

English Translation of a Report Originally Issued in Chinese

Report of Independent Auditors

To the Board of Directors and Stockholders of
Quanmax Inc.

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

We conducted our audits in accordance with "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial positions of the Company as of December 31, 2007 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and Accounting Principles Generally Accepted in the Republic of China.



March 24, 2009
Taipei, Taiwan
Republic of China

Notice to Readers

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

Quanmax Inc. and Subsidiaries
Consolidated Balance Sheets
As of Dec. 31, 2008 and 2007
(Expressed in Thousands of New Taiwan Dollars)

Assets	Dec. 31, 2008		Dec. 31, 2007		Liabilities and Stockholders' Equity	Dec. 31, 2008		Dec. 31, 2007	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	\$942,678	30.27	\$234,615	12.34	Short-term loans	\$174,578	5.61	\$51,992	2.74
Notes and accounts receivable, net	622,937	20.00	469,593	24.70	Notes payable	3,778	0.12	803	0.04
Accounts receivable-related parties, net	658	0.02	138,027	7.26	Accounts payable	659,961	21.19	490,405	25.79
Other receivables-related parties, net	-	-	258,077	13.58	Accounts payable-related parties	3,667	0.12	46,438	2.44
Other financial assets-current	7,345	0.24	7,467	0.39	Income tax payable	4,245	0.14	16,183	0.85
Inventories, net	554,088	17.79	596,398	31.37	Accrued expenses	412,121	13.24	52,502	2.76
Prepayments	38,924	1.25	3,667	0.19	Financial liabilities at fair value through income statement-current	19,754	0.63	-	-
Other current assets	195,503	6.28	2,799	0.15	Other payables-related parties	-	-	75,554	3.98
Deferred income tax assets-current	2,694	0.09	14,319	0.75	Other financial liabilities-current	25,951	0.83	33,667	1.77
Total current assets	2,364,827	75.94	1,724,962	90.73	Current portion of long-term debts	100,000	3.21	-	-
					Other current liabilities	300,530	9.65	419	0.02
Funds and investments					Total current liabilities	1,704,585	54.74	767,963	40.39
Long-term investments accounted for under the equity method	1,883	0.06	-	-					
					Long-term liabilities on interest				
Property, plant and equipment					Long-term loans	-	-	100,000	5.26
Land	496	0.02	-	-					
Buildings	88,276	2.83	-	-	Other liabilities				
Machinery and equipment	26,214	0.84	149,901	7.88	Deferred income tax liabilities-noncurrent	36,404	1.17	-	-
Office equipment	29,845	0.96	28,112	1.48	Other liabilities	14,877	0.48	-	-
Leasehold improvements	7,498	0.24	5,069	0.27	Deferred credits	-	-	2,784	0.15
Others	1,978	0.06	337	0.02	Total other liabilities	51,281	1.65	2,784	0.15
Total cost	154,307	4.95	183,419	9.65					
Less: accumulated depreciation	(21,880)	(0.70)	(60,864)	(3.20)	Total liabilities	1,755,866	56.39	870,747	45.80
Net property, plant and equipment	132,427	4.25	122,555	6.45					
					Stockholders' equity				
Intangible assets					Common stock	499,200	16.03	499,200	26.26
Trademarks	313,473	10.07	-	-	Additional Paid-in Capital				
Patents - franchise	24,576	0.79	-	-	Additional Paid-in Capital in excess of par-common stock	8,000	0.26	8,000	0.42
Computer software cost	32,119	1.03	7,285	0.38	Retained earnings				
Goodwill	71,525	2.30	-	-	Legal reserve	55,218	1.76	36,537	1.92
Other intangible assets	144,427	4.63	-	-	Unappropriated retained earnings	694,120	22.30	427,479	22.48
Total intangible assets	586,120	18.82	7,285	0.38	Subtotal	749,338	24.06	464,016	24.40
					Adjusting items in stockholders' equity				
Other assets					Cumulative translation adjustments	(14,751)	(0.47)	58,085	3.06
Guarantee deposits paid	9,240	0.30	16,507	0.87	Total stockholders' equity of the parent company	1,241,787	39.88	1,029,301	54.14
Deferred charges, net	10,237	0.33	989	0.05	Minority interests	116,297	3.73	1,213	0.06
Deferred income tax assets-noncurrent	-	-	23,168	1.22					
Prepaid pension cost	9,216	0.30	5,795	0.30	Total stockholders' equity	1,358,084	43.61	1,030,514	54.20
Total other assets	28,693	0.93	46,459	2.44					
Total assets	\$3,113,950	100.00	\$1,901,261	100.00	Total liabilities and stockholders' equity	\$3,113,950	100.00	\$1,901,261	100.00

Quanmax Inc. and Subsidiaries
Consolidated Statements of Income
For the years ended Dec. 31, 2008 and 2007

(Expressed in Thousands of New Taiwan Dollars, Except for Earning Per Share)

	Dec. 31, 2008		Dec. 31, 2007	
	Amount	%	Amount	%
Operating revenues				
Sales revenues	\$5,202,201	100.00	\$3,779,899	99.84
Less: Sales returns	(2,502)	(0.05)	(6,129)	(0.16)
Sales allowance	(657)	(0.01)	(326)	(0.01)
Service revenues	1,774	0.04	11,531	0.31
Other operating revenues	1,175	0.02	929	0.02
Net operating revenues	<u>5,201,991</u>	<u>100.00</u>	<u>3,785,904</u>	<u>100.00</u>
Operating costs	<u>(4,602,182)</u>	<u>(88.47)</u>	<u>(3,287,619)</u>	<u>(86.84)</u>
Gross profits	<u>599,809</u>	<u>11.53</u>	<u>498,285</u>	<u>13.16</u>
Operating expenses				
Selling expenses	(243,507)	(4.68)	(136,395)	(3.60)
General and administrative expenses	(124,642)	(2.40)	(116,538)	(3.08)
Research and development expenses	(77,449)	(1.49)	(75,357)	(1.99)
Total operating expenses	<u>(445,598)</u>	<u>(8.57)</u>	<u>(328,290)</u>	<u>(8.67)</u>
Operating profit	<u>154,211</u>	<u>2.96</u>	<u>169,995</u>	<u>4.49</u>
Non-operating income				
Interest income	1,831	0.04	5,604	0.15
Investment income accounted for under the equity method, net	-	-	28	-
Gains on disposal of property, plant and equipment	16	-	2,502	0.07
Gains on disposal of investments	233,412	4.49	90,309	2.38
Gains on physical inventory	428	0.01	170	-
Foreign exchange gain, net	-	-	5,227	0.14
Gains on inventory valuation	60,899	1.17	-	-
Other income	24,000	0.46	21,215	0.56
Subtotal	<u>320,586</u>	<u>6.17</u>	<u>125,055</u>	<u>3.30</u>
Non-operating expenses				
Interest expenses	(3,828)	(0.07)	(1,234)	(0.03)
Losses on disposal of property, plant and equipment	(29)	-	(281)	(0.01)
Foreign exchange losses, net	(159)	-	-	-
Losses on inventory valuation and obsolescence	-	-	(32,715)	(0.86)
Losses on valuation of financial liabilities	(19,565)	(0.38)	-	-
Other expenses	(18,058)	(0.35)	(11,328)	(0.30)
Subtotal	<u>(41,639)</u>	<u>(0.80)</u>	<u>(45,558)</u>	<u>(1.20)</u>
Income from continuing operations before income tax	433,158	8.33	249,492	6.59
Income tax expense	<u>(6,592)</u>	<u>(0.13)</u>	<u>(41,710)</u>	<u>(1.10)</u>
Consolidated net income	<u>\$426,566</u>	<u>8.20</u>	<u>\$207,782</u>	<u>5.49</u>
Attributable to				
Stockholders of the parent company	\$367,715	7.07	\$186,806	4.94
Minority interests	58,851	1.13	20,976	0.55
Consolidated income	<u>\$426,566</u>	<u>8.20</u>	<u>\$207,782</u>	<u>5.49</u>
Basic earnings per share (in dollars)				
Stockholders of the parent company before income tax	<u>\$ 7.09</u>		<u>\$ 4.45</u>	
Stockholders of the parent company after income tax	<u>\$ 7.37</u>		<u>\$ 3.74</u>	

Quanmax Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the years ended Dec. 31, 2008 and 2007
(Expressed in Thousands of New Taiwan Dollars)

Item	Common stock	Capital surplus	Retained earnings		Cumulative translation adjustments	Stockholders of the parent company	Minority interests	Total stockholders' equity
			Legal reserve	Unappropriated retained earnings				
Balance as of January 1, 2007	\$475,000	\$8,000	\$8,048	\$357,321	\$2,122	\$850,491	\$39,901	\$890,392
Appropriation and distribution for 2006:								
Legal reserve	-	-	28,489	(28,489)	-	-	-	-
Employee bonus - stock	5,200	-	-	(5,200)	-	-	-	-
Stock dividends	19,000	-	-	(19,000)	-	-	-	-
Cash dividends	-	-	-	(57,000)	-	(57,000)	-	(57,000)
Remuneration paid to directors and supervisors	-	-	-	(2,545)	-	(2,545)	-	(2,545)
Net income for 2007	-	-	-	186,806	-	186,806	20,976	207,782
Changes in cumulative translation adjustments	-	-	-	-	55,963	55,963	14	55,977
Changes in retained earnings of investee company	-	-	-	(4,414)	-	(4,414)	-	(4,414)
Changes in minority interests	-	-	-	-	-	-	(59,678)	(59,678)
Balance as of December 31, 2007	<u>\$499,200</u>	<u>\$8,000</u>	<u>\$36,537</u>	<u>\$427,479</u>	<u>\$58,085</u>	<u>\$1,029,301</u>	<u>\$1,213</u>	<u>\$1,030,514</u>
Appropriation and distribution for 2007:								
Legal reserve	-	-	18,681	(18,681)	-	-	-	-
Employee bonus - cash	-	-	-	(840)	-	(840)	-	(840)
Cash dividends	-	-	-	(79,872)	-	(79,872)	-	(79,872)
Remuneration paid to directors and supervisors	-	-	-	(1,681)	-	(1,681)	-	(1,681)
Net income for 2008	-	-	-	367,715	-	367,715	58,851	426,566
Changes in cumulative translation adjustments	-	-	-	-	(72,836)	(72,836)	(939)	(73,775)
Changes in minority interests	-	-	-	-	-	-	57,172	57,172
Balance as of Dec. 31, 2008	<u>\$499,200</u>	<u>\$8,000</u>	<u>\$55,218</u>	<u>\$694,120</u>	<u>\$ (14,751)</u>	<u>\$1,241,787</u>	<u>\$116,297</u>	<u>\$1,358,084</u>

Quanmax Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended Dec. 31, 2008 and 2007
(Expressed in Thousands of New Taiwan Dollars)

Items	Dec. 31, 2008	Dec. 31, 2007
Cash flows from operating activities:		
Consolidated net income	\$426,566	\$207,782
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	21,562	31,132
Amortization	29,209	11,219
Bad debt expenses	9,513	542
Investment income accounted for under the equity method, net	-	(28)
Losses (gains) on disposal of property, plant and equipment	13	(2,221)
Gains on disposal of investments	(233,412)	(90,309)
Gains from price recovery of inventory	(60,899)	-
Losses for market price decline and obsolete and slowmoving inventories	-	32,715
Losses on disposal of property, plant and equipment	6,036	-
Losses on disposal deferred charges	431	1,337
Losses on valuation of financial liabilities	19,565	-
Changes in assets and liabilities:		
(Increase) decrease in notes receivable and accounts receivable	(162,857)	22,432
Decrease in accounts receivable-related parties	137,369	45,844
(Increase) decrease in other receivables-related parties	79	(21,876)
(Increase) decrease in other financial assets	122	(2,530)
(Increase) decrease in inventories	103,209	(216,983)
(Increase) decrease in prepayments	(35,257)	6,465
(Increase) decrease in other current assets	(192,704)	7,137
Decrease in deferred income tax assets-net	71,197	17,985
Increase in prepaid pension	(3,421)	-
Deposit of pension fund	-	(43)
Provision for pension cost	-	350
Increase in notes payable and accounts payable	172,531	27,657
Decrease in accounts payable-related parties	(42,771)	(25,748)
Increase (decrease) in tax payable	(11,938)	15,730
Increase (decrease) in accrued expenses	359,619	(27,048)
Increase (decrease) in other payables-related parties	(75,554)	69,917
Decrease in other financial liabilities-current	(7,716)	(1,636)
Increase in other current liabilities	300,111	6,998
Increase in other liabilities	14,877	-
Increase (decrease) in deferred credits	(2,784)	2,784
Net cash provided by operating activities	<u>842,696</u>	<u>119,604</u>
Cash flows from investing activities:		
Decrease in other receivables-related parties	257,998	-
Proceeds from disposal of long-term investments accounted for under the equity method	254,395	-
Proceeds from disposal of financial assets carried at cost	-	83
Acquisitions of property, plant and equipment	(34,086)	(118,470)
Proceeds from disposal of property, plant and equipment	436	2,720
Acquisitions of other intangible assets	(23,588)	(3,744)
Decrease in restricted assets	-	5,764
Increase (decrease) in guarantee deposits paid	7,267	(6,853)
Increase in deferred charges	(3,739)	(2,977)
Net cash (used in) provided by investing activities	<u>458,683</u>	<u>(123,477)</u>

Quanmax Inc. and Subsidiaries
 Consolidated Statements of Cash Flows
 For the years ended Dec. 31, 2008 and 2007
 (Expressed in Thousands of New Taiwan Dollars)

Items	Dec. 31, 2008	Dec. 31, 2007
Cash flows from financing activities:		
Increase in short-term loans	122,586	39,992
Decrease in receipts under custody-related parties	-	(248,632)
Increase in long-term loans payable	-	100,000
Appropriation of compensation to directors and supervisors	(2,521)	(2,545)
Appropriation of cash dividends	(79,872)	(57,000)
Net cash (used in) provided financial activities	<u>40,193</u>	<u>(168,185)</u>
Effect of minority interests	(545,886)	(87,787)
Effect of exchange rate changes on cash and cash equivalents	(87,623)	48,021
Decrease (increase) in cash and cash equivalents	<u>708,063</u>	<u>(211,824)</u>
Cash and cash equivalents, beginning of the years	234,615	446,439
Cash and cash equivalents, end of the years	<u>\$942,678</u>	<u>\$234,615</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$3,828</u>	<u>\$1,336</u>
Income tax paid	<u>\$8,968</u>	<u>\$25,981</u>