TXC CORPORATION

Financial Statements for the
Years Ended December 31, 2002 and 2001 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To TXC Corporation:

We have audited the accompanying balance sheets of TXC Corporation as of December 31, 2002 and 2001 and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended (all expressed in thousands of New Taiwan dollars). 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.

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

In our opinion, such financial statements stated in the first paragraph present fairly, in all material respects, the financial position of TXC Corporation as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China and "Regulations Governing the Preparation of Financial Statements of Public Companies."

April 1, 2003

The accompanying financial statements, which have been translated into English for the convenience of readers outside the Republic of China, are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying balance sheets of TXC Corporation, and the related statements of income, changes in stockholders' equity and of cash flows as of and for the years ended December 31, 2002 and 2001 are not designed for those who are not informed about accounting principles, procedures and practices in the Republic of China. The standards, procedures and practices utilized in the Republic of China to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China.

TXC CORPORATION

BALANCE SHEETS
DECEMBER 31, 2002 AND 2001
(In Thousands of New Taiwan Dollars)

ASSETS	2002	2001
CURRENT ASSETS:		
Cash and cash equivalents (Notes 2 and 3)	$100,324	$ 166,246
Securities investment trust funds, net (Notes 2 and 4)	111,080	123,316
Notes receivable, net (Notes 2 and 5)	82,145	163,192
Accounts receivable, net (Notes 2 and 5)	513,003	493,555
Inventories (Notes 2 and 6)	418,779	400,853
Other current assets	78,751	42,143
Total current assets	1,304,082	1,389,305
LONG-TERM INVESTMENTS (Notes 2 and 7)	183,459	153,764
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 8):		
Cost:		
Land	157,040	157,040
Land - revaluation increment	8,954	8,954
Land improvements	377	377
Buildings	265,269	266,211
Machinery and equipment	1,124,372	1,012,054
Miscellaneous equipment	51,602	46,222
Subtotal	1,607,614	1,490,858
Less accumulated depreciation	(503,600)	(365,406)
Prepayments on purchase of equipment	146,050	363
Property, plant and equipment, net	1,250,064	1,125,815
OTHER ASSETS	29,102	25,899
TOTAL	$2,766,707	$2,694,783

LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001
CURRENT LIABILITIES:		
Short-term borrowings (Note 9)	$ 288,978	$ 296,916
Current portion of long-term debt (Note 11)	54,412	87,480
Commercial paper (Note 10)	49,894	89,635
Notes payable	31,088	13,481
Accounts payable	239,947	247,177
Accrued expenses	34,339	44,432
Other current liabilities	15,935	2,934
Total current liabilities	714,593	782,055
LONG-TERM LIABILITIES (Note 11)	210,803	193,865
OTHER LIABILITIES (Note 2)	5,450	5,164
Total liabilities	930,846	981,084
STOCKHOLDERS' EQUITY:		
Capital stock (Note 14)	1,376,731	1,203,485
Capital surplus	299,209	358,960
Retained earnings (Note 16):		
Legal reserve	57,047	40,442
Special reserve	893	893
Unappropriated earnings (Note 13)	96,496	169,951
Cumulative translation adjustments (Note 2)	5,485	8,338
Treasury stock (Note 15)	-	(68,370)
Total stockholders' equity	1,835,861	1,713,699
TOTAL	$2,766,707	$2,694,783

See notes to financial statements.

TXC CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2002 AND 2001
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2002	2001
SALES	$1,796,269	$1,991,301
SALES DISCOUNTS AND RETURNS	27,948	34,287
NET SALES	1,768,321	1,957,014
COST OF SALES	1,505,965	1,531,872
GROSS PROFIT	262,356	425,142
OPERATING EXPENSES	189,512	204,484
INCOME FROM OPERATIONS	72,844	220,658
NON-OPERATING INCOME:		
Interest income	1,952	1,973
Gain on disposal of assets (Note 2)	119	345
Gain on sales of investments (Note 2)	4,804	3,516
Foreign exchange gains, net	-	31,897
Gain on market price recovery of short-term investment (Note 2)	-	871
Recovery from loss on bad debts	1,489	3,580
Other	20,842	3,965
Total non-operating income	29,206	46,147
NON-OPERATING EXPENSES:		
Interest expense	23,364	43,619
Investment losses (Note 2)	6,472	12,247
Foreign exchange losses, net	4,817	-
Loss on decline in value of inventories (Note 2)	1,270	13,340
Loss on decline in value of short-term investment	2,236	-
Other	1,435	1,030
Total non-operating expenses	39,594	70,236
INCOME BEFORE INCOME TAX	62,456	196,569
PROVISION FOR INCOME TAX (EXPENSE) BENEFIT (Notes 2 and 13)	20,635	(30,520)
NET INCOME	$ 83,091	$ 166,049

	2002		2001	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 17):				
Basic	$0.45	$0.60	$1.51	$1.27
Fully diluted	$0.44	$0.58	$1.50	$1.26

See notes to financial statements.

TXC CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2002 AND 2001
(In Thousands of New Taiwan Dollars)

			Retained Earnings					
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Treasury Stock	Total
BALANCE, JANUARY 1, 2001	$ 822,018	$ 8,960	$ 8,135	$893	$ 323,421	$2,969	$ -	$1,166,396
Appropriation and distribution of 2000 net income:								
Legal reserve			32,307		(32,307)			-
Transfer of bonuses to stockholders to capital stock	238,385				(238,385)			-
Transfer of bonuses to employees to capital stock	43,082				(43,082)			-
Director and supervisor remuneration					(5,745)			(5,745)
Capital stock issuance for cash	100,000	350,000						450,000
Treasury stock							(68,370)	(68,370)
Net income for 2001					166,049			166,049
Translation adjustments on long-term investments						5,369		5,369
BALANCE, DECEMBER 31, 2001	1,203,485	358,960	40,442	893	169,951	8,338	(68,370)	1,713,699
Appropriation and distribution of 2001 net income:								
Legal reserve			16,605		(16,605)			-
Transfer of bonuses to stockholders to capital stock	96,279				(96,279)			-
Transfer of bonuses to employees to capital stock	16,793				(16,793)			-
Director and supervisor remuneration					(2,799)			(2,799)
Cash dividends					(24,070)			(24,070)
Transfer of capital surplus to capital stock	60,174	(60,174)						-
Sale of treasury stock		423					68,370	68,793
Net income for 2002					83,091			83,091
Translation adjustments on long-term investments						(2,853)		(2,853)
BALANCE, DECEMBER 31, 2002	$1,376,731	$299,209	$57,047	$893	$ 96,496	$5,485	$ -	$1,835,861

See notes to financial statements.

TXC CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002 AND 2001
(In Thousands of New Taiwan Dollars)

	2002	2001
OPERATING ACTIVITIES:		
Net income	$ 83,091	$ 166,049
Adjustments to reconcile net income to net cash provided by operating activities:		
Recovery from loss on bad debts	(1,489)	(3,580)
Gain on market price recovery of short-term investment	-	(871)
Depreciation and amortization	171,822	153,062
Loss on decline in value of short-term investment	2,236	-
Loss on decline in value of inventories	1,270	13,340
Gain on disposal of short-term investment	(4,804)	(3,516)
Loss on investments	6,472	12,247
Gain on disposal of assets	(119)	(345)
Changes in assets and liabilities provided (used) cash:		
Notes receivable	81,454	(88,890)
Accounts receivable	(18,366)	86,288
Inventories	(19,196)	33,041
Deferred income tax assets	(20,635)	28,447
Other current assets	(37,542)	(2,898)
Notes payable	17,607	(22,356)
Accounts payable	(7,230)	7,426
Accrued expenses	(10,093)	(39,057)
Other current liabilities	13,001	(34,281)
Other	545	2,235
Total adjustments	174,933	140,292
Net cash provided by operating activities	258,024	306,341
INVESTING ACTIVITIES:		
Increase in deferred charges	(25,207)	(17,597)
Acquisitions of short-term investment	(1,700,000)	(750,000)
Proceeds from sale of short-term investments	1,714,804	632,386
Acquisitions of property, plant and equipment	(255,107)	(98,491)
Acquisitions of long-term equity investments	(35,668)	(61,566)
Other	(624)	5,444
Net cash used in investing activities	(301,802)	(289,824)

(Continued)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002 AND 2001
(In Thousands of New Taiwan Dollars)

	2002	2001
FINANCING ACTIVITIES:		
Decrease in short-term borrowings	(41,006)	(84,364)
Decrease in short-term notes and bills payable	(40,000)	-
(Decrease) increase in long-term debt	16,938	(219,631)
Bonus to directors and supervisor	(2,799)	(5,744)
Cash dividends	(24,070)	-
Proceeds from issuance of common stock for cash	-	450,000
Acquisitions of treasury stock	-	(68,370)
Proceeds from sale of treasury stock	68,793	-
Net cash (used in) provided by financing activities	(22,144)	71,891
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(65,922)	88,408
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	166,246	77,838
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 100,324	$ 166,246
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION -		
Cash paid during the year for:		
Interest (excluding interest capitalized)	$ 23,644	$ 44,630
Income tax	$ 85	$ 31,586
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES -		
Transfer of current portion of long-term liabilities to current liabilities	$ 54,412	$ 87,480
Stock dividends from earnings	$ 113,072	$ 281,467
Stock dividends from capital surplus	$ 60,174	$ -

(Concluded)

See notes to financial statements.

TXC CORPORATION

1. ORGANIZATION AND OPERATIONS

TXC Corporation (the "Company") was incorporated on December 28, 1983 under the Company Law and other related regulations of the Republic of China ("ROC").

On July 31, 2002, the Company was authorized by the Securities and Futures Commission of the Ministry of Finance of ROC to become a public listed company. On August 26, 2002, the Company's shares are traded in the Taiwan Stock Exchange Corporation.

The core business of the Company is to produce and sell Crystal, SMD CXO and SAW Filter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash includes cash on hand and unrestricted bank deposits. Cash equivalents refer to time certificates of deposit and commercial paper which can be readily converted into cash without significant penalty, or the value of which will not be significantly affected by variation of interest.

Short-term Investment

Short-term investments are carried at cost. At the balance sheet date, equity and non-equity securities are valued at the lower of aggregate cost or market. The cost of short-term investments is determined on the weighted-average method.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided for notes and accounts receivable based on management's evaluation of the collectibility of individual accounts, past loss experience and other pertinent factors.

Inventories

Inventories are stated at the lower of cost or market ("LCM"). Cost is determined on the weighted average method, and market value is based on net realizable values, except for materials which are valued at replacement cost. The LCM method is applied to all inventory categories.

Long-term Equity Investments

Long-term equity investments are recorded at cost at the time of acquisition. Where the Company owns less than 20% interest and cannot exercise significant influence, investments in stock traded on the stock exchange or traded on the over-the-counter exchange are valued at the lower of cost or market with any cost in excess of market reported as unrealized loss on investment valuation, a deduction in the stockholders' equity section; non-traded stocks are stated at cost. However, decline in investment value that has been determined to be unrecoverable in the near future is recognized in current income. Stock dividends received are added to the number of shares owned and not recognized as investment income. Cost of investment sold is determined on the weighted average method.

Where the Company's ownership interest is 20% or more or the Company is able to exercise significant influence, the investment is accounted for under the equity method. Under the equity method, the Company recognizes equity in the earnings or loss of the investee according to its percentage of ownership and deducts from the investment any cash dividend received.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures that would increase the value or extend the useful lives of the property, plant, equipment, are capitalized. Interest is capitalized in connection with the construction of major facilities.

Depreciation is provided on the straight-line method over the estimated useful lives.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any related loss is included in non-operating expenses. Gain on sale of property, plant and equipment is included in non-operating income.

Foreign Currency Transactions

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses caused by different foreign exchange rates applied when cash in foreign currency is actually converted into New Taiwan dollars, or when the foreign currency receivables or payables are settled, are credited or charged to income in the period of actual conversion or settlement. Assets or liabilities denominated in foreign currencies are translated at the balance date exchange rates and resulting gains or losses are credited to or charged against current income.

Retirement Plan

The Company's accounting for pension is in accordance with the accounting standards for pension and related regulations. Net pension cost and related asset or liability are determined based on actuarial calculations.

Income Tax

The Company adopted the provisions of SFAS No. 22, "Accounting for Income Tax," which require the asset and liability approach to account for income tax. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred income tax assets and liabilities. Investment tax credits are accounted for under the current method, for which any investment tax credits obtained are offset against current taxable income, if any.

Under the Amended Income Tax Law of ROC, current earnings after tax of the Company from 1998 onward that were not appropriated in the following year during the stockholders' meeting are subject to 10% additional income tax. Such tax is to be reported as income tax expense in the year when the decision to retain the earnings is made by the stockholders in their meeting.

Non-Trading Purpose Derivative Financial Instruments

For derivative financial instruments designated as hedges of existing assets or liabilities' risk exposures, any resulting gains or losses may either credit to or charge against current income or report as adjustments to the carrying amount of the hedged assets or liabilities. If the derivative financial instruments are designated as hedges of the Company's identifiable commitments or expected transactions' risk exposures, any resulting gains or loses are deferred until settlements of the hedged transactions, at which time, the Company may either credit to or charge against current income or report as adjustments to the carrying amounts of the hedged items. Any gains or losses resulting from disposition of derivative financial instruments before maturity are deferred and amortized over the remaining lives of the hedged assets or liabilities.

Non-Derivative Financial Instruments

The Company applies the above-described accounting policies and generally accepted accounting principles to account for assets and liabilities derived from non-derivative financial instruments and to recognize related revenues and expenses.

3. CASH AND CASH EQUIVALENTS

	2002	2001
Cash on hand	$ 305	$ 366
Cash in banks	100,019	137,885
Time certificates of deposit	-	27,995
Total	$100,324	$166,246

4. SHORT-TERM INVESTMENTS

Short-term investments at December 31, 2002 and 2001 consist of the following:

	2002	2001
Securities investment trust funds	$115,000	$125,000
Less allowance for decline in market value	(3,920)	(1,684)
Net	$111,080	$123,316

5. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	2002	2001
Notes receivable - nonrelated parties	$ 80,353	$145,726
Notes receivable - related parties	2,205	18,286
Total	82,558	164,012
Less allowance for doubtful accounts	(413)	(820)
Net	$ 82,145	$163,192
Accounts receivable - nonrelated parties	$513,155	$493,010
Accounts receivable - related parties	8,163	9,942
Total	521,318	502,952
Less allowance for doubtful accounts	(8,315)	(9,397)
Net	$513,003	$493,555

6. INVENTORIES

	2002	2001
Raw materials	$ 82,515	$ 91,683
Supplies and spare parts	7,233	6,077
Work in-process	97,272	123,705
Finished goods	101,213	94,805
Merchandise inventories	140,562	98,585
Total	428,795	414,855
Allowance for value decline and obsolescence	(10,016)	(14,002)
Inventories, net	$418,779	$400,853

Insurance coverage for inventories at December 31, 2002 and 2001 amounted to $300,000 and $340,000.

7. LONG-TERM EQUITY INVESTMENTS

2002	2001

Investee	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Investments accounted for by equity method:				
Taiwan Crystal Technology International Ltd. (“TCTI”)	$180,404	100.00	$150,276	100.00
TXC Technology ING	55	100.00	488	100.00
Investments accounted for by the cost method -				
Marson Technology Co., Ltd.	3,000	4.87	3,000	5.00
Total	$183,459		$153,764	

Equity in earnings (loss) of investees for the years ended December 31, 2002 and 2001 are as follows:

	Equity Gain (Loss)		Original Cost
	2002	2001	2002
TXC (H.K.) Co., Ltd.	$ -	$ (1,164)	$ -
TCTI	(6,045)	(8,850)	US$5,580
TXC Technology ING	(427)	(2,233)	US$ 80
Total	$(6,472)	$(12,247)	

The Company’s 100%-owned subsidiaries TCTI and TXC Technology ING, are not consolidated because the total assets and sales are less than 10% of the total assets and sales of the Company, respectively. The total assets and sales of all majority-owned subsidiaries are less than 30% of the total assets and sales of the Company, respectively.

8. PROPERTY, PLANT AND EQUIPMENT

	2002			2001
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	$ 157,040	$ -	$ 157,040	$ 157,040
Land - revaluation increment	8,954	-	8,954	8,954
Land improvements	377	122	255	302
Buildings	265,269	97,035	168,234	185,489
Machinery and equipment	1,124,372	382,575	741,797	745,430
Miscellaneous equipment	51,602	23,868	27,734	28,237
Prepayments on purchase of equipment	146,050	-	146,050	363
Total	$1,753,664	$503,600	$1,250,064	$1,125,815

See Note 19 for the details on property, plant and equipment pledged as collaterals.

Insurance coverage for property, plant and equipment at December 31, 2002 and 2001 amounted to $684,000 and $997,400, respectively. Capitalized interest for the years ended December 31, 2002 and 2001 amounted to $0.

9. SHORT-TERM LOANS

	2002		2001	
	Amount	Interest Rate	Amount	Interest Rate
Material procurements loans	$158,978	2.30%~2.375%	$116,916	3.80%~6.50%
Secured bank loans	60,000	1.09%~3.00%	120,000	1.09%~3.00%
Unsecured bank loans	70,000	2.30%~2.50%	60,000	3.75%~3.80%
Total	$288,978		$296,916	

See Note 19 for details of pledged assets.

10. SHORT-TERM COMMERCIAL PAPER

	2002		2001	
	Amount	Interest Rate	Amount	Interest Rate
Short-term commercial paper	$ 50,000	1.35%~1.90%	$ 90,000	2.37%~2.40%
Less discount	(106)		(365)	
Net	$ 49,894		$ 89,635	

11. LONG-TERM DEBT

Nature of Loans	Repayment Period	2002	2001
Secured bank loans	Repayable in quarterly installments, maturing on October 15, 2005	$150,865	$253,207
Unsecured bank loans	Repayable in quarterly installments, maturing on June 28, 2004	100,000	25,000
Industrial Development Bureau Ministry of Economic Affairs secured loan	The methods of payment haven't decided yet.	14,350	3,138
Total		265,215	281,345
Less current portion		(54,412)	(87,480)
Long-term debt, net		$210,803	$193,865
Interest rate		5.00%~ 6.05%	6.755%~ 7.81%

See Note 19 for collateral on bank borrowings.

As of December 31, 2002, the Company has issued promissory notes amounted to $906,990, to various banks as commitments for short-term loans, long-term loans and short-term notes.

12. PENSION PLAN

The Company has established a retirement plan (the "Plan") covering its regular employees. According to the Plan, retirement benefit is to be calculated based on the employee's years of service and average salary. The Company contributes monthly to a retirement fund an amount based on 2% of employee salary. The fund is deposited in the Central Trust Bureau under the name of the Employee Retirement Fund Committee. At December 31, 2002 and 2001, fund balance was $44,090 and $38,157.

Net periodic pension cost for the year ended December 31, 2002 and 2001 consist of the following:

	2002	2001
Service cost	$5,023	$6,422
Interest cost	1,740	2,263
Expected return on plan assets	(1,979)	(1,961)
Amortization of unrecognized losses	157	394
Net periodic pension cost	$4,941	$7,118

The measurement date of the Company's plan assets and benefit obligation is at December 31 of each year. The following table sets forth the plan's funded status at December 31, 2002 and 2001:

	2002	2001
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ -	$ (219)
Nonvested benefits	(45,229)	(25,123)
Accumulated benefit obligation	(45,229)	(25,342)
Effect of future salary increase	(11,461)	(11,444)
Projected benefit obligation	(56,690)	(36,786)
Plan assets at fair value	45,036	39,677
Plan assets in excess of projected benefit obligation (Projected benefit obligation in excess of plan assets)	(11,654)	2,891
Unrecognized net transition obligation	3,549	3,943
Unrecognized net losses (gain)	6,167	(8,486)
(Accrued) prepaid pension cost	$ (1,938)	$ (1,652)

The actuarial assumptions for the years ended December 31, 2002 and 2001 are summarized as follows:

	2002	2001
The weighted average discount rate	3.75%	4.75%

The assumed rate of increase in future compensation levels	1.75%	2.75%
The expected long-term rate of return on plan assets	3.75%	4.75%

13. INCOME TAX

Provision for income tax was calculated as follows:

	2002	2001
Income before income tax	$ 62,456	$196,569
Permanent differences:		
Tax-exempt income	(8,677)	(23,911)
Others	(2,057)	(2,888)
Temporary differences:		
Equity-method investment income	6,472	10,933
Bad debt allowance	-	(3,580)
Inventory value decline loss	1,270	3,459
Unrealized foreign exchange loss	-	(14,803)
Others	(809)	(668)
Current income tax	58,655	165,111
Tax rate	25%	25%
Subtotal (less progressive difference)	14,664	41,268
Less investment tax credit	(18,237)	(44,712)
Add undistributed earnings 10% tax	3,573	4,877
Income tax currently payable	-	1,433
Deferred tax expense (benefit)	(20,635)	28,447
Adjustment of prior years' tax expense	-	640
Income tax expenses (benefits)	(20,635)	30,520
Adjustment of prior years' tax expense	-	(640)
Deferred tax benefit	20,635	(28,447)
Prepaid income tax	(85)	(1,705)
Income tax receivable	$ (85)	$ (272)

The Company's income tax returns up to 1998 have been examined and approved by the tax authority.

	2002	2001
Deferred income tax assets - current:		
Others	$ 894	$ 1,761
Investment tax credit	47,977	29,075
Subtotal	48,871	30,836

Deferred income tax liabilities - current -		
Unrealized foreign exchange gain	(5,032)	(5,995)
Deferred income tax assets - current, net	$43,839	$24,841

	2002	2001
Deferred income tax assets - non-current -		
Investment losses	$ 3,428	$ 1,809
Deferred income tax liabilities - non-current:		
Unrealized pension cost	(205)	(205)
Cumulative translation adjustments	(1,829)	-
Others	-	(18)
Subtotal	(2,034)	(223)
Deferred income tax assets – non-current, net	$ 1,394	$ 1,586

The Company's investment tax credit at December 31, 2002 for income tax purposes are as follows:

Year Expired	Investment Tax Credit
2003	$ 571
2004	15,880
2005	1,349
2006	30,177
Total	$47,977

Integrated income tax system related information:

	2002	2001
Stockholders' creditable income tax	$140	$30,899

	2002 (Estimate)	2001 (Actual)
Earnings distribution tax credit rate	0.42%	1.10%

	2002	2001
Undistributed earnings information:		
Earnings in 1997 and prior years	$ -	$ -
Earnings in 1998 and thereafter	96,496	169,951
Total	$96,496	$169,951

The Company, an important technical industry, meets the requirements of the statute for promotion of production upgrading Rule No. 8 related to new investments' five-year income tax exemption. The Company obtained from the Ministry of Economic Affairs a certificate for completion of important technology undertaking. The Company also obtained from the Taipei Tax Bureau letter No. 880057431 approving a five-year income tax exemption beginning January 1, 1999.

14. CAPITAL STOCK

The Company's authorized capital is $2,600,000 ($10 par value per share). As of December 31, 2002, the Company's outstanding capital stock was $1,376,731 divided into 137,673,100 shares at $10 par value each. Capital stock consists of the following:

Item	Amount
Initial cash subscription	$ 3,100
Additional cash subscription	540,080
Stock dividends from earnings	705,858
Stock dividends from capital surplus	127,693
Total	$1,376,731

15. TREASURY STOCK

Common Stock

Reason for Acquisition	Number of Shares			
	Beginning	Additions	Reductions	Ending
Transfer to employees	3,000,000	-	3,000,000	-

According to the ROC Securities Exchange Act, the number of outstanding treasury shares shall not exceed 10% of the total shares of common stocks issued by the Company. The cost of the outstanding treasury stocks shall not exceed the total of retained earnings, paid-in capital in excess of par value and capital reserve arising from realized gains. In addition, treasury stocks shall not be used as collateral and shall not have the stockholders' rights until transferred.

As of December 31, 2002, the Company's treasury stocks have been sold to the Company's employees of 3,000,000 shares.

As of October 31, 2001, the treasury stocks acquired of 3,000,000 shares are to be sold to the Company's employees, to encourage and enhance loyalty to the Company, within five years from date of acquisition. Any unsold treasury stocks after five years shall be considered as unissued shares, and shall be charged against contributed capital and capital reserve.

16. EARNINGS DISTRIBUTION AND DIVIDEND POLICY

According to the Company Law and the Company's Articles of Incorporation, after tax income for the year shall be distributed first to make up for prior years' deficit, if any, then allocate 10% of the remaining amount to legal reserve until the amount of legal reserve equals capital stock amount. The remaining amount, with the approval of the stockholders, may be fully or partially retained and partially distributed for dividend according to the following percentages.

Stockholders' bonus to be recommended by the Board of Directors according to the Company's dividend policy.

Employee bonus - 3%~15%
Directors and supervisors compensation - 2%

The stock bonuses are provided to employees including subsidiary employees who meet established term that are determined by the board of directors.

Under the Company's dividend policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. Also, according to the Company's future capital budget plan measuring future's capital need, first transfer retained earnings to capital. Thereafter, from the remaining amount, distribute 5%~20% cash dividend, but the Company can enhance the proportion of cash dividends if approved by stockholders.

Appropriation to legal reserve shall be discontinued when its amount equals capital stock. Legal reserve can be used to make up for deficit and when its amount reaches one-half of capital, up to one half of such legal reserve amount may be transferred to capital stock.

The motion for distribution of 2002 earnings is not yet approved by the board of directors till the date of audit report. Resolution about earnings distribution approved by stockholders can be inquired on "Market Observation Post System".

The Company distributed employees' bonuses and directors' remuneration in 2001:

Transfer of bonuses to employees to capital stock	16,793,000 shares (1.39% of the total shares of common stocks issued by the Company)
Director and supervisor remuneration	$ 2,799

The Company's primary EPS was $1.45 in 2001. If employees' bonus and directors' remunerations were regarded as operating expenses, then the Company basic EPS was $1.28 in 2001.

17. EARNINGS PER SHARE

	2002					2001				
	Amount		Weighted Average Outstanding	EPS		Amount		Weighted Average Outstanding	EPS	
	Before Tax	After Tax	Common Stock	Before Tax	After Tax	Before Tax	After Tax	Common Stock	Before Tax	After Tax
Net income	$ 62,456	$ 83,091				$196,569	$166,049			
Net income (basic per share)	$ 62,456	$ 83,091	137,423	$ 0.45	$ 0.60	$196,569	$166,049	130,433	$ 1.51	$ 1.27
Employee stock option	-	-	5,249			-	-	1,038		

Net income (diluted per share)	$ 62,456	$ 83,091	142,672	$ 0.44	$ 0.58	$196,569	$166,049	131,471	$ 1.50	$ 1.26

18. RELATED PARTY TRANSACTIONS

The names and relationships of related parties are as follows:

Name of Related Parties	Relationships with the Company
Tai-Shing Electronic Components Corporation (Tai-Shing)	Chairman is the Company's general manager
Growing Profits Trading Ltd. ("GPT")	TCTI's 100%-owned subsidiary
TXC (H.K.) Co., Ltd.	The Company's 100%-owned subsidiary (up to December 31, 2001)
Taiwan Crystal Technology International Ltd. ("TCTI")	The Company's 100%-owned subsidiary

Major transactions with related parties are summarized below:

Purchases of Inventory and Processing Costs from Related Parties

	Years Ended December 31			
	2002		2001	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
GPT	$81,572	7.46	$76,114	8.91
TXC (H.K.) Co., Ltd.	-	-	1,775	0.21
Tai-Shing	13,815	1.26	-	-
Total	$95,387	8.72	$77,889	9.12

Payment terms for purchases from related parties (except payment to GPT) do not have significant differences with non-related parties.

Sales to Related Parties

	Years Ended December 31			
	2002		2001	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$12,599	0.71	$36,605	1.86
GPT	19,796	1.12	6,008	0.32
Total	$32,395	1.83	$42,613	2.18

Sales prices to related parties do not have significant differences with non-related parties.

Consulting Fee

	Years Ended December 31			
	2002		2001	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
GPT	$ 4,149	2.19	$ 1,041	2.51
TCTI	4,384	2.84	4,429	2.16
Total	$ 8,533	5.03	$ 5,470	4.67

Receivable from and Payable to Related Parties

		December 31			
		2002		2001	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Notes receivable	Tai-Shing	$2,205	2.68	$18,286	11.21
Accounts receivable	Tai-Shing	1,310	0.25	1,447	0.22
Accounts receivable	GPT	6,853	1.34	8,495	1.29
Accounts payable	GPT	15,102	6.29	21,883	8.39

As of December 31, 2002, the Company's chairman (Lin Chin-Pao), vice-chairman (Hsu, Te-Jun) and manager (Lin, Wan-Shing) were guarantors for bank loans.

As of December 31, 2001, the Company's chairman (Lin Chin-Pao), vice-chairman (Hsu, Te-Jun) and manager (Lin, Wan-Shing) were guarantors for bank loans.

19. PLEDGED ASSETS

At December 31, 2002 and 2001, the following assets at their book values are pledged to secure short-term loans, long-term debts and short-term commercial paper:

	2002	2001
Property, plant and equipment:		
Land	$166,249	$166,296
Buildings	168,234	185,489
Machinery and equipment	281,463	598,799

Total pledged assets	$615,946	$950,584

20. COMMITMENT AND CONTINGENCIES

The Company's commitments and contingencies, not recorded in the financial statements, as of December 31, 2002 were as follows:

Commitment	Contract Price	Paid-up	Not Yet Paid
Machinery contracts	JPY213,107	JPY 28,034	JPY185,073

Guarantee for short-term loan, long-term loan and short-term notes, please refer to Note 11.
Guarantee for custom tax amount to about $10,000.

Guarantee for hiring foreign employees of about $3,404.

Unused letters of credit of about ￥365,373.

As of December 31, 2002, the Company had derivative financial instruments. Please refer to Note 24.

The Company signed "The grant contract for business to develop new product of Ministry of Economic Affairs, ROC" with Ministry of Economic Affairs, ROC. The Company receives subsidy which was 2% of sales, upper limit was $4,037 for the contract.

The Company signed technology and equipment transfer contract with CTS Corporation for about $139,560.

21. SIGNIFICANT SUBSEQUENT EVENTS

In February 2003, the Company acquired the treasury stocks amounted to $44,150.

22. EMPLOYEE STOCK OPTIONS

With approval of the Taiwan Securities and Futures Commission ("SFC"), the Company's Board of Directors authorized the issuance of the stock options within one year. As of December 31, 2002, the outstanding options were 9,000,000 shares.

The Company issued employee stock options as approved by Ministry of Finance, ROC, according to SFC No. 160056 and No. 180587 that was issued October 8, 2001 and January 10, 2002. As of October 8, 2001 and January 10, 2002, the authorized options of the Company were 5,000 units and 4,000 units; per unit is 1,000 shares, which amount to 9,000,000 shares. As of December 31, 2002, the outstanding options were 9,000,000 shares.

Exercise of Stock Options

Exercise Price

The exercise price is equal to market price of stock on grant date.

Expired Life of the Option

All the options shall be exercisable within five years. Any unused stock options after five years shall be considered as forfeited.

Stock options can not be pledged, given free to others or disposed.

Since two-fifth of the service period has expired, the employees can exercise stock options as follows:

Granted Period	Exercise Proportion
Expired 2 years	50%
Expired 3 years	75%
Expired 4 years	100%

The Kind of Shares

Common stock.

The Settlement of Unused Stock Options

The Company will callback unused stock options which will be unregistered.

Approach of Performing

The Company will issue new common stock for stock options.

Right and Obligation

Employees who have stock options shall have the right which is equal to stockholders' right, but can not receive dividends and subscribe new common stocks.

Outstanding Shares

As of December 31, 2002, the outstanding stock options amount to 9,000 units, per unit is 1,000 shares.

Exercise Price

Exercise price is $20.4, $43.2 and $19.5 on the granted date. The granted date is on October 25, 2001, April 1, 2002 and October 29, 2002.

Exercised Option

As of December 31, 2002, there was no exercised stock option.

Compensation Cost

(Market price of stock on the measurement date – exercise price) × exercise shares
2001.10.25 granted = ($20.4－$20.4)×3,500,000 shares= $0
2002.04.01 granted = ($43.2－$43.2)×1,500,000 shares= $0
2002.10.29 granted = ($19.5－$19.5)×3,500,000 shares= $0

The exercise price of stock have been adjusted from $20.4 and $43.2 to $17.83 and $37.76, respectively.

23. SEGMENT, GEOGRAPHIC AREA, EXPORT SALES AND MAJOR CUSTOMER INFORMATION

Segment Information

No segment information.

Geographic Area Information

No geographic area information.

Export Sales

Area	2002	2001
Americas	$156,348	$276,412
Europe	41,462	35,015
Asia	590,813	446,536
Total	$788,623	$757,963

Major Customer Information

Customers that account for at least 10% of the Company's total sales are as follows:

	2002		2001	
Customer	Sales	% to Total Account Balances	Sales	% to Total Account Balances
Customer A	$ -	-	$221,735	11.06

24. FINANCIAL INSTRUMENTS

Forward Forex Transaction - Hedge

The Company entered into forward contracts primarily to hedge the exchange risk resulting from foreign currency - denominated assets and liabilities. As of December 31, 2002, the Company had forward contracts amounted to JPY243,095, maturity date February 24, 2003.

As of December 31, 2002 and 2001, the Company had the following receivables and payables of outstanding forward contract:

Item	2002	2001
Forward Exchange Contracts Receivable - foreign currencies	$ 71,227	$ 43,613
Premium on forward exchange contract	(97)	(6)
Payable on forward exchange purchased	(69,619)	(43,018)
Forward exchange contract receivable, net	$ 1,511	$ 589

Risk of Forward Transactions

Credit risk: Credit risk refers to the uncertainties that may arise if the other party to the forward contract cannot perform its obligation upon contract maturity. Since the parties engaged by the Company to effect forward transactions are all reputable banks, the Company does not expect any significant loss.

Market risk: Market risk refers to the uncertainties attributable to fluctuations in exchange rate. Gains or losses on forward exchange contracts are likely to be offset by gains or losses on foreign currency-denominated assets or liabilities.

Demand for Additional Cash

The cash flow requirements on the forward contracts are limited to the net differences between the spot rates and contracted forward rates at settlement dates. Management believed that the foregoing requirements are not material.

Foreign Currency Option

As of December 31, 2002 and 2001, the Company has following foreign currency options. Such financial instruments are designated as hedges against foreign exchange rate risk of net assets and net liabilities.

Range Forward

Expiry Date	Notional Amount	Premium	Pay off Formula

January 6, 2003	US$200,000 VS US$300,000	Zero Cost Structure	(a) Upon expiry date of USD call, if USD/JPY reference rate>126.00, the Company must sell US$300,000 at JPY 126.00. (b) Upon Expiry Date of USD Put, if USD/JPY reference rate<122.50, the Company can sell US$200,000 at JPY 122.50. (c) If USD/JPY reference rate within the range, 122.50~126.00 on expiry date, the contract will expire without any transaction between Bank and Company.
February 6,2003	US$200,000 VS US$300,000	Zero Cost Structure	
March 6, 2003	US$200,000 VS US$300,000	Zero Cost Structure	
April 6, 2003	US$200,000 VS US$300,000	Zero Cost Structure	

Non-Delivery Forward

Instrument	Contract Value	Strike Price	Maturity Date	Credit Risk
Sell USD Buy YEN	US$250	124 YEN/USD (trigger rate:119)	January 28,2002	-

If YEN/USD spot rate reaches the trigger rate or below at anytime from (and including) trade date to (and including) expiration date (before cut-off time), the contract will automatically terminate and the option will expire worthless.

European Option

2001					
Buy/Sell	**Call/Put**	**Contract Value**	**Strike Price**	**Maturity Date**	**Credit Risk**
Sell	USD/NTD	US$1,000	36.0	October 31, 2002	-
Buy	YEN/USD	US$ 250	122.0	January 23, 2002	-
Sell	USD/YEN	US$ 250	122.0	February 21, 2002	-
Sell	USD/YEN	US$ 250	122.0	March 21, 2002	-
Sell	USD/YEN	US$ 250	122.0	April 21, 2002	-
Sell	USD/YEN	US$ 500	123.4	January 31, 2002	-
Sell	USD/YEN	US$ 500	123.4	February 28, 2002	-

If YEN/USD spot rate reaches the trigger rate or below at anytime from (and including) trade date to (and including) expiration date (before cut-off time), the contract will automatically terminate and the option will expire worthless.

Risks in Terms of Credit, Market and Liquidity Risks

Credit risk is the contract counterpart's inability to perform under the contract. The above amounts were based on the contract fair value at balance sheet date. The Company will incur a loss if the counterpart is unable to fulfill its obligation under the contract. But, because the Company only transacts business with reputable banks, credit risk is not considered significant.

Market price risk: Because the Company's forward exchange contract are for hedging purpose, the effects of changes in exchange rate are offset between the hedging instrument and hedged item. Therefore, market price risk is not significant.

Liquidity risk: The Company engages in option contracts. There is no funding or cash flow risk.

Type of derivative financial instrument, purpose, and strategy to achieve objective: The Company's transactions are mainly in United States dollars and Japanese Yen. Foreign currency borrowings are settled in United States dollars and Japanese Yen. Therefore, there is a matching of foreign exchange fluctuation. To avoid foreign exchange fluctuation risk, the Company uses forward foreign exchange contract and option contract with average period of one year.

Fair Value of Financial Instruments

Fair value of non-derivative financial instruments is equal to the balances of the Company at December 31, 2002 and 2001.

The Company's market assumptions and estimation methodologies of the above financial instruments are as follows:

(a) Short-term financial instruments such as cash and cash equivalents, receivables, payables and short-term debts are reasonably estimated from their carrying amounts due to their short-term nature.
(b) Short-term investments are reasonably estimated from their quoted market prices as at balance sheet date.
(c) Long-term equity investments are reasonably estimated from their quoted market prices as at balance sheet date for listed or over-the-counter investments. For those investments without quoted market prices, estimations of fair value are from their carrying value.
(d) Long-term loans are reasonably estimated from expected cash flows discounted at long-term interest rate available to the company for issuance of debts with similar terms and remaining maturities.

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