

STOCK CODE : 2475

# 2009

ANNUAL REPORT



2009 CHUNGHWA PICTURE TUBES, LTD. ANNUAL REPORT



CHUNGHWA PICTURE TUBES, LTD.



Chairman, Wei-Shan Lin



**CHUNGHWA PICTURE TUBES, LTD.**

No. 1127, Heping Rd., Bade City, Taoyuan, Taiwan, 334, R.O.C.

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Inquiry Websites

CPT Website : <http://www.cptt.com.tw>

MOPS : <http://newmops.twse.com.tw>



- **The Spokesman and Acting Spokesman of the Company**

Spokesman:

Name: Hsueh-Lung Lee, Title: Senior Vice President

Telephone: (03) 367-5151; E-mail: leexl@cptt.com.tw

Acting Spokesman:

Name: Wilbur Chien, Title: CFO

Telephone: (03) 367-5151; E-mail: chienych@cptt.com.tw

- **Headquarters, Branches, and Plants**

Headquarter: No. 1127, Heping Rd., Bade City, Taoyuan, Taiwan, 334, R.O.C.;

Telephone: (03) 367-5151

Taoyuan Plant: No. 1127, Heping Rd., Bade City, Taoyuan, Taiwan, 334, R.O.C.;

Telephone: (03) 367-5151

Lungtan Plant: No.1, Huaying Rd, Sanho Tsun, Lungtan Shiang, Taoyuan, Taiwan, 325, R.O.C.;

Telephone: (03) 480-5678

Yangmei Plant: No. 80, Hsigshan Rd., Yangmei, Taoyuan, Taiwan, 326, R.O.C.;

Telephone: (03) 478-6121

Hukou Plant: No. 2-1. Wenhua Rd., Hsin-chu Industrial Park, Hukou Shiang, Hsin-chu, Taiwan, 303, R.O.C.;

Telephone: (03) 597-1875

- **Shares Registrar**

Name: Chunghwa Picture Tubes, Ltd.

Address: No. 22, Chungshan N. Rd., 3<sup>rd</sup> Sec., Taipei, Taiwan, 104, R.O.C.;

Website: <http://www.cptt.com.tw>

Telephone: (02) 2592-5252

- **External Auditors of the Company in the most Recent Year**

Names of CPA: Yi-Chang Liang, Show-May Lin

Address: No. 333, Keelun Rd. Section I, 9F, Taipei

Website: <http://www.dey.com.tw>

Telephone: (02) 2720-4000

- **Names of Overseas Stock Exchanges for Trading of Securities**

Name of overseas stock exchanges for trading of securities: Luxembourg Stock Exchange, Stock Exchange of Singapore.

For information on overseas securities: Contact BLOOMBERG.

- **The Company Website**

<http://www.cptt.com.tw>

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## **1 · Letter to Shareholders**

**Dear Shareholders, Ladies, and Gentlemen,**

I would like to express my sincere gratitude to all of you for your support and concern to Chunghwa Picture Tubes, Co. Ltd (CPT). Without your support, we could not have accomplished sustained growth and stability. Looking back 2009, with the hard work of all CPT employees, we achieved consolidated revenue of NT\$ 57.9 billion. More than 86% of our revenue came from the TFT-LCD (thin-film transistors liquid-crystal display) operation, with the large-sized TFT panel shipment of 16.77 million pieces, and 150.42 million pieces of small- and medium-sized TFT panels.

In the first half of 2009, the global economic recession initially caused by the default of U.S subprime mortgage loan later spreading to worldwide was still taking effect. The unemployment rate in most of the nations had been soaring so dramatically that consumers pared spending under such extremely uncertain economy. On top of that, with new capacity added to the market, the average selling price of each application plummeted drastically. As a result, CPT's consolidated net losses was NT\$ 38 billion in 2009.

Despite the harsh business environment, internally CPT managed to achieve our business goals in TFT operation by controlling inventory level efficiently and improving cost structure to enhance profitability. Firstly, CPT prioritized on making profit instead of expanding market share with the prerequisite of high-quality products. Moreover, CPT emphasized more on controlling inventory than maximizing utilization. More firm orders helped us lower our cost on material preparation and production. CPT also focused on the mainstream and niche products to create profitability and implement well-managed plans, such as production line consolidation and manpower restructuring. In addition, CPT implemented the profit center management approach. By having such profit center, each business unit could control the cost effectively and provide superior customer-oriented services. Last but not least, CPT established a new department of Knowledge Management (KM) to gather and share the internal wisdom and knowledge. CPT will achieve strong and long-term competitive advantages in the dynamic market by implementing the above-mentioned measures.

In external strategies and vertical integration, CPT entered a strategic alliance with Compal, the top tier NB set maker, to digest our production capacity and ensure our downstream outlet. By developing NB products with Compal together, CPT can supply stable panel capacity from our Gen 6, the most efficient fab for NB products, to create a win-win situation. We not only successfully established foothold in color filter (CF) and cold cathode fluorescent lamp (CCFL) production, also proactively sought vertical integration with industries upstream and downstream for greater competitive advantages. First of all, CPT has invested in Driver IC suppliers Sitronix and ILITEK, CCFL supplier Sintornic, small- and medium-sized module producer Giantplus, and leading electronic manufactures Xoceco in China. In 2008, CPT acquired Sintek's CF fabs in order to ensure the supply of major components. Simultaneously, the joint venture with Forward Electronics had already started manufacturing backlight modules production. With the advantages of manufacturing components in-house, CPT could enhance its competitive edge in cost. As a result, the strategies implemented had yielded preliminary results in integrating key components and value chain extension, which enable us to guarantee key components supply, meet customers' expectations, and manage downstream outlet effectively and efficiently. CPT can and will increase its profitability in the near future.

The goals and strategies of our R&D can be separated by three steps, namely, the R&D of technologies for the future, the R&D of technology platform for the mid-term, and the R&D of products for the short run. With continuing efforts in R&D innovations in 2009, CPT was honorably conferred 12th “Outstanding Photonics Product Award” from Photonics Industry and Technology Development Association for “26inch Multi-view 3D LCD TV panel”. Furthermore, CPT received the 17th “Taiwan Excellence Awards” from Ministry of Economic Affairs R.O.C. for “37inch Multi-view 3D TV Module” and “15.4inch 2D/3D Switchable NB Module”.

CPT relentlessly developed and promoted new products in order to satisfy our customers. We utilized our Gen 4 and two Gen 4.5 fabs to manufacture small and medium-sized products with higher profitability. In the medium-sized applications, we had successfully launched car navigation devices and portable DVD devices with product sizes such as 7”, 8”, 9”, 10.2”, and 10.4”. In the small-sized business, CPT focused on handset segment with product sizes such as 1.8”, 2”, and 2.2”. Meanwhile, we as well ventured into high-end smart phone segment with product sizes over 3”. Our priority for small and medium-sized applications is on China market and global first-tier branded customers. Moreover, CPT continuously utilized our competitive edge in Gen 6 to make IT-related products. We will keep up 16:9 IT product mix in our large-sized TFT business so that we can improve overall cutting rate and strengthen our competitiveness. In NB segment, we have had product sizes such as 10.1”W, 13.3”W, 15.6”W and 17.3”W, and 14.0”W will be ready in the second half of 2010. Product sizes of 18.5” and 21.5”W for FPM and TV both with 16:9 ratio also began mass production. As going green and eco-friendly is the global campaign and concern, CPT will adopt LED as back lighting source for over 50 percent of our panel products in 2010. In 2010, the total shipment of large-sized panels is estimated to reach 28.91 million pieces, and the total shipment of small and medium-sized panels will reach 244.01 million pieces.

CPT strives to fulfill corporate social responsibilities in many ways such as encouraging employees to reduce carbon dioxide, sponsoring a non-profit children arts foundation, and assisting minority group in fund raising. In corporate management, CPT proactively reduces environmental effect and integrates so-called green technology from R&D, material, production, finished products, to transportation. Therefore, CPT is not only a pioneer to launch corporate social responsibilities, but also to continually exert efforts to concern about the mission. Although we foresee lots of difficulties and obstacles, CPT has great confidence to overcome the upcoming challenges.

CPT will persist with our firm and positive attitude towards corporate development. We see innovation in operation as our core competence, and maintain our utmost effort to integrate the upstream and downstream of the industry in order to reinforce our advantages in R&D technologies in the display industry. We will continue exerting all of our efforts and try our best to maximize benefits of our shareholders, customers, and employees. Finally, we sincerely thank you for your support and encouragement, and on behalf of all employees at CPT, may we wish you the best of luck over the coming year.

Best regards,

Wei-Shan Lin, the Chairman

## 2 · Company Profile

I · Date of Establishment: May 4<sup>th</sup>, 1971

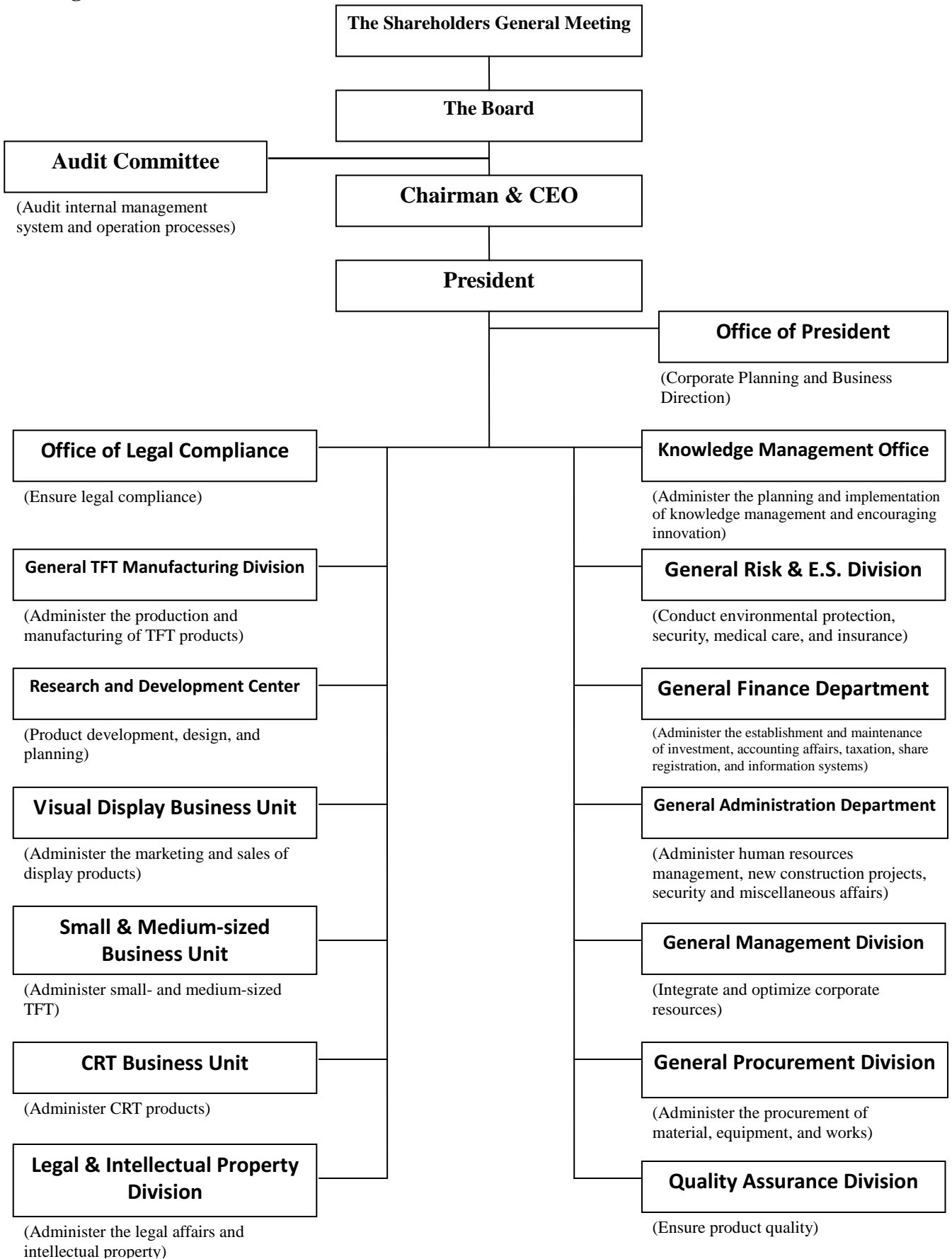
II · Milestones: 2005 — 2009

<b>Year</b>	<b>Record</b>
2005	<ul style="list-style-type: none"><li>● Conferred “the 5<sup>th</sup> Flat Screen Monitor Contribution Award” by MOEA.</li><li>● Conferred “the 5<sup>th</sup> Outstanding Flat Screen Product Award” for its 65” Lcos TV.</li><li>● Construction of the Color Filtered Plant No. 2 (Gen 6) in YangMei was completed.</li><li>● Construction of the Gen 6 Plant in LungTan was completed.</li><li>● Establishment of CPT TPV Optical (Fujian) Co., Ltd.</li><li>● Color Filtered Plant No.1 in YangMei was accredited under the ISO-9001 system.</li><li>● Conferred the Gold Trade Award by MOEA in 2004 and ranked in the 7<sup>th</sup> place in export.</li></ul>
2006	<ul style="list-style-type: none"><li>● Mass production of the 17ES01 high contrast monitor.</li><li>● Mass production of the 320WB02, 370WA03 panels.</li><li>● Attended the 2006 SID Symposium and release 12 papers.</li><li>● The FDT 201WA03/170EA07P was launched into mass production.</li><li>● Mass production of small- and medium-sized 9 Multi-Channel OEM was Launched in China.</li><li>● Mass Production of the CPTM (Malaysia) in 27V RF AK.</li><li>● TV 201WA03 V3 CD version (20) was launched into mass production.</li><li>● CPTW was accredited by the ISO 9001 system.</li></ul>
2007	<ul style="list-style-type: none"><li>● Conferred the 7<sup>th</sup> Gold Panel Awards by MOEA.</li><li>● CPT held “Industry-University Cooperation Achievement Conference” with National Chiao Tung University and Tatung University.</li><li>● Equity joint venture between CPT and Forward Electronics Co. for the establishment of a backlight module plant in Fuzhou.</li><li>● Conferred the Gold Trading Award Excellent Exporter in 2006 by MOEA.</li><li>● Conferred the 15<sup>th</sup> Industrial Technology Advancement Award: Outstanding Innovation Enterprise Award and Advanced Technology Innovator Award by MOEA.</li><li>● Introduced Warburg Pincus LLC as a strategic Investor.</li><li>● Launched the 1<sup>st</sup> 5500:1 high contrast TV screen in the world at Yokohama Show in Japan. This was the only duo module display 15.4” NB panel.</li><li>● Formed strategic alliance with Giantplus Technology Co., Ltd.</li><li>● Investment integration between CPT and Sintronix Technology Co.</li><li>● The 50,000,000<sup>th</sup> MDL was produced at CPTW.</li><li>● CPT increased investment in CPTF Optronics and built small- and medium-sized modules manufacture.</li></ul>

Year	Record
2008	<ul style="list-style-type: none"> <li>● Conferred “Happy &amp; Health Company Award” by the <i>CommomWealth</i>.</li> <li>● Produced the first piece of backlight module at FVD.</li> <li>● Held a Small &amp; Medium-sized Backlight Module MOVE-IN ceremony in CPTF Optronics.</li> <li>● Signed a contact with Sintek Photronic Corp. to acquire its CF 3.5 G and 4.5 G Plants</li> <li>● Conferred the Second Remarkable Enterprise Award by Taoyuan County Government</li> <li>● Signed a NT\$ 4 billion syndicated loan agreement to complete the phase two capacity expansion project for the 6G Color Filter (CF) fab</li> <li>● The President of FDT, Mr. Luke Kang, represented CPT to make a Sichuan Earthquake donation of RMB3,000,000 to Fujian Branch Red Cross Society of China.</li> <li>● Received the rewards of Outstanding Industry Contribution and of Excellent Product from Color Imaging Industry Promotion Office (CIPO) of the Ministry of Economic Affairs (MOEA) four times in a roll on its 15.4” Color Sequential Display and 2D/3D Switchable.</li> <li>● Ranked the 26<sup>th</sup> place in the Info Tech 100 list in the <i>BusinessNext</i> and the 24<sup>th</sup> place in the Manufacture 1,000 list in the <i>CommomWealth</i>.</li> <li>● Celebrated the acquisitions of the 2 CF production lines from Sintek Photronic Corp. located at Hukou.</li> <li>● Built small- and medium-sized modules manufacture and celebrated the 100,000,000<sup>th</sup> CRT being produced at CPTF.</li> <li>● Conferred the Gold Trading Award Excellent Exporter by MOEA.</li> <li>● Received a certificate of Environmental Production Declaration.</li> <li>● Conferred “Friendly Work Place” by Council of Labor Affairs.</li> <li>● Launched “Innovation Plan” to announce the approach of the Knowledge Economy</li> </ul>
2009	<ul style="list-style-type: none"> <li>● Received the 17th “Taiwan Excellence Awards” from Ministry of Economic Affairs R.O.C. for “37inch Multi-view 3D TV Module” and “15.4inch 2D/3D Switchable NB Module”.</li> <li>● Small &amp; Medium-sized Business Unit manufactured the 100,000,000th S&amp;M-sized panel.</li> <li>● Bestowed “Excellent Product Award” by Ministry of Economic Affairs Industrial Development Bureau for “37inch Multi-layers 3D Monitor Module”.</li> <li>● Conferred 12th “Outstanding Photonics Product Award” from Photonics Industry and Technology Development Association for “26inch Multi-view 3D LCD TV panel.</li> <li>● Achieved “Gold Trading Award Excellent Exporter” from Ministry of Economic Affairs International Trade.</li> <li>● The first panel maker to pass and receive Windows 7 Single-Touch Logo certification.</li> <li>● Honored with “Quality Improvement” by Ministry of Economic Affairs Industrial Development Bureau.</li> <li>● Board of Directors appointed Mr. S. C. Lin as acting CEO of the company.</li> <li>● Honored with "Grand Prix for Best Overall Investor Relations- Small or Mid-cap (Taiwan)" by IR Magazine Hong Kong and Taiwan Awards 2009.</li> </ul>

### 3 · Report on Corporate Governance

#### I · Organization Chart



## II、Profiles of Directors, Supervisors, President, Vice President, Managers of Department and Branches

### 1. Directors and Supervisors

#### (1) Profiles of the Directors and Supervisors

April 30, 2009

Title	Name	Date Elected	Tenure	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding Under the Third Party		Education and Experience	Other Positions of the Company	Spouse or relative within the second degree of kinship under the Civil Code who is a manager, director or supervisor at the Company		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Tatung Co. Representative: Lin K. Wei-Shan	2007.06.13	3 years	1997.05.27	1,051,537,247	12.80%	1,391,537,247	8.44%	200,780	-	-	-	MBA, Washington University, USA	Chairman & President, Tatung Co. Chairman, Tatung Consumer Products Chairman, Forward Electronics Co., Ltd. Chairman, Taiwan Telecommunication Industry Co., Ltd. Chairman, Green Energy Technology Inc. Chairman & CEO, CPT Chairman, CPT (Bermuda) Ltd. Chairman, CPT (Labuan) Ltd. Chairman, Tatung Fanuc Robotics Co. Chairman, Grand Cathay International Asset Management Co., Ltd. Chairman, Bensaline Investment Ltd. Chairman, Bangator Investment Ltd. Chairman, Dalemont Investment Ltd. Chairman, Dalian Investment Ltd. Chairman, Shan Chih Semiconductor Co Director, Tatung InfoComm Co. Ltd. Chairman, Tatung Fine Chemicals Co. Ltd. Chairman, Shang Chih Asset Development Chairman, Toes Opto-Mechatronics Co.	Director (Representative to institutional shareholder)	Lin K. Wei-Yeh	Spouse
Director	Tatung Co. Hsu, Chao-Yun	2008.07.10	3 year	1997.05.27	1,051,537,247	12.80%	1,391,537,247	8.44%	-	-	-	-	PhD of Electrical Engineering, Tatung University Professor, Electrical Engineering of Tatung University	Director, Tatung InfoComm Co., Ltd. Director, Taiwan Telecommunication (Fujian) Co., Ltd. Director, Taiwan Telecommunication Industry Co., Ltd.	-	-	-
Director	Tatung Co. Representative: Lin K. Wei-Yeh	2007.06.13	3 years	1997.05.27	1,051,537,247	12.80%	1,391,537,247	8.44%	200,903	-	-	-	Master of Economics, University of Maryland, USA	Executive VP, Tatung Co. Chairman, Tatung System Technologies Inc. Chairman, Tatung Mexico S.A. de C.V. Chairman, Tatung Telecommunications Co., Ltd. Chairman, Elitgroup Computer System Chairman, Tatung Czech s.r.o.	Director (Representative to institutional shareholder)	Lin Wei-Shan	Spouse
Director	Tatung Co. Representative: Hsu, Thomas	2009.10.31	3 years	1997.05.27	1,051,537,247	12.80%	1,391,537,247	8.44%	-	-	-	-	MBA, University of Michigan, USA	Director, Tatung System Technologies Inc. Director, Tatung Fine Chemicals Co. Director, Elitgroup Computer System Director, Tatung Telecommunications Co., Ltd. Finance VP, Tatung Co. Director, Chung-hwa Electronics Investment Co. Director, Tatung Co.	-	-	-
Director	Wei, Ching-Chang	2009.12.14	3 years	2009.12.14	-	-	-	-	-	-	-	-	PhD of Electrical Engineering, University of Pennsylvania, USA	Director, Biopitk Technology Director, Advanced System Technology Director, ARCADYAN TECHNOLOGY	-	-	-



Director	Yuan, Chien-Chung	2007.06.13	3 years	2004.06.16	-	-	-	-	20,000	-	-	-	-	-	Professor and Director of Graduate Studies, Dept. of Management Science, National Chiao Tung University	-	-
Director	Chu, Ping	2009.12.14	3 years	2009.12.14	-	-	-	-	-	-	-	-	-	-	Supervisor, Crownpo Technology Inc. Supervisor, Teleport Access Services Supervisor, SaveCom International Supervisor, Toppoly Optoelectronics	-	-
Director	Tu, Te-Cheng	2009.12.14	3 years	2009.12.14	-	-	-	-	-	-	-	-	-	-	Director, Optoma Technology Director, Sitronix Technology Co., Ltd.	-	-
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Wang, Lang-Chieh	2008.07.10	3 years	1971.05.04	1,486,542,603	18.10%	936,542,603	5.68%	561	-	-	-	-	-	Supervisor, Green Energy Technology Inc., Ltd. Director, Chunghwa Electronics Investment Co., Ltd. Supervisor, Tatung Fine Chemicals Co., Ltd. Director, Shan Chih Semiconductor Co., Ltd. Director, Shan Chih Investment Co., Ltd. Director, Nature Worldwide Technology Corp.	-	-
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Ou, Tien-Fa	2007.06.13	3 years	1971.05.04	1,486,542,603	18.10%	936,542,603	5.68%	151,000	-	-	-	-	-	Head of Financial department, Tatung Co. Supervisor, Tatung InfoComm Co., Ltd. Director, Tatung (UK) Ltd. Supervisor, Tatung System Technologies Inc. Director, Tatung Co. of America, Inc.	-	-
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Chen, Shu-Fen	2008.07.10	3 years	1971.05.04	1,486,542,603	18.10%	936,542,603	5.68%	-	-	-	-	-	-	Supervisor, Taung Chugai Precious Metals Co., Ltd. Director, Chunghwa Electronics Investment Co., Ltd. Supervisor, Chih-Sheng Investment Co., Ltd. Director, Tatung Electronics (S) Pte. Ltd. Supervisor, Toes Opto-Mechatronics Co., Ltd. Supervisor, Chyun Hwei Health Technologies Inc.	-	-
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Yang, Chang-Chieh	2008.07.10	3 years	1971.05.04	1,486,542,603	18.10%	936,542,603	5.68%	-	-	-	-	-	-	Supervisor, Forward Electronics Co., Ltd. Director, Tatung System Technologies Inc. Supervisor, Tatung Forestry & Construction Co. Supervisor, Taiwan Aerospace Corp. Supervisor, Tatung Precise Mater Co., Ltd. Supervisor, Tatung Co. of Japan, Inc. Supervisor, Sequel Technologies Co., Ltd. Supervisor, Chunghwa Electronics Investment Co., Ltd. Director, Shan Chih Investment Co., Ltd. Director, Tatung Energy Technology (Wujiang)	-	-
Supervisor	Chi, Tung-Fa	2007.06.13	3 years	2007.06.13	2,378	-	6,378	-	18,000	-	-	-	-	-	Chief Accounting Officer, Tatung Co. Accounting Manager, Taiwan Video & Monitor Corp.	-	-

(2) Dominant institutional shareholders

April 30, 2009

Name of Institutional Shareholder	Dominant shareholders of the institutional shareholders
Chunghwa Electronics Investment Co., Ltd.	Tatung Co. (99.52%)
Tatung Co.	Tatung University (6.19%), DR account of Tatung at The Bank of New York Mellon (5.97%) Tatung Co. Employee Shareholding Trustee Account (4.81%), Chunghwa Picture Tubes Ltd. (3.05%), Mackenzie Kendall Fund Investment Account at Standard Chartered (3.66%), Show-Laing Chen (1.86%), Taipei Private Tatung Senior High School (1.37%), Tatung United Employees Welfare Committee (1.36%), Combined Employee Fund of Boston Corp for Emerging Market at Standard Charter (1.15%)、ISHARES MSCI Investment Account at Standard Chartered Bank (1.11%)
Compal Electronics, Inc.	Kinpo Electronics, Inc. (3.48%), Council of Labor Affairs (1.6%), Chase Investment Bank in Saudi Arabia managed accounts (1.41%)、Templeton World Fund (1.39%), Chen, Jui-Tsung (1.14%), Templeton Foreign Fund Account (1.07%), Vatican Katmandu emerging market stock index fund (1.02%), JF Asia Stock Fund (0.99%)

(3) Dominant institutional shareholders to the Company

April 30, 2009

Name of institutions	Dominant shareholders of institutional shareholders
Tatung University	None (Note 1)
Chunghwa Picture Tubes Ltd.	Chunghwa Electronics Investment Co., Ltd., Tatung Co., and Compal Electronics
Taipei Private Tatung Senior High School	None (Note 1)
Tatung United Employees Welfare Committee	N/A
Kinpo Electronics, Inc.	Compal Electronics, Inc., Panpal Technology Corp.
Shang Chih Asset Development Co., Ltd.	Tatung Co.

Note 1: This is an educational institution and therefore has no shareholders.

(4) Information on Directors' and Supervisors' qualifications and independence analysis

Conditions Name	Meet one of the Following Professional Qualification Requirements, Together with more than Five Years Work Experience				Criteria (note 1)										Number of Other Public Companies Concurrently Serving as an Independent Director			
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in Public or Private College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company		1	2	3	4	5	6	7	8	9	10				
Lin, Wei-Shan			✓			✓					✓							
Hsu, Chao-Yun			✓			✓					✓							
Lin K., Wen-Yen						✓					✓							
Hsu, Thomas						✓					✓							
Wen, Ching-Chang						✓					✓							
Chen, Jui-Tsung						✓					✓							1
Yuan, Chien-Chung			✓			✓					✓							
Chu, Ping						✓					✓							
Tu, Te-Cheng						✓					✓							2
Wang, Lung-Chieh						✓					✓							
Ou, Tien-Fa						✓					✓							
Chen, Shu-Fen						✓					✓							
Chi, Tung-Fa						✓					✓							
Yang, Chang-Chieh						✓					✓							

Note 1: Directors or supervisors, during the two years before elected or during the term of office, have been or be any of the following, please "✓" the appropriate corresponding boxes:

- (1) Not an employee of the Company or any its affiliates;
- (2) Not a director or supervisor of the Company or any its affiliates. The same does not apply; however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under other's names, in an aggregate of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holding;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings;
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof;
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company;
- (9) Not been a person of any conditions defined in Article 30 of the Company Law; and
- (10) Not a government, juridical person or its representative as defined in Article 27 of the Company Law.

2. President, Vice President, Assistant Vice President and, Managers of the Departments and Branches

April 30, 2009

Title	Name	Date Elected	Shareholding		Spouses & Minor Shareholding		Shareholding Under the Third Party		Education and Experience	Positions in Other Companies
			Shares	%	Shares	%	Shares	%		
CEO	Lin, Wei-Shan	2008.07.10	200,903	0.00%	200,780				MBA, Washington University, USA	Chairman & President, Tatung Co. Chairman, Tatung Consumer Products (Taiwan) Co., Ltd. Chairman, Forward Electronics Co., Ltd. Chairman, Taiwan Telecommunication Industry Co., Ltd. Chairman, Green Energy Technology Inc., Ltd. Chairman & CEO, CPT Chairman, CPT (Bermuda) Ltd. Chairman, CPT (Labuan) Ltd. Chairman, Tatung Fanuc Robotics Co. Chairman, Grand Cathay International Asset Management Co. Chairman, Bensaline Investment Ltd. Chairman, Banglor Investment Ltd. Chairman, Dalemont Investment Ltd. Chairman, Dalian Investment Ltd. Chairman, Shan Chih Semiconductor Co., Ltd. Director, Tatung InfoComm Co., Ltd. Chairman, Tatung Fine Chemicals Co., Ltd. Chairman, Shang Chih Asset Development Co., Ltd. Chairman, Toes Opto-Mechatronics Co.
President	Lin, Sheng-Chang	2009.11.16	52,608		6,000				Master of Science, Industrial Engineering, Tunghai University	President of CPT Vice GM & Director, CPT (Bermuda) Ltd. Vice Chairman, GiantPlus Technology Chairman, CPTW Chairman, CPTF Optronics Co., Ltd Director, Xococo Electronics Director, MMD (Group) Director, Forward Electronics Co., Ltd Chairman, New Kingston Enterprise Limited Director, Dalian Investment Ltd Director, Bensaline Investment Ltd Director, Banglor Investment Ltd Director, Dalemont Investment Ltd
Vice President	Chen, Kuang-Lang	2003.05.01	284,996	0.00%	-	-	-	-	Master of Science, Electronic Engineering, National Taiwan University of Science and Technology	Director, Grand Cathay International Asset Management Co. Director, Sironix Technology Co., Ltd. Director, Sintronic Technology Inc. Chairman, CPT Malaysia Chairman, CPT Malaysia (Kinpo Electronics)

Vice President	Hsu, Yi-Tsai	2004.04.01	70,103	-	-	-	-	-	-	-	-	-	-	-	-	-	Chairman, Chunghwa Picture Tubes (Wujiang) Ltd. Chairman, CPT Display Technology (Shenzhen) Ltd. Director, FDT Director, Sintronic Technology Inc.
Vice President	Chiang, Wen-Chang	2004.04.01	281,163	-	0.00%	-	15,251	-	-	-	-	-	-	-	-	-	CEO, Grand Cathay International Asset Management Co. Director, Grand Cathay International Asset Management Co.
Vice President	Dun, Kuang-Yeh	2006.04.01	474,273	0.01%	-	-	-	-	-	-	-	-	-	-	-	-	Chairman, Sintronic Technology Inc. Chairman, Sintronic Technology (Suzhou) Inc. Director, Sintronic Holding Co., Ltd. Director, Toppan Chunghwa Electronics
Vice President	Lee, Hsueh-Lung	2006.01.05	27,970	-	-	-	-	-	-	-	-	-	-	-	-	-	Director, Giantplus Technology Co., Ltd.
Vice President	Lu, Kuan-Min	2005.01.28	236,704	-	0.00%	-	141,003	-	-	-	-	-	-	-	-	-	-
Vice President	Yu, Hong-Tien	2009.12.08	50,932	-	-	-	5,470	-	-	-	-	-	-	-	-	-	-
Vice President	Yang, Ming-Chang	2010.03.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Chief Legal Officer, Tatung Co.
CFO	Chien, Wilbur Y. C.	2010.02.10	303	-	-	-	-	-	-	-	-	-	-	-	-	-	Director, CPT (Bermuda) Ltd. Director, CPTW Director, Xococo Electronics Director, CPT (Labuan) Co., Ltd. Supervisor, MMD (Group) Director, Daliant Investment Ltd Director, Bensaline Investment Ltd Director, Banglor Investment Ltd Director, Dalemont Investment Ltd

Note: No managers of the Company had a spouse or relative within two degree of consanguinity serving as a manager at the Company. Vice President, Mr. Temg-Yaw Lin, left the position on February 14, 2009.



(3) Remunerations paid to the Chief Executive Officer, the President, and Vice Presidents

Title	Name	Base Compensation (A)		Retired Pension (B)		Salaries, Bonus, and Allowances (E)		Employee Profit Sharing (G)			The Remuneration (A+B+C+D) as a % of Net Income		Exercisable Employee Stock Options		Compensation Paid from Non-consolidated Affiliates
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	Cash Dividend	From All Consolidated Entities	Cash Dividend	The Company	From All Consolidated Entities	The Company	
CEO	Lin, Wei-Shan														
President	Lin, Sheng-Chang														
President (Note 1)	Chiu, Chuang-Yi														
Vice President	Chen, Kuang-Lang														
Vice President	Hsu, Yi-Tsai														
Vice President	Chiang, Wen-Chang														
Vice President (Note 2)	Wu, Jun-Yi	17,398	17,398	1,037	1,037	26,115	26,115	-	-	-	-	(0.12%)	(0.12%)	-	Yes
Vice President	Dung, Kuang-Yeh														
Vice President	Lee, Hsueh-Lung														
Vice President	Lu, Kuan-Min														
Vice President	Yu, Hong-Tien														
Vice President (Note 3)	Yang, Shih-Tsung														
Vice President (Note 4)	Lin, Termg-Yaw														

Note 1: President Chiu, Chuang-Yi was relieved on 11/16, 2009.

Note 2: VP Wu, Jun-Yi resigned on 03/01, 2010.

Note 3: VP Yang, Shih-Tsung was relieved on 12/08, 2009.

Note 4: VP Lin, Termg-Yaw resigned on 02/14, 2009.

### Salary Scale

Remuneration Paid to the Management	Name of CEO, President, and Vice Presidents	
	The Company	From All Consolidated Entities
Under NT\$ 2,000,000	Wei-Shan Lin, Hong-Tien Yu, Termg-Yaw Lin, Sheng-Chang Lin, Shih-Tsung Yang, Yi-Tsai Hsu, Wen-Chang Chiang Kuang-Lang Chen, Kuang-Min Lu, Kuang-Yeh Dung, Hsueh-Lung Lee	Wei-Shan Lin, Hong-Tien Yu, Termg-Yaw Lin, Sheng-Chang Lin, Shih-Tsung Yang, Yi-Tsai Hsu, Wen-Chang Chiang Kuang-Lang Chen, Kuang-Min Lu, Kuang-Yeh Dung, Hsueh-Lung Lee
NT\$ 2,000,000 ~ NT\$ 4,999,999		
NT\$ 5,000,000 ~ NT\$ 9,999,999	Chuang-Yi Chiu, Jiun-Yi Wu	Chuang-Yi Chiu, Jiun-Yi Wu
NT\$ 10,000,000 ~ NT\$ 14,999,999		
NT\$ 15,000,000 ~ NT\$ 29,999,999		
NT\$ 30,000,000 ~ NT\$ 49,999,999		
NT\$ 50,000,000 ~ NT\$ 99,999,999		
Over 100,000,000		
Total	13	13

#### 4. Remunerations to Directors, Supervisors, the President, and Vice Presidents of the Company in the past 2 years, and the proportion of remunerations from corporate earnings:

The remunerations to Directors, Supervisors, the Chief Executive Officer, the President, and Vice Presidents paid by the Company and companies included in the consolidated financial statements in 2008 accounted for (0.21%), (0.004%), and (0.47%) of the corporate earnings. In 2007, these remunerations accounted for 0.26%, 0.007%, and 0.5% of the corporate earnings of the Company. Also, in the past 2 years, the Company only disbursed traveling subsidies as remunerations to the Directors and Supervisors. The remunerations to the President were governed by the upper limit as resolved by the Board. The remunerations to Vice Presidents were based on the evaluation and regulation on salary scale.

### III · The Status of Corporate Governance

#### 1. Board of Directors Meeting Status

The Board has held 10 times (A) in the most recent year. The directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A) (Note)	Remark
Chairman	Tatung Co. Representative: Wei-Shan Lin	10	0	100.00	
Director	Tatung Co. Representative: Wen-Yen K. Lin	10	0	100.00	
Director	Tatung Co. Representative: Yuan-Sheng Tang	8	2	80.00	
Director	Tatung Co. Representative: Hung-Ming Lin	9	1	90.00	
Director	Tatung Co. Representative: Chao-Yun Hsu	8	1	88.89	9 times of supposed attendances.
Director	Tatung Co. Representative: Thomas Hsu	2	0	100.00	Assigned on Oct 31, 2009; 2 times of supposed attendances.
Director	Tatung Co. Representative: Chuang-Yi Chiu	9	0	100.00	Resigned on Nov 17, 2009 9 times of supposed attendances.
Director	Compal Electronics Inc. Representative: Chen, Jui-Tsung	0	0	N/A	Assigned on Dec 14, 2009 No required attendance.
Director	Wen, Ching-Chang	0	0	N/A	Assigned on Dec 14, 2009 No required attendance.
Independent Director	Yuan, Chien-Chung	7	2	70.00	
Independent Director	Shih, Kuo-Ching	7	0	100	Resigned on Oct 12, 2009 7 times of supposed attendances.
Independent Director	Chao, Chien-Ho	4	2	57.14	Resigned on Oct 12, 2009 7 times of supposed attendances.
Independent Director	Chu, Ping	0	0	N/A	Assigned on Dec 14, 2009 No required attendance.
Independent Director	Tu, Te-Cheng	0	0	N/A	Assigned on Dec 14, 2009 No required attendance.
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Tien-Fa Ou	10	0	100.00	
Supervisor	Tung-Fa Chi	10	0	100.00	
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Lung-Chieh Wang	10	0	100.00	
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Chang-Chieh Yang	10	0	100.00	
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Shu-Fen Chen	10	0	100.00	

#### Annotations:

1. According to Securities and Exchange Act §14-3, there were on written or otherwise recorded resolutions on which independent directors had a dissenting opinion or qualified opinion.
2. There were on recusal of Directors due to conflicts of interests in 2008.
3. Objectives to strengthen the functions of the Board of Directors in the current year and most recent year: The Company has well-organized agenda for the Board of Directors. During the meeting, such well-organized agenda was implemented exactly.

Note: (1) At the end of the year, if there is any director and supervisor resigned, the box of remark is needed to disclose the date of resignation. The attendance rate is calculated regarding the time of the actual attendance.

(2) At the end of the year, if there is any director and supervisor reelected, the box of remark is needed to clarify the name of new and old directors and supervisors and to disclose information on the date of reelection. The attendance rate is calculated regarding the time of the actual attendance.

## 2. Supervisors participated in the Board of Directors Meeting

The Board has held 10 times (A) in the most recent year. The attendance status is as follows:

Title	Name	Attendance in Person (B)	Attendance Rate in Person (%) (B/A) (Note)	Notes
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Tien-Fa Ou	10	100.00	
Supervisor	Tung-Fa Chi	10	100.00	
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Lung-Chieh Wang	10	100.00	
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Chang-Chieh Yang	10	100.00	
Supervisor	Chunghwa Electronics Investment Co., Ltd. Representative: Shu-Fen Chen	10	100.00	

Annotations:

- Supervisors' duties:
  - The Company has assigned special people to set a communication channel in order to collect and inform employees' and shareholders' suggestions or questions to supervisors.
  - Supervisors would review the Company's financial reports and operation status all the time. Also, supervisors would ask the Board of directors or the management to keep well communication with the auditors
- Supervisors did not have any opinion as attended the Board of Meeting.

Note: (1) At the end of the year, if there is any director and supervisor resigned, the box of remark is needed to disclose the date of resignation. The attendance rate is calculated regarding the time of the actual attendance.

(2) At the end of the year, if there is any director and supervisor reelected, the box of remark is needed to clarify the name of new and old directors and supervisors and to disclose information on the date of reelection. The attendance rate is calculated regarding the time of the actual attendance.

3. Audit Committee Meeting Status: The Company has not yet established an Audit Committee; therefore, the independent directors perform the function of such a board.

4. Taiwan Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Item	Implementation Status	Reason for Non-implementation
<p>1. Shareholding structure &amp; shareholders' rights</p> <p>(1) Method of handing shareholder suggestions or complaints.</p> <p>(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders.</p> <p>(3) Risk management mechanism and "Chinese Wall" between the Company and its affiliates.</p>	<p>(1) The Company has appointed IRO to assigned a mail box to deal with shareholder suggestions and complaints</p> <p>(2) The Company has properly controlled the role of dominant shareholders and the shareholders behind them. The Company also has accessed to their status of shareholding at any time.</p> <p>(3) The Company has instituted the proper procedure for handling financial and business transactions with affiliates whereby authority and responsibility are clear cut.</p>	None
<p>2. Composition and responsibilities of the board of directors</p> <p>(1) Independent directors</p> <p>(2) Regular evaluation of external auditors' independence</p>	<p>(1) The Company has three independent directors.</p> <p>(2) The Board regularly assesses the independence and impartiality of its external auditors, and replaces such auditors after a few years of service to the Company for assuring their independence and impartiality.</p>	None
<p>3. Communication channel with stakeholders</p>	<p>The Company has designed appropriate channel and departments, such as Spokesperson System, the Website, Legal, the SEC Compliance Department, and Investor Relations etc., to communicate with stakeholders.</p>	None
<p>4. Information disclosure</p> <p>(1) Establishment of a corporate website to disclose information regarding the Company's financial, business and corporate governance status.</p> <p>(2) Other information disclosure channels (e.g. maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conferences).</p>	<p>(1) The Company discloses information through its website <a href="http://www.cptt.com">http://www.cptt.com</a>.</p> <p>(2) The Company has appointed responsible people to maintain English- and Chinese-language websites and to handle information collection and disclosure. Furthermore, the Company has designated spokespersons to set up periodical investors conferences. All relevant references and information are available on CPT's website.</p>	None
<p>5. Operations of the Company's nomination committee, compensation committee, or other committee of the board of directors'.</p>	<p>The Company did not establish an audit committee or a compensation committee.</p>	None
<p>6. If the Company has instituted the internal rules for corporate governance in accordance with the "Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies," specify the status of enforcement and nonconformity: The Company has not yet instituted such rules but has duly observed the "Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies" in pursuing corporate governance for its desired goal.</p>		
<p>7. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g. employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of consumer/customer protection policies, and insurance for directors and supervisors):</p> <p>(1) Status of directors and supervisors' training records: The Company continually informs the directors and supervisors about training courses designed by competent authority or professional institutions. Directors and supervisors have opinions to take these classes.</p> <p>(2) Status of attendances: The attendances of directors and supervisors at the 2008 Board were 98.14% and 88.89%.</p> <p>(3) Status of risk management policies and risk evaluation: The Company has already implemented related policies.</p> <p>(4) Status of avoiding conflict of interest: Directors with high moral avoid any conflict of interest when the Board reviews motions.</p> <p>(5) Status of Directors and Officers (D&amp;O) liability insurance for directors and officers: Since 2006, the Company has purchased D&amp;O liability insurance for its directors and supervisors regarding to the Article of Incorporation.</p> <p>(6) The Company has instituted a viable parliamentary procedure for the Board and for the General Shareholders Meeting. All sessions shall be governed by such procedure.</p> <p>8. If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: None.</p>		

To fulfill corporate social responsibilities: CPT achieves its promises and fulfills social responsibilities with “CREATION, PERFECTION, and TEAMWORK.”

◎ Creation:

Rich and Colorful Display with Innovation Technology:

In 2008, CPT honorably received the rewards of Outstanding Industry Contribution and of Excellent Product from Color Imaging Industry Promotion Office (CIPO) of the Ministry of Economic Affairs four times in a row on its 15.4” Color Sequential Display and 2D/3D Switchable.

Knowledge-based Economy with People-centred Approach

CPT, which is a globalized organization in the Optronics industry, fulfills Corporate Social Responsibility (CSR) and implements Electronics Industry Code of Conduct (EICC). In addition, CPT assures that its recruitment, environmental health perspectives, working processes, and internal management fulfill recycling and moral concerns. Meanwhile, CPT supports and encourages its suppliers to follow the same principles.

◎ Perfection:

Pursuing Cultivated Technology, People, and Education:

CPT continually develops the Optronics industry by holding a lecture on campus and cultivating know-how employees.

Charity and Welfare Support:

CPT strives to implement corporate social responsibilities. CPT sponsors a non-profit foundation “First Mile, Kid’s Mile” that performs and enlightens children. Over 10,000 people go to watch the show; in Bade: 4,000 people; in Lungtan: 3,800 people; in Yangmei: 4,200 people. Although CPT is not a pioneer to launch corporate social responsibilities, CPT continually exerts efforts to concern about the mission.

◎ Teamwork:

Cooperate with Universities to Innovate R&D:

CPT held “Industry-University Cooperation Achievement Conference” with National Chiao Tung University and Tatung University. From 2004 to 2008, CPT has had 133 patent applications, in which seven of them have already got approval and twenty-eight of them have already been in publish. Also, a number of 59 papers were released in 2008. Moreover, CPT published seven advanced technology papers in the 2008 Society for Information Display (SID). The total volume of papers was the second highest in the industry. The R&D achievement of Color Sequential by CPT and National Chiao Tung University achieved number one position in the CF-Less technology. Such innovative technology helped CPT succeed in producing unique Transflective TFT-LCD panels.

In addition, *BusinessNext* used the same way as *BusinessWeek* in USA to evaluate each company regarding revenue, rate of revenue growth, rate of return on shareholders’ equity, and rate of return on investment. CPT was ranked the 26<sup>th</sup> place in the Info Tech 100 list in the *BusinessNext* and the 24<sup>th</sup> place in the Manufacture 1,000 list in the *CommonWealth*.

CPT exerts all its strength to enhance its R&D and maintain its position in the industry with stable business operation, customers’ trust, and well-organized up- and down-stream integration. Simultaneously, CPT continually enlarges self-promotion and creates a whole new world with customers and suppliers

5. Disclosure of the method of inquiry on internal code of corporate governance and related regulation, if there is any: None.
6. Information for the better understanding of enhancing corporate governance shall also be disclosed: None.
7. The following sections of the status of enforcement in internal control shall be disclosed:
  - (1) Statement of Internal Control System: Please, refer to page 53.
  - (2) Disclose the audit report by independent accountants on special audit on internal control system, if there is any: None
8. Punishment on the Company and employees in violation of law, punishment on employees in violation of internal control system and other internal regulation, major shortcomings and status correction: None.
9. Major resolutions of the General Shareholders Meeting and the Board in the most recent year as of the day this annual report was printed.

Date	Type	Major Resolutions
2009/03/03	Board	Discussion on the agenda of the General Shareholders Meeting in 2009
2009/04/06	Board	Resolution on amendment to the Article of Incorporation
2009/04/29	Board	Recognition of the 2008 Business Report and Financial Statements
2009/05/19	General Shareholders Meeting	Recognition of the 2008 Business Report and Financial Statements
2009/05/19	Board	Resolution on raise capital through the issuance of new shares in common stock or the issuance of new shares for the participation in the issuance of GDR/ADR
2009/06/22	Board	Planned to assign the Company's buyback stocks to its employees.
2009/07/16	Board	Resolution on change of Headquarters' address.
2009/08/28	Board	Recognition of the Report on Consolidated and Non-consolidated Financial Statements in the first half, 2009.
2009/10/21	Board	Discussion on the agenda of the Special Shareholders Meeting in 2009
2009/11/16	Board	Resolution on establishing the policies of employee stock options and applying
2009/12/04	Board	Update on IFRS installation
2009/12/14	Special Shareholders Meeting	Reelection on Board of Directors Resolution on private placement depending on market condition
2010/02/10	Board	Resolution on the replacement of CPA in financial auditing. Resolution on the replacement of CFO
2010/03/03	Board	Discussion on the agenda of the General Shareholders Meeting in 2010
2010/04/08	Board	Recognition of the 2009 Business Report and Financial Statements Discussion on capital reduction Discussion on private placement

10. Adverse opinions from directors or supervisors over important resolutions of the Board in the most recent year as of the day this annual report was printed with records and written declaration, and the content of such opinions: None.
11. Any discharge and resignation of parties relating to financial reporting (including the Chairman, the President, Chief Accounting Officer, and Head of Internal Audit) in the most recent year as of the day this annual was printed: None.

**IV 、 Information on Independent Auditor**

1. Disclosure of the amount and service content of payment to external auditors and the employer of the external auditors and affiliates for non-audit fees accounting for 25% of the fees for financial service: The Company does not pay more than 25% of the financial service fees to auditors. Therefore, it is not applicable.
2. Replacement of CPA firm with smaller amount of fees for audit service. Disclose the amount saved and the proportion, and reason for such differences: None.
3. Fee for financial audit service was 15% less than that of the previous year, disclose the amount, proportion and the reason: None.

**V 、 Information on Replacement of Independent Auditor**

The Company retained Ting-Ming Chang (CPA) and Yi-Chang Liang (CPA) of Ernst & Young for auditing the financial report in 2008. In light of the internal job rotation at Ernst& Young, Yi-Chang Liang (CPA) and Ming-Yu Lee (CPA) were assigned to conduct the financial auditing of the Company effective in Q4 2008.

**VI 、 Disclose the Names Title of the Chairman, President, Financial and Accounting Manager of the Company Who have Worked for the CPA Firms or the Affiliates to such Related Firms in the Most Recent Year: None.**

**VII - Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management, and Shareholders with 10% Shareholdings or More as of the Day this Annual Report was Printed.**

1. Net change in shareholding and net change in shares pledged by Directors, Supervisors, Management, and Shareholders with 10% shareholdings or more:

Title	Name		2009		As of 30 April 2010	
			Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Wei-Shan Lin	Representative of Tatung Co.	340,000,000	449,850,000	-	(236,850,000)
Director	Chao-Yun Hsu					
Director	Wen-Yen K. Lin					
Director	Thomas Hsu	Representative of Compal Electronics	100,000,000-	-	-	-
Director	Chen, Jui-Tsung					
Director	Wen, Ching-Chang					
Independent Director	Yuan, Chien-Chung					
Independent Director	Chu, Ping					
Independent Director	Tu, Te-Cheng		-	-	-	-
Supervisor	Tien-Fa Ou	Representative of Chunghwa Electronics Investment Co., Ltd.	(290,000,000)	(100,000,000)	(260,000,000)	-
Supervisor	Lung-Chieh Wang					
Supervisor	Shu-Fen Chen					
Supervisor	Chang-Chieh Yang					
Supervisor	Tung-Fa Chi		-	-	-	-
CEO	Wei-Shan Lin		-	-	-	-
President	Chuang-Yi Chiu		-	-	-	-
VP	Kuang-Lang Chen		-	-	-	-
VP	Yi-Tsai Hsu		-	-	-	-
VP	Wen-Chang Chiang		-	-	-	-
CFO	Chien, Wilbur Y. C.		-	-	-	-
VP	Kuang-Yeh Dung		-	-	-	-
VP	Hsueh-Lung Lee		-	-	-	-
VP	Kuan-Min Lu		-	-	-	-
VP	Sheng-Chang Lin		-	-	-	-
VP	Shih-Tsung Yang		-	-	-	-
VP	Terng-Yaw Lin		-	-	-	-

Note 1: The former representative of Tatung Co., Chun-Ying Chang, was relieved. Mr. Chao-Yun Hsu was appointed as a Director and acted as the representative of his institutional shareholder on July 10, 2008.

Note 2: The former representatives of Chunghwa Electronics Investment Co., Ltd. Mr. Wen-Chang Yu, Mr. Ying-Yu Chu, and Mr. Chih-Cheng Wang were relieved. Mr. Lung-Chieh Wang, Miss Shu-Fen Chen, and Mr. Chang-Chieh Yang were appointed as directors and acted as the representatives of institutional shareholders on July 10, 2008.

2. Information on stock trade: None.

3. Information on stock pledge: None.

**VIII · The Top 10 Shareholders in Percentage of Shareholding and Are Related to One Another as Required to Disclose under Financial Accounting Standard No. 6.**

Information on the 10 largest shareholders who are related parties to each other:

Name	Shareholding by Self		Spouse & Minor		Shareholding by Nominee Arrangement		The Top 10 Shareholders who are Spouses or within Second-degree Relative of Consanguinity to Each Other		Remark
	Shareholding	%	Shareholding	%	Shareholding	%	Name	Relation	
Tatung Co.	1,391,537,247	8.44%			-	-	Chunghwa Electronics Investment Co., Ltd.	Parents-Subsidiary	
Tatung Co. Representative: Wei-Shan Lin	200,903	-	200,780						
Tatung Co. Representative: Chao-Yun Hsu	24,410				-	-			
Tatung Co. Representative: Wen-Yen K. Lin	200,780	-	200,903		-	-			
Tatung Co. Representative: Thomas Hsu									
Compal Electronics	1,000,000,000	6.07%			-	-			
Chunghwa Electronics Investment Co., Ltd.	936,542,603	5.68%					Tatung Co.	Parents-Subsidiary	
Chunghwa Electronics Investment Co., Ltd. Representative: Lung-Chieh Wang	1,399				-	-	Tatung Co.	Parents-Subsidiary	
Chunghwa Electronics Investment Co., Ltd. Representative: Tien-Fa Ou	40,769				-	-	Tatung Co.	Parents-Subsidiary	
Chunghwa Electronics Investment Co., Ltd. Representative: Shu-Fen Chen	6,917				-	-	Tatung Co.	Parents-Subsidiary	
Chunghwa Electronics Investment Co., Ltd. Representative: Chang-Chieh Yang					-	-	Tatung Co.	Parents-Subsidiary	

**IX · Quantity of Shareholding for Each Investee Provided by the Company or the Directors, Supervisors, Manager of the Company and Direct or Indirect Subsidiaries in Proportion to the Combined Holding of All**

Unit: shares; %

Investee (Note)	Ownership by the Company		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
CPT (Bermuda) Co., Ltd.	131,900,000	100.00%	-	-	131,900,000	100.00%
CPT (Labuan) Co., Ltd.	8,000,000	41.03%	11,500,000	58.97%	19,500,000	100.00%
Forward Electronics Co., Ltd.	24,099,974	15.33%	30,441,373	19.35%	54,541,347	34.68%
Tatung Co.	169,528,938	3.05%	141,588,240	2.55%	311,117,178	5.60%
Grand Cathay International Asset Management Co., Ltd.	34,000,000	100.00%	-	-	34,000,000	100.00%
Giantplus Technology Co., Ltd	130,865,696	32.06%	-	-	130,865,696	32.06%

## 4 • Financial Planning and Execution

### I • Capital Stock

#### 1. Capitalization

Unit: NT\$ thousands; thousand shares

Month/ Year	Issuing Price	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
Jan. 2008	10	12,500,000	125,000,000	9,373,776	93,737,762	Convertible Bonds & Exercise of Employee Stock Opinions	-	Note 1
May 2008	10	12,500,000	125,000,000	9,480,960	94,809,598	Convertible Bonds	-	Note 2
Aug 2009	10	24,500,000	245,000,000	11,980,960	119,809,598	GDR	-	Note 3
Dec 2009	10	24,500,000	245,000,000	16,485,718	164,857,178	Convertible Bonds & Private Placement	-	Note 4

Note 1: Approval was made under Tai-Tsai-Cheng (1) 0930115893 dated April 29, 2004, and Letter Chin-Kun-Cheng (1) No. 0950114064 dated April 21, 2006, Letter Chin-Kun-Cheng (1) No. 0960011679 dated March 29, 2007, became effective. Also approval was made under Ching-Shou-Shang (1) No. 09701017070 dated January 24, 2008.

Note 2: Letter Chin-Kun-Cheng (1) No. 0950114064 dated April 21, 2006; and Letter Chin-Kun-Cheng (1) No. 0960011679 dated March 29, 2007, became effective and approval was made under Letter Ching-Shou-Shang No. 09701108940 date May 12, 2008.

Note 3: Letter Chin-Kun-Cheng No. 0980033012 dated July 09, 2009 became effective and approval was made under Letter Ching-Shou-Shang No. 09801195320.

Note 4: Letter Chin-Kun-Cheng No. 0970010663 dated Jan 23, 2008 became effective and approval was made under Letter Ching-Shou-Shang No. 09801255600.

Unit: Shares

Type of Stock	Authorized Share Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Listed Common Stock	16,485,717,839	8,014,282,161	24,500,000,000	Retained for corporate bond conversion: 6,000,000,000 Retained for Employee Stock Opinions: 700,000,000

Shelf registration: None.

#### 2. Composition of Shareholders

March 22, 2010

	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Treasure Stock	Total
Number of Shareholders	12	11	369	371,699	474	1	372,566
Shareholding	37,111	798,261,354	5,879,807,290	8,172,869,603	1,590,742,481	44,000,000	16,485,717,839
Holding Percentage (%)	0.00%	4.84%	35.67%	49.57%	9.65%	0.27%	100.00%

### 3. Distribution Profile of Share Ownership

NT\$ 10 per share; March 21, 2009

Shareholder Ownership	Number of Shareholders	Ownership	Ownership (%)
1 to 999	44,488	14,396,026	0.09%
1,000 to 5,000	138,669	366,632,300	2.22%
5,001 to 10,000	67,837	560,667,031	3.40%
10,001 to 15,000	26,806	332,855,011	2.02%
15,001 to 20,000	24,431	463,531,657	2.81%
20,001 to 30,000	21,700	563,603,401	3.42%
30,001 to 40,000	10,697	386,546,828	2.34%
40,001 to 50,000	9,310	442,539,399	2.68%
50,001 to 100,000	16,030	1,208,655,567	7.34%
100,001 to 200,000	7,433	1,076,720,844	6.53%
200,001 to 400,000	3,033	854,588,273	5.18%
400,001 to 600,000	952	468,448,273	2.84%
600,001 to 800,000	372	260,861,929	1.58%
800,001 to 1,000,000	231	214,814,634	1.30%
Over 1,000,001	577	9,270,856,666	56.25%
Total	372,566	16,485,717,839	100.00%

Preferred Share: None.

### 4. Major Shareholders

Code	Shareholders	Total Shares Owned	Ownership (%)
1	Tatung Co.	1,391,537,247	8.44%
2	Compal Electronics	1,000,000,000	6.07%
3	Chunghwa Electronics Investment Co., Ltd.	936,542,603	5.68%
4	Zhaopal Investment Co., Ltd.	800,000,000	4.85%
5	Yongpal Investment Co., Ltd.	700,000,000	4.25%
6	Tatung Global Strategy Investment Account at TCB	504,758,009	3.06%
7	Shan Chih Asset Investment Co., Ltd.	360,000,000	2.18%
8	Kaipal Investment Co., Ltd.	300,000,000	1.82%
9	China Trust Trustee Account (Chunghwa Electronics Investment Co., Ltd.)	290,000,000	1.76%
10	Credit-Suisse Investment Account at Standard Charter	261,418,000	1.59%

### 5. Information on marker price, net worth, earnings, and dividends per common share in the past two years

Item	Year		2008	2009	As of April 30, 2010 (Note 4)
	High	Low			
Market Price Per Share	High		11.4	5.9	4.37
	Low		2.03	2.59	3.00
	Average		7.22	4.09	3.59
Net Worth Per Share	Before Distribution		8.62	5.88	3.74
	After Distribution		—	—	—
Earnings Per Share	Weighted Average Shares (thousand shares)		9,449,716	10,971,923	16,441,718
	Earning Per Share		(1.47)	(3.46)	(0.18)
Dividends Per Share	Cash Dividends		—	—	-
	Stock Dividends	—	—	-	-
		—	—	-	-
	Accumulated Undistributed Dividend		—	—	-
Return on Investment	Price/Earnings Ratio (Note 1)		(4.91)	(1.18)	-
	Price/Dividends Ratio (Note 2)		—	—	-
	Cash Dividend Yield (Note 3)		—	—	-

Note 1: Price/Earnings Ratio = Average Market Price / Earnings Per Share

Note 2: Price/Dividends Ratio = Average Market Price / Cash dividends Per Share

Note 3: Cash Dividend Yield = Cash Dividend Per Share / Average Market Price

Note 4: Audited net worth per share and earnings per share figures based on the latest quarter preceding the publication of the annual

report; other figures based on the latest data available prior to the publication of the annual report.

## 6. Dividend policy and implementation

### (1) Dividend policy as stated in the Corporate Charter

Earnings of the Company shall be subject to corporate income tax under law. The remainder of such earnings shall be appropriated for writing off loss carried forward and 10% will be set aside as a statutory reserve. Competent authority also requires the Company to set aside a special reserve from the remainder of the aforementioned earnings net of all the above deductions, and only the remainder after all these appropriations is the income for payout. The Board shall be responsible for the proposal of dividend payout pending the approval of the General Shareholders Meeting. Directors' and Supervisors' compensation shall contribute less than 1% of remaining earnings. Also, employee bonuses shall range from 1% to 10% of such remaining amount and the rest shall be paid out as dividend for shareholders.

The Company is in the high-tech industry and is in the growth stage of the corporate lifecycle. To enlarge scale and enhance competitive position comparable to other large global firms, the Company has adopted the policy out only the remainder. Dividend payout and bonus shall be relevant to the consideration of capital spending and capital requirement of the future. Cash dividends shall not be lower than 10% of the total of cash dividend and stock dividend of the year. However, the release of cash dividend shall be pending on the actual profit position of the Company in a specific year and the capital requirement in the future and adjustment shall be made accordingly.

(2) Proposal for dividend payout proposed in General Shareholders Meeting: The Company shall not pay out any dividend for this year.

## 7. Impact on operation performance of the Company and EPS resulting from stock dividend distribution: No decision was made for stock dividend distribution in this General Shareholders Meeting.

## 8. Employee profit sharing and directors & supervisors compensation

(1) Percentage and scope of employee profit sharing and directors & supervisors compensation as stated in the Corporate Charter: For details, refer to "6" on Dividend Policy and Implementation.

(2) Information on the resolution of the Board on the payout of employee bonuses:

(a) Profit distribution set aside as directors & supervisors compensation, and employee bonuses: None.

(b) Proposed stock dividends to be distributed to employees and the percentage thereof in increase in capital by earnings: None.

(c) Imputed EPS after distribution of employee bonuses and directors & supervisors compensation: N/A.

(3) Profit distribution set aside as employee profit sharing and directors & supervisors compensation:

(a) Employee profit sharing: The Company's 2007 remaining earnings were NT\$ 8,703,353,914. As approved by the 2008 General Shareholders Meeting, the Company distributed the amount of NT\$ 331,714,519 to employees. The actual amount distributed was relevant with the resolution of the Board on the same issue.

(b) Directors & supervisors compensation: The Company only disbursed traveling subsidies to its directors and supervisors, and no other forms of compensation.

## 10. Issuance of Corporate Bonds

### (1) Outstanding bonds and bonds in application

Issuance		The 7 <sup>th</sup> Issuance of Secured Overseas ECB	The 1 <sup>st</sup> Issuance of Private Placed ECB
Issuing Date		10/02/2007	01/31/2008
Denomination		US\$ 1,000	US\$ 10,000
Issuance & Listing		Stock Exchange of Singapore	Stock Exchange of Singapore
Offering Price		Par	Par
Total Amount		US\$ 150,000,000	US\$ 250,000,000
Interest Rate		0%	0%
Tenure		5 Years Maturity: 10/02/2012	6 Years Maturity: 01/31/2014
Guarantor		-	-
Trustee		Bank of New York	Bank of New York
Underwriter		ABN	-
Legal Counsel		Simpson Thacher & Bartlett	Skadden, Arps, Slate, Meagher&Flom
Auditor		Ernst & Young	Ernst & Young
Repayment		Unless otherwise redeemed, repurchased by the Company or the exercise of conversion rights thereof, the Company shall pay 120% of the face value for redemption on maturity.	Unless otherwise redeemed, repurchased by the Company or the exercise of conversion rights thereof, the Company shall pay 134.34% of the face value for redemption on maturity.
Outstanding		US\$ 140,450,000	US\$ 250,000,000
Redemption or Early Repayment Clause		<ol style="list-style-type: none"> <li>In case the price of the common stock issued by the issuer traded on the TSE for 20 consecutive days at close exceeds 130% of the conversion price of this bond after being converted into USD after the first 18 months of the issuance, the issuer reserved the rights to redeem this issuance of bonds in whole or in part at 120% of the face value.</li> <li>When 90% of this issuance of bonds were redeemed, repurchase and cancelled or conversion right was being exercised, the issuer might redeem the outstanding bonds in whole at 120% of the face value.</li> <li>Where there might be change in the legal environment, to the extent that the withholding tax becomes higher than current level, and additional tax burden was levied to the issuer, the issuer reserved the right to redeem this issuance of bonds in whole at 120% of the face value.</li> </ol>	If the price of the common stock of the Company traded on the TSE at close for more than 30 consecutive days of trade from the day after the 3 <sup>rd</sup> anniversary of the issuance of the bond at a value exceeding 150% of the redemption price of this bond (at 139.34% of the face value), the issuer with validity of more than 20 business days to redeem the outstanding portion of the bonds in whole or in part by cash at the redemption price.
Covenants		-	-
Credit Rating		-	-
Other Rights of Bondholders	Amount of Converted Shares as of the Day this Report was Printed	9,550,000	-
Other Rights of Bondholders	Conversion Right	<ol style="list-style-type: none"> <li>Respective bond holder reserved the right to apply for the conversion of bond to common stocks of the Company from the 40<sup>th</sup> day after the issuance of bond to 7 days before maturity.</li> <li>Period for suspension of transactions before General Shareholders Meeting: No conversion may be made from the day that is 15 days before the cum-right day to the dividend day or during any period as prescribed by law.</li> </ol>	<ol style="list-style-type: none"> <li>Respective bond holder reserved the right to apply for the conversion of bonds to common stocks of the Company 3 months after this issuance of bonds to 7 days before maturity.</li> <li>Period for suspension of transactions before General Shareholders Meeting: No conversion might be made from the 15<sup>th</sup> day before the cum-right day to the dividend day or during any period as dictated by law.</li> <li>Respective bond holder reserved the right to apply for the conversion of bond to common stocks of the Company 3 months after the issuance of bonds. However, the shares so converted might be traded in the centralized market only after the 3<sup>rd</sup> anniversary of the issuance.</li> </ol>
Dilution Effect and Other Adverse Effects on Existing Shareholders		After this issuance of bonds was converted into common stocks in whole, it would cause dilution of previous shareholders equity by 11.98%, which was minimal.	After this issuance of bonds was converted into common stocks in whole, it would cause dilution of previous shareholders equity by 11.98%, which was minimal.
Custodian		-	-

(2) Convertible bond

Issuance		The 7 <sup>th</sup> Issuance of Secured Overseas ECB		The 1 <sup>st</sup> Issuance of Private Placed ECB	
Item	Year	2008	As of April 30, 2009	2008	As of April 30, 2009
	Market Price	High	118.21	106.70	-
Low		97.45	100.20	-	-
Average		106.00	102.07	-	-
Conversion Price		9.75 (Note 2)	7.8 (Note 2)	6.45 (Note 3)	6.45 (Note 3)
Issuing Date		10/02/2007		01/31/2008	
Conversion Price at Issuance		10.35		8.5	
Contractual Obligation for Conversion		New Common Shares		New Common Shares	

Note 2: Adjustment on price due to conversion was made on August 16<sup>th</sup>, 2008 and February 16<sup>th</sup>, 2009 for the 7<sup>th</sup> issuance of secured overseas ECB.

Note 3: Adjustment on price due to conversion was made on December 31, 2008 for the 1<sup>st</sup> issuance of private placed ECB.

- (3) Exchangeable bond: None.
- (4) Shelf Registration: None.
- (5) Bond with warrants: None.

11. Preferred Shares: None.

12. Issuance of GDR/ADR

Issuing Date	October 08, 2003 / March 04, 2004 / June 24, 2005/ July 23, 2009		
Issuance & Listing	Luxembourg Stock Exchange		
Total Amount	US\$ 226,600,000 / US\$ 132,000,000 / US\$ 308,560,000 / US\$289,324,097		
Offering Price Per GDR/ADR	US\$ 11.33 / US\$ 16.5 / US\$ 11.02 / US\$2.95		
Units Issued	20,000,000 units / 8,000,000 units / 28,000,000 units / 98,075,965 units		
Underlying Securities	Issuing new shares and common share from Tatung Co.		
Common Shares Represented	500,000,000 shares / 200,000,000 shares / 700,000,000 shares / 2,451,899,125 shares		
Rights & Obligations of GDR/ADR	Same as those of common shares holders		
Trustee	None		
Depository Bank	Citibank, N. A. - New York		
Custodian Bank	Citibank, N.A. - Taiwan Branch		
GDR/ADR Outstanding	1,902,482 units		
Apportionment of Expenses for Issuance & Maintenance	The expenses for issuance were allocated to the Company and the shareholders in proportion to the actual volume of shares sold. After the issuance, the Company shall be fully responsible for the expenses incurred during the term of the ADR unless otherwise agreed with the depository bank.		
Terms and Conditions in the Deposit Agreement & Custody Agreement	-		
Market Price	2009	High	US\$4.41
		Low	US\$1.97
		Average	US\$3.09
	As of April 30, 2010	High	US\$3.45
		Low	US\$2.39
		Average	US\$2.81

13. Status of employee stock opinion plan

(1) Issuance of employee stock opinions

April 30, 2009

Employee Stock Opinions Granted	Second Grant in 2002	First Grant in 2004	Second Grant in 2004	Third Grant in 2004	First Grant in 2007
Approval Date by the Securities & Future Bureau	05/14/2002	04/29/2004	04/29/2004	04/29/2004	05/24/2007
Issue (Grant) Date	01/02/2003	05/17/2004	10/01/2004	03/22/2005	05/30/2007
Number of Opinions Granted	165,710,000 shares	113,821,000 shares	72,349,000 shares	46,430,000 shares	100,000,000 shares
Percentage of Shares Exercisable to Outstanding Shares	1.75%	1.20%	0.76%	0.49%	1.05%
Opinion Duration	01/02/2003~ 01/01/2008	05/17/2004~ 05/16/2008	09/30/2004~ 09/29/2009	03/22/2005~ 03/21/2010	05/30/2007~ 05/29/2012
Source of Opinion Shares	New Common Share	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule (%)	2 <sup>nd</sup> Year: up to 50% 3 <sup>rd</sup> Year: up to 75% 4 <sup>th</sup> Year: up to 100%	2 <sup>nd</sup> Year: up to 50% 3 <sup>rd</sup> Year: up to 75% 4 <sup>th</sup> Year: up to 100%	2 <sup>nd</sup> Year: up to 50% 3 <sup>rd</sup> Year: up to 75% 4 <sup>th</sup> Year: up to 100%	2 <sup>nd</sup> Year: up to 50% 3 <sup>rd</sup> Year: up to 75% 4 <sup>th</sup> Year: up to 100%	2 <sup>nd</sup> Year: up to 50% 3 <sup>rd</sup> Year: up to 75% 4 <sup>th</sup> Year: up to 100%
Shares Exercised	72,088,000 shares	-	-	1,249,000 shares	-
Value of Shares Exercised	NT\$ 782,968,200	-	-	NT\$ 13,489,200	-
Shares Unexercised	93,622,000 shares	113,821,000 shares	72,349,000 shares	45,181,000 shares	100,000,000 shares
Granted Price Per Share	10.5	14.6	12.5	10.4	8.00
Percentage of Shares Unexercised to Outstanding Shares	0.99%	1.20%	0.76%	0.48%	1.05%
Impact on Shareholders' Equity	-	-	-	-	-



## II • Financial Plans and Implementation

Unaccomplished issuance of marketable securities through public offering and private placement or plans accomplished within the last three years without yielding the desired effect:

### 1. The Issuance of GDR in 2009

#### (1) The Plan

(a) Approval Document Number and date of approval: Jin-Guan-Zi No. 0980033012 dated July 9, 2009.

(b) Total capital requirement for this plan: NTD 11,250,000,000

(c) Sources of capital: the issuance of unsecured overseas GDR NTD 11,250,000,000.

(d) The content of the plan and progress in the utilization of funds:

Unit: NTD thousand

Project	Projected Completion Date	Total Capital Requirement	Status of Use			
			2009		2010	
			3Q	4Q	1Q	2Q
Overseas Material Procurement	2010.06.30	NTD 9,365,428	2,329,123	2,429,121	2,329,123	2,278,061
Bank Loan Repayment	2010.06.30	NTD 1,884,572	323,418	451,518	943,341	166,295

(e) Expected Results:

Increase company working capital and strengthen financial structure.

#### (2) Status of Implementation:

Unit: NT\$ thousands; March 31, 2010

Year	Status	Status of Use: Overseas Material Procurement			
		Projected Amount of Consumption	Actual Amount of Consumption	Projected Amount of Consumption	Actual Amount of Consumption
2009	3Q	2,031,250	-	-	-
	4Q	2,031,250	3,273,964	50.00%	40.29%
2010	1Q	2,329,123	659,690	75.67%	100.00%

Unit: NT\$ thousands; March 31, 2010

Year	Status	Status of Use: Bank Loan Repayment			
		Projected Amount of Consumption	Actual Amount of Consumption	Projected Amount of Consumption	Actual Amount of Consumption
2009	3Q	323,418	316,449	17.16%	16.79%
	4Q	451,518	445,434	41.11%	40.42%
2010	1Q	943,341	918,680	91.17%	89.17%

2. The 1<sup>st</sup> issuance of private placed overseas securities in 2009.

(1) The plan

(a) Approved on May 19, 2009

(b) Total capital requirement for this project: NT\$ 10,000,000,000.

(c) Sources of capital: Private placement.

(d) The content of the plan and progress in the utilization of funds:

Unit: NT\$ thousands; March 31, 2010

Project	Projected Completion Date	Total Capital Requirement	Status of Use		
			2009	2010	
			4Q	1Q	2Q
Used as Oversea Materials Procurement	2010.06.30	10,000,000	5,278,345	3,147,770	1,573,885

(e) Projected benefits:

①. Save interest spending by NT\$ 500 million annually.

②. Attract world-known investors to enhance the Company's reputation.

(f) Date of data input to MOPS: February 13, 2008.

(2) Status of implementation:

Unit: NT\$ thousands; March 31, 2010

Status		Status of Use			
		Projected Amount of Consumption	Actual Amount of Consumption	Projected Amount of Consumption	Actual Amount of Consumption
2009	4Q	5,278,345	5,212,386	52.78%	52.12%
2010	1Q	3,147,770	3,146,527	84.26%	83.59%

## 5 、 Operational Highlights

### I 、 Business Activities

#### 1. Business Scope

CPT is a professional manufacturer of display components. With a competitive advantage of outstanding know-how, the Company primarily focuses on R&D, product design, manufacturing and sales of TFT-LCD and color/mono CRT. In 2008, the main shipment product of CPT was slim TFT-LCD, which accounted for 87% of its total revenue. Its main shipment item was TFT-LCD, including small- and medium-sized panels and panels for monitors, notebooks, and TV.

#### 2. Industry Outlook

Over the years, TFT-LCD remained the primary force driving the growth and development of the Company. TFT-LCD features the advantages of technology and product specification for a wide array of applications. Therefore, this item emerged as the mainstream application for almost all types of flat screens.

The TFT sector is capital- and technology-intensive, and is sensitive to the economic cycle. At the present, the production in this sector has been concentrated in Taiwan, Korea, China, and Japan for the time being.

The TFT sector in Taiwan developed incrementally in scope and depth in line with industrial growth. The supply chain integration over the years gave a cost advantage to local TFT firms in competition against Korea and Japan, allowing it to emerge as a leader in the industry. Japan has been a leader in the TFT sector, but has withered under the pressure of cost competition and overall financial capacity that hampered its effort in further investment. Most manufacturers in Japan have gradually pulled out of the large-sized TFT-LCD market and focused on the development of small- and medium-sized products. In China, government policy and capital spending helped to buttress the development of the TFT sector. However, the supply chain in China is far from mature at the moment and its economy of scale is still not large enough. The capital resources are also scarce there. As such, the TFT sector in China tending towards industrial integration for survival.

The applications of TFT to information devices and consumer electronics have become more popular than ever. TFT-LCD panels play a decisive role in the display devices, given that its key component is pivotal in the industry. It engineers the growth in the supply of parts and components in the upper course industries and supports the development of information devices and consumer electronics and related applications in the lower course all over the world.

#### 3. Status of Technology and R&D

In 2008, the Company invested the amount of NT\$ 4,352,759,000 in R&D. Also, in 2009, the Company estimates to invest NT\$ 2,839,700,000 in R&D. As of the day this report was printed, the Company has already invested NT\$ 709,925,000 in R&D.

Started from the initial production of small-sized products, CPT has extended its professionalism through technological know-how towards the manufacture of large-sized TFT products which are increasingly refined with a high quality display to create the-state-of-the-art visual satisfaction. CPT is ranked at the top in the industry with a number of R&D technologies, which demonstrating its strengths in the domain of TFT-LCD:

- (1) Successfully develop Triple Gate technology, which is applied to a-Si GIP middle-sized panel to reduce cost and improve narrow bezel design.
- (2) Successfully develop LTPS technology, which not only improves image quality in small-sized panel but also reaches product specifications of narrow bezel and high resolution.
- (3) Successfully develop a wide viewing angle Transflective display, which is sunlight readable, low power consumption, and wider viewing angle. These product characteristics are ideal for smart phone application. Furthermore, the improvement in product reflectivity also satisfied outdoor usage image quality product requirements.
- (4) High resolution (282 ppi), 2.8" VGA CS panel is developed (Worldwide No.1).
- (5) Develop energy-efficient electronic paper (E-Paper).
- (6) A prior development of capacity-embedded touch panel within CS technology.

- (7) Develop super wide-temperature LCD to make portable displays, which can be operated at -30°C~95°C to improve products reliability.
- (8) Ultra-slim, high-efficiency LED package combined with GIP (Gate In Panel) and WOA (Wired On Array) technology to develop portable display products with thin, and compactable and low power consumption.
- (9) Develop green products with light-weight and ultra-slim design and greater energy efficiency
- (10) Develop BBI (Black Band Insertion) technology in 26" panel for reducing motion blur.
- (11) Apply high-speed transmission mini LVDS (Low-voltage Differential Signaling) technology (~300 MHz) in 21.6" TV.
- (12) Head the industry to develop high response time LCD (3ms and GTG 2ms) development.
- (13) Head the industry to develop high contrast monitor panel (1,300:1).
- (14) Develop EMVA technology for great image quality (full field and low color washout).
- (15) Successfully develop 15.4" CS NB with great color range, low power consumption, and switchable reflective.
- (16) Successfully develop 2D/3D Auto-Switchable 3D display.
- (17) Successfully develop low cost LED backlight to protect environment.
- (18) Successfully develop high contrast ratio (9,000:1) TV Panel.
- (19) Develop Novel Color Engine for greater image quality and vivid color performance.
- (20) Develop Multi-touch technology for multiple applications.

With continued efforts in R&D, CPT in 2008 honorably received two Gold Panel Awards by Industry Development Bureau (IDB) of Ministry of Economic Affairs (MOEA): (1) the 15.4" Color Sequential Display NB won the Best Product Award; (2) the 15.4" 3D Switching Barrier won the Best Product Award.

#### 4. Long- and Short-term Business Plans

CPT has launches different-sized products to meet the diverse needs in the market. In addition, CPT also takes a proactive action in maximizing profits with the G4 and G4.5 small- and medium-sized products. Indeed, the Company has already launched the 7" / 8" / 9" / 10.2" / 10.4" panels for car-used and portable DVD Player, and is moving towards the production of 1.8" / 2" / 2.2" panels for mobile phones.

In demonstrating its strengths in its G6 production, CPT concentrates its effort in the production of the whole line of 17" / 19"W / 22"W / 26"W / 32"W / 37"W panels. The Company also makes an effort in wider panels for monitors with sizes of 17"W / 19"W / 20"W / 22"W / 26"W. Given the popularity of wide screen for notebooks, the Company launches full production of wide screens for notebook, including 14.1"W and 15.4"W. In the area of LCD TV, the Company produces a full line with 19"W / 22"W / 32"W / 37"W in sizes.

The principal business of CPT is the development of a full line of TFT-LCD and application products. Its main customers include well-known international firms with famous brands and large system OEM makers. CPT also takes a proactive action in integrating the system makers at the lower course of the industry for back-end module strategic cooperation and makes investment in XOC, a famous LCD TV firm in Mainland China, for reinforcing its sales channels and enhancing its capacity in marketing.

In the long-term plan, CPT persisted to satisfy the needs of its customer for growth, and supports the development of the market. Therefore, CPT never ceases to provide high quality and low cost products for its customers, and works closely with its customers for a win-win outcome.

## II • Market, Production, and Sales

### 1. Market Analysis:

#### (1) Major Products and Main Market

The major products of the Company are TFT-LCD and the main market covers Taiwan, Mainland China, and other areas in Asia. The prime customer group contains dominant manufacturers of home appliances, IT systems, and OEM.

#### (2) Market Shares

The demand of the TFT-LCD market in 2009 is foreseen a growth. In 2008, the shipment volume of large-sized panels was 22,780 thousand. To enlarge value-added products and follow the market trend, CPT proactively adjusts its product mix in 2009, such as 18.5" and 21.6" with 16:9 resolution. Currently, the shipment volume of 20.1" and 22" is ranked 2<sup>nd</sup> place in the world. The shipment volume of LCD TV is ranked 6<sup>th</sup> place, and the shipment volume of TFT-LCD MN is ranked 5<sup>th</sup> place in the world.

#### (3) Factors favorable and unfavorable to the supply and demand, growth, competitive edge and prospects of the market in the future, and the policy to respond:

Based on the outlook for 2009, the demand is not unfavorable including the effects of the US subprime crisis and economic downturn, which impact on the consumer purchasing power. The panel makers have reduced the utilization rate and postponed building new fabs. In addition, there are still some rooms to reduce the material cost. Therefore, regarding the status of supply and demand, the market in 2009 is more health than in 2008.

In the future, the two major areas of applications for TFT-LCD will be IT and TVs. CPT has a G6 production line featuring economies of scale for production in the two areas of application. After proper licensing with international organizations, CPT can attune to the changes in demand in peak and slow seasons for proper operation risk control. CPT can also proactively develop newly-emerged products with high profit margin. With the vertical integration of industries in the upper and lower courses, CPT can speed up the manufacturing of CF and CCFL productions. With its positive stance in integrating the assembly and brand holders through strategic alliances, CPT can substantially reduce its cost of materials and ascertain barrier-free marketing channels. These moves will help to enhance the profitability of the Company and create higher returns to the investments to the shareholders.

### 2. The Major Application of Products and Production Process

#### (1) Major Application

TFT-LCD features light weight, low energy consumption, low radiation, and durability. It is extensively applied to consumer electronics and industrial products, including television sets, monitors, notebook, mobile phones, PDAs, portable DVD Players, MP3s and MP4s, measurement instruments, analysis instruments, medical equipment, motor vehicle panels, radars, and others.

#### (2) Production Process

There are three major steps in the TFT-LCD production process: (1) Array Process; (2) Cell Process; and (3) Module Process.

### 3. Raw Materials Supply

Key components of TFT-LCD include CF, IC Driver, Backlight, Polarizer, and Glass. For diversifying the risks deriving from materials purchase and for enhancing flexibility of purchase, the Company keeps at least two suppliers for the same component and has maintained good relationships with these suppliers. Therefore, the supply of materials is stable. Additionally, for the higher cost color filter, which is limited in supply, the Company has established CF fabs in Yangmei and Hukou. The operation of these two plants will support the capacity expansion for the next generation with an effective reduction of production cost.

4. Name of companies in the past two years who individually accounted for more than 10% of the total purchase and the total sales of the Company. Specify the reasons for any change.

(1) Major Suppliers in the Past Two Years

Unit: NT\$ thousands

The Name of Company	2007		2008	
	Amount	Total Purchase (%)	Amount	Total Purchase (%)
CPTL (MY)	49,986,551	57.33%	36,060,713	53.22%

The Company will continue to diversify its source of supply. Further to the joint venture with overseas subsidiaries in TFT-LCD module assembly of CPTL (MY), the Company has no supplier who individually accounted for more than 10% of the purchase value.

(2) Major Customers in the Past Two Years

Unit: NT\$ thousands

The Name of Company	2007		2008	
	Amount	Total Sales (%)	Amount	Total Sales (%)
A Company	31,673,571	22.00%	12,884,976	12.82%

The changes in the amount of sales to customers were mainly the reflection of the changes in the TFT-LCD market.

5. Production in the Past Two Years

Unit: 1,000 pcs; NT\$ thousands

	2007			2008		
	Capacity	Output	Gross Sales	Capacity	Output	Gross Sales
TFT-LCD	90,040	90,040	120,643,411	85,869	85,869	100,803,283
Other	-	-	338,437	-	-	24,669
Total	-	-	120,981,848	-	-	100,827,952

6. Shipments and Gross Sales in the Past Two Years

Unit: 1,000 pcs; NT\$ thousands

	2007				2008			
	Domestic		Export		Domestic		Export	
	Shipments	Gross Sales	Shipments	Gross Sales	Shipments	Gross Sales	Shipments	Gross Sales
TFT-LCD	44,710	9,766,260	43,704	133,323,653	8,798	4,087,124	65,581	96,377,947
Other		27,502		831,350		16,549		37,387
Total		9,793,762		134,155,003		4,103,673		96,415,334

III · Workforce Structure

		2007	2008	2009/04/30
Number of Employees	Management	2,891	3,051	3,015
	Technician	486	492	487
	Operators	5,511	5,230	4,953
	Total	8,888	8,773	8,455
Average Age		32	33.4	33.4
Average Years of Services		6	5.5	5.5
Level of Education	Ph.D.	0.08%	0.14%	0.14%
	Master	10.83%	11.63%	11.79%
	Bachelor	48.86%	49.86%	50.93%
	High School	36.52%	35.17%	33.94%
	Under High School	3.71%	3.20%	3.20%

**IV · Information on Environmental Protection Expenditure : Damage or Loss (Including Indemnity) Inflicted by Pollution, Punishments Policies to Cope with the Problem (Including Corrective Action) and Possible Expenditure Thereof.**

Violation	Amount Loss	Corrective Action	Expenditure
According to Optoelectronic Material and Element Manufacturing Industry Air Pollution Control and Emission Standards, CPT's raw materials containing VOCs, hydrofluoric acid, and hydrochloric acid in all discharge pipes are fail in recording emission on the Stationary Pollution Source operating permit.	A Fine of NT\$ 100,000	CPT has already completed testing for the three pollutants VOCs, hydrofluoric acid, and hydrochloric acid in all discharge pipes before the deadline. The completed testing report has been submitted together with the report on the concentration and emissions of non-methane hydrocarbons (NMHC).	
The Environmental Protection Administration points out that the proposals of industrial waste disposal of C-0173, D-0299, and D-1099 are fail in recording their modifications.	A Fine of NT\$ 60,000	Modifications have been made changes regarding the Waste Disposal Act.	
Zeolite roller and flue gas incinerator are fail in recording on the Stationary Pollution Source operating permit.	A Fine of NT\$ 100,000	The operating permit has been changed and recorded.	
The raw material from the new process is not congruent with the operating permit.	A Fine of NT\$ 100,000	The M01 operating permit has been stopped and made an adjustment excluded material, in which has qualified the M02 operating permit.	
Washing Tower A211's maximum liquid flow meter is not congruent with the operating permit.	A Fine of NT\$ 100,000	To meet the Law's requirements, the permit has been changed for improvement.	
Testing on fume chamber for gaseous ventilation has been conducted and, the initial result has not met the emission standard.	A Fine of NT\$ 300,000	Retesting on gaseous ventilation has been conducted. The final result met the emission standard.	

**V · Labor-management Relation**

1. Specify the employee welfare policy, continuing education, on the job training, retirement system, and the status of implementation; and labor-management agreement and the protection of the rights and privileges of the employees.

(1) Employee Benefits Programs:

Employee stock options, stock dividend, performance award, transportation subsidy, lodging, social functions, festivity events, family days, social gatherings, variety of meals, fruit store, bakery, coffee shops, convenient stores, hair parlor, Laundromats, contracted shops, group insurance, physical examinations, recreation center, stadium, bowling place, warm-water pool, film showing, birthday cash gift, matrimony/maternity/funeral subsidy and others.

(2) Continuing Education and On-the-job-training:

The Company has a professional team of lecturers, while at the same time; the Company also organizes different programs for orientation and on-the-job-training, courses on foreign languages, computer courses, and program for the second skills in order to strengthen the employees with relevant skills and knowledge. For the employees in management positions, the Company offers them finely tuned courses in leadership. In addition, the Company encourages its employees to participate in external professional training programs by reimbursing them all the tuition expenses. Employees can take part in different forms of training and can also use the electronic library, online database, and online learning facility of the Company for private study and learning.

(3) Retirement Policy:

- (a) The Company duly observes the Labor Standards Law whereby employees eligible for retirement (at the age of 55 and more than 15 years of service, or more than 25 years of service with the Company) and is entitled to applicable level of pension.
- (b) The new retirement policy became effective on July 1<sup>st</sup>, 2005 whereby the Company shall appropriate pension contribution to the individual pension accounts of employees for those covered by the new Statute for Labor Retirement and Pension on a monthly basis.

(4) Labor-management Agreement and the Protection of the Rights and Privileges of Employees:

Employees are the most valuable asset of the Company. As such, the Company has an employee union and an employee welfare committee, and it has made ceaseless efforts in promoting and protecting the rights and privileges of the employees. The Company has provided employees with a much better environment than what is required by law.

2. Specify the damage and loss caused by labor-management disputes in the most recent years to the date this report is in printing, and disclose any projected amount of loss at present and in the future and the policy to cope with the problem. If such damage or loss cannot be fairly estimated, specify the reasons and state the facts.

The Company did not have any loss caused by labor-management disputes in 2008, and has not been pending lawsuit respective labor-management dispute for the time being.

## VI • Material Contracts

Agreements	Contracting Party	Effectively	Summary	Restriction Clause
Patent License	Toshiba Matsushita Display Technology Co., Ltd., TMD	2007/04/01~ 2012/02/29	1. CPT exchanged licensing rights with TMD on using its TFT-LCD patent. 2. Royalties will be disbursed in installments.	Confidentiality Clause
Patent License	Solar Physics Corporation, Plasma Physic Corporation, and John H. Coleman	2007/12/29~	1. CPT was licensed to use its TFT-LCD patent. 2. Royalties will be disbursed in installments.	Confidentiality Clause
Patent License	LG Philip LCD Co., Ltd.	2007/11/26~ 2014/09/20	1. CPT was licensed to use its TFT-LCD patent. 2. Royalties will be disbursed in installments.	Confidentiality Clause
Settlement	LG Philip LCD Co., Ltd.	2007/11/26~ 2014/09/20	Reconciliation with LPL on legal actions on patent infringements instituted in California and Delaware.	Confidentiality Clause
Patent License	Mitsubishi Electric Corporation (MELCO)	2007/07/01~ 2010/06/30	1. CPT was licensed to use its TFT-LCD patent. 2. Royalties will be disbursed in installments.	Confidentiality Clause
Patent License	SHARP Corporation, Japan	2006/07~ 2011/06	1. CPT was licensed to use its TFT-LCD patent. 2. Royalties will be disbursed in installments.	Confidentiality Clause
Patent License	Hitachi Corporation, Japan	2003/01~ 2010/12	1. CPT was licensed to use its patents on common items and IPS. 2. Royalties will be disbursed in installments.	Confidentiality Clause
Patent License	Semiconductor Energy Laboratory Co., Ltd (SEL)	2004/01~ 2008/12	1. CPT was licensed to use its TFT-LCD patent. 2. Royalties will be disbursed in installments.	Confidentiality Clause
Patent Transfer	Industrial Technology Research Institute of Taiwan (ITRI)	2002/05~ 2009/05	1. ITRI assigned the patents of TFT-LCD manufacturing to CPT and a few companies in the industry. 2. Royalties will be disbursed in installments.	Confidentiality Clause
Patent License	Honeywell	2005/08~ 2009/12	1. CPT was engaged in a cross-assignment of patents with Honeywell in specific areas. 2. Royalties will be disbursed in installments.	Confidentiality Clause
Patent License	Guardian	2006/04~ 2011/04	1. CPT was licensed to use its retardation film patent. 2. Royalties will be disbursed in installments.	Confidentiality Clause
Patent License	Samsung Electronics Co, Ltd	2009/01/07~ 2013/12/31	1. CPT was licensed to use its retardation film patent. 2. Royalties will be disbursed in installments.	Confidentiality Clause
Patent License	Hewlett-Packard Development Co., L.P.	2004/02~	The patent of side mount was transferred to CPT.	Confidentiality Clause
Procurement Contract	Corning Display Technologies Taiwan Co., Ltd. (Corning Taiwan)	2005/04~ 2011/03	1. Corning Taiwan supplies CPT with the glass panels required for the production of the G6 TFT-LCD. 2. Within the affectivity of the agreement, CPT shall prepay Corning Taiwan in installments for the purchase of the said materials.	Confidentiality Clause
Long-term Loans	Consortium including Bank of Taiwan	2002/10~ 2011/02	A loan of NT\$19,000 million for financing the construction of a TFT G3 plant.	Plants and Equipments as Pledges for the Loan
Long-term Loans	Consortium including Bank of Taiwan	2004/05~ 2013/03	Financing the construction of TFT G4.5 and G6 Plants amounting to NT\$31,500 million and USD 200 million.	Plants and Equipments as Pledges for the Loan
Long-term Loans	Consortium including China Trust Commercial Bank	2004/11~ 2010/11	Financing the construction of CF G 4.5 Plant amounting to US\$ 150 million.	Plants and Equipments as Pledges for the Loan
Long-term Loans	Consortium including Citibank	2005/07~ 2011/07	A loan of US\$ 98 million (NT\$3,220 million) for financing the construction of a G6 CF Plant.	Plants and Equipments as Pledges for the Loan
Long-term Loans	Consortium including China Trust Commercial Bank	2005/11~ 2013/11	Financing the construction of TFT G6 Plant in phase II and III amounting to NT\$ 13,000 million.	Plants and Equipments as Pledges for the Loan
Long-term Loans	Consortium including Mega International Commercial Bank	2008/05~ 2014/11	Financing the construction of CF G6 Plant in phase II and III amounting to NT\$ 4,000 million.	Plants and Equipments as Pledges for the Loan

## 6 · Financial Highlights

### I · Condensed Balance Sheet and Income Statement for the Past Five Years

#### 1. Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Statement for the Past Five Years					As of 31 March 2010
		2005	2006	2007	2008	2009	
Current Assets		43,453,481	48,615,292	52,708,181	30,809,015	24,191,384	26,930,723
Funds and Long-term Investments		28,270,265	31,632,659	36,818,634	36,894,204	30,228,510	31,833,370
Fixed Assets		139,161,253	128,251,950	109,507,983	95,401,771	78,152,516	72,951,769
Intangible Assets		168,729	1,032,728	1,278,069	1,040,124	2,505,134	2,310,960
Other Assets		5,709,922	5,712,997	4,277,648	3,267,703	1,012,241	967,585
Total Assets		216,763,650	215,245,626	204,590,515	167,412,817	136,089,785	134,994,407
Current Liabilities		46,815,946	69,555,543	55,725,148	56,221,090	46,359,624	46,359,624
Long-term Liabilities (including the allowances)		72,391,245	59,007,791	43,645,566	24,296,950	25,555,307	21,971,075
Other Liabilities		3,630,455	4,541,844	5,141,304	5,564,970	5,284,504	5,221,527
Total Liabilities		122,837,646	133,105,178	104,512,018	86,083,010	73,552,226	73,552,226
Capital Stock		82,126,048	82,126,048	93,737,762	94,809,598	164,857,178	164,857,178
Capital Surplus		16,332,170	14,350,312	90,027	27,410	31,700	31,700
Retained Earnings		(2,647,556)	(13,979,371)	5,265,309	(13,250,884)	(99,889,239)	(102,878,176)
Unrealized Gains on Financial Instruments		(2,711,230)	(1,386,508)	(964,151)	(3,676,332)	(3,086,009)	(3,151,623)
Cumulative Transaction Adjustments		317,584	950,036	1,776,995	3,353,803	2,709,147	2,709,147
Net Loss Unrecognized as Pension Cost		(133,849)	(562,906)	(496,912)	(296,094)	(488,351)	(488,351)
Treasury stocks		-	-	-	(307,161)	(307,161)	(307,161)
Capital Surplus from Assets Revaluation		642,837	642,837	669,467	669,467	669,467	669,467
Total Shareholders' Equity		93,926,004	82,140,448	100,078,497	81,329,807	64,496,732	61,442,181
		93,926,004	82,140,448	95,955,006			

## 2. Condensed Income Statement

Unit: NT\$ thousands (Expect EPS: NT\$)

Item	Financial Statement for the Past Five Years (Note 1)					As of 31 March 2010	
	Year	2005	2006	2007	2008		2009
Net Sales		78,458,350	105,925,974	143,948,765	100,519,007	48,322,679	18,999,886
Gross Profit		(1,243,552)	(3,170,914)	19,419,265	(834,665)	(21,847,346)	(2,949,712)
Income from Operations		(7,059,246)	(10,775,930)	10,284,296	(12,049,447)	(29,582,890)	(4,487,239)
Non-operating Income and Gain		1,790,645	1,731,410	2,220,899	5,308,844	1,678,453	1,882,062
Non-operating Expenses and Losses		(2,032,025)	(4,116,903)	(3,750,294)	(7,128,514)	(10,442,637)	(383,760)
Income from Operations of Continued Segment – Before Tax		(7,296,565)	(13,161,423)	8,754,901	(13,869,117)	(38,347,074)	(2,988,937)
Income from Operations of Continued Segment – After Tax		(7,352,301)	(13,966,810)	8,703,353	(13,875,112)	(38,016,886)	(2,988,937)
Income from Discontinued Department		-	-	-	-	-	-
Extraordinary Gain or Loss		-	-	-	-	-	-
Cumulative Effect of Accounting Principle		-	(805,387)	-	-	-	-
Net Income		(7,352,301)	(13,966,810)	8,703,353	(13,875,112)	(38,016,886)	(2,988,937)
Earning per Share (Note 1)		(0.94)	(1.70)	1.02	(1.47)	(3.46)	(0.18)

Note 1: Adjustment is made to EPS or loss in accordance with the proportion of retained earnings, capital surplus or employee bonus turned into new shares through capitalization.

## 3. Auditors' opinions from 2005 to 2009

Year	Firm	CPA	Opinions
2005	Ernst & Young	Rong-Yu Lin & Hsing-Cheng Tai	An Unqualified Opinion with explanatory paragraph referring to adoption of new accounting standards
2006	Ernst & Young	Hsing-Cheng Tai & Ting-Ming Chang	An Unqualified Opinion with explanatory paragraph referring to adoption of new accounting standards
2007	Ernst & Young	Ting-Ming, Chang & Mou-Hsien Chen	Unqualified opinion
2008	Ernst & Young	Yi-Chang Liang & Ming-Yu Lee	An Unqualified Opinion with explanatory paragraph referring to adoption of new accounting standards
2009	Ernst & Young	Yi-Chang Liang & Show-May Lin	An Unqualified Opinion with explanatory paragraph referring to adoption of new accounting standards

## II - Financial Analysis

Item	Year	Financial Analysis of the Past Five Years (Note 1)							As of 31 March 2010
		2005	2006	2007	2008	2009	2010		
Capital Structure Analysis	Debt Ratio (%)	56.67	61.84	51.08	51.42	52.61	54.49		
	Long-term Fund to Fixed Assets Ratio (%)	119.51	110.06	131.22	110.69	115.19	114.30		
Liquidity Analysis	Current Ratio (%)	92.82	69.89	94.59	54.80	59.36	58.09		
	Quick Ratio (%)	70.84	51.11	79.83	42.74	44.86	40.66		
	Times Interest Earned (Times)	(4.68)	(2.64)	3.71	(4.21)	(23.66)	(12.49)		
Operating Performance Analysis	Average Collection Turnover (Times)	5.19	5.87	6.12	4.76	4.67	8.44		
	Days Sales Outstanding	70.00	62.00	60.00	77.00	78.00	43.00		
	Average Inventory Turnover (Times)	9.97	9.82	12.12	14.15	13.52	16.86		
	Average Payment Turnover (Times)	3.98	4.03	4.28	4.09	5.90	6.48		
	Average Inventory Turnover Days	37.00	37.00	30.00	26.00	27.00	22.00		
	Fixed Assets Turnover (Times)	0.67	0.79	1.21	0.98	0.56	0.93		
	Total Assets Turnover (Times)	0.40	0.49	0.69	0.54	0.32	0.52		
	Return on Assets (%)	(3.26)	(5.13)	5.30	(6.39)	(24.28)	(1.94)		
	Return on Equity (%)	(7.79)	(15.87)	9.55	(15.30)	(52.14)	(4.54)		
	Percentage to Paid-in Capital Ratio (%)	(8.60)	(13.12)	20.72	(12.71)	(17.94)	(1.81)		
Profitability Analysis	Operating Income	(8.88)	(17.01)	9.34	(14.63)	(23.26)	(1.81)		
	Pre-Tax Income	(9.37)	(13.19)	6.05	(13.80)	(78.67)	(15.73)		
	Net Profit Margin (%)	(0.94)	(1.70)	1.02	(1.47)	(3.46)	(0.18)		
	Earning Per Share (NT\$) (Note 1)	17.32	10.26	40.87	19.06	1.63	5.70		
Cash Flow	Cash Flow Ratio (%)	32.88	34.89	48.44	50.20	50.91	134.14		
	Cash Flow Adequacy Ratio (%)	1.75	3.46	10.50	3.43	0.34	1.35		
	Cash Flow Reinvestment Ratio (%)	(1.62)	(1.56)	1.74	(0.98)	(0.01)	9.68		
Leverage	Operating Leverage	0.85	0.74	1.20	0.82	0.95	0.93		
	Financial Leverage								

Analysis of Deviation over 20% (2009 vs. 2008)

1. The decrease in long-term fund to fixed assets ratio was mainly due to the decrease in long-term liabilities.
2. The decrease in current ratio and quick ratio were mainly due to the increase in current liabilities.
3. The decrease in time interest earned was mainly due to the macroeconomic recession resulting in pre-tax income loss.
4. The decrease in ROA, ROE, percentage to paid-in capital ratio, net profit margin, and earning per share were mainly due to having net loss.
5. The decrease in cash flow ratio was mainly due to the decrease in cash flows provided by operating activities.
6. The decrease in operating leverage and financial leverage were mainly due to having a operating loss.

For the change in financial ratios, refer to page 45 on financial position and review on operation and relating risks.

Note 1: Adjustment is made to EPS or loss in accordance with the proportion of retained earnings, capital surplus or employee bonus turned into new shares through capitalization.

Note 2: The end of this statement shall include the following equation for calculation:

1. Financial Structure Analysis
  - (1) Debt Ratio = Total liabilities ÷ Total Assets
  - (2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) ÷ Net Fixed Assets
2. Liquidity Analysis
  - (1) Current Ratio = Current Assets ÷ Current Liabilities
  - (2) Quick Ratio = [Current Assets - (Inventory - prepayments)] ÷ current liabilities
  - (3) Times Interest Earned = Earning Before Interest and Taxes ÷ Interest Expenses
3. Operating Performance Analysis
  - (1) Average Collection Turnover = Net Sales ÷ Average Accounts Receivable
  - (2) Days Sales Outstanding = 365 Days ÷ Average Collection Turnover
  - (3) Average Inventory Turnover = Cost of Goods Sold ÷ Average Inventory
  - (4) Average Payment Turnover = Cost of Goods Sold ÷ Average Account Payable
  - (5) Average Inventory Turnover Days = 365 Days ÷ Average Inventory Turnover
  - (6) Fixed Assets Turnover = Net Sales ÷ Net Fixed Assets
  - (7) Total Assets Turnover = Net Sales ÷ Total Assets
4. Profitability Analysis
  - (1) Return on assets = [Net Income + Interest Expenses x (1 - tax rate)] ÷ Average Total Assets
  - (2) Return on Shareholders' Equity = Net Income ÷ Average Shareholders' Equity
  - (3) Net Profit Margin = Net Income ÷ Net Sales
  - (4) Earning Per Share = (Net Income - Preferred Stock Dividend) ÷ Weighed Average Number of Outstanding Shares
5. Cash Flow
  - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities ÷ Current Liabilities
  - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operation ÷ Five-year Sum of Capital Expenditure, Increase in inventories, and Cash Dividend
  - (3) Cash Flow Reinvestment Ratio = (Net Cash Provided by Operating Activities - Cash Dividend) ÷ (Gross Fixed Assets + Long-term Investments + Other Assets + Working Capital)
6. Leverage
  - (1) Operation Leverage = (Net Revenue - Variable Operating Cost and Expenses) ÷ Income from Operation
  - (2) Financial Leverage = Income from Operations ÷ (Income from Operation - Interest Expenses)

**III 、 Supervisors' Review Report for the Most Recent Years: Please refer to page 54.**

**IV 、 Financial Statement of the Most Recent Years: Please refer to page 55.**

**V 、 Audited Consolidated Financial Statements for the Most Recent Years: Please refer to page 114.**

**VI 、 Specify if any, Insolvency of the Company and Subsidiaries in the Most Recent Years until the Day this Report was Printed, and its Effect on the Financial Position of the Company: None.**

## 7 · Review and Analysis on Financial Status & Operation Results, and Risk Events

### I · Financial Status

Unit: NT\$ thousands

Item	Year	2009	2008	Difference	
				Amount	%
Current Assets		24,191,384	30,809,015	(6,617,631)	(21.48%)
Fixed Assets		78,152,516	95,401,771	(17,249,255)	(18.08%)
Long-term Investments		30,228,510	36,894,204	(6,665,694)	(18.07%)
Other Assets (including Intangible Assets)		3,517,375	4,307,827	(790,452)	(18.35%)
Total Assets		136,089,785	167,412,817	(31,323,032)	(18.71%)
Current Liabilities		40,753,242	56,221,090	(15,467,848)	(27.51%)
Long-term Liabilities (including Allowance)		25,555,307	24,296,950	1,258,357	5.18%
Other Liabilities		5,284,504	5,564,970	(280,466)	(5.04%)
Total Liabilities		71,593,053	86,083,010	(14,489,957)	(16.83%)
Capital Stock		164,857,178	94,809,598	70,047,580	73.88%
Capital Surplus		31,700	27,410	4,290	15.65%
Retained earnings		(99,889,239)	(13,250,884)	(86,638,355)	653.83%
Other Shareholders' Equity		(502,907)	(256,317)	(246,590)	96.21%
Total Shareholders' Equity		64,496,732	81,329,807	(16,833,075)	(20.70%)

Analysis of Deviation over 20%:

- The decrease in current assets was mainly due to the decrease in net sales resulting in the decrease in savings and account receivable.
- The decrease in other assets was mainly due to the decrease in Corning's prepayment.
- The decrease in long-term liabilities was mainly due to the reclassification of bonds payable from long-term to current.
- The decrease in retained earnings was mainly due to net loss.
- The decrease in capital surplus was mainly due to adjustments arising from changes in percentage of ownership in equity method investees.
- The decrease in other shareholders' equity was mainly due to recognition a greater unrealized loss on available-for-sale financial assets than the previous year.

### II · Operating Results

#### 1. Analysis of Operating Result

Unit: NT\$ thousands

Item	Year	2009	2008	Difference	
				Amount	%
Revenues		50,083,153	103,754,325	(53,671,172)	(51.73%)
Loss: Sales Returns		(430,590)	(859,419)	428,829	(49.90%)
Allowances		(1,329,884)	(2,375,899)	1,046,015	(44.03%)
Net Sales		48,322,679	100,519,007	(52,196,328)	(51.93%)
Cost of Good Sold		(70,170,025)	(101,353,672)	32,623,647	(31.74%)
Gross Profit		(21,847,346)	(817,293)	(19,572,681)	860.46%
Realized (Unrealized) Gross Profit from Affiliates		204,264	17,372	186,892	1075.82%
Realized Gross Profit		(21,643,082)	(817,293)	(19,385,789)	858.81%
Operating Expenses		(7,939,808)	(11,232,154)	3,292,346	(29.31%)
Income from Operation		(29,582,890)	(12,049,447)	(16,093,443)	119.30%
Non-operating Income & Gains		1,678,453	5,308,844	(3,630,391)	(68.38%)
Non-operating Expenses & Losses		(10,442,637)	(7,128,514)	(4,754,123)	83.57%
Income from Operation of Continued Segment - Before Tax		(38,347,074)	(13,869,117)	(24,477,957)	176.49%
Income Tax Expenses		330,188	(5,995)	336,183	(5607.72%)
Cumulative Effect of Accounting Principle			-	-	-
Income from Operation of Continued Segment - After Tax		(38,016,886)	(13,875,112)	(24,141,774)	173.99%

Analysis of Deviation over 20%:

1. Decrease in income from operation: In the second half of 2009, decrease in average selling price and demand caused utilization rate dropped resulting in the increase in cost of good sold and the decrease in gross profit.
2. Increase in non-operating income and gains: The increase was the result of sale G3 to Giantplus.
3. Increase in non-operating expenses and losses: The increase was primarily due to recognizing losses in long-term investments and inventory.

## 2. Analysis of the change in gross margin

Unit: NT\$ thousands

Year \ Item	Net Sales	Cost of Good Sale	Gross Profit	Gross Margin
2009	48,322,679	70,170,025	(21,847,346)	(45.21%)
2008	100,519,007	102,793,672	(2,274,665)	(2.26%)
Difference			(19,572,681)	(42.95%)

Analysis of Volume and Prices		Reasons for Change			
		Change in Prices		Change in Volume	
Item	Difference	Selling Prices	Cost	Sale Portfolio	Quantity
TFT-LCD	(19,542,106)	(10,237,615)	(422,704)	(501,908)	(8,379,879)
Other	(30,575)				
Total	(19,572,681)				

Analysis of Deviation:

1. Decrease in selling price was caused by the global financial crisis and oversupply. The selling prices rapidly dropped in the second half, 2008.
2. Due to the economic recession, the total shipment in 2008 was smaller than in 2007 resulting in a great difference.
3. Due to the global economic slowdown, the production was cut in the second half of 2008 resulting in having a cost disadvantage. In conclusion, CPT had a negative gross margin in 2008.

Sales volume forecast and related information: Please refer to "A Message to Shareholders" of this annual report.

Possible effect on the financial position and operation of the Company and countermeasures: None.

## III · Cash Flow

### 1. Analysis of Cash Flow

Item \ Year	Dec 31, 2009	Dec 31, 2008	Change (%)
Cash Flow Ratio	1.63%	19.09%	(91.46%)
Cash Suitability Ratio	50.91%	50.20%	1.41%
Cash Reinvestment Ratio	0.34%	3.43%	(90.09%)

Analysis of Deviation:

1. The decrease in cash flow ratio was mainly due to the decrease in cash flows provided by operating activities and the increase in current liabilities.
2. The increase in cash suitability ratio was mainly due to the decrease in the total of capital expenditure from 2004 to 2008.
3. The decrease in cash reinvestment ratio was mainly due to the decrease in cash flows provided by operating activities and the cash dividend distribution in 2008.

### 2. Analysis of Cash Flow Projection for Next Year

Unit: NT\$ thousands

Cash Balance 12/31/2008 (A)	Net Cash Provided by Operating Activities (B)	Net Cash Outflows from Investing and Financing Activities (C)	Cash Balance 12/21/2008 (A)+(B)-(C)	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
7,885,380	17,415,382	14,705,432	10,595,330		

Note: The analysis of cash flow projection for next year is not reviewed.

#### **IV · Major Capital Expenditure in the Most Recent Year and its Effects on Financial Position and Operation**

None

#### **V · Investment Exceeding 5% of the Company's Paid-in Capital**

No investment exceeding 5% of the paid-in capital in the most recent year. Investment plan for the future shall depend on the market situation and the expansion of the economic scale.

#### **VI · Risk Analysis for the Most Recent Year up to the Date this Report is in Printing:**

##### **1. Risk Associated with Interest Rate Fluctuation, Foreign Exchange Volatility, and Inflation**

###### **(1) Cash Flow Risks caused by Interest Rate Fluctuation and Foreign Exchange Volatility:**

The long-term loans from the banks to the Company are based on floating interest rate. Any fluctuation of interest rate in the market will cause corresponding fluctuation on applicable interest rate, which will affect the cash flow of the Company. The Company has practiced hedging to minimize exposure to such risk of cash flow.

###### **(2) Market Risks:**

The Company is bound to expose interest risk and price risk in the market due to its issuance of zero-coupon convertible bonds, holding of financial instruments at fair value through income statements (not derivative products) and financial instruments available for sales.

Portions of sales and purchases of the Company and corporate bonds are expressed in foreign currencies which fair value shall be subject to change under exchange rate fluctuation in the market. The Company adopts the self hedging method to cope with the risk deriving from its holding of assets and liabilities expressed in foreign currencies.

###### **(3) Credit Risks:**

Credit risk refers to the risks deriving from performance failure of the counterparties. The primary sources of such risk to CPT are cash and cash equivalents, derivatives including funds, convertible bonds, and accounts receivables. CPT deposits its cash with financial institutions in good credit standing at home and overseas and conducts transactions with a number of financial institutions for diversification of risk. Default of counterparties is therefore unlikely to happen. CPT holds funds and convertible bonds issued by companies in good credit standing and diversify its capital in a number of institutions for reducing risk. The Company's major clients are internationally renowned big firms or firms in good standing. At the same time, CPT regularly assesses the recoverability of its accounts receivables based on which the Company quotes for allowance for doubtful accounts. Major credit risk is therefore unlikely to happen.

###### **(4) Liquidity Risks**

Liquidity risk refers to the failure to cover and settle the short position of loans in due time as expected. Currently, the size of current assets of CPT is smaller than its current liabilities. Liquidity risk will be controlled through capital inflows from operation growth. In addition, CPT closely monitors its cash position and raises capital through appropriate channels or assigns its account receivables through factoring for contractual performance (including the liquidity risk deriving from the obligations from derivative contracts). Furthermore, CPT invested in financial instruments at fair value through income statements and financial instruments available for sales have active market, which enables the Company to sell the said instruments in the market approximating fair value.

##### **2. Risks Associated with High-risk/High-leveraged Investment, Lending, Endorsements, and Guarantees for Other Parties, and Financial Derivation Transactions**

The Company deals with high-risk/high-leveraged investment and financial derivation transactions for reducing operation risk. The Company does not loan to a third party. Endorsements for other parties are made only to invest where the Company holds more than 50% of their stakes or as

required by contractual obligations. Relevant loan to a third party, endorsements for other parties, and financial derivation transactions are governed by the internal procedure of the Company in these areas and the procedure for the acquisition and disposition of assets.

3. Future R&D Plans and Expected R&D Spending: Please the “5” below, of changes in technology and industry development.

4. Risks Associated with Changes in the Government Policies and Regulatory Environment: None.

5. Risks Associated with Changes in Technology and Industry Development:

Production processes for new generations of big screen TFT-LCD are launching into the market persistently. The application of this technology to TV is also getting popular. For reducing costs, expanding market share, maintaining competitive power, the company has made ceaseless effort in developing more efficient production model. As for new display technologies, including LPTS TFT-LCD, LED B/L, 3D DISPLAY and others, the company also keeps up its works on research and developments.

6. Changes in Corporate Image and Impact on Company’s Crisis Management: None.

7. Risks: Associated with Mergers and Acquisition: None.

8. Risks Associated with Capacity Expansion:

The Company is in the process of redesigning its production lines and capacity expansion. After launching in mass production and the economic ways of cutting IT/TV panels, the Company can substantially strength itself in as to its bargaining power with suppliers. This capability will eventually help to reduce the costs, which in turn is an advantage in market expansion. Yet, the market is so unpredictable. Experience in the past may help to make production forecasting more accurate. With proper information from market observation, the Company can adjust its inventory level more flexibly and can demonstrate its strength in low seasons.

9. Risks Associated with Purchase and Sales Concentration: None.

10. Potential Impact and Risks Associated with Sales of Significant Numbers of Shares by the Company’s Directors, Supervisors, or Major Shareholders who Own 10% or More of the Company’s total Outstanding Shares: None.

11. Risks Associated with Change in Management: None.

12. Risks Associated with Litigation

Disclose if company, any of the directors, supervisors, president, deputy agents of the Company or dominant shareholders who hold more than 10% of the Company’s outstanding shares, are involved in major litigations, non-contentious matters or administrative procedure, with decision or pending on decision, the possible influence on shareholders’ equity and stock price. Also specify the facts of the contentions, the amount involved, date of proceeding, concerned parties, to the day this report was printed.

#### Lawsuits on Patents

— Anvik Corporation, Honeywell International Inc./Honeywell Intellectual Properties Inc.

(1) In February, 2007, Anvik Corporation filed a patent infringement suit in the United States District Court of New York against the Company, Tatung Co. and Tatung Co. of America. The lawsuit alleged the Company and Tatung Companies of using the photo-masking equipment and the patented methods performed by such system in producing TFT-LCD panel without

permission. The Company contested that the Company had no presence, transacted business or directed product in the Court of New York that related to the claim. So far, the Court has not responded to the aforementioned motions yet.

- (2) Honeywell International Inc. and Honeywell Intellectual Properties Inc. filed a lawsuit against the Company in March 2007 on charges of patent infringement on Flicker-Free Liquid Crystal Display Driver System in its driver IC (provided by suppliers) with the Court of Texas. The Company intends to vigorously defend the action. On April 7<sup>th</sup>, 2009, the lawsuit has been settled out of court in the second conciliation procedures.

#### Other Lawsuits

From December 2006 to February 2007, CPT received series of letter of complaints issued by U.S. Department of Justice (following abbreviated as “DOJ”), JFTC of Japan, EC of European Union, CCB of Canada, and KFTC of Korea claiming that the TFT-LCD products of the Company and other suppliers were collective actions of related parties with an attempt of price monopolization and control over supply volume. CPT was blacklisted as a target of investigation on antitrust laws and legal proceedings commenced.

On November 13<sup>th</sup>, 2008, the Company has entered a plea agreement with DOJ and agreed to pay US\$65 million in 6 installments. (the first five installments of US\$11 million and the final installment of US\$10 million). Simultaneously, an agreement is made and entered by between defendant CPT and the plaintiff class representative, both individually and on behalf of a settlement class of purchasers of TFT-LCD products in US and Canada. An investigation is still in process.

Moreover, in November, 2007, the Company has received notices from DOJ of USA, informing the Company of being listed as an alleged violator of the antitrust law due to the alleged monopoly of price and supply of cathode ray tube (CRT) by the Company and other suppliers. CPT has been a target of investigation on antitrust law and legal proceeding commenced. Also, an agreement is made and entered by between defendant CPT and the plaintiff class representative, both individually and on behalf of a settlement class of purchasers of CRT products in US and Canada. An investigation is still in process.

The Company has retained attorneys in different countries to cautiously respond to the charge of Anvik Corporation, Honeywell International Inc./Honeywell Intellectual Properties Inc., and the antitrust case, and believes that such lawsuits will not significantly effect the financial position and operation of the Company.

13. Other Material Risks: None.

**VII ∙ Other Important Notice: None.**

## 8、Special Attention

### I、Affiliate Information:

For consolidated reports on operation and consolidated financial statements between parent and subsidiaries compiled in accordance with the standards for consolidated report on operation, consolidated financial statements and for compilation of such reports set forth by this commission, please refer to page 114.

### II、The status of issuing securities through private placement in the most recent year to the date this report was printed, the date resolutions by the General Meeting of Shareholders or the Board, the rationality and references for determining the quantity of shares and price, the selection of designated parties for investment, the necessity of issuing securities through private placement, the accomplishment of the fund utilization plan from investment or premium of investment, the status of the use of capital from issuing securities through private placement and the enforcement of the capital utilization plan for disclosures:

Item	First Issuance Through Private Placement in 2009 (Note 1) Issuing Date: 2009/11/13				
Type of Securities Issued Through Private Placement (Note 2)	Private placement				
Date of Resolution by General Meeting of Shareholders and Quantity for Issuance (Note 3)	2009/05/19; 4,000,000,000 shares				
Reference and Rationality of Pricing	Current price is set at 70.62% of the price of CPT common stock at close on the business day before the pricing day.				
The Selection of Designated Parties (Note 4)	The targets for the solicitation of funds through the issuance of Private placement under private placement are targets specified in Article 43-6 of the Securities and Exchanges Act and the parties defined by Ministry of Finance Securities and Futures Commission (91) Letter Tai-Tsai-Cheng (I)-Tzi No. 0910003455 dated June 13, 2002.				
The Necessity of Issuance Through Private Placement	For material procurement overseas and retirement of debts				
Investment Deadline	2009/10/01				
Profiles of the Investors	Investors of Private Placement (Note 5)	Qualifications (Note 6)	Subscription Quantity	Affiliation to CPT	Operation of Participants
	Tatung Co.	Section II	340,000,000	Stakeholder to the CPT	Yes
	Shang Chih Asset Development	Section II	360,000,000	Subsidiary of Stakeholder	None
	Green Energy Technology	Section II	240,000,000	Subsidiary of Stakeholder	None
	Credit Suisse International	Section II	260,000,000	Not a Stakeholder to the CPT	None
	Compal Electronics	Section II	1,000,000,000	Not a Stakeholder to the CPT	None
	Subsidiary of Compal Electronics	Section II	300,000,000	Not a Stakeholder to the CPT	None
	Subsidiary of Compal Electronics	Section II	700,000,000	Not a Stakeholder to the CPT	None
	Subsidiary of Compal Electronics	Section II	800,000,000	Not a Stakeholder to the CPT	None

Actual Subscription (or Conversion) Price (Note 7)	NT\$ 2.5
Effect of Private Placement of Securities on Shareholders' Equity (e.g., Increase in Accumulated Loss....)	The issuance of ECB for this instance helped to reduce the actual spending on interest by the Shareholders. This fits the long-term development and planning of the Company. For existing shareholders, they may face the dilution of equity at about 9.92% if the entire lot of ECB was converted into common shares and the effect is minimal.
The Use of Fund from Private Placement and the Enforcement of the Plan	Please refer to page 31 & 32
The Contribution of Private Placement of Securities	Please refer to page 32

- Note 1: The number of fields may be adjusted as needed. If the issuance of ECB is split into tranche, specify separately.
- Note 2: Fill in the issuance of securities through private placement, including common shares, preferred shares, and conversion of preferred shares, preferred shares with subscription warrants, regular corporate bonds, and convertible bonds, bonds with warrants, ECB, GDR/ADR, and Employee Stock Options.
- Note 3: If the private placement of corporate bonds does not require the resolution of the General Meeting of Shareholders, specify the date of Board resolution and the quantity for issuance.
- Note 4: If designated parties were selected in private placement, specify the titles or names of the investors and their affiliation to the Company.
- Note 5: The number of fields may be adjusted as needed.
- Note 6: Fill in Article 43-6-1-1~3 of the Securities and Exchanges Act
- Note 7: The actual subscription (or conversion) price refers to the subscription (conversion) price at the time of issuing securities through private placement.

**III ∙ Held or Disposed of the Company Stocks by Subsidiaries in the Most Recent Year to the Date this Report was Printed: None.**

**IV ∙ Supplementary Disclosure: None.**



CHUNGHWA PICTURE TUBES, LTD.



Chairman, Wei-Shan Lin



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**CHUNGHWA PICTURE TUBES, LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT AUDITORS  
FOR THE YEARS ENDED  
December 31, 2009 and 2008**

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

**REPORT OF INDEPENDENT AUDITORS**  
English Translation of a Report Originally Issued in Chinese

To Chunghwa Picture Tubes, Ltd.

We have audited the accompanying consolidated balance sheets of Chunghwa Picture Tubes, Ltd. and Subsidiaries (the “Company”) as of December 31, 2009 and 2008, the related consolidated statements of operations, changes in stockholders’ equity and cash flows for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits. As described in Note 4(7) to the consolidated financial statements, certain long-term investments were accounted for under equity method based on the December 31, 2009 financial statements of the investees, which were audited by the other auditors. Our audits insofar as it relates to the investment loss amounted to NT\$210,261 thousand and NT\$20,072 thousand for the year ended December 31, 2009 and 2008, respectively, and the related long-term investment balances of NT\$3,804,492 thousand and NT\$5,283,936 thousand as of December 31, 2009 and 2008, respectively, are based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China and “Guidelines for Certified Public Accountants’ Examination and Reports on Financial Statements”, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other audits, the consolidated financial statement referred to above present fairly, in all material respects, the consolidated financial position of Chunghwa Picture Tubes, Ltd. and subsidiaries as of December 31, 2009 and 2008, and the results of their consolidated operations and their consolidated cash flows for the years ended December 31, 2009 and 2008, in conformity with requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

As described in Note 11 (1) to consolidated financial statements, as of December 31, 2009, the Company has the liquidity risk that the balance of the Company’s current liabilities exceeds the balance of its current assets. The strategy the Company has adopted to counter that risk is described in Note 11 (1).

As described in Note 3 to consolidated financial statements, effective from January 1, 2009, the Company has adopted the amendment of R.O.C. Statement of Financial Accounting Standards No. 10, “Accounting for Inventories”.

As described in Note 3 to the consolidated financial statements, effective from July 1, 2008, the Company adopted amendments of R.O.C. Statement of Financial Accounting Standards No.34, “Accounting for Financial Instruments”, therefore specific financial instruments have been reclassified.

Ernst & Young  
Taipei, Taiwan  
Republic of China  
April 8, 2010

Notice to Readers

The accompanying consolidated 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 and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese  
 CHUNGHWA PICTURE TUBES, LTD. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 As of December 31, 2009 and 2008  
 (Expressed in Thousands of New Taiwan Dollars)

ASSETS	As of December 31,	
	2009	2008
<b>CURRENT ASSETS :</b>		
Cash and cash in bank (Notes 2, 4 and 10)	\$18,425,828	\$20,679,665
Financial assets at fair value through profit or loss - current (Notes 2, 4 and 10)	61,040	1,054,092
Investments in debt securities with no active market - current (Notes 2, 4 and 10)	-	87,123
Notes receivable, net (Notes 2, 4, 5 and 10)	306,680	361,254
Accounts receivable, net (Notes 2, 4 and 10)		
Trade	7,955,471	9,018,917
Others	2,933,993	1,042,282
Due from affiliates, net (Notes 2, 4, 5 and 10)		
Trade	1,732,261	4,041,984
Others	3,444,189	3,066,329
Inventories, net (Notes 2, 3 and 4)	6,113,598	10,532,430
Prepayments	2,329,838	944,510
Pledged time deposits - current (Notes 6 and 10)	1,273,630	1,276,115
Total current assets	<u>44,576,528</u>	<u>52,104,701</u>
<b>INVESTMENTS : (Notes 2, 4, 6 and 10)</b>		
Investment in associated companies and subsidiaries	4,402,263	6,253,369
Available-for-sale financial assets - noncurrent	2,691,755	2,252,239
Financial assets carried at cost - noncurrent	625,806	489,360
Investments in debt securities with no active market - noncurrent	38,525	38,525
Prepayment for long-term investment	-	215,814
Total investments	<u>7,758,349</u>	<u>9,249,307</u>
<b>PROPERTY, PLANT AND EQUIPMENT : (Notes 2, 4, 5 and 6)</b>		
Land	3,988,227	3,985,019
Buildings	37,648,936	39,178,771
Machinery and equipment	144,979,789	146,622,149
Transportation equipment	167,988	122,777
Furniture and fixtures	2,812,249	1,114,499
Miscellaneous equipment	42,500,523	42,852,988
Revaluation increment	585,337	594,557
Total	<u>232,683,049</u>	<u>234,470,760</u>
Accumulated depreciation	(147,296,076)	(121,281,366)
Prepayments on equipments and construction in progress	8,987,781	5,979,397
Property, plant and equipment, net	<u>94,374,754</u>	<u>119,168,791</u>
<b>INTANGIBLE ASSETS : (Notes 2 and 4)</b>		
Computer software cost	89,932	77,691
Deferred pension cost	33,746	67,492
Technology license fees	4,154,668	3,687,131
Land use right	332,460	346,826
Total intangible assets	<u>4,610,806</u>	<u>4,179,140</u>
<b>OTHER ASSETS :</b>		
Refundable deposits (Note 10)	171,796	94,324
Deferred charges (Notes 2 and 4)	890,358	1,074,507
Long-term receivables - relatd party (Notes 2, 4, 5 and 10)	-	560,063
Others, net (Notes 2 and 4)	35,755	35,755
Prepayment for materials - noncurrent	-	1,513,460
Total other assets	<u>1,097,909</u>	<u>3,278,109</u>
<b>TOTAL ASSETS</b>	<u><u>\$152,418,346</u></u>	<u><u>\$187,980,048</u></u>

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

English Translation of Financial Statements Originally Issued in Chinese  
CHUNGHWA PICTURE TUBES, LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (CONTINUED)  
As of December 31, 2009 and 2008  
(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	As of December 31,	
	2009	2008
<b>CURRENT LIABILITIES :</b>		
Short-term bank loans (Notes 4 and 10)	\$12,779,168	\$13,677,872
Financial liabilities at fair value through profit or loss - current (Notes 2, 4 and 10)	44,426	609,265
Notes payable (Note 10)	809,744	637,351
Accounts payable (Note 10)		
Trade	11,560,383	14,607,965
Others	3,300,466	2,932,043
Due to affiliates (Notes 5 and 10)		
Trade	3,154,026	2,546,088
Others	572,004	522,563
Income tax payable (Notes 2, 4 and 10)	-	6,309
Accrued expenses (Note 10)	9,370,981	5,933,578
Derivative financial liabilities for hedging - current	9,054	-
Advances receipts	367,392	381,491
Current portion of bonds payable (Notes 2, 4 and 10)	-	11,538,301
Current portion of long-term bank loans (Notes 4, 5, 6 and 10)	12,202,806	18,580,490
Deferred tax liabilities, net - current (Notes 2 and 4)	2,291	-
Other current liabilities	1,547,298	1,286,178
Total current liabilities	<u>55,720,039</u>	<u>73,259,494</u>
<b>LONG-TERM DEBT :</b>		
Long-term bank loans, net of noncurrent portion (Notes 4, 5, 6 and 10)	26,204,336	26,856,742
Derivative financial liabilities for hedging - noncurrent (Notes 2, 4 and 10)	-	26,496
Long-term payable (Note 10)	299,824	317,411
Long-term deferred revenues (Notes 4 and 5)	276,982	282,875
Total long-term debt	<u>26,781,142</u>	<u>27,483,524</u>
RESERVE FOR INCREMENT TAX ON LAND REVALUATION (Note 4)	<u>26,793</u>	<u>26,793</u>
<b>OTHER LIABILITIES :</b>		
Accrued pension liabilities (Notes 2 and 4)	2,400,346	2,166,623
Deferred tax liabilities, net - noncurrent (Notes 2 and 4)	1,255,778	1,209,115
Deferred credits (Notes 2 and 5)	679,256	1,018,341
Total other liabilities	<u>4,335,380</u>	<u>4,394,079</u>
<b>TOTAL LIABILITIES</b>	<u>86,863,354</u>	<u>105,163,890</u>
<b>STOCKHOLDERS' EQUITY :</b>		
Capital : (Note 4)		
Common stock	164,857,178	94,809,598
Capital reserve : (Notes 2 and 4)		
Additional paid - in capital	-	27,410
Long-term investments	5,300	-
Stock options	26,400	-
Retained earnings : (Note 4)		
Legal reserve	-	526,531
Accumulated deficits	(99,889,239)	(13,777,415)
Other items in stockholders' equity: (Notes 2 and 4)		
Cumulative translation adjustment	2,709,147	3,353,803
Excess of additional pension liability over unrecognized prior service cost	(488,351)	(296,094)
Unrealized loss on available-for-sale financial assets	(3,076,955)	(3,579,603)
Unrealized loss on cash flow hedge	(9,054)	(96,729)
Unrealized incremental value from assets revaluation	669,467	669,467
Treasury stock	(307,161)	(307,161)
Total Stockholders' Equity	<u>64,496,732</u>	<u>81,329,807</u>
MINORITY INTEREST IN SUBSIDIARIES	1,058,260	1,486,351
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>65,554,992</u>	<u>82,816,158</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$152,418,346</u>	<u>\$187,980,048</u>

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

English Translation of Financial Statements Originally Issued in Chinese  
 CHUNGHWA PICTURE TUBES, LTD. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 For The Year Ended December 31, 2009 and 2008  
 (Expressed in Thousands of New Taiwan Dollars Except for Per Share Information)

	For the Years Ended December 31,	
	2009	2008
OPERATING REVENUES:		
NET SALES (Notes 2, 4 and 5)	\$57,918,638	\$118,466,832
OPERATING COSTS:		
COST OF GOODS SOLD (Notes 3, 4 and 5)	(77,122,929)	(116,805,333)
GROSS LOSS INCLUDED UNREALIZED INTERCOMPANY PROFIT	(19,204,291)	1,661,499
REALIZED INTERCOMPANY PROFIT, NET (Notes 2, 4 and 5)	-	228
NET GROSS PROFIT (LOSS)	(19,204,291)	1,661,727
OPERATING EXPENSES: (Notes 4 and 5)		
Selling and marketing	(1,246,783)	(3,504,434)
General and administrative	(6,621,929)	(5,548,638)
Research and development	(3,564,843)	(4,352,759)
Total	(11,433,555)	(13,405,831)
OPERATING LOSS	(30,637,846)	(11,744,104)
NON-OPERATING INCOME:		
Interest income (Notes 4 and 10)	329,669	485,199
Dividend income	9,316	26,768
Gain on disposal of property, plant and equipment (Notes 2, 4 and 5)	232,553	2,176,303
Gain on disposal of investments (Notes 2, 4 and 10)	178,466	67,309
Gain on foreign currency exchange, net	140,222	-
Valuation gain on financial liabilities at fair value through profit or loss, net (Notes 2 and 10)	330,170	1,752,698
Others (Notes 4 and 5)	945,009	1,216,344
Total	2,165,405	5,724,621
NON-OPERATING EXPENSES:		
Interest expenses (Notes 2, 4 and 10)	(2,093,023)	(3,423,987)
Investment loss accounted for under equity method, net (Notes 2 and 4)	(757,467)	(732,877)
Loss on disposal of property, plant and equipment (Notes 2 and 4)	(29,998)	(25,533)
Loss on foreign currency exchange, net (Note 2)	-	(269,102)
Impairment loss (Notes 2 and 4)	(4,799,619)	(1,342,287)
Valuation loss on financial assets at fair value through profit or loss, net (Notes 2 and 10)	(158,452)	(718,389)
Others (Note 4)	(2,220,771)	(1,140,319)
Total	(10,059,330)	(7,652,494)
LOSS BEFORE INCOME TAX	(38,531,771)	(13,671,977)
INCOME TAX BENEFITS (EXPENSES) (Notes 2, 3 and 4)	121,926	(220,938)
NET LOSS	\$(38,409,845)	\$(13,892,915)
ATTRIBUTABLE TO :		
Stockholders of the parent company	\$(38,016,886)	\$(13,875,112)
Minority interest	(392,959)	(17,803)
	\$(38,409,845)	\$(13,892,915)
LOSS PER SHARE AVAILABLE TO :		
COMMON STOCKHOLDERS OF THE PARENT (Notes 2 and 4)		
BASIC (in dollars)	\$(3.50)	\$(1.47)
DILUTED (in dollars)	\$(3.50)	\$(1.47)

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

English Translation of Financial Statements Originally Issued in Chinese  
 CHUNGHWA PICTURE TUBES, LTD. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 For The Year Ended December 31, 2009 and 2008  
 (Expressed in Thousands of New Taiwan Dollars)

	CAPITAL			CAPITAL RESERVES			RETAINED EARNINGS			OTHER ITEMS IN STOCKHOLDERS' EQUITY							TOTAL STOCKHOLDERS' EQUITY
	COMMON STOCK	PAID-IN CAPITAL	ADDITIONAL CAPITAL	LONG-TERM INVESTMENTS	OPTIONS	LEGAL RESERVE	EARNINGS (ACCUMULATED DEFICITS)	CUMULATIVE TRANSLATION ADJUSTMENT	NET LOSS NOT YET RECOGNIZED AS NET PENSION COST	UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	HEDGE	UNREALIZED GAIN (LOSS) ON CASH FLOW	UNREALIZED INCREMENTAL VALUE FROM REVALUATION	TREASURY STOCK	TOTAL	MINORITY INTEREST	
Balance at January 1, 2008	\$88,361,574	\$5,376,188	\$27,410	\$11,004	\$51,613	\$-	\$5,265,319	\$1,776,995	\$(496,912)	\$970,488	\$6,337	\$669,467	\$-	\$100,078,497	\$1,405,374	\$101,483,871	
Appropriation of 2007 net income						526,531	(526,531)										
Legal reserve (Note 4)							(526,531)										
Cash dividends (Note 4)							(3,792,384)									(3,792,384)	
Employee bonuses in cash (Notes 2 and 4)							(331,714)									(331,714)	
Net consolidated loss for the year ended December 31, 2008							(13,875,112)									(13,875,112)	
Adjustments of undistributed earnings arising from changes in ownership percentage in investees accounted for under equity method (Note 2)				(11,004)			(6,230)									(17,234)	
Cumulative translation adjustment (Note 2)								1,576,888	(965)							1,576,888	
Proportional adjustments on net loss not yet recognized as net pension cost in investees accounted for under equity method									(965)							(965)	
Unrealized loss on available-for-sale financial assets (Note 2)										(2,609,115)	(103,066)					(2,609,115)	
Unrealized loss on cash flow hedge (Note 2)																(103,066)	
Convertible bonds converted into common stock (Notes 2 and 4)	1,071,836				(51,613)		(510,753)									509,470	
Net loss not yet recognized as net pension cost (Notes 2 and 4)									201,783							201,783	
Common stock to be registered converted into registered common stock	5,376,188	(5,376,188)											(307,161)			(307,161)	
Purchase of treasury stock (Notes 2 and 4)																	
Increase in minority interest (Notes 2 and 4)																	
Balance at December 31, 2008	94,809,598	-	27,410	-	-	526,531	(13,777,415)	3,353,803	(296,094)	(3,579,603)	(96,729)	669,467	(307,161)	81,329,807	1,486,351	82,816,158	
Make up accumulated deficits in 2008 (Note 4)			(27,410)			(526,531)	553,941										
Net consolidated loss for the year ended December 31, 2009 (Note 4)							(38,016,886)										
Adjustments of undistributed earnings arising from changes in ownership percentage in investees accounted for under equity method (Note 2)																	
Cumulative translation adjustment (Note 2)								(644,656)		156						(644,656)	
Proportional adjustment on unrealized loss on available-for-sale financial assets in investees accounted for under equity method (Note 2)																	
Proportional adjustments on net loss not yet recognized as net pension cost in investees accounted for under equity method																	
Unrealized loss on cash flow hedge (Note 2)																	
Net loss not yet recognized as net pension cost (Notes 2 and 4)									(189,561)	502,492	87,675					502,492	
Treasury stock transferred to employees	5,047,580			26,400			(3,050,588)									87,675	
Common stock to be registered converted into registered common stock	25,000,000						(15,598,291)									(189,561)	
Capital increase - issuance of global depositary receipts	40,000,000						(30,000,000)									26,400	
Capital increase - private placement of common stock																1,996,992	
Increase in minority interest																9,401,709	
Balance at December 31, 2009	\$164,857,178	\$-	\$-	\$5,300	\$26,400	\$-	\$(99,889,239)	\$2,709,147	\$(488,351)	\$(3,076,955)	\$9,054	\$669,467	\$(307,161)	\$64,496,732	\$1,058,260	\$65,554,992	

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

English Translation of Financial Statements Originally Issued in Chinese  
CHUNGHWA PICTURE TUBES, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For The Year Ended December 31, 2009 and 2008  
(Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended December 31,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss after Tax	\$(38,016,886)	\$(13,875,112)
Net loss after tax attributable to minority interest	(392,959)	(17,803)
	<u>(38,409,845)</u>	<u>(13,892,915)</u>
Adjustments to reconcile net loss after tax to net cash provided by operating activities:		
Depreciation	24,960,372	25,393,156
Amortization	2,817,091	2,653,444
Impairment loss	4,799,619	1,342,287
Gain on disposal of investments	(178,466)	(67,309)
Investment loss accounted for under equity method, net	757,467	732,877
Cash dividends received from investees accounted for under equity method	313,175	249,714
Amortization of investments in debt securities with no active market	-	(7,953)
Gain on disposal of property, plant and equipment, net	(202,555)	(2,150,770)
Gain on sales of intellectual property rights and recognition of long-term deferred revenue	(109,142)	(1,008,658)
Compensation cost for stock options	26,400	-
Valuation loss on financial assets	158,452	718,389
Valuation gain on financial liabilities	(330,170)	(1,752,698)
Loss on exchange rate effect of financial liabilities	46,275	40,092
Unrealized loss (gain) on foreign currency exchange of long-term debt	152,347	(133,848)
Increase in commercial paper payable - long-term bank loans	22,011	84,407
Amortization of discount on bonds payable	410,269	888,573
Loss on redemption of convertible bonds	2,077,769	-
Decrease (increase) in financial assets at fair value through profit or loss	850,174	(842,315)
Decrease (increase) in notes receivable	54,574	(65,343)
Decrease in accounts receivable - trade	1,063,446	17,333,896
Decrease (increase) in due from affiliates - trade	2,309,723	(925,348)
Decrease (increase) in accounts receivable - others	(1,814,624)	586,715
Increase in due from affiliates - others	(1,263,100)	(1,007,402)
Decrease in inventories	4,418,832	1,117,073
Decrease in prepayments and prepayment for materials - noncurrent	128,132	632,602
Decrease in deferred tax assets	-	3,074
Decrease in financial liabilities at fair value through profit or loss	(212,894)	-
Increase in notes payable	172,393	602,288
Decrease in accounts payable	(3,047,582)	(13,207,969)
Increase (decrease) in due to affiliates - trade	607,938	(320,733)
Increase (decrease) in accrued expenses	1,760,053	(4,115,591)
Increase in accounts payable - others	555,244	1,737,351
Increase in due to affiliates - others	49,441	328,226
Decrease in advances receipts	(14,099)	(626,974)
Increase in other current liabilities	196,225	926,738
Increase in deferred tax liabilities - current	2,291	-
Decrease in deferred tax liabilities - noncurrent	(333,481)	(3,776)
Increase in deferred credits	-	227,748
Decrease in income tax payable	(6,309)	(53,709)
Increase in accrued pension liabilities	77,908	141,854
Net cash provided by operating activities	<u>2,865,354</u>	<u>15,557,193</u>

(Continued)

## CHUNGHWA PICTURE TUBES, LTD.

## STATEMENTS OF CASH FLOWS (CONTINUED)

For The Years Ended December 31, 2009 and 2008

(Expressed in Thousands of New Taiwan Dollars)

	For the Years	
	Ended December 31,	
	2009	2008
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>		
Decrease (increase) in pledged time deposits	\$2,485	\$(881,454)
Increase in investment in associated companies	-	(2,329,520)
Increase in prepayment of long-term investment	-	(18,268)
Proceeds from disposal of prepayment of long-term investment	217,404	-
Proceeds from disposal of long-term investment in associated companies	626,820	9,877
Proceeds from disposal of investments in debt securities with no active market	200,000	220,000
Increase in deferred charges	(763,790)	(943,105)
Proceeds from disposal of property, plant and equipment and intellectual property and land use rights	727,223	2,194,518
Acquisition of property, plant and equipment	(4,548,034)	(9,158,627)
Decrease (increase) in refundable deposits	(77,472)	4,454
Increase in technology license fee	(679,603)	(292,318)
Increase in computer software cost	(53,948)	(57,587)
Increase in land use right	-	(12,221)
Net cash used in investing activities	<u>(4,348,915)</u>	<u>(11,264,251)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>		
Increase (decrease) in short-term bank loans	(932,649)	4,848,489
Issuance of overseas convertible bonds	-	8,045,000
Increase in long-term bank loans	1,773,248	3,107,339
Repayments of long-term bank loans	(8,057,463)	(22,500,109)
Redemptions of convertible bonds	(12,242,198)	-
Payments of employees' bonuses	-	(331,714)
Payments of cash dividends	-	(3,792,214)
Decrease in long-term payable	(17,587)	(28,324)
Purchase of treasury stock	-	(307,161)
Issuance of global depositary receipts	9,401,709	-
Private placement of common stock	10,000,000	-
Increase (decrease) in minority interests	(428,091)	80,977
Net cash used in by financing activities	<u>(503,031)</u>	<u>(10,877,717)</u>
Exchange rate effect	<u>(267,245)</u>	<u>56,822</u>
INCREASE IN CASH AND CASH IN BANK	<u>(2,253,837)</u>	<u>(6,527,953)</u>
CASH AND CASH IN BANK AT BEGINNING OF PERIOD	<u>20,679,665</u>	<u>27,207,618</u>
CASH AND CASH IN BANK AT END OF PERIOD	<u>\$18,425,828</u>	<u>\$20,679,665</u>
<b>SUPPLEMENT DISCLOSURES OF CASH FLOWS INFORMATION :</b>		
Interest expenses paid (excluding interest capitalized)	<u>\$1,731,039</u>	<u>\$2,647,026</u>
Income tax expenses paid	<u>\$181,882</u>	<u>\$303,808</u>
<b>INVESTING AND FINANCING ACTIVITIES NOT AFFECTING CASH FLOWS :</b>		
Current portion of long-term debt	<u>\$12,202,806</u>	<u>\$42,541,276</u>
Conversion of convertible bonds into common stock	<u>\$1,996,992</u>	<u>\$509,470</u>
Financial assets at fair value through profit or loss reclassified to available-for-sale financial assets	<u>\$-</u>	<u>\$1,136,164</u>
<b>INVESTING ACTIVITIES AFFECTING CASH FLOWS :</b>		
Nominal amount for the disposal of property, plant and equipment, intellectual property and land use rights	\$70,223	\$6,508,518
Add : accounts receivable - others and long-term accounts receivable at beginning of period	1,314,000	-
Less : accounts receivable - others and long-term accounts receivable at end of period	(657,000)	(1,314,000)
Less : advance receipts at beginning of period	-	(3,000,000)
Proceeds from disposal of property, plant and equipment and intellectual property and land use rights	<u>\$727,223</u>	<u>\$2,194,518</u>

CHUNGHWA PICTURE TUBES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2009 and 2008

(Expressed in Thousands of New Taiwan Dollars Except for Par Value, Shares and Unless Otherwise Stated)

**1. DESCRIPTION OF BUSINESS AND OVERVIEW OF CONSOLIDATION**

*Description of Business*

- (1) Chunghwa Picture Tubes, Ltd. (“CPT”) was incorporated under the Company Law in the Republic of China (the “R.O.C.”) on May 4, 1971. CPT is a listed company with shares traded in Taiwan Securities Exchange. The main activities of CPT include the design, manufacture and sale of thin film transistor liquid crystal displays (“TFT-LCD”) and color filter (“CF”).
- (2) In order to become internationalized and develop diverse businesses and investments, CPT sets up operations for production and sale nearby the marketplaces through the investments by its foreign subsidiaries. The main overseas factories of CPT are located in Mainland China and Malaysia. The main activities of these factories include the design, manufacture and sale of cathode ray tube (“CRT”) and module assembly of TFT-LCD.
- (3) As of December 31, 2009 and 2008, CPT and subsidiaries had 22,100 and 24,282 employees, respectively.
- (4) The parent company of CPT is Tatung Co., Ltd.

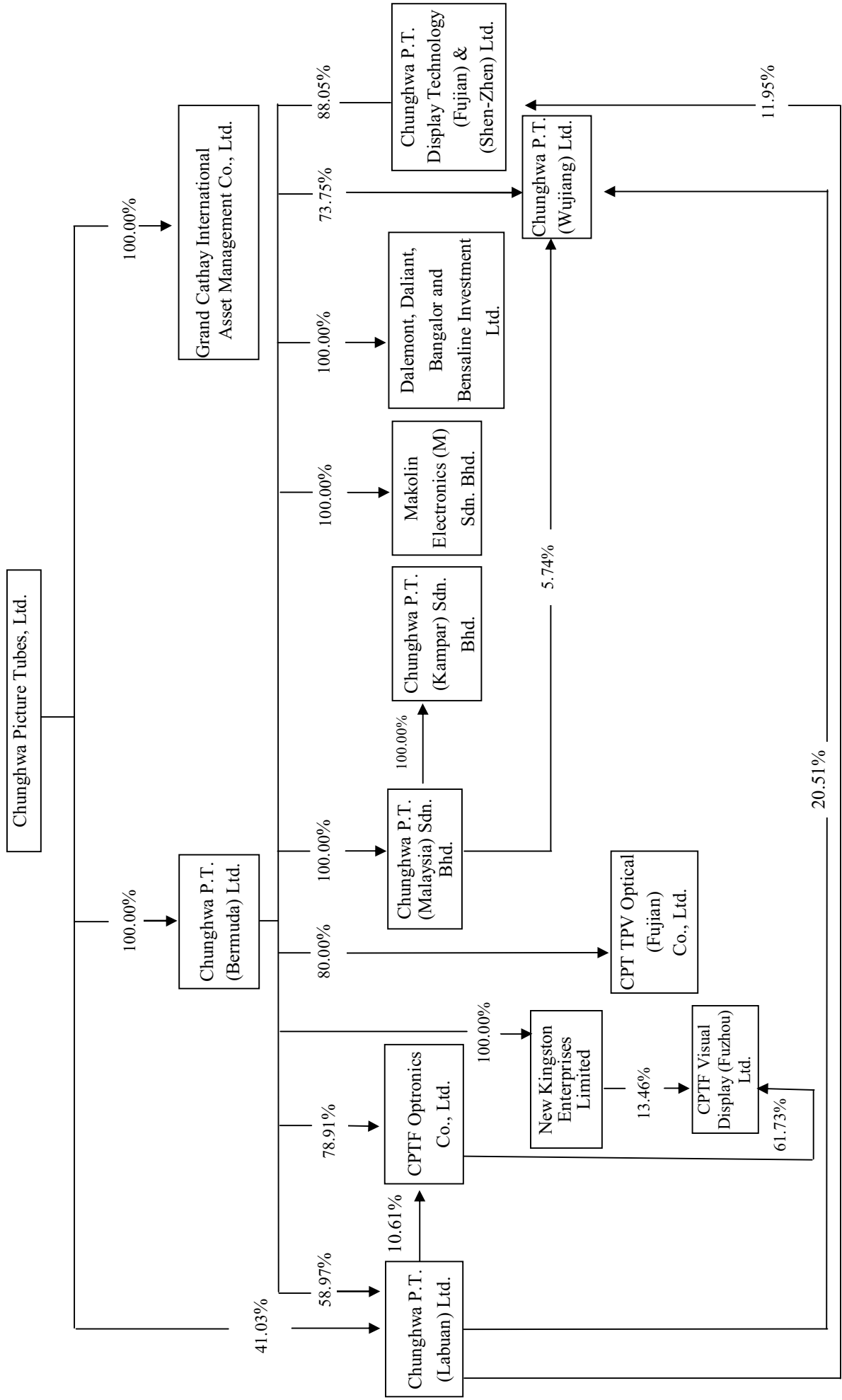
*Overview of Consolidation*

CPT is required to include the accounts of the following directly or indirectly majority-owned subsidiaries in its consolidated financial statements:

Name of Investor	Name of Investee	Business Nature	Country of Incorporation	Percentage of ownership (%)	
				As of December 31, 2009	2008
CPT	Chunghwa Picture Tubes (Bermuda) Ltd. (“CPTB”)	Investment holding	British	100.00	100.00
CPT and CPTB	Chunghwa Picture Tubes (Labuan) Ltd. (“CPTL”)	Sales services and investment holding	Malaysia	100.00	100.00
CPTB	Dalemont Investment Ltd.	Investment holding	British Virgin Islands (“BVI”)	100.00	100.00
	Daliant Investment Ltd.	Investment holding	BVI	100.00	100.00
	Bangalor Investment Ltd.	Investment holding	BVI	100.00	100.00
	Bensaline Investment Ltd.	Investment holding	BVI	100.00	100.00

Name of Investor	Name of Investee	Business Nature	Country of Incorporation	Percentage of ownership (%)	
				As of December 31, 2009	2008
	New Kingston Enterprise Limited (“NKEL”)	Investment holding	BVI	100.00	100.00
CPTB, CPTL and CPTM	Chunghwa Picture Tubes (Wujiang) Ltd. (“CPTW”)	Assembly final module of TFT-LCD	The People’s Republic of China (“PRC”)	100.00	100.00
CPTB and CPTL	Chunghwa Pictures Display Technology (Fujian) Ltd. (“FDT”)	Assembly final module of TFT-LCD	PRC	100.00	100.00
CPTB and CPTL	Chunghwa Picture Display Technology (Shen-Zhen) Ltd. (“SDT”)	Assembly final module of TFT-LLD	PRC	100.00	100.00
CPTB	CPT TPV Optical (Fujian) Co., Ltd. (“CTOC”)	Assembly final modules of TFT-LCD	PRC	80.00	80.00
CPTB and CPTL	CPTF Optronics, Ltd. (“CPTFO”)	Manufacture and sales of color cathode ray tubes (“CCRT”)	PRC	89.52	89.52
CPTB	Chunghwa Picture Tubes (Malaysia) Sdn. Bhd. (“CPTM”)	Manufacture and sale of CCRT	Malaysia	100.00	100.00
CPTM	Chunghwa Picture Tubes (Kampar) Sdn. Bhd. (“CPTK”)	Manufacture and sale of CCRT	Malaysia	100.00	100.00
CPTFO and NKEL	CPTF Visual Display (Fuzhou) Ltd. (“FVD”)	Manufacture components of TFT-LCD	PRC	75.19	75.19
CPTB	Makolin Electronics (M) Sdn. Bhd.	Manufacture and sale of deflection yokes	Malaysia	100.00	100.00
CPT	Grand Cathay International Asset Management Co., Ltd.	Investment holding	R.O.C.	100.00	100.00

The following diagram presents the relationship and ownership percentage among CPT and subsidiaries that CPT owns over 50% of voting common shares or owns less than 50% but has control as of December 31, 2009:



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Generally Accepted Accounting Principles

The consolidated financial statements have been prepared in accordance with “Guidelines Governing the Preparation of Financial Report by Securities Issuers” and accounting principles generally accepted in the Republic of China (collectively referred to as “R.O.C. GAAP”).

### Principles of Consolidation

Investees in which the Company, directly or indirectly, holds more than 50% of voting common shares or less than 50% of voting common shares but has substantial control, are accounted for under equity method and consolidated into the Company’s financial statements. Significant intercompany balances and transactions among consolidated entities have been eliminated. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Minority interest in consolidated entities is recognized in consolidated stockholders’ equity.

### Translation of Foreign Currency Financial Statements of Subsidiaries

The financial statements of the foreign subsidiaries are translated into NT dollars, with the local currency of each foreign subsidiary as its functional currency, at exchange rates in effect at the balance sheet date. Revenue and expense accounts are translated using a weighted average exchange rate for the relevant period. Equity accounts are translated using a historical exchange rate except for the beginning balance of the retained earnings, which is the translated amount from prior period carried forward; dividend is using the rate at the declared date. Difference in translation is recorded, net of tax effect, as a component of stockholders’ equity.

### Foreign Currency Transactions and Translation

The Company maintains its accounting records in NT dollars. Non-derivative transactions denominated in foreign currencies are recorded in NT dollars using the exchange rates in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into NT dollars using the exchange rates in effect at the balance sheet date. The resulting foreign exchange gains or losses from settlement of such transactions or translations of monetary assets and liabilities are recorded in statements of operations.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value with changes in fair value recognized in profit or loss, are remeasured on the balance sheet date using the exchange rates prevailing as at that date, with the resulting exchange gains or losses recorded in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value with changes in fair value recognized in stockholders equity, are remeasured at the exchange rate prevailing at the balance sheet date, with resulting exchange gains or losses recorded as adjustment items to stockholders’ equity. Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost are remeasured at historical exchange rates. Foreign exchange gains or losses from settlement of non-monetary assets and liabilities are recorded in statements of operations.

### Use of Estimates

The preparation of the consolidated financial statements in conformity with R.O.C. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

### Classification of Current and Noncurrent Assets and Liabilities

Current assets are those expected to be converted to cash or cash in bank, sold or consumed within one year from the balance sheet date. Current liabilities are obligations expected to be due within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities.

### Financial Assets and Liabilities

In accordance with R.O.C. Statement of Financial Accounting Standard (SFAS) No. 34, "Financial Instruments: Recognition and Measurement" and the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", financial assets are classified as either financial assets at fair value through profit or loss, financial assets measured at cost, investment in debt securities with no active market, derivative financial assets for hedging or available-for-sale financial assets. Financial liabilities are classified as fair value through profit or loss and derivative financial liabilities for hedging.

When financial assets or liabilities are recognized initially, they are measured at fair value, plus transaction cost for all financial assets or liabilities not carried at fair value through profit or loss.

All "regular way" purchases and sales of financial assets, stocks and funds investments are recorded using trade date (the date that the Company commits to purchase or sell the asset) accounting. "Regular way" purchases or sales are transactions of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace. The remaining financial assets are recorded using settlement date accounting.

#### (1) Financial assets and financial liabilities at fair value through profit or loss

This category has two sub-categories: financial assets or liabilities held for trading and those designated at fair value through profit or loss at inception.

Financial assets or liabilities at fair value through profit or loss are subsequently measured at fair value and changes in fair value are recognized in profit and loss.

The Company shall not reclassify a derivative and any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated at fair value through profit or loss; and may, if a financial asset is no longer held for the purpose of selling or repurchasing it in the near term, reclassify that financial asset out of the fair value through profit or loss category if the requirements are met as follows:

A. A financial asset that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category if the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

B. A financial asset that would have not met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category only in rare circumstances.

The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable. Any gain or loss already recognized in profit or loss shall not be reversed.

The Company shall not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

#### (2) Financial assets carried at cost

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at original cost, such as non-publicly traded stocks and private placement shares issued by public company, and derivatives which are linked to the price of the above equity investments.

(3) Investments in debt securities with no active market

Debt securities with no active market are non-derivative financial assets with fixed or determinable collections that are not quoted in an active market. When such investments are recognized initially, they are measured at fair value plus transaction cost. And such assets are carried at amortized cost using the effective interest method in the subsequent period. Gains and losses are recognized when these investments are derecognized or impaired, as well as through the amortization process. All regular way purchases and sales of financial assets are recognized on the trade date.

(4) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or not classified as financial assets at fair value through profit or loss, financial assets carried at cost, or loans and receivables. Subsequent measurement is calculated at fair value. Unrealized gains and losses, net of tax, excluding impairment loss and exchange gain or loss arising from the translation of monetary financial assets denominated in foreign currencies, is recorded in other items in stockholders' equity until such investment is derecognized, upon which time the cumulative gains or losses previously recognized in equity should be included in the statement of operations.

Any difference between the initial carrying amount of an available-for-sale financial asset and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

(5) Financial liabilities

The Company recognizes all financial liabilities at amortized costs, except for financial liabilities at fair value through profit and loss and derivative financial liabilities for hedging. Such liabilities are measured at fair value.

The fair value is determined by reference to the closing price on the balance sheet date for listed equity securities, convertible bonds and close-end mutual funds or the net asset value per unit for open-end mutual funds. The fair value of financial instruments with no active market, such as debt securities, mixed products, or certain derivatives are determined by using appropriate valuation method.

Impairment

Financial assets

(1) Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value or recoverable amount, less any impairment loss previously recognized in profit or loss, is transferred from equity to the statement of operations. Reversal resulting from the reduction in the impairment loss of equity instruments classified as available-for-sale is not recognized in profit or loss but as an adjustment to stockholders' equity. Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

(2) Financial assets carried at cost

If there is the objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The reversals of such impairment loss on financial assets carried at cost are not allowed.

(3) Investment in debt securities without active market

The Company recognizes an impairment loss if objective evidence of impairment loss exists. However, the impairment loss may be reversed if the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss shall be reversed in profit or loss. The new cost basis as a result of the reversal cannot exceed what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Non-financial assets

Pursuant to R.O.C. SFAS No. 35, the Company assesses indicators for impairment for all its assets within the scope of R.O.C. SFAS No. 35 at each balance sheet date. If impairment indicators exist, the Company shall then compare the carrying amount with the recoverable amount of the assets or the cash-generating unit ("CGU") and write down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of fair value less costs to sell and value in use.

For previously recognized losses, the Company shall assess, at each balance sheet date, whether there is any indication that the impairment loss may no longer exist or may have decreased. If there is any such indication, the Company has to recalculate the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Company shall reverse the impairment loss to the extent that the carrying amount after the reversal would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the assets in prior periods.

In addition, a goodwill-allocated CGU or group of CGUs is tested for impairment each year, regardless of whether indicator for impairment exists. If an impairment test reveals that the carrying amount, including goodwill of the CGU or group of CGUs is greater than its recoverable amount, then an impairment loss is recognized. The impairment loss is first recorded against the goodwill allocated to the CGU, with any remaining loss allocated to other assets in the CGU on a pro rata basis proportionate to their carrying amounts. The write-down of goodwill cannot be reversed in subsequent periods under any circumstances.

Impairment loss or reversal are classified as non-operating losses or non-operating income.

### Derecognition of Financial Assets and Liabilities

#### (1) Financial assets

A financial asset or a portion of the financial asset is derecognized, when the Company loses control of the contractual rights that comprise such asset or a portion of such asset. A transfer of a financial asset or a portion of the financial asset in which the Company surrenders control over such asset is regarded as a sale to the extent that consideration in transferring the asset is received in exchange.

If a financial asset is transferred but the conditions for loss of control are not satisfied, then the Company accounts for the transaction as a secured borrowing. In that case, the Company's right to reacquire the asset is not a derivative financial instrument.

#### (2) Financial liabilities

An entire or part of a financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or it expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

### Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based on the aging analysis and results of the Company's evaluation of collectability of the outstanding notes and accounts receivable.

### Inventories

Inventories are recorded at cost when acquired and cost is determined using the standard costing method with any variance proportionally allocated to inventory at period end and cost of sales.

Before January 1, 2009, inventories are stated at the lower of aggregate cost or market value. Market value of work-in-process and finished goods is determined on the basis of net realizable value. Market value of raw materials is determined on the basis of replacement cost. An allowance for loss on decline in market value or obsolescence is provided when necessary.

Effective January 1, 2009, inventories are stated at the lower of cost or net realizable value on an item by item basis except in some circumstances, where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### Long-term Investments Accounted for under Equity Method

- (1) Investments in which the Company owns 20% or more of the voting shares of investees, or under 20% but is able to exercise significant influence over the investee's operational decisions, are accounted for under equity method. However equity method is not required when preparing first and third quarter interim financial statements for a holding interest between 20% to 50% (considered significant influence), therefore no investment gain or loss from equity method is recognized. However, equity method must be applied for holding interest over 50% (considered controlling interest). Prior to January 1, 2006, the difference between the acquisition cost and the underlying equity in the investee's net assets as of acquisition date was amortized over 5 years; however, effective from January 1, 2006, investment premiums, representing goodwill, are no longer amortized and is assessed for impairment at least on an annual basis; while investment discounts continue to be amortized over the remaining periods. Investment discounts generated after December 31, 2005, shall be allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired non-current assets. If any excess remains after reducing to zero the amounts that otherwise would have been assigned to those assets, that remaining excess shall be recognized as an extraordinary gain.
- (2) For an equity investee in which the Company possesses control, such investee's total losses will be fully recognized by the Company when the long-term investment becomes a credit balance unless other investors are obligated to and have the ability to assume a portion of the loss. Such credit balance shall first be offset by the advance (if any) made by the Company to the investee company, the remaining shall be recorded under other liabilities.
- (3) When the Company subscribes to additional shares of an investee at a percentage different from its existing equity interest, the resulting difference between the carrying amount of the investment and the amount of the Company's proportionate share in the investee's net equity is recorded as an adjustment to the additional paid-in capital. If the additional paid-in capital is not sufficient, then the excess will be charged against retained earnings.
- (4) Unrealized intercompany gains and losses are eliminated under equity method. Profit from sales of depreciable assets between the investee and the Company is amortized and recognized based on the assets' economic life. Profit from other types of intercompany transactions is recognized when realized.
- (5) When the investees pay cash dividends, the Company recognizes dividends as the deducted item of long-term investment. Gain or loss on disposal of long-term investments is based on the difference between selling price and book value of investments sold. Any amount of the investee's additional paid-in capital and other adjustment items under stockholders' equity recorded in the stockholders' equity of the Company are eliminated in proportion to the percentage of ownership interests sold and recorded as gain or loss on disposal of investments.
- (6) The Company is required to include the accounts of direct or indirect majority-owned subsidiaries in its consolidated financial statement. The investees which the Company owned over 50% voting shares or under 50% voting shares but exercised control over are majority-owned subsidiaries.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost plus revaluation increment and net of accumulated depreciation and accumulated impairment losses, if any. Major renewals and improvements are capitalized, while ordinary maintenances and repairs are expensed as incurred. When an item of property, plant and equipment is impaired, the impairment loss is first offset against the balance of revaluation increment of the asset under the stockholders' equity, if any, with the remaining amount recognized in profit or loss.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in non-operating gains or losses upon disposal.

If due to certain legal restrictions barring the Company from owning the title of the land directly, such lands were classified as other assets.

Depreciation is provided by using the straight-line method over the following estimated useful lives:

Buildings	5 - 35 years
Machinery and equipment	3 - 15 years
Transportation equipment	5 - 7 years
Furniture and fixtures	4 - 12 years
Miscellaneous equipment	3 - 12 years

Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives. When an impairment loss is recognized, the depreciation for the impaired asset will be recalculated based on the adjusted value over the estimated remaining useful lives.

Interest incurred on loans used to finance the construction of property, plant and equipment is capitalized and depreciated accordingly.

#### Intangible Assets

- (1) Effective from January 1, 2007, the Company adopted R.O.C. SFAS NO.37, "Accounting for Intangible Asset". Intangible assets are stated initially at cost, net of accumulated amortization and impairment. Intangible assets with finite lives should be amortized on a systematic basis over their useful lives. The Company will assess the intangible assets for impairment in accordance with R.O.C. SFAS No.35 if impairment indicators exist.
- (2) The Company's R&D project has two phases, research and development. Expenditure on research shall be recognized as an expense when incurred. Development costs are capitalized if, and only if, all of the following conditions can be met:
  - A. the technical feasibility of completing the intangible asset;
  - B. its intention to complete the intangible asset and use or sell it;
  - C. its ability to use or sell the intangible asset;
  - D. the intangible asset is able to generate probable future economic benefits;
  - E. the availability of adequate technical, financial and other resources to complete the development; and
  - F. its ability to measure reliably the expenditure.

The capitalized development costs should be assessed for impairment under R.O.C. SFAS No.35 at least annually.

- (3) Technology license fees are amortized over the shorter of 5 years or the term of the technology cooperation contract; while Computer software cost is amortized over 3 years.

### Land Use Rights

Subsidiaries leased their land from the government of the People's Republic of China ("P.R.C."). The land use rights are amortized over the lease term of 50 years from the commencement of the business operation.

### Deferred Charges

Deferred charges, including shadow mask, expense of syndicated loan application and other charges are recorded at cost and amortized using the straight-line method over the following useful lives:

- (1) Shadow masks are stated at cost and amortized using the straight-line method over 2 years.
- (2) Expense of syndicated loan application is amortized over the term of syndicated loan.
- (3) Other deferred charges including electric wiring subsidies and water managing equipments are amortized over 5 years.

### Convertible Bonds

The components of convertibles bonds with an embedded derivative that is not clearly and closely related to the host contract are bifurcated by the Company on initial recognition. The liability component is measured first, and the difference between the proceeds of the bond issued and the fair value of the liability is accounted for as the equity component. The present value of the liability component is calculated using the market interest rate for similar debt without conversion options until the day before the conversion date. The liability component is subsequently measured at amortized cost, and changes in fair value of the equity component are not recognized while changes in fair value of the embedded derivatives are reported in profit or loss. When the conversion option expires unexercised and at that time the market value of the common stock under conversion exceeds the put price, put premium should be credited to additional paid-in capital, if the market value is otherwise lower than the put price, then it is recognized in profit or loss. When the bondholder exercises the conversion option before bond maturity, the adjusted carrying value of the debt components (including bonds and embedded derivatives) is credited to the capital stock account along with the carrying amount of the stocks converted. Bond issuance costs were allocated proportionately to the equity and liability components and included under bond premium/discount amortized using the effective interest rate method. If the bondholder could exercise the conversion option within the next year, then the related bonds and embedded derivatives should be reclassified as current liabilities; after the conversion option expires unexercised, the related portion of the bonds and embedded derivatives may be reclassified as noncurrent liabilities.

### Pension

According to the Labor Standards Law, CPT has employees' retirement plan which is a defined benefit plan and has made monthly contributions based on fixed percent of these employees' monthly wages since October, 1996. All regular employees are entitled to a defined benefit pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the Bank of Taiwan and hence, not associated with CPT. Therefore, fund assets are not to be included in CPT's financial statements. Under the plan, the net pension cost is computed based on an actuarial valuation in accordance with R.O.C. SFAS No. 18 "Accounting for Pensions", which requires consideration of pension cost components such as employee service cost, interest cost, expected return on plan assets and amortization of net transition obligation. The unrecognized net transition obligation is amortized on the straight-line basis over the employees' average remaining service period or 15 years.

The Labor Pension Act of R.O.C. (the Act), which adopts a defined contribution plan, became effective on July 1, 2005. Employees eligible for the Labor Standards Law, a defined benefit plan, were allowed to elect either the pension calculation under the Act or continue to be subject to the pension calculation under the Labor Standards Law. Those employees that elected to be subject to the Act will have their seniority achieved under the Labor Standards Law retained upon election of the Act, and CPT will make monthly contributions of no less than 6% of these employees' monthly wages to the employees' individual pension accounts. CPT recognizes expenses from the defined contribution pension plan in the period in which the contribution becomes due.

### Accounting for Derivative Financial Instruments and Hedging Activities

The Company recognized derivative as either assets (when the fair value is positive) or liabilities (when the fair value is negative) on the balance sheet and measured those instruments at fair value. Derivatives that are not qualified for hedge accounting criteria are accounted for as financial assets or liabilities held for trading with changes in fair value recognized in profit or loss. However if derivatives satisfy the hedge accounting criteria, they are accounted for using hedge accounting.

The Company formally documents at inception all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various accounting hedges. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value and cash flow attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value and cash flow of the hedged items. The Company assesses on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The ineffective portion of derivative financial assets and liabilities for hedging is also categorized as held for trading and the gain or loss is reported in earning immediately.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(1) Fair value hedges

Fair value hedges are hedges of the Company's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss.

(2) Cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss immediately.

Amounts taken to equity are transferred to the statement of operations when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

(3) Hedge of a net investment in a foreign operation

Hedge of a net investment in a foreign operation is a hedge of the exposure to changes in foreign currency of a net investment in a foreign operation.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity. The amount recognized in stockholders' equity is recognized in profit or loss when disposal of the foreign operation.

### Stock Compensation

In accordance with Accounting Research and Development Foundation interpretation Nos.92-070~072, CPT accounted for employee stock options granted on or before December 31, 2007, using the intrinsic value method.

Under the intrinsic value method, deferred compensation for options granted to employees is equal to its intrinsic value determined as the difference between the exercise price of the option and the fair value of the underlying stock at the date of grant or amendment. CPT is required to adopt R.O.C. SFAS No. 39 “Accounting for Share-Based Payment”, for employee stock options granted on or after January 1, 2008, using the fair value method. In accordance with R.O.C. SFAS No. 39, share-based payment transaction is measured by reference to the fair value of the equity instruments at the grant date; the fair value is determined by an external expert using an appropriate pricing model.

### Treasury Stock

In accordance with R.O.C. SFAS No.30, “Accounting for Treasury Stock”, treasury stock held by CPT is accounted for under the cost method. The cost of treasury stock is shown as a deduction to stockholders’ equity, while any gain or loss from selling treasury stock is treated as an adjustment to additional paid-in capital.

### Income Tax

The Company adopted an inter-period and intra-period income tax allocation method to recognize income tax. Tax effects on taxable temporary differences are recognized as deferred tax liabilities. Tax effects on deductible temporary differences, operating loss carryforward and investment tax credits are recognized as deferred tax assets. Valuation allowance is provided based on the expected realization of the deferred tax assets. A deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. However, if a deferred tax asset or liability is not directly related to an asset or a liability, then the classification is based on the expected realization date of such deferred income tax asset or liability. The income tax expense or benefit for unrealized losses or gains that are not included in profit or loss for the period, but reported directly in stockholders’ equity, should also be adjusted directly in stockholders’ equity.

Undistributed earnings generated after 1997 are subject to a 10% additional retained earning tax (10% additional tax) in compliance with the Income Tax Law of R.O.C. The 10% additional tax is recorded as income tax expense in the year in which stockholders have resolved that CPT’s earnings shall be retained.

According to R.O.C. SFAS No.12, “Accounting for Income Tax Credits”, CPT recognizes the tax credits arising from purchases of machinery, equipment and technology, research and development expenditures, employee training, and certain equity investment in the period when such purchases, expenditures and training occur.

According to the implemented Alternative Minimum Tax Act (AMT), which became effective from January 1, 2006, CPT will be subject to a 10% additional AMT if the income tax payable determined pursuant to the income tax law of R.O.C. is below the minimum amount prescribed under the AMT Act. The impact of AMT has been considered in the calculation of CPT’s income tax for the current reporting period.

The income tax rate for the Company was 25%. In accordance with the recent amendment to the Income Tax Law announced on May 27, 2009, the applicable income tax rate for the Company starting from 2010 has been reduced to 20%.

The income tax for each consolidated entities shall be filed on an individual basis with the relevant country and shall not be filed on a consolidated basis. The consolidated income tax expense is the total of income tax expenses for all consolidated entities.

#### Employees' Bonuses and Directors and Supervisors' Remunerations

In accordance with Accounting Research and Development Foundation interpretation No. 96-052 effective from January 1, 2008, share-based employee bonuses and remunerations paid to directors and supervisors are charged to expense at fair value and are no longer accounted for as a reduction of retained earnings.

#### Revenue Recognition

The Company recognizes revenue when the earnings process is complete, as evidenced by an agreement with the customer, transfer of title and acceptance, if applicable, as well as fixed or determinable pricing and reasonably assured collectability.

#### Recognition of dividend

When cash dividends on equity securities are declared from pre-acquisition profits (for example, in the year of investment), those dividends are credited against the cost of the equity securities as recovery of acquisition costs rather than recognized as investment income except for cash dividends from financial assets at fair value through profit or loss. Receipts of cash dividends declared in the subsequent years are recognized as investment income on the date of ex-dividend or the date of stockholders' meeting. However, if the accumulated cash dividends distributed exceed the accumulated net incomes or losses for the time period starting from the investment acquisition date to the prior year end, then the amount in excess shall be credited to the cost of the equity securities rather than recognized as investment income.

Stock dividends are not recognized as investment income but instead are recorded as an increase in the number of shares held. The Company recalculated the average cost or carrying amount of its holding shares after receiving stock dividends.

#### Earnings (Loss) Per Share

Earnings per share is computed according to R.O.C. SFAS No. 24, "Earnings Per Share." The Company presents basic earnings per share and diluted earnings per share information. Basic earnings per share is computed by dividing the net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding during the current reporting period. When calculating diluted earnings per share, the numerator includes or adds back potential common stock dividends, interest and other conversion revenues (expenses). The denominator includes all potentially dilutive common shares.

When the Company has such situations like capital increase by cash, convertible bonds converted into common stocks, exercise of stock options and buyback of treasury stocks, the Company shall recalculate weighted average outstanding shares based on outstanding terms of the above situations. The weighted-average outstanding shares shall be retroactively adjusted for capital increases arising from transfer of retained earnings, capital reserves and bonuses to employees.

### **3. REASONS AND EFFECTS FOR CHANGES IN ACCOUNTING POLICIES**

- (1) Effective from January 1, 2008, the Company adopted R.O.C. SFAS No. 39, "Accounting for Share-Based Payment" to account for share-based payments. This change in accounting principles had no effect on consolidated net loss or loss per share for the year ended December 31, 2008 and consolidated total assets as of December 31, 2008.
- (2) Effective from January 1, 2008, the Company adopted Accounting Research and Development Foundation interpretation No. 96-052 to account for share-based employees' bonuses and remunerations paid to directors and supervisors. The adoption had no significant effect on consolidated net loss and consolidated loss per share for the year ended December 31, 2008.
- (3) Effective from July 1, 2008, the Company adopted amendments to R.O.C SFAS No.34, "Financial Instruments: Recognition and Measurement" to reclassify its financial instruments. The adoption resulted in a favorable effect on consolidated net loss in the amount of \$583,278, thereby decreasing consolidated loss per share by \$0.06 for the year ended December 31, 2008.
- (4) Effective from January 1, 2009, the Company adopted the newly revised SFAS No.10, "Accounting for Inventories". The main revisions are (1) inventories are valued at the lower of cost and net realizable value on an item by item basis except for those classified in the same group; (2) unallocated overheads resulted from low production or idle plant are recognized as costs of sales in the period in which they are incurred; and (3) abnormal amounts of production costs of inventories, and loss from decline in value (or gains from value recovery) are recognized as cost of sales. This change in accounting principles had no material effect on consolidated net loss or loss per share for the year ended December 31, 2009 and consolidated total assets as of December 31, 2009. The consolidated non-operating expenses - provision loss on decline in market value and obsolescence of inventory of \$2,468,089 was also reclassified to cost of sales for the year ended December 31, 2008.
- (5) In accordance with the amended tax laws, the Profit-Seeking Enterprise Income Tax rate has been reduced from 25% to 20%. The adoption resulted in a favorable effect on consolidated net loss in the amount of \$330,188, thereby decreasing consolidated loss per share by \$0.03 for the year ended December 31, 2009.

### **4. DETAILS OF SIGNIFICANT ACCOUNTS BALANCES**

- (1) Cash and cash in bank

	As of December 31,	
	2009	2008
Cash on hand	\$3,485	\$2,817
Revolving funds	1,594	490
Cash in banks - checking and savings account	10,519,107	10,054,457
Cash in banks - time deposits	7,901,642	10,621,901
Total	<u>\$18,425,828</u>	<u>\$20,679,665</u>

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

	As of December 31,	
	2009	2008
<u>Assets</u>		
Financial assets held for trading:		
Funds	\$21,665	\$245,028
Foreign currency forward exchange contracts	39,375	144,243
Convertible bonds – option	-	120,830
Financial assets designated at fair value through profit or loss:		
Domestic convertible bonds - listed company	-	543,991
Total	<u>\$61,040</u>	<u>\$1,054,092</u>

	As of December 31,	
	2009	2008
<u>Liabilities</u>		
Financial liability held for trading:		
Interest rate swap contracts	\$44,426	\$229,082
Financial liabilities designated at fair value through profit or loss:		
Liability components of convertible bonds - embedded derivative contracts	-	380,183
Total	<u>\$44,426</u>	<u>\$609,265</u>

Detailed information of the derivative financial instruments above refers to Note 10.

(3) Derivative financial assets and liabilities for hedging

	As of December 31,	
	2009	2008
<u>Liabilities</u>		
Interest rate swap contract – current	<u>\$9,054</u>	<u>\$-</u>
Interest rate swap contract – noncurrent	<u>\$-</u>	<u>\$26,496</u>

Detailed information of the derivative financial instruments above refers to Note 10.

(4) Investment in debt securities with no active market

	As of December 31,	
	2009	2008
Domestic convertible bonds	\$38,525	\$125,648
Less: Noncurrent portion	(38,525)	(38,525)
Current	<u>\$-</u>	<u>\$87,123</u>

(5) Receivables, net

	As of December 31,	
	2009	2008
Notes receivable	\$306,781	\$361,394
Less: Allowance for doubtful accounts	(101)	(140)
Net	<u>\$306,680</u>	<u>\$361,254</u>
Accounts receivable - trade	\$9,252,702	\$10,296,390
Less: Allowance for doubtful accounts	(1,297,231)	(1,277,473)
Net	<u>\$7,955,471</u>	<u>\$9,018,917</u>

In order to improve working capital, the Company entered into accounts receivable factoring agreements, without recourse, together with Chinatrust Commercial Bank and Taishin International Bank in 2009, and with Chinatrust Commercial Bank in 2006, respectively. The accounts receivable factoring agreements in 2006 were terminated and written off on March 12, 2009. The related information with respect to these agreements was as follows:

	As of December 31,	
	2009	2008
Prepaid proceeds from factor	\$1,675,498	\$-
Due from factor	306,045	-
Amounts derecognized of accounts receivable	<u>\$1,981,543</u>	<u>\$-</u>
The range of interest rate of prepaid proceeds	<u>1.48%-2.02%</u>	<u>-</u>
Credit line (in US\$'000 or NT\$'000)	US\$100,000	-
	<u>NT\$1,600,000</u>	<u>-</u>
Promissory note (in US\$'000) (Note 1)	<u>US\$10,000</u>	<u>US\$-</u>

Note 1: The promissory note was issued as the security of future commercial dispute.

Note 2: The primary transfer criteria of due from factor: The term of accounts receivable factoring is without recourse, but the Company is responsible for the risk other than the credit risk of debtors.

(6) Inventories, net

	As of December 31,	
	2009	2008
Raw materials and supplies	\$1,130,523	\$1,890,050
Work in process	2,287,083	2,907,808
Finished goods	3,762,737	8,133,135
Raw materials in transit	477,624	391,055
Total	7,657,967	13,322,048
Less: Allowance for decline in market value and obsolescence	(1,544,369)	(2,789,618)
Net	<u>\$6,113,598</u>	<u>\$10,532,430</u>

(7) Investment in associated companies

A. Details of investment in associated companies are as follow:

Investee	As of December 31,			
	2009		2008	
	Amount	Percentage of ownership (%)	Amount	Percentage of ownership (%)
<u>Unlisted Company</u>				
Toppan Chunghwa Electronics Co., Ltd.	\$-	-	\$809,013	22.49
Xiamen Overseas Chinese Electronic Co., Ltd.	(442,278)	27.00	-	-
Less : Credit balance (classified as due from affiliates - others)	442,278	-	-	-
Subtotal	-		809,013	
<u>Listed Company</u>				
Forward Electronics Co., Ltd.	336,692	15.33	525,736	15.33
Giantplus Technology Co., Ltd.	3,804,492	32.06	4,474,923	32.22
Sintronic Technology Inc.	261,079	16.65	443,697	16.68
Subtotal	4,402,263		5,444,356	
Prepayment on investment	-		215,814	
Total	<u>\$4,402,263</u>		<u>\$6,469,183</u>	

B. The Company holds less than 20% of an investee's voting shares for some of the long-term equity investments listed above. However, if the Company and its affiliates altogether own 20% or more of the investee's voting shares, it is usually evident that the Company has significant influence and the investee should be accounted for under equity method.

C. The Company sold 46,500 thousand shares of Toppan Chunghwa Electronics Co., Ltd. for \$626,820 and realized a gain on disposal of investments amounted to \$66,003. After the disposal, the Company held 13,500 thousand shares in Toppan Chunghwa Electronics Co., Ltd., representing 5.06% of ownership interest. Therefore the remaining carrying value of investment was reclassified as financial assets carried at cost - noncurrent.

D. Total losses arising from investments accounted for under the equity method were \$757,467 and \$732,877 for the years ended December 31, 2009 and 2008, respectively. Investment loss amounted to \$210,261 and \$20,072 for the years ended December 31, 2009 and 2008, respectively, and the related long-term investment balances of \$3,804,492 and \$5,283,936 as of December 31, 2009 and 2008, respectively, were determined based on the investees' financial statements audited by the other auditors

(8) Available-for-sale financial assets - noncurrent

Listed Companies	As of December 31,			
	2009		2008	
	Amount	Percentage of ownership (%)	Amount	Percentage of ownership (%)
Tatung Co., Ltd.	\$5,836,563	5.60	\$5,836,563	4.91
Country Heights Holding Berhad	367,052	17.41	605,948	17.41
Less: Cumulative translation adjustment	(114,456)		(112,809)	
Valuation allowance	<u>(3,397,404)</u>		<u>(4,077,463)</u>	
Total	<u>\$2,691,755</u>		<u>\$2,252,239</u>	

(9) Financial assets carried at cost - noncurrent

Name of Investee	As of December 31,	
	2009	2008
Mines Golf Resort Berhad	\$98,930	\$124,255
Fuzhou Jieyi Electronics Co., Ltd.	4,897	4,897
Common stock - unlisted company	162,818	-
Private placement shares - listed company	262,500	262,500
- unlisted company	92,000	92,000
Convertible bonds - option	1,475	1,475
Less: Cumulative translation adjustment	3,186	4,233
Total	<u>\$625,806</u>	<u>\$489,360</u>

(10) Property, plant and equipment

- A. In accordance with relevant regulations of R.O.C., CPT revalued its property, plant and equipment in 1978, 1979, and 1981. As a result, a total of \$88,005 was added to total assets and \$59,304 (net of reserve for incremental tax on land revaluation of \$28,701) was credited to other items in stockholders' equity – unrealized incremental value from revaluation, which included proportional adjustments in investees accounted for under equity method with amount of \$610,163. As of December 31, 2009, the revalued assets amounted to \$57,192.
- B. In accordance with related regulations in Malaysia, CPTM revalued its land with a revaluation increase of US\$16,414 thousand which was added to total assets and credited to deferred income tax liabilities of US\$18 thousand and other items in stockholders' equity of US\$16,396 thousand.
- C. No interest was capitalized during the year ended December 31, 2009 and 2008.
- D. On November 5, 2007, CPT disposed of generation 3 (Gen 3) TFT-LCD fab. located in Taiwan to Giantplus Technology Co., Ltd. for \$6,500,520 (included intellectual property of \$1,435,000, land use rights of \$294,661 and building and equipment of \$4,770,859). Net gain from disposing the intellectual property and building and equipment amounted to \$4,135,972 (include gain on disposal of fixed assets of \$2,805,780 and non-operating income - other income of \$1,330,191). CPT transferred the gain on disposal of fixed assets of \$920,857 and other income of \$436,568 to deferred credits based on CPT's proportionate shares in the net equity of Giantplus Technology Co., Ltd. as intercompany profit on the transaction. The deferred credits will be released as gain on disposal of fixed assets and other income in the future over these assets' economic service lives. For the years ended December 31, 2009 and 2008, CPT transferred deferred credits to gain on disposal of fixed assets of \$229,942 as well as other income of \$109,142. As of December 31, 2009, total deferred credits released to gain on disposal of assets and other income were amounted to \$459,884 and \$218,284, respectively.

Unrealized intercompany gain on disposal of land use rights of \$294,661 was amortized over the contractual life and recognized as other income of \$11,786 as of December 31, 2009. CPT transferred long-term deferred revenues to other income of \$5,893 for the years ended December 31, 2009 and 2008. As of December 31, 2009, current portion and noncurrent portion of long-term deferred revenues is \$5,893 and \$276,982, respectively.

CPT has received \$3,000,000 in cash in 2007 and \$1,693,770 in the first quarter of 2008, respectively. Furthermore, the remaining payment of \$1,806,750 should be calculated at the present value of \$1,792,278 (minus unrealized interest revenue of \$104,809 and sales tax of \$90,337). The balance was recorded as other accounts receivable - current of \$673,598 and noncurrent of \$1,077,450. These payments should be paid in 11 quarterly installments of \$164,250 from April 7, 2008. As of December 31, 2009, outstanding balance recorded under accounts receivable - others amounted to \$597,245.

E. In order to strengthen competitive advantage through vertical integration, the Company's Board of Directors resolved to sign a definitive agreement to purchase Gen 3.5 and Gen 4.5 color filter fab of Sintek Co., Ltd. factories in April 2007. The transaction price of the assets including plant, property, machinery equipment, lands and associated miscellaneous equipment is \$2,300,000. As of December 31, 2009, the transaction price had been fully settled.

(11) Intangible Asset

Intangible assets as of December 31, 2009 and 2008 consisted of the following:

Items	For the year ended December 31, 2009				
	Beginning balance	Additions	Amortization	Effect of exchange rate	Ending balance
Technology license fees	\$3,687,131	\$2,359,917	\$1,866,727	\$(25,653)	\$4,154,668
Computer software cost	77,691	59,379	47,033	(105)	89,932
Land use right	346,826	-	8,833	(5,533)	332,460
Deferred pension cost	67,492	-	33,746	-	33,746
<b>Total</b>	<b>\$4,179,140</b>	<b>\$2,419,296</b>	<b>\$1,956,339</b>	<b>\$(31,291)</b>	<b>\$4,610,806</b>

Items	For the year ended December 31, 2008				
	Beginning balance	Additions	Amortization	Effect of exchange rate	Ending balance
Technology license fees	\$4,776,040	\$292,318	\$1,380,279	\$(948)	\$3,687,131
Computer software cost	55,950	57,587	35,846	-	77,691
Land use right	315,589	12,221	8,345	27,361	346,826
Deferred pension cost	101,238	-	33,746	-	67,492
<b>Total</b>	<b>\$5,248,817</b>	<b>\$362,126</b>	<b>\$1,458,216</b>	<b>\$26,413</b>	<b>\$4,179,140</b>

The intangible assets mainly consist of license fees related to TFT-LCD and computer software cost.

(12) Deferred charges

Items	As of December 31,	
	2009	2008
Shadow mask	\$830,633	\$841,314
Expense of syndicated loan application	-	117,709
Others	59,725	115,484
<b>Total</b>	<b>\$890,358</b>	<b>\$1,074,507</b>

(13) Other assets - others

As of December 31, 2009, due to legal restriction of R.O.C., CPT had not been able to register as the legal owner of certain farmlands (0.347118 hectares amounting to \$35,755) purchased by CPT. Accordingly, such lands were temporarily held in trust by third parties. However, in order to protect CPT's interest, CPT has kept control of the title deeds.

(14) Impairment of assets

Items	For the year ended December 31,	
	2009	2008
Property, plant and equipment	\$3,871,466	\$1,092,287
Available-for-sale financial assets - noncurrent	238,895	-
Investment in associated companies	663,933	250,000
Financial assets carried at cost - noncurrent	25,325	-
Total	<u>\$4,799,619</u>	<u>\$1,342,287</u>

(15) Short-term bank loans

Items	As of December 31,	
	2009	2008
Unsecured L/C loan	\$276,388	\$173,286
Unsecured loan	12,502,780	13,504,586
Total	<u>\$12,779,168</u>	<u>\$13,677,872</u>
Interest rates	<u>0.75%~5.57%</u>	<u>1.35%~5.89%</u>

(16) Bonds payable

	As of December 31,	
	2009	2008
Zero Coupon Convertible Bonds, issued in 2007 and due 2012 - Debt components, net	\$-	\$4,162,441
Zero Coupon Convertible Bonds, issued in 2008 and due 2014 - Debt components, net	-	7,375,860
Less: Current portion of bonds payable	-	(11,538,301)
Bonds payable, net of current portion	<u>\$-</u>	<u>\$-</u>

The significant terms of the Convertible Bonds are as follows:

	Zero Coupon Convertible Bonds, issued in 2006 and due 2011	Zero Coupon Convertible Bonds, issued in 2007 and due 2012	Zero Coupon Convertible Bonds, issued in 2008 and due 2014
· Amount:	US\$250 million	US\$150 million	US\$250 million
· Issue price:	100%	100%	100%
· Duration:	5 years (2006.7.14 to 2011.7.14)	5 years (2007.10.02 to 2012.10.02)	6 years (2008.01.31 to 2014.01.31)
· Place of trading:	Singapore Stock Exchange	Singapore Stock Exchange	Singapore Stock Exchange

	Zero Coupon Convertible Bonds, issued in 2006 and due 2011	Zero Coupon Convertible Bonds, issued in 2007 and due 2012	Zero Coupon Convertible Bonds, issued in 2008 and due 2014
· Coupon rate:	-	-	-
· Conversion period:	Bondholders may convert the bonds to CPT's common shares during a period 30 days after the issuance and 30 days before the maturity. The number of common shares received by the bondholders is determined by dividing the principal amount over conversion price. No cash payment will be made for fractional shares. (The exchange rate is fixed at \$32.345= US\$1).	Bondholders may convert the bonds to CPT's common shares during a period 40 days after the issuance and 7 days before the maturity. The number of common shares received by the bondholders is determined by dividing the principal amount over conversion price. No cash payment will be made for fractional shares. (The exchange rate is fixed at \$32.897= US\$1).	Bondholders may convert the bonds to CPT's common shares during a period 3 months after the issuance and 7 days before the maturity. The number of common shares received by the bondholders is determined by dividing the principal amount over conversion price. No cash payment will be made for fractional shares. (The exchange rate is fixed at \$33.08= US\$1).
· Conversion price and adjustment:	The conversion price is \$7.89 per share and will be adjusted if number of CPT's common share changes after the issuance of the bonds.  As of December 31, 2009, the conversion price was \$6.83 per share.	The conversion price is \$10.35 per share and will be adjusted if number of CPT's common share changes after the issuance of the bonds.  As of December 31, 2009, the conversion price was \$9.75 per share.	The conversion price is \$8.5 per share and will be adjusted if number of CPT's common share changes after the issuance of the bonds.  The conversion price was reset to \$4.02 per share in July 2009.
· CPT's redemption rights:	a. On and after January 14, 2008, CPT may redeem the bonds at a gross yield of 2.75% on a semi-annual basis of the unpaid principal amount outstanding if the closing price of the CPT's common share on TSE is equal to 125% or above of the conversion price in effect on each trading day for a period of 20 consecutive trading days, or the bonds not yet converted or bought back amounted to less than 10% of the aggregate principal amount originally issued.	a. On and after April 2, 2009, CPT may redeem the bonds at 100% basis of the unpaid principal amount outstanding if the closing price of the CPT's common share on TSE is equal to 130% or above of the conversion price in effect on each trading day for a period of 20 consecutive trading days, or the bonds not yet converted or bought back amounted to less than 10% of the aggregate principal amount originally issued.	a. On and after January 31, 2011, CPT may redeem all or some of the unpaid principal amount outstanding if the closing price of the CPT's common share on TSE is equal to 150% or above of the conversion price in effect on each trading day for a period of 30 consecutive trading days.

	Zero Coupon Convertible Bonds, issued in 2006 and due 2011	Zero Coupon Convertible Bonds, issued in 2007 and due 2012	Zero Coupon Convertible Bonds, issued in 2008 and due 2014
	<p>b. CPT may redeem the bonds at a gross yield of 2.75% on a semi-annual basis of the unpaid principal amount outstanding if there is a change in legislation, resulting in an increase in tax liabilities of CPT.</p> <p>c. CPT may redeem the bonds at 114.63% of coupon price on maturity.</p>	<p>b. CPT may redeem the bonds at 100% of the unpaid principal amount outstanding if there is a change in legislation, resulting in an increase in tax liabilities of CPT.</p> <p>c. CPT may redeem the bonds at 120% of coupon price on maturity.</p>	<p>b. CPT may redeem the bonds at 100% of the unpaid principal amount outstanding if there is a change in legislation, resulting in an increase in tax liabilities of CPT.</p> <p>c. CPT may redeem the bonds at 139.34% of coupon price on maturity.</p>
· Bondholders' option rights:	<p>a. The bondholders may demand CPT to redeem the bonds if trading of CPT's shares is restricted on the TSE.</p> <p>b. On January 14, 2008, the bondholders have the right to require CPT to redeem the bonds at a price equal to 104.18% of the principal amount.</p>	<p>a. The bondholders may demand CPT to redeem the bonds if trading of CPT's shares is restricted on the TSE.</p> <p>b. On April 2, 2009, the bondholders have the right to require CPT to redeem the bonds at a price equal to 106.903% of the principal amount. All bonds have been redeemed or converted to common shares in the third quarter of 2009. The bondholders demanded CPT to redeem the bonds at the abovementioned price with the amount of US\$140,450 thousand. The redemption loss of \$855,825 was included in other losses.</p>	<p>a. The bondholders may demand CPT to redeem the bonds if trading of CPT's shares is restricted on the TSE.</p> <p>b. On July 31, 2009, January 31, 2011 and July 31, 2012, the bondholders have the right to require CPT to redeem the bonds at a price equal to 105.91%, 112.16% and 125.01% of the principal amount. All bonds have been redeemed or converted to common shares in the third quarter of 2009. The bondholders demanded CPT to redeem the bonds at 112.16% of the principal in the amount of US\$188,660 thousand. The redemption loss of \$1,378,631 was included in other losses.</p>
· Converting status:	All bonds have been converted to common shares in the first quarter of 2008.	All bonds have been redeemed or converted to common shares in the third quarter of 2009. The bondholders have applied to exercise the conversion right of US\$9,550 thousand with 30,354 thousand shares.	All bonds have been redeemed or converted to common shares in the third quarter of 2009. The bondholders have applied to exercise the conversion right of US\$61,340 thousand with 504,758 thousand shares.

(17) Long-term bank loans

Items	As of December 31,	
	2009	2008
Unsecured syndicated loan	\$957,841	\$7,127,128
Secured syndicated loan	35,353,226	36,154,240
Subtotal	36,311,067	43,281,368
Commercial paper payable	2,099,800	2,181,600
Less: Unamortized discount on commercial paper payable	(3,725)	(25,736)
Subtotal	2,096,075	2,155,864
Less: Current portion	(12,202,806)	(18,580,490)
Net	\$26,204,336	\$26,856,742
Interest rates	0.50%~6.31%	2.60%~6.05%

Certain of the long-term bank loans were jointly guaranteed by the former President of CPT. Detail information of the guarantee to long-term bank loans above refers to Note 6.

(18) Pension

A. Pension expenses:

Type of pension plan	For the year ended December 31,	
	2009	2008
Defined benefit pension plan	\$183,930	\$277,618
Defined contribution pension plan	174,982	204,329
Total	\$358,912	\$481,947

B. Funded defined benefit pension plan:

a. Details of net periodic pension cost of defined benefit pension plan for the years ended December 31, 2009 and 2008 are as follows:

	For the year ended December 31,	
	2009	2008
Employee service cost	\$76,476	\$100,527
Interest cost	59,858	103,608
Expected return on plan assets	(5,431)	(10,885)
Amortization of net transition obligation	33,746	33,746
Amortization of actuarial gain or loss	19,281	50,622
Total	\$183,930	\$277,618

b. The reconciliation statements of reporting funded status of the defined benefit pension plan as of December 31, 2009 and 2008 are as follow:

	As December 31,	
	2009	2008
Pension obligation		
Vested	\$194,009	\$221,560
Non-Vested	2,341,612	2,186,459
Accumulated benefit obligation	2,535,621	2,408,019
Additional benefits based on future salaries	256,038	252,349
Projected benefit obligation	2,791,659	2,660,368
Fair value of plan assets	(135,275)	(241,396)
Funded status	2,656,384	2,418,972
Unamortized net transition obligation	(33,746)	(67,942)
Unrealized loss on pension assets	(729,225)	(535,975)
Deferred pension cost	33,746	67,492
Net loss not recognized as pension cost	473,187	283,626
Accrued pension liability	<u>\$2,400,346</u>	<u>\$2,166,623</u>

c. The major actuarial assumptions are as follows:

	As of December 31,	
	2009	2008
Discount rate	2.25%	3.25%
Rate of increase in future compensation levels	1.00%	2.00%
Expected long-term rate of return on plan assets	2.25%	3.25%

C. As of December 31, 2009 and 2008, the pension fund deposited in the Bank of Taiwan was \$134,025 and \$234,900, respectively.

D. As of December 31, 2009 and 2008, the vested benefit of CPT employees' retirement plan was \$202,441 and \$231,211, respectively.

E. CPT's subsidiaries have various defined contribution pension plans. Under these plans, the subsidiaries have to make periodical contributions to pension account maintained with local governments and recognized it as current expense.

#### (19) Capital

A. As of January 1, 2008, the authorized and issued capital of CPT were \$125,000,000 and \$88,361,574, divided into 12,500,000 thousand shares and 8,836,157 thousand shares, respectively, each at par value of \$10.

- B. For CPT's zero coupon 5 years convertible bonds issued in July 2006, 1,107,101 thousand shares have been converted by bondholders into common shares, and employee stock options were exercised into 54,070 thousand shares for the year ended December 31, 2007; of which 537,619 thousand shares of common shares were registered and approved by the authority on January 21, 2008.
- C. For CPT's zero coupon convertible bonds issued in July 2006, 107,184 thousand shares have been converted by bondholders into common shares for the year ended December 31, 2008.
- D. CPT issued 100,000 thousand Global Depositary Receipts at US\$2.95 per unit, on July 31, 2009, representing 2,500,000 thousand shares. The capitalization was registered and approved by the authority on August 27, 2009.
- E. For CPT's zero coupon 6 years convertible bonds issued in 2008, 504,758 thousand shares have been converted by bondholders into common shares in July 2009. The capitalization was registered and approved by the authority.
- F. From September to October 2009, CPT entered into a private placement agreement with companies including Tatung Company and Compal Electronics Inc. ("Compal"). The total amount of the subscription for counterparties aforementioned is \$10,000,000, divided into 4,000,000 thousand shares, at a price of NT\$2.5 per share. The capitalization was registered and approved by the authority on November 5, 2009.
- G. As of December 31, 2009, the authorized and issued capital of CPT were \$245,000,000 and \$164,857,178, divided into 24,500,000 thousand shares and 16,485,718 thousand shares, respectively, each at par value of \$10.

(20) Stock compensation

CPT was authorized Securities and Futures Bureau of Financial Supervisory Commission on April 29, 2004, May 24, 2007, and December 23, 2008 to grant options for up to 233,982 units, 100,000 units and 100,000 units ("2004 Plan", "2007 Plan" and "2008 Plan"), respectively. Each unit entitles an optionee to subscribe to 1,000 share of CPT's common shares. When stock options are exercised, new stocks would be issued for the exercise. These stock option plans granted options to qualified employees of CPT or any of its domestic or foreign subsidiaries and would expire five years from the grant date. An optionee may exercise the options in accordance with certain schedules as prescribed by the plan 2 years after the grant date. If there is any change in the equity structure of CPT, the exercise price for each issued stock option plan will be adjusted. In accordance with the rule of stock options, if the exercise price is equal to the closing price of common share at the grant date, no compensation expense is recognized.

The stock option plans were all granted before December 31, 2007, thus, no compensation cost was subject to be recognized in accordance with R.O.C. SFAS No. 39 "Accounting for Share-Based Payment."

Detailed information relevant to the employee stock options was disclosed as follows:

Date of grant	Total number of options granted	Total number of options outstanding as of December 31, 2009	Exercise price (in NTS)	Plan
May 17, 2004	113,821	-	12.40	2004 plan
October 1, 2004	72,349	-	10.70	2004 plan
March 22, 2005	46,430	26,634	7.40	2004 plan
May 30, 2007	100,000	85,058	6.00	2007 plan

A. A summary of CPT's stock option activity and the related information for the years ended December 31, 2009 and 2008 was shown below:

	For the year ended December 31, 2009			
	2004 Plan		2007 Plan	
	Options	Weighted-Average Exercise Price (in dollars)	Options	Weighted-Average Exercise Price (in dollars)
	Outstanding, beginning of period	148,766	\$13.12	91,050
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(122,132)	11.66	(5,992)	6.00
Outstanding, end of period	<u>26,634</u>	<u>7.40</u>	<u>85,058</u>	<u>6.00</u>

	For the year ended December 31, 2008					
	2002 Plan		2004 Plan		2007 Plan	
	Options	Weighted-Average Exercise Price (in dollars)	Options (in thousand shares)	Weighted-Average Exercise Price (in dollars)	Options	Weighted-Average Exercise Price (in dollars)
	Outstanding, beginning of period	28,815	\$10.50	155,584	\$13.53	95,609
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited	(28,815)	10.50	(6,818)	13.28	(4,559)	8.00
Outstanding, end of period	<u>-</u>	<u>-</u>	<u>148,766</u>	<u>13.12</u>	<u>91,050</u>	<u>8.00</u>

B. Information with respect to the outstanding options of CPT as of December 31, 2009 and 2008 was as follows:

	As of December 31, 2009					
	Range of Exercise Prices (in dollars)	Outstanding options at balance sheet date			Options Exercisable	
		Options	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price (in dollars)	Number of Exercisable Options	Weighted-Average Exercise Price (in dollars)
			2004 Plan	\$7.40		
2007 Plan	\$6.00	85,058	2.41	6.00	42,529	6.00

As of December 31, 2008

	Outstanding options at balance sheet date		Options Exercisable			
	Range of Exercise Prices (in dollars)	Options	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price (in dollars)	Number of Exercisable Options	Weighted-Average Exercise Price (in dollars)
2004 Plan	\$10.40-\$14.60	148,766	0.66	\$13.12	141,727	\$13.26
2007 Plan	\$8.00	91,050	3.41	8.00	-	-

- C. No compensation was recognized for the year ended December 31, 2009 and 2008. Had CPT used the fair value method to account for its stock options, compensation cost for the year ended December 31, 2009 and 2008 would have been \$67,079 and \$111,323, respectively.
- D. Pro forma net loss and loss per share are disclosed below as if CPT had accounted for its employee stock options under the fair value method.

	For the year ended December 31,	
	2009	2008
Net loss as reported attributable to the parent company	<u>\$(38,016,886)</u>	<u>\$(13,875,112)</u>
Pro forma net loss	<u>\$(38,083,965)</u>	<u>\$(13,986,435)</u>
Basic and diluted loss per share as reported attributable to the parent company (in dollars)	<u>\$(3.46)</u>	<u>\$(1.47)</u>
Pro forma basic and diluted loss per share (in dollars)	<u>\$(3.47)</u>	<u>\$(1.48)</u>

The fair value of these options was calculated at the grant date using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Stock option plans	
	2004 Plan	2007 Plan
Dividend yield	3.84%	0.00%
Expected volatility	37.68%	33.58%
Risk-free interest rate	1.00%	2.26%
Expected life	3.875 years	3.875 years

(21) Treasury stock

- A. Changes in treasury stock during the year ended December 31, 2009 and 2008 are as follows (in thousand of shares):

For the year ended December 31, 2009:

<u>Purpose</u>	<u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u>
For transfer to employees	<u>44,000</u>	<u>-</u>	<u>-</u>	<u>44,000</u>

For the year ended December 31, 2008:

<u>Purpose</u>	<u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u>
For transfer to employees	<u>-</u>	<u>44,000</u>	<u>-</u>	<u>44,000</u>

- B. CPT bought back its own shares until the end of August, 2008. According to the Securities and Exchange Law of R.O.C. the total shares of treasury stock shall not exceed 10% of CPT's issued shares, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums, and realized additional paid-in capital.
- C. In compliance with Securities and Exchange Law of R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends.

(22) Capital reserve

According to R.O.C. Company Law, capital reserve can only be used for making up accumulated deficits if the legal reserve is insufficient for making up such deficits. Capital reserve derived from additional paid-in capital and donation from stockholders can also be used to increase common share if CPT does not have accumulated deficits. The distribution of stock dividends can be made only once a year and cannot exceed 10% of issued capital.

(23) Legal reserve

According to R.O.C. Company Law, CPT must retain at least 10% of its annual earnings as legal reserve until such reserve equals the amount of capital. Once the legal reserve equals one-half of the paid-in capital, 50% of the reserve may be transferred to common share. The legal reserve can be used to make up deficit.

(24) Special reserve

In accordance with R.O.C. Securities and Futures Bureau ("SFB") regulations, a special reserve must be provided for unrealized loss on available-for-sale financial assets, excess of additional pension liability over unrecognized prior service cost and cumulative translation adjustment and unrealized loss for cash flow hedge that are accounted for as deductions to stockholders' equity. Once the aforementioned deductions to stockholders' equity are reversed, the related reserve can be reversed to distributable earnings.

The special reserve provided in accordance with R.O.C. regulations, could be used to make up for losses. However, for subsequent years with earnings, the earnings should be first provided to the special reserve to reverse the previous reduction. Only remained earnings could be distributed.

(25) Distributions of earnings and Dividends policy

- A. Pursuant to CPT's Articles of Incorporation, current year's earnings before tax, if any, shall be distributed in the following order:
- a. payment of all taxes;
  - b. make up prior years' operation losses;
  - c. set aside 10% of the remaining amount after deducting (a) and (b) as legal reserve;
  - d. set aside special reserve in accordance with local regulation or reverse special reserve previously provided; and
  - e. after deduction of items (a), (b), (c) and (d) from current year's earnings, the remaining is allocated as follows: no higher than 1% as directors' and supervisors' remuneration; 1%-10% as employees' bonuses, and 90%-99% as distributable earnings.
- B. CPT is engaged in high-tech industry and the cycle of high-tech industry is currently experiencing the growth stage. In order to expand scale and improve its strength to compete with other major companies in the world, CPT adopts a policy of residual dividends. CPT shall base its budget on capital expenditure and the demands of the funding, taking into account the balance of retained earnings, to determine dividends or bonuses provided; however, cash dividends shall not be less than 10% of the sum of the stock dividends and cash dividends and adjusted based on current year's profit and future year's funding demand.
- C. The supplement of accumulated deficits has not yet been recommended by the Board of Directors as of the date of the Report of Independent Auditors. Information on the Board of Directors' recommendations and stockholders' approval can be obtained from the "Market Observation Post System" on the website of TSE.
- D. On May 19, 2009, CPT's shareholders' meeting resolved to offset accumulated deficits as of December 31, 2009, with legal reserve and additional paid-in capital by \$526,531 and \$27,410, respectively.
- E. On June 13, 2008, the Company's stockholders resolved that earnings after tax for the year 2007 shall be used for making up accumulated deficits of \$305,239 and deduction against accumulated earnings resulting from the difference in conversion price of the convertible bonds, in the amount of \$3,132,805. On June 13, 2008, CPT stockholders had resolved to distribute earnings, the detailed information was as follows:

	<u>2007</u>	
	<u>Amount</u>	<u>Dividend per share</u>
Legal reserve	\$526,531	\$-
Cash dividends	3,792,384	0.40
Employees' bonuses in cash	331,714	-

The distribution resolved by stockholders was the same with the Board of Directors' recommendation.

(26) Personnel, depreciation and amortization expenses

	For the year ended December 31,					
	2009			2008		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses:						
Salaries	\$5,134,237	\$1,311,644	\$6,445,881	\$6,859,156	\$1,124,633	\$7,983,789
Staff labor and health insurance	335,302	73,840	409,142	326,961	55,186	382,147
Pension	317,967	105,153	423,120	441,788	114,362	556,150
Other personnel expenses	127,232	24,088	151,320	238,639	121,276	359,915
Depreciation	24,088,011	872,361	24,960,372	24,928,379	464,777	25,393,156
Amortization	279,302	2,537,789	2,817,091	909,701	1,743,743	2,653,444

(27) Income tax

A. The consolidated income tax expense is calculated based on the relevant effective tax rate applicable for each individual company's location. The income tax for each consolidated entities shall be filed on an individual basis with the relevant country and shall not be filed on a consolidated basis.

B. The provision for income tax expenses consists of the following:

	For the year ended December 31,	
	2009	2008
Loss before income tax	\$(38,347,074)	\$(13,869,117)
The tax effects of taxation adjustments:		
Permanent differences and tax-exempt income	6,384,855	(59,342)
Temporary differences	(601,511)	7,251,682
Operating loss carryforward	32,563,730	6,676,777
Taxable income	-	-
Income tax calculated by Alternative Minimum Tax Act (AMT)	-	5,995
Withholding tax and prepaid income tax expenses	-	(5,995)
Income tax-current (note)	-	-
Withholding tax and prepaid income tax expenses	-	5,995
Income tax payable – deferred		
Investment tax credits	4,643,808	(341,072)
Operating loss carryforward	(7,503,235)	(1,669,194)
Temporary differences	(82,877)	(1,829,513)
Effect on deferred income tax assets and liabilities resulting from changes in tax rates	(330,188)	-
Valuation allowances	2,942,304	3,839,779
Subtotal	(330,188)	5,995
Income tax expenses resulting from consolidated subsidiaries	208,262	214,943
Income tax expenses (benefits)	\$(121,926)	\$220,938

Note : CPT will be subject to a 10% AMT if the income tax payable determined pursuant to the income tax law of R.O.C. is below the minimum amount prescribed under the AMT Act.

C. Significant components of CPT's deferred tax assets and liabilities as of December 31, 2009 and 2008 were as follows:

Components	As of December 31,			
	2009		2008	
	Amount	Income tax effect	Amount	Income tax effect
<b>Deferred tax assets:</b>				
Investment tax credits	\$-	\$1,911,194	\$-	\$6,555,002
Allowance for bad debts	1,360,113	272,023	1,523,126	380,782
Unrealized loss on decline in market value and obsolescence of inventory	1,089,428	217,885	1,720,000	430,000
Unrealized loss on foreign currency exchange, net	-	-	1,082,995	270,749
Deferred credits	1,066,941	213,388	227,975	56,994
Unrealized loss on financial assets and liabilities at fair value through profit or loss, net	604,627	120,925	-	-
Deferred pension expense	1,607,587	321,517	1,537,689	384,422
Operating loss carryforward	51,379,184	10,275,837	21,366,245	5,341,561
Unrealized law-related expenses	4,180,400	836,080	2,400,000	600,000
Unrealized loss on available-for-sale financial assets of overseas investee companies	2,173,744	434,749	2,442,671	610,668
Unrealized interest expenses on interest rate swap contracts	44,426	8,885	754,185	188,546
Subtotal		14,612,483		14,818,724
Deferred tax assets resulting from consolidated subsidiaries		8,281		3,776
<b>Total</b>		<b>\$14,620,764</b>		<b>\$14,822,500</b>
<b>Deferred tax liabilities:</b>				
Overseas investment income accounted for under equity method	\$10,009,781	\$2,001,956	\$8,541,999	\$2,135,500
Currency translation adjustment on long-term equity investment denominated in foreign currencies	3,331,870	666,374	1,848,597	462,150
Unrealized gain on foreign currency exchange, net	19,757	3,951	-	-
Unrealized gain on financial assets and liabilities at fair value through profit or loss, net	-	-	1,111,496	277,874
Subtotal		2,672,281		2,875,524
Deferred tax liabilities resulting from consolidated subsidiaries		3,503		-
<b>Total</b>		<b>\$2,675,784</b>		<b>\$2,875,524</b>

D. Detail information of deferred tax assets and liabilities as of December 31, 2009 and 2008 were as follows:

	As of December 31,	
	2009	2008
Deferred tax assets - current	\$1,393,982	\$5,858,592
Valuation allowance - current	(1,390,031)	(5,580,718)
Deferred tax assets, net - current	3,951	277,874
Deferred tax liabilities - current	(6,242)	(277,874)
Net deferred liabilities - current	\$(2,291)	\$-
Deferred tax assets - noncurrent	\$13,226,782	\$8,963,908
Valuation allowance - noncurrent	(11,813,018)	(7,575,373)
Deferred tax assets, net - noncurrent	1,413,764	1,388,535
Deferred tax liabilities - noncurrent	(2,669,542)	(2,597,650)
Net deferred tax liabilities - noncurrent	\$(1,255,778)	\$(1,209,115)

E. R.O.C. income tax authorities have examined the income tax returns of CPT through 2005.

F. CPT obtained the approval letters from Industrial Development Bureau, Ministry of Economic Affairs for the years from 2002 to 2009, to apply for tax exemption on investment gain and disposal gain on foreign affiliates for setting its headquarters in Taiwan.

G. CPTF Optronics Co., Ltd., Chunghwa Picture Tubes (Wujiang) Ltd., CPT Display technology (Fujian) Ltd., CPTF Visual Display (Fuzhou) Ltd., CPT Display technology (Shen-Zhen) Ltd. and CPT TPV Optical (Fujian) Co., Ltd. are exempted from income tax in the first two profit making years, net of previous years' losses, and allowed a 50% reduction in the next three years under the original PRC's tax regulation.

Since 2008, PRC's tax regulation has been modified. Enterprises which use 15% tax rate to calculate income tax have 5 years transition. Since 2008, the above enterprises are required to be levied an increasing income tax rate of by 2% annually. The enterprises which originally have the benefit of the income tax exemption continue to enjoy the benefit until the end of the tax-exemption period.

H. CPT was entitled to an income tax exemption for a period of five consecutive years for the income generated by sales of its TFT-LCD.

Details of CPT's effective tax exemption periods are as follows:

Tax-exempted products	Tax exemption period
TFT-LCD	2004~2008
TFT-LCD	2008~2012
TFT-LCD	2010~2014
CF	2006~2010

- I. CPT earns investment tax credits for the amount invested in production equipment, research and development, and employee training pursuant to Statute for Upgrading Industries.

As of December 31, 2009, CPT's tax credit and unused investment tax credits were as follows:

Tax credit	Unused tax credit	Expiration year
\$337,036	\$337,036	2013
330,554	330,554	2012
535,341	535,341	2011
708,263	708,263	2010
<u>\$1,911,194</u>	<u>\$1,911,194</u>	

- J. As of December 31, 2009, the unutilized accumulated losses for the Company were as follows:

Accumulated loss	Unutilized accumulated loss	Expiration year
\$32,654,965	\$32,654,965	2019
4,596,905	4,596,905	2018
13,479,893	13,479,893	2016
7,533,661	647,421	2015
<u>\$58,265,424</u>	<u>\$51,379,184</u>	

- K. The integrated income tax information of CPT is as follows:

	As of December 31,	
	2009	2008
Imputation credit account (ICA)	<u>\$17,167</u>	<u>\$16,229</u>
Retained earnings (accumulated deficits)	<u>\$(99,889,239)</u>	<u>\$(13,777,415)</u>
Creditable ratio	<u>-</u>	<u>-</u>

(28) Loss per share

CPT's capital structure is a complex structure. When calculating the potential common shares, the effect of convertible bonds and employees' stock options is considered. However, these potential common shares were not included in the computation of diluted loss per share for the years ended December 31, 2009 and 2008 due to their anti-dilutive effect and thereby the diluted loss per share is equal to basic loss per share. The loss per share for the years ended December 31, 2009 and 2008 were as follows:

	For the year ended December 31,			
	2009		2008	
	Consolidated net loss	Net loss attributable to stockholders of the parent company	Net loss	Net loss attributable to stockholders of the parent company
Net loss attributable to stockholders	<u>\$(38,409,845)</u>	<u>\$(38,016,886)</u>	<u>\$(13,892,915)</u>	<u>\$(13,875,112)</u>
Shares expressed in thousands	<u>10,971,923</u>	<u>10,971,923</u>	<u>9,449,716</u>	<u>9,449,716</u>
Loss per share - basic and diluted (in NT\$)	<u>\$(3.50)</u>	<u>\$(3.46)</u>	<u>\$(1.47)</u>	<u>\$(1.47)</u>

(29) Technology and purchase agreement

<u>Contracting party</u>	<u>The term of the contract</u>	<u>The content of repayment</u>
<u>Technical agreement</u>		
Samsung Electronics Co., Ltd (SEC)	January 2009   December 2013	1. CPT is required to pay licensing fees on installment basis for using the technologies. 2. CPT is required to pay royalty fees based on a pre-determined percentage of net sales of the related products for continuing use of exclusive technology.
Advanced Display Inc. (ADI)	April 1997   June 2010	1. CPT is required to pay licensing fees on installment basis for using the technologies. 2. CPT is required to pay royalty fees based on a pre-determined percentage of net sales of the related products for continuing use of exclusive technology. 3. ADI has the right to purchase no more than 15% of the total products from CPT at 90% of average selling price. CPT bears the shipping costs of the products to locations designated by ADI.
Sharp Corporation	January 2002   June 2011	1. CPT is required to pay licensing fees (one time payment) for using the technologies. 2. CPT is required to pay royalty fees based on a pre-determined percentage of net sales of the related products for continuing use of exclusive technology.
Hitachi Ltd.	January 2003   December 2010	1. CPT is required to pay licensing fees on installment basis for using the technologies. 2. CPT is required to pay royalty fees based on a pre-determined percentage of net sales of the related products for continuing use of exclusive technology.
Semiconductor Energy Laboratory Co., Ltd. (SEL)	January 2004   December 2008	1. CPT is required to pay licensing fees on installment basis for using the technologies. 2. CPT is required to pay royalty fees based on a pre-determined percentage of net sales of the related products for continuing use of exclusive technology.
Industrial Technology Research Institute (ITRI)	May 2002   May 2009	CPT is required to pay licensing fees on installment basis for using the technologies.

<u>Contracting party</u>	<u>The term of the contract</u>	<u>The content of repayment</u>
Mitsubishi Electric Corporation and Advanced Display Inc.	During the patent period beginning November 2002	CPT is required to pay licensing fees on installment basis for using the technologies.
Guardian Industries Corp.	May 2006   April 2011	1. CPT is required to pay licensing fees on installment basis for using the technologies. 2. CPT is required to pay royalty fees based on a pre-determined percentage of net sales of the related products for continuing use of exclusive technology.
Toshiba Matsushita Display Technology Co., Ltd. (TMD)	April 2007   February 2012	1. CPT is required to pay licensing fees on installment basis for using the technologies. 2. CPT is required to pay royalty fees based on a pre-determined percentage of net sales of the related products for continuing use of exclusive technology.
LG. Display Co. Ltd. (LG. Philips LCD Co., Ltd.)(LPL).	October 2007   September 2014	CPT is required to pay royalty fees based on pre-determined percentage of net sales of the related products for continuing use of exclusive technology.
<u>Purchase agreement</u>		
Corning Display Technologies Taiwan Co., Ltd (Corning Taiwan)	April 2005   March 2011	1. Corning Taiwan will guarantee to supply materials of TFT-LCD to CPT for 6 generation fabrication. 2. CPT is required to make prepayments on installment basis to Corning Taiwan to be deductible from subsequent purchase.

## 5. RELATED PARTY TRANSACTIONS

(1) Name and relationship:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Tatung Co., Ltd.	The Company's major stockholder and represented on the Company's board of directors
Forward Electronics Co., Ltd.	An investee accounted for under equity method
Toppan Chunghwa Electronics Co., Ltd.	An investee accounted for under equity method (17.43% of ownership was disposed on June 22, 2009. Investment has been reclassified to financial assets carried at cost.)

Name of related party	Relationship with the Company
Giantplus Technology Co., Ltd.	An investee accounted for under equity method
Sintronic Technology Inc.	An investee accounted for under equity method
Xiamen Overseas Chinese Electronic Co., Ltd.	An investee accounted for under equity method
Taiwan Telecommunication Industry Co., Ltd.	Subsidiary of Tatung Co., Ltd.
Tatung Fine Chemical Co., Ltd.	Subsidiary of Tatung Co., Ltd.
Shang Chih International Express Co., Ltd.	Subsidiary of Tatung Co., Ltd.
Tatung-Fanuc Robotics Company	Subsidiary of Tatung Co., Ltd.
Tatung Co. of Japan, Inc.	Subsidiary of Tatung Co., Ltd.
Tatung (U.K.) Ltd.	Subsidiary of Tatung Co., Ltd.
Tatung (Thailand) Co., Ltd.	Subsidiary of Tatung Co., Ltd.
Tatung Co. of America, Inc.	Subsidiary of Tatung Co., Ltd.
Tatung Consumer Products (Taiwan) Co., Ltd.	Subsidiary of Tatung Co., Ltd.
Tatung System Technology Inc.	Subsidiary of Tatung Co., Ltd.
Toes Opto-Mechatronics Co.,Ltd	Subsidiary of Tatung Co., Ltd.
TIS Net Technology Inc.	Subsidiary of subsidiary of Tatung Co., Ltd.
Tatung Information Technology (Jiang Su) Co., Ltd.	Subsidiary of subsidiary of Tatung Co., Ltd.
Green Energy Technology Inc., Ltd.	Subsidiary of subsidiary of Tatung Co., Ltd.
Tatung Electronics (Singapore) Pte. Ltd.	An investee of Tatung Co., Ltd. accounted for under equity method
Tatung Chungai Precious Metals Co., Ltd.	An investee of Tatung Co., Ltd. accounted for under equity method
Tatung Atherton Co.	An investee of Tatung Co., Ltd. accounted for under equity method
Tatung Telecom Corporation	An investee of Tatung Co., Ltd. accounted for under equity method
Tatung OTIS Elevator Co., Ltd.	An investee of Tatung Co., Ltd. accounted for under equity method
Kuender Company Co., Ltd.	An investee of Tatung Co., Ltd. accounted for under equity method
Tatung Okuma Co., Ltd.	An investee of Tatung Co., Ltd. accounted for under equity method
Elitegroup Computer Systems Co., Ltd.	An investee of Tatung Co., Ltd. accounted for under equity method
Tatung University	The major stockholder of Tatung Co., Ltd.
Suzhou Forward Electronixs Technology Co., Ltd.	Subsidiary of subsidiary of Forward Electronics Co., Ltd.
Sintronic Technology (Suzhou) Co., Ltd.	Subsidiary of subsidiary of Sintronic Technology Inc.
Jean Co., Ltd.	Chairman is one of the immediate family members of the Company's Chairman
Jeffrey Investment Ltd.	Subsidiary of Jean Co., Ltd.
Jean (M) Sdn. Bhd., Malaysia	Subsidiary of Jean Co., Ltd.
K-tronics, Inc.	Subsidiary of subsidiary of Jean Co., Ltd.

(2) Significant transactions with related parties:

A. Operating revenue

Name of Related party	For the year ended December 31,			
	2009		2008	
	Amount	%	Amount	%
Xiamen Overseas Chinese Electronic Co., Ltd.	\$3,045,942	5.26	\$3,798,817	3.21
Giantplus Technology Co., Ltd.	1,394,557	2.41	1,420,042	1.20
Tatung Co., Ltd.	884,335	1.53	2,207,818	1.86
Jean Co., Ltd.	874,582	1.51	1,249,453	1.05
Elitegroup Computer Systems Co., Ltd.	827,832	1.43	1,670,953	1.41
Jeffrey Investment Ltd.	5,189	0.01	239,118	0.20
Tatung Information Technology (Jiang Su) Co., Ltd.	1,256	-	1,780,872	1.50
Others	32,827	0.05	76,591	0.07
Total	<u>\$7,066,520</u>	<u>12.20</u>	<u>\$12,443,664</u>	<u>10.50</u>

There are no significant differences between selling prices to related parties and prices to arms length customers. The comparison of collection terms between related parties and arms length customers is summarized as follows:

Region	Related Party	Arms length customer	For the year ended December 31,	
			2009	2008
			Related Party	Arms length customer
Overseas	O/A 90-120days	Cash payment with 30-90 days L/C 30-65 days At sight	O/A 90-120 days	Cash payment with 30-90 days L/C 30-65 days At sight
R.O.C. Domestic	O/A 60-120days	Cash payment with 30-60 days At sight	O/A 90-120 days	Cash payment with 30-60 days At sight

B. Purchases

Name of Related Party	For the year ended December 31,			
	2009		2008	
	Amount	%	Amount	%
Suzhou Forward Electronics Technology Co., Ltd.	\$2,121,876	2.75	\$2,846,717	2.49
Giantplus Technology Co., Ltd.	198,487	0.26	1,609,101	1.41
Forward Electronics Co., Ltd.	82,281	0.10	374,342	0.33
Others	14,712	0.02	50,081	0.04
Total	<u>\$2,417,356</u>	<u>3.13</u>	<u>\$4,880,241</u>	<u>4.27</u>

There are no significant differences between purchase prices from related parties and purchase prices from arms length suppliers. The comparison of terms of payment between related parties and arms length suppliers is summarized as follows:

Region	For the year ended December 31,			
	2009		2008	
	Related Party	Arms length supplier	Related Party	Arms length supplier
Overseas	T/T 30-360 days	L/C 30-180 days T/T 30-360 days	T/T 30-360 days	L/C 30-180 days T/T 30-360 days
R.O.C. Domestic	30-90days after QC	30-210 days after QC	30-60days after QC	30-210 days after QC

C. Fixed asset addition

Name of Related party	For the year ended December 31,	
	2009	2008
Tatung Co., Ltd.	\$380,074	\$1,097,174
Toes Opto-Mechatronics Co., Ltd.	105,184	194,342
Tatung System Technology Inc.	5,698	30,225
Others	9,429	30,501
Total	\$500,385	\$1,352,242

D. Operating and manufacturing expenditures

- a. The expenditure was incurred in connection with the purchase of materials, products or services from related parties amounted to \$50,571 and \$72,696 for the years ended December 31, 2009 and 2008, respectively.
- b. The Company purchased certain raw material, components and equipment from Japan through Tatung Co. of Japan, Inc., which charges the Company commissions for such services. The total raw material and equipment purchased through Tatung Co. of Japan, Inc. amounted to \$9,646,802 and \$2,795,750 for the year ended December 31, 2009 and 2008, respectively. The commission charged, included in the aforementioned purchase amount, amounted to \$145,579 and \$35,920 for the corresponding periods, respectively.

E. Disposal on fixed asset and intellectual property rights

The Company did not dispose of any fixed assets to related parties for the year ended December 31, 2009. The selling price and loss on sale of fixed asset disposed by CPT to Sintronic Technology Inc. amounted to \$1,831 and \$272, respectively, for the year ended December 31, 2008.

Detail information regarding disposal of fixed asset and intellectual property rights to Giantplus technology Co., Ltd. for the year ended December 31, 2009 is per Note 4 (10).

F. Due from affiliates - trade, net

Name of Related party	As of December 31,			
	2009		2008	
	Amount	%	Amount	%
Xiamen Overseas Chinese Electronic Co., Ltd.	\$1,169,060	10.53	\$2,353,463	15.72
Giantplus Technology Co., Ltd.	386,759	3.48	189,273	1.26
Tatung Co., Ltd.	38,801	0.35	1,254,055	8.38
Elitegroup Computer Systems Co., Ltd.	77,147	0.70	358,865	2.40
Others	112,668	1.02	153,328	1.02
Total	1,784,435	16.08	4,307,984	28.78
Less: Allowance for doubtful accounts	(52,174)		(266,000)	
Net	<u>\$1,732,261</u>		<u>\$4,041,984</u>	

G. Due from affiliates - others

Name of Related party	As of December 31,			
	2009		2008	
	Amount	%	Amount	%
General:				
Giantplus Technology Co., Ltd.	\$609,061	8.76	\$714,828	17.40
Xiamen Overseas Chinese Electronic Co., Ltd.	3,115	0.04	52,433	1.28
Others	163,777	2.36	44,995	1.09
Financing:				
Xiamen Overseas Chinese Electronic Co., Ltd.	3,110,514	44.76	2,254,073	54.86
Total	3,886,467	55.92	3,066,329	74.63
Less : Credit balance of long-term investments	(442,278)		-	
	<u>\$3,444,189</u>		<u>\$3,066,329</u>	

H. Long-term receivable - related party

Name of related party	As of December 31,			
	2009		2008	
	Amount	%	Amount	%
Giantplus Technology Co., Ltd.	\$-	-	\$560,063	100.00

I. Due to affiliates - trade

Name of related party	As of December 31,			
	2009		2008	
	Amount	%	Amount	%
Tatung Co. of Japan, Inc.	\$1,984,800	13.49	\$1,111,371	6.48
Suzhou Forward Electronics Technology Co., Ltd.	1,055,917	7.18	1,026,402	5.98
Elitegroup Computer Systems Co., Ltd.	38	-	174,474	1.02
Others	113,271	0.76	233,841	1.36
Total	<u>\$3,154,026</u>	<u>21.43</u>	<u>\$2,546,088</u>	<u>14.84</u>

J. Due to affiliates - others

Name of related party	As of December 31,			
	2009		2008	
	Amount	%	Amount	%
Tatung Co., Ltd.	\$377,666	9.75	\$330,607	9.58
Tatung Co. of Japan, Inc.	154,459	3.99	78,638	2.28
Toes Opto-Mechatronics Co., Ltd.	28,715	0.74	96,652	2.80
Others	11,164	0.29	16,666	0.48
Total	\$572,004	14.77	\$522,563	15.14

K. Deferred credit

Name of related party	As of December 31,			
	2009		2008	
	Amount	%	Amount	%
Giantplus Technology Co., Ltd.	\$679,256	100.00	\$1,018,341	100.00

L. Certain of the long-term bank loans were jointly guaranteed by the Chairman of CPT as of December 31, 2009. Please refer to note 4 (17).

M. CPT leased portions of its plants to certain related parties. That rental revenue was recognized as other income in the amount of \$56,301 and \$78,638 for the year ended December 31, 2009 and 2008, respectively. The related receivables, which were recorded in due from affiliates - others, were \$44,245 and \$32,326 as of December 31, 2009 and 2008, respectively. In addition, CPT charged these related parties management fee of \$351,811 and \$422,148 for the years ended December 31 2009 and these, respectively, which were recorded as a deduction of operating expense.

N. The main management of CPT contains the chairman, supervisor and vice-president. The payment of salaries, prize, special expenses and bonuses for the main management amounted to \$46,050 and \$67,751 for the years ended December 31, 2009 and 2008, respectively.

The detailed information of management's remunerations is in the annual report of stockholders' meeting.

**6. ASSETS PLEDGED OR MORTGAGED**

As of December 31, 2009 and 2008, the following assets were mortgaged to financial institutions and Ministry of Finance as collateral for bank loans or other credit facilities:

Accounts	Purpose	Carrying amount	
		As of December 31,	
		2009	2008
Machinery and other equipments	Collateral for bank loans	\$36,023,163	\$43,871,943
Available-for-sale financial assets - Stocks of Tatung	Collateral for bank loans	1,260,672	-
Investment in associated companies - Stocks of Forward and Giantplus	Collateral for bank loans	2,515,675	-
Buildings	Collateral for bank loans	14,281,572	14,659,484
Pledged time deposit	Pledge and deposits for buildings and others	1,273,630	1,276,115
Total		\$55,354,712	\$59,807,542

## 7. COMMITMENTS AND CONTINGENCIES

As of December 31, 2009, the following commitments and contingencies were not reflected in above consolidated financial statements:

- (1) Unused letters of credit of the Company were approximately US\$ 1,506 thousand and JPY 28,511 thousand.
- (2) CPT issued promissory notes are as follows:

<u>Items</u>	<u>Amount (in NT\$'000 or US\$'000)</u>
Collateral for bank loans	NT\$43,590,000
Collateral for bank loans	US\$273,500
Collateral for account receivable factoring	US\$10,000
Collateral for lease on employee's dormitory	NT\$61,444

- (3) CPT leases land from the Central Taiwan Science Park. The term of lease agreement is from May 15, 2006 to December 31, 2025. Due to TFT-LCD market downturn, the aforementioned lease has been ceased temporarily in December 2006. However, CPT is applying to obtain another leased land in process.

- (4) Significant litigation:

Lawsuits against intellectual properties:

Anvik Corporation and related matters:

In February 2007, Anvik Corporation filed a patent infringement suit in the United States District Court of New York against CPT, Tatung Company and Tatung Company of America (the "Tatung Companies"). The lawsuit alleged CPT and Tatung Companies of using the photo-masking equipment and the patented methods performed by such system in producing TFT-LCD panel without permission. CPT had filed a proceeding to suspend the actions since CPT had no presence, transacted business or directed product in New York State that related to the claim and would contest for the action after the litigation between Anvik and Nikon comes to a conclusion. The Court has not yet made any ruling on the matter. The outcome of this action is still pending.

Honeywell International Inc. and Honeywell Intellectual Properties Inc related matters:

In March 2007, CPT has been sued for patent infringement involving the driver IC outsourced from other component suppliers by Honeywell International Inc. and Honeywell Intellectual Properties Inc. CPT intends to vigorously defend the action. The lawsuit has been settled out of court in the second conciliation procedures. However both parties had not yet reached a consensus on the terms of the settlement. On June 8, 2009, the Federal Court adjudicated that CPT did not infringe the patent in question. Honeywell International Inc. made an appeal against the Federal Court's judgment on August 6, 2009. In considerations of the higher counsel fees compared to payment for making the conciliations, CPT finally made compromise with Honeywell (CPT was in a better position to negotiate as the Federal Court ruled in favour of CPT.) Both parties withdrew from the lawsuit on October 26, 2009. The lawsuit has been settled.

Antitrust:

From December 2006 to February 2007, CPT received notices together with other competitive companies under investigation by the Antitrust Division of the U.S. Department of Justice (D.O.J.), European Commission (“EC”), Canadian Bureau of Competition (“CBC”), and Japan Fair Trade Commission (“JFTC”) for involving in price-fixing behavior in the TFT-LCD industry.

During November 2007, CPT received plaintiff of antitrust civil class action for CRT and a criminal summons from the U.S. Department of Justice (D.O.J.), which accused CPT together with other companies had been involved in price-fixing and supply-controlling. Therefore, CPT has been under investigation with the Antitrust Act. On November 13, CPT made the compromise with D.O.J and agreed to pay US\$65,000 thousand. At the same time, CPT received plaintiffs of civil class action for LCD from the consumer groups in U.S. and Canada. The civil class action in U.S. and Canada had been settled out of court. Fair trading commission, Executive Yuan, R.O.C. made a request in December 2008 to CPT for additional information on the matter. CPT is cooperative with the request. The commission has notified CPT that the investigation on this claim was terminated.

During November 2007, CPT received plaintiff of antitrust civil class action for CRT and a criminal summons from the U.S. Department of Justice (D.O.J.), which accused CPT, together with other companies had been involved in price-fixing and supply-controlling. Therefore, CPT had been subject to the investigation relating to the Antitrust Act and has been cooperative with investigations from various parties, including JFTC, KFTC (Korean Fair Trading Commission) and EC, and has not been imposed with any fines. At the same time, CPT received plaintiffs of civil class action for CRT from the consumer groups in U.S. and Canada. The civil class action in U.S. had been settled out of court; however the action in Canada is still underway.

CPT has engaged legal representatives to defend the above suits and believes that these suits will not have a material adverse effect on CPT’s result of operations or financial condition.

8. **SIGNIFICANT DISASTER LOSS**

NONE.

9. **SIGNIFICANT SUBSEQUENT EVENTS**

The Board of Directors of CPT passed a resolution on March 3, 2009, to invest in Mindong Electric (Group) Co. The investment plan involves four subsidiaries, Chunghwa P.T. (Wujiang) Ltd., Chunghwa Picture Tubes Display Technology (Fujian) Ltd., CPT TPV Optical (Fujian) Co., Ltd. and Chunghwa Picture Display Technology (Shen-Zhen) Ltd., each investing Mindong Electric (Group) Co. to obtain a total of 75% ownership in return. The registration of capital increase was completed and effective in January 2010. After the capital increase, the Company indirectly held 530,353 thousand shares of Mindong Electric (Group) Co.

## 10. FINANCIAL INSTRUMENTS

### (1) Fair value of financial instruments:

	As of December 31, 2009		
	Non-derivative	Fair value	
		Carrying amount	Determined by quoted price
<u>Financial assets:</u>			
Cash and cash in bank	\$18,425,828	\$18,425,828	\$-
Financial assets at fair value through profit or loss - current	21,665	21,665	-
Notes and accounts receivable, net (including long-term receivable)	14,489,176	-	14,489,176
Investment in debt securities with no active market - noncurrent	38,525	-	38,525
Investment in associated companies	4,402,263	3,463,140	-
Available-for-sale financial assets	2,691,755	2,691,755	-
Financial assets carried at cost	624,331	-	624,331
Pledged time deposits	1,273,630	-	1,273,630
Refundable deposits	171,796	-	171,796
<u>Financial liabilities:</u>			
Short-term bank loans	12,779,168	-	12,779,168
Payables (including long-term payable)	29,067,428	-	29,067,428
Long-term bank loans (including current portion)	38,407,142	-	38,407,142
<u>Derivative</u>			
<u>Financial assets:</u>			
Financial assets at fair value through profit or loss:			
Foreign currency forward exchange contracts	39,375	-	39,375
Financial assets carried at cost:			
Convertible bonds - option	1,475	-	1,475
<u>Financial liabilities:</u>			
Financial liabilities at fair value through profit or loss:			
Interest rate swap contracts	44,426	-	44,426
Derivative financial liabilities for hedging:			
Interest rate swap contracts	9,054	-	9,054

As of December 31, 2008

Non-derivative	Carrying amount	Fair value	
		Determined by quoted price	Determined by valuation technique
<u>Financial assets:</u>			
Cash and cash in bank	\$20,679,665	\$20,679,665	\$-
Financial assets at fair value through profit or loss - current	245,028	245,028	-
Investment in debt securities with no active market - current	87,123	-	87,123
Notes and accounts receivable, net	18,090,829	-	18,090,829
Available-for-sale financial assets	2,252,239	2,252,239	-
Investment in associated companies	6,253,369	2,529,743	809,013
Financial assets carried at cost	487,885	-	487,885
Pledged time deposits	1,276,115	-	1,276,115
Refundable deposits	94,324	-	94,324
Investment in debt securities with no active market - noncurrent	38,525	-	38,525
<u>Financial liabilities:</u>			
Short-term bank loans	13,677,872	-	13,677,872
Payables (including long-term payable)	27,503,308	-	27,503,308
Bonds payable (including current portion)	11,538,301	-	14,028,743
Long-term bank loans (including current portion)	45,437,232	-	45,437,232
Long-term payable	317,411	-	317,411
<u>Derivative</u>			
<u>Financial assets:</u>			
Financial assets at fair value through profit or loss:			
Foreign currency forward exchange contracts	144,243	-	144,243
Domestic convertible bonds	543,991	-	543,991
Convertible bonds	120,830	-	120,830
Financial assets carried at cost:			
Convertible bonds - options	1,475	-	1,475
<u>Financial liabilities:</u>			
Financial liabilities at fair value through profit or loss:			
Liability components of convertible bonds - embedded derivative contract	380,183	-	380,183
Interest rate swap contracts	229,082	-	229,082
Derivative financial liabilities for hedging:			
Interest rate swap contracts	26,496	-	26,496

The methods and assumptions used by the Company to determine the above fair value of financial instruments are as follows:

- A. The carrying value of short-term financial instruments, such as cash and cash in bank, receivables, short-term bank loans and payables approximate fair value because of short maturity of these instruments.
  - B. The fair values of financial assets at fair value through profit or loss, such as listed equity securities, open-end mutual funds and available-for-sale financial assets are based on their quoted market price or the net asset value per unit. If there is no quoted price, the Company uses the valuation method to estimate their fair value.
  - C. The fair values of financial assets carried at cost, investment in debt securities with no active market and long-term investment are based on market values if they have quoted price, such as listed companies. If quoted price is not obtainable, then the fair values are estimated based on their financial information.
  - D. The fair values of pledged time deposits and refundable deposits are based on their book values which approximate present value.
  - E. The fair values of long-term bank loans due within one year approximate carrying amount as loans bear interest at variable rates. The fair values of the non-current portion of the loans are determined based on the discounted future cash flows. The discount rate used is the interest rate for bank loans with similar terms and conditions. The fair values of convertible bonds are determined based on their market price which was provided by financial institution.
  - F. The fair values of derivative financial instruments were based on valuation techniques provided by the financial institution.
- (2) Financial risk management and hedging strategy:

Financial risk:

Besides derivative financial instruments, the Company held other kinds of financial instruments for its capital demand such as short-term and long-term bank loans, bonds payable, cash and cash in bank, receivables and payables arising from operating activities.

The Company made transactions of derivatives, such as interest rate swap, forward contracts of foreign currency and currency options in order to hedge the interest rate and exchange rate risk arising from financing with the banks.

The Company's financial instruments are mainly exposed to the following financial risks: cash flow risk on interest, market risk, credit risk, and liquidity risk. The risk management policy is as follows:

A. Cash flow risk on interest

CPT's long-term bank loans are subject to floating interest rate and therefore exposed to the risk that the future cash flows will fluctuate because of changes in market interest rates. CPT has entered into interest rate swap contracts to hedge floating interest rate of long-term bank loans.

B. Market risk

Investment in financial assets at fair value through profit or loss – current and available-for-sale financial assets owned by the Company and Zero coupon Convertible Bonds issued are both exposed to market price risk and interest rate risk.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to New Taiwan Dollars. Gains or losses due to changes in foreign exchange rates will be offset by foreign monetary assets and liabilities accordingly. In addition, the Company also entered into foreign currency forward exchange contracts to hedge the risk exposed from the foreign exchange rate.

C. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The credit risk of the Company consists principally of investment in cash and cash at bank, mutual funds, convertible bonds and trade receivables. The credit risk is considered minimal by only depositing cash with reputable financial institutions and diversification of credit risk to mitigate financial loss through potential counterparty failure. Investments of funds and convertible bonds are made only with companies with high credit rating and the investments are also diversified to reduced concentration of credit risks.

The majority of the Company's trade receivables are derived from sales to original design manufacturing or reputable companies. There are also policies of the Company to provide allowance for outstanding accounts and the Company regularly reviews them. It is not expected to have significant credit risk.

D. Liquidity risk

Liquidity risk is the risk of unable to settle the contracts on schedule. As of December 31 2009, current liabilities of the Company exceeded current assets and liquidity risk is depended on whether the Company could obtain enough funding from operation growth. However, the Company controls its cash position by regularly monitoring suitable fund-raising channel or receivables factoring. Since the Company's financial assets at fair value through profit or loss or available-for-sale financial assets all have active market, the Company should be able to liquidate them for cash at a price approximating their fair value.

E. Hedge Strategy:

The Company entered into interest rate swap contracts to hedge exposures from the impact of interest rate changes primarily arising from its borrowing activities in New Taiwan dollars at floating rates.

(2) Derivative financial instruments transaction of CPT:

Outstanding derivative financial instruments as of December 31, 2009 and 2008 were as below:

A. Embedded derivatives of compound financial instrument:

Item	As of December 31,	
	2009	2008
<u>Financial assets held for trading</u>		
Domestic convertible bonds - option	\$-	\$120,830
<u>Financial assets at fair value through profit or loss</u>		
Domestic convertible bonds - listed stock	\$-	\$330,319
<u>Financial assets carried at cost</u>		
Domestic convertible bonds - option	\$1,475	\$1,475

The convertible bonds invested by CPT are hybrid financial instruments with embedded derivatives that are not clearly and closely related to the host contracts. However because CPT is unable to measure the embedded derivative separately at acquisition, the fair value of the embedded derivative is the difference between the fair value of the hybrid instrument and the fair value of the host contract, or CPT designates the entire hybrid contract as at fair value through profit or loss.

B. Foreign currency forward exchange contracts:

As of December 31, 2009

	Contract amount or notional amount (in US\$'000)	Maturity period
Buy USD / Sell NTD	\$24,500	2010.01~2010.07
Buy JPY / Sell USD	\$64,000	2010.01~2010.03
Buy NTD / Sell USD	\$24,000	2010.01

As of December 31, 2008

	Contract amount or notional amount (in US\$'000)	Maturity period
Buy USD / Sell NTD	\$36,750	2009.07~2010.07
Buy JPY / Sell USD	\$34,000	2009.01~2009.04
Buy NTD / Sell USD	\$11,000	2009.01

C. Interest rate swap transactions:

Maturity period	Contract amount or notional amount (in US\$'000)	Payable on fixed interest rate	Receivables on floating interest rate
<u>As of December 31, 2009</u>			
2010.3	\$2,000,000	2.30%~2.34%	0.49%
2010.3	\$6,600,000	0.33%~3.98%	0.49%~0.50%
<u>As of December 31, 2008</u>			
2009.4~2010.3	\$9,500,000	1.39%~3.49%	2.22%~2.32%
2009.4~2010.3	\$10,100,000	1.65%~3.98%	2.23%~2.31%

D. The presentation of derivative financial instruments in the financial statements is summarized as follows:

As of December 31, 2009 and 2008, CPT's interest rate swap agreements were classified as financial liabilities at fair value through profit or loss amounted to \$44,426 and \$229,082, respectively. A related valuation loss of \$28,238 and \$117,142 was recorded under non-operating expense for the years ended December 31, 2009 and 2008, respectively.

As of December 31, 2009 and 2008, the forward contracts were classified as financial assets at fair value through profit or loss amounted to \$39,375 and \$144,243, respectively, and for the changes in valuation, a loss of \$104,868 and a gain of \$2,649 were recorded under non-operating expense and income for the years ended December 31, 2009 and 2008, respectively.

As of December 31, 2009, the balance of currency options was \$0, and for the valuation loss of \$4,689 was recorded under non-operating expense for the year ended December 31, 2009. There were not any transactions on currency options for the year ended December 31, 2008.

(4) Derivative financial instruments transaction of investees:

Outstanding derivative financial instruments of subsidiaries as of December 31, 2009 and 2008 were as below:

Grand Cathay International Asset Management Co., Ltd.

Embedded derivatives of compound financial instrument:

Financial Instruments	As of December 31,	
	2009	2008
<u>Financial assets at fair value through profit or loss</u>		
Domestic convertible bonds - listed stock	\$-	\$213,672

(5) Reclassified financial assets information:

A. The amount and reason for reclassifications of financial assets

During the third quarter of 2008, some of the Company's financial assets classified as held-for-trading are no longer for near-term trading, but did not meet the definition of loans and receivables. However based on the relevant guidance issued by International Accounting Standard Board, Financial Supervisory Commission and Accounting Research and Development Foundation, the Company believes that the recent international and domestic economy condition had constituted "the rare circumstances" described by the reclassification amendments in R.O.C. SFAS No. 34, thus the Company has reclassified some financial assets originally classified held for trading to available-for-sale category, amounted to \$1,136,164.

B. The book value and fair value of reclassified financial assets as of December 31, 2009 and 2008 are as follows:

	As of December 31,			
	2009		2008	
	Book value	Fair value	Book value	Fair value
Available-for-sale financial assets	\$711,762	\$711,762	\$621,884	\$621,884

C. The Company has not reclassified any financial assets for the year ended December 31, 2009.

D. The fair value movement of financial assets reclassified but not yet derecognized is as follows:

	Originally classified as financial assets held for trading	
	Amount recognized in profit if there had been no reclassification	Amount recognized in stockholders' equity after reclassification
	For the year ended December 31, 2008	\$1,227,280

If the above financial assets have not reclassified to available-for-sale financial assets according to the amendments in R.O.C. SFAS No. 34, then their fair value movement for the period starting from the date of reclassification to December 31, 2008, would result in a loss of \$583,278 being recognized.

10. **OTHER**

(1) As of December 31, 2009, CPT has the liquidity risk that the balance of the Company's current liabilities is over the balance of current assets. However, in March 2010, CPT's short-term loans amounted to \$6,041,472 have been rolled over for one more year. Execution of the initiatives decried above has effectively reduce the liquidity risk existed in CPT's financial position as of December 31, 2009.

(2) Certain comparative amounts have been reclassified to conform to the current year's presentation.

## 12. SEGMENT INFORMATION

### (1) Industrial information:

#### 2009

	<u>CRT</u>	<u>TFT-LCD</u>	<u>Other</u>	<u>Total</u>
Total revenues	\$7,849,587	\$50,067,342	\$1,709	\$57,918,638
Gross loss	\$(1,616,807)	\$(17,586,175)	\$(1,309)	\$(19,204,291)
Operating expenses				(11,433,555)
Interest income				329,669
Other income				1,835,736
Investment loss accounted for under equity method, net				(2,093,023)
Interest expense				(757,467)
Other expense				(7,208,840)
Loss before income tax				<u>\$(38,531,771)</u>
Identifiable assets:				
Property plant and equipment, net	\$3,890,204	\$83,926,736	\$1,984,250	\$89,801,190
Inventory, net	\$594,903	\$5,480,701	\$37,994	\$6,113,598
Depreciation expenses	\$1,905,270	\$22,936,908	\$118,194	\$24,960,372
Capital expenditure	\$18,744	\$4,522,489	\$6,801	\$4,548,304

#### 2008

	<u>CRT</u>	<u>TFT-LCD</u>	<u>Other</u>	<u>Total</u>
Total revenues	\$15,360,972	\$103,087,479	\$18,381	\$118,466,832
Gross profit (loss)	\$(574,666)	\$2,242,453	\$(6,288)	\$1,661,499
Unrealized intercompany profit				228
Operating expenses				(13,405,831)
Interest income				485,199
Investment loss accounted for under equity method, net				(732,877)
Other income				5,239,422
Interest expense				(3,423,987)
Other expense				(3,495,630)
Loss before income tax				<u>\$(13,671,977)</u>
Identifiable assets:				
Property plant and equipment, net	\$9,099,224	\$104,447,719	\$1,042,272	\$114,589,215
Inventory, net	\$1,259,048	\$9,236,149	\$37,233	\$10,532,430
Depreciation expenses	\$2,205,201	\$23,004,533	\$183,422	\$25,393,156
Capital expenditure	\$218,891	\$8,872,878	\$66,858	\$9,158,627

(2) Regional information:

	For the year ended December 31, 2009				For the year ended December 31, 2008			
	Taiwan (CPT and Grand Cathay)	Overseas (CPTB)	Adjustment and eliminate	Total	Taiwan (CPT and Grand Cathay)	Overseas (CPTB)	Adjustment and eliminate	Total
Revenue from customers other than consolidating subsidiaries	\$47,771,010	\$10,147,628	\$-	\$57,918,638	\$101,230,565	\$17,236,267	\$-	\$118,466,832
Revenue from consolidating subsidiaries	17,319,362	41,880,622	(59,199,984)	-	54,663,179	91,711,954	(146,375,133)	-
Total revenue	65,090,372	52,028,250	(59,199,984)	57,918,638	155,893,744	108,948,221	(146,375,133)	118,466,832
Net gross profit (loss)	(29,583,160)	(850,422)	(204,264)	(30,637,846)	(13,489,597)	1,810,757	(65,264)	(11,744,104)
Interest income				329,669				485,199
Investment loss accounted for under equity method, net				(757,467)				(732,877)
Other income				1,835,736				5,239,422
Interest expenses				(2,093,023)				(3,423,987)
Other expenses				(7,208,840)				(3,495,630)
Net income (loss) before income tax				(38,531,771)				(13,671,977)
Identifiable assets (land and revaluation surplus excluded)	74,556,673	15,244,517	-	89,901,190	97,983,132	18,739,965	(2,133,882)	114,589,215
Investment				7,758,349				9,249,307
Other assets (land and revaluation surplus included)				54,858,807				64,141,526
Total assets				152,418,346				187,980,048

(3) Export sales:

Region	For the year ended December 31,	
	2009	2008
Europe	\$5,516,499	\$6,825,076
America	1,383,368	3,932,963
Southeast Asia	45,223,527	96,581,764
Others	3,552,093	6,378,878
Total	<u>\$55,675,487</u>	<u>\$113,718,681</u>

(4) Major customers (individual customer accounting for at least 10% of net operating revenue):

	For the year ended December 31,			
	2009		2008	
	Sales	Percentage	Sales	Percentage
A Co., Ltd.	\$8,784,980	15.17%	\$17,413,118	14.70%
B Co., Ltd.	5,337,042	9.21%	12,346,090	10.42%