

ACTION

Removed from Asia Pacific Buy List

Largan Precision (3008.TW)

Macro correction fast and fierce; downgrade to Neutral

What happened

We downgrade Largan from Buy to Neutral following the company's mid-quarter guidance warning that 4Q08 sales could drop 15%-25% qoq from the previously guided flattish qoq, due to faster-than-expected order cancellation from its customers. Even though we believe a camera lens upgrade cycle could serve as a valuation catalyst for Largan, we believe the handset industry slowdown has added some uncertainty to this theme and that Largan will likely not be immune to this negative impact, being in the supply chain. Since we initiated on Largan with Buy on Aug 13, '08, it was -48% vs. TAIEX -41% (past 12m, Largan was -44% vs. TAIEX -50%), reflecting the industry slowdown.

Current view

Investment view: Largan indicated that the order cut was mainly in the 2MP or below projects, suggesting that the industry is still moving toward the higher resolution cameras, albeit at a much slower rate. It appears to us that the severe seasonal correction has pulled in from 1Q09 to 4Q08, and that the macro weakness could make 1Q09 seasonality poised to the downside still, even with a much lower base in 4Q08. Due to the smaller scale now, we also believe Largan could see downside risk in gross margin, despite slight improvement in its product mix.

We continue to believe Largan should be able to emerge from this tough cycle as a stronger competitor, due to its optical technology leadership and solid balance sheet. However, Largan's business momentum remains highly geared towards the global economy, on which its handset customers rely, making it difficult for the company to outperform in the supply chain, in our view. We would wait until after the macro begins to recover before revisiting Largan shares.

Valuation: We lower Largan's 08E/09E/10E EPS forecasts by 6%/18%/23% to reflect its guidance revision and deteriorating handset industry outlook. Our DCF-based 12-m target price of NT\$280 (from NT\$360) implies c.14X 2009E EPS.

Key risk: Slower-than-expected pixel upgrade cycle; intense competition.

INVESTMENT LIST MEMBERSHIP

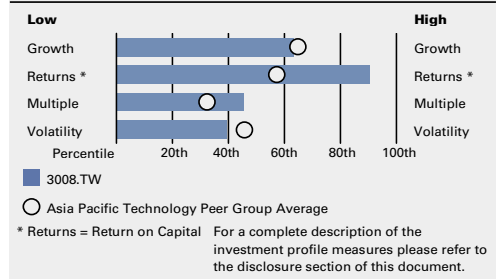
Neutral

Coverage View: Neutral

Taiwan:
Hardware

Robert Chen
+886(2)2730-4196 | rob.chen@gs.com Goldman Sachs (Asia) L.L.C., Taipei Branch

Investment Profile: Largan Precision



Key data	Current
Price (NT\$)	220.00
12 month price target (NT\$)	280.00
Market cap (NT\$ mn / US\$ mn)	28,372.3 / 850.7
Foreign ownership (%)	13.0

	12/07	12/08E	12/09E	12/10E
EPS (NT\$) New	20.23	24.07	20.43	23.89
EPS revision (%)	0.0	(6.5)	(17.7)	(22.7)
EPS growth (%)	(34.7)	19.0	(15.1)	16.9
EPS (dil) (NT\$) New	20.23	24.07	20.43	23.89
P/E (X)	10.9	9.1	10.8	9.2
P/B (X)	2.8	2.4	2.1	1.8
EV/EBITDA (X)	13.8	6.0	6.1	4.8
Dividend yield (%)	4.9	4.3	5.2	4.5
ROE (%)	26.7	28.1	20.6	20.7

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(48.4)	(43.5)	(44.0)
Rel. to Taiwan SE Weighted Index	(15.8)	15.2	11.7

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11/26/2008 close.

The Goldman Sachs Group, Inc. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification, see the end of the text. Other important disclosures follow the Reg AC certification, or go to www.gs.com/research/hedge.html. Analysts employed by non-US affiliates are not registered/qualified as research analysts with FINRA in the U.S.

Exhibit 1: We are revising down Largan's earnings estimate post its mid-quarter guidance downward revision

Upper table: non-GAAP; bottom table: GAAP

Largan Precision (3008.TW)									
P&L (non-GAAP, NT\$mnn)	2008E New	2008E Old	Diff.	2009E New	2009E Old	Diff.	2010E New	2010E Old	Diff.
Revenues	7,423	7,874	-6%	6,809	8,043	-15%	7,966	10,021	-20%
Gross profits	4,214	4,502	-6%	3,784	4,580	-17%	4,386	5,663	-23%
Operating profits	3,761	4,039	-7%	3,372	4,110	-18%	3,959	5,164	-23%
Non-operating income	106	105	0%	102	102	0%	158	165	-4%
Pretax earnings	3,867	4,144	-7%	3,474	4,212	-18%	4,117	5,329	-23%
Net earnings	3,568	3,827	-7%	3,152	3,829	-18%	3,675	4,758	-23%
EPS (fully diluted, NT\$)	27.66	29.67	-7%	24.44	29.69	-18%	28.50	36.89	-23%
Ratio analysis									
Gross margin (%)	56.8%	57.2%		55.6%	56.9%		55.1%	56.5%	
EBIT margin (%)	50.7%	51.3%		49.5%	51.1%		49.7%	51.5%	
Tax expense (as % of EBT)	7.7%	7.7%		9.3%	9.1%		10.7%	10.7%	
Net margin (%)	48.1%	48.6%		46.3%	47.6%		46.1%	47.5%	
Return analysis									
ROA (% , annualized)	28.5%	30.1%		21.1%	24.6%		21.3%	25.5%	
ROE (% , annualized)	32.3%	34.3%		24.6%	28.6%		24.6%	29.4%	

Largan Precision (3008.TW)									
P&L (GAAP, NT\$mnn)	2008E New	2008E Old	Diff.	2009E New	2009E Old	Diff.	2010E New	2010E Old	Diff.
Revenues	7,423	7,874	-6%	6,809	8,043	-15%	7,966	10,021	-20%
Gross profits	4,004	4,276	-6%	3,585	4,338	-17%	4,154	5,362	-23%
Operating profits	3,164	3,395	-7%	2,805	3,421	-18%	3,298	4,308	-23%
Non-operating income	106	105	0%	102	102	0%	158	165	-4%
Net earnings	3,270	3,500	-7%	2,906	3,523	-17%	3,456	4,473	-23%
Net earnings	3,104	3,319	-6%	2,635	3,200	-18%	3,081	3,989	-23%
EPS (fully diluted, NT\$)	24.07	25.74	-6%	20.43	24.81	-18%	23.89	30.93	-23%
Ratio analysis									
Gross margin (%)	53.9%	54.3%		52.7%	53.9%		52.1%	53.5%	
EBIT margin (%)	42.6%	43.1%		41.2%	42.5%		41.4%	43.0%	
Tax expense (as % of EBT)	5.1%	5.2%		9.3%	9.2%		10.8%	10.8%	
Net margin (%)	41.8%	42.2%		38.7%	39.8%		38.7%	39.8%	
Return analysis									
ROA (% , annualized)	24.8%	26.1%		17.7%	20.6%		17.8%	21.4%	
ROE (% , annualized)	28.1%	29.7%		20.6%	23.9%		20.7%	24.7%	

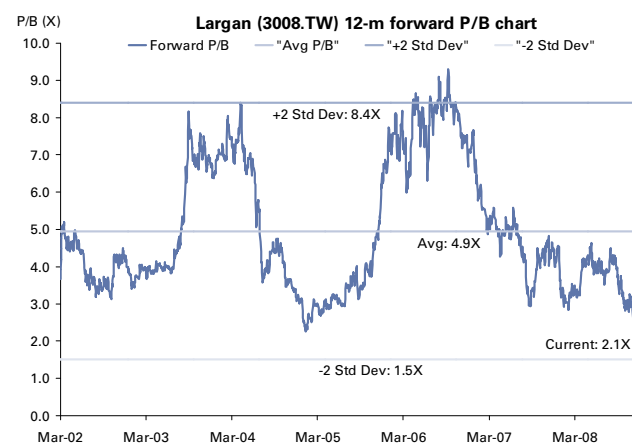
Source: Company data, Goldman Sachs Research estimates.

Exhibit 2: Largan's historical 12-m forward P/E chart
Excluding employee bonus



Source: Datastream, company data, Goldman Sachs Research estimates.

Exhibit 3: Largan's historical 12-m forward P/B chart



Source: Datastream, company data, Goldman Sachs Research estimates.

Exhibit 4: Largan's quarterly profit model (consolidated; NT\$m)
 non-GAAP basis

Summary P&L (non-GAAP)	1Q2008	2Q2008	3Q2008	4Q2008E	1Q2009E	2Q2009E	3Q2009E	4Q2009E	2007	2008E	2009E	2010E
Net sales	1,713	1,884	2,159	1,667	1,426	1,547	1,805	2,032	5,882	7,423	6,809	7,966
Cost of good sold (COGS)	(757)	(828)	(905)	(720)	(640)	(686)	(788)	(912)	(2,604)	(3,210)	(3,025)	(3,580)
Gross profits	956	1,056	1,255	947	786	861	1,017	1,120	3,278	4,214	3,784	4,386
Operating expenses	(111)	(118)	(115)	(108)	(100)	(105)	(104)	(103)	(361)	(452)	(412)	(427)
S&A	(71)	(74)	(93)	(75)	(68)	(72)	(71)	(71)	(159)	(314)	(283)	(293)
R&D	(39)	(43)	(23)	(33)	(31)	(33)	(33)	(32)	(203)	(139)	(130)	(134)
Operating profits	845	938	1,139	839	686	756	913	1,017	2,917	3,761	3,372	3,959
Non-operating income/(loss)	(135)	15	210	17	22	26	26	28	85	106	102	158
Earnings before tax (EBT)	710	953	1,349	855	708	782	939	1,044	3,002	3,867	3,474	4,117
Income tax credit/(expense)	(52)	(138)	(55)	(56)	(46)	(160)	(56)	(60)	(432)	(300)	(321)	(442)
Extraordinary gain/(loss)	-	-	-	-	-	-	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-
Earnings after tax (EAT)	659	815	1,294	800	662	623	883	985	2,570	3,568	3,152	3,675
EPS (NT\$)	5.11	6.32	10.04	6.20	5.13	4.83	6.85	7.64	20.23	27.66	24.44	28.50
EPS (NT\$, fully diluted)	5.11	6.32	10.04	6.20	5.13	4.83	6.85	7.64	20.23	27.66	24.44	28.50
Ratio analysis and assumptions												
As % of sales												
Gross margin	55.8%	56.0%	58.1%	56.8%	55.1%	55.7%	56.4%	55.1%	55.7%	56.8%	55.6%	55.1%
Operating expense ratio	-6.5%	-6.3%	-5.3%	-6.5%	-7.0%	-6.8%	-5.8%	-5.1%	-6.1%	-6.1%	-6.1%	-5.4%
Operating margin	49.3%	49.8%	52.8%	50.3%	48.1%	48.9%	50.6%	50.0%	49.6%	50.7%	49.5%	49.7%
Pre-tax margin	41.5%	50.6%	62.5%	51.3%	49.7%	50.6%	52.0%	51.4%	51.0%	52.1%	51.0%	51.7%
Tax rate (as % of EBT)	7.3%	14.5%	4.0%	6.5%	6.5%	20.4%	6.0%	5.7%	14.4%	7.7%	9.3%	10.7%
Net margin	38.4%	43.3%	59.9%	48.0%	46.4%	40.2%	48.9%	48.5%	43.7%	48.1%	46.3%	46.1%
Qoq growth (%)												
Sales	-9.5%	10.0%	14.6%	-22.8%	-14.5%	8.5%	16.7%	12.6%				
Gross profits	-10.4%	10.5%	18.8%	-24.5%	-17.0%	9.6%	18.1%	10.1%				
Operating profits	-12.6%	11.0%	21.4%	-26.4%	-18.2%	10.2%	20.7%	11.4%				
Non-operating profits	NM	NM	1320.2%	-92.1%	32.2%	17.4%	2.6%	5.4%				
Pre-tax profits	-26.4%	34.2%	41.5%	-36.6%	-17.2%	10.4%	20.1%	11.2%				
Net profits	-23.7%	23.8%	58.8%	-38.2%	-17.2%	-6.0%	41.8%	11.6%				
EPS (weighted averaged)	-24.9%	23.8%	58.8%	-38.2%	-17.2%	-6.0%	41.8%	11.6%				
YoY growth (%)												
Sales	28.5%	49.9%	54.2%	-11.9%	-16.8%	-17.9%	-16.4%	21.9%	-19.9%	26.2%	-8.3%	17.0%
Gross profits	24.9%	55.7%	63.4%	-11.2%	-17.8%	-18.4%	-18.9%	18.2%	-27.9%	28.5%	-10.2%	15.9%
Operating profits	23.9%	56.3%	70.6%	-13.2%	-18.8%	-19.4%	-19.9%	21.2%	-29.1%	29.0%	-10.4%	17.4%
Non-operating profits	NM	NM	509.6%	NM	NM	74.2%	-87.4%	67.9%	54.0%	24.2%	-3.9%	55.2%
Pre-tax profits	-3.5%	59.0%	92.1%	-11.3%	-0.3%	-17.9%	-30.4%	22.1%	-28.0%	28.8%	-10.2%	18.5%
Net profits	-4.8%	127.2%	97.3%	-7.3%	0.6%	-23.6%	-31.8%	23.1%	-33.9%	38.8%	-11.6%	16.6%
EPS (weighted averaged)	-6.3%	123.8%	94.3%	-8.8%	0.6%	-23.6%	-31.8%	23.1%	-34.7%	36.7%	-11.6%	16.6%
Dividend policies												
Cash dividends (NT\$ per share)									10.89	9.55	11.54	9.80
Payout ratio (%)									35.6%	47.9%	47.9%	47.9%

Source: Company data, Goldman Sachs Research estimates.

Exhibit 5: Largan's quarterly profit model (consolidated; NT\$m)

GAAP basis

Summary P&L (GAAP)	1Q2008	2Q2008	3Q2008	4Q2008E	1Q2009E	2Q2009E	3Q2009E	4Q2009E	2007	2008E	2009E	2010E
Net sales	1,713	1,884	2,159	1,667	1,426	1,547	1,805	2,032	5,882	7,423	6,809	7,966
Cost of good sold (COGS)	(794)	(875)	(980)	(770)	(681)	(725)	(843)	(974)	(3,001)	(3,419)	(3,224)	(3,813)
Gross profits	919	1,009	1,179	897	744	822	961	1,058	2,882	4,004	3,585	4,154
Operating expenses	(181)	(202)	(255)	(202)	(177)	(178)	(207)	(218)	(940)	(840)	(781)	(856)
SG&A	(87)	(94)	(124)	(96)	(86)	(88)	(94)	(96)	(300)	(400)	(365)	(388)
R&D	(94)	(109)	(131)	(106)	(91)	(90)	(113)	(122)	(640)	(440)	(416)	(468)
Operating profits	738	806	924	695	567	644	754	839	1,942	3,164	2,805	3,298
Non-operating income/(loss)	(135)	15	210	17	22	26	26	28	85	106	102	158
Earnings before tax (EBT)	603	821	1,134	711	589	670	780	867	2,027	3,270	2,906	3,456
Income tax credit/(expense)	(20)	(99)	(1)	(46)	(38)	(137)	(47)	(49)	(311)	(166)	(271)	(374)
Extraordinary gain/(loss)	-	-	-	-	-	-	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-
Earnings after tax (EAT)	584	722	1,133	665	551	533	733	818	1,716	3,104	2,635	3,081
EPS (NT\$)	4.53	5.60	8.78	5.16	4.27	4.14	5.69	6.34	13.51	24.07	20.43	23.89
EPS (NT\$, fully diluted)	4.53	5.60	8.78	5.16	4.27	4.14	5.69	6.34	13.51	24.07	20.43	23.89
Ratio analysis and assumptions												
As % of sales												
Gross margin	53.7%	53.5%	54.6%	53.8%	52.2%	53.1%	53.3%	52.1%	49.0%	53.9%	52.7%	52.1%
Operating expense ratio	-10.6%	-10.7%	-11.8%	-12.1%	-12.4%	-11.5%	-11.5%	-10.7%	-16.0%	-11.3%	-11.5%	-10.7%
Operating margin	43.1%	42.8%	42.8%	41.7%	39.8%	41.7%	41.8%	41.3%	33.0%	42.6%	41.2%	41.4%
Pre-tax margin	35.2%	43.6%	52.5%	42.7%	41.3%	43.3%	43.2%	42.7%	34.5%	44.0%	42.7%	43.4%
Tax rate (as % of EBT)	3.2%	12.0%	0.1%	6.5%	6.5%	20.4%	6.0%	5.7%	15.3%	5.1%	9.3%	10.8%
Net margin	34.1%	38.3%	52.5%	39.9%	38.6%	34.5%	40.6%	40.2%	29.2%	41.8%	38.7%	38.7%
QoQ growth (%)												
Sales	-9.5%	10.0%	14.6%	-22.8%	-14.5%	8.5%	16.7%	12.6%				
Gross profits	-1.6%	9.7%	16.9%	-24.0%	-17.0%	10.5%	16.9%	10.0%				
Operating profits	15.5%	9.2%	14.6%	-24.8%	-18.4%	13.6%	17.0%	11.3%				
Non-operating profits	NM	NM	1320.2%	-92.1%	32.2%	17.4%	2.6%	5.4%				
Pre-tax profits	-5.3%	36.1%	38.1%	-37.3%	-17.2%	13.8%	16.5%	11.1%				
Net profits	2.4%	23.7%	56.9%	-41.3%	-17.2%	-3.2%	37.5%	11.5%				
EPS (weighted averaged)	0.8%	23.7%	56.9%	-41.3%	-17.2%	-3.2%	37.5%	11.5%				
YoY growth (%)												
Sales	28.5%	49.9%	54.2%	-11.9%	-16.8%	-17.9%	-16.4%	21.9%	-19.9%	26.2%	-8.3%	17.0%
Gross profits	39.6%	62.0%	76.9%	-4.0%	-19.1%	-18.5%	-18.5%	17.9%	-30.7%	39.0%	-10.5%	15.9%
Operating profits	76.0%	73.7%	120.6%	8.7%	-23.2%	-20.1%	-18.4%	20.8%	-38.6%	63.0%	-11.4%	17.6%
Non-operating profits	NM	NM	509.6%	NM	NM	74.2%	-87.4%	67.9%	54.0%	24.2%	-3.9%	55.2%
Pre-tax profits	27.5%	77.3%	150.1%	11.6%	-2.4%	-18.4%	-31.2%	21.9%	-37.0%	61.3%	-11.1%	18.9%
Net profits	31.2%	160.5%	167.5%	16.7%	-5.7%	-26.2%	-35.3%	22.9%	-42.8%	80.9%	-15.1%	16.9%
EPS (weighted averaged)	29.2%	156.6%	163.5%	14.9%	-5.7%	-26.2%	-35.3%	22.9%	-43.4%	78.2%	-15.1%	16.9%
Dividend policies												
Cash dividends (NT\$ per share)									10.89	9.55	11.54	9.80
Payout ratio (%)									35.6%	47.9%	47.9%	47.9%

Source: Company data, Goldman Sachs Research estimates.

Exhibit 6: Share price performance vs peer group

Closing prices as of Nov 26, 2008

Company	Ticker	Primary analyst	Price currency	Price as of 11/26/08	Price performance since 08/13/08	3 month price performance	6 month price performance	12 month price performance
Asia Pacific Technology Peer Group								
Largan Precision	3008.TW	Robert Chen	NT\$	220.00	-47.9%	-48.4%	-43.5%	-44.0%
AAC Acoustic	2018.HK	Robert Chen	HKS	2.50	-63.8%	-60.4%	-63.8%	-75.5%
Acer	2353.TW	Henry King	NTS	41.45	-37.3%	-32.9%	-35.1%	-34.3%
ASUSTeK Computer	2357.TW	Henry King	NTS	36.35	-50.0%	-52.4%	-56.3%	-60.8%
Atheros Communications, Inc.	ATHR	Joey Cheng	\$	14.30	-57.6%	-55.0%	-54.4%	-51.9%
AU Optronics	2409.TW	Eric Lin	NTS	19.50	-49.4%	-46.3%	-63.4%	-67.0%
BYD Electronic	0285.HK	Robert Chen	HKS	2.10	-36.4%	-34.4%	-69.8%	NA
Catcher Technology	2474.TW	Henry King	NTS	51.50	-49.0%	-46.0%	-47.8%	-70.9%
Cheng Uei Precision (Foxlink)	2392.TW	Henry King	NTS	31.65	-52.3%	-52.0%	-51.1%	-58.0%
Chi Mei Optoelectronics	3009.TW	Eric Lin	NTS	9.42	-64.5%	-63.2%	-75.8%	-78.1%
Compal Communications	8078.TW	Robert Chen	NTS	15.10	-63.5%	-60.1%	-72.2%	-79.0%
Compal Electronics	2324.TW	Henry King	NTS	16.40	-47.8%	-41.5%	-53.0%	-56.9%
D-Link Corp.	2332.TW	Joey Cheng	NTS	17.70	-58.7%	-52.8%	-64.4%	-74.5%
Epistar	2448.TW	Eric Lin	NTS	28.80	-57.3%	-48.8%	-65.5%	-75.8%
Everlight Electronics	2393.TW	Eric Lin	NTS	38.10	-57.3%	-48.5%	-64.3%	-66.4%
Foxconn International Holdings	2038.HK	Robert Chen	HKS	1.91	-77.0%	-67.6%	-81.6%	-89.8%
Foxconn Technology	2354.TW	Henry King	NTS	64.00	-59.5%	-56.0%	-58.8%	-77.3%
Gemtek Technology	4906.TW	Joey Cheng	NTS	33.15	-51.3%	-50.3%	-51.7%	-43.4%
Giga-Byte Technology	2376.TW	Henry King	NTS	10.70	-57.5%	-50.3%	-62.8%	-51.9%
Global Mixed-mode Technology	8081.TWO	Joey Cheng	NTS	80.10	-52.9%	-49.3%	-52.1%	-57.2%
Hon Hai Precision	2317.TW	Henry King	NTS	58.40	-61.8%	-59.7%	-61.2%	-68.8%
HTC Corp.	2498.TW	Joey Cheng	NTS	315.00	-45.8%	-46.6%	-47.0%	-28.8%
Innolux Display Corp.	3481.TW	Eric Lin	NTS	16.90	-67.9%	-66.1%	-78.0%	-84.5%
Inventec Appliances	3367.TW	Henry King	NTS	21.60	-57.1%	-52.7%	-62.5%	-61.0%
ITEQ	6213.TW	Matthew Chuang	NTS	11.90	-59.5%	-55.9%	-64.5%	-65.8%
Kinsus Interconnect Technology	3189.TW	Matthew Chuang	NTS	29.70	-53.6%	-49.7%	-62.9%	-74.0%
Mediatek	2454.TW	Joey Cheng	NTS	210.50	-42.9%	-41.8%	-42.3%	-53.0%
Merry Electronics	2439.TW	Robert Chen	NTS	23.80	-59.6%	-56.9%	-67.4%	-78.2%
MITAC International	2315.TW	Matthew Chuang	NTS	10.45	-50.4%	-42.7%	-58.2%	-68.7%
Nanya PCB	8046.TW	Matthew Chuang	NTS	63.30	-58.4%	-56.6%	-60.2%	-69.3%
Phison Electronics Corp	8299.TWO	Joey Cheng	NTS	42.90	-72.0%	-66.5%	-77.8%	-78.7%
Phoenix Precision Technology	2446.TW	Matthew Chuang	NTS	6.10	-66.5%	-64.6%	-69.1%	-82.8%
Powerchip Semiconductor	5346.TWO	Eric Lin	NTS	2.71	-60.3%	-52.2%	-78.1%	-76.6%
Powertech Technology	6239.TW	Eric Lin	NTS	42.05	-59.2%	-55.4%	-59.2%	-58.1%
Quanta Computer	2382.TW	Henry King	NTS	37.00	-24.3%	-23.7%	-25.7%	-22.1%
Realtek Semiconductor	2379.TW	Joey Cheng	NTS	32.20	-59.5%	-49.8%	-61.5%	-72.0%
Richtek Technology	6266.TW	Joey Cheng	NTS	127.50	-52.6%	-49.3%	-47.7%	-51.8%
Silitech Technology	3311.TW	Robert Chen	NTS	45.55	-50.9%	-46.7%	-51.5%	-60.3%
Sunplus Technology	2401.TW	Joey Cheng	NTS	10.70	-61.6%	-59.4%	-71.9%	-77.2%
Sunplus Technology (GDR)	2401q.L	Joey Cheng	\$	2.33	-4.8%	-4.8%	-4.8%	-38.9%
TPV Technology	0903.HK	Eric Lin	HKS	1.40	-63.3%	-62.6%	-74.3%	-78.8%
Tripod	3044.TW	Matthew Chuang	NTS	27.80	-65.9%	-58.8%	-72.1%	-73.7%
TXC Corp	3042.TW	Robert Chen	NTS	21.45	-58.3%	-58.0%	-58.3%	-59.0%
Unimicron	3037.TW	Matthew Chuang	NTS	13.25	-61.8%	-59.3%	-67.4%	-76.6%
VIA Technologies	2388.TW	Joey Cheng	NTS	5.23	-74.3%	-75.0%	-70.1%	-72.9%
Wistron	3231.TW	Henry King	NTS	21.95	-56.2%	-51.8%	-57.4%	-61.2%
Wistron NeWeb	6285.TW	Henry King	NTS	20.35	-50.0%	-48.7%	-58.6%	-63.9%
ZyXEL Communications Corp.	2391.TW	Joey Cheng	NTS	14.30	-52.8%	-44.8%	-54.4%	-69.5%
Taiwan SE Weighted Index				4,272	-41.4%	-38.7%	-50.9%	-49.9%

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: Factset, Quantum database.

Reg AC

I, Robert Chen, 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.

Investment profile

The Goldman Sachs Investment Profile provides investment context for a security by comparing key attributes of that security to its peer group and market. The four key attributes depicted are: growth, returns, multiple and volatility. Growth, returns and multiple are indexed based on composites of several methodologies to determine the stocks percentile ranking within the region's coverage universe.

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

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

Disclosures

Coverage group(s) of stocks by primary analyst(s)

Robert Chen: Asia Pacific Technology.

Asia Pacific Technology: AAC Acoustic, Acer, ASUSTeK Computer, Atheros Communications, Inc., AU Optronics, BYD Electronic, Catcher Technology, Cheng Uei Precision (Foxlink), Chi Mei Optoelectronics, Compal Communications, Compal Electronics, D-Link Corp., Epistar, Everlight Electronics, Foxconn Int'l Holdings, Foxconn Technology, Gemtek Technology, Giga-Byte Technology, Global Mixed-mode Technology, Hon Hai Precision, HTC Corp., Innolux Display Corp., Inventec Appliances, ITEQ, Kinsus Interconnect Technology, Largan Precision, Mediatek, Merry Electronics, MiTAC International, Nanya PCB, Phison Electronics, Phoenix Precision Technology, Powerchip Semiconductor, Powertech Technology, Quanta Computer, Realtek Semiconductor, Richtek Technology, Silitech Technology, Sunplus Technology, Sunplus Technology (GDR), TPV Technology, Tripod, TXC Corp, Unimicron, VIA Technologies, Wistron, Wistron NeWeb, ZyXEL Communications Corp..

Company-specific regulatory disclosures

The following disclosures relate to relationships between The Goldman Sachs Group, Inc. (with its affiliates, "Goldman Sachs") and companies covered by the Global Investment Research Division of Goldman Sachs and referred to in this research.

There are no company-specific disclosures for: Largan Precision (NT\$220.00)

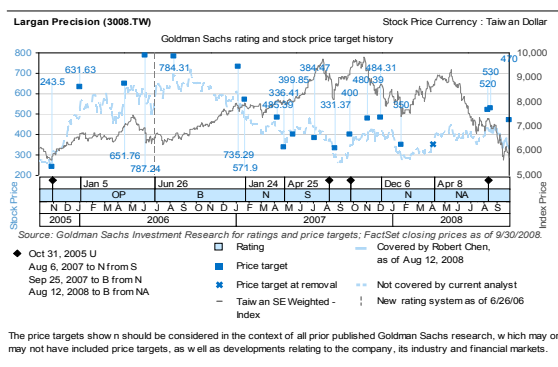
Distribution of ratings/investment banking relationships

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%

As of October 1, 2008, Goldman Sachs Global Investment Research had investment ratings on 3,165 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by NASD/NYSE rules. See 'Ratings, Coverage groups and views and related definitions' below.

Price target and rating history chart(s)



Regulatory disclosures

Disclosures required by United States laws and regulations

See company-specific regulatory disclosures above for any of the following disclosures required as to companies referred to in this report: manager or co-manager in a pending transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; market making and/or specialist role.

The following are additional required disclosures: **Ownership and material conflicts of interest:** Goldman Sachs policy prohibits its analysts, professionals reporting to analysts and members of their households from owning securities of any company in the analyst's area of coverage. **Analyst compensation:** Analysts are paid in part based on the profitability of Goldman Sachs, which includes investment banking revenues. **Analyst as officer or director:** Goldman Sachs policy prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director, advisory board member or employee of any company in the analyst's area of coverage. **Non-U.S. Analysts:** Non-U.S. analysts may not be associated persons of Goldman, Sachs & Co. and therefore may not be subject to NASD Rule 2711/NYSE Rules 472 restrictions on communications with subject company, public appearances and trading securities held by the analysts. **Distribution of ratings:** See the distribution of ratings disclosure above. **Price chart:** See the price chart, with changes of ratings and price targets in prior periods, above, or, if electronic format or if with respect to multiple companies which are the subject of this report, on the Goldman Sachs website at <http://www.gs.com/research/hedge.html>. Goldman, Sachs & Co. is a member of SIPC(<http://www.sipc.org>).

Additional disclosures required under the laws and regulations of jurisdictions other than the United States

The following disclosures are those required by the jurisdiction indicated, except to the extent already made above pursuant to United States laws and regulations. **Australia:** This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. **Canada:** Goldman Sachs Canada Inc. has approved of, and agreed to take responsibility for, this research in Canada if and to the extent it relates to equity securities of Canadian issuers. Analysts may conduct site visits but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits. **Hong Kong:** Further information on the securities of covered companies referred to in this research may be obtained on request from Goldman Sachs (Asia) L.L.C. **India:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (India) Securities Private Limited; **Japan:** See below. **Korea:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (Asia) L.L.C., Seoul Branch. **Russia:** Research reports distributed in the Russian Federation are not advertising as defined in Russian law, but are information and analysis not having product promotion as their main purpose and do not provide appraisal within the meaning of the Russian Law on Appraisal. **Singapore:** Further information on the covered companies referred to in this research may be obtained from Goldman Sachs (Singapore) Pte. (Company Number: 198602165W). **Taiwan:** This material is for reference only and must not be reprinted without permission. Investors should carefully consider their own investment risk. Investment results are the responsibility of the individual investor. **United Kingdom:** Persons who would be categorized as retail clients in the United Kingdom, as such term is defined in the rules of the Financial Services Authority, should read this research in conjunction with prior Goldman Sachs research on the covered companies referred to herein and should refer to the risk warnings that have been sent to them by Goldman Sachs International. A copy of these risks warnings, and a glossary of certain financial terms used in this report, are available from Goldman Sachs International on request.

European Union: Disclosure information in relation to Article 4 (1) (d) and Article 6 (2) of the European Commission Directive 2003/126/EC is available at http://www.gs.com/client_services/global_investment_research/europeanpolicy.html

Japan: Goldman Sachs Japan Co., Ltd. is a Financial Instrument Dealer under the Financial Instrument and Exchange Law, registered with the Kanto Financial Bureau (Registration No. 69), and is a member of Japan Securities Dealers Association (JSDA) and Financial Futures Association of Japan (FFJAJ). Sales and purchase of equities are subject to commission pre-determined with clients plus consumption tax. See company-specific disclosures as to any applicable disclosures required by Japanese stock exchanges, the Japanese Securities Dealers Association or the Japanese Securities Finance Company.

Ratings, coverage groups and views and related definitions

Buy (B), Neutral (N), Sell (S) -Analysts recommend stocks as Buys or Sells for inclusion on various regional Investment Lists. Being assigned a Buy or Sell on an Investment List is determined by a stock's return potential relative to its coverage group as described below. Any stock not assigned as a Buy or a Sell on an Investment List is deemed Neutral. Each regional Investment Review Committee manages various regional Investment Lists to a global guideline of 25%-35% of stocks as Buy and 10%-15% of stocks as Sell; however, the distribution of Buys and Sells in any particular coverage group may vary as determined by the regional Investment Review Committee. Regional Conviction Buy and Sell lists represent investment recommendations focused on either the size of the potential return or the likelihood of the realization of the return.

Return potential represents the price differential between the current share price and the price target expected during the time horizon associated with the price target. Price targets are required for all covered stocks. The return potential, price target and associated time horizon are stated in each report adding or reiterating an Investment List membership.

Coverage groups and views: A list of all stocks in each coverage group is available by primary analyst, stock and coverage group at <http://www.gs.com/research/hedge.html>. The analyst assigns one of the following coverage views which represents the analyst's investment outlook on the coverage group relative to the group's historical fundamentals and/or valuation. **Attractive (A).** The investment outlook over the following 12 months is favorable relative to the coverage group's historical fundamentals and/or valuation. **Neutral (N).** The investment outlook over the following 12 months is neutral relative to the coverage group's historical fundamentals and/or valuation. **Cautious (C).** The investment outlook over the following 12 months is unfavorable relative to the coverage group's historical fundamentals and/or valuation.

Not Rated (NR). The investment rating and target price, if any, have been removed pursuant to Goldman Sachs policy when Goldman Sachs is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances. **Rating Suspended (RS).** Goldman Sachs Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon. **Coverage Suspended (CS).** Goldman Sachs has suspended coverage of this company. **Not Covered (NC).** Goldman Sachs does not cover this company. **Not Available or Not Applicable (NA).** The information is not available for display or is not applicable. **Not Meaningful (NM).** The information is not meaningful and is therefore excluded.

Ratings, coverage views and related definitions prior to June 26, 2006

Our rating system requires that analysts rank order the stocks in their coverage groups and assign one of three investment ratings (see definitions below) within a ratings distribution guideline of no more than 25% of the stocks should be rated Outperform and no fewer than 10% rated Underperform. The analyst assigns one of three coverage views (see definitions below), which represents the analyst's investment outlook on the coverage group relative to the group's historical fundamentals and valuation. Each coverage group, listing all stocks covered in that group, is available by primary analyst, stock and coverage group at <http://www.gs.com/research/hedge.html>.

Definitions

Outperform (OP). We expect this stock to outperform the median total return for the analyst's coverage universe over the next 12 months. **In-Line (IL).** We expect this stock to perform in line with the median total return for the analyst's coverage universe over the next 12 months. **Underperform (U).** We expect this stock to underperform the median total return for the analyst's coverage universe over the next 12 months.

Coverage views: Attractive (A). The investment outlook over the following 12 months is favorable relative to the coverage group's historical fundamentals and/or valuation. **Neutral (N).** The investment outlook over the following 12 months is neutral relative to the coverage group's historical fundamentals and/or valuation. **Cautious (C).** The investment outlook over the following 12 months is unfavorable relative to the coverage group's historical fundamentals and/or valuation.

Current Investment List (CIL). We expect stocks on this list to provide an absolute total return of approximately 15%-20% over the next 12 months. We only assign this designation to stocks rated Outperform. We require a 12-month price target for stocks with this designation. Each stock on the CIL will **automatically** come off the list after 90 days unless renewed by the covering analyst and the relevant Regional Investment Review Committee.

Global product; distributing entities

The Global Investment Research Division of Goldman Sachs produces and distributes research products for clients of Goldman Sachs, and pursuant to certain contractual arrangements, on a global basis. Analysts based in Goldman Sachs offices around the world produce equity research on industries and companies, and research on macroeconomics, currencies, commodities and portfolio strategy.

This research is disseminated in Australia by Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897) on behalf of Goldman Sachs; in Canada by Goldman Sachs Canada Inc. regarding Canadian equities and by Goldman Sachs & Co. (all other research); in Germany by Goldman Sachs & Co. oHG; in Hong Kong by Goldman Sachs (Asia) L.L.C.; in India by Goldman Sachs (India) Securities Private Ltd.; in Japan by Goldman Sachs Japan Co., Ltd.; in the Republic of Korea by Goldman Sachs (Asia) L.L.C., Seoul Branch; in New Zealand by Goldman Sachs JBWere (NZ) Limited on behalf of Goldman Sachs; in Singapore by Goldman Sachs (Singapore) Pte. (Company Number: 198602165W); and in the United States of America by Goldman, Sachs & Co. Goldman Sachs International has approved this research in connection with its distribution in the United Kingdom and European Union.

European Union: Goldman Sachs International, authorised and regulated by the Financial Services Authority, has approved this research in connection with its distribution in the European Union and United Kingdom; Goldman, Sachs & Co. oHG, regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht, may also be distributing research in Germany.

General disclosures in addition to specific disclosures required by certain jurisdictions

This research is for our clients only. Other than disclosures relating to Goldman Sachs, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

Goldman Sachs conducts a global full-service, integrated investment banking, investment management, and brokerage business. We have investment banking and other business relationships with a substantial percentage of the companies covered by our Global Investment Research Division.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

We and our affiliates, officers, directors, and employees, excluding equity analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research.

This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Investors should review current options disclosure documents which are available from Goldman Sachs sales representatives or at <http://www.theocc.com/publications/risks/riskchap1.jsp>. Transactions cost may be significant in option strategies calling for multiple purchase and sales of options such as spreads. Supporting documentation will be supplied upon request.

Our research is disseminated primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients.

Disclosure information is also available at <http://www.gs.com/research/hedge.html> or from Research Compliance, One New York Plaza, New York, NY 10004.

Copyright 2008 The Goldman Sachs Group, Inc.

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of The Goldman Sachs Group, Inc.