



ACTION

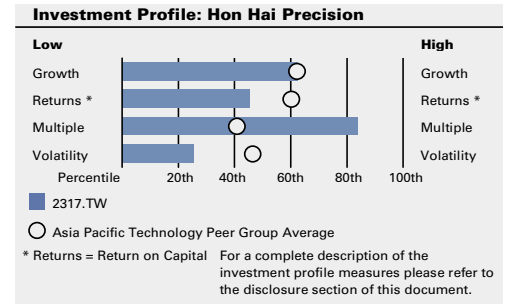
Removed from Asia Pacific Buy List

Hon Hai Precision (2317.TW)

Expect strong 3Q, followed by weak 4Q and 2009. D/G to Neutral

What happened

We downgrade Hon Hai (HH) from Buy to Neutral. HH reported Sept parent sales of NT\$157mn, 8% higher than we expected. However, we think 4Q growth may be below seasonality due to desktop (DT) order cancellations and possible weaker than seasonal consumer demand. We believe 2009 visibility is low and more likely to show downside than upside on weak macro conditions. We revise down our 2008 revenues/ earnings forecasts by 1.7%/ 8.6%, 2009 revenues/ earnings forecasts by 13.5%/ 12.1%, and 2010 revenues/ earnings forecasts by 14.9%/ 8.7%. HH's share price increased 59.9% (versus a 10.4% drop in the TWSE) since we added it to the Buy list on Sept 2, 2004.



Current view

We expect HH's 4Q sales growth will be below seasonality (up 8% qoq) due to weak macro conditions and high 3Q comparative base. Our industry checks suggest US OEMs have started to cut 4Q DT orders on weak replacement demand and market share losses to NB. We believe the expected 4Q sales increase from consolidating Sanmina-SCI revenues and PS3/iPod Nano business may be offset by a sequential drop in iPhone shipments. Moreover, we believe 2009 growth may slow on macro concerns. We reduce our 2009 NB growth forecast to reflect delays introducing Intel's new CPUs and potential market share shift to Quanta for Sony's NB orders. Unless HH buys Dell's for-sale global assembly centers, we think Hon Hai's 2009 growth could be capped.

Because HH is often considered a proxy for the economy, we also think HH could be priced to reflect the current difficult macro conditions. We believe HH's 8%/ 9% share price underperformance versus the TWSE/ TWELEC since the recent peak partly reflects expectations of weaker earnings and partially reflect economic concerns.

We lower our 12-mth TP to NT\$115, based on 11X 2009E EPS (from NT\$166, based on 14X 2009E EPS), implying 2.4X one quarter trailing PB, versus historical trend of 1.9X-7.7X.

Key risks include earlier than we expected macro turnaround and faster than we expected market share gain.

INVESTMENT LIST MEMBERSHIP

Neutral

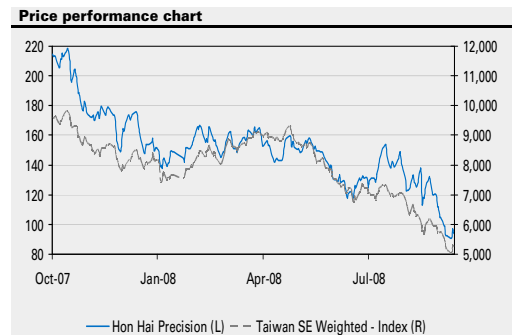
Coverage View: Neutral

Taiwan:
Hardware

Henry King
+886(2)2730-4181 | henry.king@gs.com Goldman Sachs (Asia) L.L.C., Taipei Branch

Key data	Current
Price (NT\$)	94.10
12 month price target (NT\$)	115.00
Market cap (NT\$ mn / US\$ mn)	685,599.0 / 21,164.4
Foreign ownership (%)	48.9

	12/07	12/08E	12/09E	12/10E
EPS (NT\$) New	10.84	9.09	10.41	11.58
EPS revision (%)	0.0	(8.6)	(12.1)	(8.7)
EPS growth (%)	29.1	(16.1)	14.5	11.2
EPS (dil) (NT\$) New	10.84	9.09	10.41	11.58
P/E (X)	8.7	10.3	9.0	8.1
P/B (X)	1.9	1.8	1.6	1.4
EV/EBITDA (X)	31.0	17.9	17.4	14.7
Dividend yield (%)	2.8	2.5	3.0	3.4
ROE (%)	25.3	18.2	18.9	18.1



Share price performance (%)	3 month	6 month	12 month
Absolute	(20.1)	(41.0)	(56.6)
Rel. to Taiwan SE Weighted Index	4.0	0.3	(19.5)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10/15/2008 close.

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Hon Hai Precision: Summary financials

Profit model (NT\$ mn)	12/07	12/08E	12/09E	12/10E	Balance sheet (NT\$ mn)	12/07	12/08E	12/09E	12/10E
Total revenue	1,235,581.2	1,510,698.6	1,674,479.3	1,993,587.0	Cash & equivalents	7,086.7	12,321.8	11,193.8	9,643.7
Cost of goods sold	(1,176,540.2)	(1,447,003.6)	(1,605,590.5)	(1,911,743.4)	Accounts receivable	199,308.7	193,270.1	217,874.2	248,181.2
SG&A	(17,128.5)	(21,073.1)	(23,508.6)	(27,000.8)	Inventory	98,784.4	111,983.2	121,017.8	128,585.4
R&D	(6,423.5)	(10,387.7)	(10,485.5)	(11,499.1)	Other current assets	12,591.3	29,764.9	29,764.9	29,764.9
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	317,771.1	347,340.0	379,850.7	416,175.2
ESO expense	--	(4,835.4)	(5,547.1)	(6,168.4)	Net PP&E	37,703.5	37,896.9	37,128.9	36,821.8
EBITDA	44,567.2	42,068.5	43,892.2	52,055.3	Net intangibles	772.3	726.5	726.5	726.5
Depreciation & amortization	(9,078.2)	(9,834.3)	(8,997.5)	(8,711.6)	Total investments	264,354.1	303,451.5	366,379.4	431,333.8
EBIT	35,489.0	32,234.3	34,894.7	43,343.7	Other long-term assets	340.7	506.2	506.2	506.2
Interest income	479.0	213.8	280.9	327.7	Total assets	620,941.8	689,921.2	784,591.8	885,563.6
Interest expense	(2,809.6)	(5,383.0)	(8,403.8)	(8,577.3)	Accounts payable	132,295.0	180,147.0	214,531.5	237,883.0
Income/(loss) from uncons. subs.	56,189.7	52,359.3	62,928.3	64,954.3	Short-term debt	34,993.6	51,429.3	61,429.3	61,429.3
Others	196.3	(323.6)	0.0	0.0	Other current liabilities	64,671.8	41,941.2	42,110.6	42,246.0
Pretax profits	89,544.4	79,100.8	89,700.1	100,048.4	Total current liabilities	231,960.3	273,517.5	318,071.4	341,558.3
Income tax	(11,854.8)	(12,857.5)	(13,821.5)	(15,655.3)	Long-term debt	28,760.0	28,858.2	28,858.2	28,858.2
Minorities	0.0	0.0	0.0	0.0	Other long-term liabilities	9,530.8	10,087.5	10,087.5	10,087.5
Net income pre-preferred dividends	77,689.5	66,243.3	75,878.6	84,393.1	Total long-term liabilities	38,290.8	38,945.7	38,945.7	38,945.7
Preferred dividends	0.0	0.0	0.0	0.0	Total liabilities	270,251.1	312,463.2	357,017.1	380,504.0
Net income (pre-exceptionals)	77,689.5	66,243.3	75,878.6	84,393.1	Preferred shares	0.0	0.0	0.0	0.0
Post-tax exceptionals	0.0	0.0	0.0	0.0	Total common equity	350,690.7	377,458.0	427,574.7	505,059.6
Net income	77,689.5	66,243.3	75,878.6	84,393.1	Minority interest	0.0	0.0	0.0	0.0
EPS (basic, pre-except) (NT\$)	10.84	9.09	10.41	11.58	Total liabilities & equity	620,941.8	689,921.2	784,591.8	885,563.6
EPS (basic, post-except) (NT\$)	10.84	9.09	10.41	11.58	BVPS (NT\$)	48.48	51.81	58.69	69.32
EPS (diluted, post-except) (NT\$)	10.84	9.09	10.41	11.58	Ratios	12/07	12/08E	12/09E	12/10E
EPS excl. ESO expense (basic) (NT\$)	10.84	9.64	11.06	12.30	ROE (%)	25.3	18.2	18.9	18.1
EPS excl. ESO expense (dil.) (NT\$)	10.84	9.64	11.06	12.30	ROA (%)	14.3	10.1	10.3	10.1
DPS (NT\$)	2.61	2.36	2.81	3.24	ROACE (%)	22.9	16.6	17.4	16.7
Dividend payout ratio (%)	24.1	26.0	27.0	28.0	Inventory days	27.9	26.6	26.5	23.8
Free cash flow yield (%)	(0.7)	8.1	2.0	3.6	Receivables days	51.8	47.4	44.8	42.7
Growth & margins (%)	12/07	12/08E	12/09E	12/10E	Payable days	39.6	39.4	44.9	43.2
Sales growth	36.2	22.3	10.8	19.1	Net debt/equity (%)	16.2	18.0	18.5	16.0
EBITDA growth	22.8	(5.6)	4.3	18.6	Interest cover - EBIT (X)	15.2	6.2	4.3	5.3
EBIT growth	21.0	(9.2)	8.3	24.2	Valuation	12/07	12/08E	12/09E	12/10E
Net income growth	29.8	(14.7)	14.5	11.2	P/E (analyst) (X)	8.7	10.3	9.0	8.1
EPS growth	29.1	(16.1)	14.5	11.2	P/B (X)	1.9	1.8	1.6	1.4
Gross margin	4.8	4.2	4.1	4.1	EV/EBITDA (X)	31.0	17.9	17.4	14.7
EBITDA margin	3.6	2.8	2.6	2.6	Dividend yield (%)	2.8	2.5	3.0	3.4
EBIT margin	2.9	2.1	2.1	2.2	Cash flow statement (NT\$ mn)	12/07	12/08E	12/09E	12/10E
Cash flow statement (NT\$ mn)	12/07	12/08E	12/09E	12/10E	Net income pre-preferred dividends	77,689.5	66,243.3	75,878.6	84,393.1
Net income pre-preferred dividends	77,689.5	66,243.3	75,878.6	84,393.1	D&A add-back	9,114.1	9,937.0	8,997.5	8,711.6
D&A add-back	9,114.1	9,937.0	8,997.5	8,711.6	Minorities interests add-back	0.0	0.0	0.0	0.0
Minorities interests add-back	0.0	0.0	0.0	0.0	Net (inc)/dec working capital	(41,516.5)	29,404.0	745.9	(14,523.2)
Net (inc)/dec working capital	(41,516.5)	29,404.0	745.9	(14,523.2)	Other operating cash flow	(37,985.3)	(37,128.8)	(61,719.8)	(43,610.4)
Other operating cash flow	(37,985.3)	(37,128.8)	(61,719.8)	(43,610.4)	Cash flow from operations	7,301.7	71,491.8	28,596.0	40,175.5
Cash flow from operations	7,301.7	71,491.8	28,596.0	40,175.5	Capital expenditures	(15,071.3)	(11,479.7)	(8,229.6)	(8,404.5)
Capital expenditures	(15,071.3)	(11,479.7)	(8,229.6)	(8,404.5)	Acquisitions	(5,605.7)	(2,938.4)	0.0	0.0
Acquisitions	(5,605.7)	(2,938.4)	0.0	0.0	Divestitures	914.8	1.5	0.4	0.0
Divestitures	914.8	1.5	0.4	0.0	Others	(1,295.5)	(17,594.0)	0.0	0.0
Others	(1,295.5)	(17,594.0)	0.0	0.0	Cash flow from investments	(21,057.7)	(32,010.5)	(8,229.2)	(8,404.5)
Cash flow from investments	(21,057.7)	(32,010.5)	(8,229.2)	(8,404.5)	Dividends paid (common & pref)	(15,504.4)	(18,872.3)	(17,223.3)	(20,487.2)
Dividends paid (common & pref)	(15,504.4)	(18,872.3)	(17,223.3)	(20,487.2)	Inc/(dec) in debt	20,789.9	16,435.7	10,000.0	0.0
Inc/(dec) in debt	20,789.9	16,435.7	10,000.0	0.0	Common stock issuance (repurchase)	0.0	(27,664.4)	(13,232.4)	(11,625.3)
Common stock issuance (repurchase)	0.0	(27,664.4)	(13,232.4)	(11,625.3)	Other financing cash flows	(993.0)	(4,145.2)	(1,039.2)	(1,208.6)
Other financing cash flows	(993.0)	(4,145.2)	(1,039.2)	(1,208.6)	Cash flow from financing	4,292.4	(34,246.2)	(21,494.8)	(33,321.1)
Cash flow from financing	4,292.4	(34,246.2)	(21,494.8)	(33,321.1)	Total cash flow	(9,463.5)	5,235.1	(1,128.0)	(1,550.1)
Total cash flow	(9,463.5)	5,235.1	(1,128.0)	(1,550.1)					

Note: Last actual year may include reported and estimated data.
Source: Company data, Goldman Sachs Research estimates.

Analyst Contributors

Henry King

henry.king@gs.com

Hon Hai is still under pressure after it delivered strong 3Q sales

Although Hon Hai's 3Q revenues beat our forecast by 6%, Hon Hai share price has underperformed TWSE/TWELEC by 8%/ 9% since its recent peak on August 14, 2008. We believe Hon Hai stock may not outperform the market going forward for the following reasons:

1. **2009 momentum may be capped:** Although the market appears to be expecting weak macro conditions, we think consensus expectations for Hon Hai's 2009 revenue/ earnings growth are optimistic:
 - We expect the DT replacement cycle to be muted in 2009, particularly from the corporate sector. The GS global technology team forecasts global DT shipments to decline 1% yoy in 2009. Moreover, we believe market share loss to NB from DT is in an accelerating phase. Because Hon Hai has high DT exposure, accounting for nearly 40% of its parent revenues, we expect Hon Hai to suffer from softening DT demand and outlook. Unless Hon Hai buys Dell's for-sale assembly centers, we believe Hon Hai's DT growth in 2009 may be muted.
 - We expect Hon Hai's NB growth prior to 2010 will be lower than we previously expected and reduce our 2009 NB system revenue estimate to NT\$17bn from NT\$20bn. Because our supply chain checks suggest Intel may delay the launch of the new Calpella CPUs to late 2009, we expect no significant NB growth for Hon Hai until 2010. Moreover, our industry checks suggest Quanta could gain some market share back from Hon Hai for Sony's NB.
 - As for consumer electronics, we reduce our TV revenues forecast to NT\$24bn from NT\$27bn on expectations of weak macro conditions and increased competition from more suppliers entering the market. Growth for other products such as iPod and PS3 may also slow in 2009 for similar macro reasons, in our view.
2. **4Q growth may be below seasonality** because of weak global economic conditions and a high 3Q comparative base: We expect weak 4Q DT shipment growth for Hon Hai due to a muted corporate upgrade cycle and market share loss to NBs. Intel's 4Q08 revenue guidance of -1% to 7% growth implies DT growth is deteriorated, in our view. We expect 4Q qoq sales growth to reach 8%, mainly from acquisition of Sanmina-SCI, TV, iPod Nano and PS3, although partly offset by a sequential drop from DT and iPhone.
3. **iPhone orders pulled in to 3Q from 4Q:** Our industry checks suggest that Apple may have lowered its 4Q iPhone order forecasts to the supply chain. However, we believe this order forecast cut may be mainly to converge Apple's forecast gap between the supply chain and the market. Apple forecast shipments of 10mn 3G iPhones in calendar 2008; while according to our supply chain checks, Apple originally guided shipment of 18mn 3G iPhone to the supply chain over the same period. Based on historical patterns, we believe Apple could overstate forecasts to the supply chain in order to ensure supplier capacity, but understate forecasts to the market in order to manage market expectations. Therefore, we believe actual shipments should lie between 10mn and 18mn. We forecast Hon Hai will ship 12mn 3G iPhones. Our supply chain checks suggest that Apple may have cut 3G iPhone orders to 14-15mn from 18mn at the end of Sep, as Apple would need to give a more accurate forecast to the supply chain. We estimate that Apple may cut iPhone orders again in late Nov/early Dec to 12mn for further coverage of the gap between 10mn and 14-15mn.

4. **FIH is likely a drag to Hon Hai:** We forecast FIH's earnings contribution to drop substantially to 12% in 2008 from 40% (after employee bonus adjustment) in 2007, and further maintain the same level at 12%-13% in 2009. Our GS handset team forecasts that handset shipments may only grow 4% in 2009, substantially below the 10%-30% range from 2004 to 2008. Although handset OEMs may need to outsource to increase their competitiveness, we think the overall handset demand weakness may still cap FIH's contribution to Hon Hai.
5. **Market concerns on Hon Hai's cost of borrowing:** Bloomberg (Sep 30) reported that Hon Hai's funding cost may rise due to appreciating inter-bank borrowing rates. The banks may double or even triple the spreads and we are concerned that higher interest expenses may be booked, further negatively impacting Hon Hai's bottom-line. Although the borrowing rate has dropped substantially again, we think it could still increase Hon Hai's financial burden.
6. **High FINI holdings and a proxy of macro environment:** Hon Hai's FINI holding declined substantially to 48.89% from 53.95% (equivalent to 319 mn shares sold) from June 6, 2008 to October 14, 2008. In addition to the above five fundamental reasons, we believe foreign institutional investors could be net sellers on the equity market due to redemption pressure and risk aversion. We believe Hon Hai's high liquidity makes it a good candidate in this regard. Lastly, we believe the market considers Hon Hai a proxy for the macro economy, so the market could sell Hon Hai for macro reasons, in addition to concerns about its fundamentals.

Lower TP on earnings reduction and more conservative valuation

We lower our target price for Hon Hai to NT\$115, based on 11X 2009E EPS (from 14X 2009E EPS). Currently Hon Hai is trading at 9.0X 2009E EPS and 1.9X one-quarter trailing PB. Our target price of NT\$115 implies 2.4X PB, compared to Hon Hai's historical PB of 1.9X-7.7X. Our 2009E EPS estimate is based on expectations of 11% yoy revenue growth and 15% yoy earnings growth. We note that our forecasts are below market consensus for 2008 and 2009.

Exhibit 1: Goldman Sachs forecast revisions

Parent-only financials	Revised	Original	
(NT\$ mn)	(fully-loaded)	(fully-loaded)	Difference
	3Q08E	3Q08E	
Revenue	431,214	406,310	6.1%
Gross profits	17,665	17,568	0.5%
Operating profits	8,609	9,035	-4.7%
Pretax earnings	20,690	22,668	-8.7%
Net earnings	17,587	19,268	-8.7%
Basic EPS (NT\$)	2.41	2.64	-8.7%
Fully loaded EPS (NT\$)	2.41	2.64	-8.7%
Gross margin	4.1%	4.3%	
Operating margin	2.0%	2.2%	
Net margin	4.1%	4.7%	

Parent-only financials	Revised	Original	
(NT\$ mn)	(fully-loaded)	(fully-loaded)	Difference
	2008E	2008E	
Revenue	1,510,699	1,536,079	-1.7%
Gross profits	63,695	64,918	-1.9%
Operating profits	32,234	32,924	-2.1%
Pretax earnings	79,101	86,436	-8.5%
Net earnings	66,243	72,483	-8.6%
Fully loaded EPS (NT\$)	9.09	9.95	-8.6%
Gross margin	4.2%	4.2%	
Operating margin	2.1%	2.1%	
Net margin	4.4%	4.7%	

Parent-only financials	Revised	Original	
(NT\$ mn)	(fully-loaded)	(fully-loaded)	Difference
	2009E	2009E	
Revenue	1,674,479	1,934,707	-13.5%
Gross profits	68,889	81,449	-15.4%
Operating profits	34,895	41,175	-15.3%
Pretax earnings	89,700	102,051	-12.1%
Net earnings	75,879	86,291	-12.1%
Fully loaded EPS (NT\$)	10.41	11.84	-12.1%
Gross margin	4.1%	4.2%	
Operating margin	2.1%	2.1%	
Net margin	4.5%	4.5%	

Parent-only financials	Revised	Original	
(NT\$ mn)	(fully-loaded)	(fully-loaded)	Difference
	2010E	2010E	
Revenue	1,993,587	2,342,683	-14.9%
Gross profits	81,844	96,287	-15.0%
Operating profits	43,344	49,848	-13.0%
Pretax earnings	100,048	109,567	-8.7%
Net earnings	84,393	92,422	-8.7%
Basic EPS (NT\$)	11.58	12.69	-8.7%
Fully loaded EPS (NT\$)	11.58	12.69	-8.7%
Gross margin	4.1%	4.1%	
Operating margin	2.2%	2.1%	
Net margin	4.2%	3.9%	

Source: Goldman Sachs Research estimates.

Exhibit 2: Share price performance versus peer group

Prices as of October 15, 2008

Company	Ticker	Primary analyst	Price as of 10/15/08	Price performance since 09/02/04	3 month price performance	6 month price performance	12 month price performance
Asia Pacific Technology Peer Group							
Hon Hai Precision	2317.TW	Henry King	94.10	59.9%	-20.1%	-41.0%	-55.6%
AAC Acoustic	2018.HK	Robert Chen	4.69	NA	-29.9%	-37.5%	-51.9%
Acer	2353.TW	Henry King	49.75	21.5%	-7.9%	-18.6%	-14.8%
ASUSTeK Computer	2357.TW	Henry King	53.30	0.6%	-24.3%	-38.5%	-36.8%
Atheros Communications, Inc.	ATHR	Joey Cheng	18.04	118.4%	-42.3%	-20.4%	-32.7%
AU Optronics	2409.TW	Eric Lin	31.60	-16.3%	-15.6%	-38.7%	-48.6%
Catcher Technology	2474.TW	Henry King	77.30	113.6%	6.3%	-27.9%	-63.6%
Cheng Uei Precision (Foxlink)	2392.TW	Henry King	56.30	40.4%	1.4%	-16.0%	-34.8%
Chi Mei Optoelectronics	3009.TW	Eric Lin	18.75	-46.0%	-30.6%	-52.2%	-52.6%
Compal Electronics	2324.TW	Henry King	23.35	-23.7%	-21.8%	-22.0%	-33.8%
D-Link Corp.	2332.TW	Joey Cheng	25.90	-30.6%	-31.1%	-46.9%	-71.7%
Epistar	2448.TW	Eric Lin	41.80	-1.3%	-27.1%	-51.5%	-70.4%
Everlight Electronics	2393.TW	Eric Lin	56.00	69.1%	-34.0%	-49.7%	-58.3%
Foxconn Technology	2354.TW	Henry King	86.00	222.8%	-30.9%	-59.2%	-74.5%
Gemtek Technology	4906.TW	Joey Cheng	43.00	-15.0%	-33.6%	-28.5%	-38.1%
Giga-Byte Technology	2376.TW	Henry King	13.60	-67.5%	-36.9%	-49.5%	-47.4%
Global Mixed-mode Technology	8081.TWO	Joey Cheng	117.50	637.6%	-28.4%	-28.2%	-40.1%
HTC Corp.	2488.TW	Joey Cheng	445.00	825.6%	-8.2%	-27.3%	-1.9%
Inventec Appliances	3367.TW	Henry King	31.80	NA	-28.9%	-40.7%	-50.4%
ITEQ	6213.TW	Matthew Chuang	20.80	32.1%	-22.4%	-37.3%	-48.2%
Kinsus Interconnect Technology	3189.TW	Matthew Chuang	39.50	-17.7%	-29.5%	-52.5%	-65.0%
Largan Precision	3008.TW	Robert Chen	316.00	46.7%	-16.1%	-21.6%	-11.2%
Mediatek	2454.TW	Joey Cheng	306.00	57.7%	6.3%	-28.7%	-48.2%
Merry Electronics	2439.TW	Robert Chen	33.55	-50.7%	-30.8%	-57.2%	-74.7%
MITAC International	2315.TW	Matthew Chuang	14.10	26.0%	-22.8%	-46.0%	-64.7%
Nanya PCB	8046.TW	Matthew Chuang	83.50	NA	-42.4%	-43.8%	-58.5%
Phison Electronics Corp	8299.TWO	Joey Cheng	78.70	129.2%	-50.2%	-60.6%	-70.5%
Phoenix Precision Technology	2446.TW	Matthew Chuang	10.15	-22.1%	-24.9%	-52.2%	-71.1%
Realtek Semiconductor	2379.TW	Joey Cheng	58.10	-8.7%	-9.5%	-26.8%	-53.3%
Richtek Technology	6286.TW	Joey Cheng	177.50	286.6%	-25.8%	-23.4%	-45.6%
Silitech Technology	3311.TW	Robert Chen	75.30	74.8%	2.9%	-15.6%	-45.1%
Sunplus Technology	2401.TW	Joey Cheng	14.50	-79.7%	-52.4%	-60.6%	-75.6%
Sunplus Technology (GDR)	2401qL	Joey Cheng	2.33	-53.8%	-4.8%	-4.8%	-38.9%
TPV Technology	0903.HK	Eric Lin	1.67	-66.6%	-60.0%	-67.9%	-69.3%
Tripod	3044.TW	Matthew Chuang	51.40	113.8%	-30.1%	-50.5%	-59.8%
TXC Corp	3042.TW	Robert Chen	35.10	190.5%	-28.8%	-27.9%	-46.0%
Unimicron	3037.TW	Matthew Chuang	21.75	15.8%	-25.9%	-48.7%	-64.6%
VIA Technologies	2388.TW	Joey Cheng	9.70	-57.3%	-48.4%	-48.5%	-56.4%
Wistron	3231.TW	Henry King	35.55	201.0%	-12.0%	-31.1%	-39.1%
Wistron NeWeb	6285.TW	Henry King	32.05	22.2%	-26.0%	-32.5%	-49.6%
ZyXEL Communications Corp.	2391.TW	Joey Cheng	22.50	-55.5%	-7.2%	-40.4%	-58.9%
Taiwan SE Weighted - Index			5,246	-10.4%	-23.2%	-41.2%	-44.9%

Note: Prices as of most recent available close, which could vary from the price date indicated above.

This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Goldman Sachs Research estimates.

Reg AC

I, Henry King, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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The precise calculation of each metric may vary depending on the fiscal year, industry and region but the standard approach is as follows:

Growth is a composite of next year's estimate over current year's estimate, e.g. EPS, EBITDA, Revenue. **Return** is a year one prospective aggregate of various return on capital measures, e.g. CROCI, ROACE, and ROE. **Multiple** is a composite of one-year forward valuation ratios, e.g. P/E, dividend yield, EV/FCF, EV/EBITDA, EV/DACF, Price/Book. **Volatility** is measured as trailing twelve-month volatility adjusted for dividends.

Quantum

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Henry King: Asia Pacific Technology.

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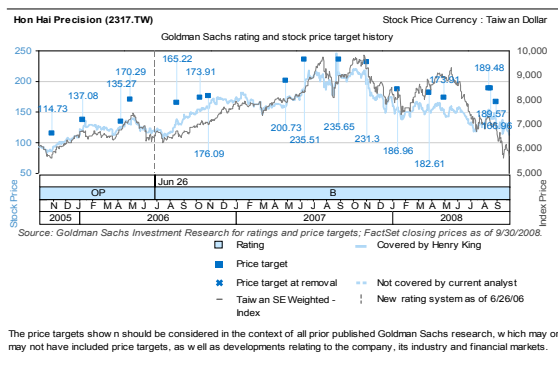
Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	26%	57%	17%	52%	47%	37%

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Price target and rating history chart(s)



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