

TXC Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying balance sheets of TXC Corporation (the "Corporation") as of December 31, 2007 and 2006, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These 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 financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2006, the Corporation 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" and related revisions of previously released SFASs.

We have also audited the consolidated financial statements of TXC Corporation and subsidiaries as of and for the years ended December 31, 2007 and 2006, and expressed modified unqualified opinion with explanatory paragraphs on such financial statements.

February 15, 2008

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying 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 financial statements shall prevail.

TXC CORPORATION

BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

ASSETS	2007		2006		LIABILITIES AND STOCKHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,029,135	14	\$ 797,134	13	Short-term loans (Note 13)	\$ 275,257	4	\$ 205,275	3
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	9,310	-	-	-	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	6,606	-	1,744	-
Available-for-sale financial assets - current (Notes 2, 3 and 6)	90,462	1	150,183	2	Notes payable (Note 23)	68,773	1	55,286	1
Notes receivable, net (Notes 2 and 7)	12,727	-	44,589	1	Accounts payable	678,908	9	467,299	8
Accounts receivable, net (Notes 2, 7 and 23)	2,100,280	29	1,680,447	27	Accounts payable - related parties (Note 23)	251,343	3	279,238	4
Inventories, net (Notes 2 and 8)	628,070	9	600,905	10	Income tax payable (Note 19)	83,949	1	74,456	1
Other current assets (Notes 2, 19, 23 and 24)	89,408	1	78,559	1	Accrued expenses (Notes 16 and 23)	198,267	3	155,386	3
Total current assets	3,959,392	54	3,351,817	54	Current portion of long-term loans (Note 15)	207,273	3	50,000	1
					Other current liabilities	10,520	-	7,674	-
					Total current liabilities	1,780,896	24	1,296,358	21
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	3,000	-	3,000	-	Financial liabilities at fair value through profit or loss - noncurrent (Notes 2, 3 and 5)	10,034	-	18,944	-
Investments accounted for by the equity method (Notes 2 and 10)	1,291,267	18	1,143,443	18	Bonds payable (Notes 2 and 14)	216,304	3	698,031	11
Total long-term investments	1,294,267	18	1,146,443	18	Long-term debt (Note 15)	190,909	3	360,000	6
					Liability component of convertible bonds - noncurrent	23,771	-	65,280	1
					Total long-term liabilities	441,018	6	1,142,255	18
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 24)					RESERVES				
Cost					Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
Land	157,040	2	157,040	3	OTHER LIABILITIES				
Land improvements	442	-	442	-	Guarantee deposits received	4,494	-	-	-
Buildings	589,098	8	277,570	5	Deferred credits - gain on inter-company transactions	3,691	-	240	-
Machinery and equipment	2,301,903	31	1,810,816	29	Total other liabilities	8,185	-	240	-
Transportation equipment	2,557	-	2,557	-	Total liabilities	2,233,611	30	2,442,365	39
Miscellaneous equipment	98,271	2	80,949	1					
Land -revaluation increment	8,954	-	8,954	-	STOCKHOLDERS' EQUITY (Note 18)				
Cost and revaluation increment	3,158,265	43	2,338,328	38	Capital stock				
Less accumulated depreciation	(1,274,451)	(17)	(944,554)	(15)	Common stock, at par value of \$10 each;				
Construction-in-progress and prepayments for equipment	114,462	1	276,088	4	Authorized - 2007 and 2006: 300,000 thousand shares				
Total property, plant and equipment	1,998,276	27	1,669,862	27	Issued - 2007: 240,243 thousand shares; 2006: 205,698 thousand shares	2,402,435	33	2,056,983	33
					Advance receipts for common stock	13,091	-	-	-
					Total capital stock	2,415,526	33	2,056,983	33
INTANGIBLE ASSETS					Capital surplus	1,014,499	14	573,156	9
Deferred pension cost (Notes 2 and 17)	7,947	-	7,947	-	Retained earnings				
OTHER ASSETS					Legal reserve	238,045	3	153,821	2
Idle assets (Notes 2 and 12)	3,731	-	4,126	-	Unappropriated earnings	1,331,819	18	978,720	16
Refundable deposits	7,584	-	2,971	-	Total retained earnings	1,569,864	21	1,132,541	18
Deferred charges	18,419	-	11,498	-	Other equity (Note 2)				
Deferred income tax assets - noncurrent (Notes 2 and 19)	61,162	1	52,394	1	Cumulative translation adjustments	111,374	2	36,388	1
Total other assets	90,896	1	70,989	1	Unrealized gains on financial instrument	462	-	183	-
					Unrealized revaluation increment	5,442	-	5,442	-
					Total other equity	117,278	2	42,013	1
					Total stockholders' equity	5,117,167	70	3,804,693	61
TOTAL	\$ 7,350,778	100	\$ 6,247,058	100	TOTAL	\$ 7,350,778	100	\$ 6,247,058	100

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

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

TXC CORPORATION

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)	\$ 6,015,633	101	\$ 4,901,260	101
LESS SALES DISCOUNTS AND RETURNS	<u>(53,663)</u>	<u>(1)</u>	<u>(61,567)</u>	<u>(1)</u>
NET OPERATING REVENUE	5,961,970	100	4,839,693	100
OPERATING COSTS	<u>4,331,100</u>	<u>73</u>	<u>3,551,041</u>	<u>73</u>
GROSS PROFIT	1,630,870	27	1,288,652	27
UNREALIZED INTER-COMPANY GAIN	(3,691)	-	(240)	-
REALIZED INTER-COMPANY GAIN	<u>240</u>	<u>-</u>	<u>689</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,627,419</u>	<u>27</u>	<u>1,289,101</u>	<u>27</u>
OPERATING EXPENSES				
Selling expenses	257,524	4	211,969	4
General and administrative expenses	129,770	2	110,428	2
Research and development expenses	<u>187,719</u>	<u>3</u>	<u>120,920</u>	<u>3</u>
Total operating expenses	<u>575,013</u>	<u>9</u>	<u>443,317</u>	<u>9</u>
OPERATING INCOME	<u>1,052,406</u>	<u>18</u>	<u>845,784</u>	<u>18</u>
NONOPERATING INCOME AND GAINS				
Interest income	16,162	-	5,204	-
Investment income recognized under equity method	172,153	3	121,640	2
Gain on sale of property, plant and equipment	1,186	-	-	-
Gain on sale of investments	1,732	-	1,184	-
Gain on physical inventory	24	-	-	-
Exchange gain	98,457	2	94,629	2
Valuation gain on financial liabilities	-	-	2,335	-
Miscellaneous income	<u>20,259</u>	<u>-</u>	<u>37,563</u>	<u>1</u>
Total nonoperating income and gains	<u>309,973</u>	<u>5</u>	<u>262,555</u>	<u>5</u>

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense	\$ 31,105	1	\$ 22,849	-
Loss on disposal of property, plant and equipment	104	-	904	-
Loss on physical inventory	321	-	958	-
Exchange losses	82,336	1	88,336	2
Provision for loss on inventories	26,464	1	33,721	1
Impairment loss	2,528	-	1,182	-
Valuation loss on financial assets	690	-	-	-
Valuation loss on financial liabilities	10,078	-	-	-
Miscellaneous expenses	4,109	-	1,940	-
Total nonoperating expenses and losses	<u>157,735</u>	<u>3</u>	<u>149,890</u>	<u>3</u>
INCOME BEFORE INCOME TAX	1,204,644	20	958,449	20
INCOME TAX EXPENSE (Notes 2 and 19)	<u>(64,938)</u>	<u>(1)</u>	<u>(98,941)</u>	<u>(2)</u>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	1,139,706	19	859,508	18
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, Net of tax benefit of NT\$5,756 thousand	<u>-</u>	<u>-</u>	<u>(17,267)</u>	<u>(1)</u>
NET INCOME	<u>\$1,139,706</u>	<u>19</u>	<u>\$ 842,241</u>	<u>17</u>
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 5.16</u>	<u>\$ 4.88</u>	<u>\$ 4.12</u>	<u>\$ 3.71</u>
Diluted	<u>\$ 4.98</u>	<u>\$ 4.69</u>	<u>\$ 3.84</u>	<u>\$ 3.46</u>

(Concluded)

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

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

TXC CORPORATION

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			Total
	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	
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	<u>\$ 2,402,435</u>	<u>\$ 13,091</u>	<u>\$ 1,014,499</u>	<u>\$ 238,045</u>	<u>\$ -</u>	<u>\$ 1,331,819</u>	<u>\$ 5,442</u>	<u>\$ 462</u>	<u>\$ 111,374</u>	<u>\$ 5,117,167</u>

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

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

TXC CORPORATION

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	<u>-</u>	<u>17,267</u>
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	357,335	258,042
Nonoperating loss - idle assets	395	1,940
Amortization	62,034	50,564
Provision for doubtful accounts	2,695	6,388
Provision for loss on inventories	26,465	33,721
Loss on physical inventory	297	958
Gain on sale of investments	(1,732)	(1,184)
Cash dividends received from equity method investees	122,808	-
Investment income recognized under equity method, net	(172,153)	(121,640)
Gain on sale property, plant and equipment	(1,082)	-
Loss on sale of property, plant and equipment	-	904
Valuation loss (gain) on financial instruments, net	10,768	(2,335)
Impairment loss	2,528	1,182
Unrealized gross profit	3,691	240
Realized gross profit	(240)	(689)
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	(422,688)	(498,066)
Inventories	(53,927)	(47,951)
Other current assets	(2,670)	4,791
Notes payable	13,487	2,864
Accounts payable	183,715	190,269
Accrued expenses	42,881	26,842
Income tax payable	9,493	44,019
Other current liabilities	<u>2,846</u>	<u>(1,999)</u>
Net cash provided by operating activities	<u>1,356,147</u>	<u>874,762</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	(10,000)	-
Acquisitions of available-for-sale financial assets	(270,011)	(460,000)
Proceeds from disposal of available-for-sale financial assets	331,743	371,184
Acquisition of investments accounted for by equity method	(19,571)	(131,306)
Acquisition of property, plant and equipment	(693,677)	(666,995)
Proceeds from disposal of property, plant and equipment	2,560	600
Increase in refundable deposits	(4,614)	(642)
Increase in deferred charges	<u>(68,956)</u>	<u>(57,324)</u>
Net cash used in investing activities	<u>(732,526)</u>	<u>(944,483)</u>

(Continued)

TXC CORPORATION

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 in short-term loans	\$ 69,981	\$ 40,067
Issuance of convertible bonds	-	800,000
Proceeds from long-term debt	38,182	-
Repayment of long-term debt	(50,000)	(60,000)
Increase in guarantee deposits received	4,494	-
Cash bonus to directors and supervisors	(49,167)	(6,869)
Cash dividends	(412,065)	(188,909)
Proceeds from the exercise of employee stock option	<u>6,956</u>	<u>69,580</u>
Net cash (used in) provided by financing activities	<u>(391,619)</u>	<u>653,869</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	232,002	584,148
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>797,134</u>	<u>212,986</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,029,136</u>	<u>\$ 797,134</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest \$2,762 thousand)	<u>\$ 33,445</u>	<u>\$ 23,524</u>
Income tax paid	<u>\$ 74,036</u>	<u>\$ 31,765</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term loans to current liabilities	<u>\$ 207,273</u>	<u>\$ 50,000</u>
Acquisition of long-term equity investments through payment in the form of machinery	<u>\$ 3,922</u>	<u>\$ 9,723</u>

(Concluded)

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

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

TXC CORPORATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

The Corporation mainly produces and sells crystals, crystal oscillator and SAW (surface acoustic wave) filters and Timing Module (TM).

As of December 31, 2007 and 2006, the Corporation had 947 and 806 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The 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:

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 8 years; transportation equipment - 2 to 5 years; miscellaneous equipment - 2 to 16 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.

Curtailement 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.

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	<u>(17,267)</u>	<u>-</u>
	<u>\$ (17,267)</u>	<u>\$ 2</u>

The above accounting changes resulted in decreases of NT\$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	2006
Cash on hand	\$ 1,679	\$ 1,531
Checking accounts and demand deposits	204,373	183,892
Time deposits	138,083	116,711
Cash equivalents		
Repurchase agreements collateralized by bonds	<u>685,000</u>	<u>495,000</u>
	<u>\$ 1,029,135</u>	<u>\$ 797,134</u>

Overseas deposits are summarized as follows:

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
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)	<u>2,741</u>	<u>1,896</u>
	<u>\$ 20,046</u>	<u>\$ 22,875</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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)
<u>December 31, 2007</u>			
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
<u>December 31, 2006</u>			
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

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

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Mutual funds	<u>\$ 90,462</u>	<u>\$ 150,183</u>

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Notes receivable from third parties	\$ 12,791	\$ 44,813
Notes receivable from related parties	<u>-</u>	<u>-</u>
	12,791	44,813
Less allowance for doubtful accounts	<u>(64)</u>	<u>(224)</u>
	<u>\$ 12,727</u>	<u>\$ 44,589</u>
Accounts receivable from third parties	\$2,074,896	\$ 1,680,058
Accounts receivable from related parties	<u>41,574</u>	<u>13,724</u>
	2,166,470	1,693,782
Less allowance for doubtful accounts	<u>(16,190)</u>	<u>(13,335)</u>
	<u>\$2,100,280</u>	<u>\$ 1,680,447</u>

Movements of allowance for doubtful accounts were as follows:

	<u>Years Ended December 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>
Balance, beginning of year	\$ 224	\$ 13,335	\$ 429	\$ 9,333
Deduct: Amount written off	-	(363)	-	-
Add (deduct): Provision (reversal of provision) for doubtful accounts	<u>(160)</u>	<u>3,218</u>	<u>(205)</u>	<u>4,002</u>
Balance, end of year	<u>\$ 64</u>	<u>\$ 16,190</u>	<u>\$ 224</u>	<u>\$ 13,335</u>

8. INVENTORIES

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Raw materials	\$ 144,948	\$ 103,999
Supplies and spare parts	14,267	11,830
Work in-process	159,900	103,637
Finished goods	134,294	187,939
Merchandise inventories	172,379	193,878
Merchandise in transit	<u>32,594</u>	<u>27,715</u>
	658,382	628,998
Less allowance for loss	<u>(30,312)</u>	<u>(28,093)</u>
	<u>\$ 628,070</u>	<u>\$ 600,905</u>

9. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Domestic unquoted common stocks	<u>\$ 3,000</u>	<u>\$ 3,000</u>

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. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<u>December 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Carrying Amount</u>	<u>% of Ownership</u>	<u>Carrying Amount</u>	<u>% of Ownership</u>
Unlisted companies				
Taiwan Crystal Technology International Ltd. ("TCTI")	\$ 1,281,186	100	\$ 1,137,953	100
TXC Technology Inc.	7,108	100	2,702	100
TXC Japan Corporation	<u>2,973</u>	100	<u>2,788</u>	100
	<u>\$ 1,291,267</u>		<u>\$ 1,143,443</u>	

Investment income (loss) recognized under the equity method was as follows:

	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
TCTI	\$ 167,652	\$ 124,900
TXC Technology Inc.	4,464	(2,351)
TXC Japan Corporation	<u>37</u>	<u>(909)</u>
	<u>\$ 172,153</u>	<u>\$ 121,640</u>

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Corporation's investments, had been audited, except those of TXC Technology Inc. and TXC Japan Corporation.

11. 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	589,098	163,751	425,347	144,842
Machinery equipment	2,301,903	1,048,173	1,253,730	1,049,692
Transportation equipment	2,557	2,027	530	701
Miscellaneous equipment	98,271	60,087	38,184	32,446
Prepayments on purchase of equipment	103,242	-	103,242	37,184
Prepayments on purchase of land	11,220	-	11,220	238,904
	<u>\$3,272,727</u>	<u>\$1,274,451</u>	<u>\$1,998,276</u>	<u>\$1,669,862</u>

Information about capitalized interest was as follows:

	Year 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.

12. 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	7,517	7,517	-
Other assets	6	6	-
	<u>\$16,128</u>	<u>\$12,397</u>	<u>\$ 3,731</u>

	December 31, 2006		
	Book Value	Accumulated Impairment	Carrying Value
Land	\$ 2,253	\$ -	\$ 2,253
Buildings	6,747	4,874	1,873
Machinery and equipment	<u>4,995</u>	<u>4,995</u>	<u>-</u>
	<u>\$13,995</u>	<u>\$ 9,869</u>	<u>\$ 4,126</u>

Impairment loss was as follows:

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

	December 31, 2006	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Impairment loss		
Machinery and equipment	<u>\$ 1,182</u>	<u>\$ -</u>

The Corporation recognized an impairment loss of \$2,528 thousand and \$1,182 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.

13. SHORT-TERM LOANS

	December 31	
	2007	2006
Usance letters of credit	\$210,277	\$ 57,487
Working capital loans	<u>64,980</u>	<u>147,788</u>
	<u>\$275,257</u>	<u>\$205,275</u>

(a) Usance letters of credit amounted to US\$65 thousand and JPY517,362 thousand as of December 31, 2007 and JPY209,502 thousand as of December 31, 2006. Interest rates ranged from 1.33% to 2.2% and from 0.8% to 1.21% at December 31, 2007 and 2006, respectively.

(b) Interest rates for working capital loans ranged from 1.55% to 6% and from 1.745% to 6% at December 31, 2007 and 2006, respectively.

14. BONDS PAYABLE

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

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.

15. LONG-TERM LOANS

Nature of Loans	Repayment Period	December 31	
		2007	2006
Secured bank loans	Repayable maturing on May 4, 2021	\$ 98,182	\$ -
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
Unsecured bank loans	Repayable at maturity on September 3, 2021	-	160,000
Chinatrust syndicated loan		-	50,000
		<u>398,182</u>	<u>410,000</u>
Less current portion		<u>(207,273)</u>	<u>(50,000)</u>
		<u>\$ 190,909</u>	<u>\$ 360,000</u>
Interest rate (%)		2.15~2.915	2.15~3.0579

See Notes 24 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.

16. ACCRUED EXPENSES

	December 31	
	2007	2006
Payroll	\$ 32,558	\$ 25,727
Bonus	83,724	66,314
Commission	26,924	19,468
Others	<u>55,061</u>	<u>43,877</u>
	<u>\$198,267</u>	<u>\$155,386</u>

17. 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 Year 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 Year 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	<u>589</u>	<u>377</u>
Net yearic pension cost	<u>\$ 2,786</u>	<u>\$ 2,136</u>

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	<u>(43,873)</u>	<u>(37,355)</u>
Accumulated benefit obligation	(46,385)	(41,988)
Additional benefit based on future salaries	<u>(18,560)</u>	<u>(14,635)</u>
Projected benefit obligation	(64,945)	(56,623)
Fair value of plan assets	<u>59,169</u>	<u>55,989</u>
Funded status	(5,776)	(634)
Unrecognized net transitional obligation	337	634
Unrecognized net loss	<u>16,817</u>	<u>10,048</u>
Accrued pension cost	<u>\$ 11,378</u>	<u>\$ 10,048</u>
Vested benefit	<u>\$ (2,990)</u>	<u>\$ (5,421)</u>

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	<u>\$ 4,116</u>	<u>\$ 4,237</u>
e. Payments from the fund	<u>\$ (2,503)</u>	<u>\$ -</u>

18. 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	<u>-</u>	-	<u>(192)</u>	-
Balance, end of year	<u>8,000</u>		<u>330</u>	
Options exercisable, end of year	<u>-</u>		<u>330</u>	

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

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	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	<u>8,000</u>	4.95	\$58.5	<u>-</u>	\$ -

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 year 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	<u>11,934</u>	<u>39,680</u>
	<u>\$ 1,014,499</u>	<u>\$ 573,156</u>

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 it has reached the Corporation's paid-in capital. It may be used to offset a deficit. When legal reserve has reached 50% of the Corporation's paid-in capital, up to 50% thereof 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 equal 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:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (\$)</u>	
	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>
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, representing 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.

19. 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:

	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
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	<u>(99,771)</u>	<u>(74,355)</u>
	162,334	140,017
Additional 10% income tax on unappropriated earnings	5,564	8,895
Less investment tax credits	<u>(83,949)</u>	<u>(74,456)</u>
Current income tax expense	<u>\$ 83,949</u>	<u>\$ 74,456</u>
	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
Deferred income tax expenses (benefit)		
Temporary difference	\$ (7,352)	\$ 24,893
Investment tax credits	(9,592)	(1,736)
Adjustment for prior years' tax	<u>(2,067)</u>	<u>1,328</u>
	<u>\$ 64,938</u>	<u>\$ 98,941</u>

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	<u>2,676</u>	<u>2,120</u>
	49,862	43,190
Less: Valuation allowance	<u>-</u>	<u>-</u>
	49,862	43,190
Deferred income tax liabilities		
Unrealized exchange gain	<u>(454)</u>	<u>(1,960)</u>
	<u>\$ 49,408</u>	<u>\$ 41,230</u>
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	<u>331</u>	<u>331</u>
	106,505	100,906
Less: Valuation allowance	<u>-</u>	<u>-</u>
	<u>106,505</u>	<u>100,906</u>
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	<u>(45,343)</u>	<u>(48,512)</u>
	<u>\$ 61,162</u>	<u>\$ 52,394</u>

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	<u>1,800</u>	<u>1,314</u>	2011
		<u>\$ 202,399</u>	<u>\$ 134,088</u>	

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

The Corporation's income tax returns through 2004 have been examined and approved by the tax authorities.

Information about integrated income tax was as follows:

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Balance of ICA	\$ 21,138	\$ 14,625
	2007 (Estimate)	2006 (Actual)
The creditable ratio for distribution	7.89%	8.34%
	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Unappropriated earnings generated before January 1, 1998	\$ -	\$ -
Unappropriated earnings generated on and after January 1, 1998	1,331,819	978,720
	<u>\$1,331,819</u>	<u>\$ 978,720</u>

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.

20. 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	Year Ended December 31					
	2007			2006		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel						
Salary	\$269,252	\$186,766	\$456,018	\$261,142	\$133,301	\$394,443
Insurance	16,495	11,667	28,162	16,363	8,854	25,217
Pension	9,849	8,725	18,574	10,653	6,385	17,038
Meals	12,368	5,471	17,839	11,567	3,837	15,404
Welfare	6,823	1,971	8,794	5,215	1,902	7,117
Others	-	-	-	-	-	-
Depreciation	301,026	56,309	357,335	211,406	46,636	258,042
Amortization	6,425	55,609	62,034	11,364	39,200	50,564

21. 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	<u>\$ 5.16</u>	<u>\$ 4.88</u>	<u>\$ 4.12</u>	<u>\$ 3.71</u>
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	<u>\$ 4.98</u>	<u>\$ 4.69</u>	<u>\$ 3.84</u>	<u>\$ 3.46</u>

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

	2007				
	Amount (Numerator)		Shares (Denominator) (in Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Income for the year	<u>\$ 1,204,644</u>	<u>\$ 1,139,706</u>			
Basic EPS (NT\$)					
Income for the year attributable to common shareholders	\$ 1,204,644	\$ 1,139,706	233,494	<u>\$ 5.16</u>	<u>\$ 4.88</u>
Effect of dilutive potential common stock					
Employee stock option	-	-	783		
Convertible bonds	<u>25,909</u>	<u>19,432</u>	<u>12,745</u>		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	<u>\$ 1,230,553</u>	<u>\$ 1,159,138</u>	<u>247,022</u>	<u>\$ 4.98</u>	<u>\$ 4.69</u>
	2006				
	Amount (Numerator)		Shares (Denominator) (in Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Income for the year	<u>\$ 935,426</u>	<u>\$ 842,241</u>			
Basic EPS (NT\$)					
Income for the year attributable to common shareholders	\$ 935,426	\$ 842,241	227,125	<u>\$ 4.12</u>	<u>\$ 3.71</u>
Effect of dilutive potential common stock					
Employee stock option	-	-	1,115		
Convertible bonds	<u>3,063</u>	<u>2,297</u>	<u>15,627</u>		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	<u>\$ 938,489</u>	<u>\$ 844,538</u>	<u>243,867</u>	<u>\$ 3.84</u>	<u>\$ 3.46</u>

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.

22. 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	\$ -	\$ -
Available-for-sale financial assets, current	90,462	90,462	150,183	150,183
Financial assets carried at cost	3,000	-	3,000	-
Liabilities				
Bonds payable	240,075	240,075	763,311	763,311
Long-term debt (including current portion)	398,182	398,182	410,000	410,000
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 \$6,147 a year.

23. RELATED-PARTY TRANSACTIONS

Related parties and their relationships with the Corporation:

Related Party	Relationship with the Corporation
Tai-Shing Electronics Components Corporation (Tai-Shing)	Chairman is the Corporation's general manager
TXC Technology Inc.	Equity-method investee
TXC Japan Corporation	Equity-method investee
Taiwan Crystal Technology International Ltd. (TCTI)	Equity-method investee
Growing Profits Trading Ltd. (GPT)	Subsidiary's equity-method investee
TXC (Ningbo) Corporation (NGB)	Subsidiary's equity-method investee
K&H MFG, Co., Ltd. (K&H)	Chairman is the Corporation's Vice-president

Significant transactions with related parties:

Purchases

Related Party	Years Ended December 31			
	2007		2006	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	\$ 1,053,572	31	\$ 316,266	11
GPT	1,542	-	474,123	17
Tai-Shing	243	-	-	-
TXC Japan Corporation	-	-	12	-
	<u>\$ 1,055,357</u>	<u>31</u>	<u>\$ 790,401</u>	<u>28</u>

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

Sales

Related Party	Years Ended December 31			
	2007		2006	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	\$ 117,343	2	\$ 6,284	-
Tai-Shing	19,160	-	19,997	-
TXC Technology Inc.	3,631	-	299	-
TXC Japan Corporation	2,644	-	101	-
GPT	-	-	27,535	1
	<u>\$ 142,778</u>	<u>2</u>	<u>\$ 54,216</u>	<u>1</u>

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

Consulting Fee

	Years Ended December 31			
	2007		2006	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Related Party				
TXC Technology Inc.	\$ 39,454	45	\$ 29,306	45
TXC Japan Corporation	24,014	28	17,872	28
NGB	23,071	27	5,921	9
GPT	-	-	11,672	18
	<u>\$ 86,539</u>	<u>100</u>	<u>\$ 64,771</u>	<u>100</u>

Other Expenses

	Years Ended December 31			
	2007		2006	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Related Party				
Tai-Shing	\$ 6,385	6	\$ 5,805	3
K&H	265	-	-	-
	<u>\$ 6,650</u>	<u>6</u>	<u>\$ 5,805</u>	<u>3</u>

Receivable from and Payable to Related Parties

Item	Related Party	December 31			
		2007		2006	
		Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts receivable	NGB	\$ 34,319	2	\$ 6,244	-
	Tai-Shing	6,579	-	6,554	1
	TXC Technology Inc.	613	-	277	-
	TXC Japan Corporation	63	-	56	-
	GPT	-	-	593	-
		<u>\$ 41,574</u>	<u>2</u>	<u>\$ 13,724</u>	<u>1</u>
Other current assets	NGB	\$ 100	2	\$ -	-
	TXC Technology Inc.	99	2	872	1
		<u>\$ 199</u>	<u>4</u>	<u>\$ 872</u>	<u>1</u>
Notes payable	Tai-Shing	\$ 1,834	3	\$ 701	1
	K&H	26	-	-	-
		<u>\$ 1,860</u>	<u>3</u>	<u>\$ 701</u>	<u>1</u>

		December 31			
		2007		2006	
Item	Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts payable	NGB	\$250,793	27	\$278,816	37
	Tai-Shing	550	-	410	-
	TXC Japan Corporation	-	-	12	-
		<u>\$251,343</u>	<u>27</u>	<u>\$279,238</u>	<u>37</u>
Accrued expense	Tai-Shing	\$ 226	-	\$ -	-
	TXC Japan Corporation	58	-	2	-
		<u>\$ 284</u>	<u>-</u>	<u>\$ 2</u>	<u>-</u>

In the year ended December 31, 2007, the Corporation sold its equipment to NGB its machinery and computer, with a net book value of \$400 thousand, for \$614 thousand, and gain of \$214 thousand.

As of December 31, 2007, the Corporation's guarantee for loans of its subsidiaries were described in Table 1.

24. MORTGAGED OR PLEDGED ASSETS

	December 31	
	2007	2006
Property, plant and equipment		
Land	\$ 165,994	\$ 165,994
Buildings, net	74,806	77,299
Machinery and equipment, net	79,031	351,144
Restricted deposit	3,352	50
	<u>\$323,183</u>	<u>\$594,487</u>

25. 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	<u>\$ 148,177</u>	<u>\$ 22,875</u>	<u>\$ 125,302</u>

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

Unused letters of credit was about JPY¥416,442 and US\$207 thousand.

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

26. 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.

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

Segment Information

No segment information.

Geographic Area Information

No geographic area information.

Export Sales

Area	2007	2006
Americas	\$ 111,895	\$ 154,117
Europe	97,037	80,455
Asia	<u>4,587,324</u>	<u>3,162,803</u>
	<u>\$4,796,256</u>	<u>\$3,397,375</u>

Major Customer Information

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

28. 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 22 for the related information and Table 8 (attached).
- k. Investment in Mainland China: Table 9 (attached).

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	\$ -	\$ -	-	\$ 5,117,167
		TCTI	Subsidiary	2,558,583	33,089	33,089	-	2	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.

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	<u>Bond</u>							
	Government Bond	-	Cash and cash equivalents	-	\$ 245,000	-	\$ -	
	Financial Bond	-	"	-	440,000	-	-	
						<u>685,000</u>		
	<u>Beneficiary certificate</u>							
	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	
						<u>90,462</u>		
	<u>Stock</u>							
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	-		
					<u>1,291,267</u>			
	Marson Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	414	<u>3,000</u>	5	-	
TCTI	<u>Stock</u>							
	GPT	Subsidiary	Long-term Investments - equity method	50	\$ 39,595	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	-	-

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.

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)	\$ -

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES 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:

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

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 the 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 \times 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	\$ -

SCHEDULE 1**TXC CORPORATION****CASH AND CASH EQUIVALENTS****DECEMBER 31, 2007****(In Thousands of New Taiwan Dollars, and Foreign Currency)**

Item	Amount
Cash	
Petty cash	\$ 200
Cash on hand	1,479
	Including US\$10 thousand @32.16; JP¥627 thousand @0.2888; HK\$8 thousand @4.1646; EUR€6 thousand @47.835, and RMB¥111 thousand @4.4435
Cash in banks	
Checking deposits	95,604
Foreign-currency deposits	108,769
	Including US\$2,395 thousand @32.49; JP¥97,668 thousand @0.2888; and HK\$659 thousand @4.1646
Foreign-currency time deposits	<u>138,083</u>
	Due date 2007.12.27~2008.01.03, interest rate at 4.123%~4.73%, including US\$4,250 thousand @NT\$32.49
	344,135
Cash equivalents	
Bonds with repurchase rights	<u>685,000</u>
	Due date 2007.11.30~2008.01.31, interest rate at 1.90%~1.95%
	<u>\$ 1,029,135</u>

TXC CORPORATION

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars)

Security Type and Company Name	Explanations	Shares/Units	Book Value	Amount	Rate (%)	Cost	Market Price	
							Unit Price (NT\$)	Amount
Convertible bonds - Amtran Technology Co., Ltd.		100	\$ 100	<u>\$ 10,000</u>	-	<u>\$ 10</u>	93.1	<u>\$ 9,310</u>

SCHEDULE 3**TXC CORPORATION****AVAILABLE-FOR-SALE FINANCIAL ASSETS****DECEMBER 31, 2007****(In Thousands of New Taiwan Dollars)**

Security Type and Company Name	Explanations	Shares/Units	Book Value	Amount	Cost	Market Price	
						Unit Price (NT\$)	Amount
Fund							
Cental Diamond Bond Fund	Beneficiary certificate	2,596	-	\$ 30,357	\$ 30,000	11.69	\$ 30,357
Polaris De-Li Bond Fund	"	1,965	-	30,063	30,000	15.59	30,063
Fuh-Hwa Bond Fund	"	<u>2,218</u>	-	<u>30,042</u>	<u>30,000</u>	13.54	<u>30,042</u>
				<u>\$ 6,779</u>	<u>\$ 90,462</u>		<u>\$ 90,462</u>

SCHEDULE 4**TXC CORPORATION****ACCOUNTS RECEIVABLE****DECEMBER 31, 2007****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Amount
Related parties		
Tai-Shing		\$ 6,579
TXC Technology Inc.		613
TXC Japan Corporation		63
NGB		<u>34,319</u>
		<u>41,574</u>
Third parties		
A		356,370
B		152,396
C		122,270
D		105,530
Others (Note)		<u>1,338,330</u>
		2,074,896
Less allowance for doubtful accounts		<u>(16,190)</u>
		<u>\$ 2,100,280</u>

Note: Each of the accounts was less than 5% of the total account balance.

SCHEDULE 5**TXC CORPORATION****INVENTORIES****DECEMBER 31, 2007****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Cost	Market Value (Note)
Raw materials		\$ 144,948	\$ 142,535
Supplies and spare parts		14,267	13,550
Work in process		159,900	156,163
Finished goods		134,294	119,736
Merchandise inventories		172,379	163,492
Merchandise in transit		<u>32,594</u>	<u>32,594</u>
		658,382	<u>\$ 628,070</u>
Less allowance for loss		<u>(30,312)</u>	
		<u>\$ 628,070</u>	

Note: The market value is based on net realizable value of finished goods, work in process and merchandise and on replacement cost of raw materials and reversal of loss on decline in value of slow moving inventory.

TXC CORPORATION

**CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars and Shares)**

	<u>Beginning Balance</u>		<u>Increase</u>		<u>Decrease</u>		<u>Equity in Investees Gain (Loss)</u>	<u>Ending Balance</u>			<u>Market Price or Net Asset Value</u>		<u>Valuation Method</u>	<u>Pledge or Security</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>		<u>Shares</u>	<u>% of Ownership</u>	<u>Amount</u>	<u>Unit Price</u>	<u>Amount</u>			
Not listed company															
Taiwan Crystal Technology International Ltd.	29,122	\$ 1,137,953	713	\$ 98,389	-	\$ (122,808)	\$ 167,652	29,835	100	\$ 1,281,186	43	\$ 1,281,186	Equity method	None	
TXC Technology Inc.	300	2,702	-	-	-	(58)	4,464	300	100	7,108	24	7,108	Equity method	None	
TXC Japan Corporation	2	<u>2,788</u>	-	<u>148</u>	-	<u>-</u>	<u>37</u>	2	100	<u>2,973</u>	1,858	<u>2,973</u>	Equity method	None	
		<u>\$ 1,143,443</u>		<u>\$ 98,537</u>		<u>\$ (122,866)</u>	<u>\$ 172,153</u>			<u>\$ 1,291,267</u>		<u>\$ 1,291,267</u>			

Note: The financial statements used as basis for calculating the above equity-method investments were audited, except for TXC Technology Inc. and TXC Japan Corporation.

TXC CORPORATION

CHANGES IN PROPERTY, PLANT AND EQUIPMENT
 YEAR ENDED DECEMBER 31, 2007
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Beginning Balance	Changes for the Period			Ending Balance	Pledge or Security
		Increase	Decrease	Reclassification		
Cost						
Land	\$ 157,040	\$ -	\$ -	\$ -	\$ 157,040	Note 24
Land improvements	442	-	-	-	442	
Buildings	277,570	72,721	(97)	238,904	589,098	Note 24
Machinery equipment	1,810,816	488,915	(17,891)	20,063	2,301,903	Note 24
Transportation equipment	2,557	-	-	-	2,557	
Miscellaneous equipment	80,949	19,339	(1,894)	(123)	98,271	
Prepayments on purchase of equipment	37,184	112,702	-	(35,424)	114,462	
Unfinished construction	238,904	-	-	(238,904)	-	
	<u>\$ 2,605,462</u>	<u>\$ 693,677</u>	<u>\$ (19,882)</u>	<u>\$ (15,484)</u>	<u>\$ 3,263,773</u>	
Revaluation increment						
Land - revaluation increment	<u>\$ 8,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,954</u>	
Accumulated depreciation						
Land improvements	\$ 343	\$ 70	\$ -	\$ -	\$ 413	
Buildings	132,728	31,120	(97)	-	163,751	
Machinery equipment	761,124	312,400	(12,491)	(12,860)	1,048,173	
Transportation equipment	1,856	171	-	-	2,027	
Miscellaneous equipment	48,503	13,574	(1,894)	(96)	60,087	
	<u>\$ 944,554</u>	<u>\$ 357,335</u>	<u>\$ (14,482)</u>	<u>\$ (12,956)</u>	<u>\$ 1,274,451</u>	

TXC CORPORATION

SHORT-TERM LOANS

DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Creditor	Nature of Loan	Amount	Due Date	Interest Rate %	Pledge or Security
Hua Nan Bank	Usance letter of credit	\$ 162	2008.06.18	1.50	Note 24
Bank SinoPac	Usance letter of credit	4,721	2008.01.08	1.72	
Bank of Taiwan	Usance letter of credit	123,938	2008.06.02	2.013~2.2	
HSBC	Usance letter of credit	25,131	2008.02.12	1.42~1.64	
Citi Bank	Usance letter of credit	34,478	2008.02.15	1.20~1.85	
Taishin Bank	Usance letter of credit	8,562	2008.05.14	1.50	
Mizuho Corporate Bank	Usance letter of credit	13,285	2008.02.29	1.33	
Chinatrust	Unsecured loans	16,245	2008.02.05	5.57~5.66	
TaiShin Bank	Unsecured loans	<u>48,735</u>	2008.03.14	5.48	
		<u>\$ 275,257</u>			

TXC CORPORATION

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Financial Instrument	Explanation	Fair Value
Current		
Forward exchange contracts		<u>\$ 6,606</u>
Noncurrent		
Cross-currency contracts		<u>\$ 10,034</u>

SCHEDULE 10

TXC CORPORATION

ACCOUNTS PAYABLE

DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Related parties		
Tai-Shing		\$ 550
Ningbo		<u>250,793</u>
		<u>251,343</u>
Third parties		
A		111,294
B		66,525
C		53,303
D		58,109
Others (Note)		<u>389,677</u>
		<u>678,908</u>
		<u>\$ 930,251</u>

Note: Each of the accounts was less than 5% of the total account balance.

TXC CORPORATION

BONDS PAYABLE

DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars)

Bond Type	Trustees	Date of Issuance	Payment Terms	Interest Rate	Amount			Unamortized Premium (Discount)	Carrying Value	Repayment Method	Securities
					Issuance Amount	Repayment	Ending Balance				
2 nd domestic unsecured convertible bonds	Chinatrust	2006.11.08	-	-	<u>\$ 800,000</u>	<u>\$ 559,400</u>	<u>\$ 240,600</u>	\$ (24,296)	\$ 216,304	Note 14	None
Add: Liability component of convertible bonds - noncurrent									<u>23,771</u>		
									<u>\$ 240,075</u>		

TXC CORPORATION

LONG-TERM LOANS

DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars)

Creditors	Repayment Period	Repayment Method	Interest Rate %	Amount			Pledge or Security
				Current Portion	Noncurrent Portion	Total Amount	
Bank of Taiwan	2007.09.12~2021.05.04	Repayable at maturity	2.915	\$ 7,273	\$ 90,909	\$ 98,182	Note 24
Chinatrust	2005.10.26~2008.10.26	Repayable at maturity	2.15	200,000	-	200,000	None
Chinatrust and five other financial institutions	2004.12.31~2007.12.30	Repayable at maturity	2.74	-	100,000	100,000	Note 24
				<u>\$ 207,273</u>	<u>\$ 190,909</u>	<u>\$ 398,182</u>	

TXC CORPORATION**OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)**

Item	Amount
Mirco-electronics	\$ 917,420
Electronic components	<u>5,098,213</u>
	6,015,633
Less sales returns	(23,533)
Less sales discounts	<u>(30,130)</u>
	<u>\$ 5,961,970</u>

SCHEDULE 14**TXC CORPORATION****COST OF SALES
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)**

Item	Amount
Direct materials	
Beginning materials	\$ 115,829
Material purchase	612,762
Less adjustment items	(1,256)
Ending materials	<u>(159,215)</u>
	568,120
Direct labor	186,414
Overhead	<u>649,264</u>
Manufacturing cost	1,403,798
Beginning work in process	103,637
Add purchases	78,189
Add adjustment items	130,295
Ending work in process	<u>(159,900)</u>
Finished goods cost	1,556,019
Beginning finished goods	187,939
Add adjustment items	86,452
Ending finished goods	<u>(134,294)</u>
Production cost	<u>1,696,116</u>
Beginning merchandise inventory	193,878
Add purchase	2,720,007
Less adjustment items	(106,522)
Ending merchandise inventory	<u>(172,379)</u>
Project cost	<u>2,634,984</u>
	<u>\$ 4,331,100</u>

TXC CORPORATION**OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)**

Item	Explanation	Sales and Marketing	General and Administration	Research and Development
Salary		\$ 42,736	\$ 53,148	\$ 90,882
Research expense		-	-	25,697
Labor service expense		1,165	16,822	1,116
Depreciation		989	10,285	45,035
Commission		54,691	-	-
Export expense		33,056	405	-
Others		<u>124,887</u>	<u>49,110</u>	<u>24,989</u>
		<u>\$ 257,524</u>	<u>\$ 129,770</u>	<u>\$ 187,719</u>