

Meeting Handbook 2008

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TXC Corporation

Agenda for 2008 General Meeting of Shareholders

1. Time: 10:00am 13 June (Wednesday), 2008

2. Venue: Taipei Lin Garden Piaoliang hall (1F 1 Section 6, Chungshan North Road, Shilin District, Taipei City)

3. Opening

4. Reports

- (1) Report on operation in 2007 and plans for the future.
- (2) Report on Auditors' examination of 2007 final accounts.
- (3) Report on progress of investment in China and operation status.
- (4) Report on issuance of second unsecured convertible bond in Taiwan.
- (5) Report on Issuance of Employee Stock Option and Stock Option Regulations.
- (6) Report on Buying back company stocks.
- (7) Report on external guaranty endorsement and fund loans.

5. Matters of concurrence

- (1) Concurrence for 2007 final accounts.
- (2) Concurrence for 2007 surplus allocation.

6. Discussions and election

- (1) Adoption of surplus and employee bonus recapitalization.
- (2) Adoption of revision of certain articles of the company charter.

7. Ad Hoc Motions

8. Dismissal

Reports

Report (1)

Subject: Report on operation in 2007 and future plans.

Explanation:

1. The company registered a sales revenue of NTD 5,961,970 thousand in 2007, an increase of 23.19 % over 2006. The consolidated revenue of NTD 6,250,115 thousand in 2007, an increase of 20.05 % over 2006. ; The net profit after tax is NTD1,139,706 thousand, an increase of 35.32 % over the previous year.
2. The sales report and the related final account already published in the meeting handbook annexes 1 and 3.
3. We prudently predict that sales will continue to grow in 2008 and with improvement of yield rate, launching of high-end products, and contributions by new customers and new projects, sustained growth in sales and profits is expected.

Operation Analysis for Jan.-Mar. 2008 Unit: Thousand NTD

Item	2008.03.31	2007.03.31	Growth Rate
Sales Revenue	1,486,388	1,270,301	17.0%
Sales Cost	1,160,621	919,414	26.2%
Sales Gross Profit	325,767	350,340	-7.0%
Gross Profit Rate	21.9%	27.6%	-20.7%
Sales Expense	177,572	134,190	32.3%
Sales Net Profit	148,195	216,150	-31.4%
Non-sales Revenue (expenditure)	69,008	41,450	66.5%
Profit/loss before tax	217,203	257,600	-15.7%
Income tax (expense) benefits	(10,771)	(13,548)	-20.5%
Profit/loss after tax	206,432	244,052	-15.4%

Report (2)

Subject: Report on Auditors' examination of final accounts for 2007.

Explanation:

1. The final account for 2007 has been certified by accountants Lai Kuo-wang and Teng Zhi-ping of Deloitte and Touche and adopted by the Board of Directors meeting and duly examined by the auditors with the examination report published in Annex 2 of the meeting handbook.
2. Auditors are invited to read out the examination report.

Report (3)

Subject: Report on investment in China and operation status.

Explanation:

1. The project of investment in China has been approved by the Investment Commission of the Ministry of Economic Affairs for the amount of USD37,835 thousand; as of 31 March, 2008 the accumulated actual investment amount and the surplus recapitalization is USD34,835 thousand and the progress of investment is 92.1%. The else actual investment schedule will be by stages in accordance with progress of the Ningbo plant.
3. Net sales revenue of Ningbo plant in China in 2007 was RMB310,836 thousand, and net profit after tax was RMB34,650 thousand. And the aggregate sales revenue for Jan.-Mar. 2008 RMB100,108 thousand and net profit before tax RMB14,699thousand.

Report (4)

Subject: Report on second issuance of unsecured convertible bond in Taiwan.

Explanation:

1. To meet operation demand for capacity expansion and to improve financial structure through conservation of interest, the Company issued the first unsecured convertible bond on 8 November, 2006 amounting to NTD800 million only and issued a total of 8,000 shares with a par value of NTD100,000 only. The period of issuance is from 8 November, 2006 to 8 November, 2011 with a convertible price of NTD52 per share. The current convertible price is NTD45.6 per share; conversion is from 9 December, 2006. As of March 31, 2008, implemented conversion of NT\$562,800,000 for converting into 11,479,724 common shares and the nonconverted amount is NT\$237,200,000. If all corporate bonds are converted into common stocks, the dilution rate of current shareholder equity is 2.11%, hence no big impact on shareholders equity.

2. Fund use implementation (2007.12.31)

(Thousand NT\$)

Project Plan	Implementation		Q4 of 2007	Reasons for schedule overtaking or lagging and improvement plan
Building of new plant	Expended	planned	300,000	<p>1. This plan was originally scheduled to be completed by the first quarter of 2008 but the plan had completed implementation by the fourth quarter of 2007 earlier than scheduled. Also, the actual capital used was NT\$6,550,000 more than estimated and the overall capital use rate is 100.82%.</p> <p>2. Reasons for difference explained below:</p> <p>a. Newly built factory/office building: The plan was originally scheduled to complete by the third quarter of 2007 but was delayed to the fourth quarter due to modification of the circulation line of the factory. Also, the actual paid amount was NT\$62,420,000 less than the estimated amount and the accumulated implementation schedule is only 79.19% of that estimated.</p> <p>b. Procurement of machinery and equipment Newly procured machinery and equipment completed acceptance inspection by the fourth quarter of 2007 and the plan concluded earlier in the fourth quarter but the actual amount of procurement increased</p>
		actual	237,573	
	Implemented (%)	planned	100.00	
		actual	79.19	
Procurement of machinery and equipment	Expended	planned	300,000	
		actual	418,973	
	Implemented (%)	planned	85.71	
		actual	119.71	
Discharge bank loans	Expended	planned	150,000	
		actual	150,000	
	Implemented (%)	planned	100.00	
		actual	100.00	
Total	Expended	planned	750,000	
		actual	806,546	
	Implemented (%)	planned	93.75	
		actual	100.82	

Report (5)

Subject: Report on Issuance of Employee Stock Option and Stock Option Regulations.

Explanation:

1. To attract and retain needed technological and professional personnel and to motivate employees and enhance their loyalty, productivity and sense of belonging for mutual benefits of shareholders and employees, the Seventh Session of the Board of Directors Meeting in 2007 adopted the resolution on the Issuance of Employee Stock Option in 2007.

Status of handling of employee warrant:

Types of employee warrant	Employee Stock Option in 2007
Approval date by competent organ	2007.11.09
Issuance Date	2007.12.10
Issued shares (thousand share/unit)	8,000
Ratio of issued warrant to total no. issued shares (%)	3.31%
Issuance period	98.12.10~101.12.09
Contract fulfillment	Issue new shares
Service period for warrant and ratio (%)	Over 2 years 50% Over 3 years 75% Over 4 years 100%
No. of shares implemented	0 thousand shares
Amount implemented (NTD)	0 dollars
No. of shares unimplemented	8,000thousand shares
Per share warrant price of unimplemented warrant	58.8dollars
Ratio of implemented warrant to total no. of issued shares (%)	3.31%

2. For details of issuance of employee stock option in 2007 and warrant method refer to Annex 4 of the meeting handbook.

Report (6)

Subject: Report on implementation of buying back company treasury stocks.

Explanation :

1. The company board of directors meeting adopted resolution on January 28, 2008 to buy back company stocks as source of required stocks for transferring to employees and the implementation period is from January 29, 2008 to March 28, 2008. It is scheduled to buy back 3,000,000 shares at a price range between NT\$30 to NT\$55. The company may continue to buy back stocks if price falls below the lower price limit. As of March 28, 2008 the company has completed buying back 3,000,000 shares (bought 100,000 shares on March 28, 2008 and the transaction date is April 1). The average buy back stock cost is NT\$42.41 with 100% implementation.
2. Refer to Annex 5 of meeting handbook "Regulations on Buying Back Stocks for Transferring to Employees."

Report (7)

Subject: Report on external guaranty endorsement and fund loans.

Explanation :

1. Report on guaranty endorsement for affiliated enterprises up till end of March 2008:

Unit: Thousand NTD

Company name	Guaranty amount	Relation with company	Reasons for guaranty
Taiwan Crystal Technology International Limited	33,089	100% owned subsidiary	Financed by bank to meet operation demand
Growing Profits Trading Ltd.	158,827	100% owned subsidiary	Financed by bank to meet operation demand

2. As of 31 March, 2008, no loans to others.

Matters of concurrence

Matters of concurrence (1)

Presented by Board of Directors

Subject: Concurrence for final accounts of 2007.

Explanation:

- 1.Refer to Annex (1) and (3) in the meeting handbook regarding the report on operation in 2007 and the financial statement.
2. Foregoing Assets/Liabilities Statement, Profit and Loss Statement, Shareholders Equities Changes and Cash Flow Report, etc. (including the consolidated reports) have been duly examined by accountants and adopted by the third session of the board of directors meetings in 2008 with the sales report submitted to the auditors for due examination (Auditors' examination report is published in Annex 2 of the meetings handbook.)
- 3.You are invited for concurrence.

Resolution:

Matters of concurrence (2)

Presented by Board of Directors

Subject: Concurrence of surplus allocation in 2007.

Explanation :

- 1.Surplus in 2007 was allocated in accordance with article 19 of the company charter.
- 2.The company's net profit after tax in 2007 was NTD1,139,705,997and the unallocated surplus at the beginning of the year was NTD192,112,680, thereby the total accumulated surplus available for allocation was NTD1,331,818,677; after appropriation of legal reserve amounting to NTD113,970,600, the balance available surplus for allocation was NTD1,217,848,077; we plan to allocate to shareholders bonus amounting to NTD715,881,446, employee bonus amounting to NTD81,350,160 and reward for directors and auditors amounting to NTD16,270,033, making up a total of surplus allocation amounting to NTD813,501,639, leaving the year-end unallocated surplus at NTD404,346,438.
- 3.We plan to allocate Employee bonus totaling NTD81,350,160, and employee bonus for recapitalization of new shares totaling NTD40,675,080, with the balance being allocated in cash amounting to NTD40,675,080元; Shareholder bonus

NTD715,881,446 wherein NTD238,627,150 will be allocated in stock at 100 shares per 1000 shares, the remaining NTD477,254,296 will be allocated in cash at NTD2 per share; Reward for directors and auditors amounting to NTD16,270,033 will be allocated wholly in cash.

4. As of 14 April, 2008, the number of shares circulated outside was 238,627,148 shares; the shareholders' meeting authorized the board of directors to make changes accordingly due to change in stock allocation after conversion of convertible bonds and implementation of employee warrant.

5. You are invited to concur on the surplus allocation table shown below:

TXC Corporation
Surplus Allocation Table for 2007

Unit: NTD

Item	Amount	
	Amount	Total
Beginning period undistributed profits plus :		192,112,680
Available distributed profit for current year		
Net profit after tax for this year	1,139,705,997	
minus :		
Appropriate legal reserve (10%)	(113,970,600)	
Profits available for distribution		1,217,848,077
Items of distribution :		
Shareholder bonus—transfer raising capital share appropriate (\$1 per share)	238,627,150	
Shareholder bonus—cash (\$2 per share)	477,254,296	
Employee bonus—transfer raising capital share appropriate	40,675,080	
Employee bonus—cash	40,675,080	
Directors and supervisor remuneration (2%)—cash	16,270,033	
total		(813,501,639)
End period of undistributed profits		404,346,438

NOTE:

1. Surplus allocation for 2007 will be allocated from surplus in 2007 first.
2. Regarding allocation in cash, the shareholders' meeting will adopt resolution to authorize the board of directors to set the base day for dividend.

Resolution:

Discussions

Discussion (1)

Presented by Board of Directors

Subject: Plans for surplus and employee bonus recapitalization, you are invited to concur.

Explanation:

1. Plans for surplus recapitalization with shareholder bonus of NTD238,627,150 for issuance of 23,862,715 new shares, that is allocation for free 100 shares per 1000 shares. Shareholders are required to make up the decimal shares into whole shares and go to Yuanta Securities for handling within 5 days from the base day; decimal shares unable to make whole shares will be allocated in cash up to NTD1 according to the par value (less than NTD1 will be deleted) and the Chairman is authorized to have specified shareholders to buy the shares at par value.
2. Appropriate employee bonus amounting to NTD40,675,080 for recapitalization and issue 4,067,508 new shares.
3. Surplus recapitalization and recapitalization from employee bonus totaled NTD279,302,230 for issuing 27,930,223 new shares with each share at NTD10; the benefit and obligations remain the same as other former shares, and the general meeting of shareholders' will authorize the board of directors to set up the base day for dividend for implementation after approval by the competent government organ and will be announced separately.
4. The number of shares circulating outside at April 14, 2008 is 238,627,148 shares and after conversion of corporate bond and transference of treasury stocks to employees and affect circulation outside and changes happened to stock dividend, the shareholders general meeting will authorize the board of directors to handle matters of change.
5. The shareholders' meeting will authorize the board of directors with full discretion on issuance and allocation of stock and recapitalization plan if the applicable laws and decrees of the competent organ changes or the objective environment changes or if needed in reality.
6. You are invited to concur.

Resolution:

Discussion (2)

Presented by Board of Directors

Subject: Plans for revision of certain articles of the company charter. You are invited to concur.

Explanation:

1. In consideration of overall operation and development of the company and in line with employee bonus treating as expenses, it is planned to revise Article 5 of Chapter 2, Article 19 of Chapter 6 and certain items of Article 22 of annex of Chapter 7.
2. Table of comparison for revised articles vs original articles of the company charter as follows:

Content of Original Article	Content of Revised Article	Reasons for Revision
<p>Article 5: The total capital of the company is set at NT\$3.0 billion in 300,000,000 shares with each share at NT\$10. In the above total capital NT\$200,000,000 has been reserved for employee stock option or a total of 20 million shares and these unissued shares have been authorized to the board of directors for issuance in accordance with actual requirement.</p>	<p>Article 5: The total capital of the company is set at NT\$3.5 billion in 350,000,000 shares with each share at NT\$10. In the above total capital NT\$200,000,000 has been reserved for employee stock option or a total of 20 million shares and these unissued shares have been authorized to the board of directors for issuance in accordance with actual requirement.</p>	<p>To be revised in accordance with the need of operation.</p>
<p>Article 19: In the event of surplus from final accounts in this year, the surplus must first be used to pay tax, then to make up for past deficits, followed by 10% as legal reserve, with the exception that legal reserve has accumulated up to the amount of actual total income, and also appropriate or divert special surplus reserve in accordance with applicable law while the remaining unallocated surplus be allocated according to following percentages after retaining an appropriate amount for operation.</p> <p>(1) Employee bonus must not be less than 3%.</p> <p>(2) Reward for directors and auditors must not be over 2%.</p> <p>(3) Shareholder bonus comes from the entire amount after deducting employee bonus and reward for directors and auditors for the year.</p> <p>Moreover, the objects of employee bonus should comprise employees of affiliated companies under specific conditions and authorize the board of directors to</p>	<p>Article 19: In the event of surplus from final accounts in this year, the surplus must first be used to pay tax, then to make up for past deficits, followed by 10% as legal reserve, with the exception that legal reserve has accumulated up to the amount of actual total income. <u>If necessary appropriate or divert the special surplus reserve in accordance with applicable laws and regulations, and the remaining and accumulated allocated surplus of the previous year shall be proportionally allocated by the shareholders' general meeting after the board of directors retained an appropriate amount in view of the operation circumstances.</u></p> <p>(1) Employee bonus must not be less than 3%.</p> <p>(2) Reward for directors and</p>	<p>To be revised in accordance with the need of operation.</p>

Content of original article	Content of articles after revision	Reasons for revision
Article 22: This charter was established on 6 December, 1983. First revised on 10 February, 1984. No. 26 revision was done on 13 June, 2007.	Article 22: This charter was established on 6 December, 1983. First revised on 10 February, 1984. No. 26 revision will be revised on 13 June 2007. <u>No. 27 revision will be revised on 13</u>	Add revision

3. Refer to Annex 6 of the meeting handbook for the company charter.

4. You are invited to concur.

Resolution:

ad hoc motions.

Dismissal

MEMO
