HON HAI PRECISION INDUSTRY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2007 AND 2008

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To The Board of Directors and Stockholders
Hon Hai Precision Industry Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Hon Hai Precision Industry Co., Ltd. and its subsidiaries as of June 30, 2007 and 2008, and the related consolidated statements of income, of changes in stockholders'equity and of cash flows for the six-month periods then ended, expressed in thousands of New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a conclusion on these financial statements based on our reviews. We did not review the financial statements of certain consolidated subsidiaries which statements reflect total assets of $172,103,072,000 and $204,278,023,000, constituting 23.70% and 23.34% of the consolidated total assets as of June 30, 2007 and 2008, respectively, and total revenues of $153,676,114,000 and $150,781,406,000, constituting 21.61% and 18.59% of the consolidated operating revenues for the six-month periods then ended, respectively. Those statements were reviewed by other auditors, whose reports thereon have been furnished to us, and our conclusion expressed herein, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other auditors.

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Review of Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Notes 1(2) and 4(8), the financial statements of certain consolidated subsidiaries and long-term equity investments accounted for under the equity method were not reviewed by independent accountants, which statements reflect total assets and liabilities of $182,913,110,000 and $57,392,449,000, constituting 20.90% and 11.37% of the consolidated total assets (including long-term equity investments accounted for under the equity method) and liabilities, respectively as of June 30, 2008, and total net income of $8,026,931,000, constituting 27.13% of the consolidated net income (including investment income accounted for under the equity method) for the six-month period then ended.

Based on our reviews and the reports of other auditors, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and long-term investments been reviewed as explained in the preceding paragraph and the omission of certain additional disclosures relating to the investee companies, as required by Article 13-1 of the Rules Governing the Preparation of Financial Statements by Securities Issuers, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

As described in Note 3, effective January 1, 2008, the Company and subsidiaries adopted EITF 96-052, "Accounting for Employees' Bonus and Directors' and Supervisors' Remuneration", prescribed by the R.O.C. Accounting Research and Development Foundation. As a result of the adoption of EITF 96-052, consolidated net income decreased by $1,613,005 and earnings per share decreased by $0.22 for the six-month period ended June 30, 2008.

PricewaterhouseCoopers, Taiwan
August 28, 2008

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HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2007	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4 (1))	$ 133,845,028	$ 177,434,582
Financial assets at fair value through profit or loss – current (Note 4 (2))	55,292	156,020
Available-for-sale financial assets – current (Note 4 (3))	1,412,685	1,177,721
Notes receivable, net (Notes 4 (4) and 6)	814,235	2,097,233
Accounts receivable, net (Notes 4 (4) and 6)	190,719,064	182,669,089
Accounts receivable, net – related parties (Note 5)	8,252,040	10,143,971
Other receivables (Notes 4(5) and 5)	8,577,780	16,161,068
Inventories, net (Note 4 (6))	142,411,020	180,610,415
Prepayments	2,191,035	6,107,783
Deferred income tax assets – current (Note 4 (13))	1,595,681	2,117,103
	489,873,860	578,674,985
Funds and Investments		
Available-for-sale financial assets – non-current (Note 4 (3))	35,423,465	16,044,449
Financial assets carried at cost – non-current (Note 4 (7))	1,805,045	1,937,367
Long-term equity investments accounted for under the equity method (Note 4 (8))	23,032,777	28,823,198
Prepaid long-term investments (Note 4 (8))	2,606,110	970,020
	62,867,397	47,775,034
Other Financial Assets – Non-Current (Note 6)	392,698	6,174,331
Property, Plant and Equipment (Notes 4 (9) and 5)		
Cost		
Land	4,034,446	3,902,601
Buildings and improvements	43,031,883	67,514,499
Machinery	102,495,364	133,621,859
Molding equipment	3,182,564	2,997,105
Testing equipment	11,638,849	17,244,799
Office equipment	8,522,510	11,197,308
Tooling equipment	2,240,290	2,701,037
Other equipment	14,424,579	21,632,696
Total cost	189,570,485	260,811,904
Less: Accumulated depreciation	(57,252,003)	(76,924,534)
Accumulated impairment	(650,031)	(556,567)
Construction in progress and prepayments for equipment	26,275,533	35,427,911
	157,943,984	218,758,714
Intangible Asset		
Goodwill (Note 4 (10))	2,294,883	2,135,809
Other Assets		
Deferred charges	3,181,237	4,174,125
Other assets – other (Notes 4(11) and 6)	9,742,534	17,520,550
	12,923,771	21,694,675
TOTAL ASSETS	$ 726,296,593	$ 875,213,548

(continued)

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2007	2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans (Note 4 (12))	$ 82,474,111	$ 147,845,881
Financial liabilities at fair value through profit or loss – current (Note 4 (2))	10,365	43,142
Accounts payable	186,092,046	227,367,825
Accounts payable – related parties (Note 5)	9,200,289	14,163,414
Income tax payable (Note 4 (13))	9,820,441	12,373,716
Accrued expenses (Note 4 (18))	32,790,425	26,614,618
Dividends payable (Note 4 (20))	15,504,416	18,872,300
Other payables (Notes 4 (20) and 5)	10,994,799	8,684,751
Receipts in advance	3,287,462	4,596,583
Other current liabilities	5,987,447	4,166,386
	356,161,801	464,728,616
Long-term Liabilities		
Bonds payable (Note 4 (14))	28,559,121	28,957,521
Long-term loans (Note 4 (15))	69,107	30,708
	28,628,228	28,988,229
Other Liabilities		
Reserve for retirement plan (Note 4 (16))	910,472	1,017,141
Deferred income tax liabilities – non-current (Note 4 (13))	6,030,074	7,835,926
Other liabilities – other	1,786,368	2,418,521
	8,726,914	11,271,588
Total liabilities	393,516,943	504,988,433
Stockholders' Equity		
Stockholders' Equity of Parent Company		
Capital stock (Note 4 (17))		
Common stock	51,681,388	62,907,666
Stock dividends distributable	11,226,278	11,238,570
Capital reserve (Note 4 (19))		
Paid-in capital in excess of par value of common stock	20,221,815	20,221,815
Capital reserve from conversion of convertible bonds	18,482,483	18,482,483
Capital reserve from long-term investments	11,860,352	14,444,291
Capital reserve from stock warrants (Note 4 (14))	1,195,200	1,195,200
Retained earnings (Note 4 (20))		
Legal reserve	23,255,167	31,024,118
Undistributed earnings	118,029,559	150,795,114
Other adjustments of stockholders' equity		
Unrealized gain or loss on financial instruments (Note 4 (3))	42,317,086	18,154,415
Cumulative translation adjustments	7,694,146	7,983,341
Treasury stock	(18,901)	(18,901)
Total Stockholders' equity of parent company	305,944,573	336,428,112
Minority interest	26,835,077	33,797,003
Total stockholders' equity	332,779,650	370,225,115
Commitments and Contingent Liabilities (Note 7)		
Subsequent Events (Note 9)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 726,296,593	$ 875,213,548

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 28, 2008.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT EARNINGS PER SHARE DATA)
(UNAUDITED)

	2007	2008
Operating revenues		
Sales (Note 5)	$ 711,813,600	$ 811,510,654
Sales returns	(260,942)	(433,396)
Sales discounts	(296,154)	(43,998)
Net operating revenues	711,256,504	811,033,260
Operating costs		
Cost of goods sold (Notes 4 (22) and 5)	(640,999,335)	(740,504,781)
Gross profit	70,257,169	70,528,479
Operating expenses (Note 4 (22))		
Sales and marketing expenses	(10,441,404)	(10,701,596)
General and administrative expenses	(14,025,331)	(17,819,824)
Research and development expenses	(5,916,217)	(10,086,260)
Total operating expenses	(30,382,952)	(38,607,680)
Operating income	39,874,217	31,920,799
Non-operating income and gains		
Interest income	1,162,378	1,918,335
Gain on valuation of financial assets (Note 4 (2))	-	232,997
Gain on valuation of financial liabilities (Note 4 (2))	175,831	6,299
Investment income accounted for under the equity method (Note 4 (8))	1,782,114	657,537
Gain on disposal of investments (Note 4 (7))	559,905	530
Foreign exchange gain – net	984,838	7,953,615
Reversal of allowance for inventory obsolescence and market price declines	-	49,101
Other non-operating income (Notes 4 (9) and 5)	1,544,666	1,820,555
Total non-operating income and gains	6,209,732	12,638,969
Non-operating expenses and losses		
Interest expense	(2,316,903)	(3,512,214)
Loss on valuation of financial assets (Note 4 (2))	(20,814)	-
Provision for inventory obsolescence and market price declines	(1,589,983)	-
Other non-operating losses (Notes 4 (4) and (9))	(520,742)	(1,548,063)
Total non-operating expenses and losses	(4,448,442)	(5,060,277)
Income before income tax	41,635,507	39,499,491
Income tax expense (Note 4 (13))	(7,301,040)	(9,913,493)
Consolidated net income	$ 34,334,467	$ 29,585,998
Attributable to:		
Equity holders of the Company	$ 31,261,071	$ 28,008,159
Minority interest	3,073,396	1,577,839
	$ 34,334,467	$ 29,585,998

	2007 Before income tax	2007 After income tax	2008 Before income tax	2008 After income tax
Earnings per common share (Note 4 (21))				
Basic earnings per common share				
Consolidated net income	$ 5.62	$ 4.63	$ 5.33	$ 3.99
Minority interest income	(0.43)	(0.41)	(0.26)	(0.21)
Net income attributable to equity holders of the Company	$ 5.19	$ 4.22	$ 5.07	$ 3.78
Diluted earnings per common share				
Consolidated net income	$ 5.58	$ 4.60	$ 5.28	$ 3.96
Minority interest income	(0.42)	(0.41)	(0.25)	(0.21)
Net income attributable to equity holders of the Company	$ 5.16	$ 4.19	$ 5.03	$ 3.75

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 28, 2008.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Capital stock			Retained earnings						
	Common stock	Stock dividends distributable	Capital reserves	Legal reserve	Undistributed earnings	Unrealized gain or loss on financial instruments	Cumulative translation adjustments	Treasury stock	Minority interest	Total
2007										
Balance at January 1, 2007	$ 51,681,388	$ -	$ 51,090,954	$ 17,273,084	$ 120,838,282	$ 18,463,531	$ 3,831,336	($ 18,901)	$ 22,256,700	$285,416,374
Appropriation of 2006 earnings										
Legal reserve	-	-	-	5,982,083	(5,982,083)	-	-	-	-	-
Cash dividends	-	-	-	-	(15,504,416)	-	-	-	-	(15,504,416)
Stock dividends	-	10,336,278	-	-	(10,336,278)	-	-	-	-	-
Employees' stock bonus	-	890,000	-	-	(890,000)	-	-	-	-	-
Employees' bonus	-	-	-	-	(1,357,017)	-	-	-	-	(1,357,017)
Consolidated net income for the period	-	-	-	-	31,261,071	-	-	-	3,073,396	34,334,467
Unrealized gain on financial assets	-	-	-	-	-	17,525,798	-	-	-	17,525,798
Adjustments due to changes in equities of long-term investments	-	-	668,896	-	-	6,327,757	-	-	-	6,996,653
Cumulative translation adjustment	-	-	-	-	-	-	3,862,810	-	-	3,862,810
Minority interest	-	-	-	-	-	-	-	-	1,504,981	1,504,981
Balance at June 30, 2007	$ 51,681,388	$ 11,226,278	$ 51,759,850	$ 23,255,167	$ 118,029,559	$ 42,317,086	$ 7,694,146	($ 18,901)	$ 26,835,077	$332,779,650
2008										
Balance at January 1, 2008	$ 62,907,666	$ -	$ 52,971,409	$ 23,255,167	$ 164,458,000	$ 35,906,996	$ 11,210,314	($ 18,901)	$ 32,814,041	$383,504,692
Appropriation of 2007 earnings										
Legal reserve	-	-	-	7,768,951	(7,768,951)	-	-	-	-	-
Cash dividends	-	-	-	-	(18,872,300)	-	-	-	-	(18,872,300)
Stock dividends	-	9,436,150	-	-	(9,436,150)	-	-	-	-	-
Employees' stock bonus	-	1,802,420	-	-	(1,802,420)	-	-	-	-	-
Employees' bonus	-	-	-	-	(3,791,224)	-	-	-	-	(3,791,224)
Consolidated net income for the period	-	-	-	-	28,008,159	-	-	-	1,577,839	29,585,998
Unrealized loss on financial assets	-	-	-	-	-	(15,852,184)	-	-	-	(15,852,184)
Adjustments due to changes in equities of long-term investments	-	-	1,372,380	-	-	(1,900,397)	-	-	-	(528,017)
Cumulative translation adjustment	-	-	-	-	-	-	(3,226,973)	-	-	(3,226,973)
Minority interest	-	-	-	-	-	-	-	-	(594,877)	(594,877)
Balance at June 30, 2008	$ 62,907,666	$ 11,238,570	$ 54,343,789	$ 31,024,118	$ 150,795,114	$ 18,154,415	$ 7,983,341	($ 18,901)	$ 33,797,003	$370,225,115

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

See review report of independent accountants dated August 28, 2008.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 34,334,467	$ 29,585,998
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Provision (reversal of allowance) for doubtful accounts	1,020,761	(5,637)
Depreciation	9,158,024	13,210,636
Amortization of intangible and other assets	2,581,185	2,183,351
(Gain) loss on disposal of property, plant and equipment, net	(51,301)	37,583
Loss (reversal of loss) on impairment of property, plant and equipment	118,616	(3,045)
Loss on valuation of financial assets and liabilities, net	10,302	35,177
Provision (reversal of allowance) for inventory obsolescence and market price decline	1,589,983	(49,101)
Investment income accounted for under the equity method	(1,782,114)	(657,537)
Loss on disposal of investments	(559,905)	(530)
Amortization of discount of convertible bonds payable	197,563	197,563
Changes in assets and liabilities:		
Notes receivable	289,531	(1,018,337)
Accounts receivable	14,861,382	64,899,685
Accounts receivable – related parties	4,102,887	(920,756)
Inventories	(17,666,430)	(22,158,262)
Other receivables	(3,990,205)	(6,444,191)
Prepayments	1,090,511	(1,059,693)
Accounts payable	(10,767,895)	(29,021,629)
Accounts payable – related parties	(2,326,389)	(3,437,528)
Accrued expenses	2,804,560	(9,065,918)
Income tax payable	1,818,400	(469,563)
Accrued pension liabilities	17,744	21,245
Other payables and other current liabilities	3,079,155	(147,547)
Deferred income tax liabilities	(1,192,421)	366,169
Net cash provided by operating activities	38,738,411	36,078,133
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets / liabilities at fair value through profit or loss	(3,990)	(83,985)
Acquisition of financial assets carried at cost	(227,500)	(151,700)
Increase in long-term equity investments	(2,606,110)	(1,914,262)
Proceeds from disposal of funds and investments	1,080,849	260
Proceeds from disposal of financial assets at fair value through profit or loss – current	3,210,960	-
Decrease (increase) in other financial assets – non-current	99,503	(5,569,486)
Acquisition of land use right	(2,873,080)	(2,506,513)
Acquisition of property, plant and equipment	(37,860,197)	(33,711,095)
Proceeds from disposal of property, plant and equipment	2,984,496	519,353
Increase in intangible assets and other assets	(1,637,205)	(1,895,656)
Net cash used in investing activities	(37,832,274)	(45,313,084)

(Continued)

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2007	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans, net	$ 41,680,275	$ 43,201,085
Payment of long-term loans	(30,020)	(1,696)
Increase (decrease) in other liabilities – others	852,378	(44,598)
Increase (decrease) in minority interest	1,504,981	(594,877)
Net cash provided by financing activities	44,007,614	42,559,914
Changes in consolidated entities with no cash flow effect	100,340	-
Net effect of changes in foreign currency exchange rates	2,660,859	(266,526)
Net increase in cash and cash equivalents	47,674,950	33,058,437
Cash and cash equivalents at beginning of period	86,170,078	144,376,145
Cash and cash equivalents at end of period	$ 133,845,028	$ 177,434,582
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 1,836,874	$ 3,606,980
Cash paid during the period for income tax	$ 6,675,061	$ 10,749,225
Cash paid for the acquisition of property, plant and equipment		
Increase in property, plant and equipment	$ 36,967,106	$ 30,721,741
Add: Payable – beginning	3,851,062	6,939,849
Less: Payable – ending	(2,922,632)	(3,582,938)
Effect of changes in foreign currency exchange rates	(35,339)	(367,557)
Cash paid	$ 37,860,197	$ 33,711,095
Investing activities with no cash flow effect:		
Adjustment for change in value of available-for-sale financial assets		
Unrealized gain on financial instruments	$ 17,525,798	($ 15,852,184)
Evaluation of long-term investments accounted for under the equity method	6,327,757	(1,900,397)
	$ 23,853,555	($ 17,752,581)
Financing activities with no cash flow effect:		
Cash dividends payable	$ 15,504,416	$ 18,872,300
Employees' bonus payable	$ 1,357,017	$ 3,791,224

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

See review report of independent accountants dated August 28, 2008.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2008
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

1) Hon Hai Precision Industry Co., Ltd. (the Company) was established on February 20, 1974. The Company was listed on the Taiwan Stock Exchange in June 1991. The Company merged with Premier Image Technology Corporation (Premier Corp.) on December 1, 2006. The main activities of the Company are the manufacture, processing and sales of connectors, cable, enclosures, wired/wireless communication products, optics products, power supply modules, and assemblies for use in the IT, communications, automotive equipment, precision molding, automobile, and consumer electronics industries. As of June 30, 2008, the Company and its subsidiaries had approximately 559,000 employees.

2) Consolidated subsidiaries

A. Main activities of the subsidiaries and ownership of the Company:

Names of subsidiaries	Relationship with the Company	Main operating activities	Ownership Percentage (%) 2007.06.30	Ownership Percentage (%) 2008.06.30
Foxconn (Far East) Ltd. and subsidiaries	Wholly-owned subsidiary	Investment holdings in Mainland China and Hong Kong electronics manufacturers	100%	100%
Foxconn Holding Ltd. and subsidiaries	Wholly-owned subsidiary	Investment holdings in Asia Pacific and North America hi-tech companies	100%	100%
Hyield Venture Capital Co., Ltd. and subsidiaries	Majority-owned subsidiary	Venture capital investment holdings	98%	98%
Bao Shin International Investment Co., Ltd.	Wholly-owned subsidiary	Investment holdings in R.O.C. companies	100%	100%
Hon Yuan International Investment Co., Ltd.	Wholly-owned Subsidiary	Investment holdings in R.O.C. companies	100%	100%
Hon Chi International Investment Co., Ltd.	Wholly-owned subsidiary	Investment holdings in R.O.C. companies	100%	100%

Names of subsidiaries	Relationship with the Company	Main operating activities	Ownership Percentage (%) 2007.06.30	2008.06.30
Lin Yih International Investment Co., Ltd.	Wholly-owned subsidiary	Investment holdings in R.O.C. companies	100%	100%
Hon Hai/ Foxconn Logistics California LLC	Wholly-owned subsidiary	Logistics services	100%	100%
Hon Hai/ Foxconn Logistics Texas LLC	Wholly-owned subsidiary	Logistics services	100%	100%
Ambit Microsystems Holding Corp. and subsidiaries	Wholly-owned subsidiary	Investment holdings in Mainland China companies	100%	100%
Ambit International Ltd. and subsidiaries	Wholly-owned subsidiary	Investment holdings in Mainland China companies	100%	100%
Unique Logistics Ltd.	Wholly-owned subsidiary	A Mainland China company engaged in trading	100%	100%
Foxconn Singapore (Pte) Ltd. and subsidiaries	Wholly-owned subsidiary	Marketing	100%	100%
Foxconn International Inc.	Wholly-owned subsidiary	Research and development	100%	100%
Altus Technology Inc.	Wholly-owned subsidiary	Manufacture and design of cellular phone and camera lens and marketing of sensors	100%	100%
Premier Image Technology -Hong Kong Limited and subsidiaries	Majority-owned subsidiary	Manufacture and sales of camera	98%	99.96%

Names of subsidiaries	Relationship with the Company	Main operating activities	Ownership Percentage (%) 2007.06.30	Ownership Percentage (%) 2008.06.30
Premier Image Technology -Japan Limited	Majority-owned subsidiary	Manufacture, design and sales of images, optics products and camera lens	88%	88%
Foxconn SA B.V.	Majority-owned subsidiary	Investment holdings	-	95%
Image & Vision Investment Corporation	Wholly-owned subsidiary	Investment holdings	100%	100%
Margini Holdings Limited	Wholly-owned subsidiary	Investment holdings	100%	100%

A. The financial statements of certain consolidated subsidiaries as of and for the six-month period ended June 30, 2008 were not reviewed by independent accountants which reflect total assets and liabilities of $174,181,881 and $57,392,449, constituting 19.90% and 11.37% of the consolidated total assets and liabilities, respectively, as of June 30, 2008, and total net income of $7,839,454, constituting 26.5% of the consolidated net income for the six-month period then ended.

B. For the relevant information on indirectly-owned subsidiaries of the Company, please see Note 11.

C. Changes in consolidated subsidiaries

(1)Premier Image Technology-Hong Kong Limited increased its capital amounting to HK$78,811,000 in the first quarter of 2008. The amount of capital increase was totally subscribed by Foxconn (Far East) Ltd., a subsidiary of the Company. As of June 30, 2008, the Company and subsidiaries totally held 99.96% equity interest in Premier Image Technology-Hong Kong Limited.

(2)In March 2008, the Company established a holding company, Foxconn SA B.V., which is engaged in export processing business investments in Russia. Therefore, Foxconn SA B.V. was included in the consolidated financial statements as of and for the six-month period ended June 30, 2008.

(3)The subsidiary of the Company disposed its 100% share ownership of Sonics Trading Ltd. in the first quarter of 2008. Accordingly, Sonics Trading Ltd. was excluded from the consolidated financial statements effective on the disposal date.

(4)The subsidiary of the Company disposed its 100% share ownership of Loyal News International Ltd. in the second quarter of 2008. Accordingly, Loyal News International Ltd. was excluded from the consolidated financial statements effective on the disposal date.

3) Majority-owned subsidiaries that were not included in the consolidated financial statements: None.
4) Adjustments and disposition of the different accounting period adopted by the subsidiaries: None.
5) Special operating risks on the foreign subsidiaries: No significant special operating risks that would affect the financial statements.
6) Significant restriction on remittance of funds for the foreign subsidiaries' financial activities to the Company: None.
7) The Company’s common stock owned by its subsidiary:
For the six-month periods ended June 30, 2007 and 2008, Hon Yiing International Investment Co., Ltd. owned the Company’s common stock, at a cost of $18,901.
8) Information on convertible bonds and new common stock issued by subsidiaries:
The issuance of convertible bonds and new common stock by subsidiaries had no significant effects on stockholders’ equity of the parent company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Handling” and accounting principles generally accepted in the Republic of China. The Group’s significant accounting policies are summarized below:

1) Basis for preparation of consolidated financial statements

All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares consolidated financial statements on a quarterly basis. Significant inter-company transactions and assets and liabilities arising from inter-company transactions are eliminated.

2) Translation of financial statements of foreign subsidiaries into New Taiwan Dollars

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date. Equity accounts are translated at historical rates except for beginning retained earnings, which is carried forward from prior year’s balance. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in “cumulative translation adjustments” under stockholders’ equity.

3) Criteria for classifying assets and liabilities as current or non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
   1) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
   2) Assets held mainly for trading purposes;
   3) Assets that are expected to be realized within twelve months from the balance sheet date; and
   4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

   1) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
   2) Liabilities arising mainly from trading activities;
   3) Liabilities that are to be paid off within twelve months from the balance sheet date; and
   4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

4) Use of estimates

The preparation of financial statements in conformity with R.O.C. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the amounts of revenues and expenses reported during the period. Actual results could differ from those assumptions and estimates.

5) Foreign currency transactions

A. The Company and its consolidated subsidiaries maintain their accounts in New Taiwan dollars and functional currencies, respectively. Transactions denominated in foreign currencies are translated into New Taiwan dollars and their functional currencies at the spot exchange rates prevailing at the transaction dates. Exchange gains or losses due to the difference between the exchange rate on the transaction date and the exchange rate on the actual receipt and payment are recognized in current year's profit or loss.

B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss. However, exchange gains or losses on overseas inter-company accounts that are, in nature, deemed long term is accounted for as a reduction in stockholders' equity.

C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

6) Cash equivalents

Cash equivalents represent short-term, highly liquid investments, which include short-term commercial papers and bonds purchased with a resale agreement with a maturity period of less than three months.

7) Financial assets and financial liabilities at fair value through profit or loss

A. Equity investments are recognized using trade date accounting. Debt instruments, beneficiary certificates and derivative financial instruments are recognized and derecognized using settlement date accounting. All are recognized initially at fair value.

B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.

C. Derivatives not qualified for hedge accounting but under the method of option transaction are recognized at fair value on the trade date; derivatives not under the method of option transaction are recognized at zero fair value on the trade date.

D. The derivative features (such as call options and put options) embedded in compound financial instruments are described in Note 2 (20).

8) Available-for-sale financial assets

A. Equity investments are recognized using trade date accounting. Bond investments are recognized and derecognized using settlement date accounting and are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B. Available-for-sale financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.

C. If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss. Impairment losses recognized previously in profit or loss for an investment in an equity instrument shall not be reversed through profit or loss, and if, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

9) Financial assets carried at cost

A. Investment in unquoted equity instruments is recognized using trade date accounting and is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss cannot be reversed.

10) Settlement date accounting

If an entity recognizes financial assets using settlement date accounting, any change in the fair value of the asset to be received during the period between the trade date and the settlement date/balance sheet date is not recognized for assets carried at cost or amortized cost. For financial asset or financial liability classified as at fair value through profit or loss, the change in fair value is recognized in profit or loss. For available-for-sale financial assets, the change in fair value is recognized directly in equity.

11) Accounts receivable

Accounts receivable are claims resulting from the sale of goods or services. The fair value of accounts receivable is calculated based on the imputed interest rate. Accounts receivable which are collectible within one year, and where the difference between the fair value and the value at maturity is insignificant are measured at carrying value.

12) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience and the evaluation of the collectibility of accounts, notes and other receivables, taking into account the aging analysis of receivables.

13) Inventories

Inventories are stated at the lower of cost or market value. Inventory cost is determined using the weighted-average cost method. The aggregate value method is used to determine the lower of cost or market value. The market value for raw materials is determined based on current replacement cost while the market value for work in process and finished goods inventories is determined based on net realizable value. Provision for obsolescence is based on the specific identification method.

14) Long-term equity investments accounted for under the equity method

A. Long-term equity investments in which the Group holds more than 20% of the investee company’s voting shares or has the ability to exercise significant influence on the investee’s operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized from 2006. Retrospective adjustment of the amount of goodwill amortized in previous years is not required. Goodwill is subject to tests of impairment on an annual basis. The excess of acquired net asset value of investee over the initial investment cost is allocated proportionately and applied as a reduction to the book values of identifiable non-current assets, and any remaining amount of such excess after this allocation is credited to extraordinary gains.

B. Long-term investments in which the Group holds more than 50% or has the ability to control the investees’ operational decisions are accounted for under the equity method and included in the consolidated financial statements.

C. For foreign investments accounted for under the equity method, the Group's proportionate share of the investee company's cumulative translation adjustment, resulting from translating the foreign investee company’s financial statements into New Taiwan Dollars, is recognized by the Group and included as “cumulative translation adjustments” under stockholders' equity.

15) Property, plant and equipment

A. Property, plant and equipment are stated at cost. Interest costs incurred on the loans used to bring the assets to the condition and location necessary for their intended uses are capitalized. Significant renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.

B. Depreciation is provided on the straight-line method using the service life guidelines prescribed by the R.O.C. Government, which approximate the useful lives of the assets. Fully depreciated assets still in use are depreciated based on the residual values over the remaining useful lives. The useful lives of property, plant and equipment are 2 to 8 years, except for buildings which are 45 to 55 years.

16) Deferred charges and other assets

A. The costs of telephone network installation charges, computer software, molding and tools equipment are recorded as deferred charges and amortized over their estimated economic lives on a straight-line basis.

B. Land use rights are stated at cost and amortized over the lease period using the straight-line method.

17) Impairment of non-financial assets

The Group recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered. However, impairment loss of goodwill is not recoverable.

18) Warranty obligation

Warranty obligation is recognized based on the estimated warranty cost per unit and the number of units sold during the period.

19) Pension plan

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 15 years. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

20) Bonds payable

For the bonds payable issued after January 1, 2006, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. These bonds are accounted for as follows:

A. The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until conversion period or the maturity of the bond.

B. The value of any derivative features (such as a call option and put option) embedded in the compound financial instrument is recognized as "financial assets and financial liabilities at fair value through profit or loss". At the maturity of redemption period, if the fair value of common stock exceeds the redemption price, the fair value of the derivative is recognized as "paid-in capital"; however if the fair value of common stock is lower than the redemption price, the fair value of the derivative is recognized as "gain or loss".

C. A conversion option embedded in the bonds issued by the Company, which is convertible to an equity instrument, is recognized and included in “capital reserve from stock warrants”, net of income tax effects. When a bondholder exercises the conversion right, the liability component of the bonds (including corporate bonds and embedded derivatives) is revalued, and the resulting difference shall be recognized as “gain or loss” in the current period. The book value of the common stock issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of the stock warrants.

D. Costs incurred on issuance of convertible bonds are proportionately charged to the liabilities and equities of the underlying instruments based on initial recognition costs.

E. When the holders of bonds payable are allowed to exercise put options within a year, the bonds payable are classified as current liabilities. At the end of the put option period, the non put option bonds payable are classified as non-current liabilities.

21) Income tax

A. Income tax expense is provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax for the expected future tax consequences of events that have been included in different periods for financial or tax reporting purposes. Deferred income tax assets and liabilities are determined using enacted tax rates in effect for the year(s) in which the differences are expected to reverse. Valuation allowance on deferred income tax assets is recognized to the extent that it is more likely than not that the income tax benefits will not be realized. Over or under provision of income tax from the previous years is recorded as adjustment to the current years’ income tax expense. In accordance with the ROC Income Tax Law, the company’s undistributed income is subject to an additional 10% corporate income tax. The tax is charged to income tax expense after the appropriation of earnings is approved by the stockholders in the following year.

B. Income tax credits are provided for in accordance with R.O.C. SFAS No. 12 "Accounting for Income Tax Credits". Income tax credits arising from acquisitions of equipment or technology, expenditures for research and development, training and development of employees and investments in qualified stocks are charged to deferred income tax assets and credited to income tax expense in the period the related expenditures are incurred.

C. Effective January 1, 2006, the Company adopted the Income Basic Tax Act (the “Act”). Under the Act, the income tax payable shall be the higher of the basic tax and the regular income tax in accordance with the Income Tax Law and other relevant laws.

22) Treasury stock

A. The Company adopted the R.O.C. SFAS No. 30 “Accounting for Treasury Stocks” to account for treasury stock.

B.When the treasury shares are reissued, the treasury stock account is credited and the difference between the proceeds received and the cost is treated as an adjustment of stockholders’ equity. Any excess of the proceeds over the cost of the treasury stock reissued is recognized as an increase in additional paid-in capital from the treasury stock transaction and if the proceeds are less than the cost, the deficit is charged to the additional paid-in capital account. Should the additional paid-in capital balance be insufficient to absorb the deficit, the balance is charged to retained earnings.

C. Treasury stock cost is determined using the weighted-average cost method.

D. The Company's common stock owned by its subsidiaries is treated as treasury stock.

23) Share-based payment — employee compensation plan

Based on the employee stock options and the share-based payment agreements, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

24) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, after taking into account the effects of ex-rights and ex-dividends.

25) Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated by taking into account the potentially dilutive securities which are assumed to have been converted to common stock at the beginning of the period.

26) Revenues and expenses

Revenues are recognized when the earning process is substantially completed and are realized or realizable. Expenses, including research and development costs, are recognized as incurred.

3. CHANGES IN ACCOUNTING PRINCIPLES

Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, the Group adopted EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007. As a result of the adoption of EITF 96-052, consolidated net income decreased by $1,613,005 and earnings per share decreased by $0.22 for the six-month period ended June 30, 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	June 30,	
	2007	2008
Cash on hand	$ 9,084,733	$ 9,743,821
Checking accounts	1,933,847	900,858
Savings deposits	21,431,122	26,390,096
Time deposits	75,416,763	129,335,014
	107,866,465	166,369,789
Cash equivalents	25,978,563	11,064,793
	$ 133,845,028	$ 177,434,582

(2)Financial assets and liabilities at fair value through profit or loss

	June 30, 2007		
	Book value	Contract amount	
Financial assets held for trading			
Futures contracts	$ 52,562		-
Open-end funds	2,673		-
SWAP	57	EUR	5,000
	$ 55,292		
Financial liabilities held for trading			
Forward exchange contracts		USD(SELL)	23,465
	$ 10,365	JPY(BUY)	2,851,836

	June 30, 2008		
	Book value	Contract amount	
Financial assets held for trading			
Futures contracts	$ 99,740		-
Open-end funds	11,584		-
Forward exchange contracts-offset	39,960	USD(BUY)	180,000
		HKD(SELL)	390,119
		TWD(SELL)	3,900,680
Forward exchange contracts-open interest	4,736	USD(SELL)	50,000
		RMB(BUY)	34,310
	$ 156,020		

	June 30, 2008		
	Book value	Contract amount	
Financial liabilities held for trading			
Forward exchange contracts-open interest	$ 39,913	USD(BUY)	230,000
		VND(BUY)	166,480,700
		JPY(BUY)	114,737
		TWD(SELL)	6,968,150
		USD(SELL)	150,000
		VND(SELL)	19,228,740
Forward exchange contracts-offset	3,229	USD(BUY)	20,000
		RMB(SELL)	601,770
	$ 43,142		

1) For the six-month period ended June 30, 2008, the Group recognized a net gain of $239,296 (including unrealized loss of $35,177).

2) For the six-month period ended June 30, 2007, the Group recognized a net gain of $155,017 (including unrealized loss of $10,302).

(3) Available-for-sale financial assets

	June 30,	
	2007	2008
Current items:		
Listed stocks	$ 65,449	$ 67,042
Adjustment of available-for-sale financial assets	1,347,236	1,110,679
	$ 1,412,685	$ 1,177,721
Non-current items:		
Listed stocks	$ 4,518,275	$ 5,395,336
Adjustment of available-for-sale financial assets	30,905,190	10,649,113
	$ 35,423,465	$ 16,044,449

The fair value of available-for-sale financial assets increased by $23,853,555 and decreased by $17,752,581 for the six-month periods ended June 30, 2007 and 2008, respectively, and is shown as an adjustment to stockholders' equity as unrealized gain or loss on financial instruments. Transfers from this equity account to profit and loss amounted to $97 and $0 for the six-month periods ended June 30, 2007 and 2008, respectively.

(4) Notes and accounts receivable - third parties

	June 30, 2007		
	Amount	Allowance for doubtful accounts	Net amount
Notes receivable	$ 888,832	($ 74,597)	$ 814,235
Accounts receivable	193,187,248	(2,468,184)	190,719,064
	$194,076,080	($ 2,542,781)	$191,533,299

	June 30, 2008		
	Amount	Allowance for doubtful accounts	Net amount
Notes receivable	$ 2,171,830	($ 74,597)	$ 2,097,233
Accounts receivable	185,178,249	(2,509,160)	182,669,089
	$187,350,079	($ 2,583,757)	$184,766,322

1. The Group factored its accounts receivable to certain financial institutions without recourse. Under the agreement, the Group is not required to bear uncollectible risk of the underlying accounts receivable, but is liable for the losses incurred on any business dispute. As the Group did not provide any collateral, these accounts receivable meet the derecognition criteria for financial assets. The Group has derecognized the accounts receivable sold to financial institutions, net of the losses estimated for possible business disputes.

   As of June 30, 2008, the relevant information of accounts receivable factored but unsettled is as follows:

June 30, 2008					
Institutions	Interest rate (%)	Accounts receivable sold/ derecognized	Amount advanced	Amount retained	Limit
Mega International Commercial Bank	3.26	$ 3,830,955	$ 3,830,955	$ -	$15,170,000
Taipei Fubon Bank	3.28	8,475,124	8,475,124	-	21,238,000
Sumitomo Mitsui Banking Corporation	3.02	6,401,740	6,401,740	-	10,619,000
ING Bank, N.V.	2.97~3.18	3,440,646	3,440,646	-	6,068,000
		$22,148,465	$22,148,465	$ -	$53,095,000

2. For the six-month period ended June 30, 2008, the financing charges (expenses) incurred from accounts receivable factoring was $536,853 and is shown as “other non-operating loss”.

(5) Other receivables

	June 30, 2007	June 30, 2008
Tax refund receivable – business tax	$ 3,062,869	$ 9,635,345
Receivables for payments made on behalf of others	1,775,496	931,831
Other receivables – related parties	858,368	637,555
Dividends receivable	512,594	380,734
Others	2,368,453	4,575,603
	$ 8,577,780	$ 16,161,068

(6) Inventories

	June 30, 2007	June 30, 2008
Raw materials and supplies	$ 57,594,513	$ 70,857,925
Work in process	22,942,218	33,016,237
Finished goods	51,358,119	66,497,429
Inventory in transit	15,116,301	16,036,609
	147,011,151	186,408,200
Less: Allowance for inventory obsolescence	(4,600,131)	(5,797,785)
	$ 142,411,020	$ 180,610,415

(7) Financial assets carried at cost

Name of investee company	June 30, 2007	June 30, 2008
Global Strategic Investment Inc.	$ 290,585	$ 290,585
Diamiondhead Ventrues Ltd.	413,671	412,287
Entire Technology Co., Ltd.	227,500	227,500
Others	873,289	1,006,995
	$ 1,805,045	$ 1,937,367

1) The investments in these investee companies were measured at cost since its fair value cannot be measured reliably.

2) Under the approval of the Fair Trade Commission, Executive Yuan, R.O.C. in April 2007, Taihsing International Telecommunications Co., Ltd. tendered offers for the acquisition of the shares of Taiwan Fixed Network Co., Ltd. The Group disposed 119,000 shares of Taiwan Fixed Network Co., Ltd. due to participation in the tender offers resulting in a gain on disposal of $508,737.

(8) Long-term equity investments accounted for under the equity method

Investee Company	June 30, 2008 Ownership Percentage (%)	June 30, 2007	June 30, 2008
Foxconn Technology Co., Ltd.	31	$ 14,107,954	$ 14,480,766
Pan International Industrial Corporation	27	5,364,232	3,922,580
Foxconn Advanced Technology, Ltd.-Cayman	43	1,817,499	3,776,765
CyberTAN Technology Inc.	11	478,636	527,761
Alliance Fiber Optic Products Inc.	20	261,756	241,682
Foxsemicon Integrated Technology Inc.	21	245,010	345,885
Simplo Technology Co., Ltd.	9	-	1,625,702
Ways Technical Corp., Ltd.	24	-	1,057,991
G-Tech Optoelectronics Corporation	42	-	827,946
Diabell Co., Ltd.	20	-	381,062
Ugobe Inc.	30	-	317,614
Advanced Optoelectronic Technology Inc.	20	-	345,944
UVAT Technology Co., Ltd.	21	-	180,000
Others		757,690	791,500
		23,032,777	28,823,198
Add: Prepaid long-term investments		2,606,110	970,020
		$ 25,638,887	$ 29,793,218

The consolidated financial statements included net investment income (loss) recognized under the equity method of $187,477, constituting 0.63% of the consolidated net income for the six-month period ended June 30, 2008, and the related long-term investments balance of $8,731,229, constituting 1.00% of the consolidated total assets as of June 30, 2008. These amounts were based on the financial statements of the investee companies for the same period which were not audited or reviewed by independent accountants.

(9) Property, plant and equipment

	June 30, 2007		
	Original cost	Accumulated depreciation	Net book value
Land	$ 4,034,446	$ -	$ 4,034,446
Buildings and improvements	43,031,883	(7,771,226)	35,260,657
Machinery	102,495,364	(31,676,548)	70,818,816
Molding equipment	3,182,564	(2,451,421)	731,143
Testing equipment	11,638,849	(5,341,422)	6,297,427
Furniture and fixtures	8,522,510	(4,199,758)	4,322,752
Tooling equipment	2,240,290	(1,039,849)	1,200,441
Miscellaneous equipment	14,424,579	(4,771,779)	9,652,800
Prepayments for equipment and construction in progress	26,275,533	-	26,275,533
	$ 215,846,018	($ 57,252,003)	158,594,015
Less: Accumulated impairment			(650,031)
			$157,943,984

	June 30, 2008		
	Original cost	Accumulated depreciation	Net book value
Land	$ 3,902,601	$ -	$ 3,902,601
Buildings and improvements	67,514,499	(7,891,186)	59,623,313
Machinery	133,621,859	(43,884,993)	89,736,866
Molding equipment	2,997,105	(2,453,146)	543,959
Testing equipment	17,244,799	(7,617,576)	9,627,223
Furniture and fixtures	11,197,308	(5,786,905)	5,410,403
Tooling equipment	2,701,037	(1,287,475)	1,413,562
Miscellaneous equipment	21,632,696	(8,003,253)	13,629,443
Prepayments for equipment and construction in progress	35,427,911	-	35,427,911
	$ 296,239,815	($ 76,924,534)	219,315,281
Less: Accumulated impairment			(556,567)
			$218,758,714

The Group recognized impairment loss of $118,616 (shown as “Other loss”) and a net gain on the recovery of impairment loss of $3,045 (shown as “Other income”) for the six-month periods ended June 30, 2007 and 2008, respectively.

(10) Goodwill

	June 30, 2007	June 30, 2008
Net book value, January 1	$ 2,265,910	$ 2,268,102
Cumulative translation adjustments	28,973	(132,293)
Net book value, June 30	$ 2,294,883	$ 2,135,809

The above amount mainly represents goodwill arising from the acquisition of Chi Mei Communication System, Inc. in 2005.

(11) Other assets

	June 30, 2007	June 30, 2008
Land use right	$ 8,139,704	$ 15,060,636
Others	1,602,830	2,459,914
	$ 9,742,534	$ 17,520,550

(12) Short-term loans

	June 30, 2007	June 30, 2008
Credit loans	$ 80,104,396	$ 147,845,881
Secured loans	2,369,715	-
	$ 82,474,111	$ 147,845,881
Interest rates per annum	5.26% ~ 6.43%	1.82% ~ 6.72%

(13) Income tax

1) Income tax expense and income tax payable are reconciled as follows:

	June 30, 2007	June 30, 2008
Income tax expense	$ 7,301,040	$ 9,913,493
Changes in deferred income tax	1,192,421	(366,169)
Less: Prepaid income tax and income tax withheld	(523,979)	(450,769)
(Under) over provision of prior years' income tax	(221,794)	159,264
Add: Income tax payable at the beginning of the period	2,072,753	3,117,897
Income tax payable	$ 9,820,441	$ 12,373,716

2) As of June 30, 2007 and 2008, the deferred income tax assets and liabilities were as follows:

	June 30, 2007	June 30, 2008
Deferred income tax assets	$ 2,622,535	$ 2,777,333
Deferred income tax liabilities	($ 7,056,928)	($ 8,496,156)

3) The temporary differences and related amounts of deferred tax assets (liabilities) are listed as follows:

	June 30,			
	2007		2008	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Allowance for doubtful accounts	$ 1,169,483	$ 292,371	$ 1,130,416	$ 282,604
Reserve for unrealized loss on inventory obsolescence	2,775,584	723,951	6,347,875	971,421
Unrealized exchange losses	2,138,714	534,678	247,560	61,890
Product warranty	-	-	2,785,171	696,293
Others	291,770	44,681	414,600	104,895
	$ 6,375,551	1,595,681	$10,925,622	2,117,103
Non-current items:				
Reserve for pension cost	$ 783,405	195,852	$ 804,259	201,065
Foreign investment income accounted for under the equity method	(28,227,713)	(7,056,928)	(33,984,629)	(8,496,156)
Difference in depreciation	127,420	31,855	80,256	20,064
Others	3,156,103	799,147	1,756,404	439,101
	($24,160,785)	(6,030,074)	($31,343,710)	(7,835,926)
		($4,434,393)		($5,718,823)

4) As of June 30, 2008, the Company's and Premier's income tax returns have been approved by the R.O.C. Tax Authority through 2006 and 2003, respectively.

(14) Bonds payable

	June 30,	
	2007	2008
Domestic convertible bonds payable (CB I)	$ 18,000,000	$ 18,000,000
Less: Discount on bonds payable	(940,879)	(542,479)
	17,059,121	17,457,521
Domestic unsecured bonds payable (ECB II)	11,500,000	11,500,000
	$ 28,559,121	$ 28,957,521

1) Domestic convertible bonds payable (CB I)

A. On September 1, 2006, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of $18,000,000. These convertible bonds cover a period of five years from November 10, 2006 to November 10, 2011.

B. The conversion price shall be adjusted based on the terms of the convertible bonds. As of June 30, 2008, the convertible bonds have not been redeemed. The conversion price was adjusted to $252.95 (in dollars) per share based on the resolution approved at the stockholders' meeting in 2007.

C. Under the terms of the convertible bonds, all bonds (redeemed, matured and converted) are retired and not to be re-issued.

D. Under the terms of the convertible bonds, the rights and obligations of the new shares converted from convertible bonds are the same as the issued and outstanding common stock.

E. The effective interest rate of the bonds was 2.32%.

2) Domestic unsecured bonds payable (ECB II)

On September 14, 2005, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of $11,500,000. The issuance and terms of domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Nominal interest rate	Payment term
Bond Aa to Af	September 2005	5 years	$ 500,000	1.9800%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond Ba to Bf	September 2005	5 years	$ 500,000	1.9703%	Principal is due at maturity. Interest is paid semi-annually at compounded interest rate.
Bond Ca to Cf	September 2005	7 years	$ 500,000	2.2500%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond Da to De	September 2005	10 years	$ 500,000	2.3700%	〃

3) The Company issued its first domestic unsecured convertible bonds payable in 2006. The fair value of convertible option in the amount of $1,195,200 was separated from bonds payable at issuance date, and was recognized in "Capital reserve from stock warrants" in accordance with SFAS No. 36.

(15) Long-term loans

Institution	June 30, 2007	June 30, 2008
HSBC	$ 69,107	$ 30,708

(16) Retirement plan

1) The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. The Company contributes monthly an amount equal to 2.1% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The pension expenses under the defined benefit plan amounted to $35,996 and $36,197 for the six-month periods ended June 30, 2007 and

2008, respectively. The balance of the fund which is deposited with Bank of Taiwan was $490,225 and $534,811 as of June 30, 2007 and 2008, respectively.

2) In accordance with the Labor Pension Act, the Company has a defined contribution employee retirement plan covering all domestic employees. The Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' personal pension accounts with the Bureau of Labor Insurance. The pension expenses under this plan amounted to $93,878 and $110,895 for the six-month periods ended June 30, 2007 and 2008, respectively.

3) The subsidiaries in mainland China have defined contribution pension plans and contribute an amount monthly based on 8%~9% of employees' monthly salaries and wages to an independent fund administered by a government agency.

4) The overseas subsidiaries of the Company recognized pension expenses of $969,456 and $1,847,847 for the six-month periods ended June 30, 2007 and 2008, respectively.

(17) Capital stock

1) As of June 30, 2008, the Company's authorized capital of the Company amounted to 7 billion shares (including 200 million shares reserved for stock warrants or bonds issued with detachable warrants) and the issued and outstanding common stocks were 6,290,767 thousand shares with a par value of $10 (in dollars) per share.

2) In June 2008, the Company's shareholders adopted a resolution to increase the authorized capital to 8,120,000 thousand shares and issue common stocks at par value amounting to $11,238,570 (including $1,802,420 as employees' stock bonus).

3) Pursuant to the resolution adopted at the stockholders' meeting held on June 1, 1999, and after obtaining approval from the SFC, the Company issued 25 million units of global depository receipts (GDRs) in Europe, Asia and the USA, which are represented by 50 million shares of common stock (Deposited Shares). The main terms and conditions of the GDRs are as follows:

A. Voting

Holders of GDRs have no right to directly exercise voting rights or attend the Company's stockholders' meeting, except when a motion is on the election of directors or supervisors. A holder or holders together holding at least 51% of the GDRs outstanding at the relevant record date of the stockholders' meeting can instruct the Depositary to vote in the same direction in respect of one or more resolutions to be proposed at the meeting.

B. Sale and withdrawal of GDRs

Under the current R.O.C. law, shares represented by the GDRs may not be withdrawn by holders of GDRs commencing three months after the initial issue of GDRs. A holder of a GDR may, provided that the Company has delivered to the custodian physical share certificates in respect of the Deposited Shares, request the Depositary to sell or cause to be sold on behalf of such holder the shares represented by such GDRs.

C. Dividends

GDR holders are entitled to receive dividends to the same extent as the holders of common stock subject to the terms of the Deposit Agreement and applicable laws of the

R.O.C.

D. As of June 30, 2008, 119,333,000 units of GDRs were outstanding, which are represented by 238,667 thousand shares of common stock.

(18) Share-based payment — employee compensation plan

As of June 30, 2008, the share-based payment transactions of Foxconn International Holdings Ltd. (Cayman), a subsidiary of the Company (listed on the Stock Exchange of Hong Kong), are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions/ Restricted terms
Employee stock options	July 25, 2005	435,599,000	1 ~ 6 years	Note (1)
〃	September 12, 2007	2,400,000	1 ~ 6 years	〃
〃	September 12, 2007	300,000	1 ~ 3 years	〃
Share appreciation rights	January 1, 2006	12,976,546	1 ~ 3 years	-
Other share-based payment plans	December 29, 2006	5,748,145	-	Note (2)
〃	July 24, 2007	502,090	-	Note (3)
〃	December 28, 2007	20,459,322	-	Note (4)

Note:

(1)Vested upon completion of certain years' service.

(2)Of the shares granted, 2,737,718 shares cannot be sold within one to three years from the grant date.

(3)Of the shares granted, 407,000 shares cannot be sold within one to two years from the grant date.

(4)Of the shares granted, 20,362,078 shares cannot be sold within one to three years from the grant date.

1) Employee stock options

For the stock options granted with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

Grant date	Stock price (HK$)	Exercise price (HK$)	Expected price volatility	Expected dividend yield rate	Risk-free interest rate	Fair value per share (HK$)
July 25, 2005 ~ September 12, 2007	$5.75~ 20.25	$6.06~20.63	30%~36%	-	3.39%~4.09%	$0.23 ~ 0.71

For the six-month periods ended June 30, 2007 and 2008, the weighted-average exercise price of employee stock options outstanding was US$3.12 and US$1.53 (in dollars) per share, respectively, and expenses incurred on employee stock options transactions were $333,345 (US$10,760 thousand) and $284,149 (US$9,172 thousand), respectively. Details of the employee stock options are set forth below:

Employee Stock Options (In shares)	June 30, 2007	June 30, 2008
Options outstanding at beginning of period	402,914,280	335,075,767
Options granted	-	-
Options exercised	(21,396,000)	(7,542,745)
Options revoked	(10,641,430)	(2,316,530)
Options outstanding at end of period	370,876,850	325,216,492
Options exercisable at end of period	23,399,010	51,793,432

2) Share appreciation rights

For the six-month periods ended June 30, 2007 and 2008, the range of exercise price of stock appreciation rights outstanding was HK$12 HK$26.05 and HK$10.56 HK$26.05 (in dollars), respectively. As of June 30, 2007 and 2008, liabilities on stock appreciation rights were $126,427 (US$4,167 thousand) and $46,481 (US$1,532 thousand), respectively (shown as "Accrued expenses"). For the six-month periods ended June 30, 2007 and 2008, expenses incurred on stock appreciation rights transactions were $48,174 (US$1,555 thousand) and $4,957 (US$160 thousand), respectively.

3) Other share-based payment plans

These share-based payments were granted to employees gratuitously. For the six-month periods ended June 30, 2007 and 2008, expenses incurred on other share-based payments were $46,470 (US$1,500 thousand) and $1,011,125 (US$32,638 thousand), respectively.

(19) Capital reserve

1) Under the R.O.C. Company Law, the capital reserve can only be used to offset losses and/or to increase capital.

2) Under the R.O.C. SFB regulations, the Company may apply, once a year, to capitalize the capital reserves arising from paid-in capital in excess of par on the issuance of stocks for cash. The application shall be made after the year of the issuance, and the amount to be capitalized shall not exceed the prescribed amount.

3) Under the pooling of interest method, the balance of common stocks from the eliminated company, less the par value of equity securities issued for the merger, is classified as capital reserve.

4) Please see Note 4 (14) for information on "Capital reserve from stock warrants".

(20) Retained earnings

1) In accordance with the Company's Articles of Incorporation, net income must be distributed in the following order:

A. to cover prior years' losses, if any;

B. as legal reserve equal to 10% of net income after tax and distribution pursuant to clause (A);

C. as any other legally required reserve;

D. to pay dividends on preferred shares;

E. to pay bonuses to employees at 8% of net income after tax and distribution pursuant to clauses (A) to (D); and

F. the remaining amount, if any, shall be distributed pursuant to the proposal of the board of directors in accordance with the Company's dividend policy.

The Company's dividend policy requires the board of directors to consider the Company's budget for future capital expenditures and funding needs when proposing the distribution of earnings to the stockholders. At the regular meeting of the stockholders, the board of directors submits to the stockholders for approval the financial statements for the preceding fiscal year and any proposal for the distribution of dividends or any other distribution to stockholders from retained earnings, subject to compliance with the requirements mentioned above of the preceding fiscal year. Dividends may be distributed in the form of cash or shares, or a combination of both; provided, however, that dividends distributed in respect of any fiscal year in the form of shares shall not exceed two-thirds of total dividends to stockholders.

2) The details of the undistributed earnings were as follows:

	June 30,	
	2007	2008
Before new tax system was adopted	$ 2,163,509	$ 2,163,509
After new tax system was adopted		
Subjected to additional 10% corporate income tax	58,812,045	84,604,979
Not subjected to additional 10% corporate income tax	57,054,005	64,026,626
	$ 118,029,559	$ 150,795,114

3) The details of imputation system were as follows:

	June 30,	
	2007	2008
Balance of stockholders deductible tax account	$ 14,935,792	$ 21,677,687

	December 31, 2007 (Estimated)	June 30, 2008 (Estimated)
Tax deductible rate of earnings distribution	13.36%	15.31%

4) The appropriation of 2006 and 2007 earnings had been resolved at the stockholders' meeting on June 8, 2007 and June 2, 2008, respectively. Details are summarized below:

	2006		2007	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 5,982,083	$ -	$ 7,768,951	$ -
Stock dividends	10,336,278	2.0	9,436,150	1.5
Cash dividends	15,504,416	3.0	18,872,300	3.0
Employees' stock bonus	890,000	-	1,802,420	-
Employees' cash bonus	1,357,017	-	3,791,224	-
Total	$34,069,794	$ 5.0	$41,671,045	$ 4.5

The earnings distribution information is posted on the "Market Observation Post System" at the website of the TSEC.

(21) Earnings per common share

	For the six-month period ended June 30, 2007				
	Amount		Number of shares (in thousands)	Earnings per common share	
	Before tax	After tax		Before tax	After tax
Basic earnings per share:					
Consolidated net income	$41,635,507	$34,334,467	7,413,788	$ 5.62	$ 4.63
Minority interest	(3,174,486)	(3,073,396)		(0.43)	(0.41)
Net income attributable to equity holders of the Company	$38,461,021	$31,261,071		$ 5.19	$ 4.22
Diluted earnings per share:					
Consolidated net income	$41,635,507	$34,334,467		$ 5.55	$ 4.58
Minority interest	(3,174,486)	(3,073,396)		(0.42)	(0.41)
Dilutive effect of stock equivalent:					
Convertible bonds	197,563	148,172	83,873	0.03	0.02
Net income attributable to equity holders of the Company	$38,658,584	$31,409,243	7,497,661	$ 5.16	$ 4.19

	For the six-month period ended June 30, 2008				
	Amount		Number of shares (in thousands)	Earnings per common share	
	Before tax	After tax		Before tax	After tax
Basic earnings per share:					
Consolidated net income	$39,499,491	$29,585,998	7,413,788	$ 5.33	$ 3.99
Minority interest	(1,889,930)	(1,577,839)		(0.26)	(0.21)
Net income attributable to equity holders of the Company	$37,609,561	$28,008,159		$ 5.07	$ 3.78
Diluted earnings per share:					
Consolidated net income	$39,499,491	$29,585,998		$ 5.26	$ 3.94
Minority interest	(1,889,930)	(1,577,839)		(0.25)	(0.21)
Dilutive effect of stock equivalents:					
Convertible bonds	197,563	148,172	83,873	0.02	0.02
Employees' bonus	-	-	18,736	-	-
Net income attributable to equity holders of the Company	$37,807,124	$28,156,331	7,516,397	$ 5.03	$ 3.75

1) The number of shares had retroactively been adjusted by the stock dividends and the stock bonus to employees as of June 30, 2008.
2) Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock bonus issuance in the calculation of the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year.

(22)Personnel, depreciation and amortization expenses

	For the six-month periods ended June 30,	
	2007	2008
Cost of sales		
Personnel expenses		
Salaries	$ 22,362,677	$ 26,206,614
Labor and health insurances	908,430	1,070,676
Pension	651,434	1,248,759
Others	456,199	529,373
	$ 24,378,740	$ 29,055,422
Depreciation	$ 7,531,542	$ 10,519,042
Amortization	$ 1,822,741	$ 1,175,211
Operating expenses		
Personnel expenses		
Salaries	$ 12,697,656	$ 18,310,401
Labor and health insurances	620,021	1,078,475
Pension	447,896	746,180
Others	122,093	270,648
	$ 13,887,666	$ 20,405,704
Depreciation	$ 1,626,482	$ 2,691,594
Amortization	$ 758,444	$ 1,008,140

5. RELATED PARTY TRANSACTIONS

1) Names of related parties and their relationship with the Company

Names of related parties	Relationship with the Company
Foxconn Technology Co., Ltd. and subsidiaries (FTCS)	Investee company accounted for under the equity method
Pan International Industrial Corporation and subsidiaries (PIICS)	"
Foxconn Advanced Technology, Ltd.-Cayman (FATS-Cayman)	An indirectly-owned investee company accounted for under the equity method
Foxsemicon Integrated Technology and subsidiaries (FITI)	"
CyberTAN Technology, Inc. (CyberTAN)	"
Cheng Uei Precision Industry Co., Ltd. (CUPC)	The chairman is a brother of the Company's chairman
InnoLux Display Co., Ltd. and subsidiaries (InnoLuxS)	Same major shareholder

Except for transactions with the above related parties, there were no other material transactions between related parties and the Company for the six-month periods ended June 30, 2008 and 2007.

2) Significant transactions and balances with related parties

A. Sales

	For the six-month periods ended June 30,	
	2007	2008
FTCS	$ 22,600,304	$ 28,436,749
InnoLuxS	3,446,286	6,185,305
CyberTAN	2,215,487	2,300,401
Others	674,118	963,152
	$ 28,936,195	$ 37,885,607

Sales terms to related parties are under regular terms.

B. Purchases

	For the six-month periods ended June 30,	
	2007	2008
FTCS	$ 8,523,957	$ 8,498,116
InnoLuxS	2,470,704	9,742,314
PIICS	3,299,290	3,931,447
FATS-Cayman	3,255,796	2,181,888
CUPC	563,185	1,107,903
Others	61	269,093
	$ 18,112,993	$ 25,730,761

Purchases are at market prices and payment terms are similar to those with third parties.

C. Accounts receivable - related parties

	June 30, 2007	June 30, 2008
FTCS	$ 5,363,287	$ 6,476,612
InnoLuxS	2,274,901	2,804,550
CyberTAN	558,232	742,759
Others	212,630	236,209
	8,409,050	10,260,130
Less: Allowance for doubtful accounts	(157,010)	(116,159)
	$ 8,252,040	$ 10,143,971

D. Other receivables

The Group purchased materials on behalf of FTCS and InnoLuxS. As of June 30, 2007 and 2008, other receivables amounted to $850,868 and $587,819, respectively.

E. Accounts payable - related parties

	June 30, 2007	June 30, 2008
FTCS	$ 3,654,895	$ 5,946,863
InnoLuxS	1,587,057	3,680,671
PIICS	2,138,981	2,575,165
FATS-Cayman	1,367,601	1,213,443
Others	451,755	747,272
	$ 9,200,289	$ 14,163,414

F. Property transactions

For the six-month period ended June 30, 2007

Counterparty	Transaction	Sales / purchase price	Gain on disposal	Receivables / (payables) at June 30, 2007
FTCS and FITI	Sale of fixed assets	$ 441,877	$ 567	$ 7,500
〃	Acquisition of fixed assets	192,235	-	(109,547)

For the six-month period ended June 30, 2008

Counterparty	Transaction	Sales / purchase price	Gain on disposal	Receivables / (payables) at June 30, 2008
FTCS, InnoLuxS and FITI	Sale of fixed assets	$ 117,408	$ 294	$ 49,736
〃	Acquisition of fixed assets	132,414	-	(4,378)
PIICS and InnoLuxS	Sale of stocks	260	-	-

6. PLEDGED ASSETS

As of June 30, 2007 and 2008, the assets pledged as collateral were as follows:

		June 30,	
		2007	2008
Assets	Nature	Book value	Book value
Fixed deposits and cash (shown as other financial assets non-current)	Bond deposit as security for court proceedings, security deposit for employment of foreign laborers and custom's deposits.	$ 392,698	$6,174,331
Notes receivable and accounts receivable	Short-term and long-term loans	176,787	-
Other asset Refundable deposit	Short-term and long-term loans and custom's deposits	75,707	21,986
		$ 645,192	$6,196,317

7. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2008, the Group's significant commitments and contingent liabilities were as follows:

1) The Company entered into several contracts for the acquisition of machinery and construction of research center with total value of approximately $27,634 million. As of June 30, 2008, the unpaid balance on these contracts amounted to $8,955 million.

2) As of June 30, 2008, future minimum lease payments for a factory and employees' apartment were approximately $1,384 million as follows:

Year	In thousands of New Taiwan Dollars
2009	$ 511,741
2010	359,688
2011	287,846
2012	156,056
2013 and thereafter	68,433
	$ 1,383,764

3) Hewlett Packard filed a lawsuit with the Court against Acer Incorporated, alleging infringement, among others, of its patent. Subsequently, the parent company of Acer Incorporated, Acer America Corporation (Acer), filed a lawsuit against the Company, alleging that the Company's sales of products to Acer were connected with the foregoing patent infringement, and has asked the Company to pay an indemnity for Acer's losses in accordance with the sales contract. The lawsuit was later rescinded by Acer in the second quarter of 2008.

4) Mondis filed a lawsuit and an injunction with the Court against the Company, alleging infringement, among others, of its patent on panel display, and claimed indemnities for its losses. The Company has appointed a legal counsel to attend to this case. As of August 28, 2008, based

on the opinion of the Company's legal counsel, the ultimate outcome of the lawsuit and the damages that the Company may incur cannot be reasonably estimated as the litigation is still under trial and investigation by the Court and competent authorities in the U.S.A.

8. SIGNIFICANT CATASTROPHE

None.

9. SUBSEQUENT EVENTS

In July 2008, Foxconn (Far East) Ltd., a subsidiary of the Company, entered into a syndicated credit facility agreement with Mizuho Corporate Bank as the lead bank and obtained a credit line in the amount of US$1,035,000 thousand. The Company serves as a guarantor in the loan.

10. OTHERS

1) Financial statement presentation:

Certain accounts in the June 30, 2007 consolidated financial statements were reclassified to conform with the June 30, 2008 consolidated financial statement presentation.

2) Fair value of financial instruments

	June 30, 2007			
		Fair value		
Non-derivative financial instruments	Book value	Quotation in an active market	Estimated using a valuation technique	Note
Assets:				
Financial assets with fair values equal to book values	$342,208,147	$ -	$342,208,147	A
Open-end funds	2,673	2,673	-	B
Available-for-sale financial assets	36,836,150	36,836,150	-	C
Financial assets carried at cost - non-current	1,805,045	-	-	D
Refundable deposits	363,314	-	355,371	E
Liabilities:				
Financial liabilities with fair values equal to book values	356,151,436	-	356,151,436	A
Bonds payable	28,559,121	-	28,559,121	F
Derivative financial instruments				
Assets:				
Futures contracts	52,562	-	52,562	G
Swap contracts	57	-	57	G
Liabilities:				
Forward exchange contracts	10,365	-	10,365	G

Non-derivative financial instruments	June 30, 2008			
		Fair value		
	Book value	Quotation in an active market	Estimated using a valuation technique	Note
Assets:				
Financial assets with fair values equal to book values	$388,505,943	$ -	$388,505,943	A
Open-end funds	11,584	11,584	-	B
Available-for-sale financial assets	17,222,170	17,222,170	-	C
Financial assets carried at cost - non-current	1,937,367	-	-	D
Refundable deposits	1,376,858	-	1,340,530	E
Liabilities:				
Financial liabilities with fair values equal to book values	464,685,474	-	464,685,474	A
Bonds payable	28,957,521	-	28,957,521	F
Derivative financial instruments				
Assets:				
Futures contracts	99,740	-	99,740	G
Forward exchange contracts-open interest	4,736	-	4,736	G
Forward exchange contracts-offset	39,960	-	39,960	G
Liabilities:				
Forward exchange contracts-open interest	39,913	-	39,913	G
Forward exchange contracts-offset	3,229	-	3,229	G

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

A. For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets-current, short-term loans, notes and accounts payable, accrued expenses, income tax payable, other payables and other current liabilities.

B. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.

C. Available-for-sale financial instruments is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. The fair values of available-for-sale financial assets are based on the quotation in the active markets at June 30, 2007 and 2008.

D. As financial assets carried at cost are not quoted in an active market, its fair value cannot be measured reliably.

E. The fair value of refundable deposits and other financial assets-non-current are based on the discounted value of expected future cash inflow, and the discount rate is based on the fixed rate of the one year time deposit given by the Post Office at June 30, 2007 and 2008.

F. The fair value of bonds payable includes stated redemption price and interest payable.

G. The fair values of derivative financial instruments which include unrealized gain or loss on unsettled contracts were determined based on the amounts to be received or paid assuming that the contracts were settled as of the reporting date.

3) Financial risk controls

A. The Group employs a comprehensive risk management and control system to clearly identify, measure and control the various kinds of financial risk that they face, including market risk, credit risk, liquidity risk and cash flow risk. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risk can be controlled internally or removed from business processes. Therefore, the goal in managing each of these risks is to reduce them to zero.

As for market risk, the goal is to protect its overall position through strict recommendation, execution and audit processes, and proper consideration of a) long-term trends in the external economic/financial environment, b) internal operating conditions, and c) the actual effects of market fluctuations.

B. The risk management and control system of the Group is administered within a framework of stratified responsibility: The Board of Directors formulates and approves handling procedures; the senior officers designated by the Board make regular and unscheduled assessments of management procedures, organizational structure, transaction flows, and whether there are any abnormal circumstances; the legal department reviews and examines transaction agreements; the accounting department makes recommendations with regard to transactions and is responsible for carrying them out; and the audit department undertakes audits. Under this framework, with its strict adherence to proper segregation of duties and adequate internal control procedures, the Group seeks to minimize the potential adverse effects on the Group's financial performance.

4) Material financial risk information

A. Market risk

(1) Foreign exchange risk:

The Group's major purchase and sale transactions are conducted in USD. The change of fair value will be caused by foreign exchange rate fluctuations. However, the amounts and periods of the Group's accounts receivable and accounts payable are equivalent, so the market risk could be offset. If the gap is raised, the Group would adopt the forward contract to hedge the risk. Therefore, the Group estimates there would be no material risk.

(2) Price risk:

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group sets limits to control the transaction volume and stop-loss amount of derivatives to reduce its price market risk.

(3) Futures market risk:

The Group is exposed to price risk because of investments in futures market instruments, which have fair value in the active market. The Group sets limits to control the transaction volume and stop-loss amount of derivatives to reduce its market risk.

(4) Interest rate risk:

The long-term bonds issued by the Group all have fixed interest rates, so there is no interest rate risk.

(5) Stock exchange market:

The domestic convertible bonds issued by the Company are compound instruments, which include the conversion option, call option, put option, and zero-coupon bonds. Except that the fair value of the bonds would be changed due to changes in market interest rate, their fair value is mainly subject to the changes in the Company's stock price. The Company could exercise the call option to mitigate its stock market risk adequately.

B. Credit risk

(1) Receivables:

With respect to receivables of the Group, most of the debtors are well-known international companies with very good credit standing. Moreover, the adequacy of the allowance for doubtful accounts is assessed regularly, so there is no material credit risk.

(2) Financial market:

The long-term exchange rate and futures transactions entered into by the Group are done with financial institutions with very good credit standing. Consequently, the likelihood that credit risk would occur is low.

(3) Asset transactions:

The Group has investments in available-for-sale financial assets and financial assets that are measured at cost. Although the potential for credit risk does arise, there is an open, active market for available-for-sale financial assets. For financial assets measured at cost, the Group performs regular impairment testing. Moreover, the counterparties in the transactions had their credit standing evaluated, so these transactions are not expected to lead to material credit risk.

C. Liquidity risk

(1) Receivables:

As for receivables of the Group, the main debtors are well-known international companies with very good credit standing. There are no overdue receivables with maturities over one year. Therefore, there is no material liquidity risk.

(2) Financial assets:

For available-for-sale financial assets held by the Group, there is an active market that allows these investments to be readily converted into certain amount of cash approximate to their fair values. The liquidity risk exposure is low. As for financial assets measured at cost, the liquidity risk is high as there is no active market. However, since the shareholding percentages are not high, they do not constitute major investments. Therefore, no material liquidity risk is expected.

(3) Foreign exchange transactions:

For forward foreign exchange transactions entered into by the Group, the targets of the transactions are all currencies traded on international foreign exchange markets with large trading volumes and a high number of traders bidding. Trading is active with high liquidity. Therefore, no material liquidity risk is expected.

(4) Futures transactions:

For futures transactions entered into by the Group, orders are placed in the New York or Chicago futures exchanges. The numbers of available futures targets and international market participants are adequate to facilitate easy entry and exit. Therefore, no liquidity risk is expected.

(5) Working capital:

The Group has good operating and credit conditions, and has sufficient working capital, so it expects no significant liquidity risk arising from insufficient capital to meet contract obligations.

(6) Convertible bonds:

The Company has lower significant concentrations of liquidity risk for its issuance of domestic convertible bonds, as the date that the bondholders may exercise the put options set on November 10, 2009 was known and the Company assessed that there is a strong likelihood that most bonds will be converted into common stocks in the future and thereby no large cash positions are required.

D. Cash flow risk from movements in interest rates

(1) Long-term liabilities:

The Group does not have long-term financial assets and liabilities that are affected by interest rate changes. Therefore, there should be no material cash flow risk from movements in interest rates.

(2) Foreign exchange transactions:

The forward foreign currency transactions entered into by the Group are for the purpose of hedging against short-term gaps in positions after offsetting foreign currency assets and liabilities. As such, the amounts in the transactions are minimal and their duration is short. Moreover, because of opposite foreign currency outflows and inflows, a significant need for foreign funds is not expected. Therefore, no material foreign exchange-type cash flow risk is expected from movements in interest rates.

(3) Financial assets

As the investments of the Group are not interest-rate type products, there is no cash flow risk from movements in interest rates.