an equity instrument and a reliable fair value can not be estimated, the equity instrument, including unlisted stocks and emerging stocks, etc, is measured at cost. Impairment losses are recognized if a decrease in the fair value of the instruments can be objectively related to an event. Reversal of impairment losses is not allowed. Dividend is accounted for as that of available-for-sale financial assets.

### **Investments Accounted for by the Equity Method**

Long-term investments in which the Corporation exercises significant influence on the investees are accounted for by the equity method. Equity-method investments are carried at cost on the acquisition date, and this cost is subsequently adjusted for the Corporation's proportionate share in the net income/loss and changes of equity of investees. Cash dividends are recorded as a reduction of the value of long-term investments. The Corporation will stop using the equity method if the Corporation loses its significant influence on the investee because of a decrease in the Corporation's shareholding or other reasons and the prevailing carrying value should be used as the new investment cost.

Under Statement of Financial Accounting Standards No. 5 - "Accounting for Long-term Investments in Equity Securities," the difference between the cost of investment and the Corporation's equity in the investee's net assets should be analyzed and accounted for as follows: If the difference stems from depreciable, depletable or amortizable assets, it should be amortized over five years using the straight line method; otherwise, it should not be amortized and should instead be tested annually for impairment.

When the Corporation subscribes for additional shares issued by an investee at a percentage different from its current equity interest, the resulting increase in the Corporation's equity in the investee's net assets is credited to capital surplus. Any decrease in the Corporation's equity in the investee's net assets is debited to capital surplus. Any remaining difference is debited to unappropriated retained earnings if capital surplus is not enough for debiting purposes.

Stock dividends are not recognized as investment income but are accounted for only as an increase in the number of shares held. Costs of the investments sold are determined by the weighted-average method.

### **Property, Plant and Equipment**

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

Depreciation is calculated using the straight-line method over the estimated service lives of assets, which range as follows: buildings - 3 to 55 years; machinery and equipment - 2 to 12 years; and miscellaneous equipment - 3 to 15 years. If the property, plant and equipment are still in service beyond their original the estimated service lives, they are further depreciated over their newly estimated service lives.

Upon sale or retirement, the related cost and accumulated depreciation of property, plant and equipment are removed from the accounts, and any gain or loss is credited or charged to nonoperating gain or loss in the year of disposal.

### **Intangible Assets**

On the consolidation of subsidiaries, resulting intangible assets arising from identifiable assets should be amortized over five years using the straight-line method. If the source of the intangible assets is unidentifiable, these assets are classified as goodwill, which should be tested annually instead for impairment.

## **Deferred Charges**

Deferred charges, which mainly refer to refurbishments and royalties, are amortized by the straight-line method over their contract periods.

## **Asset Impairment**

If the recoverable amount of an asset (mainly property, plant and equipment; deferred charges; intangible assets; and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If an impairment loss reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the unrealized revaluation increment. A reversal of an impairment loss on goodwill is disallowed.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units (CGUs) that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU.

For long term equity investments for which the investor Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

## **Income Tax**

The Group applies inter-year allocations for its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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 provision.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

## **Pension Costs**

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the employees' services periods.

## **Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts**

Sales are recognized when titles to products and risks of ownerships are transferred to customers, primarily upon shipment, and are stated at the fair values of settled prices (after taking into consideration of business discount and volume discount). However, receivable from sales maturing within one year or less may not be valued at fair value according to the imputed interest rate when the discrepancy between their fair value and value at maturity is small and when sales are frequent.

Allowance for doubtful accounts is provided on the basis of a periodical evaluation of the collectibility and aging of receivables.

## **Government Subsidies**

Government subsidies given to the Corporation for the operation of an innovative technology research and development center, the leading development project for an LED (light-emitting diode) testing system, and technology research, development project led by the Ministry of Economic Affairs and integrated program of automatic optical inspection equipment and technology are deferred and recognized as other income over the project periods.

## **Treasury Stock**

The Corporation's buyback of issued shares is accounted for by the cost method and is recorded as a deduction to arrive at shareholders' equity.

The Corporation's shares held by its subsidiaries are recorded as treasury stock. Cash dividends received from the Corporation and gain on disposal of the shares are recognized as "capital surplus - treasury stock."

## **Foreign-currency Transactions**

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

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

If the functional currencies of equity-method investees are foreign currencies, translation adjustments will result from the translation of the amounts in the investees' financial statements into the reporting currency of the Corporation. These adjustments are accumulated and reported as a separate component of shareholders' equity.

## **3. EFFECTS OF CHANGE IN ACCOUNTING PRINCIPLES**

In March 2007, the Accounting Research and Development Foundation of the Republic of China issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses starting from January 1, 2008. These bonuses were previously recorded as appropriations from earnings. This accounting change resulted in decreases of \$120,975 thousand in net consolidated income and of NT\$0.37 in after income tax basic earnings per share for 2008.

#### 4. CASH

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Deposits in banks	\$ 975,890	\$ 1,027,680
Cash on hand	1,567	1,370
Petty cash	<u>1,101</u>	<u>1,090</u>
	<u>\$ 978,558</u>	<u>\$ 1,030,140</u>

#### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
<u>Financial assets held for trading</u>		
Open-end beneficiary certificates	\$ 12,073	\$ 3,092
Listed stocks - domestic	<u>10,474</u>	<u>25,482</u>
	<u>\$ 22,547</u>	<u>\$ 28,574</u>

The Group entered into forward exchange contracts to hedge against exposures due to exchange rate fluctuations in 2008. The purpose of the hedge strategy was to reduce most of the risks arising from changes in market prices and cash flows. There were no forward exchange contracts outstanding as of December 31, 2008.

As of December 31, 2008 and 2007, the Group recognized losses of \$7,893 thousand and \$198 thousand on financial assets held for trading, respectively.

#### 6. ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Accounts receivable	\$ 2,249,660	\$ 3,051,337
Less: Allowance for doubtful accounts	<u>53,472</u>	<u>36,498</u>
	<u>\$ 2,196,188</u>	<u>\$ 3,014,839</u>

#### 7. INVENTORIES, NET

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Raw materials	\$ 441,298	\$ 377,859
Work in process	366,178	369,415
Semifinished products	201,744	241,525
Finished goods	<u>743,606</u>	<u>895,899</u>
	1,752,826	1,884,698
Less: Allowance for losses on market value decline and slow-moving inventories	<u>92,823</u>	<u>110,908</u>
	<u>\$ 1,660,003</u>	<u>\$ 1,773,790</u>

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
DynaColor, Inc.	\$ 147,449	\$ 415,324
Chunghwa Telecom Co., Ltd.	33,015	33,604
Xantrex Technology Inc.	<u>-</u>	<u>130,510</u>
	<u>\$ 180,464</u>	<u>\$ 579,438</u>

## 9. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	<u>December 31</u>			
	<u>2008</u>		<u>2007</u>	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Domestic stocks				
WK Technology Fund IV Ltd.	\$ 40,000	1.9	\$ 40,000	1.9
Tway Catv Service Inc.	36,451	5.4	36,451	5.4
WK Technology Fund VI Ltd.	25,000	1.4	25,000	1.4
Cosmative Broadbond Networks Co., Ltd.	1,144	1.5	1,144	1.5
EVT Technology Co., Ltd.	<u>-</u>	16.6	<u>2,111</u>	16.6
	<u>102,595</u>		<u>104,706</u>	
Foreign stocks and funds				
Fei Hong Industrial Co., Ltd.	17,175	10.3	17,175	10.3
Hangzhou New Material Chroma Co., Ltd.	9,348	19.0	9,242	19.0
Chromatex S.A.	4,821	12.2	4,821	12.2
H & Q/Gai Incubation Fund, L.P.	2,536	-	4,010	-
Quality Source S.A.	133	0.5	133	0.5
Prance System Technology Co., Ltd.	<u>-</u>	5.1	<u>-</u>	5.1
	<u>34,013</u>		<u>35,381</u>	
	<u>\$ 136,608</u>		<u>\$ 140,087</u>	

The above investments were measured at cost because they had no quoted prices in an active market and their fair value could not be reliably measured.

The Group recognized impairment losses of \$2,111 thousand in 2008 and \$96,232 thousand in 2007 to reflect an other-than-temporary decline in the value of the investments in EVT Technology Co., Ltd., Tway Catv Service Inc., Cosmative Broadbond Networks Co., Ltd. and Prance System Technology Co., Ltd., etc.

## 10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<b>December 31</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Carrying Value</b>	<b>% of Owner-ship</b>	<b>Carrying Value</b>	<b>% of Owner-ship</b>
Adlink Technology Inc. (listed)	\$ 235,043	12.8	\$ 238,296	12.6
DynaScan Technology Corp.	<u>59,476</u>	26.9	<u>73,052</u>	26.9
	<u>\$ 294,519</u>		<u>\$ 311,348</u>	

The Group's investment in Adlink Technology Inc. was accounted for by the equity method because of the Group's significant influence over the investee's operating and financial policy decisions.

The fair market values of Adlink Technology Inc., which were measured at closing prices as of December 31, 2008 and 2007, were as follows:

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Adlink Technology Inc.	<u>\$ 237,857</u>	<u>\$ 473,686</u>

On October 27, 2006, the Corporation's board of directors resolved to incorporate a subsidiary, San Eagle Development Corp. ("San Eagle"), in the British Virgin Islands. Through San Eagle, the Corporation bought all of the issued shares of Wei Kuang Mech Eng Inc. from Scn Finance Corp. Wei Kuang Mech Eng Inc. holds 100% shareholding & Mou Kuan Technologies (Nanjin) Co., Ltd. ("Mou Kuan Nanjin") and Wei Kuang Automatic Equipment (Nanjin) Co., Ltd. ("Wei Kuang Nanjin"). Mou Kuan Nanjin will assemble and sell factory conveyors and related systems and render after-sales services. Wei Kuang Nanjin will sell and maintain electronic equipment and factory conveyor systems. To strengthen the business on Mainland China, the Corporation's board of directors resolved on August 7, 2007 to increase the investment in Wei Kuang Nanjin to US\$1,000 thousand.

To strengthen the relationship with customers and enhance customer service, the Corporation's board of directors resolved on December 28, 2006 to establish Wei Kuang Automatic Equipment (Xiamen) Co., Ltd. ("Wei Kuang Xiamen") through San Eagle and Wei Kuang Mech Eng Inc. The planned investment would amount to US\$2,000 thousand. As of December 31, 2008, the Corporation had remitted out an investment amount of \$50,763 thousand. Wei Kuang Xiamen will sell and maintain electronic equipment and factory conveyor systems.

To enhance the Corporation's competitiveness, the Corporation in December 2006, January 2007 and January 2008 acquire 100% equity interest in Silver Town Electronic Co., Ltd. ("Silver Town") from Ever Growth Investment Holding Ltd., respectively. On February 29, 2008, the Corporation's board of directors resolved to merge Silver Town on the record date, March 21, 2008, and directly hold 100% equity interest in Wei Kuang Automatic Equipment (Taiwan) Co., Ltd., which designs, manufactures, installs and tests automated factory conveyor systems.

To integrate the software and hardware technologies of automated factory equipment, the Corporation acquired 59.1% equity in Sajet Technology Inc. ("Sajet") for \$47,132 thousand in February and March 2007, respectively. Corporation's subsidiary, Chroma Investment Co., Ltd., held the remaining 40.9% equity in Sajet. The Corporation thus directly and indirectly held 100% equity interest in Sajet upon completing the acquisition. Sajet mainly provides total solutions on manufacturing information systems and these systems were collocated with the Corporation's sold products on many occasions. Sajet was liquidated on September 15, 2008, and its subsidiary, Deep Red Holding Co., Ltd. was transferred to the Corporation in the process of distribution.

Taiwan Wei Kuang, Mou Kuan Nanjin, Wei Kuang Nanjin and Sajat were acquired by the Corporation and were accounted for by the purchase method.

The changes in 2008 and 2007 in the differences between investment costs and the above investees' net asset values regarded as amortizable asset were as follows:

	<b><u>Years Ended December 31</u></b>	
	<b>2008</b>	<b>2007</b>
<b><u>Amortizable assets</u></b>		
Beginning balance	\$ 138,801	\$ -
Additions	148,355	183,295
Amortization	(64,371)	(36,169)
Impairment losses recognized	-	(8,325)
Ending balance	<u>\$ 222,785</u>	<u>\$ 138,801</u>

The Corporation recognized an impairment loss of \$8,325 thousand in 2007 because of Sajat's liquidation, which was completed in 2008.

The movements in 2008 and 2007 of the difference between investment cost and net asset value regarded as goodwill were as follows:

	<b><u>Years Ended December 31</u></b>	
	<b>2008</b>	<b>2007</b>
<b><u>Cost</u></b>		
Beginning balance	\$ 120,488	\$ 6,482
Additions	8,476	125,947
Impairment losses recognized	-	(11,941)
Ending balance	<u>\$ 128,964</u>	<u>\$ 120,488</u>

The Group assessed the recoverable amounts of goodwill on Mou Kuan Nanjin and Wei Kuang Nanjin and recognized impairment losses of \$11,941 thousand in 2007.

To expand the Corporation's service scope, the Corporation's board of directors resolved on February 27, 2007 to invest jointly with Raster Opto-Mechatronics Co., Ltd. in Testar Electronic Corporation ("Testar"), which will test LED product. As of December 31, 2008, the Corporation had contributed \$87,500 thousand and acquired 58.3% shareholding of Testar.

On December 27, 2007, the Corporation's board of directors resolved to incorporate a subsidiary, Chroma Japan Corp., in Japan to expand its foreign market. Chroma Japan Corp. is mainly engaged in the sale and maintenance of electronic test instruments, etc., and started in August 2008. As of December 31, 2008, the Corporation's accumulated investment amount was ¥9,800 thousand Japanese dollar.

On April 24, 2008, the Corporation's board of directors resolved to increase its investment in Chroma Ate (Suchou) Ltd., through CHI Incorporation Ltd., by US\$1,500 thousand to expand its business in China, and the capital raise was completed on August 6, 2008.

The investment income (loss) recognized under the equity method in 2008 and 2007, which were calculated on the basis of the investees' audited financial statements for the same reporting periods as those of the Group, were as follows:

	<u>Years Ended December 31</u>	
	2008	2007
Adlink Technology Inc.	\$ 29,398	\$ 49,872
Dynascan Technology Corp.	(13,576)	2,261
Sajet Technology Inc.	<u>-</u>	<u>857</u>
	<u>\$ 15,822</u>	<u>\$ 52,990</u>

## 11. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	2008	2007
Accumulated depreciation		
Buildings	\$ 421,958	\$ 366,129
Machinery and equipment	260,678	204,148
Miscellaneous equipment	<u>465,722</u>	<u>395,513</u>
	<u>\$ 1,148,358</u>	<u>\$ 965,790</u>

Under one- to two-year operating lease contracts, the Corporation leased some floors of the office buildings to others (mainly related parties, refer to Note 20). Rents were paid and collected monthly.

Wei Kuang Automatic Equipment (Taiwan) Co., Ltd. recognized an impairment loss of \$2,968 thousand for 2007 on its dust-free factory, which was deemed to be of no future economic benefit.

## 12. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	2008	2007
Credit borrowings	<u>\$839,000</u>	<u>\$935,997</u>
Interest rate (%)	1.75%-2.55%	2.35%-6.40%
Maturity	August 5, 2009	August 13, 2008

## 13. SHORT-TERM BILLS PAYABLE

	<u>December 31</u>	
	2008	2007
Commercial paper	<u>\$100,000</u>	<u>\$127,500</u>
Interest rate	1.05%	1.797%-2.32%
Maturity	January 22, 2009	January 28, 2008

#### 14. LONG-TERM BANK LOANS

Type	Financial Institution	Terms	December 31		Collateral or Guarantee
			2008	2007	
Commercial paper	Taishin Finance Corporation	Revolving commercial paper issued at 1.85% interest rate; maturity - November 16, 2009	\$ 150,000	\$ 150,000	-
Secured loans	Far East Bank	Obtained on May 26, 2006; repayable from May 2006 to June 2011 in equal monthly installments; 7.2% annual interest, payable monthly	30,476	31,230	Buildings of Chroma Ate Inc. in California
			<u>180,476</u>	<u>181,230</u>	
	Less: Current portion		<u>150,905</u>	<u>826</u>	
			<u>\$ 29,841</u>	<u>\$ 180,404</u>	

#### 15. SHAREHOLDERS' EQUITY OF PARENT COMPANY

##### a. Capital surplus

Under the Company Law, capital surplus may only be used to offset a deficit. Capital surplus, generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital, the buyback of treasury stock, merger and donation, may be transferred to capital as stock dividends within a certain amount once a year. But the capital surplus generated from long-term investments accounted for by the equity method may not be used for any purpose.

##### b. Appropriation of earnings and dividend policy

The Corporation's Articles of Incorporation provide that a 10% legal reserve should be set aside from the annual net income less any accumulated deficit. The remainder, less special reserve based on regulations or relevant laws, together with unappropriated earnings of prior years, should be distributed as follows:

- 1) Remuneration to directors and supervisors
- 2) Bonus to employees - 5%-20%
- 3) Dividends to shareholders

The Corporation distributes both cash and stock dividends, taking into account future capital expenditure requirements and its cash position. However, the total of cash dividends paid in any given year may not be less than 20% of total dividends distributed in that year. The final amount, type and percentage of the dividends are subject to actual earnings and capital requirements of the Corporation in a particular year.

The bonus to employees, directors and supervisors, which representing 13% of net income (net of the bonus to employees, directors and supervisors), was recognized for the year ended December 31, 2008. The amounts were estimated based on past experiences. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as 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 shareholders' meeting.

A regulation issued by the Securities and Futures Bureau requires the setting aside from the unappropriated earnings of a special reserve equal to any debit balance of an account under shareholders' equity. The balance of this special reserve is adjusted on the basis of the debit balance of the shareholders' equity account at year-end.

Legal reserve should be appropriated until the reserve equals the Corporation's paid-in capital. The reserve can only be used to offset a deficit. When the reserve exceeds 50% of the Corporation's paid-in capital, the excess can be distributed as dividends and bonus if there are no unappropriated earnings, or the excess portion that is over 25% of the Corporation's paid-in capital can be distributed as stock dividends if there is no deficit.

Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for the income tax paid by the Corporation. An imputation credit account (ICA) is maintained by the Corporation for such income tax and the tax credit was allocated to each shareholder.

The appropriations of the 2008 and 2007 earnings proposed by the Board of Directors and resolved by the annual meeting of shareholders on June 13, 2008 and May 30, 2007 were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share</u> (NT\$)	
	<u>For Fiscal</u>	<u>For Fiscal</u>	<u>For Fiscal</u>	<u>For Fiscal</u>
	<u>Year 2007</u>	<u>Year 2006</u>	<u>Year 2007</u>	<u>Year 2006</u>
Legal reserve	\$ 153,775	\$ 100,960		
Remuneration to directors and supervisors	8,500	6,800		
Bonus to employees - in stock	51,520	30,492		
Bonus to employees - in cash	77,280	45,738		
Stock dividends	183,300	112,000	\$0.6	\$0.4
Cash dividends	<u>1,099,800</u>	<u>700,000</u>	3.6	2.5
	<u>\$ 1,574,175</u>	<u>\$ 995,990</u>		

Information on the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

c. Treasury stock

<u>Purpose of Buyback</u>	<u>(Shares in Thousands)</u>				
	<u>Beginning</u> <u>Shares</u>	<u>Purchase</u>	<u>Dividend</u>	<u>Sale/</u> <u>Transfer</u>	<u>Ending</u> <u>Shares</u>
<u>2008</u>					
The Corporation's shares held by subsidiaries	1,752	-	99	101	1,750
To be transferred to employees	<u>-</u>	<u>2,147</u>	<u>-</u>	<u>-</u>	<u>2,147</u>
	<u>1,752</u>	<u>2,147</u>	<u>99</u>	<u>101</u>	<u>3,897</u>
<u>2007</u>					
The Corporation's shares held by subsidiaries	1,732	-	66	46	1,752
To be transferred to employees	<u>11,004</u>	<u>-</u>	<u>-</u>	<u>11,004</u>	<u>-</u>
	<u>12,736</u>	<u>-</u>	<u>66</u>	<u>11,050</u>	<u>1,752</u>

In 2008 the Corporation bought back 2,147 thousand shares of its outstanding stock for \$44,633 thousand. In 2008 and 2007, Chroma Investment Co., Ltd. sold 101 and 46 thousand shares of the Corporation's outstanding stock and recognized disposal gains of \$4,027 thousand and \$2,375 thousand, respectively.

As of December 31, 2008 and 2007, the market values of the Corporation's outstanding shares held by its subsidiaries were \$36,303 thousand and \$114,911 thousand, respectively. These shares held by the subsidiaries as investments are recorded as treasury stock, but the subsidiary has the same rights as those of other common shareholders, except for participation in the Corporation's raising of cash capital and voting rights.

Under the Securities and Exchange Law, the buyback amount of treasury stock should not exceed 10% of total issued shares, and the buyback cost should not exceed the sum of the retained earnings, additional paid-in capital in excess of par value and realized capital surplus. In addition, the Corporation should not provide treasury stock as collateral and should not exercise shareholders' rights on those shares before their transfer.

d. Employee stock option plan

The status of the outstanding employee stock options in 2008 and 2007 was as follows:

Employee Stock Options	2008		2007	
	Number Outstanding (Thousands)	Exercise Price	Number Outstanding (Thousands)	Exercise Price
Outstanding balance, beginning of period	11,596	\$10.8-\$12.8	15,213	\$13.8-\$15.9
Exercised	(2,189)	\$10.0-\$12.8	(3,617)	\$10.8-\$15.9
Expired	(1,367)	\$10	-	
Outstanding balance, end of period	<u>8,040</u>		<u>11,596</u>	

Information on the outstanding employee stock options as of December 31, 2008 is as follows:

Issue Date	Issue Date Exercise Price (NT\$)	Number of Outstanding Shares (Thousands)	Remaining Contractual Life (Years)	Shares Exercisable (Thousands)
March 7, 2002	\$10	892	0.18	892
September 2, 2002	\$10	2,974	0.67	2,974
October 23, 2003	\$10	<u>4,174</u>	1.81	<u>4,174</u>
		<u>8,040</u>		<u>8,040</u>

Based on the Corporation's Employee Stock Option Plan, the option rights are valid for seven years and are exercisable starting from the second year of issuance at the following percentages:

- 1) 50% of the option rights after the second year of issuance;
- 2) 75% of the option rights after the third year of issuance;
- 3) 100% of the option rights after the fourth year of issuance.

In 2008, the highest price of the Corporation's stock was NT\$77.00, and the lowest price was NT\$18.85.

## 16. INCOME TAX

- a. The reconciliation between income tax expense based on income before income tax at statutory tax rate and current income tax expense was as follows:

	<b>Years Ended December 31</b>	
	<b>2008</b>	<b>2007</b>
Tax on income before income tax at statutory tax rate	\$ 357,731	\$ 561,256
Add (deduct) tax effects of:		
Permanent differences		
Investment income - domestic	(16,551)	(24,997)
Dividend income	(6,909)	(3,940)
Gain on disposal of marketable securities	(5,373)	(16,859)
Realized investment loss	(2,345)	(9,845)
Valuation loss on financial assets	1,818	-
Tax-exempt income	(263)	-
Other	1,821	(7,524)
Temporary differences	14,872	(16,098)
Additional income tax under the Alternative Minimum Tax Act	150	235
Tax on unappropriated earnings (10%)	448	3,181
Investment tax credits	<u>(150,081)</u>	<u>(108,143)</u>
Current income tax expense	<u>\$ 195,318</u>	<u>\$ 377,266</u>

- b. Income tax expense was as follows:

	<b>Years Ended December 31</b>	
	<b>2008</b>	<b>2007</b>
Current income tax expense	\$ 195,318	\$ 377,266
Deferred income taxes	3,976	(3,157)
Accrual of the possible tax effect of tax reexamination	5,365	-
Prior year's adjustment	<u>(6,582)</u>	<u>(12,402)</u>
Income tax expense	<u>\$ 198,077</u>	<u>\$ 361,707</u>

- c. Deferred income tax assets (liabilities) as of December 31, 2008 and 2007 were as follows:

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Investment income on foreign investments accounted for by the equity method	\$ (36,445)	\$ (43,238)
Unrealized gains on intercompany transactions	17,246	17,544
Loss carryforwards	17,223	40,075
Impairment loss	15,560	20,032
Allowance for loss on inventory market price decline and slow-moving inventories	9,767	15,338
Investment tax credits	8,428	-
Accrued pension costs	8,423	11,010

(Continued)

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Unrealized gain on financial instruments	\$ -	\$ (7,155)
Depreciation	-	8,856
Other	<u>1,210</u>	<u>3,411</u>
	41,412	65,873
Less allowance for valuation	<u>11,597</u>	<u>38,950</u>
	<u>\$ 29,815</u>	<u>\$ 26,923</u>
Deferred income tax assets		
Current	\$ 29,466	\$ 35,311
Noncurrent	<u>14,741</u>	<u>10,750</u>
	<u>\$ 44,207</u>	<u>\$ 46,061</u>
Deferred income tax liabilities - noncurrent	<u>\$ 14,392</u>	<u>\$ 19,138</u>
		(Concluded)

- d. As of December 31, 2008, the Corporation's tax returns through 2006 had been examined by the tax authorities. However on the 2005 and 2006 returns, the Corporation' use of the salaries of research and development employees to claim tax credits was not accepted by the tax authorities. The Corporation disagreed with the tax authorities' decision and applied for the re-examination of its returns. Nevertheless, in consideration of the conservatism guideline, the Corporation has made a provision for any tax assessment by the authorities.
- e. Integrated income tax information is as follows:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Balance of imputation credit account (ICA)	<u>\$ 199,168</u>	<u>\$ 172,032</u>

The expected and actual creditable ratios for the 2008 and 2007 earnings appropriation of the Corporation were 14.43% and 23.15%, respectively.

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

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

## 17. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		Shares (Denominator) (Thousands)	<u>EPS</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>2008</u>					
Basic EPS					
Income of common shareholders	\$ 1,262,705	\$ 1,104,163	327,283	<u>\$ 3.86</u>	<u>\$ 3.38</u>
Add: Effect of dilutive employee stock option	-	-	7,538		
Bonus to employees	<u>-</u>	<u>-</u>	<u>6,458</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 1,262,705</u>	<u>\$ 1,104,163</u>	<u>341,279</u>	<u>\$ 3.70</u>	<u>\$ 3.24</u>
<u>2007</u>					
Basic EPS					
Income of common shareholders	\$ 1,801,300	\$ 1,537,753	317,175	<u>\$ 5.68</u>	<u>\$ 4.85</u>
Add: Effect of dilutive employee stock option	<u>-</u>	<u>-</u>	<u>11,713</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 1,801,300</u>	<u>\$ 1,537,753</u>	<u>328,888</u>	<u>\$ 5.48</u>	<u>\$ 4.68</u>

The Accounting Research and Development Foundation issued Interpretation 2007-052 that 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 is 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. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The average number of shares outstanding for EPS calculation was adjusted retroactively for the issuance of stock dividend and bonus, resulting in decreases in the basic and diluted EPS after income tax for the year ended December 31, 2007 from NT\$5.22 to NT\$4.85 and from NT\$5.03 to NT\$4.68, respectively.

## 18. PENSION PLAN

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution pension plan. Based on the LPA, the rate of the monthly contributions of the Corporation and its ROC subsidiaries to the employees' individual pension accounts is at 6% of monthly salaries and wages. Subsidiaries in the People's Republic of China take part in the defined contribution pension plan provided by the local government, to which the subsidiaries make monthly contributions.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity) in the committee's name.

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

a. Pension cost

	<b>Years Ended</b>	
	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Service cost	\$ 8,348	\$ 9,040
Interest cost	8,943	8,131
Projected return on pension assets	(6,221)	(5,586)
Amortization	<u>1,530</u>	<u>1,530</u>
Pension cost	<u>\$ 12,600</u>	<u>\$ 13,115</u>

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

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Benefit obligation		
Vested benefit obligation	\$ 29,513	\$ 106,256
Non-vested benefit obligation	<u>208,461</u>	<u>116,932</u>
Accumulated benefit obligation	237,974	223,188
Additional benefits based on future salaries	<u>42,005</u>	<u>51,989</u>
Projected benefit obligation	279,979	275,177
Fair value of plan assets	<u>(202,464)</u>	<u>(191,422)</u>
Funded status	77,515	83,755
Unrecognized net prior service cost	(15,298)	(16,828)
Unrecognized net gain or loss	<u>10,336</u>	<u>7,055</u>
Accrued pension cost	<u>\$ 72,553</u>	<u>\$ 73,982</u>

c. Actuarial assumptions

	<b>2008</b>	<b>2007</b>
Discount rate used in determining present values	2.25%	3.25%
Future salary increase rate	1.50%	2.00%
Expected rate of return on plan assets	2.25%	3.25%

	<b>Years Ended</b>	
	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
d. Contributions to the fund	<u>\$ 13,991</u>	<u>\$ 14,561</u>
e. Payments from the fund	<u>\$ 6,875</u>	<u>\$ -</u>

## 19. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	2008			2007		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 279,112	\$ 866,873	\$ 1,145,985	\$ 269,269	\$ 584,992	\$ 854,261
Labor and health insurance	19,176	52,353	71,529	10,952	39,892	50,844
Pension	14,243	34,303	48,546	12,515	39,353	51,868
Other	17,222	46,123	63,345	12,369	21,387	33,756
	<u>\$ 329,753</u>	<u>\$ 999,652</u>	<u>\$ 1,329,405</u>	<u>\$ 305,105</u>	<u>\$ 685,624</u>	<u>\$ 990,729</u>
Depreciation	\$ 54,024	\$ 161,173	\$ 215,197	\$ 55,248	\$ 115,560	\$ 170,808
Amortization	-	65,501	65,501	-	54,435	54,435

## 20. RELATED-PARTY TRANSACTIONS

- a. The related parties and relationships with the Group were as follows:

Related Party	Relationship with the Group
DynaScan Technology Corp. (“DynaScan Technology”)	Equity-method investee of the Corporation
Adlink Technology Inc. (“Adlink”)	Equity-method investee of the Corporation
EVT Technology Co., Ltd. (EVT)	Same chairman as the Corporation’s
DynaScan Electronics (Shanghai) Co., Ltd. (“DynaScan Shanghai”)	Subsidiary of DynaScan Technology
DynaScan Technology Inc. (“DynaScan U.S.A.”)	Subsidiary of DynaScan Technology
Mou Kuan Industry Co., Ltd. (“Mou Kuan Inc.”)	Mou Kuan Inc and Wei Kuang Automatic Equipment Co., Ltd. have the same general manager

- b. Significant transactions with related parties are summarized below:

The related-party transactions were conducted under normal terms unless specified otherwise.

	Years Ended December 31			
	2008		2007	
	Amount	%	Amount	%
1) Sales				
DynaScan Technology	\$ 6,527	-	\$ 10,708	-
Adlink	277	-	1,095	-
EVT	36	-	1,440	-
	<u>\$ 6,840</u>	<u>-</u>	<u>\$ 13,243</u>	<u>-</u>

	<b>Years Ended December 31</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
2) Purchase				
Adlink	\$ 27,331	-	\$ 55,127	1
Mou Kuan Inc.	<u>33,963</u>	<u>-</u>	<u>15,286</u>	<u>-</u>
	<u>\$ 61,924</u>	<u>-</u>	<u>\$ 70,413</u>	<u>1</u>

3) Rental income				
DynaScan Technology	<u>\$ 2,659</u>	<u>9</u>	<u>\$ 3,553</u>	<u>14</u>

The Corporation leased out some floors of the buildings in Hwa-Ya Technical Park in Lin-Kou to the above related party under an operating lease contract, and this lease was based on market prices. Rents were paid and collected monthly.

	<b>Years Ended December 31</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4) Notes receivable				
DynaScan U.S.A.	<u>\$ -</u>	<u>-</u>	<u>\$ 1,622</u>	<u>4</u>
5) Accounts receivable				
DynaScan Technology	\$ 7,311	-	\$ 5,725	-
DynaScan Shanghai	-	-	15,095	1
EVT	-	-	1,508	-
Other	<u>154</u>	<u>-</u>	<u>137</u>	<u>-</u>
	<u>\$ 7,465</u>	<u>-</u>	<u>\$ 22,465</u>	<u>1</u>
6) Other current assets - other receivable				
DynaScan Technology	<u>\$ 4,243</u>	<u>-</u>	<u>\$ 1,072</u>	<u>1</u>
7) Notes payable				
Mou Kuan Inc.	<u>\$ 16,650</u>	<u>17</u>	<u>\$ 5,215</u>	<u>10</u>
8) Accounts payable				
Adlink	\$ 250	-	\$ 10,325	1
DynaScan Technology	<u>30</u>	<u>-</u>	<u>15,000</u>	<u>1</u>
	<u>\$ 280</u>	<u>-</u>	<u>\$ 25,325</u>	<u>2</u>

c. Compensation of directors, supervisors and management personnel

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Salaries	\$ 38,410	\$ 33,812
Incentives	5,085	5,232
Special compensation	18,050	18,233
Bonus	<u>26,752</u>	<u>80,841</u>
	<u>\$ 88,297</u>	<u>\$ 138,118</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 had been approved by shareholders in their annual meeting held in 2008.

## 21. ASSETS PLEDGED

The assets pledged as collaterals for bank loans and for product warranty were as follows:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Property, plant and equipment, net	\$ 825,983	\$ 833,633
Pledged time deposits	<u>12,448</u>	<u>1,237</u>
	<u>\$ 838,431</u>	<u>\$ 834,870</u>

## 22. FINANCIAL INSTRUMENTS

a. Fair value

	<u>December 31</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets carried at cost - noncurrent	\$ 136,608		\$ 140,087	
<u>Derivative financial instruments</u>				
	None			

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

- 1) Short-term financial instruments - the carrying value reported in the balance sheets approximates the fair value of these assets, including cash, receivables, pledged time deposits, short-term borrowings, short-term bills payable and payables because of the short maturities of these instruments.
- 2) Financial assets at fair value through profit or loss and available-for-sale financial assets based on quoted prices in an active market on the balance sheet date.

- 3) Because there is no active market, the fair values of investments carried at cost are not disclosed.
  - 4) Long-term loans include long-term bank loan and revolving commercial paper; the former's fair value is based on the discounted present value of expected cash flows and the latter's is based on the carrying values because of their short maturities.
- c. The fair values of financial assets and liabilities were not simultaneously determined by quoted price in active markets and by estimations using valuation technique.
- d. As of December 31, 2008 and 2007, the financial assets exposed to cash flow interest rate risk amounted to \$975,481 thousand and \$1,003,923 thousand, respectively. As of December 31, 2008 and 2007, the financial assets exposed to fair value interest rate risk amounted to \$12,448 thousand and \$1,237 thousand, respectively. As of December 31, 2008 and 2007, the financial liabilities exposed to fair value interest rate risk amounted to \$1,120,646 thousand and \$1,244,727 thousand, respectively.
- e. Financial risks:

1) Market risk

The Group's foreign-currency assets and liabilities are exposed to exchange rate risks; fair values of long- and short-term borrowings with fixed interest rates are exposed to interest rate risks; and fair values of financial assets at fair value through profit or loss and available-for-sale are exposed to price risk.

2) Credit risk

Credit risk represents the potential impact to financial assets that the Group might encounter if counter-parties or third parties breach the contracts. The credit risk amount listed above is an evaluation over the contracts with positive fair value at the balance sheet date. The Group's credit risk exposure as of December 31, 2008 and 2007 were both considered zero because all of the counter-parties are reputable financial institutions with good credit ratings.

3) Liquidity risk

The Group has sufficient operating capital to meet cash demand and is free from the liquidity risk arising from contract defaults by counter-parties to financial instrument contracts.

4) Cash flow risk resulting from changes of interest rate

The Group's long and short-term debts with fixed interest rates are not exposed to cash flow risk resulting from changes of interest rate.

## 23. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau 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 \$100 million or 20% of the paid-in capital: Table 4 (attached).
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 5 (attached).
- h. Receivable from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached).
- i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 7 (attached).
- j. Derivative transactions: Note 5.
- k. Investment in Mainland China:
  - 1) Investee company name, the description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 8 (attached).
  - 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Table 1 and Table 5 (attached).
- l. Business relationship and significant intercompany transactions for year ended December 31, 2008: Table 9 (attached).
- m. Business relationship and significant intercompany transactions for the year ended December 31, 2007: Table 10 (attached).

## 24. SEGMENT INFORMATION

### a. Industry

The industry information is as follows:

	<b>2008</b>					
	<b>Special Material Department</b>	<b>Test Instrument Department</b>	<b>Automatic Equipment Department</b>	<b>Other</b>	<b>Adjustment and Elimination</b>	<b>Consolidated</b>
Net sales to third-party customers	\$ 7,053,280	\$ 4,518,323	\$ 584,837	\$ 71,253	\$ -	\$ 12,227,693
Net sales to related parties	-	<u>2,322,693</u>	<u>213,306</u>	<u>3,391</u>	<u>(2,539,390)</u>	-
Total operating revenue	<u>\$ 7,053,280</u>	<u>\$ 6,841,016</u>	<u>\$ 798,143</u>	<u>\$ 74,644</u>	<u>\$ (2,539,390)</u>	<u>\$ 12,227,693</u>

(Continued)

	<b>2008</b>					
	<b>Special Material Department</b>	<b>Test Instrument Department</b>	<b>Automatic Equipment Department</b>	<b>Other</b>	<b>Adjustment and Elimination</b>	<b>Consolidated</b>
Segment income	<u>\$ 85,369</u>	<u>\$ 1,041,078</u>	<u>\$ 113,706</u>	<u>\$ (29,587)</u>	<u>\$ (7,855)</u>	\$ 1,202,711
Interest income						8,370
Income from long-term equity investment, net						15,822
General gain and income						152,189
Interest expense						(34,726)
General loss and expense						<u>(48,468)</u>
Income before income tax						<u>\$ 1,295,898</u>
Identifiable assets	<u>\$ 1,082,250</u>	<u>\$ 6,039,530</u>	<u>\$ 630,976</u>	<u>\$ 1,043,909</u>	<u>\$ (771,217)</u>	\$ 8,025,448
Financial assets at fair value through profit and loss						22,547
Long-term investments						<u>611,591</u>
Total assets						<u>\$ 8,659,586</u>
Depreciation and amortization	<u>\$ 2,871</u>	<u>\$ 239,285</u>	<u>\$ 6,680</u>	<u>\$ 26,079</u>	<u>\$ 5,783</u>	<u>\$ 280,698</u> (Concluded)

	<b>2007</b>					
	<b>Special Material Department</b>	<b>Test Instrument Department</b>	<b>Automatic Equipment Department</b>	<b>Other</b>	<b>Adjustment and Elimination</b>	<b>Consolidated</b>
Net sales to third-party customers	\$ 6,963,414	\$ 4,546,778	\$ 1,037,767	\$ 82,061	\$ -	\$ 12,630,020
Net sales to related parties	<u>-</u>	<u>2,880,070</u>	<u>60,220</u>	<u>35,422</u>	<u>(2,975,712)</u>	<u>-</u>
Total operating revenue	<u>\$ 6,963,414</u>	<u>\$ 7,426,848</u>	<u>\$ 1,097,987</u>	<u>\$ 117,483</u>	<u>\$ (2,975,712)</u>	<u>\$ 12,630,020</u>
Segment income	<u>\$ 133,068</u>	<u>\$ 1,619,710</u>	<u>\$ 199,583</u>	<u>\$ 21,392</u>	<u>\$ (13,716)</u>	\$ 1,960,037
Interest income						9,765
Income from long-term equity investment, net						52,990
General gain and income						186,164
Interest expense						(36,446)
General loss and expense						<u>(215,959)</u>
Income before income tax						<u>\$ 1,956,551</u>
Identifiable assets	<u>\$ 1,820,533</u>	<u>\$ 7,357,879</u>	<u>\$ 628,085</u>	<u>\$ 402,086</u>	<u>\$ (1,342,681)</u>	\$ 8,865,902
Financial assets at fair value through profit and loss						28,574
Long-term investments						<u>1,030,873</u>
Total assets						<u>\$ 9,925,349</u>
Depreciation and amortization	<u>\$ 2,237</u>	<u>\$ 214,322</u>	<u>\$ 4,318</u>	<u>\$ 5,982</u>	<u>\$ -</u>	<u>\$ 226,859</u>

b. Operations by geographic area

	<b>2008</b>				<b>Consolidated</b>
	<b>Asia</b>	<b>Domestic</b>	<b>Other</b>	<b>Adjustment and Elimination</b>	
Net sales to unaffiliated customers	\$ 1,894,315	\$ 9,573,685	\$ 759,693	\$ -	\$12,227,693
Net sales to related parties	<u>159,940</u>	<u>2,295,819</u>	<u>83,631</u>	<u>(2,539,390)</u>	<u>-</u>
Total operating revenue	<u>\$ 2,054,255</u>	<u>\$11,869,504</u>	<u>\$ 843,324</u>	<u>\$ (2,539,390)</u>	<u>\$12,227,693</u>
Segment income	<u>\$ 61,860</u>	<u>\$ 1,131,240</u>	<u>\$ 17,466</u>	<u>\$ (7,855)</u>	\$ 1,202,711
Interest income					8,370
Income from long-term equity investment, net					15,822
General gain and income					152,189
Interest expense					(34,726)
General loss and expense					<u>(48,468)</u>
Income before income tax					<u>\$ 1,295,898</u>
Identifiable assets	<u>\$ 1,316,214</u>	<u>\$ 6,228,479</u>	<u>\$ 1,252,062</u>	<u>\$ (771,217)</u>	\$ 8,025,448
Financial assets at fair value through profit or loss					22,547
Long-term investments					<u>611,591</u>
Total assets					<u>\$ 8,659,586</u>
	<b>2007</b>				
	<b>Asia</b>	<b>Domestic</b>	<b>Other</b>	<b>Adjustment and Elimination</b>	<b>Consolidated</b>
Net sales to unaffiliated customers	\$ 2,513,739	\$ 9,354,711	\$ 761,570	\$ -	\$12,630,020
Net sales to related parties	<u>125,814</u>	<u>2,835,721</u>	<u>14,177</u>	<u>(2,975,712)</u>	<u>-</u>
Total operating revenue	<u>\$ 2,639,553</u>	<u>\$12,190,432</u>	<u>\$ 775,747</u>	<u>\$ (2,975,712)</u>	<u>\$12,630,020</u>
Segment income	<u>\$ 107,863</u>	<u>\$ 1,873,045</u>	<u>\$ (7,155)</u>	<u>\$ (13,716)</u>	\$ 1,960,037
Interest income					9,765
Income from long-term equity investment, net					52,990
General gain and income					186,164
Interest expense					(36,446)
General loss and expense					<u>(215,959)</u>
Income before income tax					<u>\$ 1,956,551</u>
Identifiable assets	<u>\$ 1,679,621</u>	<u>\$ 7,129,483</u>	<u>\$ 1,399,479</u>	<u>\$ (1,342,681)</u>	\$ 8,865,902
Financial assets at fair value through profit or loss					28,574
Long-term investments					<u>1,030,873</u>
Total assets					<u>\$ 9,925,349</u>

c. Export sales

<b>Geography</b>	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>% of Net Operating Revenue</b>	<b>Amount</b>	<b>% of Net Operating Revenue</b>
Asia	\$ 1,894,315	15	\$ 2,513,739	20
Other	<u>759,693</u>	6	<u>761,570</u>	6
	<u>\$ 2,654,008</u>		<u>\$ 3,275,309</u>	

d. Customers each accounting for at least 10% of the total revenues

<b>Customer</b>	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>% of Net Operating Revenue</b>	<b>Amount</b>	<b>% of Net Operating Revenue</b>
A	\$ 2,409,900	20	\$ 3,417,877	27
B	<u>1,941,480</u>	<u>16</u>	<u>1,700,153</u>	<u>14</u>
	<u>\$ 4,351,380</u>	<u>36</u>	<u>\$ 5,118,030</u>	<u>41</u>

**CHROMA ATE INC. AND SUBSIDIARIES**

**FINANCING PROVIDED**

**YEAR ENDED DECEMBER 31, 2008**

**(In Thousands of New Taiwan Dollars, unless Stated Otherwise)**

No.	Financing Company Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Provided (Note 3)	Transaction Amounts	Reasons 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		
0	Chroma Ate Inc. (the "Corporation")	Chroma (Shanghai) Trading Co., Ltd.	Other receivable	\$ 7,147	\$ 181	-	1	\$ 20,438	-	\$ -	-	\$ -	\$ 605,690	\$ 2,422,760
		Chroma Ate Inc. (U.S.A.)	Other receivable	400	-	-	1	485,034	-	-	-	-	605,690	2,422,760

Note 1: Based on 10% of the net value of the Corporation (\$6,056,899 x 10% = \$605,690).

Note 2: Based on 40% of the net value of the Corporation (\$6,056,899 x 40% = \$2,422,760).

Note 3: Financing provided:

1. For transaction.
2. For short-term financing.

**CHROMA ATE INC. AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED**

**YEAR ENDED DECEMBER 31, 2008**

**(In Thousands of New Taiwan Dollars or Foreign Currency)**

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amount (Note 1)	Maximum Balance for the Period	Ending Balance	Value of Collateral	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statements	Maximum Collateral/Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	Chroma Ate Inc. (the "Corporation")	Chroma Ate Inc. (U.S.A.)	Subsidiary	NT\$908,535	US\$2,000 (NT\$65,600)	US\$2,000 (NT\$65,600)	\$ -	1.08%	\$1,817,070

Note 1: According to Regulation of the "Procedures for Endorsement/Guarantee and lending of Funds", the Corporation limits the endorsement/guarantee amount on each entity to within 15% of the net value of the Corporation (\$6,056,899x15%=\$908,535) and the capital issued of the entity endorsed/guaranteed, but 100% held subsidiary is not limited by the regulation.

Note 2: According to Regulation of the "Procedures for Endorsement/Guarantee and Lending of Funds", the Corporation limits the endorsement/guarantee amount within the 30% of the net value of the Corporation (\$6,056,899x30%=\$1,817,070).

Note 3: The above amounts were translated into New Taiwan dollars at the prevailing exchange rate of US\$1=NT\$32.8 as of December 31, 2008.

## CHROMA ATE INC. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

YEAR ENDED DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars or Foreign Currency)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Chroma Ate Inc. (the "Corporation")	Stocks							
	I-Sheng Electric Wire & Cable Co., Ltd.	-	Financial assets at fair value through profit or loss - current	316	NT\$ 6,939	-	NT\$ 6,939	Note 1
	DynaColor, Inc.	-	Available-for-sale financial assets-noncurrent	7,760	147,449	8.5	147,449	Note 1
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - noncurrent	617	33,015	-	33,015	Note 1
	Newworld Electronics Ltd.	Subsidiary	Investment accounted for by the equity method	64,013	565,532	100.0	565,026	Note 2
	Chroma New Material Corporation	Subsidiary	Investment accounted for by the equity method	25,000	537,064	100.0	536,092	Note 2
	Adlink Technology Inc.	Equity-method investee	Investment accounted for by the equity method	14,329	235,043	12.8	237,857	Note 1
	San Eagle Development Corp.	Subsidiary	Investment accounted for by the equity method	2,050	232,828	100.0	247,080	Note 2
	Wei Kuang Automatic Equipment Co., Ltd.	Subsidiary	Investment accounted for by the equity method	10,000	176,711	100.0	176,711	Note 2
	CHI Incorporation Ltd.	Subsidiary	Investment accounted for by the equity method	3,830	131,337	100.0	131,074	Note 2
	Testar Electronic Corporation	Subsidiary	Investment accounted for by the equity method	8,750	74,742	58.3	75,537	Note 2
	Chroma Ate Europe B.V.	Subsidiary	Investment accounted for by the equity method	1	71,984	100.0	70,517	Note 2
	DynaScan Technology Corp.	Equity-method investee	Investment accounted for by the equity method	11,455	59,476	26.9	57,708	Note 2
	Chroma Investment Co., Ltd.	Subsidiary	Investment accounted for by the equity method	14,000	58,167	100.0	94,324	Note 2
	Chroma Ate Inc. (U.S.A.)	Subsidiary	Investment accounted for by the equity method	1,000	50,536	100.0	54,321	Note 2
	Sensational Holding Ltd.	Subsidiary	Investment accounted for by the equity method	1,200	43,991	100.0	44,992	Note 2
	Chen Hwa Technology Inc.	Subsidiary	Investment accounted for by the equity method	585	32,887	100.0	34,519	Note 2
Deep Red Holding Co., Ltd.	Subsidiary	Investment accounted for by the equity method	215	14,589	100.0	16,154	Note 2	
Nova Electronics, Inc.	Subsidiary	Investment accounted for by the equity method	6,169	12,222	99.9	12,979	Note 2	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Chroma Investment Co., Ltd.	Chroma Japan Corp.	Subsidiary	Investment accounted for by the equity method	-	NT\$ 901	100.0	NT\$ 2,829	Note 3
	WK Technology Fund IV Ltd.	-	Financial assets carried at cost - noncurrent	4,000	40,000	1.9	-	
	Twoway Catv Service Inc.	-	Financial assets carried at cost - noncurrent	3,284	36,451	5.4	-	
	WK Technology Fund VI Ltd.	-	Financial assets carried at cost - noncurrent	2,500	25,000	1.4	-	
	Chromatex S.A.	-	Financial assets carried at cost - noncurrent	18	4,821	12.2	-	
	H&Q/GAI Incubation Fund L.P.	-	Financial assets carried at cost - noncurrent	-	2,536	-	-	
	Quality Source S.A.	-	Financial assets carried at cost - noncurrent	-	133	0.5	-	
	EVT Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	497	-	16.6	-	
	<u>Fund</u> Taishin Lucky Bond Fund	-	Financial assets at fair value through profit or loss - current	1,139	12,073	-	12,073	Note 4
	<u>Stocks</u> Adlink Technology Inc.	-	Financial assets at fair value through profit or loss - current	119	1,977	-	1,977	Note 1
	Greatek Electronics Inc.	-	Financial assets at fair value through profit or loss - current	37	697	-	697	Note 1
	Inotera Memories, Inc.	-	Financial assets at fair value through profit or loss - current	53	427	-	427	Note 1
	Taishin Holdings	-	Financial assets at fair value through profit or loss - current	75	434	-	434	Note 1
	Chroma Ate Inc.	The Corporation	Available-for-sale financial assets - noncurrent	1,750	36,303	-	36,303	Note 1
	Quick Win Limited	Subsidiary of Chroma Investment Co., Ltd.	Investment accounted for by the equity method	1,500	3,474	100.0	US\$ 106	Note 2
Fei Hong Industrial Co., Ltd.	-	Financial assets carried at cost - noncurrent	4,174	17,175	10.3	-		
Cosmactive Broadband Networks Co., Ltd.	-	Financial assets carried at cost - noncurrent	476	1,144	1.5	-		
Global Mixed-mode Technology Inc.	-	Financial assets carried at cost - noncurrent	111	-	5.1	-		
Deep Red Holding Co., Ltd.	Sajet System Technology (Suzhou) Co., Ltd.	Subsidiary of Deep Red Holding Co., Ltd.	Investment accounted for by the equity method	-	US\$ 492	100.0	RMB 3,358	Note 2

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Newworld Electronics Ltd.	<u>Stock</u> Chroma Electronics (Shenzhen) Co., Ltd.	Subsidiary of Newworld Electronics Ltd.	Investment accounted for by the equity method	-	HK\$ 76,151	100.0	RMB 67,324	Note 2
	Chroma Electronics (Shanghai) Co., Ltd.	Subsidiary of Newworld Electronics Ltd.	Investment accounted for by the equity method	-	HK\$ 4,637	100.0	RMB 4,099	Note 2
Chen Hwa Technology Inc.	<u>Stocks</u> Chroma (Shanghai) Trading Co., Ltd.	Subsidiary of Chen Hwa	Investment accounted for by the equity method	-	US\$ 653	100.0	RMB 4,458	Note 2
	Hangzhou New Material Chroma Co., Ltd.	-	Financial assets carried at cost - noncurrent	-	US\$ 286	19.0	-	
CHI Incorporation Ltd.	<u>Stocks</u> Chroma Ate (Suzhou) Ltd.	Subsidiary of CHI	Investment accounted for by the equity method	-	US\$ 3,977	100.0	RMB 27,135	Note 2
San Eagle Development Corp.	<u>Stocks</u> Wei Kuang Mech Eng Inc.	Subsidiary of San Eagle	Investment accounted for by the equity method	4,475	US\$ 7,515	100.0	US\$ 7,515	Note 2
Wei Kuang Mech Eng Inc.	<u>Stocks</u> Mou Kuan Technologies (Nanjin) Co., Ltd.	Subsidiary of Wei Kuang Mech Eng Inc.	Investment accounted for by the equity method	-	US\$ 2,635	100.0	RMB 10,791	Note 2
	Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	Subsidiary of Wei Kuang Mech Eng Inc.	Investment accounted for by the equity method	-	US\$ 3,076	100.0	RMB 21,195	Note 2
	Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Subsidiary of Wei Kuang Mech Eng Inc.	Investment accounted for by the equity method	-	US\$ 1,804	100.0	RMB 13,038	Note 2

Note 1: Based on the closing price as of December 31, 2008.

Note 2: Based on the net value of audited financial statements.

Note 3: Based on the net value of not audited financial statements.

Note 4: Based on the net asset value of the fund as of December 31, 2008.

(Concluded)

## CHROMA ATE INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars/Thousands of Units)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Equity Adjustment	Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal		Shares (Thousands)	Amount
Chroma Ate Inc	Stock Silver Town Electronic Co., Ltd.	Investment accounted for by the equity method	Ever Growth Investment Holding Ltd.	-	29	\$ 337,372	21	\$ 239,000	-	\$ -	\$ -	\$ -	\$ (576,372)	-	\$ -
	Xantrex Technology Inc.	Available-for-sale financial assets - noncurrent	-	-	429	85,793	-	-	429	125,521	85,793	39,728	-	-	-

## CHROMA ATE INC. AND SUBSIDIARIES

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Chroma Ate Inc. (the "Corporation")	Newworld Electronics Ltd.	Subsidiary	Sale	\$ (1,398,360)	(34)	Within 90 days	Note 1	-	\$ 211,984	18	-
Newworld Electronics Ltd.	The Corporation	Parent company	Purchase	1,398,360	100	Within 90 days	Note 1	-	(211,984)	(100)	-
The Corporation	Chroma Ate Inc. (U.S.A.)	Subsidiary	Sale	(485,034)	(12)	Within 90 days	Note 1	Note 2	103,817	9	-
Chroma Ate Inc. (U.S.A.)	The Corporation	Parent company	Purchase	485,034	100	Within 90 days	Note 1	Note 2	(103,817)	(100)	-
The Corporation	Chroma Europe	Subsidiary	Sale	(125,353)	(3)	Within 90 days	Note 1	-	106,767	9	-
Chroma Europe	The Corporation	Parent company	Purchase	125,353	100	Within 90 days	Note 1	-	(106,767)	(100)	-

Note 1: The prices were determined after taking the selling and post-sale service expenses into consideration.

Note 2: The collection periods of about 12 months were longer than those for third parties.

**CHROMA ATE INC. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2008**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Chroma Ate Inc.	Newworld Electronics Ltd.	Subsidiary	\$ 211,984	3.11	\$ -	-	\$ 79,541	\$ -
	Chroma Ate Europe B.V.	Subsidiary	106,767	1.83	-	-	25,238	-
	Chroma Ate Inc.	Subsidiary	103,817	2.53	-	-	4,310	-

## CHROMA ATE INC. AND SUBSIDIARIES

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 or Foreign Currency)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2008			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2008	December 31, 2008	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Chroma Ate Inc. (the "Corporation")	Newworld Electronics Ltd. Chroma New Material Corporation Adlink Technology Inc.	Hong Kong	Sale and maintenance of electronic test instruments etc.	US\$ 8,213	US\$ 8,213	64,013	100.0	\$ 565,532	\$ 29,764	\$ 29,827	
		Taoyuan, Taiwan	Sale and processing of gold wire	NTS 480,715	NTS 480,715	25,000	100.0	537,064	36,550	35,750	
		Taipei, Taiwan	Manufacturing processing and retailing of software/hardware of computers and peripherals	NTS 82,325	NTS 82,325	14,329	12.8	235,043	248,774	29,398	
	San Eagle Development Corp. Wei Kuang Automatic Equipment Co., Ltd.	British Virgin Islands Hsinchu	Investment Design, manufacturing, installment and testing of automated factory conveyor systems	NTS 186,514	NTS 186,514	2,050	100.0	232,828	36,013	21,761	
				NTS 533,000	NTS 294,000	10,000	100.0	176,711	61,958	58,446	1
	CHI Incorporation Ltd. Testar Electronic Corporation Chroma Ate Inc. (U.S.A.) Chroma Investment Co., Ltd. Chroma Ate Europe B.V.	British Virgin Islands Taoyuan, Taiwan	Test of inductance, capacitance and resistance, and sale of parts Testing of LED products	US\$ 3,830	US\$ 2,330	3,830	100.0	131,337	(9,349)	(9,867)	
				NTS 87,500	NTS 17,500	8,750	58.3	74,742	(17,097)	(10,306)	
		U.S.A. Taipei, Taiwan	Sale and maintenance of electronic test instruments etc. Investment	US\$ 1,000	US\$ 1,000	1,000	100.0	50,536	3,903	3,903	
				NTS 80,000	NTS 80,000	14,000	100.0	58,167	(22,244)	(28,497)	
	The Netherlands		Sale and maintenance of electronic test instruments etc.	NLG 39	NLG 39	1	100.0	71,984	13,004	13,004	
				EUR 1,037	EUR 1,037						
	DynaScan Technology Corp. Sensational Holding Ltd. Chen Hwa Technology Inc. Nova Electronics Inc. Deep Red Holding co., Ltd.	Taoyuan, Taiwan British Virgin Islands	Research and manufacture of LED generators Investment	US\$ 581	US\$ 581						
				NTS 183,503	NTS 183,503	11,455	26.9	59,476	(50,488)	(13,576)	
		British Virgin Islands Taoyuan, Taiwan	Test of inductance, capacitance and resistance, and sale of parts Import/export of computers, electronic instruments, etc.	US\$ 1,200	US\$ 1,200	1,200	100.0	43,991	1,281	1,331	
				US\$ 585	US\$ 585	585	100.0	32,887	5,114	5,228	
		Mauritius	Research, development and design of computer network security systems and information management.	NTS 98,690	NTS 98,690	6,169	99.9	1,222	(2,366)	(2,366)	
NTS 12,217				NTS -	215	100.0	14,589	1,586	2,372	4	
Chroma Japan Corp. Silver Town Electronic Co., Ltd. Sajet Technology Inc.	Japan	Sale and maintenance of electronic test instruments etc.	JPY 9,800	JPY -	-	100.0	901	(619)	(1,989)		
	British Virgin Islands	Investment	NTS -	NTS 294,000	-	-	-	1,274	(4,680)	2	
	Taoyuan, Taiwan	Wholesale and retail of information software, etc. and rendering related services	NTS -	NTS 47,132	-	-	-	(1,664)	(3,206)	3	
Chroma Investment Co., Ltd.	Sajet Technology Inc.	Wholesale and retail of information software, etc. and rendering related services	NTS -	NTS 20,364	-	-	-	(1,664)		3	
	Quick Win Limited	Investment	US\$ 1,850	US\$ 1,500	1,500	100.0	3,474	US\$ (882)			
Deep Red Holding Co., Ltd.	Sajet System Technology (Suzhou) Co., Ltd.	Mainland China	Research, development and design of computer network security systems and information management.	US\$ 210	US\$ 210	-	100.0	US\$ 492	RMB 53		
Newworld Electronics Ltd.	Chroma Electronics (Shenzhen) Co., Ltd.	Mainland China	Sale of computerized automatic test systems, peripherals and electronic test investments	HK\$ 30,000	HK\$ 30,000	-	100.0	HK\$ 76,151	RMB 2,892		
	Chroma Electronics (Shanghai) Co., Ltd.	Mainland China	Sale of computerized automatic test systems, peripherals and electronic test investments	HK\$ 23,333	HK\$ 23,333	-	100.0	HK\$ 4,637	RMB (709)		
Chen Hwa Technology Inc.	Chroma (Shanghai) Trading Co., Ltd.	Mainland China	International and transit trading, commercial simple processing and commercial consulting service etc.	US\$ 200	US\$ 200	-	100.0	US\$ 653	RMB 1,142		
CHI Incorporation Ltd.	Chroma Ate (Suzhou) Ltd.	Mainland China	Sale of computerized automatic test systems, peripherals and electronic test equipment	US\$ 3,800	US\$ 2,300	-	100.0	US\$ 3,977	RMB (2,036)		
San Eagle Development Corp.	Wei Kuang Mech Eng Inc.	Mauritius	Investments	US\$ 5,674	US\$ 5,674	4,475	100.0	US\$ 7,515	US\$ 1,146		
Wei Kuang Mech Eng Inc.	Mou Kuan Technologies (Nanjing) Co., Ltd.	Mainland China	Assembly, sale and maintenance of factory conveyors and related systems and renders related after-sales services	US\$ 2,836	US\$ 2,836	-	100.0	US\$ 2,635	RMB (856)		
	Wei Kuang Automatic Equipment (Nanjing) Co., Ltd.	Mainland China	Sale and maintenance of electronic equipment and factory conveyor systems	US\$ 1,338	US\$ 1,338	-	100.0	US\$ 3,076	RMB 7,562		
	Wei Kuang Automatic Equipment(Xiamen) Co., Ltd.	Mainland China	Sale and maintenance of electronic equipment and factory conveyor systems	US\$ 1,500	US\$ 1,500	-	100.0	US\$ 1,804	RMB 1,620		

Note 1: The subsidiary was acquired because of the mergence of Silver Town Electronic Co., Ltd. in the first quarter of 2008.

Note 2: The subsidiary was merged in the first quarter of 2008.

Note 3: The subsidiary was liquidated in the third quarter of 2008.

Note 4: The subsidiary was acquired because of the liquidation of Sajet Technology Inc. in the 2008.

## CHROMA ATE INC. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars or Foreign Currency)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2008	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2008	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 1)	Carrying Value as of December 31, 2008	Accumulated Inward Remittance of Earnings as of December 31, 2008
					Outflow	Inflow					
Chroma Electronics (Shenzhen) Co., Ltd.	Sales of power supplies automatic test systems, signal generators, DC electronic load, color analyzer, uninterruptible power supply, switching mode rectifier and etc.	HK\$ 30,000 (NT\$ 126,990)	Indirect investment in the Company of Mainland China through a third place.	HK\$ 30,000 (NT\$ 126,990)	\$ -	\$ -	HK\$ 30,000 (NT\$ 126,990)	100%	HK\$ 3,240 (NT\$ 13,715)	HK\$ 76,151 (NT\$ 322,347)	\$ -
Chroma Electronics (Shanghai) Co., Ltd.	Sales of power supplies automatic test systems, signal generators, DC electronic load, uninterruptible power supply, switching mode rectifier and etc.	HK\$ 23,333 (NT\$ 98,769)	"	HK\$ 23,333 (NT\$ 98,769)	-	-	HK\$ 23,333 (NT\$ 98,769)	100%	HK\$ (795) (NT\$ (3,365))	HK\$ 4,637 (NT\$ 19,628)	-
Chroma (Shanghai) Trading Co., Ltd.	International and transit trading, commercial simple processing and commercial consulting service and etc.	US\$ 200 (NT\$ 6,560)	"	US\$ 200 (NT\$ 6,560)	-	-	US\$ 200 (NT\$ 6,560)	100%	US\$ 164 (NT\$ 5,379)	US\$ 653 (NT\$ 21,418)	-
Hangzhou New Material Chroma Co., Ltd.	Production and sale of semiconductor connecting materials	US\$ 1,500 (NT\$ 49,200)	"	US\$ 286 (NT\$ 9,381)	-	-	US\$ 286 (NT\$ 9,381)	19%	-	US\$ 286 (NT\$ 9,381)	-
Chroma Ate (Suzhou) Ltd.	Sales of power supplies automatic test systems, signal generators, DC electronic load, uninterruptible power supply, switching mode rectifier and etc.	US\$ 3,800 (NT\$ 124,640)	"	US\$ 2,300 (NT\$ 75,440)	US\$ 1,500 (NT\$ 49,200)	-	US\$ 3,800 (NT\$ 124,640)	100%	US\$ (293) (NT\$ (9,610))	US\$ 3,977 (NT\$ 130,446)	-
Mou Kuan Technologies (Nanjing) Co., Ltd.	Assembly, sale and maintenance of factory conveyors and related systems and renders related after-sales services	RMB 1,737 (NT\$ 8,317)	"	US\$ 2,836 (NT\$ 93,021)	-	-	US\$ 2,836 (NT\$ 93,021)	100%	US\$ (123) (NT\$ (4,034))	US\$ 2,635 (NT\$ 86,428)	-
Wei Kuang Automatic Equipment (Nanjing) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	RMB 11,871 (NT\$ 56,838)	"	US\$ 1,338 (NT\$ 43,886)	-	-	US\$ 1,338 (NT\$ 43,886)	100%	US\$ 1,088 (NT\$ 35,686)	US\$ 3,076 (NT\$ 100,893)	-
Sajet System Technology (Suzhou) Co., Ltd.	Research, development and design of computer network security systems and information management	RMB 1,736 (NT\$ 8,312)	"	(Note 6)	-	-	(Note 6)	100%	US\$ 8 (NT\$ 262)	US\$ 492 (NT\$ 16,138)	-
Wei Kuang Automatic Equipment (Xiamen) Co. Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	RMB 11,417 (NT\$ 54,665)	"	US\$ 1,500 (NT\$ 49,200)	-	-	US\$ 1,500 (NT\$ 49,200)	100%	US\$ 180 (NT\$ 5,904)	US\$ 1,804 (NT\$ 59,171)	-

Accumulated Investment in Mainland China as of December 31, 2008	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
HK\$53,333, US\$9,960 (NT\$552,447)	Note 3	NT\$3,634,139 (Note 4)

Note 1: Based on audited financial statements.

Note 2: The above amounts were translated into New Taiwan dollars at the rates of HK\$1=NT\$4.233, US\$1=NT\$32.8, RMB1=NT\$4.788 prevailing on December 31, 2008.

(Continued)

Note 3:

Approved Letter	Approved Amount
1. Letter (1998) II-87710585 of Investment Commission of MOEA	HK\$ 1,400
2. Letter (2000) II-89014726 and 89037430 of Investment Commission of MOEA	US\$ 2,000
3. Letter (2001) II-89037430 of Investment Commission of MOEA	US\$ 1,000
4. Letter II-91048640 of Investment Commission of MOEA	US\$ 1,853 (Note 5)
5. Letter II-92005170 of Investment Commission of MOEA	US\$ 1,750
6. Letter II-092020235 of Investment Commission of MOEA	US\$ 560
7. Letter II-092043358 of Investment Commission of MOEA	US\$ 200
8. Letter II-093004076 of Investment Commission of MOEA	US\$ 95
9. Letter II-094006092 of Investment Commission of MOEA	US\$ 219
10. Letter II-09500052120 of Investment Commission of MOEA	US\$ 2,500
11. Letter II-09600175700 of Investment Commission of MOEA	US\$ 3,699
12. Letter II-09600006020 of Investment Commission of MOEA	US\$ 2,000
13. Letter II-09600310110 of Investment Commission of MOEA	US\$ 1,000
14. Letter II-09700186010 of Investment Commission of MOEA	US\$ 1,500
15. Letter II-09700403210 of Investment Commission of MOEA	US\$ 210 (Note 6)

Note 4: The upper limit on investment was calculated according to the regulations of Investment Commission of MOEA for 60% of the net equity or consolidated net equity.

Note 5: Chroma Ate Inc invested US\$853 thousand of accounts receivable in Chroma Electronics (Shenzhen) Co., Ltd. through Newworld Electronics Ltd.

Note 6: The investment in Sajet Technology Inc. was authorized by the Investment Commission in 2004.

(Concluded)

## CHROMA ATE INC. AND SUBSIDIARIES

## BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

YEAR ENDED DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter-party	Transaction Details				Percentage to Consolidated Total Operating Revenues or Total Assets
			Flow of Transactions (Note 1)	Account	Amount	Transaction Terms	
0	Chroma Ate Inc. (the "Corporation")	Newworld Electronics Ltd.	1	Operating revenue	\$ 1,398,360	Note 2	11%
		Chroma U.S.A.	1	Operating revenue	485,034	Note 2	4%
		Chroma Europe	1	Operating revenue	125,353	Note 2	1%
		Chroma Electronics (Shenzhen) Co., Ltd.	1	Operating revenue	59,914	Note 2	-
		Chroma Ate (Suzhou) Co., Ltd.	1	Operating revenue	21,556	Note 2	-
		Testar Electronic Corporation	1	Operating revenue	23,861	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	1	Operating revenue	35,582	Based on regular terms	-
		Chroma (Shanghai) Trading Co., Ltd.	1	Operating revenue	20,438	Note 2	-
		Chroma Electronics (Shanghai) Co., Ltd.	1	Operating revenue	2,870	Note 2	-
		Chroma U.S.A.	1	Operating costs	82,055	Note 2	-
		Chroma Ate (Suzhou) Co., Ltd.	1	Operating costs	3,394	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	1	Operating costs	90,582	Based on regular terms	-
		Chroma New Material Corporation	1	Rental income	3,429	Based on regular terms	-
		Testar Electronics Corporation	1	Rental income	1,716	Based on regular terms	-
		Chroma New Material Corporation	1	Non-operating income	26,285	Based on regular terms	-
		Chroma Ate (Suzhou) Co., Ltd.	1	Commissions expense	2,045	Based on regular terms	-
		Chroma Japan Corp.	1	Commissions expense	1,815	Based on regular terms	-
		Chroma Electronics (Shanghai) Co., Ltd.	1	Commissions expense	6,214	Based on regular terms	-
		Newworld Electronics Ltd.	1	Accounts receivable	211,984	Based on regular terms	2%
		Chroma U.S.A.	1	Accounts receivable	103,817	Note 3	1%
		Chroma Europe	1	Accounts receivable	106,767	Based on regular terms	1%
		Chroma (Shanghai) Trading Co., Ltd.	1	Accounts receivable	22,112	Note 3	-
		Testar Electronic Corporation	1	Accounts receivable	19,933	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	1	Accounts receivable	24,046	Based on regular terms	-
		Chroma Ate (Suzhou) Co., Ltd.	1	Accounts receivable	7,237	Based on regular terms	-
		Chroma Electronics (Shanghai) Co., Ltd.	1	Accounts receivable	5,010	Based on regular terms	-
		Chroma Electronics (Shenzhen) Co., Ltd.	1	Accounts receivable	3,272	Based on regular terms	-
		Newworld Electronics Ltd.	1	Other receivable	1,908	Based on regular terms	-
		Chroma New Material Corporation	1	Other receivable	5,560	Based on regular terms	-
		Chroma U.S.A.	1	Accounts payable	11,696	Based on regular terms	-
1	Newworld Electronics Ltd.	Chroma Ate (Suzhou) Co., Ltd.	2	Commissions expense	30,855	Based on regular terms	-
		Chroma Ate (Suzhou) Co., Ltd.	2	Other payable	680	Based on regular terms	-

(Continued)

Number	Company Name	Counter-party	Transaction Details				Percentage to Consolidated Total Operating Revenues or Total Assets
			Flow of Transactions (Note 1)	Account	Amount	Transaction Terms	
2	Chroma (Shanghai) Trading Co., Ltd.	Chroma Electronics (Shanghai) Co., Ltd.	2	Accounts receivable	\$ 9,768	Based on regular terms	-
3	Chroma Ate Inc. (U.S.A.)	Sajet U.S.A.	2	Operating costs	1,576	Based on regular terms	-
4	Chroma Ate (Suzhou) Co., Ltd.	Chroma Electronics (Shenzhen) Co., Ltd.	2	Operating costs	2,676	Based on regular terms	-
		Chroma Electronics (Shenzhen) Co., Ltd.	2	Accounts payable	644	Based on regular terms	-
5	Wei Kuang Automatic Equipment Co., Ltd.	Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	2	Operating costs	19,734	Based on regular terms	-
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	2	Operating revenue	4,252	Based on regular terms	-
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	2	Operating costs	83,108	Based on regular terms	-
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	2	Accounts receivable	3,120	Based on regular terms	-
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	2	Accounts payable	35,435	Based on regular terms	-
		Mou Kuan Technologies (Nanjin) Co., Ltd.	2	Operating revenue	5,841	Based on regular terms	-
		Mou Kuan Technologies (Nanjin) Co., Ltd.	2	Operating costs	9,114	Based on regular terms	-
6	Sensational	Chroma Electronics (Shenzhen) Co., Ltd.	2	Rental revenue	290	Based on regular terms	-

Note 1: 1. From parent to subsidiary.  
2. Between subsidiaries.

Note 2: The prices were determined after taking the selling and post-sale service expenses into consideration.

Note 3: The collection periods of about 12 months were longer than those for third parties.

(Concluded)

## CHROMA ATE INC. AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**YEAR ENDED DECEMBER 31, 2007**  
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter-party	Transaction Details				Percentage to Consolidated Total Operating Revenues or Total Assets
			Flow of Transactions (Note 1)	Account	Amount	Transaction Terms	
0	The Corporation	Newworld Electronics Ltd.	1	Operating revenue	\$ 1,952,360	Note 2	15%
		Chroma U.S.A.	1	Operating revenue	486,720	Note 2	4%
		Chroma Europe	1	Operating revenue	98,630	Note 2	1%
		Chroma Ate (Suzhou) Co., Ltd.	1	Operating revenue	21,958	Note 2	-
		Testar Electronic Corporation	1	Operating revenue	71,785	Based on regular terms	1%
		Chroma New Material Corporation	1	Operating revenue	2,531	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	1	Operating revenue	81,262	Based on regular terms	1%
		Chroma (Shanghai) Trading Co., Ltd.	1	Operating revenue	14,683	Note 2	-
		Chroma Electronics (Shanghai) Co., Ltd.	1	Operating revenue	2,472	Note 2	-
		Chroma U.S.A.	1	Operating costs	14,042	Note 2	-
		Newworld Electronics Ltd.	1	Operating costs	1,011	Note 2	-
		Sajet Technology Inc.	1	Operating costs	12,758	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	1	Operating costs	4,798	Based on regular terms	-
		Chroma New Material Corporation	1	Rental income	3,429	Based on regular terms	-
		Testar Electronic Corporation	1	Rental income	1,144	Based on regular terms	-
		Chroma New Material Corporation	1	Non-operating income	26,286	Based on regular terms	-
		Testar Electronic Corporation	1	Non-operating income	558	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	1	Notes receivable	18,645	Based on regular terms	-
		Newworld Electronics Ltd.	1	Accounts receivable	687,417	Based on regular terms	7%
		Chroma U.S.A.	1	Accounts receivable	279,319	Note 3	3%
		Chroma (Shanghai) Trading Co., Ltd.	1	Accounts receivable	14,639	Note 3	-
		Chroma Europe	1	Accounts receivable	29,881	Based on regular terms	-
		Testar Electronic Corporation	1	Accounts receivable	38,640	Based on regular terms	-
		Wei Kuang Automatic Equipment Co., Ltd.	1	Accounts receivable	25,263	Based on regular terms	-
		Chroma Ate (Suzhou) Co., Ltd.	1	Accounts receivable	21,958	Based on regular terms	-
		Chroma Electronics (Shanghai) Co., Ltd.	1	Accounts receivable	2,472	Based on regular terms	-
		Chroma New Material Corporation	1	Accounts receivable	1,396	Based on regular terms	-
		Newworld Electronics Ltd.	1	Other receivable	1,565	Based on regular terms	-
		Chroma (Shanghai) Trading Co., Ltd.	1	Other receivable	9,474	Based on regular terms	-
		Chroma New Material Corporation	1	Other receivable	5,261	Based on regular terms	-
		Sajet Technology Inc.	1	Accounts payable	8,440	Based on regular terms	-
		Chroma U.S.A.	1	Accounts payable	21,949	Based on regular terms	-

(Continued)

Number	Company Name	Counter-party	Transaction Details				Percentage to Consolidated Total Operating Revenues or Total Assets
			Flow of Transactions (Note 1)	Account	Amount	Transaction Terms	
1	Newworld Electronics Ltd.	Chroma (Shanghai) Trading Co., Ltd.	2	Operating revenue	\$ 3,718	Based on regular terms	-
		Chroma (Shanghai) Trading Co., Ltd.	2	Commissions expense	11,499	Based on regular terms	-
		Chroma (Shanghai) Trading Co., Ltd.	2	Accounts receivable	7,853	Based on regular terms	-
		Chroma (Shanghai) Trading Co., Ltd.	2	Accounts payable	10,390	Based on regular terms	-
		Chroma Ate (Suzhou) Co., Ltd.	2	Operating costs	1,376	Based on regular terms	-
		Chroma Ate (Suzhou) Co., Ltd.	2	Commissions expense	40,841	Based on regular terms	-
		Chroma Ate (Suzhou) Co., Ltd.	2	Accounts receivable	23,816	Based on regular terms	-
		Chroma Ate (Suzhou) Co., Ltd.	2	Other payable	2,411	Based on regular terms	-
		Chroma Ate (Suzhou) Co., Ltd.	2	Other receivable	11,470	Based on regular terms	-
2	Chroma (Shanghai) Trading Co., Ltd.	Chroma Electronics (Shanghai) Co., Ltd.	2	Operating revenue	3,492	Based on regular terms	-
		Sajet System Technology (Suzhou) Co., Ltd.	2	Operating costs	1,015	Based on regular terms	-
		Sajet Technology Inc.	2	Operating costs	6,607	Based on regular terms	-
		Sajet Technology Inc.	2	Accounts payable	5,983	Based on regular terms	-
		Sajet System Technology (Suzhou) Co., Ltd.	2	Other payable	1,443	Based on regular terms	-
3	Sajet Technology Inc.	Sajet (U.S.A.)	1	Accounts receivable	5,167	Based on regular terms	-
		Sajet (U.S.A.)	1	Operating revenue	15,161	Based on regular terms	-
4	Chroma Ate (Suzhou) Co., Ltd.	Chroma Electronics (Shenzhen) Co., Ltd.	2	Operating costs	21,413	Based on regular terms	-
		Chroma Electronics (Shenzhen) Co., Ltd.	2	Accounts payable	23,703	Based on regular terms	-
5	Wei Kuang Automatic Equipment Co., Ltd.	Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	2	Operating revenue	11,062	Based on regular terms	-
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	2	Operating costs	43,812	Based on regular terms	-
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	2	Accounts receivable	7,296	Based on regular terms	-
		Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	2	Accounts payable	2,898	Based on regular terms	-

Note 1: 1. From parent to subsidiary.  
2. Between subsidiaries.

Note 2: The prices were determined after taking the selling and post-sale service expenses into consideration.

Note 3: The collection periods of about 12 months were longer than those for third parties.

(Concluded)