

## **TXC Corporation**

**Financial Statements for the  
Years Ended December 31, 2008 and 2007 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, 2008 and 2007, 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, 2008 and 2007, 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.

We have also audited the accompanying schedules of significant accounts, provided for supplementary analysis, by applying the same procedures described above. In our opinion, such schedules are consistent, in all material respects, with the financial statements referred to above.

As stated in Note 3 to the financial statements, the Accounting Research and Development Foundation (ARDF) issued Interpretation 2007-052 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriation from earnings.

We have also audited the consolidated financial statements of TXC Corporation and subsidiaries as of December 31, 2008 and 2007, and expressed modified unqualified and unqualified opinion with explanatory paragraphs on such financial statements.

February 18, 2009

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, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

ASSETS	2008		2007		LIABILITIES AND STOCKHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 552,242	7	\$ 1,029,135	14	Short-term loans (Note 13)	\$ 156,543	2	\$ 275,257	4
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	28,593	-	9,310	-	Short-term bills payable (Note 14)	100,000	1	-	-
Available-for-sale financial assets - current (Notes 2 and 6)	120,049	1	90,462	1	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	-	-	6,606	-
Notes receivable, net (Notes 2 and 7)	39,709	1	12,727	-	Notes payable (Note 25)	40,494	-	68,773	1
Accounts receivable, net (Notes 2, 7 and 25)	2,033,970	25	2,100,280	29	Accounts payable	466,243	6	678,908	9
Inventories, net (Notes 2 and 8)	692,037	9	628,070	9	Accounts payable - related parties (Note 25)	221,022	3	251,343	3
Other current assets (Notes 2, 21 and 25)	73,204	1	89,408	1	Income tax payable (Note 21)	64,928	1	83,949	1
Total current assets	<u>3,539,804</u>	<u>44</u>	<u>3,959,392</u>	<u>54</u>	Accrued expenses (Notes 17 and 25)	313,156	4	198,267	3
					Current portion of long-term loans (Note 16)	119,273	1	207,273	3
<b>LONG-TERM INVESTMENTS</b>					Other current liabilities	8,341	-	10,520	-
Financial assets carried at cost - noncurrent (Notes 2 and 9)	3,000	-	3,000	-	Total current liabilities	<u>1,490,000</u>	<u>18</u>	<u>1,780,896</u>	<u>24</u>
Investments accounted for by the equity method (Notes 2 and 10)	1,899,741	23	1,291,267	18					
Total long-term investments	<u>1,902,741</u>	<u>23</u>	<u>1,294,267</u>	<u>18</u>	<b>LONG-TERM LIABILITIES</b>				
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 26)</b>					Financial liabilities at fair value through profit or loss - noncurrent (Notes 2 and 5)	-	-	10,034	-
Cost					Bonds payable (Notes 2 and 15)	49,685	1	216,304	3
Land	273,496	3	157,040	2	Long-term debt (Note 16)	911,636	11	190,909	3
Land improvements	593	-	442	-	Liability component of convertible bonds - noncurrent (Notes 2 and 15)	4,556	-	23,771	-
Buildings	611,579	8	589,098	8	Total long-term liabilities	<u>965,877</u>	<u>12</u>	<u>441,018</u>	<u>6</u>
Machinery and equipment	2,963,491	37	2,301,903	31					
Transportation equipment	2,557	-	2,557	-	<b>RESERVES</b>				
Miscellaneous equipment	108,676	1	98,271	2	Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
Land -revaluation increment	8,954	-	8,954	-					
Cost and revaluation increment	3,969,346	49	3,158,265	43	<b>OTHER LIABILITIES</b>				
Less accumulated depreciation	(1,788,760)	(22)	(1,274,451)	(17)	Guarantee deposits received	4,494	-	4,494	-
Construction in progress and prepayments for equipment	412,008	5	114,462	1	Deferred credits - gain on inter-company transactions (Notes 2 and 10)	2,049	-	3,691	-
Total property, plant and equipment	<u>2,592,594</u>	<u>32</u>	<u>1,998,276</u>	<u>27</u>	Total other liabilities	<u>6,543</u>	<u>-</u>	<u>8,185</u>	<u>-</u>
<b>INTANGIBLE ASSETS</b>					Total liabilities	<u>2,465,932</u>	<u>30</u>	<u>2,233,611</u>	<u>30</u>
Deferred pension cost (Notes 2 and 18)	7,947	-	7,947	-					
<b>OTHER ASSETS</b>					<b>STOCKHOLDERS' EQUITY (Note 19)</b>				
Assets leased to others (Notes 2 and 12)	7,215	-	-	-	Capital stock				
Idle assets (Notes 2 and 12)	3,336	-	3,731	-	Common stock	2,716,981	34	2,402,435	33
Refundable deposits	3,705	-	7,584	-	Advance receipts for common stock	-	-	13,091	-
Deferred charges	5,923	-	18,419	-	Total capital stock	<u>2,716,981</u>	<u>34</u>	<u>2,415,526</u>	<u>33</u>
Deferred income tax assets - noncurrent (Notes 2 and 21)	27,981	1	61,162	1	Capital surplus	1,092,215	14	1,014,499	14
Total other assets	<u>48,160</u>	<u>1</u>	<u>90,896</u>	<u>1</u>	Retained earnings				
					Legal reserve	352,016	4	238,045	3
					Unappropriated earnings	1,356,164	17	1,331,819	18
					Total retained earnings	<u>1,708,180</u>	<u>21</u>	<u>1,569,864</u>	<u>21</u>
					Other equity (Note 2)				
					Cumulative translation adjustments	229,680	3	111,374	2
					Unrealized gains on financial instrument	49	-	462	-
					Unrealized revaluation increment	5,442	-	5,442	-
					Treasury stock (Notes 2 and 20)	(127,233)	(2)	-	-
					Total other equity	<u>107,938</u>	<u>1</u>	<u>117,278</u>	<u>2</u>
					Total stockholders' equity	<u>5,625,314</u>	<u>70</u>	<u>5,117,167</u>	<u>70</u>
<b>TOTAL</b>	<u>\$ 8,091,246</u>	<u>100</u>	<u>\$ 7,350,778</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 8,091,246</u>	<u>100</u>	<u>\$ 7,350,778</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated February 18, 2009)

## TXC CORPORATION

### STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$ 6,618,657	101	\$ 6,015,633	101
LESS: SALES RETURNS	(20,914)	-	(23,533)	-
LESS: SALES ALLOWANCES	<u>(50,403)</u>	<u>(1)</u>	<u>(30,130)</u>	<u>(1)</u>
NET OPERATING REVENUE	6,547,340	100	5,961,970	100
OPERATING COSTS	<u>4,988,957</u>	<u>76</u>	<u>4,331,100</u>	<u>73</u>
GROSS PROFIT	1,558,383	24	1,630,870	27
UNREALIZED INTER-COMPANY GAIN	(2,049)	-	(3,691)	-
REALIZED INTER-COMPANY GAIN	<u>3,691</u>	<u>-</u>	<u>240</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,560,025</u>	<u>24</u>	<u>1,627,419</u>	<u>27</u>
OPERATING EXPENSES				
Selling expenses	328,647	5	257,524	4
General and administrative expenses	168,610	3	129,770	2
Research and development expenses	<u>268,959</u>	<u>4</u>	<u>187,719</u>	<u>3</u>
Total operating expenses	<u>766,216</u>	<u>12</u>	<u>575,013</u>	<u>9</u>
OPERATING INCOME	<u>793,809</u>	<u>12</u>	<u>1,052,406</u>	<u>18</u>
NONOPERATING INCOME AND GAINS				
Interest income	11,574	-	16,162	-
Investment income recognized under equity method	312,043	5	172,153	3
Gain on disposal of property, plant and equipment	124	-	1,186	-
Gain on sale of investments	-	-	1,732	-
Gain on physical inventory	-	-	24	-
Exchange gain	421,713	7	98,457	2
Reversal of impairment loss	1,821	-	-	-
Valuation gain on financial assets, net	24,283	-	-	-
Valuation gain on financial liabilities, net	2,279	-	-	-
Miscellaneous income	<u>17,148</u>	<u>-</u>	<u>20,259</u>	<u>-</u>
Total nonoperating income and gains	<u>790,985</u>	<u>12</u>	<u>309,973</u>	<u>5</u>

(Continued)

## TXC CORPORATION

### STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
<b>NONOPERATING EXPENSES AND LOSSES</b>				
Interest expense	\$ 24,728	1	\$ 31,105	1
Loss on sale of investments, net	1,546	-	-	-
Loss on disposal of property, plant and equipment	4,222	-	104	-
Loss on physical inventory	565	-	321	-
Exchange losses	479,234	7	82,336	1
Provision for loss on inventories	23,264	-	26,464	1
Impairment loss	-	-	2,528	-
Valuation loss on financial assets, net	-	-	690	-
Valuation loss on financial liabilities, net	-	-	10,078	-
Miscellaneous expenses	759	-	4,109	-
Total nonoperating expenses and losses	<u>534,318</u>	<u>8</u>	<u>157,735</u>	<u>3</u>
INCOME BEFORE INCOME TAX	1,050,476	16	1,204,644	20
INCOME TAX EXPENSE (Notes 2 and 21)	<u>(98,659)</u>	<u>(1)</u>	<u>(64,938)</u>	<u>(1)</u>
NET INCOME	<u>\$ 951,817</u>	<u>15</u>	<u>\$ 1,139,706</u>	<u>19</u>
	<b>2008</b>		<b>2007</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 3.92</u>	<u>\$ 3.56</u>	<u>\$ 4.62</u>	<u>\$ 4.37</u>
Diluted	<u>\$ 3.87</u>	<u>\$ 3.50</u>	<u>\$ 4.49</u>	<u>\$ 4.23</u>

(Concluded)

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

(With Deloitte & Touche audit report dated February 18, 2009)

# TXC CORPORATION

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings		Others Equity				Total
	Capital Stock	Advance Receipts for Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Unrealized Revaluation Increment	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Treasury Stock	
BALANCE, JANUARY 1, 2007	\$ 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 directors and supervisors	-	-	-	-	(14,048)	-	-	-	-	(14,048)
Bonus to employees - (including \$35,119 thousand paid in stock)	35,119	-	-	-	(70,238)	-	-	-	-	(35,119)
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 on available-for-sale financial assets	-	-	-	-	-	-	279	-	-	279
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	74,986	-	74,986
BALANCE, DECEMBER 31, 2007	2,402,435	13,091	1,014,499	238,045	1,331,819	5,442	462	111,374	-	5,117,167
Appropriation of 2007 earnings										
Legal reserve	-	-	-	113,971	(113,971)	-	-	-	-	-
Stock dividends	238,627	-	-	-	(238,627)	-	-	-	-	-
Cash dividends	-	-	-	-	(477,254)	-	-	-	-	(477,254)
Bonus to directors and supervisors	-	-	-	-	(16,270)	-	-	-	-	(16,270)
Bonus to employees - (including \$40,675 thousand paid in stock)	40,675	-	-	-	(81,350)	-	-	-	-	(40,675)
Convertible bonds converted to common stock	35,244	(13,091)	-	-	-	-	-	-	-	22,153
Equity component of convertible bonds	-	-	77,716	-	-	-	-	-	-	77,716
Net income for the year ended December 31, 2008	-	-	-	-	951,817	-	-	-	-	951,817
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(413)	-	-	(413)
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	118,306	-	118,306
Acquisition of treasury stock - 3,000 thousand shares	-	-	-	-	-	-	-	-	(127,233)	(127,233)
BALANCE, DECEMBER 31, 2008	\$ 2,716,981	\$ -	\$ 1,092,215	\$ 352,016	\$ 1,356,164	\$ 5,442	\$ 49	\$ 229,680	\$ (127,233)	\$ 5,625,314

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

(With Deloitte & Touche audit report dated February 18, 2009)

# TXC CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 951,817	\$ 1,139,706
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	551,095	357,335
Nonoperating loss - idle assets and lease assets	519	395
Amortization	41,371	62,034
Provision for doubtful accounts	794	3,058
Provision for loss on inventories	23,264	26,464
Loss on physical inventory	565	297
Loss (gain) on sale of investments	1,546	(1,732)
Cash dividends received from equity method investees	80,045	122,808
Investment income recognized under equity method, net	(312,043)	(172,153)
Gain on disposal property, plant and equipment	(124)	(1,082)
Loss on disposal of property, plant and equipment	4,222	-
Valuation (gain) loss on financial instruments, net	(26,562)	10,768
Impairment (gain) loss	(1,821)	2,528
Unrealized gross profit	2,049	3,691
Realized gross profit	(3,691)	(240)
Discount on bonds payable	4,746	16,161
Deferred income tax	32,630	(16,944)
Other	(7,139)	(1,744)
Net changes in operating assets and liabilities		
Notes receivable	(27,118)	32,022
Accounts receivable	65,652	(423,051)
Inventories	(87,796)	(53,927)
Other current assets	16,754	(2,670)
Notes payable	(28,279)	13,487
Accounts payable	(242,986)	183,715
Accrued expenses	114,889	42,881
Income tax payable	(19,021)	9,493
Other current liabilities	(2,179)	2,846
Net cash provided by operating activities	<u>1,133,199</u>	<u>1,356,146</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets designated as at fair value through profit or loss	-	(10,000)
Proceeds from disposal of financial instruments as at fair value through profit or loss	(7,485)	-
Acquisitions of available-for-sale financial assets	(210,000)	(270,011)
Proceeds from disposal of available-for-sale financial assets	180,906	331,743
Acquisition of investments accounted for by equity method	(242,985)	(19,571)
Acquisition of property, plant and equipment	(1,170,213)	(693,677)
Proceeds from disposal of property, plant and equipment	-	2,560
Decrease (increase) in refundable deposits	3,879	(4,614)
Increase in deferred charges	(28,875)	(68,956)
Net cash used in investing activities	<u>(1,474,773)</u>	<u>(732,526)</u>

(Continued)



# TXC CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

---

	2008	2007
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term loans	\$ (118,714)	\$ 69,981
Increase in short-term bills payable	100,000	-
Redemption of convertible bonds	(87,900)	-
Proceeds from long-term debt	840,000	38,182
Repayment of long-term debt	(207,273)	(50,000)
Increase in guarantee deposits received	-	4,494
Cash bonus to directors, supervisors and employees	(56,945)	(49,167)
Cash dividends	(477,254)	(412,065)
Proceeds from the exercise of employee stock option	-	6,956
Cash paid for acquisition of treasury stock	<u>(127,233)</u>	<u>-</u>
Net cash used in financing activities	<u>(135,319)</u>	<u>(391,619)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(476,893)	232,001
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,029,135</u>	<u>797,134</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 552,242</u>	<u>\$ 1,029,135</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid (including capitalized interest \$5,275 thousand and \$2,762 thousand)	<u>\$ 30,963</u>	<u>\$ 33,445</u>
Income tax paid	<u>\$ 85,049</u>	<u>\$ 74,036</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Transfer of current portion of long-term loans to current liabilities	<u>\$ 119,273</u>	<u>\$ 207,273</u>
Conversion of convertible bonds	<u>\$ 99,000</u>	<u>\$ 559,400</u>
Acquisition of long-term equity investments through payment in the form of machinery	<u>\$ 15,060</u>	<u>\$ 3,922</u>

(Concluded)

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

(With Deloitte & Touche audit report dated February 18, 2009)

# **TXC CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2008 AND 2007 (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”).

The Corporation specializes in five categories of products such as high quality Quartz Unite Crystal, Automotive Crystal, Crystal Oscillator (CXO) Surface Acoustic Wave (SAW) Filter, and Timing Module (TM), and provides for a complete solution of frequency devices and modules, design in service to fully satisfy various needs of the customers.

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

As of December 31, 2008 and 2007, the Corporation had 889 and 947 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, compensation expenses bonuses paid to employees, directors and supervisors, and impairment of assets, 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 arises 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 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. 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 objective of the Corporation is to minimize risks due to changes in fair value or cash flows, 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: Bonds - at prices quoted by the Taiwan GreTai Securities Market; and 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.

Fair value of financial assets at the balance sheet date is determined as follows: Open-end mutual funds - at net assets values.

### **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 customers 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 consist of including with raw materials, supplies and spare parts, finished goods, work-in-process and merchandise. Inventories are recorded at standard cost and adjusted to approximate 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, work in process and merchandise.

### **Financial Assets Carried at Cost**

Investments in equity instruments with no quoted prices in an active market and with fair values that 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 divider 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. 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 6 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 investments accounted for by the equity method) 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 options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). The Corporation adopted the intrinsic value method, under which compensation cost is recognized on a straight-line basis over the vesting period.

### **Pension Cost**

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

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

### **Convertible Bonds**

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.

### **Treasury Stock**

Treasury stock is stated at cost and shown as a deduction to arrive at stockholders' equity.

### **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, 2007 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2008.

### 3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

#### Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the ARDF issued Interpretation 2007-52 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of \$139,123 thousand in net income from continuing operations, a decrease of \$116,912 thousand in net income and a decrease in after income tax basic earnings per share of NT\$0.44 for the year ended December 31, 2008.

### 4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Cash on hand	\$ 1,270	\$ 1,679
Checking accounts and demand deposits	391,672	204,373
Time deposits	69,300	138,083
Cash equivalents		
Repurchase agreements collateralized by bonds	<u>90,000</u>	<u>685,000</u>
	<u>\$ 552,242</u>	<u>\$ 1,029,135</u>

Overseas deposits are summarized as follows:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Hong Kong (US\$421 thousand in 2008 and US\$533 thousand in 2007)	\$ 13,859	\$ 17,305
Hong Kong (HK\$32 thousand in 2008 and HK\$659 thousand in 2007)	<u>139</u>	<u>2,741</u>
	<u>\$ 13,998</u>	<u>\$ 20,046</u>

### 5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
<u>Financial assets at FVTPL</u>		
Convertible bonds	<u>\$ 4,025</u>	<u>\$ 9,310</u>
Forward exchange contracts	<u>\$ 24,568</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL</u>		
Forward exchange contracts	<u>\$ -</u>	<u>\$ 6,606</u>
Cross-currency swap contracts	<u>\$ -</u>	<u>\$ 10,034</u>

The Corporation entered into derivative contracts during the years ended December 31, 2008 and 2007 to manage exposures related 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, 2008 and 2007:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2008</u>			
Sell	USD/NTD	March 17, 2009	US\$27,500/NT\$902,742
Sell	USD/JPY	March 10, 2009	US\$10,750/JP¥1,038,055
<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

Net gains on financial assets held for trading for the year ended December 31, 2008 was \$927 thousand. Net losses and gains on financial liabilities held for trading for the year ended December 31, 2008 and 2007 was \$1,412 thousand and \$3,932 thousand.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<b>2008</b>	<b>2007</b>
Mutual funds	<u>\$ 120,049</u>	<u>\$ 90,462</u>

## 7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<b>2008</b>	<b>2007</b>
Notes receivable, third parties	\$ 39,909	\$ 12,791
Notes receivable, related parties	<u>-</u>	<u>-</u>
	39,909	12,791
Less: Allowance for doubtful accounts	<u>(200)</u>	<u>(64)</u>
	<u>\$ 39,709</u>	<u>\$ 12,727</u>
Accounts receivable, third parties	\$ 2,037,583	\$ 2,074,896
Accounts receivable, related parties	<u>13,235</u>	<u>41,574</u>
	2,050,818	2,116,470
Less: Allowance for doubtful accounts	<u>(16,848)</u>	<u>(16,190)</u>
	<u>\$ 2,033,970</u>	<u>\$ 2,100,280</u>



Movements of allowance for doubtful accounts were as follows:

	<b>Years Ended December 31</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Notes Receivable</b>	<b>Accounts Receivable</b>	<b>Notes Receivable</b>	<b>Accounts Receivable</b>
Balance, beginning of year	\$ 64	\$ 16,190	\$ 224	\$ 13,335
Deduct: Amounts written off	-	-	-	(363)
Add (deduct): Provision (reversal of provision) for doubtful accounts	<u>136</u>	<u>658</u>	<u>(160)</u>	<u>3,218</u>
Balance, end of year	<u>\$ 200</u>	<u>\$ 16,848</u>	<u>\$ 64</u>	<u>\$ 16,190</u>

## 8. INVENTORIES

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Raw materials	\$ 161,799	\$ 144,948
Supplies and spare parts	32,487	14,267
Work in process	156,810	159,900
Finished goods	220,783	134,294
Merchandise	140,510	172,379
Goods in transit	<u>11,829</u>	<u>32,594</u>
	724,218	658,382
Less allowance for loss	<u>(32,181)</u>	<u>(30,312)</u>
	<u>\$ 692,037</u>	<u>\$ 628,070</u>

## 9. FINANCIAL ASSETS CARRIED AT COST

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
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

	December 31			
	2008		2007	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Unlisted companies				
Taiwan Crystal Technology International Ltd. ("TCTI")	\$ 1,882,582	100	\$ 1,281,186	100
TXC Technology Inc.	11,761	100	7,108	100
TXC Japan Corporation	<u>5,398</u>	100	<u>2,973</u>	100
	<u>\$ 1,899,741</u>		<u>\$ 1,291,267</u>	

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

	Years Ended December 31	
	2008	2007
TCTI	\$ 307,803	\$ 167,652
TXC Technology Inc.	4,368	4,464
TXC Japan Corporation	<u>(128)</u>	<u>37</u>
	<u>\$ 312,043</u>	<u>\$ 172,153</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. The Corporation believes that, had TXC Technology Inc. and TXC Japan Corporation's financial statements been audit, any adjustments arising would have no material effect on the Corporation's financial statements.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2008			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	\$ 273,496	\$ 8,954	\$ -	\$ 282,450
Land improvements	593	-	444	149
Buildings	611,579	-	193,683	417,896
Machinery and equipment	2,963,491	-	1,522,794	1,440,697
Transportation equipment	2,557	-	2,199	358
Miscellaneous equipment	108,676	-	69,640	39,036
Construction in progress	384,386	-	-	384,386
Prepayments for equipment	<u>27,622</u>	-	-	<u>27,622</u>
	<u>\$ 4,372,400</u>	<u>\$ 8,954</u>	<u>\$ 1,788,760</u>	<u>\$ 2,592,594</u>

	<u>Year Ended December 31, 2007</u>			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	\$ 157,040	\$ 8,954	\$ -	\$ 165,994
Land improvements	442	-	413	29
Buildings	589,098	-	163,751	425,347
Machinery and equipment	2,301,903	-	1,048,173	1,253,730
Transportation equipment	2,557	-	2,027	530
Miscellaneous equipment	98,271	-	60,087	38,184
Prepayments for equipment	103,242	-	-	103,242
Prepayments for land	11,220	-	-	11,220
	<u>\$ 3,263,773</u>	<u>\$ 8,954</u>	<u>\$ 1,274,451</u>	<u>\$ 1,998,276</u>

Information about capitalized interest was as follows:

	<u>Years Ended December 31</u>	
	2008	2007
Capitalized interest	\$ 5,275	\$ 2,762
Capitalization rates	2.51%	2.63%

The Corporation revalued its land in 1996, which resulted in total revaluation increments of \$8,954 thousand. The net add 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.

See Note 26 for collateral on loans.

## 12. OTHER ASSETS

### Leased to Others

	<u>December 31, 2008</u>			
	Book Value	Accumulated Impairment	Accumulated Impairment Losses	Carrying Value
Land	\$ 2,602	\$ -	\$ -	\$ 2,602
Buildings	7,558	(2,945)	-	4,613
	<u>\$ 10,160</u>	<u>\$ (2,945)</u>	<u>\$ -</u>	<u>\$ 7,215</u>

Future rental payments receivable were summarized as follows:

Year	
2009	\$ 795

As of December 31, 2008, the Corporation had received deposits of \$270 thousand, respectively. The interest on these deposits of \$7 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the year ended December 31, 2008.

#### Idle Assets

	<b>December 31, 2008</b>		
	<b>Book Value</b>	<b>Accumulated Impairment</b>	<b>Carrying Value</b>
Land	\$ 2,253	\$ -	\$ 2,253
Buildings	5,957	4,874	1,083
Machinery and equipment	<u>5,702</u>	<u>5,702</u>	<u>-</u>
	<u>\$13,912</u>	<u>\$10,576</u>	<u>\$ 3,336</u>

  

	<b>December 31, 2007</b>		
	<b>Book Value</b>	<b>Accumulated Impairment</b>	<b>Carrying Value</b>
Land	\$ 2,253	\$ -	\$ 2,253
Buildings	6,352	4,874	1,478
Machinery and equipment	7,517	7,517	-
Other assets	<u>6</u>	<u>6</u>	<u>-</u>
	<u>\$16,128</u>	<u>\$12,397</u>	<u>\$ 3,731</u>

Impairment loss was as follows:

	<b>December 31, 2008</b>	
	<b>Recognized in Income Statement</b>	<b>Recognized in Stockholders' Equity</b>
Gain on reversal of impairment loss		
Machinery and equipment	<u>\$ 1,821</u>	<u>\$ -</u>

  

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

The Corporation recognized an impairment loss of \$2,528 thousand in 2007, 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

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Usance letters of credit	\$ 156,543	\$ 210,277
Working capital loans	<u>-</u>	<u>64,980</u>
	<u>\$ 156,543</u>	<u>\$ 275,257</u>

(a) Usance letters of credit amounted to JPY¥431,366 thousand as of December 31, 2008 and US\$65 thousand and JPY¥517,362 thousand as of December 31, 2007. Interest rates ranged from 1.303% to 2.11% and from 1.33% to 2.2% at December 31, 2008 and 2007, respectively.

(b) Working capital loans amounted to US\$2,000 thousand as of December 31, 2007. Interest rates for working capital loans ranged from 1.55% to 6% at December 31, 2007.

### 14. SHORT-TERM BILLS PAYABLE

	<u>December 31</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
Commercial paper	2.50	\$ 100,000	-	\$ -
Less: Unamortized discount on bills payable	-	<u>-</u>	-	<u>-</u>
		<u>\$ 100,000</u>		<u>\$ -</u>

### 15. BONDS PAYABLE

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Second unsecured domestic convertible bonds	\$ 53,700	\$ 240,600
Less: Discount on bonds payable	<u>(4,015)</u>	<u>(24,296)</u>
	<u>\$ 49,685</u>	<u>\$ 216,304</u>
Liability component of unsecured domestic corporate bonds	<u>\$ 4,556</u>	<u>\$ 23,771</u>

#### Second Unsecured Domestic Convertible Corporate Bonds

On November 8, 2006, the Corporation issued second unsecured domestic convertible bonds with an aggregate value of \$800,000 thousand and maturity on November 8, 2011. Nominal interest is 0%. As of December 31, 2008, bonds with a face value of \$658,400 thousand had been converted into 13,620 thousand common shares. Before the third anniversary of the issuance date, the Corporation redeemed the bonds from holders at contracted price of \$87,900 thousand. According to Statement of Financial Accounting Standards No. 36, "Disclosure and Presentation of Financial Instruments," these unsecured domestic convertible bonds were separated into convertible options, equity (Note 19), and bonds payable, liability. Other details of the bond issuance are summarized as follows:

- (a) Upon maturity the Corporation has redeemed the bonds by cash at face value.
- (b) On the third anniversary of the issuance date, bonds are redeemable at face value.
- (c) During the period between one month after issuance and the 40<sup>th</sup> day before maturity, the Corporation can redeem the bonds from holders at contracted price.
- (d) During the period between one month after issuance and the 10<sup>th</sup> 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.
- (e) 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. The conversion price per share is \$39.3 on December 31, 2008.

## 16. LONG-TERM LOANS

Nature of Loans	Repayment Period	December 31	
		2008	2007
Secured bank loans	Maturity on May 4, 2021, repayable in 55 quarterly installments from November 2007	\$ 90,909	\$ 98,182
Unsecured bank loans	Repayable at maturity on August 14, 2009	100,000	100,000
Unsecured bank loans	Repayable at maturity on October 26, 2008	-	200,000
Secured bank loans	Repayable at maturity on July 24, 2013	290,000	-
Unsecured bank loans	Repayable at maturity on September 11, 2010	100,000	-
Unsecured bank loans	Repayable at maturity on September 12, 2010	150,000	-
Unsecured bank loans	Repayable at maturity on November 20, 2010	100,000	-
Unsecured bank loans	Repayable at maturity on November 28, 2010	200,000	-
		1,030,909	398,182
Less current portion		(119,273)	(207,273)
		<u>\$ 911,636</u>	<u>\$ 190,909</u>
Interest rate (%)		1.835~2.76	2.15~2.915

See Notes 26 for collateral on long-term loans.

## 17. ACCRUED EXPENSES

	December 31	
	2008	2007
Payroll	\$ 23,840	\$ 32,558
Bonus	72,501	83,724
Bonus to employees, directors and supervisors	139,123	-
Commission	44,291	26,924
Others	33,401	55,061
	<u>\$313,156</u>	<u>\$198,267</u>

## 18. PENSION PLANS

The pension plan under the Labor Pension Act (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 \$18,761 thousand and \$13,847 thousand for the Year ended December 31, 2008 and 2007, 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 \$4,186 thousand and \$4,116 thousand for the Year ended December 31, 2008 and 2007, respectively.

Information about the defined benefit plan was as follows:

a. Components of net yearic pension cost

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Service cost	\$ 2,208	\$ 2,237
Interest cost	1,569	1,411
Projected return on plan assets	(1,470)	(1,451)
Amortization	<u>1,924</u>	<u>589</u>
Net yearic pension cost	<u>\$ 4,231</u>	<u>\$ 2,786</u>

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2008 and 2007

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Benefit obligation		
Vested benefit obligation	\$ (2,705)	\$ (2,512)
Non-vested benefit obligation	<u>(43,421)</u>	<u>(43,873)</u>
Accumulated benefit obligation	(46,126)	(46,385)
Additional benefit based on future salaries	<u>(18,588)</u>	<u>(18,560)</u>
Projected benefit obligation	(64,714)	(64,945)
Fair value of plan assets	<u>61,343</u>	<u>59,169</u>
Funded status	(3,371)	(5,776)
Unrecognized net transitional obligation	41	337
Unrecognized net loss	<u>14,663</u>	<u>16,817</u>
Accrued pension cost	<u>\$ 11,333</u>	<u>\$ 11,378</u>
Vested benefit	<u>\$ (3,082)</u>	<u>\$ (2,990)</u>

c. Actuarial assumptions as of December 31, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Discount rate used in determining present values	2.75%	2.75%
Future salary increase rate	2.50%	3.00%
Expected rate of return on plan assets	2.75%	2.75%
	<b>Years Ended December 31</b>	
	<b>2008</b>	<b>2007</b>
d. Contributions to the fund	<u>\$ 4,186</u>	<u>\$ 4,116</u>
e. Payments from the fund	<u>\$ (4,185)</u>	<u>\$ (2,503)</u>

## 19. STOCKHOLDERS' EQUITY

### Capital Stock

The Corporation's authorized capital is \$3,500,000 thousand and \$3,000,000 thousand at December 31, 2008 and 2007 (\$10.00 par value per share). As of December 31, 2008, the Corporation's outstanding capital stock was \$2,716,981 thousand divided into 271,698 thousand shares at \$10.00 par value each.

### Employee Stock Options

In December 2007, 8,000, options 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:

	<b>December 31</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
Balance, beginning of year	8,000	\$ 58.8	330	\$ 17.59
Options granted	-	-	8,000	58.8
Options exercised	-	-	(330)	20.83
Options canceled	<u>-</u>	-	<u>-</u>	-
Balance, end of year	<u>8,000</u>	50.7	<u>8,000</u>	58.8
Options exercisable, end of year	<u>-</u>		<u>-</u>	



Information about outstanding and exercisable options as of December 31, 2008 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\$)
\$58.80~50.7	<u>8,000</u>	3.94	\$ 50.7	<u>-</u>	\$ -

The pro forma information for the year ended December 31, 2008 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39 was as follows:

#### Assumptions

Risk-free interest rate	2.42%
Expected life	3.875 years
Expected volatility	43.5%
Expected dividend yield	-

	2008	2007
Net income		
As reported	\$ 951,817	\$ 1,139,706
Pro forma net income	\$ 866,417	1,132,589
Basic after income tax earnings per share (NT\$)		
As reported	\$ 3.56	\$ 4.37
Pro forma	\$ 3.24	\$ 4.35
Diluted after income tax earnings per share (NT\$)		
As reported	\$ 3.50	\$ 4.23
Pro forma	\$ 3.19	\$ 4.20

#### 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	
	2008	2007
Arising from issuance of common shares	\$ 290,248	\$ 290,248
Arising from conversion of bonds	736,879	654,253
Arising from treasury stock transactions	4,360	-
Employee stock options	58,064	58,064
Conversion options	<u>2,664</u>	<u>11,934</u>
	<u>\$ 1,092,215</u>	<u>\$ 1,014,499</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 more than 2%
- (c) 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.

The bonus to employees of \$122,755 thousand and the bonus to directors and supervisors of \$16,368 thousand, which representing 15% and 2% of net income (net of the bonus to employees and bonus to directors and supervisors), respectively, was recognized for the year ended December 31, 2008. The amounts were estimated based on past experiences. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

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 reaches 50% of the Corporation's paid-in capital, up to 50% thereof may be transferred to pay in capital.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equals to their proportionate share of the income tax paid by the Corporation.

The appropriation of earnings for 2008 and 2007 had been approved in the stockholders' meeting on June 13, 2008 and June 13, 2007, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (\$)</u>	
	<u>For Fiscal Year 2007</u>	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2007</u>	<u>For Fiscal Year 2006</u>
Legal reserve	\$ 113,971	\$ 84,224	\$ -	\$ -
Cash dividends	477,254	412,065	2.0	2.0
Stock dividends	238,627	206,032	1.0	1.0
Bonus to employees - stock	40,675	35,119	-	-
Bonus to employee - cash	40,675	35,119	-	-
Bonus to directors and supervisors - cash	16,270	14,048	-	-

The Board of Directors set August 18, 2008 as the ex-dividend date.

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

## 20. TREASURY STOCK

<u>Purpose of Treasury Stock</u>	<u>(Shares in Thousands)</u>			
	<u>Number of Shares, Beginning of Period</u>	<u>Addition During the Period</u>	<u>Reduction During the Period</u>	<u>Number of Shares, End of Period</u>
<u>Year ended December 31, 2008</u>				
For transfer to employees	-	3,000	-	3,000

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

## 21. INCOME TAX

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>2008</u>	<u>2007</u>
Income tax expense at the 25% statutory rate	\$ 262,609	\$ 301,150
Tax effect on adjusting items:		
Permanent differences	(683)	(588)
Temporary differences	(83,964)	(38,457)
Tax-exempt income for five years	(69,329)	(99,771)
Additional 10% income tax on unappropriated earnings	21,223	5,564
Investment tax credits used	(64,928)	(83,949)
Current income tax expense	<u>64,928</u>	<u>\$ 83,949</u>
Deferred income tax expenses (benefit)		
Temporary difference	70,479	\$ (7,352)
Investment tax credits	(37,849)	(9,592)
Adjustment for prior years' tax	<u>1,101</u>	<u>(2,067)</u>
	<u>\$ 98,659</u>	<u>\$ 64,938</u>

Deferred income tax assets (liabilities) were as follows:

	<b>2008</b>	<b>2007</b>
Current		
Deferred income tax assets		
Investment tax credits	\$ 42,984	\$ 33,522
Unrealized allowance for loss on inventories	8,045	7,762
Unrealized exchange losses	10,992	982
Unrealized valuation loss on financial instruments	244	4,920
Unrealized gain on transactions with investees	<u>2,132</u>	<u>2,676</u>
	64,397	49,862
Less: Valuation allowance	<u>-</u>	<u>-</u>
	<u>64,397</u>	<u>49,862</u>
Deferred income tax liabilities		
Unrealized exchange gain	(8,296)	(454)
Unrealized valuation gain on financial instrument	<u>(6,142)</u>	<u>-</u>
	<u>(14,438)</u>	<u>(454)</u>
	<u>\$ 49,959</u>	<u>\$ 49,408</u>
Noncurrent		
Deferred income tax assets		
Investment tax credits	\$ 128,953	\$ 100,566
Impairment loss	2,644	3,100
Unrealized valuation loss on financial instruments	-	2,508
Accrued pension cost	<u>331</u>	<u>331</u>
	131,928	106,505
Less: Valuation allowance	<u>-</u>	<u>-</u>
	<u>131,928</u>	<u>106,505</u>
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	<u>(103,947)</u>	<u>(45,343)</u>
	<u>\$ 27,981</u>	<u>\$ 61,162</u>

As of December 31, 2008, investment tax credits comprised of:

<b>Laws and Statutes</b>	<b>Tax Credit Source</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 101,531	\$ 74,179	2012
	Research and development expenditures	96,278	96,278	2012
	Personnel training expenditures	<u>1,480</u>	<u>1,480</u>	2012
		<u>\$ 199,289</u>	<u>\$ 171,937</u>	

As of December 31, 2008, profits attributable to the following expansion and construction projects were exempted from income tax for five-year.

<b>Expansion of Construction Project</b>	<b>Tax-Exemption Year</b>
Acquisition of equipment in 2003	2004 to 2008
Acquisition of equipment in 2004	2005 to 2009
Acquisition of equipment in 2005	2010 to 2014

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:

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Balance of ICA	<u>\$ 32,474</u>	<u>\$ 21,138</u>
	<b>2008 (Estimate)</b>	<b>2007 (Actual)</b>
The creditable ratio for distribution	7.18%	8.02%
	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Unappropriated earnings generated before January 1, 1998	\$ -	\$ -
Unappropriated earnings generated on and after January 1, 1998	<u>1,356,164</u>	<u>1,331,819</u>
	<u>\$ 1,356,164</u>	<u>\$ 1,331,819</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 2008 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

## 22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

The Corporation's personnel, depreciation, and amortization expenses for the years ended December 31, 2008 and 2007 were summarized as follows:

Expense Item	Years Ended December 31					
	2008			2007		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel						
Salary	\$362,147	\$282,069	\$644,216	\$269,252	\$186,766	\$456,018
Pension	13,462	10,085	23,547	9,849	8,725	18,574
Meals	15,787	5,362	21,149	12,368	5,471	17,839
Welfare	8,011	1,987	9,998	6,823	1,971	8,794
Insurance	21,087	12,640	33,727	16,495	11,667	28,162
Others	-	-	-	-	-	-
Depreciation	461,762	89,333	551,095	301,026	56,309	357,335
Amortization	15,256	26,115	41,371	6,425	55,609	62,034

## 23. EARNINGS PER SHARE (EPS)

	Years Ended December 31			
	2008		2007	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (dollars)				
From continuing operations	\$ 3.92	\$ 3.56	\$ 4.62	\$ 4.37
Income for the year	\$ 3.92	\$ 3.56	\$ 4.62	\$ 4.37
Diluted earnings per share (dollars)				
From continuing operations	\$ 3.87	\$ 3.50	\$ 4.49	\$ 4.23
Income for the year	\$ 3.87	\$ 3.50	\$ 4.49	\$ 4.23

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

	2008				
	Amount (Numerator)		Shares (Denominator) (In Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Income for the year	\$ 1,050,476	\$ 951,817			
Basic EPS (NT\$)	\$ 1,050,476	\$ 951,817	267,734	\$ 3.92	\$ 3.56
Income for the year attributable to common shareholders					
Effect of dilutive potential common stock					
Convertible bonds	6,166	4,625	2,583		
Bonus to employees	-	-	2,937		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	\$ 1,056,642	\$ 956,442	273,254	\$ 3.87	\$ 3.50

	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	\$ 1,204,644	\$ 1,139,706			
Basic EPS (NT\$)					
Income for the year attributable to common shareholders	\$ 1,204,644	\$ 1,139,706	260,617	\$ 4.62	\$ 4.37
Effect of dilutive potential common stock					
Employee stock option	-	-	783		
Convertible bonds	25,909	19,432	12,745		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	\$ 1,230,553	\$ 1,159,138	274,145	\$ 4.49	\$ 4.23

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted 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, 2007 to decrease from NT\$4.88 to NT\$4.37 and from NT\$4.69 to NT\$4.23, respectively.

## 24. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	December 31			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Financial assets at FVTPL	\$ 28,593	\$ 28,593	\$ 9,310	\$ 9,310
Available-for-sale financial assets, current	120,049	120,049	90,462	90,462
Financial assets carried at cost	3,000	-	3,000	-
<u>Financial liabilities</u>				
Financial liabilities at FVTPL	-	-	16,640	16,640
Bonds payable	54,241	54,241	240,075	240,075
Long-term debt (including current portion)	1,030,909	1,030,909	398,182	398,182

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, available-for-sale and derivatives 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 values of long-term loans and bonds payable are estimated using the present value of future cash flows discounted by the interest rates.

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	
	2008	2007	2008	2007
<u>Assets</u>				
Financial assets at FVTPL, current	\$ 4,025	\$ 9,310	\$ 24,568	\$ -
Available-for-sale financial assets, current	120,049	90,462	-	-
<u>Liabilities</u>				
Financial liabilities at FVTPL, current	-	-	-	6,606
Bonds payable	-	-	54,241	240,075
Financial liabilities at FVTPL, noncurrent	-	-	-	10,034

Valuation gains and losses arising from changes in fair value of financial instruments determined using valuation techniques were \$24,568 thousand and \$10,078 thousand for the years ended December 31, 2008 and 2007, respectively.

As of December 31, 2008 and 2007, financial liabilities exposed to fair value interest rate risk amounted to \$0 thousand and \$10,034 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 \$12,875 a year.

## 25. 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-chairman
TXC (HK) Limited	Subsidiary's equity-method investee

Significant transactions with related parties:

### Purchases

	Years Ended December 31			
	2008		2007	
Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	\$ 1,189,948	31	\$ 1,053,572	31
Tai-Shing	2,627	-	243	-
TXC Japan Corporation	107	-	-	-
GPT	-	-	1,542	-
	<u>\$ 1,192,682</u>	<u>31</u>	<u>\$ 1,055,357</u>	<u>31</u>

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

## Sales

	Years Ended December 31			
	2008		2007	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Related Party				
NGB	\$ 105,938	2	\$ 117,343	2
Tai-Shing	15,255	-	19,160	-
TXC Technology Inc.	3,530	-	3,631	-
TXC Japan Corporation	1,583	-	2,644	-
TXC (HK) Limited	444	-	-	-
	<u>\$ 126,750</u>	<u>2</u>	<u>\$ 142,778</u>	<u>2</u>

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

## Consulting Fee

	Years Ended December 31			
	2008		2007	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Related Party				
TXC Technology Inc.	\$ 37,619	35	\$ 39,454	45
TXC Japan Corporation	36,306	34	24,014	28
NGB	<u>32,160</u>	<u>31</u>	<u>23,071</u>	<u>27</u>
	<u>\$ 106,085</u>	<u>100</u>	<u>\$ 86,539</u>	<u>100</u>

## Other Expenses

	Years Ended December 31			
	2008		2007	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Related Party				
Tai-Shing	\$ 6,106	1	\$ 6,385	6
K&H	-	-	265	-
	<u>\$ 6,106</u>	<u>1</u>	<u>\$ 6,650</u>	<u>6</u>

## Receivable from and Payable to Related Parties

Item	Related Party	December 31			
		2008		2007	
		Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts receivable	NGB	\$ 8,631	1	\$ 34,319	2
	Tai-Shing	3,299	-	6,579	-
	TXC Technology Inc.	845	-	613	-
	TXC Japan Corporation	13	-	63	-
	TXC (HK) Limited	447	-	-	-
		<u>\$ 13,235</u>	<u>1</u>	<u>\$ 41,574</u>	<u>2</u>
Other current assets	TXC Technology Inc.	\$ 973	1	\$ 99	2
	NGB	-	-	100	2
		<u>\$ 973</u>	<u>1</u>	<u>\$ 199</u>	<u>4</u>
Notes payable	Tai-Shing	\$ 3,357	1	\$ 1,834	3
	K&H	-	-	26	-
		<u>\$ 3,357</u>	<u>1</u>	<u>\$ 1,860</u>	<u>3</u>
Accounts payable	NGB	\$220,777	32	\$250,793	27
	Tai-Shing	245	-	550	-
		<u>\$221,022</u>	<u>32</u>	<u>\$251,343</u>	<u>27</u>
Accrued expense	Tai-Shing	\$ 11	-	\$ 226	-
	TXC Japan Corporation	-	-	58	-
		<u>\$ 11</u>	<u>-</u>	<u>\$ 284</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, 2008, the Corporation's guarantee for loans of its subsidiaries was described in Table 1.

Compensation of directors, supervisors and management personnel:

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Salaries	\$ 7,453	\$ 9,480
Incentives and special compensation	5,295	5,630
Professional fee	1,320	1,440
Bonus	<u>20,131</u>	<u>28,525</u>
	<u>\$ 34,199</u>	<u>\$ 45,075</u>

The compensation of directors, supervisors and management personnel for the year ended December 31, 2007 included the bonuses appropriated from earnings for 2007 which had been approved by shareholders in their annual meeting held in 2008. While that for the year ended December 31, 2008 included the board's proposed bonus appropriation from 2007 earnings subject to approval in 2008. More detailed information may be referred in the Corporation's annual reports.

## 26. MORTGAGED OR PLEDGED ASSETS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Property, plant and equipment		
Land	\$ 258,076	\$ 165,994
Buildings, net	415,129	425,346
Machinery and equipment, net	-	79,031
Restricted deposit	<u>-</u>	<u>3,352</u>
	<u>\$ 673,205</u>	<u>\$ 673,723</u>

## 27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Corporation's commitments and contingencies as of December 31, 2008, which were not shown in the financial statements, were as follows:

Unit: In Thousands

Commitment	Contract Price	Paid Up	Not Yet Paid
Construction in progress	<u>\$ 416,283</u>	<u>\$ 380,893</u>	<u>\$ 35,390</u>
Prepayments for equipment	<u>\$ 7,300</u>	<u>\$ 2,920</u>	<u>\$ 4,380</u>

Guarantee notes payable for short-term loan and long-term loan amount to about \$1,310,000 thousand.

Unused letters of credit was about JP¥170,749 thousand.

As of December 31, 2008, the Corporation's guarantee for loan of its subsidiary was described in Table 1.

## 28. SUBSEQUENT EVENTS

None.

## 29. SEGMENT, GEOGRAPHIC AREA, EXPORT SALES AND MAJOR CUSTOMER INFORMATION

### Segment Information

No segment information.

### Geographic Area Information

No geographic area information.

### Export Sales

Area	2008	2007
Americas	\$ 124,893	\$ 111,895
Europe	113,244	97,037
Asia	<u>5,414,169</u>	<u>4,587,324</u>
	<u>\$ 5,652,306</u>	<u>\$ 4,796,256</u>

### Major Customer Information

Major customer did not exceed the sales account 10% of income statements on 2008 and 2007.

## 30. 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: None (attached).
- e. Acquisition of individual real estate properties at costs of at least \$100 million or 20% of the paid-in capital: Table 3 (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 4 (attached).

- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached).
- i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 6 (attached).
- j. Derivative transactions: Please refer to Note 24 for the related information and Table 7 (attached).
- k. Investment in Mainland China: Table 8 (attached).

**TXC CORPORATION**

**ENDORSEMENT/GUARANTEE PROVIDED  
YEAR ENDED DECEMBER 31, 2008  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Endorsement/ Guarantee Provider	Counter-Party		Limit on Each Endorsement/ Guarantee Amounts Provided to Each Counter-Party (Note 2)	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant and Equipment	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statement	Maximum Endorsement/ Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	TXC Corporation	TCTI	Subsidiary	\$ 2,812,657	\$ 33,089	\$ 33,089	\$ -	1	\$ 5,625,314
		GPT	Subsidiary	2,812,657	189,240	189,240	-	3	5,625,314

Note 1: Issuing corporation

Note 2: Not to exceed 50% of the Corporation's net equity. (\$5,625,314 thousand × 50% = \$2,812,657 thousand)  
Not to exceed the net value of the Corporation.

## TXC CORPORATION

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars and U.S. Dollars)

Holding Company	Marketable Securities Type and Issuer/ Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	<u>Convertible bonds</u> AMTRAN	-	Financial assets at FVTPL	50	\$ 4,025	-	\$ 4,025	
	<u>Beneficiary's certificates</u> UPAMC James Bond Fund	-	Available-for-sale financial assets	1,885	\$ 30,031	-	\$ 30,031	
	Shin Kong Chi-Shin Fund	-	"	2,031	30,009	-	30,009	
	Capital Income Fund	-	"	1,952	30,004	-	30,004	
	Cathy Bond Fund	-	"	2,523	30,005	-	30,005	
							\$ 120,049	
	<u>Stock</u> TCTI	Subsidiary	Investment accounted for by the equity method	37,835	\$ 1,882,582	100	None	
	TXC Technology Inc.	Subsidiary	"	300	11,761	100	None	
	TXC Japan Corporation	Subsidiary	"	2	5,398	100	None	
							\$ 1,899,741	None
	Marson Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	414	\$ 3,000	5	None	
TCTI	<u>Stock</u> GPT	Subsidiary	Investment accounted for by the equity method	50	106,039	100	None	
	TXC (Ningbo) Corporation	Subsidiary	"	1,244,699 US\$ 37,835	US\$ 3,222 US\$ 1,736,678 US\$ 52,763	100	None	
NGB	TXC (HK) Limited	Subsidiary		846	1,010	100	None	
				HK\$ 200	HK\$ 230			



**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, 2008  
(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	Land	2008.08.31	\$ 117,668	Full payment	Yong Lung	-	-	-	-	\$ -	Market value	Operating purpose	-

**TXC CORPORATION**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2008  
(In Thousands of New Taiwan Dollars and U.S. Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal 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	\$ 1,189,948	31	-	-	-	\$ (220,777)	(32)	
TXC Corporation	NGB	Subsidiary	Sales	105,938	2	-	-	-	8,631	1	

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 NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 2008  
 (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 Period	Allowance for Bad Debts
					Amounts	Action Taken		
NGB	TXC Corporation	Ultimate parent	\$ 220,777	5.1	\$ -	-	\$ 47,950	\$ -

## TXC CORPORATION

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars and U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2008			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				September 30, 2008	December 31, 2008	Shares (in Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN Samoa	Investment holding	\$ 1,244,699 US\$ 37,835	\$ 988,041 US\$ 29,835	37,835	100	\$ 1,882,582	\$ 310,220	\$ 307,803	Difference from upstream transactions \$2,417 thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 US\$ 300	9,879 US\$ 300	300	100	11,761	4,368	4,368	
	TXC Japan Corporation	Japan	Marketing activities	6,172 JP¥ 21,000	4,661 JP¥ 16,000	2	100	5,398	(128)	(128)	
TCTI	GPT	B.V.I.	National trading	1,691 US\$ 50	1,691 US\$ 50	50	100	106,039 US\$ 3,222	63,150 US\$ 2,003	63,150 US\$ 2,003	
	NGB	Ningbo	Manufacture and sales of electronics products	1,244,699 US\$ 37,835	988,041 US\$ 29,835	1,244,699 US\$ 37,835	100	1,736,678 US\$ 52,763	234,184 US\$ 7,428	234,184 US\$ 7,428	
NGB	TXC (HK) Limited	Hong Kong	National trading	846 HK\$ 200	-	846 HK\$ 200	100	1,010 RMB 209	154 RMB 34	154 RMB 34	

**TABLE 7**

**DERIVATIVE TRANSACTIONS OF INVESTEEES OVER WHICH THE CORPORATION HAS A CONTROLLING INTEREST**

NGB entered into derivative transactions during the year ended December 31, 2008 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of December 31, 2008:

	<b>Currency</b>	<b>Maturity</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2008</u>			
Sell	USD/RMB	January 5, 2009 to March 26, 2009	US\$5,000/RMB34,233

## TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA  
 YEAR ENDED DECEMBER 31, 2008  
 (In Thousands of New Taiwan Dollars and U.S. Dollars)

1. Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of December 31, 2008 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007 (US\$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized (Note)	Carrying Amount as of December 31, 2008	Accumulated Inward Remittance of Earnings as of December 31, 2008
					Outflow	Inflow					
TXC (Ningbo) Corporation	Manufacturing and sales of crystal and crystal oscillator	\$ 1,244,699 US\$ 37,835	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	\$ 928,459 US\$ 28,000	\$ 256,659 US\$ 8,000	\$ -	\$ 1,185,118 US\$ 36,000	100	\$ 234,184 US\$ 7,428	\$ 1,736,678 US\$ 52,763	\$ 202,853 US\$ 6,223

Note: Calculation was based on audited financial statements.

Accumulated Investment in Mainland China as of December 31, 2008 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment
1,185,118 US\$ 36,000	1,245,526 US\$ 37,835	\$ -

2. Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

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	\$ 1,189,948	Negotiated price	Similar with third parties	Similar	\$ 220,777	31	\$ (6,479)
		Sale	\$ 105,938	Negotiated price			Similar with third parties	Similar	\$ 8,631

3. Endorsements, guarantees or collateral directly or indirectly provided to the investees: None.

4. Financings directly or indirectly provided to the investees: None.

5. Other transactions that significantly impacted current year's profit or loss or financial position: None.

**SCHEDULE 1**

**TXC CORPORATION**

**CASH AND CASH EQUIVALENTS**

**DECEMBER 31, 2008**

**(In Thousands of New Taiwan Dollars, and Foreign Currency)**

<b>Item</b>	<b>Amount</b>
Cash	
Petty cash	\$ 100
Cash on hand	1,170
	Including US\$15 thousand @32.915; JP¥559 thousand @0.3629; HK\$4 thousand @4.2256; EUR€3 thousand @46.07, and RMB¥67 thousand @4.7951 and SGD\$0.2 thousand @22.7786
Cash in banks	
Checking deposits	140,992
Foreign-currency deposits	250,680
	Including US\$5,308 thousand @32.915; JP¥208,954 thousand @0.3629; and HK\$33 thousand @4.2256
Foreign-currency time deposits	69,300
	Due date 2008.11.28~2009.03.12, interest rate at 1.755%
	<u>462,242</u>
Cash equivalents	
Repurchase agreements collateralized by bonds	90,000
	Due date 2008.12.23~2009.01.12, interest rate at 1%
	<u>\$ 552,242</u>

SCHEDULE 2

**TXC CORPORATION**

**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT**

**DECEMBER 31, 2008**

**(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.		50	\$ 100	\$ 5,000	-	\$ 5,000	80.5	\$ 4,025
Forward Exchange Contracts		-	-	<u>-</u>	-	<u>-</u>	-	<u>24,568</u>
				<u>\$ 5,000</u>		<u>\$ 5,000</u>		<u>\$ 28,593</u>



**SCHEDULE 3**

**TXC CORPORATION**

**AVAILABLE-FOR-SALE FINANCIAL ASSETS**

**DECEMBER 31, 2008**

**(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							
UPAMC James Bond Fund	Beneficiary certificate	1,885	-	\$ -	\$ 30,000	15.9354	\$ 30,031
Shin Kong Chi-Shin Fund	"	2,031	-	-	30,000	14.7748	30,009
Capital Income Fund	"	1,952	-	-	30,000	15.3748	30,004
Cathy Bond Fund	"	2,523	-	-	<u>30,000</u>	11.8903	<u>30,005</u>
				<u>\$ -</u>	<u>\$ 120,000</u>		<u>\$ 120,049</u>

**SCHEDULE 4**

**TXC CORPORATION**

**ACCOUNTS RECEIVABLE**

**DECEMBER 31, 2008**

**(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Explanation</b>	<b>Amount</b>
Related parties		
Tai-Shing		\$ 3,299
TXC Technology Inc.		845
TXC Japan Corporation		13
NGB		8,631
TXC (HK) Limited		<u>447</u>
		13,235
Less allowance for doubtful accounts		<u>(32)</u>
		13,203
Third parties		
A		189,823
B		193,832
C		149,840
D		105,638
Others (Note)		<u>1,398,450</u>
		2,037,583
Less allowance for doubtful accounts		<u>(16,816)</u>
		<u>2,020,767</u>
		<u>\$ 2,033,970</u>

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

**SCHEDULE 5**

**TXC CORPORATION**

**INVENTORIES  
DECEMBER 31, 2008  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Explanation</b>	<b>Cost</b>	<b>Market Value (Note)</b>
Raw materials		\$ 161,799	\$ 156,492
Supplies and spare parts		32,487	31,094
Work in process		156,810	152,710
Finished goods		220,783	205,115
Merchandise		140,510	134,797
Goods in transit		<u>11,829</u>	<u>11,829</u>
		724,218	692,037
Less allowance for loss		<u>(32,181)</u>	<u>-</u>
		<u>\$ 692,037</u>	<u>\$ 692,037</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 supplies and spare parts 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, 2008  
(In Thousands of New Taiwan Dollars and Shares)**

	Beginning Balance		Increase		Decrease		Equity in Investees Gain (Loss)	Ending Balance			Market Price or Net Asset Value		Valuation Method	Pledge or Security
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	% of Ownership	Amount	Unit Price	Amount		
Not listed company														
Taiwan Crystal Technology International Ltd.	29,835	\$ 1,281,186	8,000	\$ 373,637	-	\$ 80,044	\$ 307,803	37,835	100	\$1,882,582	49.93	\$ 1,889,061	Equity method	None
TXC Technology Inc.	300	7,108	-	285	-	-	4,368	300	100	11,761	39.20	11,761	Equity method	None
TXC Japan Corporation	1.6	2,973	0.5	2,553	-	-	(128)	2.1	100	5,398	2,570.48	5,398	Equity method	None
		<u>\$ 1,291,267</u>		<u>\$ 376,475</u>		<u>\$ 80,044</u>	<u>\$ 312,043</u>			<u>\$1,899,741</u>		<u>\$ 1,906,220</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, 2008**

**(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	\$ 119,058	\$ -	\$ (2,602)	\$ 273,496	Note 26
Land improvements	442	151	-	-	593	
Buildings	589,098	42,855	(12,816)	(7,558)	611,579	Note 26
Machinery equipment	2,301,903	580,268	(33,142)	114,462	2,963,491	
Transportation equipment	2,557	-	-	-	2,557	
Miscellaneous equipment	98,271	15,873	(5,468)	-	108,676	
Prepayments for equipment	114,462	27,622	-	(114,462)	27,622	
Construction in progress	-	384,386	-	-	384,386	
	<u>\$ 3,263,773</u>	<u>\$ 1,170,213</u>	<u>\$ (51,426)</u>	<u>\$ (10,160)</u>	<u>\$ 4,372,400</u>	
Revaluation increment						
Land - revaluation increment	<u>\$ 8,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,954</u>	Note 26
Accumulated depreciation						
Land improvements	\$ 413	\$ 31	\$ -	\$ -	\$ 444	
Buildings	163,751	43,168	(10,415)	(2,821)	193,683	
Machinery equipment	1,048,173	492,703	(18,082)	-	1,522,794	
Transportation equipment	2,027	172	-	-	2,199	
Miscellaneous equipment	<u>60,087</u>	<u>15,021</u>	<u>(5,468)</u>	<u>-</u>	<u>69,640</u>	
	<u>\$ 1,274,451</u>	<u>\$ 551,095</u>	<u>\$ (33,965)</u>	<u>\$ (2,821)</u>	<u>\$ 1,788,760</u>	

**TXC CORPORATION**

**SHORT-TERM LOANS**

**DECEMBER 31, 2008**

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

---

<b>Creditor</b>	<b>Nature of Loan</b>	<b>Amount</b>	<b>Due Date</b>	<b>Interest Rate %</b>	<b>Pledge or Security</b>
Hua Nan Bank	Usance letter of credit	\$ 8,713	Six months	1.7	
Bank of Taiwan	Usance letter of credit	123,613	Six months	1.303~1.393	Note 26
HSBC	Usance letter of credit	22,932	Six months	1.94~2.11	
Taishin Bank	Usance letter of credit	<u>1,285</u>	Six months	1.7	
		<u>\$ 156,543</u>			

**TXC CORPORATION**

**SHORT-TERM BILLS PAYABLE**

**DECEMBER 31, 2008**

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

---

<b>Item</b>	<b>Guarantee Institution</b>	<b>Maturity</b>	<b>Rate (%)</b>	<b>Amount</b>	<b>Unamortized Discount on Bills Payable</b>	<b>Book Value</b>
Commercial paper	International bills Financial Corporation	2008.12.12~2009.09.09	2.5	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>

**TXC CORPORATION****ACCOUNTS PAYABLE****DECEMBER 31, 2008****(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Explanation</b>	<b>Amount</b>
Related parties		
Tai-Shing		\$ 245
NGB		<u>220,777</u>
		<u>221,022</u>
Third parties		
Faith Victorye		113,607
East Crystal EL		65,840
Tangshan Jingyu		42,909
Beijing Candor		41,648
Others (Note)		<u>202,239</u>
		<u>466,243</u>
		<u>\$ 687,265</u>

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



**TXC CORPORATION**

**BONDS PAYABLE**

**DECEMBER 31, 2008**

**(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	Conversion	Redemption	Ending Balance					
2 <sup>nd</sup> unsecured domestic convertible bonds	Chinatrust	2006.11.08	-	-	\$ 800,000	\$ 658,400	\$ 87,900	\$ 53,700	\$ (4,015)	\$ 49,685	Note 15	None	
Add: Liability component of convertible bonds - noncurrent					-	-	-	-	-	4,556			
					<u>\$ 800,000</u>	<u>\$ 658,400</u>	<u>\$ 87,900</u>	<u>\$ 53,700</u>	<u>\$ (4,015)</u>	<u>\$ 54,241</u>			

**TXC CORPORATION**

**LONG-TERM LOANS**

**DECEMBER 31, 2008**

**(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 in quarterly installment	1.835	\$ 7,273	\$ 83,636	\$ 90,909	Note 26
Bank of Taiwan	2008.08.25~2013.08.25	Repayable in quarterly installment	2.527	12,000	45,000	57,000	Note 26
Bank of Taiwan	2008.07.30~2013.07.24	Repayable at maturity	2.510	-	102,000	102,000	Note 26
Bank of Taiwan	2008.08.25~2013.07.24	Repayable at maturity	2.510	-	55,000	55,000	Note 26
Bank of Taiwan	2008.10.02~2013.07.24	Repayable at maturity	2.510	-	76,000	76,000	Note 26
Bank of Taiwan	2008.09.12~2010.09.12	Repayable at maturity	2.510	-	150,000	150,000	
China Trust	2008.11.28~2010.11.28	Repayable at maturity	1.850	-	200,000	200,000	
Taishin Bank	2007.08.14~2009.08.14	Repayable at maturity	2.760	100,000	-	100,000	
Taishin Bank	2008.09.11~2010.09.11	Repayable at maturity	2.550	-	100,000	100,000	
ABN AMRO Bank	2008.11.20~2010.11.20	Repayable at maturity	2.550	-	100,000	100,000	
				<u>\$ 119,273</u>	<u>\$ 911,636</u>	<u>\$ 1,030,909</u>	

**TXC CORPORATION**

**OPERATING REVENUES  
YEAR ENDED DECEMBER 31, 2008  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Mirco-electronics	\$ 5,757,592
Electronic components	<u>861,065</u>
	6,618,657
Less sales returns	(20,914)
Less sales allowances	<u>(50,403)</u>
	<u>\$ 6,547,340</u>

**SCHEDULE 14****TXC CORPORATION****COST OF SALES  
YEAR ENDED DECEMBER 31, 2008  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Direct materials	
Beginning materials	\$ 159,215
Material purchase	756,540
Less adjustment items	(728)
Ending materials	<u>(194,286)</u>
	720,741
Direct labor	262,302
Overhead	<u>832,529</u>
	1,815,572
Manufacturing cost	1,815,572
Beginning work in process	159,900
Add purchases	133,794
Add adjustment items	88,684
Ending work in process	<u>(156,810)</u>
	2,041,140
Finished goods cost	134,294
Beginning finished goods	3,300
Add adjustment items	30,831
Ending finished goods	<u>(220,783)</u>
	1,988,782
Production cost	<u>1,988,782</u>
	172,379
Beginning merchandise inventory	172,379
Add purchase	2,936,398
Less adjustment items	31,908
Ending merchandise inventory	<u>(140,510)</u>
	3,000,175
Project cost	<u>3,000,175</u>
	<u>\$ 4,988,957</u>

**TXC CORPORATION****OPERATING EXPENSES  
YEAR ENDED DECEMBER 31, 2008  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Explanation</b>	<b>Sales and Marketing</b>	<b>General and Administration</b>	<b>Research and Development</b>
Salary		\$ 41,927	\$ 47,065	\$ 95,691
Bonus to employees, directors and supervisors		22,096	47,056	28,234
Research expense		-	-	41,038
Labor service expense		384	18,863	1,093
Depreciation		1,004	12,650	75,679
Commission		65,029	-	-
Export expense		39,101	96	-
Others		<u>159,106</u>	<u>42,880</u>	<u>27,224</u>
		<u>\$ 328,647</u>	<u>\$ 168,610</u>	<u>\$ 268,959</u>