TXC Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2007 and 2006 and Independent Auditors' Report

REPRESENTATION LETTER

The entities included in the combined financial statements of TXC Corporation as of and for the year ended December 31, 2007, which were prepared in conformity with the Regulations Governing the Preparation of Combined Business Report and Combined Financial Statements of a Public Company and its Affiliated Enterprises, are the same as the entities included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements." The information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, TXC Corporation and subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

TXC CORPORATION

By

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Paul Lin

Chairman

February 15, 2008

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying consolidated balance sheets of TXC Corporation and subsidiaries (the "Corporation") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the consolidated financial statements, on January 1, 2006, TXC Corporation and subsidiaries adopted the newly released Statement of Financial Accounting Standards (SFAS) No. 34, "Accounting for Financial Instruments," and No. 36, "Disclosure and Presentation of Financial Instruments".

February 15, 2008

Notice to Readers

T*he accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,144,464	15	$ 900,426	14
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	9,310	-	163	-
Available-for-sale financial assets - current (Notes 2, 3 and 6)	90,462	1	150,183	2
Notes receivable, net (Notes 2 and 7)	12,727	-	44,589	1
Accounts receivable, net (Notes 2, 7 and 22)	2,200,982	29	1,801,501	28
Inventories, net (Notes 2 and 8)	746,672	10	735,179	11
Other current assets (Notes 2 and 18)	137,788	2	125,207	2
Total current assets	4,342,405	57	3,757,248	58
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	3,000	-	3,000	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 23)				
Cost				
Land	157,040	2	157,040	3
Land improvements	442	-	442	-
Buildings	801,126	11	457,775	7
Machinery and equipment	3,382,257	44	2,703,090	42
Transportation equipment	10,032	-	9,698	-
Miscellaneous equipment	145,624	2	114,407	2
Land - revaluation increment	8,954	-	8,954	-
	4,505,475	59	3,451,406	54
Less accumulated depreciation	(1,603,763)	(21)	(1,162,094)	(18)
Construction-in-progress and prepayments for equipment	319,392	4	291,200	4
Property, plant and equipment, net	3,221,104	42	2,580,512	40
INTANGIBLE ASSETS				
Land right (Note 23)	16,420	-	15,786	1
Deferred pension prepayment (Notes 2 and 16)	7,947	-	7,947	-
Other	417	-	489	-
Total intangible assets	24,784	-	24,222	1
OTHER ASSETS				
Idle assets (Notes 2 and 11)	3,731	-	4,126	-
Refundable deposits	7,701	-	3,022	-
Deferred charges	29,762	-	21,593	-
Deferred income tax assets - noncurrent (Notes 2 and 18)	61,162	1	52,394	1
Total other assets	102,356	1	81,135	1
TOTAL	$ 7,693,649	100	$ 6,446,117	100

	2007		2006	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 12)	$ 484,601	6	$ 343,262	5
Financial liabilities at fair value through profit or loss - current (Notes 2, 3 and 5)	6,606	-	1,744	-
Notes payable (Note 22)	68,773	1	55,286	1
Accounts payable (Note 22)	980,101	13	755,111	12
Income tax payable (Note 18)	83,949	1	74,456	1
Accrued expenses (Notes 15 and 22)	253,772	3	179,929	3
Current portion of long-term loans (Notes 14 and 22)	207,273	3	50,000	1
Other current liabilities	41,272	-	14,764	-
Total current liabilities	2,126,347	27	1,474,552	23
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss - noncurrent (Notes 2, 3 and 5)	10,034	-	18,944	-
Bonds payable (Notes 2 and 13)	216,304	3	698,031	11
Long-term debt (Note 14)	190,909	3	380,876	6
Liability component of convertible bonds	23,771	-	65,280	1
Total long-term liabilities	441,018	6	1,163,131	18
RESERVES				
Reserve for land value increment tax (Notes 2 and 10)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	5,605	-	229	-
Total liabilities	2,576,482	33	2,641,424	41
STOCKHOLDERS' EQUITY (Note 17)				
Capital stock				
Common stock, at par value of $10 each; Authorized - 2007 and 2006: 300,000 thousand shares Issued - 2007: 240,243 thousand shares; 2006: 205,698 thousand shares	2,402,435	31	2,056,983	32
Advance receipts for common stock	13,091	-	-	-
Total capital stock	2,415,526	31	2,056,983	32
Capital surplus	1,014,499	13	573,156	9
Retained earnings				
Legal reserve	238,045	3	153,821	2
Unappropriated earnings	1,331,819	18	978,720	15
Total retained earnings	1,569,864	21	1,132,541	17
Other equity (Note 2)				
Cumulative translation adjustments	111,374	2	36,388	1
Unrealized gains on financial instruments	462	-	183	-
Unrealized revaluation increment	5,442	-	5,442	-
Total other equity	117,278	2	42,013	1
Total stockholders' equity	5,117,167	67	3,804,693	59
TOTAL	$ 7,693,649	100	$ 6,446,117	100

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

(With Deloitte & Touche audit report dated February 15, 2008)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 2)	$ 6,303,777	101	$ 5,267,771	101
LESS SALES DISCOUNTS AND RETURNS	53,662	1	61,567	1
NET OPERATING REVENUE	6,250,115	100	5,206,204	100
OPERATING COSTS	4,356,934	70	3,704,063	71
GROSS PROFIT	1,893,181	30	1,502,141	29
OPERATING EXPENSES				
Selling expenses	290,622	5	274,001	5
General and administrative expenses	159,923	2	111,068	2
Research and development expenses	198,643	3	120,920	3
Total operating expenses	649,188	10	505,989	10
OPERATING INCOME	1,243,993	20	996,152	19
NONOPERATING INCOME AND GAINS				
Interest income	17,433	-	5,725	-
Gain on sale of property, plant and equipment	1,296	-	-	-
Gain on sale of investments	1,732	-	1,184	-
Gain on physical inventory	24	-	-	-
Exchange gain	116,752	2	94,629	2
Valuation gain on financial assets, net	-	-	160	-
Valuation gain on financial liabilities, net	-	-	2,335	-
Miscellaneous income	30,135	-	42,218	1
Total nonoperating income and gains	167,372	2	146,251	3
NONOPERATING EXPENSES AND LOSSES				
Interest expense	41,013	1	35,582	1
Loss on disposal of property, plant and equipment	4,856	-	5,998	-
Loss on physical inventory	321	-	958	-
Exchange losses	111,485	2	94,267	2
Provision for loss on inventories	26,853	-	34,352	1
Impairment loss	2,528	-	3,583	-
Valuation loss on financial assets	690	-	-	-
Valuation loss on financial liabilities	10,078	-	-	-
Miscellaneous expenses	7,259	-	7,796	-
Total nonoperating expenses and losses	205,083	3	182,536	4

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	$ 1,206,282	19	$ 959,867	18
INCOME TAX EXPENSE	(66,576)	(1)	(100,359)	(2)
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	1,139,706	18	859,508	16
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, Net of tax benefit of NT$5,756 thousand	-	-	(17,267)	-
NET INCOME	$ 1,139,706	18	$ 842,241	16

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 20)				
Basic	$ 5.16	$ 4.88	$ 4.12	$ 3.71
Diluted	$ 4.98	$ 4.69	$ 3.84	$ 3.46

(Concluded)

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

(With Deloitte & Touche audit report dated February 15, 2008)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings			Others Equity			
	Capital Stock	Advance Receipts for Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Revaluation Increment	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Total
BALANCE, JANUARY 1, 2006	$ 1,861,987	$ -	$ 491,400	$ 105,774	$ 34,087	$ 493,909	$ 5,442	$ -	$ 8,696	$ 3,001,295
Effect of first adoption of SFAS No. 34	-	-	-	-	-	(17,267)	-	-	-	(17,267)
Appropriation of 2005 earnings										
Legal reserve	-	-	-	48,047	-	(48,047)	-	-	-	-
Special reserve	-	-	-	-	(34,087)	34,087	-	-	-	-
Stock dividends	113,345	-	-	-	-	(113,345)	-	-	-	-
Cash dividends	-	-	-	-	-	(188,909)	-	-	-	(188,909)
Bonus to employees - capital stock	34,347	-	-	-	-	(34,347)	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	(6,869)	-	-	-	(6,869)
Conversion of convertible bonds	11,234	-	8,566	-	-	-	-	-	-	19,800
Employee stock option converted to common stock	36,070	-	33,510	-	-	-	-	-	-	69,580
Equity component of convertible bonds	-	-	39,680	-	-	-	-	-	-	39,680
Net income for the year ended December 31, 2006	-	-	-	-	-	859,508	-	-	-	859,508
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	183	-	183
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	27,692	27,692
BALANCE, DECEMBER 31, 2006	2,056,983	-	573,156	153,821	-	978,720	5,442	183	36,388	3,804,693
Appropriation of 2006 earnings										
Legal reserve	-	-	-	84,224	-	(84,224)	-	-	-	-
Stock dividends	206,032	-	-	-	-	(206,032)	-	-	-	-
Cash dividends	-	-	-	-	-	(412,065)	-	-	-	(412,065)
Bonus to employees - (including $35,119 thousand paid in stock)	35,119	-	-	-	-	(70,238)	-	-	-	(35,119)
Bonus to directors and supervisors	-	-	-	-	-	(14,048)	-	-	-	(14,048)
Convertible bonds converted to common stock	100,961	13,091	465,474	-	-	-	-	-	-	579,526
Employee stock option converted to common stock	3,340	-	3,615	-	-	-	-	-	-	6,955
Equity component of convertible bonds	-	-	(27,746)	-	-	-	-	-	-	(27,746)
Net income for the year ended December 31, 2007	-	-	-	-	-	1,139,706	-	-	-	1,139,706
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	279	-	279
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	74,986	74,986
BALANCE, DECEMBER 31, 2007	$ 2,402,435	$ 13,091	$ 1,014,499	$ 238,045	$ -	$ 1,331,819	$ 5,442	$ 462	$ 111,374	$ 5,117,167

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

(With Deloitte & Touche audit report dated February 15, 2008)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,139,706	$ 842,241
Cumulative effect of changes in accounting principles	-	17,267
Net income before cumulative effect of changes in accounting principles	1,139,706	859,508
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	461,172	343,543
Nonoperating loss - idle assets	395	2,876
Amortization	66,310	53,803
Provision for doubtful accounts	2,381	7,749
Provision for loss on inventories	26,853	34,352
Loss on physical inventory	297	958
Gain on sale of investments	(1,732)	(1,184)
Loss on sale of property, plant and equipment	3,560	5,998
Valuation loss (gain) on financial instruments, net	10,768	(2,495)
Impairment loss	2,528	3,583
Accrued interest compensation	16,161	2,292
Deferred income tax	(16,944)	23,157
Other	(1,744)	-
Net changes in operating assets and liabilities		
Notes receivable	32,022	40,945
Accounts receivable	(402,022)	(505,357)
Inventories	(38,644)	(64,916)
Other current assets	(4,406)	(20,876)
Notes payable	13,487	2,864
Accounts payable	224,990	173,551
Accrued expenses	73,843	32,405
Income tax payable	9,493	44,019
Other current liabilities	26,508	(4,683)
Net cash provided by operating activities	1,644,982	1,032,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	(10,000)	-
Proceeds from disposal of financial assets designated as at fair value through profit or loss	163	-
Acquisitions of available-for-sale financial assets	(270,011)	(460,000)
Proceeds from disposal of available-for-sale financial assets	331,743	371,184
Acquisitions of property, plant and equipment	(1,111,231)	(793,133)
Proceeds from disposal of property, plant and equipment	3,380	1,043
Increase in refundable deposits	(4,679)	(641)
Increase in deferred charges	(73,990)	(63,891)
Increase in other assets	(1,052)	-
Net cash used in investing activities	(1,135,677)	(945,438)

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	**2006**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	$ 132,513	$ (10,476)
Issuance of convertible bonds	-	800,000
Increase (decrease) in guarantee deposits received	5,376	(21)
Proceeds from long-term debt	38,897	-
Repayment of long-term debt	(71,591)	(109,445)
Cash bonus to directors and supervisors	(49,167)	(6,869)
Cash dividends	(412,065)	(188,909)
Proceeds from the exercise of employee stock option	6,956	69,580
Net cash (used in) provided by financing activities	(349,081)	553,860
EFFECT OF EXCHANGE RATE CHANGES	83,814	580
NET INCREASE IN CASH AND CASH EQUIVALENTS	244,038	641,094
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	900,426	259,332
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,144,464	$ 900,426
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest $2,762 thousand)	$ 39,176	$ 37,457
Income tax paid	$ 75,736	$ 33,183
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term loans to current liabilities	$ 207,273	$ 50,000

(Concluded)

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

(With Deloitte & Touche audit report dated February 15, 2008)

1. ORGANIZATION AND OPERATIONS

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

On August 26, 2002, TXC's shares began to be traded on the Taiwan Stock Exchange.

TXC mainly produces and sells crystals, crystal oscillator and SAW (surface acoustic wave) filters and Timing module (TM).

TXC and its consolidated subsidiaries, listed in Note 2, are hereinafter collectively referred to as the "Corporation."

As of December 31, 2007 and 2006, The Corporation had 1,935 and 1,656 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, pension cost, etc. Actual results may differ from these estimates.

For readers' convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if difference arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

Significant accounting policies are summarized as follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of TXC and its subsidiaries. All significant intercompany balances and transactions are eliminated upon consolidation.

The consolidated entities were as follows:

Name of Investor	Name of Investee	Business Nature	Percentage of Ownership at December 31, 2007	Percentage of Ownership at December 31, 2006
TXC Corporation	Taiwan Crystal Technology International Limited ("TCTI")	Investment holding	100%	100%
	TXC Technology, Inc.	Marketing activities	100%	100%
	TXC Japan Corporation	Marketing activities	100%	100%
TCTI	Growing Profits Trading Ltd. ("GPT")	National trading	100%	100%
	TXC (NGB) Corporation ("NGB")	Manufacture and sales of electronics products	100%	100%

a. TCTI was incorporated on December 23, 1998 in Samoa.

b. TXC Technology, Inc. was incorporated on December 1, 2000 in California, U.S.A.

c. TXC Japan Corporation was incorporated on September 13, 2005 in Yokhoma, Japan.

d. GPT was incorporated on March 9, 1999 in the British Virgin Islands.

e. NGB was incorporated on March 12, 1999 in Ningbo, China.

Current/Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

Cash equivalents, consisting of commercial papers, bank acceptances and repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Corporation recognizes a financial asset or a financial liability on its balance sheet when the Corporation becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Corporation has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to issue of initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Available-for-Sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the period. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts

Revenue from sales of goods is recognized when the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or realizable. The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Corporation and the buyers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Corporation assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables as well as the economic environment.

Inventories

Inventories are recorded at weighted-average cost on the balance sheet date. Market value means replacement cost for raw materials, supplies and spare parts and net realizable value for finished goods and work in process.

Financial Assets Carried at Cost

Investments in equity instrument with no quoted price in an active market and whose fair value cannot be reliably measured such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost.

Cash dividends are recognized as dividend income on the ex-dividend date, but are accounted for as reductions to the original cost of investments if such dividends are declared on the earnings of investees attributable to periods prior to the purchase of investments. Stock dividends are not recognized as current income but are accounted for only as an increase in the number of shares held. The cost per share is re-calculated based on the new number of shares.

If there is objective evidence that a financial asset is impaired, a loss is recognized. No recording of a subsequent recovery in fair value is allowed.

Investments Accounted for by the Equity Method

Investments in which the Corporation holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee; however, if the Corporation has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee.

Property, Plant and Equipment

Property, plant and equipment are stated at cost plus revaluation increment less accumulated depreciation and accumulated impairment losses. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over the estimated useful lives as follow: buildings - 3 to 60 years; machinery and equipment - 3 to 10 years; transportation equipment - 2 to 5 years; miscellaneous equipment - 2 to 15 years.

Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives. Depreciation of revaluated assets is provided on a straight-line basis over their remaining estimated useful lives determined at the time of revaluation.

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

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, and idle assets) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a deduction to the unrealized revaluation increment.

Stock-based Compensation

Employee stock option plans with a grant or amendment date on or after January 1, 2004 is accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). The Corporation adopted the intrinsic value method, under which compensation cost is recognized on a straight-line basis over the vesting period.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the period in which employees render services.

Curtailment or settlement gains or losses of the defined benefit plan are recognized as part of the net periodic pension cost for the period.

Convertible Bonds

The entire proceeds from convertible bonds issued on or before December 31, 2005 were accounted for as a liability. The difference between the agreed redemption price and the face value of the bonds is accrued using the effective interest method over the period from the issue date of the bonds to the date the put option becomes exercisable. The conversion of bonds into common shares is accounted for using the book value method, whereby the difference between the book value of the bonds (net of any unamortized premiums or discounts, accrued interest, and unamortized transaction costs) and the par value of the common shares issued is recorded as capital surplus.

For convertible bonds issued on or after January 1, 2006, the Corporation first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivatives) that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding the embedded non-equity derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, the Corporation uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.

Income Tax

The Corporation applies intra-period and inter-period allocations for its income tax, whereby (1) a portion of income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's tax provision.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

TCTI and GPT are tax-exempted companies incorporated in Samoa and the British Virgin Islands.

The Corporation's other subsidiaries, including TXC Technology, Inc., TXC Japan Corporation and NGB, are subject to their respective local country's income tax law.

Foreign Currencies

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Corporation. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2006 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2007.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

On January 1, 2006, the Corporation adopted the newly released SFAS No. 34, "Financial Instruments: Recognition and Measurement" and SFAS No. 36, "Financial Instruments: Disclosure and Presentation"

The Corporation categorized its financial assets and financial liabilities upon initial adoption of these newly released SFASs. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or financial liabilities at FVTPL and derivatives designated for fair value hedges were included in the cumulative effect of changes in accounting principles, and the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets and derivatives designated for cash flow hedges or hedges of net investments in foreign operations were recognized as adjustments to shareholders' equity.

The effect of adopting the newly released SFASs is summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)	Recognized as a Separate Component of Stockholders' Equity (Net of Tax)
Available-for-sale financial assets	$ -	$ 2
Financial liabilities at fair value through profit or loss, noncurrent	(17,267)	-
	$ (17,267)	$ 2

The above accounting changes resulted in decreases of $17,267 thousand in income before income tax from continuing operations, $17,267 thousand in net income and $0.08 in after income tax basic earning per share, for the year ended December 31, 2006.

4. CASH AND CASH EQUIVALENTS

	December 31 2007	December 31 2006
Cash on hand	$ 2,054	$ 2,038
Checking accounts and demand deposits	319,327	286,677
Time deposits	138,083	116,711
Cash equivalents		
Repurchase agreements collateralized by bonds	685,000	495,000
	$ 1,144,464	$ 900,426

Overseas deposits are summarized as follows:

	December 31 2007	December 31 2006
Hong Kong (US$533 thousand in 2007 and US$644 thousand in 2006)	$ 17,305	$ 20,979
Hong Kong (HK$659 thousand in 2007 and HK$452 thousand in 2006)	2,741	1,896
China (RMB12,342 thousand, US$725 thousand, JP¥ 1,782 thousand in 2007 and RMB5,166 thousand, US$1,383 thousand, JP¥46,649 thousand in 2006)	78,904	79,452
American (US$243 thousand in 2007 and US$68 thousand in 2006)	7,882	2,231
Japan (JP¥14,551 thousand in 2007 and JP¥6,370 thousand in 2006)	4,203	1,748
	$ 111,035	$ 106,306

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2007	**2006**
Financial assets at FVTPL		
Convertible bonds	$ 9,310	$ 163
Financial liabilities at FVTPL		
Forward exchange contracts	$ 6,606	$ 1,744
Cross-currency contracts	$10,034	$ 18,944

The Corporation entered into derivative contracts during the years ended December 31, 2007 and 2006 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Corporation is to minimize risks due to change in fair value or cash flows.

Outstanding forward contracts as of December 31, 2007 and 2006 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2007			
Sell	USD/NTD	April 2, 2008	US$31,000/NT$996,838
Sell	USD/JPY	April 10, 2008	US$10,750/JP¥1,194,705
Sell	NTD/JPY	March 7, 2008	NT$25,890/JP¥90,000
Sell	USD/RMB	April 2, 2008	US$6,000/RMB44,004
Sell	USD/JPY	February 20, 2008	US$355/JP¥40,000
December 31, 2006			
Sell	USD/NTD	February 9, 2007	US$4,000/NT$129,718
Sell	USD/JPY	February 15, 2007	US$4,500/JP¥527,888
Sell	NTD/JPY	February 14, 2007	NT$8,268/JP¥30,000
Sell	USD/RMB	April 30, 2007	US$2,000/RMB15,570
Sell	USD/JPY	January 16, 2007	US$86/JP¥10,000

Outstanding cross-currency contracts as of December 31, 2007 were as follows:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
NT$300,000	2010.08.12	3.68%	Rate on 90-day commercial paper

Net gain and net loss on financial liabilities held for trading for the years ended December 31, 2007 and 2006 were $3,932 thousand and $1,621 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2007	2006
Mutual funds	$ 90,462	$ 150,183

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2007	2006
Notes receivable from third parties	$ 12,791	$ 44,813
Notes receivable from related parties	-	-
	12,791	44,813
Less allowance for doubtful accounts	(64)	(224)
	$ 12,727	$ 44,589
Accounts receivable from third parties	$ 2,211,947	$ 1,810,313
Accounts receivable from related parties	6,579	6,554
	2,218,526	1,816,867
Less allowance for doubtful accounts	(17,544)	(15,366)
	$ 2,200,982	$ 1,801,501

8. INVENTORIES

	December 31	
	2007	2006
Raw materials	$ 178,439	$ 160,020
Supplies and spare parts	19,871	11,816
Work in-process	198,556	149,247
Finished goods	168,960	223,293
Merchandise inventories	178,001	199,020
Merchandise in transit	38,134	24,178
	781,961	767,574
Less allowance for loss	(35,289)	(32,395)
	$ 746,672	$ 735,179

9. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2007	2006
Domestic unquoted common stocks	$ 3,000	$ 3,000

The above equity investments, which had no quoted prices in an active market and of which fair value could not be reliably measured, were carried at cost.

10. PROPERTY, PLANT AND EQUIPMENT

	December 31			
	2007			2006
	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	442	413	29	99
Buildings	801,126	197,723	603,403	301,584
Machinery equipment	3,382,257	1,320,105	2,062,152	1,765,384
Transportation equipment	10,032	3,366	6,666	5,488
Miscellaneous equipment	145,624	82,156	63,468	50,763
Prepayments on purchase of equipment	203,516	-	298,167	49,137
Prepayments on purchase of land	115,876	-	21,225	242,063
	$4,824,867	$1,603,763	$3,221,104	$2,580,512

Information about capitalized interest was as follows:

	Years Ended December 31	
	2007	2006
Capitalized interest	$ 2,762	$ 2,371
Capitalization rates	2.63%	2.63%

The Corporation revalued its land in 1996, which resulted in total revaluation increments of $8,954 thousand. The net revaluation amount of $5,442 thousand after deducting the reserve for land value increment tax of $3,512 thousand was credited to equity as unrealized revaluation increment.

11. IDLE ASSETS

	December 31, 2007		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	6,352	4,874	1,478
Machinery and equipment	12,654	12,654	-
Other assets	42	42	-
	$21,301	$17,570	$ 3,731

	December 31, 2006		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	6,747	4,874	1,873
Machinery and equipment	10,239	10,239	-
	$19,239	$15,113	$ 4,126

Impairment loss was as follows:

	December 31, 2007	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Impairment loss		
Machinery and equipment	$ 2,528	$ -

	December 31, 2006	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Impairment loss		
Machinery and equipment	$ 3,583	$ -

The Corporation recognized an impairment loss of $2,528 thousand and $3,583 thousand in 2007 and 2006, respectively, because of a decrease in cash inflow from the use of the related machinery and resulted in recoverable amount of the machine being lower than its carrying amount.

12. SHORT-TERM LOANS

	December 31	
	2007	2006
Usance letters of credit	$210,277	$ 57,487
Working capital loans	274,324	285,775
	$484,601	$343,262

See Note 23 for collateral on short-term loans.

13. BONDS PAYABLE

	December 31	
	2007	2006
Second domestic unsecured convertible corporate bonds	$240,600	800,000
Liability component of unsecured domestic		
Add accrued interest compensation	(24,296)	(101,969)
	$216,304	$698,031

First Domestic Unsecured Convertible Corporate Bonds

On December 31, 2003, the Corporation issued first domestic unsecured convertible bonds with an aggregate face value of $400,000 thousand and maturity on December 31, 2008. Nominal interest is 0%. Other details of the bond issuance are summarized as follows:

(a) On the redemption date and the third and fourth anniversaries of the issuance date, bonds are redeemable at a price of 103.02% and 105.34%, respectively, of face value plus accrued interest, respectively. On bond maturity, bonds will be redeemed at face value.

(b) During the period between three months after issuance and the 40th day before maturity, except for the period between the ex-dividend date and the date of record, holders can request for conversion of the bonds to the Corporation's common stock.

(c) The original conversion price per share is $20. The conversion price is subject to adjustment based on a certain formula if there are changes in outstanding shares execution of conversion below market price.

Second Domestic Unsecured Convertible Corporate Bonds

On November 8, 2006, the Corporation issued second domestic unsecured convertible bonds with an aggregate value of $800,000 thousand and maturity on November 8, 2011. Nominal interest is 0%. As of December 31, 2007, the Corporation's outstanding domestic unsecured convertible corporate bonds were $559,400 thousand. According to Statement of Financial Accounting Standards No. 36, "Disclosure and Presentation of Financial Instruments," these domestic unsecured convertible bonds were separated into convertible options, equity (Note 18), and bonds payable, liability. Other details of the bond issuance are summarized as follows:

(a) On the third anniversary of the issuance date, bonds are redeemable at face value.

(b) During the period between one month after issuance and the 40th day before maturity, the Corporation can redeem the bonds from holders at contracted price.

(c) During the period between one month after issuance and the 10th day before maturity, except for the period between the ex-dividend date and the date of record, holders can request for conversion of the bonds to the Corporation's common stock.

(d) The original conversion price per share is $52.00. The conversion price is subject to adjustment based on a certain formula if there are changes in outstanding shares or execution of conversion below market price.

14. LONG-TERM LOANS

		December 31	
Nature of Loans	**Repayment Period**	**2007**	**2006**
Secured bank loans	Repayable maturing on May 4, 2021	$ 98,182	$ -
Secured bank loans	Repayable maturing on August 31, 2008	-	20,876
Unsecured bank loans	Repayable at maturity on August 14, 2009	100,000	-
Unsecured bank loans	Repayable at maturity on October 26, 2008	200,000	200,000

Nature of Loans	Repayment Period	December 31 2007	2006
Unsecured bank loans	Repayable at maturity on September 3, 2021	-	160,000
Chinatrust syndicated loan		-	50,000
		398,182	430,876
Less current portion		(207,273)	(50,000)
		$ 190,909	$ 380,876
Interest rate (%)		2.15~2.915	2.15~5.85

See Notes 2 for collateral on long-term loans.

On September 6, 2004, the Corporation signed a syndicated loan agreement for $500,000 thousand with Chinatrust Commercial Bank and five other financial institutions. Total syndicated loan had been fully paid as of December 31, 2007.

15. ACCRUED EXPENSES

	December 31 2007	2006
Payroll	$ 53,944	$ 40,184
Bonus	83,724	66,438
Commission	26,924	19,468
Others	89,180	53,839
	$253,772	$179,929

16. PENSION PLANS

The Labor Pension Act (the "LPA") took effect on July 1, 2005. Employees subject to the Labor Standards Law (the "LSL") prior to July 1, 2005 were allowed to choose to continue being subject to the LSL or to be subject to the LPA, with their service years as of July 1, 2005 retained. Those hired as regular employees on or after July 1, 2005 automatically become subject to the LPA.

The pension plan under the LPA is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at not less than 6% of monthly salaries and wages. Such pension costs were $13,847 thousand and $12,802 thousand for the years ended December 31, 2007 and 2006, respectively.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity) in the committee's name. The Corporation recognized pension costs of $4,116 thousand and $4,237 thousand for the years ended December 31, 2007 and 2006, respectively.

Information about the defined benefit plan was as follows:

a. Components of net yearic pension cost

	Years Ended December 31	
	2007	2006
Service cost	$ 2,237	$ 1,884
Interest cost	1,411	1,596
Projected return on plan assets	(1,451)	(1,721)
Amortization	589	377
Net yearic pension cost	$ 2,786	$ 2,136

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2007 and 2006

	December 31	
	2007	2006
Benefit obligation		
Vested benefit obligation	$ (2,512)	$ (4,633)
Non-vested benefit obligation	(43,873)	(37,355)
Accumulated benefit obligation	(46,385)	(41,988)
Additional benefit based on future salaries	(18,560)	(14,635)
Projected benefit obligation	(64,945)	(56,623)
Fair value of plan assets	59,169	55,989
Funded status	(5,776)	(634)
Unrecognized net transitional obligation	337	634
Unrecognized net loss	16,817	10,048
Accrued pension cost	$ 11,378	$ 10,048
Vested benefit	$ (2,990)	$ (5,421)

c. Actuarial assumptions as of December 31, 2007 and 2006:

	2007	2006
Discount rate used in determining present values	2.75%	2.75%
Future salary increase rate	3.00%	2.50%
Expected rate of return on plan assets	2.75%	2.75%

	Years Ended December 31	
	2007	2006
d. Contributions to the fund	$ 4,116	$ 4,237
e. Payments from the fund	$ (2,503)	$ -

17. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $3,000,000 thousand at December 31, 2007 and 2006 ($10.00 par value per share). As of December 31, 2007, the Corporation's outstanding capital stock was $2,402,435 thousand divided into $240,244 thousand shares at $10.00 par value each.

Employee Stock Options

In October 2001, April 2002, October 2002 and December 2007; 3,500, 1,500, 4,000 and 8,000, options, respectively, were granted to qualified employees of the Corporation and its subsidiaries. Each option entitles the holder to subscribe for one thousand common shares of the Corporation when exercisable. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Corporation's common shares listed on the TSE on the grant date. For any subsequent changes in the Corporation's paid-in capital, the exercise price and the number of options are adjusted accordingly.

Information about employee stock option plans was as follows:

	December 31			
	2007		2006	
	Number of Options	Weighted Average Exercise Price (NT$)	Number of Options	Weighted Average Exercise Price (NT$)
Balance, beginning of year	330	$ 17.59	4,129	$ 17.0
Options granted	8,000	-	-	-
Options exercised	(330)	20.83	(3,607)	19.3
Options canceled	-	-	(192)	-
Balance, end of year	8,000		330	
Options exercisable, end of year	-		330	

Information about outstanding and exercisable options as of December 31, 2007 was as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Price (NT$)	Number of Options	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price (NT$)	Number of Options	Weighted Average Exercise Price (NT$)
$58.8	8,000	4.95	$58.5	-	$ -

Compensation cost recognized under the intrinsic value method was $0 thousand for the year ended December 31, 2007. Had the Corporation recognized compensation cost based on the fair value method using the Black-Scholes pricing model, the assumptions and pro forma results of the Corporation for the years ended December 31, 2007 and 2006 would have been as follows:

Assumptions		
Risk-free interest rate	2.42%	
Expected life	3.875 years	
Expected volatility	43.5%	
Expected dividend yield	-	
	2007	**2006**
Net income		
As reported	$ 1,139,706	$ 842,241
Pro forma net income	1,132,589	834,539
Basic after income tax earnings per share (NT$)		
As reported	$ 4.88	$ 4.13
Pro forma	$ 4.85	$ 4.11
Diluted after income tax earnings per share (NT$)		
As reported	$ 4.69	$ 3.83
Pro forma	$ 4.67	$ 3.81

Capital Surplus

Under the Company Law capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Corporation's paid-in capital and once a year. Also, the capital surplus from long-term investments may not be used for any purpose.

Capital surplus comprised of the following

	December 31	
	2007	**2006**
Arising from issuance of common shares	$ 290,248	$ 290,248
Arising from conversion of bonds	654,253	188,779
Employee stock options	58,064	54,449
Conversion options	11,934	39,680
	$ 1,014,499	$ 573,156

Appropriation of Earnings and Dividend Policy

Under and the Corporation's Articles of Incorporation, from annual net income less any prior years' deficit, 10% should be appropriated as legal reserve. The remaining amount may be fully or partially retained and partially distributed for dividends, with the stockholders' approval, according to the following percentages.

(a) Employee bonus - not less than 3%
(b) Directors and supervisors' remuneration - not less than 2%

Stock bonuses to employees include subsidiary employees who meet certain criteria set by the board of directors.

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this 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. In addition, cash dividends should not be less than 20% of the total dividends to be appropriated.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative transaction adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve shall be appropriated until its has reached the Corporation's paid-in capital. It may be used to offset a deficit. When legal reserve has reaches 50% of the Corporation's paid-in capital, up to 50% there of may be transferred to paid in capital.

Any appropriations of earnings are recorded in the year of shareholders' approval. Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equals to their proportionate share of the income tax paid by the Corporation.

The appropriation of earnings for 2007 and 2006 had been approved in the stockholders' meeting on June 13, 2007 and June 15, 2006, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share ($)**	
	For Fiscal Year 2006	**For Fiscal Year 2005**	**For Fiscal Year 2006**	**For Fiscal Year 2005**
Legal reserve	$ 84,224	$ 48,047	$ -	$ -
Cash dividends	412,065	188,909	2.0	1.0
Stock dividends	206,032	113,345	1.0	0.6
Bonus to employees - stock	35,119	34,347	-	-
Bonus to employee - cash	35,119	-	-	-
Bonus to directors and supervisors - cash	14,048	6,869	-	-

The Board of Directors set August 15, 2007 as the ex-dividend date.

If the above bonuses to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2006 and 2005, the basic after income tax earnings per share for the years ended December 31, 2006 and 2005 would have decreased from NT$4.13 to NT$3.72 and NT$2.73 to NT$2.50, respectively.

Stock bonuses to employees of 3,512 thousand shares and 3,435 thousand shares were distributed out of the earnings for the years ended December 31, 2006 and 2005, respectively, respresenting 1.71% and 1.84% of the total outstanding shares at the respective year end date.

Information about the appropriations of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

18. INCOME TAX

The government enacted the Alternative Minimum Tax Act (the "AMT Act"), which became effective on January 1, 2006. The alternative minimum tax ("AMT") imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Corporation has considered the impact of the AMT Act in the determination of its tax liabilities.

A reconciliation of income tax expense based on income before income tax at the 25% statutory rate and income tax expense was as follows:

	Years Ended December 31	
	2007	2006
Income tax expense at the 25% statutory rate	$301,150	$239,602
Tax effect on adjusting items:		
Add (deduct) tax effects of		
Permanent differences	(588)	96
Temporary differences	(38,457)	(25,326)
Tax-exempt income for five years	(99,771)	(74,355)
	162,334	140,017
Additional 10% income tax on unappropriated earnings	5,564	8,895
Less investment tax credits	(83,949)	(74,456)
Current income tax expense	$ 83,949	$ 74,456
Subsidiary's income tax	$ 1,638	$ 1,850
Deferred income tax expenses (benefit)		
Temporary difference	$ (7,352)	$ 24,893
Investment tax credits	(9,592)	(1,736)
Adjustment for prior years' tax	(2,067)	896
	$ 66,576	$100,359

Deferred income tax assets (liabilities) were as follows:

	2007	2006
Current		
Deferred income tax assets		
Investment tax credits	$ 33,522	$ 31,124
Unrealized allowance for loss on inventories	7,762	7,207
Unrealized exchange losses	982	2,739
Unrealized valuation loss on financial instruments	4,920	-
Others	2,676	2,120
	49,862	43,190
Less: Valuation allowance	-	-
	49,862	43,190
Deferred income tax liabilities		
Unrealized exchange gain	(454)	(1,960)
	$ 49,408	$ 41,230

	2007	2006
Noncurrent		
Deferred income tax assets		
Investment tax credits	$ 100,566	$ 93,372
Impairment loss	3,100	2,467
Unrealized valuation loss on financial instruments	2,508	4,736
Accrued pension cost	331	331
	106,505	100,906
Less: Valuation allowance	-	-
	106,505	100,906
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(45,343)	(48,512)
	$ 61,162	$ 52,394

As of December 31, 2007, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 101,406	$ 64,995	2011
	Research and development expenditures	99,193	67,779	2011
	Personnel training expenditures	1,800	1,314	2011
		$ 202,399	$ 134,088	

As of December 31, 2007, profits attributable to the following expansion and construction projects were exempted from income tax for five-year.

Expansion of Construction Project	Tax-Exemption Year
Acquisition of equipment in 2003	2004 to 2008
Acquisition of equipment in 2004	2005 to 2009

TXC income tax returns through 2004 have been examined and approved by the tax authorities.

Information about integrated income tax was as follows:

	December 31 2007	December 31 2006
Balance of ICA	$ 21,138	$ 14,625

	2007 (Estimate)	2006 (Actual)
The creditable ratio for distribution	7.89%	8.34%

	December 31	
	2007	2006
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	1,331,819	978,720
	$1,331,819	$ 978,720

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2007 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

The Corporation's personnel, depreciation, and amortization expenses for the years ended December 31, 2007 and 2006 were summarized as follows:

Function / Expense Item	Years Ended December 31					
	2007			2006		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost						
Salary	$352,220	$254,745	$606,965	$314,250	$182,360	$496,610
Insurance	16,495	12,248	28,743	20,060	10,230	30,290
Pension	10,109	9,117	19,226	10,941	6,693	17,634
Meals	12,369	8,762	21,131	11,567	5,864	17,431
Welfare	7,013	5,240	12,253	5,844	2,844	8,688
Others	-	-	-	-	-	-
Depreciation	393,265	67,907	461,172	285,824	57,719	343,543
Amortization	7,404	58,906	66,310	12,143	41,660	53,803

20. EARNINGS PER SHARE

	Years Ended December 31			
	2007		2006	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (dollars)				
From continuing operations	$ 5.16	$ 4.88	$ 4.23	$ 3.79
Cumulative effect of changes in accounting principles	-	-	(0.11)	(0.08)
Income for the year	$ 5.16	$ 4.88	$ 4.12	$ 3.71
Diluted earnings per share (dollars)				
From continuing operations	$ 4.98	$ 4.69	$ 3.95	$ 3.54
Cumulative effect of changes in accounting principles	-	-	(0.11)	(0.08)
Income for the year	$ 4.98	$ 4.69	$ 3.84	$ 3.46

The numerators and denominators used in calculating basic and diluted EPS were as follows:

	2007				
	Amount (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (in Thousands)	Before Income Tax	After Income Tax
Income for the year	$ 1,204,644	$ 1,139,706			
Basic EPS (NT$)					
Income for the year attributable to common shareholders	$ 1,204,644	$ 1,139,706	233,494	$ 5.16	$ 4.88
Effect of dilutive potential common stock					
Employee stock option	-	-	783		
Convertible bonds	25,909	19,432	12,745		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	$ 1,230,553	$ 1,159,138	247,022	$ 4.98	$ 4.69

	2006				
	Amount (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (in Thousands)	Before Income Tax	After Income Tax
Income for the year	$ 935,426	$ 842,241			
Basic EPS (NT$)					
Income for the year attributable to common shareholders	$ 935,426	$ 842,241	227,125	$ 4.12	$ 3.71
Effect of dilutive potential common stock					
Employee stock option	-	-	1,115		
Convertible bonds	3,063	2,297	15,627		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	$ 938,489	$ 844,538	243,867	$ 3.84	$ 3.46

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused the basic and diluted after income tax EPS for the year ended December 31, 2006 to decrease from NT$4.13 to NT$3.71 and from NT$3.83 to NT$3.46, respectively.

21. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at fair value through profit or loss - current	$ 9,310	$ 9,310	$ 163	$ 163
Available-for-sale financial assets, current	90,462	90,462	150,183	150,183
Financial assets carried at cost	3,000	-	3,000	-

	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Bonds payable	240,075	240,075	763,311	763,311
Long-term debt (including current portion	398,182	398,182	430,876	430,876
Derivative financial instruments				
Cross-currency contracts				
Taiwan	10,034	10,034	18,944	18,944
Forward exchange contract				
Taiwan	6,606	6,606	1,744	1,744

Methods and assumptions used to estimate the fair values of financial instruments were as follows:

(a) The above financial instruments do not include cash and cash equivalents, receivables, payables and short-term bank loans. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

(b) Fair values of financial instruments designated as at FVTPL and available-for-sale are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

(c) Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

(d) Fair value of long-term loans is estimated using the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans (e.g., similar maturities).

Fair value of financial assets and liabilities using based on quoted market prices or valuation techniques were as follows:

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	December 31		December 31	
	2007	2006	2007	2006
Assets				
Financial assets at fair value through profit or loss - current	$ 9,310	$ -	$ -	$ -
Available-for-sale financial assets, current	90,462	150,183	-	-
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	6,606	1,744
Bonds payable	-	-	240,075	763,311
Financial liabilities at fair value through profit of loss, noncurrent	-	-	10,034	18,944

Valuation losses arising from changes in fair value of financial instruments determined using valuation techniques were $10,078 thousand and $2,335 thousand for the years ended December 31, 2007 and 2006, respectively.

As of December 31, 2007 and 2006, financial liabilities exposed to fair value interest rate risk amounted to $10,034 thousand and $18,944 thousand.

Financial risks:

(a) Market risk: The Corporation's market risk refers to the uncertainties due to exchange rate fluctuations. Gains or losses on forward exchange contracts are likely to offset the gains or losses on foreign-currency assets or liabilities. Cross currency contract refers to the risk arising from interest rate fluctuations in the market. The Corporation does not have significant price risk.

(b) Credit risk: Credit risk represents the potential loss that would be incurred by the Corporation if the counter-parties breached contracts. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Corporation's exposure to default by those parties to be material.

(c) Liquidity risk: The Corporation's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

(d) Cash flow interest rate risk: The Corporation's short- and long- term loans are floating-rate loans. When the market interest rate increases by one percentage point, the Corporation's cash outflow will increase by $8,828 a year.

22. RELATED-PARTY TRANSACTIONS

The related parties were as follows:

Related Party	Relationship with the Corporation
Tai-Shing Electronics Components Corporation (Tai-Shing)	Chairman is the Corporation's general manager
K&H MFG, Co., Ltd. (K&H)	Chairman is the Corporation's Vice-president

Significant transactions with related parties:

Purchases

	Years Ended December 31			
	2007		2006	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 243	-	$ -	-

Terms of purchases from related parties were similar to those for third parties.

Sales

	Years Ended December 31			
	2007		2006	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 19,160	-	$ 19,997	-

Selling prices to related parties were similar to those for third parties.

Other Expenses

	Years Ended December 31			
	2007		2006	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 6,385	2	$ 5,805	1
K&H	265	-	-	-
	$ 6,650	2	$ 5,805	1

Receivable from and Payable to Related Parties

		December 31			
		2007		2006	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts receivable	Tai-Shing	$ 6,579	-	$ 6,554	-
Notes payable	Tai-Shing	$ 1,834	2	$ 701	1
	K&H	26	-	-	-
		$ 1,860	2	$ 701	1
Accounts payable	Tai-Shing	$ 550	-	$ 401	1
Accrued expense	Tai-Shing	$ 226	-	$ -	-

23. MORTGAGED OR PLEDGED ASSETS

	2007	2006
Property, plant and equipment		
Land	$165,994	$165,994
Buildings, net	232,946	234,041
Machinery and equipment, net	281,223	529,476
Restricted deposit	3,352	50
Intangible assets - land right	16,420	15,786
	$699,935	$945,347

24. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Corporation's commitments and contingencies as of December 31, 2007, which were not shown in the financial statements, were as follows:

Unit: In Thousands

Commitment	Contract Price	Paid Up	Not Yet Paid
Prepayments for land	$112,200	$ 11,220	$100,980
Prepayments for equipment	$380,580	$104,376	$276,204

Guarantee for short-term loan and long-term loan amount to about $1,594,500 thousand.

Unused letters of credit was about JP¥535,094 and US$207 thousand.

As of December 31, 2007, the Corporation's guarantee for loan of its subsidiary was described in Table 1.

25. SUBSEQUENT EVENTS

To repurchase treasury stock had been approved in the board of directors' meeting on January 28, 2008.

(a) Scheduled to repurchase period: January 29, 2008 to March 28, 2008
(b) Scheduled to repurchase amount: 3,000 thousand shares
(c) Repurchase interval: NT$30 to NT$55. Whenever the Corporation's stock price is lower than the minimum of forward price, the Corporation should continue to implement the repurchase.
(d) Repurchase purpose: Transfer to employees.

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

Segment Information

No segment information.

Geographic Area Information

	2007			
	China and Others	Taiwan	Adjustments and Elimination	Consolidated
Sales to other than consolidated entities	$ 411,764	$ 5,838,351	$ -	$ 6,250,115
Sales among consolidated entities	1,118,582	123,619	(1,242,201)	-
Total sales	$ 1,530,346	$ 5,961,970	$ (1,242,201)	$ 6,250,115
Operating income	$ 357,853	$ 1,055,857	$ (169,717)	$ 1,243,993
Non-operating income and gains				167,372
Non-operating expenses and losses				(205,083)
Income before income tax				$ 1,206,282
Identifiable assets	$ 1,920,085	$ 6,056,511	$ (285,947)	7,690,649
Long-term investments				3,000
Total assets				$ 7,693,649

	2006			
	China and Others	Taiwan	Adjustments and Elimination	Consolidated
Sales to other than consolidated entities	$ 400,730	$ 4,805,474	$ -	$ 5,206,204
Sales among consolidated entities	1,336,789	34,219	(1,371,008)	-
Total sales	$ 1,737,519	$ 4,839,693	$ (1,371,008)	$ 5,206,204
Operating income	$ 151,266	$ 845,335	$ (449)	$ 996,152
Non-operating income and gains				146,251
Non-operating expenses and losses				(182,536)
Income before income tax				$ 959,867
Identifiable assets	$ 1,630,910	$ 5,100,615	$ (288,408)	6,443,117
Long-term investments				3,000
Total assets				$ 6,446,117

Export Sales

Area	2007	2006
America	$ 111,895	$ 154,117
Europe	97,037	80,455
Asia	4,587,324	3,162,803
	$4,796,256	$3,397,375

Major Customer Information

Major customer did not exceed the sales account 10% of income statements in 2007 and 2006.

27. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Corporation and its investees:

a. Financing provided: None.

b. Endorsement/guarantee provided: Table 1 (attached).

c. Marketable securities held: Table 2 (attached).

d. Marketable securities acquired and disposed of at costs or prices of at least $100 million or 20% of the paid-in capital: Table 3 (attached).

e. Acquisition of individual real estate properties at costs of at least $100 million or 20% of the paid-in capital: Table 4 (attached).

f. Disposal of individual real estate properties at prices of at least \$100 million or 20% of the paid-in capital: None.

g. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Table 5 (attached).

h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached).

i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 7 (attached).

j. Derivative transactions: Please refer to Note 21 for the related information and Table 8 (attached).

k. Investment in Mainland China: Table 9 (attached).

l. Intercompany relationships and significant intercompany transactions: Table 10 (attached).

TABLE 1

TXC CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Counter-Party		Limit on Each Guarantee/Endorsement Amount Provided to Each Counter-Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity Latest Financial Statements	Maximum Collateral/Guarantee Amount Allowable (Note 2)
		Name	Nature of Relationship						
0	TXC Corporation	TXC (Ningbo) Corporation	Subsidiary	$ 2,558,583	$ 97,365	$ -	$ -	0	$ 5,117,167
		TCTI	Subsidiary	2,558,583	33,089	33,089	-	1	5,117,167
		GPT	Subsidiary	2,558,583	241,550	158,827	-	3	5,117,167

Note 1: Not to exceed 50% of the Corporation's net equity. ($5,117,167 thousand × 50% = $2,558,583 thousand)
Note 2: Not to exceed the net worth of the Corporation.

TABLE 2

TXC CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Holding Company	Marketable Securities Type and Issues/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	Bond							
	Government Bond	-	Cash and cash equivalents	-	$ 245,000	-	$ -	
	Financial Bond	-	〃	-	440,000	-	-	
					$ 685,000			
	Beneficiary certificate							
	Mega Diamond Bond Fund	-	Available-for-sale financial assets	2,596	$ 30,357	-	$ 30,357	
	Polaris De-Li Fund	-	〃	1,965	30,063	-	30,063	
	Fuh-Hwa Bond Fund	-	〃	2,218	30,042	-	30,042	
					$ 90,462			
	Stock							
	TCTI	Subsidiary	Long-term Investments - equity method	29,835	$ 1,281,186	100	-	
	TXC Technology Inc.	Subsidiary	〃	300	7,108	100	-	
	TXC Japan Corporation	Subsidiary	〃	2	2,973	100	-	
					$ 1,291,267			
	Marson Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	414	$ 3,000	5	-	
TCTI	Stock							
	GPT	Subsidiary	Long-term Investments - equity method	50	$ 39,595 (US$ 1,219)	100	-	
	TXC (Ningbo) Corporation	Subsidiary	〃	$ 988,041 US$ 29,835	$ 1,247,280 (US$ 38,390)	100	-	

TXC CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (In Thousands)	Amount
TXC Corporation	Government Bond	Cash and cash equivalents	-	-	-	$ 300,000	-	$ -	-	$ 301,210	$ 300,000	$ 1,210	-	-
	〃	〃	-	-	-	-	-	300,000	-	300,776	300,000	776	-	-
	〃	〃	-	-	-	-	-	300,000	-	300,697	300,000	697	-	-
	〃	〃	-	-	-	-	-	300,000	-	300,536	300,000	536	-	-
	Financial Bond	〃	-	-	-	-	-	140,818	-	141,009	140,818	191	-	-
	〃	〃	-	-	-	-	-	141,.028	-	141,314	141,028	286	-	-
	Government Bond	〃	-	-	-	-	-	150,000	-	150,170	150,000	157	-	-
	Financial Bond	〃	-	-	-	-	-	141,176	-	141,384	141,176	208	-	-

TABLE 4

TXC CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
TXC Corporation	Buildings	2007.05.31	$141,879	Full payment	-	-	-	-	-	$ -	-	Operating purpose	-

TXC CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms (Note)	Unit Price	Payment Terms	Ending Balance	% to Total	
TXC Corporation	NGB	Subsidiary	Purchase	$ 1,053,572	31	-	-	-	$ (250,793)	(27)	
	NGB	Subsidiary	Sales	117,343	2	-	-	-	34,319	2	

Note : The terms of purchases from related parties were not significantly different from those with third parties.

TABLE 6

TXC CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amounts	Action Taken		
NGB	TXC Corporation	Ultimate parent	$ 250,793 (US$ 7,720)	3.88	$ -	-	$ 5,218 (US$ 161)	$ -

TABLE 7

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Income (Loss) Recognized	Note
				December 31, 2007	December 31, 2006	Shares (in Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN Samoa	Investment holding	$ 988,041	$ 964,547	29,835	100	$ 1,281,186	$ 165,217	$ 167,652	
				US$ 29,835	US$ 29,122						
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879	9,879	300	100	7,108	4,464	4,464	
				US$ 300	US$ 300						
	TXC Japan Corporation	Japan	Marketing activities	4,661	4,661	2	100	2,973	37	37	
				JP¥ 16,000	JP¥ 16,000						
TCTI	GPT	B.V.I.	National trading			50	100	39,595	15,637	15,637	
				US$ 50	US$ 50			US$ 1,219	US$ 476	US$ 476	
	NGB	Ningbo	Manufacture and sales of electronics products			988,041	100	1,247,280	149,627	149,627	
				US$ 29,835	US$ 29,122	US$ 29,835		US$ 38,390	US$ 4,555	US$ 4,555	

TABLE 8

Derivative Transactions

NGB entered into derivative transactions during the year ended December 31, 2007 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of December 31, 2007:

	Currency	**Maturity**	**Contract Amount (In Thousands)**
December 31, 2007			
Sell	USD/RMB	April 2, 2008	US$6,000/RMB44,004
Sell	USD/JPY	February 20, 2008	US$354/JP¥40,000

TABLE 9

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)

1. The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (In Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2007 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007 (In Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2007	Accumulated Inward Remittance of Earnings as of December 31, 2007
					Outflow	Inflow					
TXC (Ningbo) Corporation	Manufacturing and sales of crystal and crystal oscillator	$ 988,042 (US$ 29,835)	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	$ 904,965 (US$ 27,287)	$ 23,494 (US$ 713)	$ -	$ 928,459 (US$ 28,000)	100	$ 149,627 (US$ 4,555)	$ 1,247,280 (US$ 38,390)	$ 122,808 (US$ 3,783)

2. The limitation on investment:

Accumulated Investment in Mainland China as of December 31, 2007 (In Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (In Thousand)	Upper Limit on Investment (Note)
$928,459 (US$28,000)	$1,254,580 (US$37,835)	$2,046,867

Note: Not to exceed 40% of the Corporation's net equity ($5,117,167 thousand × 40% = $2,046,867 thousand).

3. Significant direct or indirect transactions with the investee company, prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports:

Company Name	Nature of Relationship	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
		Purchase/Sale	Amount	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
NGB	Subsidiary	Purchase	$ 1,053,572 US$ 32,047	Negotiated price	Similar with third parties	Similar	$ 250,793 US$ 7,720	1	$ -
		Sale	$ 117,343 US$ 3,585	Negotiated price	Similar with third parties	Similar	$ (34,319) US$ (1,056)	4	$ -