

CHENG UEI PRECISION INDUSTRY CO., LTD.
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2006 AND 2007

For the convenience of readers and for information purpose only, 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of
Cheng Uei Precision Industry Co., Ltd.

We have audited the accompanying consolidated balance sheets of Cheng Uei Precision Industry Co., Ltd. and its subsidiaries as of December 31, 2006 and 2007, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended, expressed in thousands of New Taiwan dollars. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain long-term investments accounted for under the equity method amounting to \$193,240 thousand as of December 31, 2007 with related investment loss of \$7,552 thousand for the year then ended. Those statements were audited by other auditors, whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such long-term investments, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cheng Uei Precision Industry Co., Ltd. and its subsidiaries as of December 31, 2006 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

As disclosed in Note 2, the consolidated financial statements as of and for the year ended December 31, 2007 expressed in US dollars are presented solely for the convenience of the readers and were translated from the New Taiwan dollar financial statements using the exchange rate of US\$1.00:NT\$32.43 at December 31, 2007. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers

April 25, 2008

PWCR07000637

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

BALANCE SHEETS

DECEMBER 31

(EXPRESSED IN THOUSANDS OF DOLLARS)

	<u>2006</u>	<u>2007</u>	<u>2007</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
			(Unaudited- Note 2)
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash (Note 4(1))	\$ 7,691,010	\$ 6,879,799	\$ 212,143
Financial assets at fair value through profit or loss - current	364,715	46,030	1,419
Notes receivable, net	5,964	2,126	66
Accounts receivable, net - third parties (Notes 4(2) and 6)	8,704,326	9,990,555	308,065
Accounts receivable, net - related parties (Note 5)	1,186,210	1,436,025	44,281
Other receivables - third parties (Notes 4(2) and 6)	320,504	460,211	14,191
Other receivables - related parties (Note 5)	506,716	10,738	331
Inventories - net (Note 4(3))	4,969,810	4,979,608	153,549
Prepaid expenses	49,182	34,860	1,075
Prepayments	191,068	142,655	4,399
Deferred income tax assets - current (Note 4(15))	190,405	197,423	6,088
	<u>24,179,910</u>	<u>24,180,030</u>	<u>745,607</u>
<u>LONG-TERM INVESTMENTS</u>			
Financial assets carried at cost - non-current	37,500	74,259	2,290
Long-term investments accounted for under the equity method (Note 4(4))	1,424,115	1,748,568	53,918
	<u>1,461,615</u>	<u>1,822,827</u>	<u>56,208</u>
Other financial assets - non-current	-	52,329	1,614
<u>PROPERTY, PLANT AND EQUIPMENT</u> (Notes 4(5), 5 and 6)			
Cost			
Land	137,207	137,207	4,231
Building	3,956,357	5,908,361	182,188
Machinery and equipment	5,715,749	6,177,526	190,488
Transportation equipment	27,159	29,459	908
Office equipment	120,060	233,929	7,213
Leasehold improvements	125,419	156,142	4,815
Other equipment	1,661,481	3,133,286	96,617
	<u>11,743,432</u>	<u>15,775,910</u>	<u>486,460</u>
Less: Accumulated depreciation	(3,574,919)	(5,163,448)	(159,218)
Prepayments for equipment and construction in progress	2,092,507	926,326	28,564
	<u>10,261,020</u>	<u>11,538,788</u>	<u>355,806</u>
<u>INTANGIBLE ASSETS</u>			
Deferred pension cost (Note 4(11))	-	12,147	375
Other intangible assets - other (Note 6)	202,982	260,374	8,029
	<u>202,982</u>	<u>272,521</u>	<u>8,404</u>
<u>OTHER ASSETS</u>			
Rental assets	429,066	424,855	13,101
Idle assets	116,479	-	-
Deposits out	39,308	29,271	903
Deferred assets	87,802	84,331	2,600
Deferred income tax assets - non-current (Note 4(15))	13,073	-	-
Other assets - others	503,930	314,656	9,703
	<u>1,189,658</u>	<u>853,113</u>	<u>26,307</u>
<u>TOTAL ASSETS</u>	<u>\$ 37,295,185</u>	<u>\$ 38,719,608</u>	<u>\$ 1,193,946</u>

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CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
BALANCE SHEETS (Continued)
DECEMBER 31
(EXPRESSED IN THOUSANDS OF DOLLARS)

	<u>2006</u>	<u>2007</u>	<u>2007</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
			(Unaudited- Note 2)
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Short-term loans (Notes 4(6) and 6)	\$ 3,051,254	\$ 3,825,503	\$ 117,962
Financial liabilities at fair value through profit or loss - current (Note 4(7))	209,500	122,725	3,784
Notes payable (Note 5)	60,514	-	-
Accounts payable	6,663,609	8,331,581	256,910
Accounts payable - related parties (Note 5)	1,080,925	263,081	8,112
Income tax payable (Note 4(15))	539,100	379,561	11,704
Accrued expenses (Note 4(8))	1,822,645	2,256,527	69,581
Other payables (Note 5)	771,464	553,580	17,070
Advance collections	579,303	345,804	10,663
Current portion of long-term liabilities (Note 4(10))	1,899,894	-	-
	<u>16,678,208</u>	<u>16,078,362</u>	<u>495,786</u>
<u>LONG-TERM LIABILITIES</u>			
Bonds payable (Note 4(9))	4,391,027	4,512,810	139,155
Long-term loans (Note 4(10))	521,620	654,993	20,197
	<u>4,912,647</u>	<u>5,167,803</u>	<u>159,352</u>
<u>OTHER LIABILITIES</u>			
Accrued pension cost (Note 4(11))	75,487	95,980	2,960
Deferred income tax liabilities - non-current (Note 4(15))	-	124,356	3,835
Other liabilities - others	2,108	23,523	725
	<u>77,595</u>	<u>243,859</u>	<u>7,520</u>
Total Liabilities	<u>21,668,450</u>	<u>21,490,024</u>	<u>662,658</u>
<u>STOCKHOLDERS' EQUITY</u>			
Capital			
Common stock (Note 4(12))	3,732,207	4,015,818	123,830
Capital reserve (Note 4(13))			
Paid in capital in excess of par value	6,681,441	6,681,441	206,027
Long-term investments	121,429	182,699	5,634
Stock options (Note 4(9))	423,494	423,494	13,059
Retained earnings (Note 4(14))			
Legal reserve	592,826	833,606	25,705
Unappropriated earnings (Note 4(15))	3,800,587	4,378,112	135,002
Cumulative translation adjustments	95,586	284,384	8,769
Minority interest	179,165	430,030	13,262
Total Stockholders' Equity	<u>15,626,735</u>	<u>17,229,584</u>	<u>531,288</u>
Commitments and Contingent Liabilities (Note 7)			
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>\$ 37,295,185</u>	<u>\$ 38,719,608</u>	<u>\$ 1,193,946</u>

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

See report of independent accountants dated April 25, 2008.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNT)

	2006		2007		2007							
	New Taiwan Dollars		US Dollars		(Unaudited-Note 2)							
Operating revenues												
Sales (Note 5)	\$	43,686,829	\$	45,019,479	\$	1,388,205						
Sales returns	(	206,086)	(	338,597)	(	10,441)			
Sales allowances	(	141,553)	(	107,326)	(	3,309)			
Net sales		43,339,190		44,573,556		1,374,455						
Operating costs												
Cost of goods sold (Notes 4(18) and 5)	(	37,448,086)	(	38,795,993)	(	1,196,300)			
Gross profit		5,891,104		5,777,563		178,155						
Operating expenses (Notes 4(18) and 5)												
Selling expenses	(	569,048)	(	440,123)	(	13,571)			
Management and general expenses	(	1,750,225)	(	1,713,136)	(	52,826)			
Research and development expenses	(	744,584)	(	866,778)	(	26,728)			
Total operating expenses	(	3,063,857)	(	3,020,037)	(	93,125)			
Operating income		2,827,247		2,757,526		85,030						
Non-operating income												
Interest income		37,377		128,439		3,960						
Gain on valuation of financial liabilities		500		86,775		2,676						
Income on long-term investments accounted for under the equity method (Note 4(4))		218,134		167,475		5,164						
Gain on disposal of property, plant and equipment		-		7,647		236						
Gain on disposal of investments		51,475		39,499		1,218						
Exchange gain - net		92,462		24,054		742						
Rental		14,691		15,158		467						
Income from sales of scrapped inventory		84,081		141,586		4,366						
Other non-operating income (Note 5)		412,326		108,936		3,359						
Total non-operating income		911,046		719,569		22,188						
Non-operating expenses												
Interest expense	(	278,054)	(	403,724)	(	12,449)			
Loss on disposal of property, plant and equipment	(	10,379)	(-	(-					
Loss on physical count of inventories	(	43)	(	750)	(	23)			
Provision for inventory obsolescence and market price decline	(	181,254)	(	1,659)	(	51)			
Impairment loss	(	-	(	108,559)	(	3,347)			
Other expenses	(	114,889)	(	23,222)	(	716)			
Total non-operating expenses	(	584,619)	(	537,914)	(	16,586)			
Income before income tax		3,153,674		2,939,181		90,632						
Income tax expense (Note 4(15))	(	789,470)	(	725,488)	(	22,371)			
Consolidated net income	\$	2,364,204	\$	2,213,693	\$	68,261						
Attributable to:												
Equity holders of the Company	\$	2,407,804	\$	2,304,395	\$	71,058						
Minority interest	(	43,600)	(	90,702)	(	2,797)			
	\$	2,364,204	\$	2,213,693	\$	68,261						
Earnings per common share (in dollars) (Note 4(17))												
		Before tax	After tax	Before tax	After tax	Before tax	After tax					
Basic earnings per share												
Consolidated net income	\$	7.95	\$	6.01	\$	7.32	\$	5.51	\$	0.23	\$	0.17
Minority interest		0.11	0.10	0.21	0.23	-	0.01					
Net income attributable to equity holders of the Company	\$	8.06	\$	6.11	\$	7.53	\$	5.74	\$	0.23	\$	0.18
Diluted earnings per share												
Consolidated net income	\$	7.72	\$	5.83	\$	6.66	\$	5.04	\$	0.21	\$	0.16
Minority interest		0.10	0.09	0.19	0.20	-	-					
Net income attributable to equity holders of the Company	\$	7.82	\$	5.92	\$	6.85	\$	5.24	\$	0.21	\$	0.16

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated April 25, 2008.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(EXPRESSED IN THOUSANDS OF DOLLARS)

	Capital Reserve				Retained Earnings			Cumulative Translation Adjustments	Minority interest	Total
	Common Stock	Paid-in capital in excess of par value of common stock	Capital reserve from long-term investments	Stock options	Legal Reserve	Special Reserve	Unappropriated Earnings			
<u>2006 - New Taiwan Dollars</u>										
Balance at January 1, 2006	\$ 3,038,481	\$ 4,243,171	\$ -	\$ -	\$ 436,443	\$ 54,633	\$ 2,301,206	\$ 13,665	\$ 475,357	\$ 10,562,956
Appropriations of 2005 income:										
Legal reserve	-	-	-	-	156,383	-	(156,383)	-	-	-
Special reserve	-	-	-	-	-	(54,633)	54,633	-	-	-
Stock dividends	322,303	-	-	-	-	-	(322,303)	-	-	-
Cash dividends	-	-	-	-	-	-	(386,763)	-	-	(386,763)
Employees' stock bonus	73,500	-	-	-	-	-	(96,801)	-	-	(23,301)
Remuneration to directors and supervisors	-	-	-	-	-	-	(806)	-	-	(806)
Consolidated net income for 2006	-	-	-	-	-	-	2,407,804	-	(43,600)	2,364,204
Convertible bonds converted into common stock	244,590	1,983,337	-	-	-	-	-	-	-	2,227,927
Adjustment due to change in ownership of investee	-	-	121,429	-	-	-	-	-	-	121,429
Issuance of common stock for the acquisition of subsidiaries	53,333	454,933	-	-	-	-	-	-	-	508,266
Issuance of stock warrants attached to convertible bonds	-	-	-	423,494	-	-	-	-	-	423,494
Cumulative translation adjustments	-	-	-	-	-	-	-	81,921	-	81,921
Minority interest adjustments	-	-	-	-	-	-	-	-	(252,592)	(252,592)
Balance at December 31, 2006	<u>\$ 3,732,207</u>	<u>\$ 6,681,441</u>	<u>\$ 121,429</u>	<u>\$ 423,494</u>	<u>\$ 592,826</u>	<u>\$ -</u>	<u>\$ 3,800,587</u>	<u>\$ 95,586</u>	<u>\$ 179,165</u>	<u>\$ 15,626,735</u>
<u>2007 - New Taiwan Dollars</u>										
Balance at January 1, 2007	\$ 3,732,207	\$ 6,681,441	\$ 121,429	423,494	\$ 592,826	\$ -	\$ 3,800,587	\$ 95,586	\$ 179,165	\$ 15,626,735
Appropriations of 2006 income:										
Legal reserve	-	-	-	-	240,780	-	(240,780)	-	-	-
Stock dividends	186,611	-	-	-	-	-	(186,611)	-	-	-
Cash dividends	-	-	-	-	-	-	(1,119,663)	-	-	(1,119,663)
Employees' stock bonus	97,000	-	-	-	-	-	(178,330)	-	-	(81,330)
Remuneration to directors and supervisors	-	-	-	-	-	-	(1,486)	-	-	(1,486)
Net income for 2007	-	-	-	-	-	-	2,304,395	-	(90,702)	2,213,693
Adjustment due to change in ownership of investee	-	-	61,270	-	-	-	-	-	-	61,270
Cumulative translation adjustments	-	-	-	-	-	-	-	188,798	-	188,798
Minority interest adjustments	-	-	-	-	-	-	-	-	341,567	341,567
Balance at December 31, 2007	<u>\$ 4,015,818</u>	<u>\$ 6,681,441</u>	<u>\$ 182,699</u>	<u>\$ 423,494</u>	<u>\$ 833,606</u>	<u>\$ -</u>	<u>\$ 4,378,112</u>	<u>\$ 284,384</u>	<u>\$ 430,030</u>	<u>\$ 17,229,584</u>

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CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)
(EXPRESSED IN THOUSANDS OF DOLLARS)

	Common stock	Capital reserve			Retained earnings			Cumulative translation adjustments	Minority interest	Total
		Paid in capital in excess of par value	Long-term investments	Stock options	Legal reserve	Special reserve	Unappropriated earnings			
<u>2007 - United States Dollars (Unaudited-Note 2)</u>										
Balance at January 1, 2007	\$ 115,085	\$ 206,027	\$ 3,744	\$ 13,059	\$ 18,280	\$ -	\$ 117,194	\$ 2,947	\$ 5,526	\$ 481,862
Appropriations of 2006 income:										
Legal reserve	-	-	-	-	7,425	-	(7,425)	-	-	-
Stock dividends	5,754	-	-	-	-	-	(5,754)	-	-	-
Cash dividends	-	-	-	-	-	-	(34,526)	-	-	(34,526)
Employees' stock bonus	2,991	-	-	-	-	-	(5,499)	-	-	(2,508)
Remuneration to directors and supervisors	-	-	-	-	-	-	(46)	-	-	(46)
Net income for 2007	-	-	-	-	-	-	71,058	-	(2,797)	68,261
Adjustment due to change in ownership of investee	-	-	1,890	-	-	-	-	-	-	1,890
Cumulative translation adjustments	-	-	-	-	-	-	-	5,822	-	5,822
Minority interest adjustments	-	-	-	-	-	-	-	-	10,533	10,533
Balance at December 31, 2007	<u>\$ 123,830</u>	<u>\$ 206,027</u>	<u>\$ 5,634</u>	<u>\$ 13,059</u>	<u>\$ 25,705</u>	<u>\$ -</u>	<u>\$ 135,002</u>	<u>\$ 8,769</u>	<u>\$ 13,262</u>	<u>\$ 531,288</u>

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated April 25, 2008.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF DOLLARS)

	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited - Note 2)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Consolidated net income	\$ 2,364,204	\$ 2,213,693	\$ 68,261
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Provision for bad debts	147,441	902	28
Depreciation	1,254,999	1,614,777	49,793
Amortization	117,657	121,117	3,735
Gain on valuation of financial liabilities	(500)	(86,775)	(2,676)
Provision for inventory obsolescence and market price decline	181,254	1,659	51
Impairment loss	-	108,559	3,347
Recognition of write-off of allowance for doubtful accounts as other income	-	(30,770)	(949)
Gain on disposal of investments	(26,241)	(28,286)	(872)
Loss on disposal of property, plant and equipment	10,379	30,974	955
Gain on disposal of idle assets	-	(38,621)	(1,191)
Income on long-term investments accounted for under the equity method	(218,134)	(167,475)	(5,164)
Cash dividends received	73,098	96,932	2,989
Amortization of issuance costs of convertible bonds	11,143	-	-
Exchange loss on revaluation of foreign currency denominated convertible bonds	18,587	-	-
Amortization of discount of cost of convertible bonds	30,236	121,783	3,755
Changes in assets and liabilities			-
Notes receivable	13,785	3,838	118
Accounts receivable - third parties	(3,186,034)	(1,240,331)	(38,246)
Accounts receivable - related parties	1,931,304	(249,815)	(7,703)
Other receivables - third parties	(56,787)	(139,707)	(4,308)
Other receivables - related parties	(371,919)	495,978	15,294
Inventories	(1,079,849)	(11,457)	(353)
Prepaid expenses	338,999	62,735	1,934
Deferred income tax assets	(59,039)	35,616	1,098
Notes payable	59,014	(60,514)	(1,866)
Accounts payable	79,094	1,667,972	51,433
Accounts payable - related parties	766,157	(817,844)	(25,219)
Income tax payable	244,204	(159,539)	(4,919)
Accrued expenses	429,198	433,882	13,379
Other payables	(52,908)	(73,702)	(2,273)
Receipts in advance	282,812	(233,499)	(7,200)
Accrued pension cost	8,153	8,346	257
Other liabilities - others	(14,060)	21,415	660
Net cash provided by operating activities	<u>3,296,247</u>	<u>3,701,843</u>	<u>114,148</u>

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CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF DOLLARS)

	<u>2006</u>	<u>2007</u>	<u>2007</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
			(Unaudited - Note 2)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Financial assets at fair value through profit or loss - current	(\$ 138,685)	\$ 318,685	\$ 9,828
Acquisition of property, plant and equipment	(4,552,243)	(2,788,044)	(85,971)
Proceeds from disposal of property, plant and equipment	290,906	20,990	648
Proceeds from disposal of idle assets	-	143,922	4,439
Increase in deferred assets	(172,757)	(80,153)	(2,472)
Proceeds from disposal of deferred expense	-	1,483	46
Decrease (increase) in deposits-out, net	19,256	10,037	309
Other financial liabilities - non-current	-	(52,329)	(1,614)
Proceeds from disposal of long-term investments accounted for under the equity method	40,110	45,280	1,396
Increase in long-term investments - non-subsidiary	(64,925)	(312,593)	(9,639)
Increase in other assets - others	(29,945)	-	-
Net cash used in investing activities	(4,608,283)	(2,692,722)	(83,030)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Cash dividends	(386,763)	(1,119,663)	(34,526)
Decrease in short-term loans, net	(286,066)	774,249	23,874
Proceeds from long-term loans	1,921,514	247,084	7,619
Payments of long-term loans	(555,480)	(2,013,605)	(62,091)
Redemption of convertible bonds	(63,880)	-	-
Proceeds from issuance of convertible bonds	4,994,285	-	-
Net cash provided by (used in) financing activities	5,623,610	(2,111,935)	(65,124)
Effect of change in exchange rates	40,613	204,284	6,299
Effect of change in consolidated subsidiaries	-	87,319	2,693
Net increase in cash	4,352,187	(811,211)	(25,014)
Beginning balance of cash	3,338,823	7,691,010	237,157
Ending balance of cash	<u>\$ 7,691,010</u>	<u>\$ 6,879,799</u>	<u>\$ 212,143</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>			
Cash paid for interest (Excluding interest capitalized)	\$ 298,880	\$ 282,414	\$ 8,708
Cash paid for income tax	\$ 604,305	\$ 849,411	\$ 26,192
Non-cash flows from investing and financing activities:			
Convertible bonds converted to common stock (including related premium)	\$ 2,227,927	\$ -	\$ -
Acquisition of property, plant and equipment	\$ 4,127,734	\$ 2,561,046	78,972
Add: Beginning balance of other payables	1,042,052	617,543	19,042
Less: Ending balance of other payables	(617,543)	(390,545)	(12,043)
Cash paid	<u>\$ 4,552,243</u>	<u>\$ 2,788,044</u>	<u>\$ 85,971</u>

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated April 25, 2008.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2007

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY OF THE COMPANY

1) Cheng Uei Precision Industry Co., Ltd.

Cheng Uei Precision Industry Co., Ltd. (the Company) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on July 14, 1986. The Company engages in the manufacture of cable assemblies, connectors, battery packs, and power modules. Effective September 1999, the shares of the Company were listed on the Taiwan Stock Exchange. As of December 31, 2007, the Company and its subsidiaries had 43,467 employees.

2) Subsidiaries included in the consolidated financial statements and their changes in 2007

Investor	Subsidiary	Main activity	% of shares held as of December 31,		Description
			2006	2007	
The Company	Cu International Ltd. (Cu)	Electronic telecommunication components and holding company	100%	100%	
"	Culink International Ltd. (Culink)	Holding company	100%	100%	Note 2
"	Foxlink International Investment Ltd. (FII)	"	100%	100%	
"	Fu Uei International Investment Ltd. (FUII)	"	100%	100%	
"	Darts Technologies Corporation (Darts)	Electronic telecommunication and wireless components	97%	97%	
"	Du Pre Cision Industry Co., Ltd. (Du Pricision)	Electronic telecommunication components	-	60%	Note 5
Cu	Fu Gang Electronics (Dong Guan) Ltd. (FGEDG)	"	100%	100%	
"	New Start Industries Ltd. (New Star)	Holding company	100%	100%	
"	Fu Gang Electronics (Kun Shan) Ltd. (FGEKS)	Electronic telecommunication components	100%	100%	

Investor	Subsidiary	Main activity	% of shares held as of December 31,		Description
			2006	2007	
Cu	Dong Guan Fu Shi Chang Co., Ltd. (FSC)	Electronic telecommunication components	100%	100%	Note 2
"	Foxlink Electronics (Dong Guan) Co., Ltd. (FEDG)	"	100%	100%	
"	Foxlink Electronics (Tian Jin) Ltd. (FETJ)	"	25%	25%	Note 6
"	Dong Guan Fu Qiang Electronics Ltd. (DGFQ)	"	100%	100%	
"	Fu Yang Electronics (Kun Shan) (FYEKS)	"	100%	100%	
"	Foxlink Beijing Co., Ltd. (FB)	Sales agent	100%	100%	
"	Neosonic Energy Technology (Tianjin) Ltd. (NE)	Electronic telecommunication components	100%	100%	Note 4
"	Kunshan Fushijing Electronics Co., Ltd. (KFE)	"	100%	100%	Note 4
"	Fox-e Holding Co.	Holding company	33.33%	33.33%	Note 4
"	Future Victory Ltd.	"	100%	100%	Note 4
"	Solteras Limited	General investments holding	-	100%	Note 4
New Star	Fu Gang Electronics (Tian Jin) Ltd. (FGETJ)	Electronic telecommunication components	100%	100%	
"	Foxlink Tianjin Co., Ltd. (Foxlink Tianjin)	"	75%	75%	Notes 4 and 6
Culink	Foxlink Singapore Pte. Ltd. (Foxlink Singapore)	Sales agent	99.99%	99.99%	Note 2
"	Pacific Wealth Limited	Holding Company	-	100%	Note 5
PACIFIC WEALTH LIMITED	Foxlink International Inc. (Foxlink)	Electronic telecommunication Components	-	100%	Note 5
FII	Everflow Precision Industrial Co., Ltd. (Everflow)	Electronic components	75%	75%	Note 1
"	Vegamedia Technology Co., Ltd. (VT)	Electronic telecommunication components	100%	100%	Note 3
"	World Circuit Technology Co., Ltd (WCT)	Electronic components and flexible printed circuit	69.56%	69.56%	
WCT	Value Success Ltd. (VS)	Holding company	100%	100%	
"	Knowledge United Limited (Knowledge)	"	100%	100%	

Investor	Subsidiary	Main activity	% of shares held as of December 31,		Description
			2006	2007	
VS	Capital Guardian Limited (Capital)	Holding company	100%	100%	
Capital	World Circuit Technology Holding, Limited (WCTH)	"	100%	100%	
WCTH	World Circuit Production (WCP)	"	100%	100%	
"	World Circuit Technology (Hong Kong) Limited (WCTHK)	Electronic components	100%	100%	
WCPL	Shan Wei World Circuit Technology Co., Ltd. (SWWCT)	"	100%	100%	Note 7
WCTHK	Shang Hai World Circuit Technology Co., Ltd. (SHWCT)	"	100%	100%	Note 8
Darts	BENEFIT RIGHT LTD (BENEFIT)	Holding company	-	100%	Note 5
FV	Darts Technologies (Shang Hai) Co., Ltd. (DTSH)	Research and development of telecommunication (Shang Hai) components	100%	100%	
Fox-e Holding	Fox-Electronics (Shang Hai) Co., Ltd. (FESH)	Electronic components	100%	100%	Note 4
Du Precision Industry Co., Ltd. (Du Pricision)	Celink International Ltd. (CELINK)	"	-	100%	Note 5
Solteras Limited	Solteras Inc. (SOLTERAS)	"	49%	49%	Note 4

Note 1 : Everflow has ceased its operations on October 5, 2004 and is under liquidation process.

Note 2 : Financial statements were consolidated based on the unaudited financial statements.

Note 3 : It has ceased operations in August 2005.

Note 4: Investment or incorporation began in 2006.

Note 5 : Investment or incorporation began in 2007.

Note 6: CU and New STAR, the two subsidiaries' consolidated equity holding is 100%.

Note 7: It had been liquidated, so it was not included in the 2007 consolidated financial statements.

Note 8: It was formerly known as "Shang Hai, World Circuit Technology Holding, Limited".

3) The Company does not have over 50% of the voting rights of the subsidiaries in direct or indirect way but still regard it as the subsidiary :

Investor	Subsidiary	Main activity	% of shares held as of December 31,		Description
			2006	2007	
Solteras Limited	Solteras Inc. (SOLTERAS)	Electronic components	49%	49%	Note

Note: The Company invested in the subsidiary in 2006 and gained control over it in the first half of 2007.

4) The Company has over 50% of the voting rights of the subsidiaries in direct or indirect way but still not included in the consolidated financial statements : None.

5) Subsidiaries not included in the consolidated financial statements : None.

6) Difference in accounting period of the parent company and the subsidiaries : None.

7) Special operating risk of foreign subsidiaries : None.

8) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company : None.

9) Information about subsidiaries holding the parent company's securities : None.

10) Information about subsidiaries' issuance of convertible bonds and stocks :

A. Fu Gang Electronics (Tian Jin) Ltd. capitalized retained earnings of US\$9,500 thousand on December 25, 2007. The capital increase had been approved by the Investment Commission, MOEA and capital verification procedures have been completed on January 3, 2008.

B. Fu Yang Electronics (Kun Shan) Ltd., Dong Gong Fu Qiang Electronics Ltd. and Foxlink Beijing Co., Ltd. increased cash capital by US\$5,200 thousand, US\$2,940 thousand and US\$700 thousand, respectively, in 2007. Those capital increases had been approved by the Investment Commission, MOEA and capital verification procedures have been completed. All the stocks issued for capital increases were subscribed for by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China. The Group's significant accounting policies are summarized below:

1) Basis for preparation of consolidated financial statements

Effective January 1, 2007, all majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. The income (loss) of the subsidiaries is included in the consolidated statements of income effective on the date the Company gains control over the subsidiaries. The income (loss) of the subsidiaries is excluded from the consolidated statement of income effective the date on which the Company loss control over the subsidiaries. All of the inter-company transactions and assets and liabilities arising from inter-company transactions are eliminated in the consolidated financial statements.

2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date. Equity accounts are translated at historical rates except for beginning retained earnings, which is carried forward from prior year's balance. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in "cumulative translation adjustments" under stockholders' equity.

3) Foreign currency transactions

The accounts of the Group are maintained in New Taiwan dollars. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the spot exchange rates prevailing at the date of transactions. Receivables and other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are included in current results of operations.

4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
- b) Assets held mainly for trading purposes;
- c) Assets that are expected to be realized within twelve months from the balance sheet date; and
- d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

b) Liabilities arising mainly from trading activities;

c) Liabilities that are to be paid off within twelve months from the balance sheet date; and

d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

5) Financial assets and financial liabilities at fair value through profit or loss

A. Equity and beneficiary certificates are recognized and derecognized using trade date accounting and are recognized initially at fair value.

B. Financial assets at fair value through profit or loss are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks, closed-end mutual funds, and depositary receipts is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.

C. Derivative instruments that do not qualify for hedge accounting are recognized at a fair value of zero on the trading date. At the balance sheet date, instruments are revalued at fair value. Changes in the fair value are recognized in profit or loss and as adjustments to the carrying amounts of assets and liabilities.

D. For call options and put options which are embedded in bonds payable, please refer to Note 4 (9).

6) Allowance for doubtful accounts

Allowance for doubtful accounts is provided according to the evaluation of the collectibility of the ending balances of notes receivable, accounts receivable and other receivables.

7) Inventories

Inventories are stated at cost. The cost is determined using the standard cost method. At the end of year, the difference between standard cost and actual cost is proportionally allocated to operating costs and inventories. Inventories are evaluated at the lower of aggregate cost or market value. The market value is based on the replacement cost for raw materials and supplies and net realizable value for work in process, finished goods and merchandise. Allowance for slow moving items and decline in the market value is provided when necessary. Loss for market price decline and obsolete and slow-moving inventories is recognized as incurred. In addition, in accordance with the Tai-Tsai-Tz Letter No. 01644, dated April 21,

1999 of the Securities and Futures Commission, Ministry of Finance, R.O.C., the goods manufactured by the Company, which are consigned to overseas subsidiaries or indirect subsidiaries for selling, but have not been sold out at end of year, are accounted for as the Company's inventories. Allowance for slow moving items and decline in the market value is provided on such inventories.

8) Long-term investments accounted for under equity method

- A. Long-term equity investments in which the Group holds at least 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is subject to impairment test periodically and is no longer amortized effective January 1, 2007. Retrospective adjustment of the amount of goodwill amortized in previous years is not required. All majority-owned subsidiaries and controlled entities are accounted for under the equity method and included in the consolidated annual and semi-annual financial statements.
- B. When the Group's proportionate equity interest in any investee changes due to issuance of common shares by the investee, the variance between the investment cost and the Group's proportionate share of the net assets of the investee is adjusted first to capital reserve. If the capital reserve arising from long-term investment is not sufficient, retained earnings is debited.
- C. For foreign investments accounted for under the equity method, the Group's proportionate share of the foreign investee's cumulative translation adjustment resulting from translating the foreign investee's financial statements into New Taiwan dollars is recognized by the Group and is included in a cumulative translation adjustments account in the shareholders' equity.

9) Property, plant and equipment/rental assets

- A. Property, plant and equipment are stated at cost. Cost includes all expenditures incurred before the assets are ready for their intended use. Maintenance and repairs are expensed as incurred. Major renewals and improvements are capitalized and depreciated accordingly.
- B. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in the current year's net income.

C. Depreciation is provided on the straight-line basis using the assets' estimated economic useful lives plus one year as salvage value. Salvage value of fully depreciated assets still in use is depreciated based on the re-estimated useful lives. The useful lives of the fixed assets are as follows:

Buildings	50 to 60 years
Machinery and equipment	2 to 8 years
Transportation equipment	5 years
Office equipment	3 to 5 years
Leasehold improvements	3 years
Others	3 to 8 years

D. Fixed assets that are not used in operations are reclassified as rental / idle assets and stated at the lower of book value or net realizable value. Depreciation of these assets is shown under non – operating expenses.

10) Deferred expenses

- A. Computer software expenditures are stated at cost and amortized over the estimated life of 3 years using the straight-line method.
- B. Utility subsidy is stated at cost and amortized over the estimated life of 5 years using the straight-line method.

11) Impairment of non-financial assets

- A. The Group recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life.
- B. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered. However, impairment loss of goodwill is not recoverable.

12) Pension plan

A. The Company

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition

obligation is amortized on a straight-line basis over 15 years. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

B. The Darts Technologies Corporation

Under the defined benefit pension plan, minimum pension liability is recognized in accordance with the actuarial calculations effective December 31, 2005 and net periodic pension costs are recognized in accordance with the actuarial calculations effective January 1, 2006.

13) Convertible bonds

A. For bonds payable issued after January 1, 2006, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. These bonds are accounted for as follows:

- (A) The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until conversion period or the maturity of the bond.
- (B) The value of any derivative features (such as a call option and put option) embedded in the compound financial instrument is recognized as “financial assets and financial liabilities at fair value through profit or loss”. At the maturity of redemption period, if the fair value of common stock exceeds the redemption price, the fair value of the derivative is recognized as “paid-in capital”; however if the fair value of common stock is lower than the redemption price, the fair value of the derivative is recognized as “gain or loss”.
- (C) A conversion option embedded in the bonds issued by the Group, which is convertible to an equity instrument, is recognized and included in “capital reserve from stock warrants”, net of income tax effects. When a bondholder exercises his/her conversion rights, the liability component of the bonds (including corporate bonds and embedded derivatives) shall be revalued, and the resulting difference shall be recognized as “gain or loss” in the current period. The book value of the common stock issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of the stock warrants.
- (D) Cost incurred on issuance of convertible bonds is proportionally allocated to bonds payable and equity component parts based on their initial recognized amounts.

B. If the difference between payment amount before the maturity date and the book value at liquidation date is significant, it should be recognized as extraordinary gain or loss.

- C. In the event that the bondholders may exercise put options within future one year, the underlying bonds payable shall be reclassified to current liabilities. The bonds payable with put options unexercised during the exercisable period of put options shall be reversed to non-current liabilities.

14) Income tax

- A. The provision for income tax includes deferred income tax for the expected future tax consequences of events that have been included in different periods for financial or tax reporting purposes. The tax effects of taxable temporary differences are recorded as deferred income tax liabilities and the tax effects of deductible temporary differences, net operating losses available to be carried forward and investment tax credits are recorded as deferred income tax assets. Valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized.
- B. In accordance with R.O.C. SFAS No. 12, "Accounting for Investment Tax Credits", investment tax credits resulting from expenditures for acquisition of machinery or technology, research and development, employees' trainings, and equity investments are recognized in the year the related expenditures are incurred.
- C. Over or under provision of previous years' income tax liabilities is included in current year's income tax.
- D. The additional 10% tax on the undistributed earnings is recorded as tax expense in the year the stockholders resolve to retain the earnings.

15) Employee stock options (intrinsic value method)

The employee stock options granted or amended on or after January 1, 2004 are accounted for in accordance with EITF92-072, "Accounting for Employee Stock Options", prescribed by the R.O.C. Accounting Research and Development Foundation. Under the stock-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share is prepared under the fair value method.

16) Revenues and expenses

Revenues are recognized when the earning process is substantially completed and they are realized or realizable. Costs and expenses are recognized as incurred.

17) Earnings per share

- A. Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the year after taking into consideration the retroactive effect of stock dividends and capital reserve capitalized.

B. Basic and diluted earnings per share are disclosed if there are potential common stocks resulting from issuance of convertible bonds.

18) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

19) Convenience translation into US dollars

The Group maintains its accounting records and prepares its financial statements in New Taiwan dollars. The United States dollar amounts disclosed in the 2007 financial statements are presented solely for the convenience of the reader and were translated to US dollars using the average of buying and selling exchange rates of US\$1.00 (in dollar): NT\$32.43 (in dollars) at December 31, 2007. Such translation amounts are unaudited and should not be construed as representations that the New Taiwan dollar amounts represent, have been, or could be converted into United States dollars at that or any other rate.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

1) Goodwill

Effective January 1, 2006, the Group adopted the amended R.O.C. SFAS No. 1, No. 5, No. 7, No. 25 and No. 35, which discontinued the amortization of goodwill. The adoption of these standards had no significant effect on the financial statements as of and for the year ended December 31, 2006.

2) Financial instruments

A. Effective January 1, 2006, the Group adopted R.O.C. SFAS No. 34, "Accounting for Financial Instruments" and No. 36, "Disclosure and Presentation of Financial Instruments".

B. These changes in accounting principles had no significant effect on the financial statements as of and for the year ended December 31, 2006.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
	(Unaudited- Note 2)		
Cash on hand	\$ 6,862	\$ 8,431	\$ 260
Checking accounts	292,240	280,865	8,661
Demand deposits	2,068,198	2,989,243	92,175
Time deposits	5,323,710	3,601,260	111,047
	<u>\$ 7,691,010</u>	<u>\$ 6,879,799</u>	<u>\$ 212,143</u>

2) Accounts receivable - third parties

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
	(Unaudited- Note 2)		
Accounts receivable	\$ 9,044,466	\$ 10,363,232	\$ 319,557
Less: Allowance for doubtful accounts	(340,140)	(372,677)	(11,492)
	<u>\$ 8,704,326</u>	<u>\$ 9,990,555</u>	<u>\$ 308,065</u>

On December 28, 2005, the Group entered into an agreement with Chinatrust Commercial Bank to sell its accounts receivable. Under the agreement, the Group is not required to bear uncollectible risk of the underlying accounts receivable, but is liable for the losses incurred on any business dispute. As the Group provided Chinatrust Commercial Bank with a promissory note amounting to \$548,925 as collateral for any business dispute on December 31, 2006, these accounts receivable meet the derecognition criteria for financial assets. The Group has derecognized the accounts receivable sold to Chinatrust Commercial Bank, net of the losses estimated for possible business disputes.

As of December 31, 2006, the outstanding accounts receivable sold to Chinatrust Commercial Bank were as follows:

	December 31, 2006						
	Purchaser of accounts receivable	Accounts receivable sold	Amount derecognized	Limit	Amount advanced	Interest rate	Amount retained
Chinatrust Commercial Bank	\$ 88,084	\$ 88,084	\$ 548,925	\$ 79,296	2.26%	~6.36%	\$ 8,808

3) Inventories

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Finished goods	\$ 2,857,257	\$ 2,769,006	\$ 85,384
Work in process	60,404	102,547	3,162
Raw materials	2,409,365	2,416,706	74,521
Inventory in transit	12,720	78,027	2,406
Merchandise inventory	14,763	-	-
	<u>5,354,509</u>	<u>5,366,286</u>	<u>165,473</u>
Less: Allowance for inventory obsolescence and decline in market value	(384,699)	(386,678)	(11,924)
	<u>\$ 4,969,810</u>	<u>\$ 4,979,608</u>	<u>\$ 153,549</u>

4) Long-term equity investments accounted for under the equity method

Investee	2007 ownership percentage (%)	December 31,		
		2006	2007	2007
		New Taiwan Dollars		US Dollars
				(Unaudited- Note 2)
<u>Equity method:</u>				
Foxlink Image Technology Co., Ltd.	28.19%	\$ 671,748	\$ 684,767	\$ 21,115
Well Shin Technology Co., Ltd.	21.71%	586,475	802,014	24,731
Microlink Communications Inc.	28.57%	78,573	68,547	2,113
Solteras Inc.	-	87,319	-	-
Glory Science Co., Ltd.	21.70%	-	193,240	5,959
		<u>\$ 1,424,115</u>	<u>\$ 1,748,568</u>	<u>\$ 53,918</u>

The total net investment income recognized by the Group under the equity method based on the audited financial statements of the non-consolidated subsidiaries was \$218,134 and \$167,475 (US\$5,164) in 2006 and 2007, respectively, except for Culink's financial statements which were unaudited.

5) Property, plant and equipment

The details of accumulated depreciation were as follows:

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Buildings	\$ 398,558	\$ 460,203	\$ 14,190
Machinery and equipment	2,388,135	3,211,248	99,021
Transportation equipment	19,002	18,022	556
Office equipment	60,764	113,512	3,500
Leasehold improvements	79,594	95,181	2,935
Other equipment	628,866	1,265,282	39,016
	<u>\$ 3,574,919</u>	<u>\$ 5,163,448</u>	<u>\$ 159,218</u>

Interest capitalized on property, plant and equipment amounted to \$19,854 and \$19,616 (US\$605) for the years ended December 31, 2006 and 2007, respectively.

6) Short-term loans

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Unsecured loans	\$ 3,051,254	\$ 3,825,503	\$ 117,962
Secured loans	-	-	-
	<u>\$ 3,051,254</u>	<u>\$ 3,825,503</u>	<u>\$ 117,962</u>
Annual interest rates	<u>4.87%~6.17%</u>	<u>4.95%~7.66%</u>	<u>4.95%~7.66%</u>

7) Financial assets at fair value through profit or loss

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Current items:			
Financial assets held for trading			
Corporate bonds	\$ 209,500	\$ 119,000	\$ 3,669
Derivatives	-	3,725	115
Total	<u>\$ 209,500</u>	<u>\$ 122,725</u>	<u>\$ 3,784</u>

The trading items and contract information of derivatives are as follows:

	<u>December 31, 2007</u>		<u>December 31, 2006</u>	
	<u>Contract Amount</u>	<u>Contract Period</u>	<u>Contract Amount</u>	<u>Contract Period</u>
Forward exchange contracts	USD29,000	96/12~97/2	USD33,000	95/12~96/2

8) Accrued expenses

	<u>December 31,</u>		
	<u>2006</u>	<u>2007</u>	<u>2007</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
			(Unaudited- Note 2)
Accrued conversion fee	\$ 573,697	\$ 815,418	\$ 25,144
Accrued salary and bonus	607,881	733,329	22,613
Accrued sales commission	191,357	-	-
Others	449,710	707,780	21,824
	<u>\$ 1,822,645</u>	<u>\$ 2,256,527</u>	<u>\$ 69,581</u>

9) Bonds payable

	<u>December 31,</u>		
	<u>2006</u>	<u>2007</u>	<u>2007</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
			(Unaudited- Note 2)
Unsecured convertible bonds	\$ 5,000,000	\$ 5,000,000	\$ 154,178
Less: Discount on bonds payable	(608,973)	(487,190)	(15,023)
	<u>\$ 4,391,027</u>	<u>\$ 4,512,810</u>	<u>\$ 139,155</u>

A. On July 28, 2006, the Company issued its first unsecured convertible bonds. The major terms of the bonds are summarized below:

(A) Principal amount: \$5,000,000

(B) Issuance price: 100%

(C) Coupon rate: 0%

(D) Issue period: 5 years (October 9, 2006 to October 8, 2011)

(E) Conversion period: September 9, 2006 to September 9, 2011

(F) Conversion right:

The bonds are convertible into the Company's common shares at the conversion price in effect on the conversion date.

(G) Conversion price:

- a. The initial conversion price at issuance of the bonds is NT\$154.1 (in dollars) per share.
- b. The conversion price will be adjusted based on the terms of the convertible bonds. As of December 31, 2007, none of bonds were converted to common stocks. The conversion price was adjusted to NT\$125.4 (in dollars) per share, as resolved by the Board of Directors on April 9, 2007, and was adjusted to NT\$113.2 (in dollars) per share, as resolved by the Board of Directors on August 7, 2007.
- c. The conversion price is subject to adjustment based on the prescribed formula upon the occurrence of certain events, including (i) distribution of stock dividends, (ii) distribution of cash dividends, (iii) distribution of employee bonus by issuing new shares, (iv) the issue of shares due to cash infusion, (v) cash infusion for the issuance of global depository receipts, or (vi) other events set out in the trust deed that will have a dilutive effect on the bondholders' rights.
- d. In the event that the average closing price of the common shares for a period of 20 consecutive trading days is lower than or equal to 80% of the conversion price, the conversion price will be adjusted and reset at the lowest of the average closing price of the common shares of 1, 3 or 5 consecutive trading days prior to the next day of the last day of the underlying 20 consecutive trading days multiplied by the conversion premium rate of 110%. The adjusted conversion price shall be higher than the sampling basic price upon reset and not be less than 80% of the conversion price at issuance of the bonds.
- e. In the event that the average closing price of the common shares for a period of 20 consecutive trading days is higher than or equal to 120% of the conversion price, the conversion price will be adjusted and reset at the lowest of the average closing price of the common shares of 1, 3 or 5 consecutive trading days prior to the next day of the last day of the underlying 20 consecutive trading days multiplied by the conversion premium rate of 110%. The adjusted conversion price shall be higher than the sampling basic price upon reset and not be higher than 110% of the conversion price at issuance of the bonds.
- f. The effective interest rate of convertible bonds issued by the Company was 2.77%.

(H) Call option: The Company may purchase the outstanding bonds at face value within 30 trading days after the following events, provided that (i) the closing price of the shares for a period of 30 consecutive trading days is above 50% of the conversion price, or (ii) the amount of the outstanding bonds is less than 10% of the initial issuance amount of convertible bonds, from the day after the first month of issuance of the bonds to 40 days prior to the maturity date of the bonds.

(I) Put option: The Company should redeem such bonds in the third year and fourth year after the issuance of convertible bonds at face value upon the request of the bondholders.

(J) Under the terms of the convertible bonds, the rights and obligations of the new shares converted from convertible bonds are the same as the issued and outstanding common stock.

B. The fair value of convertible option was separated from bonds payable, and was recognized NT\$423,494(US\$13,059) in “Capital reserve from stock warrants” in accordance with SFAS No. 36. The fair value of put and call options embedded in bonds payable in the net amount of \$209,500 and \$119,000 (US\$3,669) was separated from bonds payable, and was recognized in “Financial assets or liabilities at fair value through profit or loss” as of December 31, 2006 and 2007, respectively.

C. On July 6, 2005, the Company issued its second unsecured Euro convertible bonds. The principal amount of the second unsecured Euro convertible bonds is US\$100 million.

As of December 31, 2006, convertible bonds totaling US\$98,000,000 had been converted into 35,670,000 shares of the Company’s common stock. The capital reserve resulting from the bond conversion amounted to \$2,841,279 (US\$87,613).

10) Long-term loans

		2006	2007	2007
		New Taiwan Dollars		US Dollars
				(Unaudited- Note 2)
Unsecured bank loans	Monthly interest payment and principal due May 2008 to August 2010.	\$ 1,921,514	\$ 654,993	\$ 20,197
Unsecured bank loans	Principal due in five installments starting from October 27, 2007.	500,000	-	-
		2,421,514	654,993	20,197
Less: Current portion		(1,899,894)	-	-
		<u>\$ 521,620</u>	<u>\$ 654,993</u>	<u>\$ 20,197</u>
Annual interest rate		<u>2.35%~6.17%</u>	<u>5.19%~5.78%</u>	<u>5.19%~5.78%</u>

The syndicated loan with the 10 banks led by Citibank N.A. Taipei was paid off prior to the termination date in February 2007.

11) Retirement plan

A. The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes

monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Central Trust of China, the trustee, under the name of the independent retirement fund committee.

The following sets forth the pension information based on the actuarial report:

a) Actuarial assumptions

	For the years ended December 31,	
	2006	2007
Discount rate	3.75%	3.50%
Rate of increase in compensation	3.00%	3.00%
Expected return rate on plan assets	2.75%	2.75%

b) Funded status of the pension plan

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
	(Unaudited- Note 2)		
Benefit obligation:			
Vested benefit obligation	(\$ 20,878)	(\$ 23,289)	(\$ 718)
Nonvested benefit obligation	(104,014)	(118,364)	(3,650)
Accumulated benefit obligation	(124,892)	(141,653)	(4,368)
Additional benefits based on future salaries increase	(57,057)	(65,251)	(2,012)
Projected benefit obligation	(181,949)	(206,904)	(6,380)
Fair value of plan assets	50,713	45,682	1,409
Funded status	(131,236)	(161,222)	(4,971)
Unrecognized net transition obligation	1,382	1,105	34
Unrecognized prior service cost	30,242	27,153	837
Unrecognized pension loss	24,134	49,140	1,515
Additional pension liabilities	-	(12,147)	(375)
Difference between the amount of accrued pension liability per actuarial report and per books	(9)	(9)	(0)
Accrued pension liability	(\$ 75,487)	(\$ 95,980)	(\$ 2,960)
Vested benefit	\$ 24,635	\$ 28,661	\$ 884

c) Net pension cost comprises the following

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Service cost	\$ 6,696	\$ 5,835	\$ 180
Interest cost	6,106	6,823	210
Expected return on plan assets	(1,228)	(1,394)	(43)
Amortization of unrecognized net transition obligation	276	276	9
Amortization of prior service cost	2,102	3,088	95
Amortization of unrecognized pension loss	1,689	495	15
Net periodic pension cost	<u>\$ 15,641</u>	<u>\$ 15,123</u>	<u>\$ 466</u>

B. Effective July 1, 2005, the Company established an additional funded defined contribution pension plan (the New Plan) under the Labor Pension Act. Employees have the option to be covered under the New Plan. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable when the employment is terminated. The net pension costs recognized under the New Plan for the years ended December 31, 2006 and 2007 were \$40,286 and \$42,919 (US\$1,323), respectively.

C. Foxlink Singapore, WCTHK, WCP and the Company's mainland subsidiaries have a funded defined contribution plan. Monthly contributions are based on the employees' monthly salaries and wages to an independent fund administered by the government in accordance with the pension regulations.

12) Common stock

As of December 31, 2006 and 2007, the Company's authorized common stock was 500,000,000 shares and 550,000,000 shares, respectively (including 50,000,000 shares reserved for the issuance of convertible bonds and 15,000,000 shares and 50,000,000 shares reserved for the issuance of employees' warrants), and the issued and outstanding shares were 373,220,739 shares and 401,581,776 shares, respectively, with a par value of NT\$10 (in dollars) per share.

13) Capital reserve

A. The R.O.C. Company Law requires that capital reserve shall be exclusively used to cover accumulated deficit or to increase capital and shall not be used for any other purpose. However, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be capitalized once a year, provided that the Company has no accumulated deficit and the amount to be capitalized does not exceed 10% of the paid-in capital.

B. Please see Note 4 (9) for detailed information.

14) Retained earnings

A. Based on the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder shall be appropriated as (a) 0.10% as remuneration to directors and supervisors; (b) 8%~12% as bonus to employees, and (c) as dividends to stockholders.

B. According to the Company's Articles of Incorporation, at least 30% to 90% of the distributable retained earnings shall be distributed as stockholders' bonus, of which a major portion is payable by shares and the balance by cash, which will be defined and approved during the stockholders' meeting. In general, cash dividend distributed in any calendar year shall be at least 20% of the total distributable earnings in that year.

C. The legal reserve can only be used to offset losses or to increase capital when the Company's accumulated legal reserve has reached 50% of its paid-in capital, and only one half of the legal reserve balance may be capitalized.

D. In accordance with the applicable laws and regulations, in addition to the appropriation for legal reserve and prior to distribution of earnings, the Company should set aside a special reserve from retained earnings equal to the net reduction of stockholders' equity as of the end of the current year, resulting from adjustments such as cumulative translation adjustments and unrealized losses on long-term investments.

E. In 2006 and 2007, the stockholders at their meeting adopted a resolution to issue cash and stock dividends as follows:

	<u>2006</u>		<u>2007</u>
Cash dividend (in dollars)	\$ 1.2	\$	3.0
Stock dividend (in dollars)	\$ 1.0	\$	0.5

F. The resolution for the distribution of 2007 earnings has not been adopted by the Board of Directors. The resolutions in relation to the Company's distribution of earnings, which have been adopted by the Board of Directors and approved in the stockholders' meetings, are posted on the official website of the Taiwan Stock Exchange. The information on the distribution of 2006 earnings in accordance with the resolution adopted by the Board of Directors and approved in the stockholders' meeting is as follows:

a) Appropriation

(1) Cash bonuses to employees	\$ <u>81,330</u>
(2) Stock bonuses to employees	
① Shares	<u>9,700,000</u>
② Amount	\$ <u>97,000,000</u>
③ % of outstanding shares as of December 31, 2005.	<u>2.60%</u>
(3) Remuneration to directors and supervisors	\$ <u>1,486</u>

b) Earnings per common share

(1) Original earnings per common share	\$ <u>8.68</u>
(2) Retroactively adjusted earnings per common share	\$ <u>8.18</u>

15) Income tax

A. Income tax expense and income tax payable are reconciled as follows:

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Income tax payable	\$ 539,100	\$ 379,561	\$ 11,704
Net change of deferred income tax assets and liabilities	(59,040)	35,616	1,098
Under provision of prior year's income tax	24,584	13,451	415
Prepaid income tax	<u>284,826</u>	<u>296,860</u>	<u>9,154</u>
	<u>\$ 789,470</u>	<u>\$ 725,488</u>	<u>\$ 22,371</u>
Current income tax expense	\$ 721,359	\$ 657,022	\$ 20,260
10% income tax on prior year's undistributed earnings	<u>68,111</u>	<u>68,466</u>	<u>2,111</u>
Income tax expense	<u>\$ 789,470</u>	<u>\$ 725,488</u>	<u>\$ 22,371</u>

B. The temporary differences and related amounts of deferred income tax assets (liabilities) were as follows:

	December 31,			
	2006		2007	
	Amount	Tax effect	Amount	Tax effect
	New Taiwan Dollars		New Taiwan Dollars	
Current (shown as part of other current assets):				
Temporary differences				
Allowance for doubtful accounts	\$ 225,709	\$ 56,427	\$ 242,633	\$ 60,658
Unrealized exchange loss	19,306	4,826	72	18
Allowance for inventory loss	380,590	95,147	380,590	95,147
Others	136,018	34,005	166,397	41,600
		<u>\$ 190,405</u>		<u>\$ 197,423</u>
Non-Current:				
Temporary differences				
Pension expense	\$ 75,478	\$ 18,870	\$ 95,979	\$ 23,995
Foreign long-term investment loss accounted for under the equity method	259,039	64,759	(188,124)	(47,031)
		83,629		(23,036)
Investment tax credits		152,198		27,641
Valuation allowance		(176,095)		(34,166)
Cumulative translation adjustments		(46,659)		(94,795)
		<u>\$ 13,073</u>		<u>(\$ 124,356)</u>
			December 31, 2007	
			Amount	Tax effect
			US Dollars	
Current (shown as part of other current assets):				
Temporary differences				
Allowance for doubtful accounts			\$ 7,482	\$ 1,870
Unrealized exchange loss			2	1
Allowance for inventory loss			11,736	2,934
Others			5,131	1,283
				<u>\$ 6,088</u>
Non-Current:				
Temporary differences				
Pension expense			\$ 2,960	\$ 740
Foreign long-term investment loss accounted for under the equity method			(5,801)	(1,450)
				(710)
Investment tax credits				852
Valuation allowance				(1,054)
Cumulative translation adjustments				(2,923)
				<u>(\$ 3,835)</u>

C. As of December 31, 2006 and 2007, the imputation tax credit account balance and the creditable tax ratio of the total distributed retained earnings were as follows:

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Imputation tax credit account balance	\$ 778,297	\$ 725,502	\$ 22,371
Creditable tax ratio of the total distributed retained earnings	35.70%	16.73%	16.73%
	(Note A)	(Note B)	(Note B)

Note A : The ratio represents the actual creditable ratio.

Note B : The ratio represents the estimated creditable ratio.

D. As of December 31, 2006 and 2007, the details of unappropriated retained earnings are as follows:

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Earnings generated in 1997 and prior years	\$ 40,389	\$ 40,389	\$ 1,245
Earnings generated in 1998 and thereafter	3,760,198	4,337,723	133,757
E.	<u>\$ 3,800,587</u>	<u>\$ 4,378,112</u>	<u>\$ 135,002</u>

As of December 31, 2006, the Company's income tax returns through 2004 have been approved by the Tax Authority and an additional income tax of \$7,982 (US\$246) and \$17,217 (US\$531) was assessed for year 1999 and year 2002, respectively. The Company has filed an appeal for reassessment with the Tax Authority. The reassessment by the Tax Authority is on-going as of April 25, 2008. The Company has provided for the additional income tax liabilities stated above.

F. The consolidated subsidiaries of the Company, FGEDG and FGEKS, etc. are foreign-invested enterprises established in PRC. Under the income tax laws for foreign invested enterprises and foreign enterprises of PRC and related regulations, these companies are exempt from corporate income tax for the first two profit-making years and enjoy a 50% income tax reduction from the third to the fifth profit-making years. Fu Gang Electronics (Tian Jin) Ltd., Neosonic Energy Technology (Tianjin) Ltd., Foxlink Tianjin Co., Ltd., Fu Gang Electronics (Kun Shan) Ltd. and Fushilin Electronics (Dong Guan) Co., Ltd. are eligible for the tax exemption starting from 2003, 2005, 2006, 2007 and 2007, respectively. In addition, FGETJ is a foreign-invested enterprise of new technology products established in PRC. Under the related tax regulations, it enjoys a 50% income tax reduction for five profit-making years it exports 70% of its annual products.

16) Employee stock options

The exercise price under the stock-based employee compensation plan is based on the closing price of the Company's common stock at the grant date and is subject to adjustments due to changes in the number of common shares and when the ratio of cash dividends to market price per share is over 1.5%. The vesting period of the Company's employee stock option plan is 7 years. The employees may exercise the stock options in installments after the stock options have been granted for 2 years.

A. Details of the employee stock options are set forth below:

	<u>For the year ended December 31,</u>	
	<u>2007</u>	
<u>Stock options</u>	<u>No. of shares</u>	<u>Weighted-average</u>
	<u>(in thousands)</u>	<u>exercise price</u>
		<u>(in dollars)</u>
Options outstanding at beginning of year	-	-
Options granted	40,000,000	68.8
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-
Options exercised	-	-
Options revoked	-	-
Options outstanding at end of year	<u>40,000,000</u>	<u>68.8</u>
Options exercisable at end of year	<u>-</u>	
Options authorized but not granted at end of year	<u>-</u>	

- B. The following sets forth the pro forma net income and earnings per share (EPS) based on the assumption that the compensation cost is accounted for using the fair value method for the stock options granted (amended) on or after January 1, 2004 (before December 31, 2007):

		<u>For the year ended December 31, 2007</u>
Net income	Net income stated in the statement of income	2,304,395
	Pro forma net income	2,298,670
Basic earnings per share (EPS) (in dollars)	EPS stated in the statement of income	5.74
	Pro forma EPS	5.72
Diluted EPS (in dollars)	EPS stated in the statement of income	5.24
	Pro forma EPS	5.23

- C. For the stock options granted (amended) on or after January 1, 2004 (before December 31, 2007) with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

	<u>For the year ended December 31, 2007</u>
Dividend yield rate	0 %
Expected price volatility	39.98 %
Risk-free interest rate	2.44 %
Expected vesting period	5.05 years
Weighted-average fair value per share (in dollars)	26.66

- D. Details of the employee stock options outstanding as of December 31, 2007 are set forth below:

Issue date	Range of exercise price (in dollars)	No. of shares (in thousands)	Stock options outstanding as at December 31, 2007		Stock options exercisable at December 31, 2007	
			Weighted-average expected remaining vesting period	Weighted-average exercise price (in dollars)	No. of shares (in thousands)	Weighted-average exercise price (in dollars)
Dec. 28, 2007	\$68.8	40,000,000	7 years	\$ 68.8	-	-

17) Earnings per common share

For the year ended December 31, 2006					
	Amount		Weighted-average Outstanding Common Shares (in thousand shares)	Earnings Per Share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income attributable to equity holders of the Company	\$ 3,178,647		\$ 2,407,804	
Basic earnings per share			394,241	\$ 8.06	\$ 6.11
Effect of dilutive common stock equivalents					
Convertible bonds	29,736	22,302	9,176		
Euro convertible bonds	-	-	6,822		
Diluted earnings per share	\$ 3,208,383	\$ 2,430,106	410,239	\$ 7.82	\$ 5.92

For the year ended December 31, 2007					
	Amount		Weighted-average Outstanding Common Shares (in thousand shares)	Earnings Per Share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income attributable to equity holders of the Company	\$ 3,022,963		\$ 2,304,395	
Basic earnings per share			401,582	\$ 7.53	\$ 5.74
				(US\$ 0.23)	(US\$ 0.18)
Effect of dilutive common stock equivalents					
Convertible bonds	31,283	31,283	44,170		
Diluted earnings per share	\$ 3,054,246	\$ 2,335,678	445,752	\$ 6.85	\$ 5.24
	(US\$ 94,180)	(US\$ 72,022)		(US\$ 0.21)	(US\$ 0.16)

18) Personnel, depreciation and amortization expenses

The Group's personnel, depreciation and amortization expenses are as follows:

	For the year ended December 31, 2006		
	Cost of	Operating	Total
	goods sold	expenses	
New Taiwan Dollars			
Personnel expenses			
Salaries	\$ 1,769,926	\$ 1,322,390	\$ 3,092,316
Insurance	14,348	54,602	68,950
Pension	7,772	48,155	55,927
Others	273,053	68,959	342,012
Depreciation (Note b)	920,254	305,570	1,225,824
Amortization	11,834	105,150	116,984

	For the year ended December 31, 2007		
	Cost of	Operating	Total
	goods sold	expenses	
New Taiwan Dollars			
Personnel expenses			
Salaries	\$ 2,715,972	\$ 1,266,085	\$ 3,982,057
Insurance	21,379	53,758	75,137
Pension	16,804	40,724	57,528
Others	337,767	92,305	430,072
Depreciation (Note b)	1,140,755	430,140	1,570,895
Amortization	6,708	114,254	120,962

	For the year ended December 31, 2007		
	Cost of	Operating	Total
	goods sold	expenses	
US Dollars			
(Unaudited-Note 2)			
Personnel expenses			
Salaries	\$ 83,749	\$ 39,041	\$ 122,790
Insurance	659	1,658	2,317
Pension	518	1,256	1,774
Others	10,415	2,846	13,261
Depreciation (Note b)	35,176	13,264	48,440
Amortization	207	3,523	3,730

Note a : Portion of depreciation was capitalized and included in the production costs of molds.

Note b : Depreciation included in non-operating expenses amounted to \$7,748 and \$23,631, (US\$729) for the years ended December 31, 2006 and 2007, respectively.

5. RELATED PARTY TRANSACTIONS

A. Names and relationships of related parties

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Hon Hai Precision Industry Co., Ltd. (Hon Hai)	The CEO's of Hon Hai and the Company are brothers
Well Shin Technology Co., Ltd. (WST)	Investee company accounted for under the equity method
Foxlink Image Technology Co., Ltd. (Foxlink Image)	An indirect investee company accounted for under the equity method
Microlink Communications Inc. (Microlink)	"
Accu-Image Technology Limited (AITL)	An affiliate
Global Smart Technology Limited (GSTL)	An indirect investee company accounted for under the equity method
Nu Cam Corporation (Nu Cam)	"
ViewLink Technology Co., Ltd. (ViewLink)	Common chairman
Foxlink International Inc. (Foxlink)	Indirect subsidiary of the Company (becoming the subsidiary of the Company since December 2007)
Suntain Co., Ltd. (Suntain)	An affiliate
Jhin-Cyun Co., Ltd. (Jhin-Cyun)	Same director
Fu Lin International Investments Co., Ltd. (FLII)	A director of FLII is a vice president of the Company
Taiwan Fulin Investments Co., Ltd. (TFI)	A director of TFI is a manager of the Company
Jen Fa Investments Co., Ltd. (JFI)	Same director
Solteras, Inc. (Solteras)	An indirect investee company accounted for under the equity method (Invested in June 2006)
Fine Best Technology Limited (Fine Best)	Same director

Note : For other related party transactions with other controlled subsidiaries, please refer to Note 11 for additional disclosures as required by SFC.

B. Significant related party transactions and balances

1) Sales

	For the years ended December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Foxlink	\$ -	\$ 12,709,154	\$ 391,895
Hon Hai	1,393,259	2,152,199	66,364
Suntain	209,586	343,760	10,600
Foxlink Image	181,374	45,575	1,405
Solteras	425,237	-	-
Microlink	2,606,186	-	-
Others	7,804	29,922	923
	<u>\$ 4,823,446</u>	<u>\$ 15,280,610</u>	<u>\$ 471,187</u>

Sales of finished goods to Hon Hai are at arm's length. All other sales to related parties are based on negotiated terms because the related products are unique and not available to third parties. For the years ended December 31, 2006 and 2007, the credit term on the sales to related parties was 120 to 180 days after monthly billings. The credit term on the sales to third parties was 30~120 days after monthly billing or upon shipment of goods, except for receivables arising from the sales of tooling that are collectible upon acceptance by customers.

2) Purchases

	For the years ended December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Hon Hai	\$ 547,540	\$ 580,706	\$ 17,906
WST	450,908	656,995	20,259
Foxlink Image	241,996	68,177	2,102
Nu Cam	70,593	36,316	1,120
Solteras	100,972	-	-
Others	9,972	2,131	66
	<u>\$ 1,421,981</u>	<u>\$ 1,344,325</u>	<u>\$ 41,453</u>

All purchases from related parties are at arm's length except for Nu Cam in which purchase prices were not comparable with third parties in terms of specific products. Payment period was 60~120 days after receipt of goods from suppliers. The purchase prices and payment terms to Nu Cam Corporation (Nu Cam) are the same as those to third parties starting from 2007.

3) Operating expenses – sales commission

	For the years ended December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Foxlink	\$ 178,533	\$ -	\$ -

For the years ended December 31, 2006 and 2007, Foxlink and Foxlink-Sing provided sales and collection services to the Company and charged commissions at 1.28% to 3% on sales revenues, respectively. Originally, the Company committed FOXLINK to sell its goods on consignment basis. However, starting from January 1, 2007, the Company sells outright to FOXLINK. The sales prices are set differently according to the sales volumes.

4) Non-operating income - other income

	For the years ended December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Solteras	\$ 147,315	\$ -	\$ -

The Company entered into a Technology Transfer Agreement with Solteras in the third quarter of 2006. Income derived from the technology transfer is recorded under other income in the statement of income.

5) Accounts receivable

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Hon Hai	\$ 630,975	\$ 1,272,916	\$ 39,251
Suntain	124,560	156,085	4,813
Solteras	346,959	-	-
Microlink	35,000	-	-
Others	70,716	29,024	895
	1,208,210	1,458,025	44,959
Less: Allowance for doubtful accounts	(22,000)	(22,000)	(678)
	\$ 1,186,210	\$ 1,436,025	\$ 44,281

Overdue receivables from related parties are reclassified to other receivables, if the credit terms of the related parties are obviously longer than the normal credit terms of the third parties in accordance with Securities and Futures Institutions (SFI) Ruling (93) Chi-Mi-Tzu No. 167. See Note 5.B.6).

6) Other receivables

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Other receivables – sales of inventories by subsidiary on behalf of the Company :			
Foxlink	\$ 330,305	\$ -	\$ -
Other receivables			
- technical assistance fees			
Solteras	53,921	-	-
Other receivables			
- sales of equipment ACCU	85,730	-	-
Others	36,760	10,738	331
	<u>\$ 506,716</u>	<u>\$ 10,738</u>	<u>\$ 331</u>

a. Other receivables from ACCU pertain to equipment sold by the Company. See Note 5.B.11.

b. Other receivables from Solteras represent technical assistance fees. (See Note 4).

7) Accounts payable

	December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited- Note 2)
Foxlink	\$ 764,436	\$ -	\$ -
WST	80,219	168,416	5,193
Foxlink Image	123,890	27,865	859
Nu Cam	940	20,538	633
Others	111,440	46,262	1,427
	<u>\$ 1,080,925</u>	<u>\$ 263,081</u>	<u>\$ 8,112</u>

8) Other payables

	For the years ended December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
	(Unaudited- Note 2)		
Foxlink Image	\$ -	\$ 64,097	\$ 1,976

The above other payables arose due to the Company's receipts under custody of Foxlink Image.

9) Purchases of raw materials through subsidiary

Foxlink, a subsidiary located in the U.S.A., purchased raw materials in the U.S.A. on behalf of the Company. The total purchases for the years ended December 31, 2006 and 2007 were \$4,812,696 and \$2,789,271 (US\$86,009), respectively.

10) Financing activities and guarantees

None.

11) Property transactions

In September 2006, the Company sold machinery and equipment to ACCU at book value in the amount of \$85,730 (US\$2,644) which was paid on June 15, 2007.

12) Long - term investments

The subsidiary of the Company, Culink International Ltd., entered into an agreement to acquire the stocks of Foxlink from Fine Best. The total contract price under the agreement amounted to USD\$500,000. As of December 31, 2007, the transaction had been completed.

6. PLEDGED ASSETS

	December 31,		Borrowings
	2006	2007	
	Book value-Net Taiwan Dollars		
Other receivable	\$ 8,088	\$ -	Allowance for factoring of accounts receivable
		US\$ -	
Other intangible asset - land use rights	\$ 27,691	\$ 25,936	Short-term loans
		(US\$ 800)	
Property, plant and equipment	\$ 494,939	\$ 476,151	Short-term loans
		(US\$ 14,682)	

7. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

A) See Note 11 for guarantee information.

B) As of December 31, 2007, equipment purchase commitment amounted to \$964,819 (US\$29,751) and the amount outstanding was \$238,604 (US\$7,358).

C) As of December 31, 2007, the construction commitment amounted to \$1,822,144 (US\$56,187) and the amount outstanding was \$691,372 (US\$21,319).

8. SIGNIFICANT LOSSES FROM DISASTERS

None.

9. SIGNIFICANT SUBSEQUENT EVENT

The following sets forth the resolutions adopted by the Board of Directors on April 23, 2008:

1. The Company was planning to indirectly invest \$500,000 in the establishment of SOLLINK INC. As of April 25, 2008, the Company had not injected any money into the investment.

2. The Company's subsidiary, CU INTERNATIONAL LTD., was planning to increase investment of HKD 100,000 in Fu Gang Electronics (Dong Guan) Ltd.. As of April 25, 2008, the investment amount had not been injected into Fu Gang Electronics (Dong Guan) Ltd..

10. OTHER INFORMATION

1) Financial statement presentation

Certain accounts in the 2006 financial statements were reclassified to conform with the 2007 financial statement presentation.

2) Fair value of financial instruments

	December 31, 2006			December 31, 2007			December 31, 2007		
	Fair value			Fair value			Fair value		
	Book value	Estimated using		Book value	Estimated using		Book value	Estimated using	
		Quotations in an active market	a valuation technique		Quotations in an active market	a valuation technique		Quotations in an active market	a valuation technique
	New Taiwan Dollars			New Taiwan Dollars			US Dollars		
	(Unaudited-Note 2)								
<u>Non-derivative financial instruments</u>									
<u>Assets</u>									
Financial assets with fair values equal to book values	\$ 18,414,730	\$ -	\$ 18,414,730	\$ 18,779,454	\$ -	\$ 18,779,454	\$ 579,077	\$ -	\$ 579,077
Financial assets at fair value through profit or loss	364,715	364,715	-	46,030	46,030	-	1,419	1,419	-
Deposits-out	39,308	-	39,308	29,271	-	29,271	903	-	903
<u>Liabilities</u>									
Financial liabilities with fair values equal to book values	15,889,405	-	15,889,405	15,609,833	-	15,609,833	481,339	-	481,339
Financial liabilities at fair value through profit or loss	209,500	-	209,500	122,725	-	122,725	3,784	-	3,784
Long-term loans	521,620	-	521,620	654,993	-	654,993	20,197	-	-
Bonds payable	4,391,027	-	4,391,027	4,512,810	-	4,512,810	139,155	-	139,155
<u>Derivative financial instruments Assets (Liabilities)</u>									
Forward exchange contracts for non-trading purposes	3,637	3,637	-	(3,725)	(3,725)	-	(115)	(115)	-

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- A. For financial assets and liabilities with fair values equal to book values, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash, notes receivable, accounts receivable, other receivables, deposits-out, short-term loans, notes payable, accounts payable, receipts in advance, long-term liabilities-current portion and other current liabilities.
- B. According to the terms and conditions of the bonds which were issued by the Company, the interest rate is zero. Due to the uncertainty of redemption or conversion timing, the discounted value is not determinable. In addition, the amount of bonds payable as of balance sheet date was adjusted using the exchange rate prevailing on such date. Therefore, the book value of the bonds payable at the balance sheet date was disclosed as its fair value instead of the amount based on quoted market price or appraisal report.
- C. As floating interest rates are adopted for the long-term loans, their fair value is based on their book value.
- D. The fair values of derivative financial instruments which include unrealized gains or losses on unsettled contracts were determined based on the amounts to be received or paid assuming that the contracts were settled as of the reporting date.

3) Strategies for financial risk control and hedge

The Group adopted total risk management and control system to identify all the Group's risk and enable the Group's management to control and measure market risk, credit risk, and operational risk. Considering the effects of economic circumstances, competition, and market price risk, the objective of the Group's market risk control is to achieve optimal risk position, maintain adequate liquidity position, and manage all market risk collectively.

To carry out the risk management, the Group adopted different strategies for control and management as follows:

Interest rate risk

The Group primarily borrows long-term loans or step-up callable deposits and observes the trend in interest rates to mitigate the interest rate risk.

Exchange rate risk

The Group uses the foreign exchange forward contract or other derivative financial assets to hedge the foreign currency assets which had been recognized. It mitigates the cash flow risk as to the fair value, monitors the fluctuations in the exchange rate, sets stop-loss points, and mitigates the exchange rate risk.

Credit risk

The Group has a strict credit evaluation policy which allows trades only with counterparties with good credit standing, and uses adequate debt-protection measures to lessen its credit risk.

4) Information of financial risk

A. Market risk

a) Exchange rate risk

The fair value of foreign exchange forward contract was affected by the exchange rate fluctuations. The Group has set a stop-loss point according to the risk of the contract price variation; therefore, it does not expect to have significant market risk.

The Group primarily uses US dollars as the valuation unit in purchases and sales, and the fair value of foreign currency will change as the market exchange rate changes. If the short-term position gap arises, the Group will enter into foreign exchange forward contract, so it does not expect to have significant market risk. The amount of fair value would be increased by \$93,182, which was based on the assumption that the exchange rate is increased by 1% at the balance sheet date.

b) Interest rate risk

The Group's short-term loans are due within one year or at a fixed rate and accordingly, interest rate risk is low.

c) Price risk

The Group's investments in equity instruments are subject to price fluctuations. The Group has set stop-loss points and accordingly, market risk is low.

B. Credit risk

The Group's derivative counterparties are well-known banks or asset management companies, and the Group also trades with different banks or asset management companies to distribute the risk, accordingly, the counterparties are expected to comply with the contracts. The largest amount of the credit risk is the book value.

The debtors of the Group's accounts or notes receivable have good credit standing. The Group has credit insurance coverage for majority of its customers. Accordingly, credit risk is low.

C. Liquidity risk

The Group expects the foreign exchange forward contracts to result in a cash inflow of US\$29,000 and outflow of NT\$ 936,224 during the period from January to February 2008. The exchange rate is reasonably assured and the Group has sufficient operating capital to meet the above cash needs.

The equity instruments are traded in active markets and accordingly are expected to be sold at approximately fair value quickly and easily.

D. Cash flow risk

The Group's short-term loans are due within one year and accordingly, cash flow risk arising from interest rate change is low. The Group's long-term loans are at fixed interest rate plus markup and accordingly, cash flow risk is low.

The Group's bonds payable are zero coupon bonds and accordingly, cash flow risk is low.

5) Elimination of the Company's transactions with subsidiaries

Transactions eliminated	Subsidiary	For the years ended December 31,	
		2006	2007
A. Elimination of long-term investments and stockholders' equity	Cu	\$ 3,200,305	\$ 4,171,839 (US\$128,641)
"	FII	\$ 1,302,103	\$ 1,180,101 (US\$36,389)
"	Darts	\$ 941,187	\$ 901,394 (US\$27,795)
"	Culink	\$ 34,170	\$ 36,917 (US\$1,138)
"	FUII	\$ 100,971	\$ 345,164 (US\$10,643)
"	Du Pricision	\$ -	\$ 346,004 (US\$10,669)
B. Elimination of inter company accounts receivable/payables and other receivables/payables	Cu	\$ 1,243,890	\$ 721,772 (US\$22,256)
"	FII	(\$ 4,914)	(\$ 20,723) (US\$639)
"	Darts	(\$ 23,319)	\$ 259,304 (US\$7,996)
"	Culink	\$ -	\$ 3,999,641 (US\$123,332)
"	Du Pricision	\$ -	\$ 10,489 (US\$323)
C. Elimination of profit and loss accounts - sales and purchases transactions	Cu	(\$ 3,928,536)	(\$ 3,639,302) (US\$112,220)
"	FII	\$ 33,860	\$ 143,003 (US\$4,410)
"	FII	(\$ 5,488)	\$ - US\$ -
"	Dares	\$ 82,722	\$ - US\$ -
"	Darts	(\$ 3,037,915)	(\$ 2,606,534) (US\$80,374)
D. Elimination of profit and loss accounts - processing revenue and expense transactions	Cu	\$ 5,779,980	\$ 7,559,248 (US\$233,094)

11. ADDITIONAL DISCLOSURE INFORMATION OF INVESTEE COMPANY REQUIRED BY SFC

1) Related information of significant transactions

The information for the other investee companies were based on the audited financial statements.

The transactions between the Company and subsidiaries were eliminated from the consolidated financial statements.

A. Financing activities to any company or person:

a) The Company:

Number	Creditor	Borrower	General ledger account	Maximum outstanding balance during the year		Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short – term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
				ended December 31, 2007	Balance at December 31, 2007						Item	Value		
0.	Cheng Uei Precision Industry Co., Ltd.	Darts Technologies (Shang Hai) Co, Ltd.	Other receivable - related parties	NT\$544 (US\$17)	-	-	2	-	Operating	-	-	-	The ceiling for total amount of withdrawals was NT\$3,359,910 (US\$103,605) which was 20% of the Company's net assets	The ceiling for total amount of withdrawals was NT\$6,891,834 (US\$212,514) which was 40% of the Company's net assets
0.	"	Shanghai world Circuit Technology Co., Ltd.	"	NT\$2,014 (US\$62)	-	-	2	-	"	-	-	-	"	"
0.	"	Fu Gang Electronics (Tian Jin) Ltd.	"	NT\$430,770 (US\$13,283)	NT\$152,354 (US\$4,698)	-	2	-	"	-	-	-	"	"
0	"	Fu Gang Electronics (Kun Shan) Ltd.	"	NT\$9,304 (US\$287)	-	-	2	-	"	-	-	-	"	"

b) Investee Company:

Number	Creditor	Borrower	General ledger account	Maximum outstanding balance during the year ended		Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short – term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
				December 31, 2007	Balance at December 31, 2007						Item	Value		
1	World Circuit Technology Co., Ltd.	World Circuit Technology (Hong Kong) Limited	Other receivable - related parties	NT\$88,387 (US\$2,725)	NT\$86,878 (US\$2,679)	-	2	-	Operating	-	-	-	The ceiling for total amount of withdrawals was NT\$3,359,910 (US\$103,605) which was 20% of the Company's net assets	The ceiling for total amount of withdrawals was NT\$6,891,834 (US\$212,514) which was 40% of the Company's net assets
1	"	Shanghai World Circuit Technology Co., Ltd.	"	NT\$25,870 (US\$798)	NT\$25,870 (US\$798)	-	2	-	"	-	-	-	"	"
1	"	Value Success Ltd.	"	NT\$63,960 (US\$1,972)	-	-	2	-	"	-	-	-	"	"
2	World Circuit Technology (Hong Kong) Limited	Shanghai World Circuit Technology Co., Ltd.	"	US\$1,700	US\$1,700	-	2	-	"	-	-	-	"	"
2	"	World Circuit Production (Hong Kong) Limited	"	HKD\$971 (US\$124)	HKD\$971 (US\$124)	-	2	-	"	-	-	-	"	"
3	Fu Gang Electronics (Dong Guan) Ltd.	Dong Guan Fu Qiang Electronics Ltd.	"	RMB\$25,000 (US\$3,423)	-	-	2	-	Building construction	-	-	-	"	"
4	Fu Gang Electronics (Kun Shan) Ltd.	Darts Technologies (Shang Hai) Co., Ltd.	"	RMB\$27,900 (US\$3,820)	RMB\$27,900 (US\$3,820)	-	2	-	Operating	-	-	-	"	"
4	"	Kunshan Fushijing Electronics Co., Ltd.	"	RMB\$15,000 (US\$2,054)	-	-	2	-	"	-	-	-	"	"

Number	Creditor	Borrower	General ledger account	Maximum outstanding balance during the year ended		Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short – term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
				December 31, 2007	Balance at December 31, 2007						Item	Value		
4	Fu Gang Electronics (Kun Shan) Ltd.	Fushilin Electronics (Kun Shan) Co., Ltd.	Other receivable - related parties	RMB\$11,847 (US\$1,622)	RMB\$11,847 (US\$1,622)	-	2	-	Building construction	-	-	-	The ceiling for total amount of withdrawals was NT\$3,359,910 (US\$103,605) which was 20% of the Company's net assets	The ceiling for total amount of withdrawals was NT\$6,891,834 (US\$212,514) which was 40% of the Company's net assets
4	"	Fushiming Electronics (Kun Shan) Co., Ltd.	"	RMB\$11,847 (US\$1,622)	RMB\$11,847 (US\$1,622)	-	2	-	"	-	-	-	"	"
4	"	Fushipeng Electronics (Kun Shan) Co., Ltd.	"	RMB\$11,847 (US\$1,622)	RMB\$11,847 (US\$1,622)	-	2	-	"	-	-	-	"	"
4	"	Fushiwei Electronics (Kun Shan) Co., Ltd.	"	RMB\$11,361 (US\$1,555)	RMB\$11,361 (US\$1,555)	-	2	-	"	-	-	-	"	"
4	"	Fu Hong Jin Real estate (Kun Shan) Co., Ltd.	"	RMB\$121 (US\$17)	RMB\$121 (US\$17)	-	2	-	"	-	-	-	"	"
4	"	Fushineng Electronics (Kun Shan) Co., Ltd.	"	RMB\$266 (US\$36)	RMB\$266 (US\$36)	-	2	-	"	-	-	-	"	"
4	"	Yangzhou Fu De Electronic Co., Ltd.	"	RMB\$36 (US\$5)	RMB\$36 (US\$5)	-	2	-	Operating	-	-	-	"	"
4	"	Yangzhou Fushiqliang Electronic Co., Ltd.	"	RMB\$20 (US\$3)	RMB\$20 (US\$3)	-	2	-	"	-	-	-	"	"

Number	Creditor	Borrower	General ledger account	Maximum outstanding balance during the year ended		Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short – term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
				December 31, 2007	Balance at December 31, 2007						Item	Value		
5	Fu Gang Electronics (Tian Jin) Ltd.	Shang Hai World Circuit Technology Limited	"	RMB\$15,000 (US\$2,054)	RMB\$15,000 (US\$2,054)	-	2	-	Building construction	-	-	-	The ceiling for total amount of withdrawals was NT\$3,359,910 (US\$103,605) which was 20% of the Company's net assets	The ceiling for total amount of withdrawals was NT\$6,891,834 (US\$212,514) which was 40% of the Company's net assets
6	Cu International	Dong Gong Fu Qiang Electronics Ltd.	"	RMB\$5,000 (US\$685)	-	-	2	-	"	-	-	-	"	"

Note : Securities and Futures institutions (SFI) Ruling (93) Chi-Mi-Tzu No. 167 requires that the overdue receivables be regarded as loans to related parties and reclassified to other receivables, if the credit terms of the related parties are obviously longer than the normal credit terms of the third parties.

B. Guarantee information:

<u>Number</u>	<u>Endorser/guarantor</u>	<u>Party being endorsed/guaranteed</u>	<u>Relationship with the endorser/guarantor</u>	<u>Limit on endorsements/guarantees provided for a single party</u>	<u>Maximum outstanding endorsement/guarantee amount during the year ended December 31, 2007</u>	<u>Outstanding endorsement /guarantee amount at December 31, 2007</u>	<u>Amount of endorsements/guarantees secured with collateral</u>	<u>Ratio of accumulated endorsement/guarantee amount to net asset value of the Company</u>	<u>Ceiling on total amount of endorsements/guarantees provided</u>
0	Cheng Uei Precision Industry Co. Ltd.	Fu Gang Electronics (Kun Shan) Ltd.	An indirect wholly-owned subsidiary	The ceiling of total outstanding guarantees and guarantee for single party except for subsidiaries is 50% and 40% of the Company's net assets, respectively.	US\$25,000	US\$25,000	None	5%	The Company's guarantee to others should not exceed 60% of the Company's net assets. As of June 30, 2007, the maximum amount of guarantee that the Company could provide was NT\$10,337,750 (US\$318,771).
0	"	Fu Gang Electronics (Dong Guan) Ltd.	"	"	US\$16,000	US\$16,000	"	3%	"
0	"	Dong Gong Fu Qiang Electronics Ltd.	"	"	US\$26,000 RMB\$80,000 (US\$10,953)	US\$26,000 RMB\$80,000 (US\$10,953)	"	5% 2%	"
0	"	Shanghai World Circuit Technology Co., Ltd.	Indirect subsidiary	"	US\$5,000	US\$5,000	"	1%	"
0	"	Fu Yang Electronics (Kun Shan) Ltd.	An indirect wholly-owned subsidiary	"	US\$10,000	US\$10,000	"	2%	"
0		CU International Ltd.	A wholly-owned subsidiary		US\$6,000	-	"	1%	"

C. Marketable securities held by the Company at December 31, 2007:

				As of December 31, 2007				
Securities held by	Marketable securities	Relationship of the securities		Number of shares		Ownership (%)	Market value	Remark
		issuer with the Company	General ledger account	(in thousands)	Book value			
Cheng Uei Precision Industry Co.,	Bao-li Securities Investment Trust Fund	Not applicable	Financial assets at fair value through profit or loss	603	NT\$6,030 (US\$186)	-	NT\$6,030 (US\$186)	
"	Cu International Ltd.	A wholly-owned subsidiary	Long-term investments accounted for under the equity method	109,667	NT\$4,171,839 (US\$128,641)	100%	NT\$4,171,839 (US\$128,641)	
"	Culink International Ltd.	"	"	500	NT\$36,917 (US\$1,138)	100%	NT\$36,917 (US\$1,138)	
"	Foxlink International Investment Ltd.	"	"	116,000	NT\$1,180,101 (US\$36,389)	100%	NT\$1,180,101 (US\$36,389)	
"	Fu Uei International Investment Ltd.	"	"	35,000	NT\$345,164 (US\$10,643)	100%	NT\$345,164 (US\$10,643)	
"	Well Shin Technology Co., Ltd.	"	"	20,001	NT\$802,014 (US\$24,731)	21.71%	NT\$765,425 (US\$23,602)	
"	Darts Technologies Corporation	"	"	48,500	NT\$901,394 (US\$27,795)	97%	NT\$588,102 (US\$18,135)	
"	Du Precision Industry CO., Ltd.	"	"	36,000	NT\$346,004 (US\$10,669)	60%	NT\$346,004 (US\$10,669)	
Dartz Technologies Corporation CDTC,	Benefit Right Ltd.	"	"	2,136	NT\$67,683 (US\$2,087)	100%	NT\$67,683 (US\$2,087)	
Cu International Ltd.	Fu Gang Electronics (Dong Guan) Ltd.	"	"	Not applicable	NT\$956,689 (US\$29,500)	100%	NT\$956,689 (US\$29,500)	
"	New Start Industries Ltd.	"	"	5,200	NT\$861,920 (US\$26,578)	100%	NT\$861,920 (US\$26,578)	
"	Foxlink Tianjin Co., Ltd.	"	"	Not applicable	NT\$45,277 (US\$1,396)	25%	NT\$45,277 (US\$1,396)	
"	Fu Gang Electronics (Kun Shan) Ltd.	"	"	"	NT\$801,598 (US\$24,718)	100%	NT\$801,598 (US\$24,718)	
"	Dong Guan Fu Shi Chang Co., Ltd.	"	"	"	NT\$3,557 (US\$110)	100%	NT\$3,557 (US\$110)	
"	Foxlink Electronics (Dong Guan) Co., Ltd.	"	"	"	NT\$23,306 (US\$719)	100%	NT\$23,306 (US\$719)	

As of December 31, 2007

Securities held by	Marketable securities	Relationship of the securities		Number of shares				Remark
		issuer with the Company	General ledger account	(in thousands)	Book value	Ownership (%)	Market value	
Cu International Ltd.	Foxlink-E Holding Co., Ltd.	An indirect investee company accounted for under the equity method	Long-term investments accounted for under the equity method	700	NT\$3,833 (US\$118)	33.33%	NT\$3,833 (US\$118)	
"	Dong Gong Fu Qiang Electronics Ltd.	A wholly –owned subsidiary	"	Not applicable	NT\$880,611 (US\$27,154)	100%	NT\$880,611 (US\$27,154)	
"	Fu Yang Electronics (Kun Shan) Ltd.	"	"	Not applicable	NT\$455,697 (US\$14,052)	100%	NT\$455,697 (US\$14,052)	
"	Foxlink Beijing Co., Ltd.	"	"	"	NT\$23,546 (US\$726)	100%	NT\$23,546 (US\$726)	
"	Neosonic Energy Technology (Tianjin) Ltd.	"	"	"	NT\$170,452 (US\$5,256)	100%	NT\$170,452 (US\$5,256)	
"	Kunshan Fushijing Electronic Co., Ltd.	"	"	"	NT\$226,812 (US\$6,994)	100%	NT\$226,812 (US\$6,994)	
"	Future Victory Ltd.	"	"	2,000	NT\$45,661 (US\$1,408)	100%	NT\$45,661 (US\$1,408)	
"	Solteras Limited	"	"	2,000	NT\$88,590 (US\$2,732)	100%	NT\$88,590 (US\$2,732)	
Culink International Ltd.	Foxlink Singapore Pte Ltd.	"	"	100	NT\$2,879 (US\$89)	100%	NT\$2,879 (US\$89)	
"	Pacific Wealth Limited	"	"	500	NT\$16,215 (US\$500)	100%	NT\$15,900 (US\$490)	
Foxlink International Investment Co., Ltd.	Foxlink Image Technology Co., Ltd.	An indirect investee company accounted for under the equity method	"	41,779	NT\$684,767 (US\$21,115)	28.19%	NT\$684,767 (US\$21,115)	
"	Everflow Precision Industrial Co., Ltd.	A wholly –owned subsidiary	"	6,000	-	75%	-	
"	Microlink Communications Inc.	An indirect investee company accounted for under the equity method	"	8,000	NT\$68,547 (US\$2,113)	28.57%	NT\$68,547 (US\$2,113)	
"	World Circuit Technology Co., Ltd.	A wholly –owned subsidiary	"	15,650	NT\$185,785 (US\$5,729)	69.56%	NT\$185,785 (US\$5,729)	
"	Vegamedia Technology Co., Ltd.	A wholly –owned subsidiary	"	100	(NT\$8,694) (US\$268)	100%	(NT\$8,694) (US\$268)	
Foxlink International Investment Co., Ltd.	Calin Technology Co., Ltd.	Not applicable	Financial assets carried at cost	3,000	NT\$37,500 (US\$1,156)	4.44%	NT\$37,500 (US\$1,156)	

As of December 31, 2007

Securities held by	Marketable securities	Relationship of the securities		As of December 31, 2007				Remark
		issuer with the Company	General ledger account	Number of shares (in thousands)	Book value	Ownership (%)	Market value	
Du Precision Industry Co. Ltd.	Ce-Link International Ltd.	A wholly-owned subsidiary	Long-term investments accounted for under the equity method	50	NT\$9,932 (US\$306)	100%	NT\$9,932 (US\$306)	
Fu Uei International Investment Ltd.	C-Media Electronics Inc.	Not applicable	Financial assets at fair value through profit or loss	400	NT\$40,000 (US\$1,233)	-	NT\$36,800 (US\$1,135)	
"	Newmax Technology Co., Ltd.	"	Financial assets carried at cost	2,625	NT\$36,759 (US\$1,133)	4.38%	NT\$36,759 (US\$1,133)	
"	Glory Science Co., Ltd.	An indirect investment company account for under the equity method	Long-term investments accounted for under the equity method	10,000	NT\$193,240 (US\$5,959)	21.7%	NT\$89,040 (US\$2,746)	
New Start Industries Ltd.	Fu Gang Electronics (Tian Jin) Ltd.	A wholly-owned subsidiary	"	Not applicable	NT\$726,049 (US\$22,388)	100%	NT\$729,049 (US\$22,388)	
"	Foxlink Tianjin Co., Ltd.	"	"	"	NT\$135,853 (US\$4,189)	75%	NT\$135,853 (US\$4,189)	
Fox-E Holding Co.,	Fox-electronics (Shang Hai) Ltd.	"	"	"	(NT\$16,466) (US\$508)	100%	(NT\$16,466) (US\$508)	
Future Victory Limited Ltd.	Darts Technologies (Shang Hai) Co., Ltd.	"	"	"	NT\$45,611 (US\$1,406)	100%	NT\$45,611 (US\$1,406)	
Solteras Limited	Solteras Inc.	"	"	2,000	NT\$88,590 (US\$2,732)	49%	NT\$88,590 (US\$2,732)	
Pacific Wealth Limited	Foxlink International Inc.	"	"	500	NT\$16,215 (US\$500)	100%	NT\$15,900 (US\$490)	
World Circuit Technology Co., Ltd.	Value Success Ltd.	"	"	5,000	(NT\$74,737) (US\$2,305)	100%	(NT\$74,737) (US\$2,305)	
"	Knowledge United Limited	"	"	800	NT\$3,879 (US\$120)	100%	NT\$3,879 (US\$120)	
Value Success Ltd.	Capital Guardian Limited	"	"	3,005	(NT\$74,660) (US\$2,302)	100%	(NT\$74,660) (US\$2,302)	
Capital Guardian Limited	World Circuit Technology Holding, Limited	"	"	3,600	(NT\$74,660) (US\$2,302)	100%	(NT\$74,660) (US\$2,302)	
World Circuit Technology Holding, Limited	World Circuit Technology (Hong Kong) Limited	"	"	Not applicable	(NT\$70,549) (US\$2,175)	100%	(NT\$70,549) (US\$2,175)	

As of December 31, 2007

Securities held by	Marketable securities	Relationship of the securities		Number of shares		Book value	Ownership (%)	Market value	Remark
		issuer with the Company	General ledger account	(in thousands)					
World Circuit Technology Holding, Limited	World Circuit Production Limited	A wholly-owned subsidiary	Long-term investments accounted for under the equity method	3,000	(NT\$31,736) (US\$979)	100%	(NT\$31,736) (US\$979)		
World Circuit Technology (Hong Kong) Limited	Shanghai World Circuit Technology Co., Ltd.	"	"	Not applicable	(NT\$50,898) (US\$1,569)	100%	(NT\$50,898) (US\$1,569)		

D. Acquisition or sale of the same security with the accumulated cost exceeding \$100 million or 20% of the Company's paid-in capital during the year ended December 31, 2007

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the Company	Balance as at January 1, 2007		Addition		Disposal				Balance as at December 31, 2007	
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Gain (loss) on disposal	Number of shares (in thousands)	Amount
Cheng Uei Precision Industry Co., Ltd.	Cu International Ltd.	Long-term investment accounted for under the equity method	Issuance of cash	Not applicable	99,167	NT\$3,200,305 (US\$98,683)	10,500	NT\$344,357 (US\$10,619)	-	-	-	-	109,667	NT\$3,544,662 (US\$109,302)
"	Fu Uei International Investment Ltd.	"	"	"	10,000	NT\$100,971 (US\$3,114)	25,000	NT\$250,000 (US\$7,709)	-	-	-	-	35,000	NT\$350,971 (US\$10,823)
"	Du Precision Industry Co., Ltd.	"	"	"	-	-	36,000	NT\$360,000 (US\$11,101)	-	-	-	-	36,000	NT\$360,000 (US\$11,101)
"	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss	Not applicable	"	-	-	40,668	NT\$600,000 (US\$18,501)	40,668	NT\$600,340 (US\$18,511)	NT\$600,000 (US\$18,501)	NT\$340 (US\$10)	-	-
"	FGIT Wan-Tai Fund	"	"	"	-	-	117,617	NT\$1,650,000 (US\$50,879)	117,617	NT\$1,653,197 (US\$50,977)	NT\$1,650,000 (US\$50,879)	NT\$3,197 (US\$98)	-	-
Darts Technology Corporation	FGIT Wan-tai Fund	"	"	"	-	-	9,299	NT\$130,000 (US\$4,009)	9,299	NT\$131,070 (US\$4,042)	NT\$130,000 (US\$4,009)	NT\$1,070 (US\$33)	-	-

Investor	Marketable securities	General ledger account	Relationship with Counterparty the Company	Balance as at January 1, 2007		Addition		Disposal			Balance as at December 31, 2007			
				Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Gain (loss) on disposal	Number of shares (in thousands)	Amount	
Darts Technology Corporation	An Tai Bond Fund	Financial assets at fair value through profit or loss	Not applicable	Not applicable	-	-	9,651	NT\$14,600 (US\$4,502)	9,651	NT\$146,872 (US\$4,529)	NT\$146,000 (US\$4,502)	NT\$872 (US\$27)	-	-
"	Prudential Financial Bond Fund	"	"	"	-	-	9,951	NT\$14,600 (US\$4,502)	9,951	NT\$147,127 (US\$4,537)	NT\$146,000 (US\$4,502)	NT\$1,127 (US\$35)	-	-
Fu Uei International Investment Ltd.	Glory Science Co., Ltd.	Long-term investment accounted for under the equity method	Issuance of Cash	Not applicable	-	-	10,000	NT\$200,000 (US\$6,167)	-	-	-	-	10,000	NT\$200,000 (US\$6,167)
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss	Not applicable	"	6,980	NT\$100,000 (US\$3,084)	-	-	6,980	NT\$100,921 (US\$3,112)	NT\$100,000 (US\$3,084)	NT\$921 (US\$28)	-	-

E. Acquisition of real estate properties exceeding \$100 million or 20% of the Companies' paid-in capital during the year ended December 31, 2007 : None

F. Disposal of real estate properties exceeding \$100 million or 20% of the Companies' paid-in capital during the year ended December 31, 2007 :

Property disposed of by	Property	Date of disposal	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the Company	Reason for disposal	Basis or reference used in setting the price	Other commitments
Cheng Uei Precision Industry Co., Ltd.	Building	06/27/2007	12/26/2002	NT\$105,300 (US\$3,247)	NT\$143,922 (US\$4,438)	Collections in the form of cash	NT\$38,621 (US\$1,191)	Sun Chen Technology Co., Ltd.	None.	None.	None.	None.

Note 1: For the property disposed of should be appraised pursuant to the regulation, the appraisal results shall be indicated in the column of "Basis or reference used in setting the price".

Note 2: The paid-in capital refers to the paid-in capital of the parent company.

G. Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's paid-in capital during the year ended December 31, 2007

Purchaser/seller	Counterparty	Relationship with the Company	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Percentage of total notes/accounts receivable (payable)	Remark
			Purchases (sales)	Amount			Unit price	Credit term	Balance			
Cheng Uei Precision Industry Co., Ltd.	Foxlink International Inc.	Indirect subsidiary of the Company	Sales	<u>(NT\$12,709,154)</u> (US\$391,895)	(30%)	Note 1	Note 1	Note 1	<u>NT\$4,142,450</u> (US\$127,735)		38%	
"	Darts Technologies Corporation	A direct controlled subsidiary	"	<u>(NT\$2,596,045)</u> (US\$80,051)	(6%)	"	"	"	<u>NT\$259,304</u> (US\$7,996)		2%	
"	Hon Hai Precision Industry Co., Ltd.	The CEO's of Hon Hai and the Company are brothers	"	<u>(NT\$2,152,199)</u> (US\$66,364)	(5%)	"	"	"	<u>NT\$1,272,916</u> (US\$39,251)		12%	
"	Fu Gang Electronics (Kun Shan) Ltd.	An indirect wholly - owned subsidiary	"	<u>(NT\$1,254,617)</u> (US\$38,687)	(3%)	"	"	"	<u>NT\$265,596</u> (US\$8,190)		2%	
"	Solteras Inc.	An indirect investee company accounted for under the equity method	"	<u>(NT\$870,128)</u> (US\$26,831)	(2%)	"	"	"	<u>NT\$35,390</u> (US\$1,091)		-	
"	Foxlink Tianjin Co., Ltd.	Indirect subsidiary	"	<u>(NT\$686,821)</u> (US\$21,179)	(2%)	"	"	"	<u>NT\$68,169</u> (US\$2,102)		1%	
"	Kunshan Fushijing Electronics Co., Ltd.	An indirect wholly - owned subsidiary	"	<u>(NT\$501,198)</u> (US\$15,455)	(1%)	"	"	"	<u>NT\$59,084</u> (US\$1,822)		1%	
"	Fushilin Electronics (Dong Guan) Co., Ltd.	An indirect wholly - owned subsidiary	"	<u>(NT\$355,500)</u> (US\$10,962)	(1%)	"	"	"	<u>NT\$126,137</u> (US\$3,890)		1%	
"	Suntain Co., Ltd.	An affiliate	"	<u>(NT\$343,760)</u> (US\$10,600)	(1%)	"	"	"	<u>NT\$156,085</u> (US\$4,813)		1%	
"	Well Shin Technology Co., Ltd.	An indirect investee company accounted for under the equity method	Purchases	<u>NT\$656,995</u> (US\$20,259)	6%	Note 2	Note 2	Note 2	<u>(NT\$168,416)</u> (US\$5,193)		(1%)	
"	Hon Hai Precision Industry Co., Ltd.	The CEO's of Hon Hai and the Company are brothers	"	<u>NT\$580,706</u> (US\$17,906)	5%	"	"	"	<u>(NT\$45,948)</u> (US\$1,417)		-	
"	Shanghai World Circuit Technology Co., Ltd.	Indirect subsidiary	"	<u>NT\$143,003</u> (US\$4,410)	1%	"	"	"	<u>(NT\$31,526)</u> (US\$972)		-	
Foxlink International Inc.	Cheng Uei Precision Industry Co., Ltd.	Ultimate parent company of the Company	"	<u>NT\$12,709,154</u> (US\$391,895)	100%	"	"	"	<u>(NT\$4,142,450)</u> (US\$127,735)		(100%)	
Darts Technologies Corporation	Cheng Uei Precision Industry Co., Ltd.	Parent company of the Company	"	<u>NT\$2,596,045</u> (US\$80,051)	100%	Note 1	Note 1	Note 1	<u>(NT\$259,304)</u> (US\$7,996)		(100%)	
Fu Gang Electronics (Kun Shan) Ltd.	"	Ultimate parent company of the Company	"	<u>NT\$1,254,617</u> (US\$38,687)	100%	"	"	"	<u>(NT\$265,596)</u> (US\$8,190)		(100%)	
Foxlink Tianjin Co., Ltd.	"	"	"	<u>NT\$686,821</u> (US\$21,179)	100%	"	"	"	<u>(NT\$68,169)</u> (US\$2,102)		(100%)	
Kunshan Fushijing Electronics Co., Ltd.	"	"	"	<u>NT\$501,198</u> (US\$15,455)	100%	"	"	"	<u>(NT\$59,084)</u> (US\$1,822)		(100%)	
Fushilin Electronics (Dong Guan) Co., Ltd.	"	"	"	<u>NT\$355,500</u> (US\$10,962)	100%	"	"	"	<u>(NT\$126,137)</u> (US\$3,890)		(100%)	
Shanghai World Circuit Technology Co., Ltd.	"	"	Sales	<u>(NT\$143,003)</u> (US\$4,410)	100%	Note 2	Note 2	Note 2	<u>(NT\$31,526)</u> (US\$972)		(100%)	

Note 1 : See Note 5, B.1).

Note 2 : See Note 5, B.2).

H. Receivables from related parties exceeding \$100 million or 20% of the Company's paid-in capital as at December 31, 2007

Creditor	Counterparty	Relationship with the Company	Balance as at December 31, 2007	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Cheng Uei Precision Industry Co., Ltd.	Foxlink International Inc.	Indirect subsidiary of the Company	<u>NT\$4,142,450</u> (US\$127,735)	3.07	None	Not applicable	NT\$140,765 (US\$4,341)	None
"	Hon Hai Precision Industry Co., Ltd.	The CEOs' of Hon Hai and the Company are brothers	<u>NT\$1,272,916</u> (US\$39,251)	2.26	"	"	NT\$25,182 (US\$777)	"
"	Darts Technologies Corporation	A wholly - owned subsidiary	<u>NT\$259,304</u> (US\$7,996)	10.01	"	"	NT\$34,345 (US\$1,059)	"
"	Suntain Co., Ltd.	An affiliate	<u>NT\$156,085</u> (US\$4,813)	2.45	"	"	NT\$94,946 (US\$2,928)	"
"	Fu Gang Electronics (Kun Shan) Ltd.	An indirect wholly - owned subsidiary	<u>NT\$265,596</u> (US\$8,190)	3.25	"	"	None	"
"	Fushilin Electronics (Dong Guan) Co., Ltd.	An indirect wholly - owned subsidiary	<u>NT\$126,137</u> (US\$3,890)	4.68	"	"	None	"

I. Information on derivative transactions:

(a) The Company: See Note 10

(b) Investee Company: None

2) Information on investee companies for the year ended December 31, 2007

A. Detailed information of investee companies disclosed by the subsidiaries based on their unaudited financial statements

Investor	Investee	Location	Main activities	Initial investment amount		Shares held as at December 31, 2007			Net income (loss) of the investee	Investment income (loss) recognized by the Company
				Balance as at 12/31/07	Balance As at 1/1/07	No. of shares (in thousands)	Ownership (%)	Book value		
Cheng Uei Precision Industry Co., Ltd.	Cu International Ltd.	British Virgin Islands	Electronic telecommunication components and investment holdings	US\$109,667	US\$99,167	109,667	100%	NT\$4,171,289 (US\$128,624)	NT\$355,269 (US\$10,955)	NT\$355,269 (US\$10,955)
"	Culink International Ltd.	"	Investment holdings	US\$500	US\$500	500	100%	NT\$36,917 (US\$1,138)	NT\$3,758 (US\$116)	NT\$3,758 (US\$116)
"	Foxlink International Investment Co., Ltd.	Taipei	Investment holdings	NT\$1,160,000 (US\$35,769)	NT\$1,160,000 (US\$35,769)	116,000	100%	NT\$1,180,101 (US\$36,389)	(NT\$70,323) (US\$2,168)	(NT\$70,323) (US\$2,168)
"	Fu Uei International Investment Ltd.	"	Investment holdings	NT\$350,000 (US\$10,792)	NT\$100,000 (US\$3,084)	35,000	100%	NT\$345,164 (US\$10,643)	(NT\$6,600) (US\$204)	(NT\$6,600) (US\$204)
"	Well Shin Technology Co., Ltd.	"	Electronic telecommunication components	NT\$270,065 (US\$8,328)	NT\$200,000 (US\$6,167)	20,001	21.71%	NT\$802,014 (US\$24,731)	NT\$390,418 (US\$12,039)	NT\$90,664 (US\$2,796)

Investor	Investee	Location	Main activities	Initial investment amount		Shares held as at December 31, 2007			Investment income	
				Balance	Balance	No. of shares		Net income (loss) of the investee	(loss) recognized by the Company	
				as at 12/31/07	As at 1/1/07	(in thousands)	Ownership (%)			Book value
Cheng Uei Precision Industry Co., Ltd.	Darts Technologies Corporation	Taipei	Electronic telecommunication and wireless components	NT\$966,266 (US\$29,795)	NT\$966,266 (US\$29,795)	48,500	97.00%	NT\$901,394 (US\$27,795)	NT\$43 (US\$1)	(NT\$39,793) (US\$1,227)
"	Du Precision Industry Co., Ltd.	"	Connectors	NT\$360,000 (US\$11,101)	-	36,000	60.00%	NT\$346,004 (US\$10,669)	(NT\$23,326) (US\$719)	(NT\$13,996) (US\$432)
Cu International Ltd.	Fu Gang Electronics (Dong Guan) Ltd.	Dong Guan, China	Electronic telecommunication components	HK\$237,808 (US\$30,483)	HK\$217,502 (US\$27,880)	-	100%	NT\$956,689 (US\$29,500)	NT\$17,183 (US\$530)	Not applicable
"	New Start Industries Ltd.	British Virgin Islands	Investment holdings	US\$5,200	US\$5,200	5,200	100%	NT\$861,920 (US\$26,578)	NT\$78,807 (US\$2,430)	
"	Fu Gang Electronics (Kun Shan) Ltd.	Kun Shan, China	Electronic telecommunication components	US\$18,000	US\$1,800	-	100%	NT\$801,598 (US\$24,718)	NT\$9,709 (US\$299)	"
"	Dong Guan Fu Shi Chang Co., Ltd.	Dong Guan, China	Electronic telecommunication components	HK\$936 (US\$120)	HK\$936 (US\$120)	-	100%	NT\$3,557 (US\$110)	(NT\$40) (US\$1)	"
"	Foxlink Electronics (Dong Guan) Co., Ltd.	Dong Guan, China	Electronic telecommunication components	HK\$4,505 (US\$577)	HK\$4,505 (US\$577)	-	100%	NT\$23,306 (US\$719)	NT\$31,136 (US\$960)	"
"	Culink Tianjin Co., Ltd.	Tian Jin, China	Electronic telecommunication components	US\$1,000	US\$1,000	-	25%	NT\$45,277 (US\$1,396)	NT\$39,187 (US\$1,208)	"
"	Dong Guan Fu Qiang Electronics Ltd.	Dong Guan, China	Electronic telecommunication components	US\$24,524	US\$21,584	-	100%	NT\$880,611 (US\$27,154)	NT\$5,898 (US\$182)	"
"	Fu Yang Electric (Kun Shan) Co., Ltd.	Kun Shan, China	Manufacturing electronic telecommunication components	US\$13,200	US\$8,000	-	100%	NT\$455,697 (US\$14,052)	(NT\$4,128) (US\$127)	"
"	Foxlink Beijing Co., Ltd.	Beijing, China	Sales Agent	US\$1,000	US\$300	-	100%	NT\$23,546 (US\$726)	(NT\$4,664) (US\$144)	"
"	Kun Shan Fushijing Electronics Co., Ltd.	Kun Shan, China	Manufacturing of electronic telecommunication components	US\$3,000	US\$3,000	-	100%	NT\$226,812 (US\$6,994)	NT\$35,377 (US\$1,091)	"
"	Future Victory Limited	British Virgin Islands	Investment holdings	US\$1,705	US\$1,705	2,000	100%	NT\$45,661 (US\$1,408)	(NT\$820) (US\$25)	"
"	Neosonic Energy Technology (Tianjin) Ltd.	Tian Jin, China	Manufacturing of electronic telecommunication components	US\$4,000	US\$4,000	-	100%	NT\$170,452 (US\$5,256)	NT\$939 (US\$29)	"

Investor	Investee	Location	Main activities	Initial investment amount		Shares held as at December 31, 2007			Investment income	
				Balance as at 12/31/07	Balance As at 1/1/07	No. of shares (in thousands)	Ownership (%)	Book value	Net income (loss) of the investee	(loss) recognized by the Company
Cu International Ltd.	Solteras Limited	British Virgin Islands	Investment holdings	US\$2,000	US\$2,000	2,000	100%	NT\$88,590 (US\$2,732)	NT\$1,714 (US\$53)	Not applicable
"	Fox-E Holding Co., Ltd.	Mauritius	Investment holdings	US\$700	US\$700	700	33.33%	NT\$3,833 (US\$118)	(NT\$35,029) (US\$1,080)	"
New Start Industries Ltd.	Fungang Electronic (Tian Jin) Ltd.	Tian Jin, China	Manufacturing of telecommunication components	US\$5,200	US\$5,200	-	100%	NT\$726,049 (US\$22,388)	NT\$49,057 (US\$1,513)	"
"	Foxlink Tianjin Co., Ltd.	Tian Jin, China	Manufacturing of telecommunication components	US\$3,000	US\$3,000	-	75%	NT\$135,853 (US\$4,189)	NT\$39,187 (US\$1,208)	"
Fox-E Holding Co., Ltd.	Fox-electronics (Shang Hai) Ltd.	Shang Hai, China	Manufacture of electronic components	US\$2,000	US\$2,000	-	100%	(NT\$16,466) (US\$508)	(NT\$12,334) (US\$380)	"
Culink International Ltd.	Foxlink Singapore Pte Ltd.	Singapore	Sales agent	US\$61	US\$61	100	100%	NT\$2,879 (US\$89)	(NT\$3,480) (US\$107)	"
"	Pacific Wealth Limited	British Virgin Islands	Investments holdings	US\$500	-	500	100%	NT\$16,215 (US\$500)	(NT\$23,313) (US\$719)	"
Pacific Wealth Limited	Foxlink International Inc.	America	Sale Agent	US\$500	-	500	100%	NT\$16,215 (US\$500)	(NT\$23,313) (US\$719)	"
Future Vickory Ltd.	Darts Technologies (Shang Hai) Co., Ltd.	Shang Hai, China	Research and development of telecommunication components	US\$1,705	US\$1,705	-	100%	NT\$45,611 (US\$1,406)	-	"
Foxlink International Investment Co., Ltd.	Foxlink Image Technology Co., Ltd.	Hsinchu	Manufacturing of image scanners and electronic telecommunication components	NT\$325,989 (US\$10,052)	NT\$325,989 (US\$10,052)	41,779	28.19%	NT\$684,767 (US\$21,115)	NT\$335,135 (US\$10,334)	"
"	Everflow Precision Industries Co., Ltd.	Taipei	Manufacturing of electronic components and instruments	NT\$60,000 (US\$1,850)	NT\$60,000 (US\$1,850)	6,000	75.00%	-	-	"
"	Microlink Communications Inc.	Taipei	Manufacturing of wireless communication instruments	NT\$80,000 (US\$2,467)	NT\$80,000 (US\$2,467)	8,000	28.57%	NT\$68,547 (US\$2,114)	(NT\$10,026) (US\$309)	"
"	World Circuit Technology Co., Ltd.	Taipei	Manufacturing of electronic components and flexible printed circuit	NT\$469,500 (US\$14,477)	NT\$469,500 (US\$14,477)	15,650	69.56%	NT\$185,785 (US\$5,729)	(NT\$158,782) (US\$4,896)	"
"	Vegamedia Technology Co., Ltd.	Taipei	Manufacturing of electronic components	NT\$1,000 (US\$31)	NT\$1,000 (US\$31)	100	100%	(NT\$8,694) (US\$268)	(NT\$60) (US\$2)	"
Solteras Limited	Solteras Inc.	America	Manufacture of electronic components	US\$2,000	US\$2,000	2,000	49.00%	NT\$88,590 (US\$2,732)	NT\$1,714 (US\$53)	"

Investor	Investee	Location	Main activities	Initial investment amount		Shares held as at December 31, 2007			Investment income	
				Balance as at 12/31/07	Balance As at 1/1/07	No. of shares (in thousands)	Ownership (%)	Book value	Net income (loss) of the investee	(loss) recognized by the Company
World Circuit Technology Co., Ltd.	Value Success Limited	Virgin Islands	Investment holdings	US\$6,400	US\$5,400	5,000	100%	(NT\$74,737) (US\$2,305)	(NT\$147,058) (US\$4,535)	Not applicable
World Circuit Technology Co., Ltd.	Knowledge United Limited	Virgin Islands	Investment holdings	US\$800	US\$800	800	100%	NT\$3,879 (US\$120)	NT\$78 (US\$2)	"
Value Success Limited	Capital Guardian Ltd.	Hong Kong	"	US\$6,400	US\$5,400	3,005	100%	(NT\$74,660) (US\$2,302)	(NT\$87,471) (US\$2,697)	"
Capital Guardian Limited	World Circuit Technology Holding Limited	Hong Kong	"	HK\$600 (US\$77) (US\$4,400)	HK\$600 (US\$77) (US\$3,400)	3,600	100%	(NT\$74,660) (US\$2,302)	(NT\$87,470) (US\$2,697)	"
World Circuit Technology Holding Limited	World circuit Technology (Hong Kong) Limited	Hong Kong	Electronic components	HK\$8,714 (US\$1,177)	HK\$1,000 (US\$128)	-	100%	(NT\$70,549) (US\$2,175)	(NT\$87,471) (US\$2,697)	"
"	World Circuit Production Limited	Hong Kong	Investment holdings	US\$3,400	US\$3,400	3,000	100%	(NT\$31,736) (US\$979)	(NT\$1) -	"
World Circuit Technology (Hong Kong) Limited	Shang Hai World Circuit Technology Co., Ltd.	Shang Hai, China	Electronic components	US\$3,241	US\$2,241	-	100%	(NT\$50,898) (US\$1,569)	(NT\$87,667) (US\$2,703)	"
Fu Uei International Investment Ltd. (Fu Uei)	Glory Science Co., Ltd.		Electronic components	NT\$20,000 (US\$6,167)	-	10,000	21.70%	NT\$193,240 (US\$5,959)	(NT\$52,652) (US\$1,624)	"
Du Precision Industry Co., Ltd.	CE LINK INTERNATIONAL LTD.	British Virgin Islands	Connectors	US\$920	-	50	100%	NT\$9,932 (US\$306)	(NT\$20,064) (US\$619)	"
Darts Technologies Corporation	Benefit Right Ltd.	"	Electronic components	USD2,136	-	2,136	100%	NT\$67,683 (US\$2,087)	(NT\$2,354) (US\$73)	"

3) Disclosure of investments in Mainland China

A. The Company has Cu as subcontractors in 1997, which rents factories in Dong Guan and Shenzhen, for the manufacture of electronic telecommunication components and electronic wires and will operate until February, 2008. (Note)

Note: See Note 5.B for transactions with subcontractors.

B. Basic information

Name of investee in Mainland China	Main activities of investee	Capital	Investment method	Accumulated	Remitted or collected		Accumulated	Ownership held by the Company (Direct and indirect)	Investment income (loss)		Investment income (loss) remitted back as of December 31, 2007
				remittance as of January 1, 2007	_____	remittance as of December 31, 2007	Investment income recognized by the Company during the period		Ending balance of investment		
					Remitted out	Collected					
Fu Gang Electronics (Dong Guan) Ltd.	Manufacturing of electronic telecommunication components and electric wires	HK\$237,808 (US\$30,488)	By third party	HK\$217,502 (US\$27,880)	HK\$20,306 (US\$2,603)	-	HK\$237,808 (US\$30,483)	100%	NT\$17,183 (US\$530)	NT\$956,689 (US\$29,500)	-
Fu Gang Electronics (Tian Jin) Ltd.	Manufacturing of electronic telecommunication components	US\$8,500	"	US\$5,200	-	-	US\$5,200	100%	NT\$49,057 (US\$1,513)	NT\$726,049 (US\$22,388)	-
Fu Gang Electronics (Kun Shan) Ltd.	Manufacturing of electronic telecommunication components	US\$18,000	"	US\$18,000	-	-	US\$18,000	100%	NT\$9,709 (US\$299)	NT\$801,598 (US\$24,718)	-
Dong Guan Fu Shi Chang Co., Ltd.	Manufacturing of electronic telecommunication components and electric wires	HK\$936 (US\$120)	"	HK\$936 (US\$120)	-	-	HK\$936 (US\$120)	100%	(NT\$40) (US\$1)	NT\$3,557 (US\$110)	-
Fushilin Electronics (Dong Guan) Co., Ltd.	Manufacturing of electronic telecommunication components	HK\$4,505 (US\$578)	"	HK\$4,505 (US\$577)	-	-	HK\$4,505 (US\$577)	100%	NT\$31,136 (US\$960)	NT\$23,306 (US\$719)	-
Foxlink Electronics (Tian Jin) Ltd.	Manufacturing of electronic telecommunication components	US\$4,000	"	US\$1,000	-	-	US\$1,000	100%	NT\$39,187 (US\$1,208)	NT\$181,130 (US\$5,585)	-
Fox-Electronics (Shang Hai) Co., Ltd.	Sales agent	US\$2,000	"	US\$2,000	-	-	US\$2,000	33.33%	(NT\$10,728) (US\$331)	(NT\$16,466) (US\$508)	-
Fu Yang Electric (Kun Shan) Co., Ltd.	Manufacturing of electronic telecommunication components	US\$13,200	"	US\$8,000	US\$5,200	-	US\$13,200	100%	(NT\$4,128) (US\$127)	NT\$455,697 (US\$14,052)	-
Dong Guan Fu Qiang Electronics Ltd.	Electronic telecommunication components	US\$24,524	"	US\$21,584	US\$2,940	-	US\$24,524	100%	NT\$5,898 (US\$182)	NT\$880,611 (US\$27,154)	-
Foxlink Beijing Co., Ltd.	Sales agent	US\$1,000	"	US\$300	US\$700	-	US\$1,000	100%	(NT\$4,664) (US\$144)	NT\$23,546 (US\$726)	-
Neosonic Energy Technology (Tianjin) Ltd.	Manufacturing of electronic telecommunication components	US\$4,000	"	US\$4,000	-	-	US\$4,000	100%	NT\$939 (US\$29)	NT\$170,452 (US\$5,256)	-
Kun Shan Fushijing Electronics Co., Ltd.	Manufacturing of electronic telecommunication components	US\$3,000	"	US\$3,000	-	-	US\$3,000	100%	NT\$35,377 (US\$1,091)	NT\$226,812 (US\$6,994)	-
Darts Technologies (Shang Hai) Ltd.	Research and development of telecommunication components	US\$2,000	"	US\$1,705	-	-	US\$1,705	100%	-	NT\$45,611 (US\$1,406)	-

Accumulated amount remitted out from Taiwan to Mainland China	Investment amount approved by FIC	Ceiling of investment amount of the Company in Mainland China
<u>HK\$243,249 (US\$31,181) and US\$73,629</u>	<u>HK\$245,441 (US\$31,462) and US\$104,903</u>	<u>NT\$4,859,911(US\$149,858)</u>

Note 1: Investment was made through Cu, an investee company. The investment was approved by the Foreign Investment Commission (FIC) of MOEA.

C. The significant direct or indirect transactions of the Company with the investee companies in Mainland China

- a. Purchases amount and percentage of total purchases as well as the related accounts payable and percentage of total accounts payable:

<u>Company name</u>	<u>Account</u>	<u>For the year ended December 31, 2007</u>	
		<u>Amount</u>	<u>Percentage</u>
Shanghai World Circuit Technology Co., Ltd.	Sales	<u>NT\$143,003</u> (US\$4,410)	<u>1%</u>

<u>Company name</u>	<u>Account</u>	<u>For the year ended December 31, 2007</u>	
		<u>Amount</u>	<u>Percentage</u>
Shanghai World Circuit Technology Co., Ltd.	Accounts payable	<u>NT\$31,527</u> (US\$972)	-

- b. Sales amount and percentage of total sales as well as the related accounts receivable and percentage of total accounts receivable:

<u>Company name</u>	<u>Account</u>	<u>For the year ended December 31, 2007</u>	
		<u>Amount</u>	<u>Percentage</u>
Fu Gang Electronics (Kun Shan) Ltd.	Sales	<u>NT\$1,254,617</u> (US\$38,687)	<u>3%</u>
Foxlink Tianjin Co., Ltd.	Sales	<u>NT\$686,821</u> (US\$21,179)	<u>2%</u>
Kunshan Fushijing Electronics Co., Ltd. (KFE)	Sales	<u>NT\$501,198</u> (US\$15,455)	<u>1%</u>
Fushilin Electronics (Dong Guan) Ltd.	Sales	<u>NT\$355,500</u> (US\$10,962)	<u>1%</u>

<u>Company name</u>	<u>Account</u>	<u>For the year ended December 31, 2007</u>	
		<u>Amount</u>	<u>Percentage</u>
Fu Gang Electronics (Kun Shan) Ltd.	Accounts receivable	<u>NT\$265,596</u> (US\$8,190)	<u>2%</u>
Foxlink Tianjin Co., Ltd.	Accounts receivable	<u>NT\$68,169</u> (US\$2,102)	<u>1%</u>

Kunshan Fushijing Electronics Co., Ltd. (KFE)	Accounts receivable	<u>NT\$59,084</u> (US\$1,822)	<u>1%</u>
Fushilin Electronics (Dong Guan) Ltd.	Accounts receivable	<u>NT\$126,137</u> (US\$3,890)	<u>1%</u>

- c. Property transactions and gain (loss) on the transactions: none.
- d. Endorsements, guarantees and collateral provided: please refer to Note 11(1) (2).
- e. For the information on loans granted, please refer to Note 11(1) (1).
- f. Transactions having significant effects on current period's income/loss and financial conditions:

<u>Company name</u>	<u>Account</u>	<u>For the year ended December 31, 2007</u>	
		<u>Amount</u>	<u>Percentage</u>
Fu Gang Electronics (Dong Guan) Ltd.	Manufactory overhead - processing expense	<u>NT\$300,707</u> (US\$9,272)	<u>4%</u>
Fu Guan Electronics (Kun Shan) Ltd.	"	<u>NT\$1,337,918</u> (US\$41,256)	<u>16%</u>
Dong Guan Fu Qiang Electronics Ltd.	"	<u>NT\$376,119</u> (US\$11,598)	<u>4%</u>
Neosonic Energy Technology (Tianjin) Ltd.	"	<u>NT\$76,074</u> (US\$2,346)	<u>1%</u>
Foxlink Tianjin Co., Ltd.	"	<u>NT\$130,137</u> (US\$4,013)	<u>2%</u>
Fu Gang Electronics (Tian Jin) Ltd.	"	<u>NT\$255,535</u> (US\$7,880)	<u>3%</u>

4) Significant transactions which occurred between the Company and its subsidiaries

(1) Subsidiaries included in the consolidated financial statements:

2007

Number	Name of the Company	Name of the Company	Relationship with the counterparty	Transactions			% of total sales or total assets
				Account	Amount	Terms	
0	Cheng Uei Precision Industry Co., Ltd.	Foxlink International Inc.	1	Accounts receivable	4,142,450	The payment term is 120 to 180 days after monthly billing	11%
0	"	"	1	Sales	12,709,154	The prices are based on the costs plus the agreed-upon gross profit margin	29%
0	"	"	1	Accounts payable	142,809	The payment term is 60 to 120 days after monthly billing	-
0	"	Cu International Ltd.	1	Processing expenses	5,009,318	The processing fee includes all expenditures every month	11%
0	"	"	1	Other revenue	118,568	According to the actual occurrence	-
0	"	"	1	Accrued expenses	64,170	Note	-
0	"	Fu Gang Electronics (Kun Shan) Ltd.	1	Processing expenses	1,337,918	The processing fee includes all expenditures every month	3%
0	"	"	1	Accounts receivable	265,596	Note	1%
0	"	"	1	Sales	1,254,617	The prices are based on the costs plus the agreed-upon gross profit margin	3%
0	"	Fu Gang Electronics (Dong Guan) Ltd.	1	Processing expenses	300,707	The processing fee includes all expenditures every month	1%
0	"	"	1	Accrued expenses	379,213	Note	1%
0	"	Fu Gang Electronics (Tian Jin) Ltd.	1	Processing expenses	255,535	The processing fee includes all expenditures every month	1%
0	"	"	1	Other receivable	152,354	Note	-
0	"	"	1	Prepaid	169,921	Note	-
0	"	Neosonic Energy Technology (Tianjin) Ltd.	1	Processing expenses	76,074	The processing fee includes all expenditures every month	-
0	"	"	1	Accrued expenses	15,773	Note	-
0	"	Dong Guan Fu Qiang Electronics Ltd. (DGFQ)	1	Processing expenses	376,119	The processing fee includes all expenditures every month	1%
0	"	"	1	Prepaid	309,177	Note	1%
0	"	Foxlink Tianjin Co., Ltd.	1	Processing expenses	130,137	The processing fee includes all expenditures every month	-
0	"	"	1	Accounts receivable	68,169	Note	-
0	"	"	1	Sales	686,821	The prices are based on the costs plus the agreed-upon gross profit margin	2%

Number	Name of the Company	Name of the Company	Relationship with the counterparty	Transactions			% of total sales or total assets
				Account	Amount	Terms	
0	"	Kunshan Fushijing Electronics Co., Ltd. (KFE)	1	Processing expenses	73,442	The processing fee includes all expenditures every month	-
0	"	"	1	Accounts receivable	59,084	Note	-
0	"	"	1	Sales	501,198	The prices are based on the costs plus the agreed-upon gross profit margin	1%
0	"	Fushlin Electronics (Dong Guan) Ltd.	1	Accounts receivable	126,137	Note	-
0	"	"	1	Sales	355,500	The prices are based on the costs plus the agreed-upon gross profit margin	1%
0	"	Darts Technologies Corporation	1	Accounts receivable	259,304	The payment term is 120 to 180 days after monthly billing	1%
0	"	"	1	Sales	2,596,045	The prices are based on the costs plus the agreed-upon gross profit margin	6%
0	"	Shang Hai World Circuit Technology Co., Ltd.	1	Purchase	143,003	The prices are based on the costs plus the agreed-upon gross profit margin	1%
0	"	"	1	Accounts payable	31,527	Note	-
0	"	"	1	Other receivable	10,803	Note	-
0	"	Solteras Inc.	1	Sales	870,128	The prices are based on the costs plus the agreed-upon gross profit margin	2%
0	"	"	1	Accounts receivable	35,390	The payment term is 120 to 180 days after monthly billing	-
0	"	"	1	Purchase	38,680	The prices are based on the costs plus the agreed-upon gross profit margin	-
0	"	"	1	Accounts payable	11,364	The payment term is 60 to 120 days after monthly billing	-
1	Foxlink International Inc.	Cheng Uei Precision Industry Co., Ltd.	2	Accounts payable	4,142,450	The payment term is 120 to 180 days after monthly billing	11%
1	"	"	2	Purchase	12,709,154	The prices are based on the costs plus the agreed-upon gross profit margin	29%
1	"	"	2	Accounts receivable	142,809	The payment term is 60 to 120 days after monthly billing	-
2	Cu International Ltd.	"	2	Processing revenues	5,009,318	The processing fee includes all expenditures every month	11%
2	"	"	2	Management expenses	118,568	Note	-
2	"	"	2	Accounts receivable	64,170	Note	-
3	Darts Technologies Corporation	"	2	Accounts payable	259,304	The payment term is 120 to 180 days after monthly billing	1%

Number	Name of the Company	Name of the Company	Relationship with the counterparty	Transactions			% of total sales or total assets
				Account	Amount	Terms	
3	Darts Technologies Corporation	Cheng Uei Precision Industry Co., Ltd.	2	Purchase	2,596,045	The prices are based on the costs plus the agreed-upon gross profit margin	6%
4	Fu Gang Electronics (Kun Shan) Ltd.	"	2	Processing revenues	1,337,918	The processing fee includes all expenditures every month	3%
4	"	"	2	Accounts payable	265,596	Note	1%
4	"	"	2	Purchase	1,254,617	The prices are based on the costs plus the agreed-upon gross profit margin	3%
5	Fu Gang Electronics (Dong Guan) Ltd.	"	2	Processing revenues	300,707	The processing fee includes all expenditures every month	1%
5	"	"	2	Accounts receivable	379,213	Note	1%
6	Fu Gang Electronics (Tian Jin) Ltd.	"	2	Processing revenues	255,535	The processing fee includes all expenditures every month	1%
6	"	"	2	Other payable	152,354	Note	-
6	"	"	2	Other receivable	169,921	Note	-
7	Neosonic Energy Technology (Tian Jin) Ltd.	"	2	Processing revenues	76,074	The processing fee includes all expenditures every month	-
7	"	"	2	Accounts receivable	15,773	Note	-
8	Dong Guan Fu Qiang Electronics Ltd. (DGFAQ)	"	2	Processing revenues	376,119	The processing fee includes all expenditures every month	1%
8	"	"	2	Other payable	309,177	Note	1%
9	Foxlink Tianjin Co., Ltd.	"	2	Processing revenues	130,137	The processing fee includes all expenditures every month	-
9	"	"	2	Accounts payable	68,169	Note	-
9	"	"	2	Purchase	686,821	The prices are based on the costs plus the agreed-upon gross profit margin	2%
10	Kunshan Fushijing Electronics Co., Ltd. (KFE)	"	2	Processing revenues	73,442	The processing fee includes all expenditures every month	-
10	"	"	2	Accounts payable	58,084	Note	-
10	"	"	2	Purchase	501,198	The prices are based on the costs plus the agreed-upon gross profit margin	1%
11	Fushlin Electronics (Dong Guan) Ltd.	"	2	Accounts payable	126,137	Note	-
11	"	"	2	Purchase	355,500	The prices are based on the costs plus the agreed-upon gross profit margin	1%
12	Shang Hai World Circuit Technology Co., Ltd.	"	2	Sales	143,003	The prices are based on the costs plus the agreed-upon gross profit margin	1%
12	"	"	2	Accounts receivable	31,527	Note	-

<u>Number</u>	<u>Name of the Company</u>	<u>Name of the Company</u>	<u>Relationship with the counterparty</u>	<u>Transactions</u>			<u>% of total sales or total assets</u>
				<u>Account</u>	<u>Amount</u>	<u>Terms</u>	
12	Shang Hai World Circuit Technology Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	2	Other payable	10,803	Note	-
13	Solteras Inc.	"	2	Purchase	870,128	The prices are based on the costs plus the agreed-upon gross profit margin	2%
13	"	"	2	Accounts payable	35,390	The payment term is 120 to 180 days after monthly billing	-
13	"	"	2	Sales	38,680	The prices are based on the costs plus the agreed-upon gross profit margin	-
13	"	"	2	Accounts receivable	11,364	The payment term is 60 to 180 days after monthly billing	-

Note : Receivables and payables arising from sales of raw materials to FGEKS, FGETJ, FEGD and Foxlink Tianjin are offset against each other and the resulting net amount is collected depending on their financial condition.

2006

Number	Name of the Company	Name of the Company	Relationship with the counterparty	Transactions			% of total sales or total assets
				Account	Amount	Terms	
0	Cheng Uei Precision Industry Co., Ltd.	Cu International Ltd.	1	Processing expenses	\$ 3,661,559	The processing fee includes all expenditures every month	8%
	"	Fu Gang Electronics (Kun Shan) Ltd.	1	Processing expenses	791,396	"	2%
	"	"	1	Accounts receivable	506,402	Note	1%
	"	"	1	Sales	826,271	The prices are based on the costs plus the agreed-upon gross profit margin	2%
	"	Fu Gang Electronics (Dong Guan) Ltd.	1	Processing expenses	436,721	The processing fee includes all expenditures every month	1%
	"	Fu Gang Electronics (Tian Jin) Ltd.	1	Sales	305,261	The prices are based on the costs plus the agreed-upon gross profit margin	1%
	"	"	1	Accounts receivable	268,932	The processing fee includes all expenditures every month	1%
	"	Dong Guan Fu Qiang Electronics Ltd. (DGFQ)	1	Processing expenses	170,404	The processing fee includes all expenditures every month	-
	"	Foxlink Electronics (Fian Jin) Ltd. (FETJ)	1	Processing expenses	127,705	The processing fee includes all expenditures every month	-
	"	Kunshan Fushijing Electronics Co., Ltd. (KFE)	1	Sales	972,028	The prices are based on the costs plus the agreed-upon gross profit margin	2%
	"	Foxlink Electronics (Tian Jin) Ltd. FETJ)	1	Sales	2,044,175	The prices are based on the costs plus the agreed-upon gross profit margin	5%
	"	"	1	Accounts receivable	779,766	Note	2%
	"	Darts Technologies Corporation	1	Sales	2,981,915	The prices are based on the costs plus the agreed-upon gross profit margin	7%
1	Cu International LTD.	Cheng Uei Precision Industry Co., Ltd.	2	Processing fees income	3,661,559	The processing fee includes all expenditures every month	8%
2	Darts Technologies Corporation	Cheng Uei Precision Industry Co., Ltd.	2	Purchases	2,981,915	The prices are based on the costs plus the agreed-upon gross profit margin	7%
3	Fu Gang Electronics (Kun Shan) Ltd.	"	2	Processing fees income	791,396	The processing fee includes all expenditures every month	2%
3	Fu Gang Electronics (Kun Shan) Ltd.	"	2	Accounts payable	506,402	Note	1%
3	Fu Gang Electronics (Kun Shan) Ltd.	Cheng Uei Precision Industry Co., Ltd.	2	Purchases	826,271	The prices are based on the costs plus the agreed-upon gross profit margin	2%
4	Fu Gang Electronics (Dong Guan) Ltd.	Cheng Uei Precision Industry Co., Ltd.	2	Processing fees income	436,721	The processing fee includes all expenditures every month	1%
5	Fu Gang Electronics (Tian Jin)	Cu International LTD.	2	Processing fees income	305,261	The prices are based on the costs plus the	1%

Number	Name of the Company	Name of the Company	Relationship with the counterparty	Transactions			% of total sales or total assets
				Account	Amount	Terms	
	Ltd.					agreed-upon gross profit margin	
6	Neosonic Energy Technology (Tianjin) Ltd. (NE)	Cheng Uei Precision Industry Co., Ltd.	2	Processing fees income	268,932	The processing fee includes all expenditures every month	1%
7	Dong Guan Fu Qiang Electronics Ltd. (DGFQ)	"	2	Processing fees income	170,404	The processing fee includes all expenditures every month	-
8	Foxlink Electronics (Fian Jin) Ltd. (FETJ)	"	2	Processing fees income	127,705	The processing fee includes all expenditures every month	-
8	"	"	2	Purchases	2,044,175	The prices are based on the costs plus the agreed-upon gross profit margin	5%
8	"	"	2	Accounts payable	779,766	Note	2%
9	Kunshan Fushijing Electronics Co., Ltd. (KFE)	"	2	Purchases	972,028	The prices are based on the costs plus the agreed-upon gross profit margin	2%

Note : Receivables and payables arising from sales of raw materials to FGEKS, FGETJ, FEGD and Foxlink Tianjin are offset against each other and the resulting net amount is collected depending on their financial condition.

- (2) In accordance with the amended R.O.C. SFAS No. 7, certain subsidiaries were included in the 2007 consolidated financial statements, their related party transaction in 2006 were as follows : None.

12. SEGMENT FINANCIAL INFORMATION

A. Operation in different industries: Not applicable as the Company and its consolidated subsidiaries are mainly engaged in a single segment, the manufacture and sales of electronic telecommunication components.

B. Information by area in 2007 and 2006 is set forth below:

	2007			
	NT\$			
	Domestic	Other foreign operations	Adjustment and elimination	Total
Operating revenues-external	\$ 38,409,194	\$ 6,164,362	\$ -	\$ 44,573,556
Operating revenues-internal	<u>6,526,601</u>	<u>7,597,928</u>	<u>(14,124,529)</u>	<u>-</u>
Total operating revenues	<u>\$ 44,935,795</u>	<u>\$ 13,762,290</u>	<u>(\$ 14,124,529)</u>	<u>\$ 44,573,556</u>
Segment income	<u>\$ 2,823,155</u>	<u>\$ 353,050</u>	<u>(\$ 40,274)</u>	<u>\$ 3,135,931</u>
Investment income accounted for under the equity method				206,974
Interest expense				(403,724)
Income before income tax				<u>\$ 2,939,181</u>
Identifiable assets	<u>\$ 25,989,962</u>	<u>\$ 32,222,197</u>	<u>(\$ 21,315,378)</u>	<u>\$ 36,896,781</u>
Long-term investments accounted for under the equity method				<u>1,822,827</u>
Total assets				<u>\$ 38,719,608</u>

	2007			
	US\$ (Unaudited-Note 2)			
	Domestic	Other foreign operations	Adjustment and elimination	Total
Operating revenues-external	\$ 1,184,372	\$ 190,082	\$ -	\$ 1,374,455
Operating revenues-internal	<u>201,252</u>	<u>234,287</u>	<u>(435,539)</u>	<u>-</u>
Total operating revenues	<u>\$ 1,385,624</u>	<u>\$ 424,369</u>	<u>(\$ 435,539)</u>	<u>\$ 1,374,455</u>
Segment income	<u>\$ 87,054</u>	<u>\$ 10,887</u>	<u>(\$ 1,242)</u>	<u>\$ 96,699</u>
Investment income accounted for under the equity method				6,382
Interest expense				(12,449)
Income before income tax				<u>\$ 90,632</u>
Identifiable assets	<u>\$ 801,417</u>	<u>\$ 993,592</u>	<u>(\$ 657,273)</u>	<u>\$ 1,137,737</u>
Long-term investments accounted for under the equity method				<u>56,209</u>
Total assets				<u>\$ 1,193,946</u>

	2006			
	NT\$			
	Domestic	Other foreign operations	Adjustment and elimination	Total
Operating revenues-external	\$ 38,623,655	\$ 4,715,535	\$ -	\$ 43,339,190
Operating revenues-internal	<u>7,088,522</u>	<u>5,779,980</u>	<u>(12,868,502)</u>	<u>-</u>
Total operating revenues	<u>\$ 45,712,177</u>	<u>\$ 10,495,515</u>	<u>(\$ 12,868,502)</u>	<u>\$ 43,339,190</u>
Segment income	<u>\$ 3,114,039</u>	<u>\$ 144,072</u>	<u>(\$ 95,992)</u>	<u>\$ 3,162,119</u>
Investment income accounted for under the equity method				269,609
Interest expense				(278,054)
Income before income tax				<u>\$ 3,153,674</u>
Identifiable assets	<u>\$ 26,916,365</u>	<u>\$ 10,132,952</u>	<u>(\$ 1,215,747)</u>	<u>\$ 35,823,570</u>
Long-term investments accounted for under the equity method				<u>1,461,615</u>
Total assets				<u>\$ 37,285,185</u>

C. Information about export sales: The export sales of the Group in 2006 and 2007 were as follows:

	For the years ended December 31,		
	2006	2007	2007
	New Taiwan Dollars		US Dollars
			(Unaudited) (Note 2)
Asia	\$ 21,066,158	\$ 19,196,999	\$ 591,952
Americas	15,593,213	18,875,348	582,034
Other areas	<u>2,835,618</u>	<u>2,865,407</u>	<u>88,357</u>
	<u>\$ 39,494,989</u>	<u>\$ 40,937,754</u>	<u>\$ 1,262,343</u>

D. Major customer information: The customers which contributed in excess of 10% of net operating revenue were as follows:

	Customers	Sales amount	% of net sales
2006			
"	Customer (A)	NT\$13,228,709 (US\$407,916)	31%
2007			
"	Foxlink	NT\$12,709,154	29%
"	International Inc.	(US\$391,895)	
"	Customer (A)	NT\$3,321,364 (US\$102,416)	