Stock code：8021

尖點科技股份有限公司
TOPOINT TECHNOLOGY CO., LTD.

2007 Annual Report

Published on April 30, 2008

Website for free enquiry of annual report：http://newmops.tse.com.tw

Topoint Technology Co., Ltd.

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4. Accountants of certification for the latest financial report
   Names: Accountant Xie Jian-xin, Wu En-ming
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5.Name of the institute for oversea negotiable security trade : None

6. Company website: http://www.topoint.tw/

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A. A Letter to Shareholders

Dear Shareholders,

1. Implementation results of 2007's operation plan

(1) Implementation results of operation plan

a. Sales revenue:

Compared with 2006, our 2007 net sales increased NT$303.409 million, representing a growth of 24.44%. The growth is mainly attributed to the booming substrate market compounding technology elevation. It resulted in a substantial increase in the demand for drills, which led to a consistent surge for the demand of micro-sized drills. In order to meet customer demands, we have devoted our efforts to expanding production capacity. Other than increasing our local market share and enhancing our new product accreditations, we have also endeavored to promote the overseas market. The phenomenal growth of our operating income illustrates that all of our efforts have paid off.

b. Operating Cost of sales and gross margin:

Our 2007 gross margin still remained at a level of 39%. This is mainly because our company has continued to take measures to control the cost covering the lowering of the material cost, enhancing production yield rate, improving the process and effectively reducing the product cost. Due to efficient cost control, we have leveled down our production cost; thus, our gross margin rate has been stably controlled.

c. Operating expenses:

Resulting from the growth of sales turnover, our 2007 operating expenses increased NT$29.910 million. Yet, as in 2006, the 2007 expense ratio also remained at a level of 12%.

d. Non-operating income and expenses:

Due to the contribution of our 2007 trans-investment income, our non-operating income increased NT$79.991 million in 2007.

Unit: NT$1,000

Item	2007		2006	
	Amount	%	Amount	%
Net sales	1,545,089	100	1,241,680	100
Cost of sales	944,254	61	752,683	61
Gross profit (total)	600,835	39	488,997	39
Affiliated company's realized (un-realized) gross profit	3,904	-	(17,509)	1
Gross Gross profit (net)	604,739	39	471,488	38
Operating expenses	184,420	12	154,510	12
Operating income	420,319	27	316,978	26
Non-operating income and expenses	157,814	10	77,823	6
Pre-tax income	578,133	37	394,801	32
Net income	514,853	33	364,990	29

(2) Budget implementation

As regulated in current statutory laws and regulations, we did not make our 2007 financial forecast public. However, our overall operating status and performance are generally consistent with the operation plan made internally.

(3) Analysis of our financial solvency and profitability

a. .Financial revenue/expenditure

(a).The net cash inflow incurred from 2007 operating activities was NT$430.911 million. On the other hand, due to a machinery purchase to reinforce production capacity, the increase of long-term equity investment, distribution of cash dividends and the increase of bank loans, etc., our 2007 net cash outflow was NT$47.504 million.

(b). Our 2007 interest revenue was NT$715,000, which mainly came from bank deposits, whereas, the interest expense was NT$29,596, which was mainly spent on the issue of short-term notes and long-term as well as short-term loans.

b. Analysis of profitability

Year \ Item			2007	2006
Analysis of profitability	Return on assets (%)		14.73	15.38
	Return on shareholders' equity (％)		23.97	26.02
	Ratio of paid-in capital (%)	Operating income	44.03	41.64
		Pre-tax income	60.56	51.87
	Net profit rate (%)		33.32	29.39
	Basic after-tax EPS (NT$)		5.52	4.41(Including retroactive adjustment)

2. Prospects of 2008 operation plan

(1) Operation directions

a. Based on "discipline, insistence and innovation", our tenet is to meet customer utmost satisfaction.

b. With the strategic deployment by gaining a toehold in Taiwan and marketing globally along with our "high quality and low cost" policy, we have expected to continue to increase our global market share.

c. To enhance our product quality and magnify our production capacity.

d. To effectively lower production cost with a rigid production process so as to keep a stable gross margin and reinforce profit.

e. To continue to develop drills with finer sizes and higher aspect ratio, so as to meet future market trends.

(2) Operation goals: By combining production across the straits, we expect to increase the monthly output from 12 million drills at the end of 2007 to 17 million drills by the end of 2008, in which the Taiwan plant is expected to contribute 8 million drills while another 9 million drills will come from the Shanghai plant.

a. To continue to develop the technology which can help lower the material cost, so our profit can be kept stable in the environment where price decline is the trend.

(3) Significant production and sales policies:

a. The Taiwan plant mainly produces micro-drills under 0.25mm, whereas products with sizes over 0.25mm are produced in the Shanghai plant. By using the labor division across the straits, we can competitively access the nearest local markets and meet the market respective demands, so as to enhance our mass production effect.

b. To keep the production across the straits flexible and agile in order to give on-time delivery and gain optimal production and sales benefits.

c. To continue to develop new customers from the giant manufacturers of IC substrates, HDIboards, conventional PCBand FPC boards, within and without, so as to beef up our sales in overseas markets, establish brand awareness and increase market share.

d. To continue to elevate the sales ratio of micro-drills below 0.25mm

(4) Perspectives

a. Development strategy

①. To continue to develop products with sizes below 0.10mm, so as to meet the trends of circuit boards moving towards high density, finer circuitry and micro-hole diameter.

②. To continue to promote the strategy of “high quality and low cost”, and use the management of internal rigid process to strengthen our competition edge.

③. To use technology-driven tactics to market the products, so as to enhance the added value of our products and meet “customer utmost satisfaction”

④. To accelerate global distribution deployment, so as to increase the global market share.

b. Competition status

The global drill market is currently dominated by Japanese (e.g. Union Tool, Kyocera, Mitsubishi and Sumitomo) and Taiwanese manufacturers (e.g. Topoint, Toshiba Tungaloy, Key Ware Electronics and Tera Automation). Japan-based Union Tool with its 30% of the global market share is currently the major competitor of Topoint. On the other hand, with more than one decade of experience in processing technology and design proficiency, Topoint has come to the fore recently in a tense competition market. Topoint has upgraded itself from a technology follower, in its initial period, to an innovative one with products being well acknowledged by major global manufacturers. It has come a long way either in terms of processing technology and design capacity or material cost control. At present, it is only second to Japan-based Union Tool to rank the 2nd place in the world in terms of micro-drill shipment.

c. Industry trends

While electronic products throughout the world have kept changing, a number of products, such as competitively priced computers, LCD products, 3G handsets, Nintendo’s Wii/Sony PS3, have turned out to be the growth drive of the semi-conductor market. The boost of the semi-conductor market has prompted the increasing demand for PCB and IC substrates. Thus, in the circumstance where the market keeps rolling out “shorter and thinner” products, the demand for high-end substrates has been accelerated, which results in the design of BGA/PCB heading towards higher hole density, finer line width/spacing and high-loading elements in an attempt to directly drive the demand for micro-drills to smaller sizes. With the technology improving daily and the drill sizes downwardly reducing, Topoint vows to make headway towards its ultimate goal to be the number one drill manufacturer in the world.

Finally, we wish you good health, and may everything be as your wish.

Lin Xu-ting,

Chairman

B. Introduction of Corporation

1. Establishment date：

    Established on: April 12, 1996

2. Company profile:

    1) 1996: Topoint Technology Co., Ltd. was established to engage in production and sales of precision drills with NT$15 million in capital.
    2) 1997：In order to meet the market demand, it increased its capital by NT$17.5 million to purchase new machinery equipment. By then, the total paid-in capital was NT$32.5 million.
    3) 1998：It increased its capital by NT$66.7 million to enlarge its business scale and purchase new machinery equipment. By then, the total paid-in capital was NT$99.2 million. The factory was relocated to Beinei Street of Shulin where the factory buildings were enlarged so as to meet future expanding operation
    4) 1999: It garnered RWTUV ISO9002, a quality assurance accreditation, in April, and had a cash capital increase of NT$20.8 million on Sep. 20 for the purchase of leading-edge equipment to enhance production capacity. By then, the capital increase by earnings recapitalization was NT$18.25 million, whereas the paid-in capitalization was NT$138.25 million.
    5) 2000: As approved by the competent authorities in May for public offer, it increased NT$120 million of capital in cash in June to purchase production equipment and advanced inspection instruments to elevate production capacity and assure product quality. By then, the capital increase by earnings recapitalization was NT$10.56 million, capital increase by capital surplus as stock dividends was NT$4.19 million and the paid-in capitalization was NT$273 million.
    6) 2001: It increased NT$54.91 million of capital by earnings recapitalization and NT$12.09 million of capital by capital surplus as stock dividends in August. In December of the same year, it increased NT$ 50 million of capital in cash to purchase production equipment, repay bank loans and supplement the working capital. By then, the paid-in capitalization was NT$390 million.
    7) 2003: It registered for the listing of the emerging stock on January 2, and increased NT20 million of capital in cash in December to purchase equipment and expand production capacity. By then, the paid-in capitalization was NT$410 million.
    8) 2004: It increased NT$16.93 million of capital by earnings recapitalization in June to supplement the working capital. In December, it increased NT$57 million of capital in cash to repay bank loans. As a total the paid-in capitalization was NT$483.93 million. In December, its stock went public on the OTC market.
    9) 2005: It relocated its factory to the present address having larger space so as to

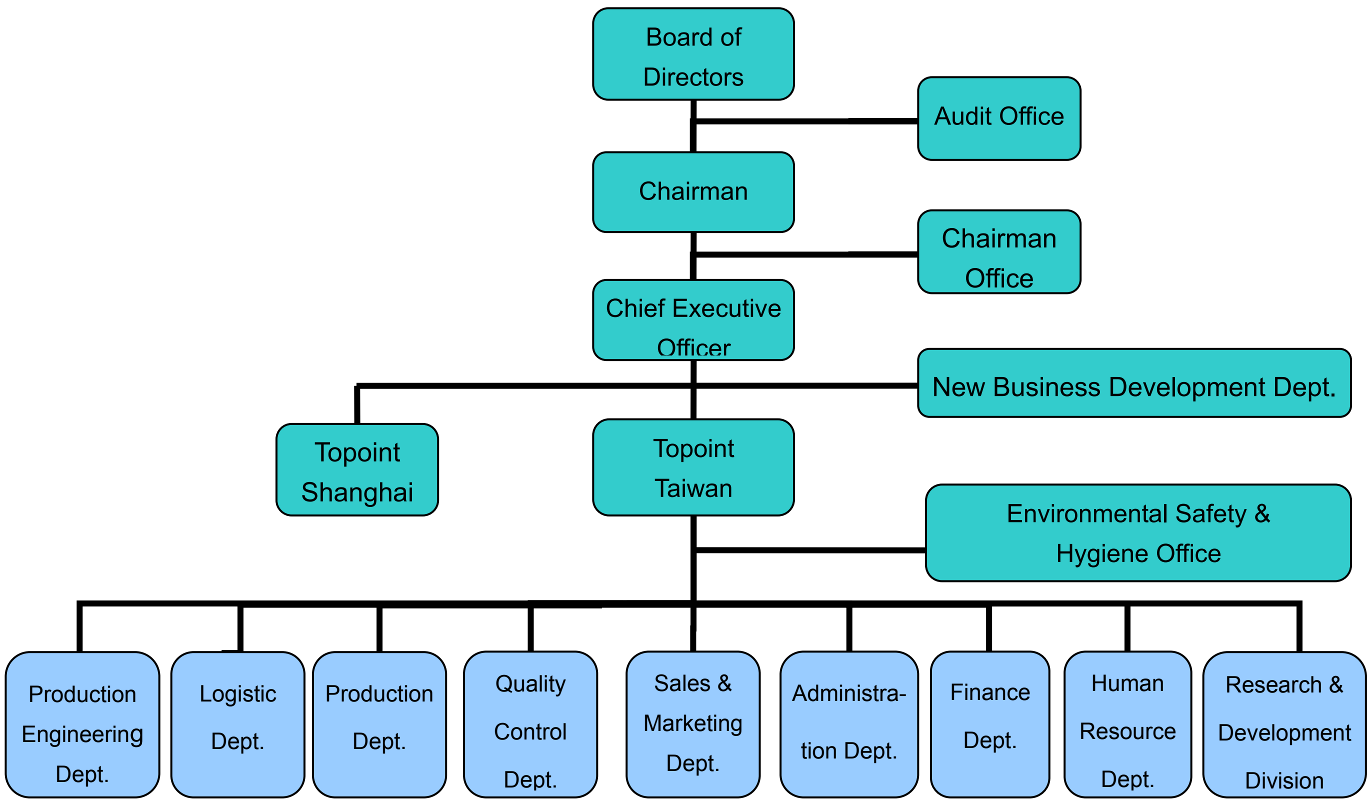
meet the demand for future expanding operation, and increased NT$68,651,250 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT$552,581,250.

10) 2006: It issued NT$40 million of its first local unsecured convertible corporate bonds in February to purchase equipment and repay bank loans, increased NT$100 million of capital in cash in March to purchase equipment and expand production capacity, issued 5,520 units of employee stock options in April, and increased NT$101,706,700 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT$773,881,710.

11) 2007: It increased NT$112,269,820 of capital by earnings recapitalization in July to supplement the working capital. As a total, the paid-in capitalization was NT$954,691,270.

C. Corporate governance report

1. Organization System



(2). Functions of major divisions

Division	Major functions
Chairman Office	To establish corporate guidelines, strategies and operation plans. To plan and management of company projects. Planning and execution of relationships with investors. Corporate stock affairs and investment evaluation.
New Business Development Dept.	Development and planning of new products. Research of the trends of advanced technology.
Audit Office	To audit and evaluate the functions and operations of each department and the execution of internal control system.
Environmental Safety & Hygiene Office	Planning and implementation of the systems relating to factory environment, security and health.
Production Engineering Dept.	Management of production technology and process standardization, and maintenance of production equipment
Logistic Dept.	Management and planning of purchasing and warehousing
Production Dept.	Production schedule planning, and management of product process and manufacture
Quality Control Dept.	Planning and execution of quality control system
Sales & Marketing Dept.	Planning sales and promotion strategies. Expansion of markets, introduction of customers, and increase market share to achieve company's sales goals.

	Provision of production forecast to coordinate production and sales.
Administration Dept.	Planning and execution of general affairs, factory affairs, and information systems.
Finance Dept.	Corporate financial planning and investment management. Planning and execution of accounting and taxes system.
Human Resource Dept.	Management of human resources, personnel administration and regulated systems.
Research & Development Division.	R&D of advanced technologies and development of new products. Patent planning and management.

2. Information about Directors, Supervisors, Presidents, Vice presidents, Assistant presidents, Chiefs of Respective Divisions and Branch Offices

(1) Directors and supervisors：

a. Personal data of directors and supervisors (1)

As of April 30, 2008

Title	name	Elected (inaugurated) date	Term	1st elected date	Shares held when being elected		Shares held currently		Shares held by the spouse and minor children		Shares held in the names of others		Current post and/or education	Post concurrently taken in the company or other companies	Other executives, directors or supervisors in spouse relationship or kin relationship within 2nd degree		
					shares	Shareholding ratio	Number of shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation
President	Lin Xu-ting	06/20/2006	3 yrs	03/18/1996	3,950,900	6.05%	4,790,255	5.02%	-	-	-	-	President of the company/Student of National Open University	CEO of the company	Special assistant to the President Vice General manager	Lin Ruo-ping Wang Jia-jong	Father /. daughter
Director	Liu Rong-rong	06/20/2006	3 yrs	06/20/2006	-	-	-	-	-	-	-	-	MBA from the Wharton School	General Manager of Crimson Asia Capital Holdings, Ltd. Director of Gordon Auto Body Parts Co., Ltd., the Director of Infosystem Technology Corporation, Ltd., and the Director of Rosta Inter Ltd.	-	-	-
Director	UMC Capital Corporation D.C Cheng	06/20/2006	3 yrs	06/20/2006	242,572	0.37%	1,691,058	1.77%	-	-	-	-	MBA from Columbia University /General manager of AIG United Guaranty.	President of UMC Capital Corporation, Director of United Microdisplay Optronics Corp Director of SerComm Corp. Independent director of DEOM Technology Co., Ltd.	-	-	-
Director	China Development Industrial Bank Bill Huang	06/20/2006	3 yrs	09/30/2000	5,448,137	8.35%	6,389,859	6.69%	-	-	-	-	EMBA from National Cheng Chi University	Vice President of China Development Industrial Bank.	-	-	-
Independent director	Lo Tsung-Ming	06/20/2006	3 yrs	06/20/2006	1,688	-	2,104	0.00%	2,104	0.00%	-	-	Graduate of NTU College of Law/Legal affairs manager of Sampo Group.	Legal Manager of Sampo Co	-	-	-
Independent director	Ko Po-cheng	06/20/2006	3 yrs	06/06/2003	-	-	-	-	-	-	-	-	Associate professor of the Accounting Department of Soochow University	Supervisor of High Tech Computer Corp.	-	-	-
Supervisor	Chen Ken-ching	06/20/2006	3 yrs	06/20/2006	931,172	1.43%	1,161,006	1.22%	274,287	0.29%			Graduate of a commercial senior high school / employee of Sampo Group	President of Hong Gy Co., Ltd. Supervisor of Lustrous Technology Ltd.	-	-	-
Independent supervisor	Liang Shwu-jian	06/20/2006	3 yrs	06/06/2003	51,755	0.08%	64,528	0.07%	-	-	-	-	PhD of Materials Science from University of Pennsylvania	Senior Consultant of High Tech Computer Corp.	-	-	-
Independent supervisor	Niu Cheng-chie	06/20/2006	3 yrs	06/20/2006	-	-	1,000	0.00%	-	-	-	-	PhD of Polymer Chemistry from Polytechnic Institute of Brooklyn.	IT director of STTC consultancy Co.	-	-	-

Note: Director of Rui Zhan Investment Co., Ltd. resigned on Aug. 16, 2007

Major institutional shareholders:

April 30, 2008

Name of institutional shareholder (note 1)	Major shareholders of the institutional shareholders（note 2）
United Investment Co., Ltd	99.99% of shares are held by United Microelectronics Corp.
China Development Industrial Bank	100% of shares are held by China Development Financial Holding Company.

Note 1: Those who are the representative directors or supervisors of institutional shareholders shall fill out their institutional shareholder roasters.

Note 2: When filling in the major shareholders (top 10 shareholders) of the institutional shareholder and their shareholding rates, if the major shareholder is an institutional investor, the list below is required to be filled out.

The major shareholders whose major shareholders are institutional investors.

April 30, 2008

Institutional shareholder name (note 1)	Major shareholders of the institutional shareholder (note 2)
United Microelectronics Corp.	3.2% of shares are held by Xun Jie Investment Co., Ltd. 2.28% of shares are held by SiS Co., Ltd.
China Development Financial Holding Co., Ltd.	1.42% of shares are held by Mega International Commercial Bank. 1.8% of shares are held by Bank of Taiwan. 0.75% of shares are held by Taiwan Post Co., Ltd. 5.67% of shares are held by Xing Wen Investment Co.,Ltd.

Note 1: If the shareholder listed above is an institutional shareholder, please fill in the institutional shareholder's name.

Note. 2: Please fill in the major shareholders' (top 10 shareholders) names of the institutional investor in question and their shareholding ratio.

b. Personal data of directors and supervisors

Terms / Name (Note 1)	Do they have more than five years of work experience and following professional qualifications			Are they in compliance with the independence terms (Note2)										The number of the public listed companies where they concurrently take up work as the independent director
	At least the lecturer of public or private colleges in the fields related to business, law, finance, accounting, or the subjects associated with the company' business.	Judges, prosecutors, lawyers, CPA or other company business related specialty professionals and technicians who passed national examinations and earned certificates	The work experience required for business, legal affairs, finance, accounting or company related business.	1	2	3	4	5	6	7	8	9	10	
Lin Xu-ting			✓				✓	✓	✓	✓	✓	✓	✓	-
Liu Rong-rong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
D.C. Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Bill Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Lo Tsung-ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Ko Po-cheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chen Ken-ching			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Liang Shwu-jian			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Niu Cheng-chie			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note 1：The number of columns shall be adjusted as needed

Note 2: Please put a "✓" in the box for the terms meeting the qualifications of the directors and supervisors as from two years prior to being elected and during appointment period.

(1) Not the employee of the company or its affiliated enterprises

(2) Not the director or supervisor of the company or its affiliated enterprises (however, it is not limited to the independent director of the subsidiary in which the company directly or indirectly holds more than 50% of voting shares.)

(3) Not the shareholder whose spouse, minor children or related persons in his or her name hold more for than 1% of the company's issued shares, nor the one who is one of company's top-10 nature person shareholders.

(4) Not the direct lineal blood relative (including spouse and the relatives within 2nd degree) of the persons

listed in the preceding three items.

(5) Not the director, supervisor or employee of the institutional shareholder who directly holds more than 5% of the company's issued shares, nor the director, supervisor or employee of the top 5 institutional shareholders.

(6) Not the director, supervisor, manager of the specific company or institute having financial or business relationship with the company, nor the shareholders holding more than 5% of the company's shares.

(7) Not the professional who offers business, legal, accounting or consulting services to the company or its affiliated enterprises, nor the proprietor, partner, director, supervisor, manager and their spouses of the business entity solely invested or partnered by the company.

(8) Do not have the spouse relationship or the relative relationship within 2nd degree with other directors.

(9) Not in the situation as regulated in article 30 of the Company Law

(10) As regulated in article 27 of the Company Law, no one from the government, institutional investors, or their representatives is elected

(2) General managers, vice general managers, director managers and chiefs of respective divisions and branch offices

April 30, 2008

Title	Name	Elected (inaugurated) date	Shareholding ratio (shares/%)		Shareholding ratio of the spouse and minor children (shares/%)		Shareholding ratio of the one in the name of others		Current post and/or education	Post concurrently taken in the company or other companies	Managers in spouse relationship or kin relationship within 2nd degree		
			Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation
CEO	Lin Xu-ting	11/29/2005	4,790,255	5.02	-	-	-	-	President of the company/Student of National Open University	The President of the company	Special assistant to the president Vice general manager	Lin Ruo-ping Wang Jia-hong	Father/ daughter
General Manager	Jiang Zhen-wen	07/06/2007	50,000	0.05	17,509	0.02	-	-	Vice general manager of COMPEQ/ Chemical Institute of Fu Jen Catholic University		-	-	-
General mgr. of the new product business div.	Huang Li-qiang	07/06/2007	1,470	0.00	-	-	-	-	Production manager of Rechi Precision Co., Ltd. / Graduate of the engineering department of National Tsing Hua University	-	-	-	-
Vice general manager	Wang Jia-hong	06/01/2006	465,530	0.49	2,636	0.00	-	-	Manager of Topoint / Graduate of the accounting department of Soochow University	-	-	-	-
Plant director	Huang Yin-ming	05/08/2006	176,283	0.18	12,390	0.01	-	-	Manager of ASE Inc. / Graduate of the materials science and engineering department of Feng Chia University	-	-	-	-
Financial manager	Lien Zhen-huei	04/01/2004	125,680	0.13	3,187	0.00	-	-	Junior manager of Taiwan International Securities / Graduate of the accounting department of Soochow University	-	-	-	-
Director of the R & D div.	Chen Zhao-yang	02/01/2002	160,764	0.17	-	-	-	-	Manager of Topoint / Graduate of Minghsin Junior College.	-	-	-	-
Manager of the audit office	Lin Rong-le	09/16/2002	5,526	0.01	-	-	-	-	Financial manager of Sampo Group / Graduate of the statistics department of National Cheng Kung University	-	-	-	-

(3) Remuneration for directors, supervisors, general managers and vice general managers in the latest year.

a. Remuneration for directors

Unit: NT$1000/1000 shares

Title	Name	Director's remuneration						Ratio of A+B+C to after-tax net profit		Remuneration for the director concurrently the employee								Ratio of A+B+C+D+E to after-tax net profit (%)		Received the remuneration from the trans-investment outside the subsidiary or not?
		Remuneration (A)		Remuneration from the earnings distribution (B) **(note 1)**		Professional income				Salary, rewards and special payments, etc. (D)		Earnings distribution for employee's bonus				Subscription shares allowed from employee stock options. (F)				
												The company		The companies in the consolidated statement						
		The company	The companies in the consolidated statement	The company	The companies in the consolidated statement	The company	The companies in the consolidated statement	The company %	The companies in the consolidated statement %	The company	The companies in the consolidated statement	Amount of cash bonus	Amount of stock bonus	Amount of cash bonus	Amount of stock bonus	The company	The companies in the consolidated statement	The company	The companies in the consolidated statement	
President concurrently the CEO	Lin Xu-ting	-	-	10,426	10,426	108	108	2.05%	2.05%	7,240	7,240	4,396	-	4,396	-	950	950	4.31%	4.31%	-
Director	Liu Rong-rong																			
Director	Representative of China development Industrial Bank: Bill Huang																			
Director	UMC Capital Corporation：D.C.Cheng																			
Independent director	Lo Tsung-ming																			
Independent director	Ko Po-cheng																			

Note 1：As passed in the board meeting on March 7, 2008 for 2007 annual earnings distribution, NT$13,901,027 is for remuneration of directors and supervisors and NT$69,505,133 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Not 2: Director of Rui Zhan Investment Co, Ltd. resigned on Aug. 16, 2007.

Grades of remuneration

Grades of the remuneration for the company's directors	Director's name			
	Total amount of (A+B+C)		Total amount of (A+B+C+D+E)	
	The company	The company in the consolidated statement G	The company	The company in the consolidated statement H
Less than $2,000,000	Liu Rong-roung, China Development Industrial Bank, UMC Capital Corporation, Lo Tsung-ming and Ko Po-cheng	-	Liu Rong-roung, China Development Industrial Bank, UMC Capital Corporation, Lo Tsung-ming and Ko Po-cheng	-
$2,000,000 ～ less than $5,000,000	Lin Xu-ting	-	-	-
$5,000,000 ～less than $10,000,000	-	-	-	-
$10,000,000 ～ less than $15,000,000	-	-	-	-
$15,000,000 ～ less than $30,000,000	-	-	Lin Xu-ting	-
$30,000,000 ～less than $50,000,000	-	-	-	-
$50,000,000 ～ less than $100,000,000	-	-	-	-
$100,000,000 and over	-	-	-	-
Total amount	-	-	-	-

b. Remuneration for supervisors

Unit: NT$1000

Title	Name	Supervisor's remuneration						Ratio of A+B+C to after-tax net profit (%)		Received the remuneration from the trans-investment outside the subsidiary or not?
		Remuneration (A)		Remunerations from earnings distribution (B) (note1)		Professional payment (C)				
		The company	The companies in the consolidated statement	The company	The companies in the consolidated statement	The company	The companies in the consolidated statement	The company	The companies in the consolidated statement	
Supervisor	Chen Ken-ching	-	-	3,475	3,475	44	44	0.68%	0.68%	-
Independent supervisor	Liang Shwu-jian									
Independent supervisor	Niu Cheng-chie									

Note 1: As passed in the board meeting on March 7, 2008 for 2007 annual earnings distribution, NT$13,901,027 is for remuneration of directors and supervisors and NT$69,505,133 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The amounts of remuneration grades shown above are as per last year's remuneration grades.

Grades of remuneration

Grades of the remuneration for the company's supervisors	Supervisor's name	
	Total amount of (A+B+C)	
	The company	The companies in the consolidated statement D
Less than 2,000,000	Chen Ken-ching, Liang Shwu-jian, Niu Cheng-chie	Chen Ken-ching, Liang Shwu-jian, Niu Cheng-chie
$2,000,000 ～ less than $5,000,000	-	-
$5,000,000 ～ less than $10,000,000	-	-
$10,000,000 ～ less than $15,000,000	-	-
$15,000,000 ～ less than $30,000,000	-	-
$30,000,000 ～ less than $50,000,000	-	-
$50,000,000 ～ less than $100,000,000	-	-
Over $100,000,000	-	-
Total:	-	-

b. Remuneration for general managers and vice general managers

Unit: NT$1,000/1,000 shares

<table>
<tr><th rowspan="3">Title
(Note1)</th><th rowspan="3">Name</th><th colspan="2">Salary(A)</th><th colspan="2">Rewards and special payments, etc. (B)</th><th colspan="4">Amount of the employee bonus from earnings distribution (C)
(Note 2)</th><th colspan="2">Ratio of A+B+C to after-tax net profit（%）</th><th colspan="2">Amount of acquired employee options</th><th rowspan="3">Received the remuneration from the trans-investment outside the subsidiary or not?</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">The companies in the consolidated statement</th><th rowspan="2">The company</th><th rowspan="2">The companies in the consolidated statement</th><th colspan="2">The company</th><th colspan="2">The companies in the consolidated statement</th><th rowspan="2">The company</th><th rowspan="2">The companies in the consolidated statement</th><th rowspan="2">The company</th><th rowspan="2">The companies in the consolidated statement</th></tr>
<tr><th>Cash bonus</th><th>Stock bonus</th><th>Cash bonus</th><th>Stock bonus</th></tr>
<tr><td>General manager</td><td>Jiang Zhen-wen</td><td rowspan="3">7,271</td><td rowspan="3">7,271</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">10,502</td><td rowspan="3">-</td><td rowspan="3">10,502</td><td rowspan="3">-</td><td rowspan="3">3.45%</td><td rowspan="3">3.45%</td><td rowspan="3">-</td><td rowspan="3">1,770</td><td rowspan="3">-</td></tr>
<tr><td>General manager</td><td>Huang Li-qiang</td></tr>
<tr><td>Vice general manager</td><td>Wang Jia-hong</td></tr>
</table>

Note1：Huang Li-qiang was transferred on July 6, 2007 to be the general manager of new product business div. whereas Jian Zhen-Wen has taken up as the general manager as from July 6, 2007.

Note 2：The employee bonus of NT$69,505,133 from the earnings distribution refers to the 2007 earnings distribution passed in the board meeting on March 7, 2008. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Grades of remuneration

Grades of the remuneration for the company's general managers and vice general managers	Names of general managers and vice general managers	
	The company (Note 7)	The companies in the consolidated statement (Note 8) D
Less than $2,000,000	-	-
$2,000,000 ～ less than $5,000,000	-	-
$5,000,000 ～ less than $10,000,000	Jiang Zhen-wen	Jiang Zhen-wen
$10,000,000 ～ less than $15,000,000	Huang Li-qiang , Wang Jia-hong	Huang Li-qiang , Wang Jia-hong
$15,000,000 ～ less than $30,000,000	-	-
$30,000,000 ～less than $50,000,000	-	-
$50,000,000 ～less than $100,000,000	-	-
Over $100,000,000	-	-
Total	-	-

c. Names of managers to be distributed with the employee bonus and the distribution status

April 30, 2008
Unit: NT$1,000

	Title	Name	Amount of the stock bonus	Amount of the cash bonus (note 1)	Total	Ratio of total amount to after-tax net profit（%）
Managerial personnel	CEO	Lin Xu-ting	-	22,568	22,568	4.38%
	General manager	Jian Zhen-wen				
	General manager (note 2)	Huang Li-Qiang				
	Vice general manager	Wang Jia-hong				
	Plant director	Huang Yin-ming				
	Director of R&D div.	Chen Zhao-yang				
	Financial executive	Lian Zhen-huei				

Note 1：The employee bonus of NT$69,505,133 from the earnings distribution refers to the 2007 earnings distribution passed in the board meeting on March 7, 2008. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 2：Huang Li-Qiang was transfer on July 7, 2007 to be the general manager of new product business div

(4) Analysis of the ratio of the total remuneration for the directors, supervisors, general managers and vice general managers of the company and its consolidated statement companies in the recent two years to after-tax net profit, and description of remuneration payment policies, standards, combinations, procedure to determine the remuneration and the correlation with operating performance：

Year	Total remuneration of directors, supervisors, general managers and vice general managers	Ratio of the preceding remuneration to after-tax net profit	Remuneration payment policies, standards, combinations, procedure to determine the remuneration and the correlation with operation performance
2006	$53,167,000	14.57%	The remuneration for directors and supervisors is regulated according to the dividend distribution policy stipulated in the company's constitution, in which the annual earning distribution status shall be submitted to the board of directors for discussion before being sent to the shareholders' meeting for resolution. The remuneration for general managers shall be released according to the company's performance evaluation system.
2007	$43,462,000	8.44%	The remuneration for directors and supervisors is regulated according to the dividend distribution policy stipulated in the company's constitution, in which the annual earning distribution status shall be submitted to the board of directors for discussion before being sent to the shareholders' meeting for resolution. The remuneration for general managers shall be released according to the company's performance evaluation system.

3. Status of Corporate Governance:

(1) Operation of the board of directors: Eight board meetings were held in 2007, in which the attendance status of directors and supervisors are as follows:

Title	Name	Attendance frequency	Proxy attendance frequency	Attendance rate (%)	Remarks
President	Lin Xu-ting	8		100%	
Director	Representative of Rui Zhan Investment Co., Ltd: Chen Xiu-ming	3		100%	Dismissal date: Aug. 16, 2007
Director	Representative of China Development Industrial Bank: Bill Huang	5	2	62.5%	
Director	Liu Rong-rong	2	2	25%	
Director	Representative of UMC Capital Corporation D.C. Cheng	2	6	25%	
Independent Director	Lo Tsung-Ming	7	1	87.5%	
Independent Director	Ko Po-cheng	7	1	87.5%	
Supervisor	Chen Ken-ching	7		87.5%	
Independent supervisor	Liang Shwu-jian	4		50%	
Independent supervisor	Niu Cheng-chie	6		75%	

Other items required to be stated:

1. The items listed in article 14-3 of the securities and exchange law, and the board meeting resolutions having pro and con opinions from independent directors and with records or written statements shall be given an account of board meeting date, phase, bill content, opinions from all independent directors and the way to deal with independent directors' opinions: N/A
2. Execution of recusal of cases with conflict of interests, in which the names of directors, bill content, reasons for recusal and the status giving resolutions shall be stated: N/A
3. The goal for improving the function of the board of directors (e.g. establishing the audit committee and enhancing information transparency, etc.) and execution evaluation:
   Other than placing two independent directors, the board of directors also passed the "rules of board meeting procedure" on December 29, 2006, which was passed in the shareholders' meeting on June 15, 2007 for the board of directors to enhance their operating efficiency and reinforce their decision making capacity.

(2) Operation of the audit committee: N/A

(3) Company's governing operation, its deviation from the practice rules governing TSEC and OTC-listed companies, and the reasons:

Item	Operation	Deviation from the practice rules governing TSEC and OTC-listed companies, and the reasons
1. The company's equity structure and shareholders' equity （1）The way that the company handles suggestions and disputes with shareholders. （2）The status that the company gets hold of the list of the company's major active shareholders and the final controllers of the company's major shareholders. （3）The mechanism for company establishment, risk control of its affiliated enterprises, and fire wall establishment.	(1)The company has a spokesman (Lin Rong-le), a deputy spokesperson (Lin Ruo-ping) and the stock affairs division. (2) The company has entrusted a stock affairs agency (the stock affairs agency division of Taiwan International Securities Group) and has exclusive stock affairs personnel to serve shareholders. (3) The company has laid down the regulations for trading operation with its affiliated enterprises, and for surveillance of its subsidiaries.	N/A
2. Constitution of the board of directors and its function （1）The status of placing independent directors. （2）To periodically review the independence status of the certified public accountants	(1) The company places two independent directors (Lo Tsung-Ming and Ko Po-cheng) (2) In compliance with statutory regulations, the company's board of directors periodically evaluates the independent status of its certified public accountants.	N/A

Item	Operation	Deviation from the practice rules governing TSEC and OTC-listed companies, and the reasons
3. Constitution of the supervisors and their function （1）The status of placing independent supervisors. （2）The communication status between the supervisors and company's employees as well as shareholders.	(1) The company places two independent supervisors (Liang Shwu-jian and Niu Cheng-chie) (2) The company's supervisors use periodical or non-periodical meetings and shareholders' meetings to communicate with the company's employees and shareholders.	N/A
4. The status for the establishment of communication channel with related parties.	The company includes a shareholder section on its website to periodically release the company's business and financial information. In addition, an e-mail address is also available for shareholders to contact the company.	N/A
5. To make information public （1）The company uses its own website to disclose its financial status and company governance information （2） The company also uses other information disclosure ways (e.g. establishment of English website, designation of exclusive personnel to collect and disclose the company's information, fulfillment of spokesperson system, and posting prospectus seminar process on the company's website, etc.)	(1) The address of the company's website is: www.topoint.tw The company has already posted its governance information on the website. Viewers may also use the website to link to the Market Observation Post System for enquiry of the company's financial and business information. (2) The company has its spokesperson system which is used to collect and disclose information and as the bridge to communicate with outsiders.	N/A
6. The operation of the function committees set for the function of nomination or remuneration determination.	N/A	N/A

Item	Operation	Deviation from the practice rules governing TSEC and OTC-listed companies, and the reasons
7. If the company has instituted the corporate governance practice rules based on the "governance practice rules of TSEC and OTC-listed companies", please give an account of its operation and the difference from the statutorily regulated corporate practice rules: ： The corporate governance rules instituted by the company and their spirit have all been included in the company's internal control system. The new entrants are all requested to follow the internal control system in their oriental training. At the same time, the "rules of shareholders' meeting procedure", "rules of board meeting procedure" and "director and supervisor election regulations" have all been laid down. The board of directors passed the "director, supervisor and manager moral code" on April 25, 2008 and sent it to the shareholders'' meeting for resolution.		
8. Please give a detailed account of the systems and measures that the company has taken to fulfill its social responsibilities (e.g. human rights, employees' interests, employee care, environmental protection, community participation, contributions to society, social services, relationship with investors and suppliers, and the rights of related parties): The company assisted "Asia Pacific Industry Analysis Association (APIAA)" in training its members with industrial technology, market information analysis, consultation competence, so as to enhance our country's industrial competitiveness. In addition, the company also donated fire-fighting equipment to the voluntary fire brigade of Shulin City Office. As a whole, the company is dedicated to a variety of public welfare activities in an attempt to contribute to society		

Item	Operation	Deviation from the practice rules governing TSEC and OTC-listed companies, and the reasons

9 The significant information which may help understanding of the company's governance status (e.g. director or supervisor's pursuit of further education, implementation of the risk management policy, risk measurement standards, consumer protection and customer policy, and the purchase of liability insurance for the company's directors and supervisors.)

(1) The following are the courses taken by the company's directors and supervisors:

Title	Name	Date to initiate the study	Course sponsor	Course name	Study hours
Director	Lin Xu-ting	Dec. 18, 2007	Securities and Futures Institute	Frequent problems and legal responsibilities found in the financial reports of TSEC (OTC) listed companies.	3
Director representative	D.C. Cheng	Dec. 24, 2007	Securities and Futures Institute	Expenses of employee bonuses and director/supervisor remuneration	3
Director	Liu Rong-rong	May 5, 2007	Securities and Futures Institute	Corporate acquisition and private placement equity funds	3
Director representative	Bill Huang	Jun. 25, 2007	Securities and Futures Institute	Corporate governance and ethics	3
Independent director	Ko Po-cheng	Jun. 7, 2007	Financial Supervisory Commission	The 4th Taipei Corporate Governance Forum	3
		Jul. 11, 2007	Accounting Research and Development Foundation	Accounting process and practice investigation on the expenses of employee bonuses starting to be enforced in 2008	3
Independent director	Lo Tsung-ming	Mar. 15, 2007	Gretai Securities Market	Independent Director Corporate Governance Summit Forum	3.5
Supervisor	Chen Ken-ching	Apr. 17, 2007	Securities and Futures Institute	Case studies of our financial institutions' corporate governance	3
Independent supervisor	Liang Shwu-jian	Jan. 23, 2007	Securities and Futures Institute	FAQ about TSEC (OTC) listed company's financial reports and ensued legal responsibilities	3
Independent supervisor	Niu Cheng-chie	Dec. 6, 2007	Securities and Futures Institute	Authorization and labor division of directors, supervisors and managers	3

(2) The company's risk management policy, risk measurement standards, consumer protection and customer policy have been involved in its internal control system and literally implemented according to respective operation regulations.

(3) The company's directors and supervisors have good meeting attendance frequency, and the directors involving conflict of interests and damage of the company's interests in the bills listed by the board of directors are all not allowed to join resolutions.

(4) The company has already purchased liability insurance for its directors and supervisors.

Item	Operation	Deviation from the practice rules governing TSEC and OTC-listed companies, and the reasons
10 In the case that a company gives a self corporate governance evaluation report or entrusts other professional firm to give a corporate governance appraisal report, a detailed account of the self-evaluation (outsourcing appraisal) results, major drawbacks (or recommendations) and improvement status shall be stated: In order to establish a corporate governance system, the company has followed the corporate governance rules of the OTC-listed companies promoted by Gretai Security Market. So far, the company already submitted facile corporate governance evaluation data to Corporate Governance Association in Taiwan. The evaluation results show that the company has passed the corporate governance standards. . In the future, the company will continue to devote its efforts to reinforcing its information disclosure		

(4) Enquiry of corporate governance rules and related regulations: Please go to the corporate governance section of the "Market Observation Post System"。

(5) The information to help investors more aware of how the company's corporate governance is operated: Please go to the "investor section" of the company website www.topoint.tw

(6) Execution of internal control system:

a. Internal control declaration: Please refer to P. 72 in the annual report for details

b. Entrustment of CPA to audit internal control system: Please refer to P. 73 in the annual report for details.

(7) The punishments applied to the company and its employees due to law violation, the punishments applied by the company to its internal employee due to violation of internal control system, major drawbacks and improvement in the recent year and the current year as of the annual report publication date:

As regulated by the company, other than including the violation of internal control system in the rating of personnel annual performance evaluation, the company has also given a detailed account of the punishments, major drawbacks and expected improvement deadline in each audit report. At the same time, the audit unit has continued to track the improvement status and make records. The major drawbacks had been corrected in the recent year and the current year as of the annual report publication date.

(8) Major resolutions made in shareholders' meetings and board meetings in the recent year and the current year as of the annual report publication date:

a. Resolutions made in the shareholders' meeting on June 15, 2007 and review of implementation status：

(a) Recognized 2006 final account statements.

(b) Recognized 2006 earnings distribution

To distribute $2.674/share of cash dividends and give 114.6 shares/1000 shares of scrip dividends.

The board of directors is authorized to adjust the ensuing change to be caused by the change in shareholder's stock dividend/cash dividend rate resulting from the outstanding shares which are influenced by the change of capitalization.

(c) Passed the company's issue of new shares from capital increase by 2006 earnings and employee bonus recapitalization

(d) Passed the revision of the company's "assets acquisition or disposal procedure"

(e) Passed the revision of the company's "endorsement guarantee regulations"

(f) Passed the revision of the company's "capital lending procedure"

(g) Passed the revision of the company's "derivatives trading procedure".

(h) Passed the revision of the company's "director and supervisor election procedure"

(i) Passed the revision of the company's "corporate constitution"

As approved by Financial Supervisory Commission, Executive Yuan with doc. no. jin-guan-zeng (1) 0960034131 on July 4, 2007, the company set July 30, 2007 as the based day for the release of the common stock's cash dividends and capital-increased stock dividends. The dividends would be released on September 17, 2007 on which the trading of the stock dividends could also begin in the OTC market.

2. Board meetings

Time/date	Contents
1.8th time in the 4th year Mar. 13, 2007	1. Passed the revision of "assets acquisition or disposal procedure", "capital lending procedure", "endorsement guarantee regulations" and "derivatives trading procedure". 2. Passed the establishment of Japan subsidiary.
2.9th time in the 4th year Mar. 26, 2007	1. Passed the company's 2006 final account statements. 2. Passed the company's 2006 earnings distribution. 。 3. Passed the capital increase of US$7.5 million to expand the company's 2nd-tier plant (Shanghai Topoint). 4. Passed the declaration of the company's 2006 internal control system 5. Passed the revision of the company's "corporate constitution" 6. Passed the holding of 2007 shareholders' regular meeting (June 20, 2007) and agreed the meeting location.
3. 10th time in the 4th year July 6, 2007	1. Passed the re-setting of subscription price (to be $39.09) of 2006 employee stock options. 2. Passed the endorsement guarantee of US$2.4 million for Shanghai Topoint 3. Passed the appointment of Mr. Jian Zhen-wen to be the company's general manager. 4. Passed the removal of prohibition of business strife from managerial personnel.
4. 11th time in the 4th year Aug. 16, 2007	1. Passed the financial statements for the first half of 2007 2. Passed the trans-investment (Shanghai Topoint Precision Tool Co., Ltd.) and the plan for capital increase by earnings recapitalization.
5. 12th time in the 4th year Oct. 29, 2007	1. Passed the issue of 10 million new shares by cash capital increase 2. Passed the added endorsement guarantee of US$4 million applied by Shanghai Topoint.
6. 13th time in the 4th year Nov. 23, 2007	1. Passed the case for application of "transferring the OTC-listed stock to the TSEC market" 2. Passed the issue of 2007 employee stock option certificates.
7. 14th time in the 4th year	1. Passed the declaration of the company's 2007 internal control system (specifically audited by CPA)

Time/date	Contents
Nov. 29,2007	
8. 15th time in the 4th year Dec. 17, 2007	1. Passed three-month extension for cash capital increase. 2. Passed the 2008 audit plan, self-evaluation of the internal control system and the revision of the internal control system.
9. 16th time in the 4th year Jan. 29, 2008	1. Passed the withdrawal of cash capital increase.
10. 17th time in the 4th year Mar. 7, 2008	1. Passed the company's 2007 final account statements. 2. Passed the company's 2007 earnings distribution (in which 3% or $13,901,027 is for director/supervisor remuneration, 15% or $69,505,133 is for employee bonuses and 82% or $379,961,392 is for shareholder bonuses, and the cash dividend is $2.7859 per share) 3. Passed the issue of new shares from 2007 capital increase by earnings recapitalization. (scrip issue of 119.3981 shares per 1,000 shares = $1.193981 per share) 4. Passed the added endorsement guarantee of US$4.5 million applied by Shanghai Topoint. 5. Passed the institution of "director, supervisor and managerial personnel moral code" 6. Passed the revision of " rules of board meeting procedure" 7. Passed the revision of "endorsement guarantee regulations" and "derivatives trading procedure". 8. Passed the revision of "corporate constitution". 9. Passed the holding of 2008 shareholders' regular meeting and agreed the meeting location.
11. 18th time in the 4th year Apr. 28, 2 008	1. Passed the endorsement guarantee of US$1.1 million for Shanghai Topoint. 2. Passed the declaration of the company's 2007 internal control system.

(9) The different opinions from directors or supervisors on the major resolutions passed in board meetings with written records or declarations in the recent year and the current year as of the annual report publication date: N/A

(10) The resignation/dismissal of the persons (including the president, general managers, accounting executives and internal audit chiefs) related to financial reports in the recent year and the current year as of the annual report publication date:

Title	Name	Employment date	Dismissal date	Reasons of resignation or dismissal
General manager	Huang Li-qiang	Jan. 1, 2004	July 6, 2007	Transferred to the new product development business div. ◦

4. Information of CPAs Fees: N/A.
5. Information of CPA replacement:

(1) Regarding former CPA:

<table>
<tr><td>Replacement date</td><td colspan="4">Approved by the board of directors on Mar. 13, 2007.</td></tr>
<tr><td>Replacement reasons</td><td colspan="4">The CPA certifying the company's 2006 financial statements were Wu En-ming and Chen Zhao-mei at Deloittee & Touche – Taiwan. However, due to the firm's internal task transfer and arrangement, the company's 2007 financial statements were certified by CPA Wu En-ming and Xie Jian-xin.</td></tr>
<tr><td rowspan="3">Please explain whether the termination or refusal of the commission is initiated by the entrustor or CPA.</td><td colspan="2">The party / Status</td><td>CPA</td><td>Entrustor</td></tr>
<tr><td colspan="2">Took initiative in terminating the commission</td><td colspan="2" rowspan="2">Not applicable</td></tr>
<tr><td colspan="2">Refusal (discontinuation) of the commission</td></tr>
<tr><td>The opinions on the auditing reports in the recent two years and reasons, except the issue of unqualified opinions.</td><td colspan="4">For the modified non-qualified opinions, the company has adopted the newly released SFAS no. 34 "Accounting for the Financial Instruments", no. 36 "Financial Instruments: disclosure and presentation", and the articles which have been modified as from Jan. 1, 2006 following the release of preceding articles.</td></tr>
<tr><td rowspan="6">Different opinions with the issuer:</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principle or practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="2">Auditing range and steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>No</td><td colspan="3">√</td></tr>
<tr><td>Why</td><td colspan="3">Not applicable.</td></tr>
<tr><td>Other disclosure items: (The items required to be disclosed as per item 4, subparagraph 1 of article 11 in regulations governing the preparation of financial reports by securities issuers.)</td><td colspan="4">N/A</td></tr>
</table>

(2) Regarding successor CPA:

Name of the firm	Deloittee & Touche – Taiwan
Names of CPA	Wu En-ming and Xie Jian-xin
Date of commission	As passed by the board of directors on March 13, 2007
Items and results of the consultation made before the commission for the possible opinions on the accounting process method or accounting principle and the financial reports of specific transactions	N/A
The written opinions from the successor CPA against the ones from the former CPA.	N/A

(3) The response made by former CPA for the issues listed in item 3 of subparagraph 1 of article 22 of “regulations governing the preparation of financial reports by securities issuers”: N/A

6. The Chairman, President or managing agent who is in charge of finance or accounting of the company that has worked in the last year for the office where the certified account has worked for its affiliated companies: N/A

7. The transfers of stocks and changes in stock pledge of directors, supervisors, managers and shareholders holding more than 10% of the company's shares in the most recent year and up to the publishing date of annual report:

(1) Equity changes of the company's directors, supervisors, managers and major shareholders:

Unit: share

Title	Name	2007		The current year as of April 30	
		Increase (decrease) of held shares	Increase (decrease) of pledged shares	Increase (decrease) of held shares	Increase (decrease) of pledged shares
President	Lin Xu-ting	192,482	(1,400,000)	-	-
Director	Liu Rong-rong	-	-	-	-
Director	UMC Capital Corporation	731,900	-	-	-
Representative of UMC Capital	D.C. Cheng	-	-	-	-
Director	China Development Industrial Bank	244,143	-	-	-
Representative of China Dev.	Bill Huang	-	-	-	-
Independent director	Lo Tsung-ming	200	-	-	-
Independent director	Ko Po-cheng	-	-	-	-
Supervisor	Chen Gen-qing	110,607	-	-	-
Independent supervisor	Liang Shwu-jian	6,147	-	-	-
Independent supervisor	Niiu Cheng-chie	-	-	1,000	-
General manager	Huang Li-qiang (note)	(275,857)	-	(49,000)	-
General manager	Jiang Zhen-wen	50,000	-	-	-
Vice general manager	Wang Jia-hong	146,017	54,643	(99,000)	-

Note: Huang Li-qiang was transferred to be the general manager of the new product business division on July 6, 2007.

(2) The information of the related party who was the corresponding party of the equity transfer: N/A

(3) The information of the related party who was the corresponding party of the equity pledge: N/A

8. The relation of the top ten shareholders as defined by Finance Standard Article 6: N/A

9. The percentage of stock shares held by the company, its directors, supervisors and managers and the businesses directly or indirectly controlled by the company, and the combination of holding:

Unit: Share

Trans-investment business	The company's investment		Investment made by directors, supervisors, managers and the businesses directly or indirectly controlled by the company		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Total shareholding ratio
Topoint Technology Co.,Ltd.(B.V.I)	2,510	100%	-	-	2,510	100%
Warpspeed Corporation(B.V.I)	50,000	100%	-	-	50,000	100%
Topoint Japan Co., Ltd.	312	52%	-	-	312	52%
Shanghai Topoint Precision Tool Co., Ltd.	-	100%	-	100%	-	100%

D. Status of raising capital

1. Item required to be stated for capital and shares:

(1) Capital sources

Unit: NT$1,000/1,000 shares

Month / year	Issued price ($)	Approved capitalization		Paid-in capitalization		Remarks			
						Capital sources		Use of non-cash property to pay for the shares	Others
		Shares	Amount	Shares	Amount	Amount	Source		
4/1996	10	1,500	15,000	1,500	15,000	15,000	Cash capital increase	-	04/12/1996 1996 Jien (3) Geng Zi No. 48510
5/1997	10	6,000	60,000	3,250	32,500	17,500	Cash capital increase	-	02/23/1998 1998 Jien (3) Jia Zi No. 124692
6/1998	10	20,000	200,000	9,920	99,200	49,200 17,500	Cash capital increase Capital surplus transfer	-	11/18/1998 1998 Jien (3) Jia Zi No. 259480
9/1999	10	20,000	200,000	13,852	138,253	20,800 18,253	Cash capital increase Earnings transfer	-	10/21/1999 Jing (1999) Shang Zi No. 08813853
5/2000	23	49,000	490,000	27,300	273,000	120,000 14,747	Cash capital increase, earnings and capital surplus transfer	-	06/28/200 Jing (2000) Shang Zi No. 089121529
05/2002	10	49,000	490,000	34,000	340,000	67,000	Earnings and capital surplus transfer	-	09/19/2001 Jing (2001) Shang Zi No. 0901372890
11/2002	20	49,000	490,000	39,000	390,000	50,000	Cash capital increase	-	01/03/2002 Jing (2001) Shang Zi No. 09001523010
12/2003	10	49,000	490,000	41,000	410,000	20,000	Cash capital increase	-	12/29/2003 Jing-Shou-Zhong Zi No. 09233192270
08/2004	10	42,693	426,930	42,693	426,930	16,930	Earnings transfer	-	10/05/2004 Jing-Shou-Zhong Zi No. 09332806590
10/2004	16.8	70,000	700,000	48,393	483,930	57,000	Cash capital increase	-	12/29/2004 Jing-Shou-Zhong Zi No. 09333262600
09/2005	10	70,000	700,000	55,258	552,581	68,651	Earnings and capital surplus transfer	-	09/16/2005 Jing-Shou-Shang Zi No. 09401183300
06/2006	10	140,000	1,400,000	65,258	652,581	100,000	Cash capital increase	-	06/20/2006 Jing-Shou-Shang Zi No 09501118760
09/2006	10	140,000	1,400,000	75,428	754,288	101,707	Earnings transfer	-	09/07/2006 Jing-Shou-Shang Zi No. 09501202460
10/2006	10	140,000	1,400,000	76,116	761,161	6,873	Shares transferred	-	10/07/2006 Jing-Shou-Shang Zi

Month / year	Issued price ($)	Approved capitalization		Paid-in capitalization		Remarks			
						Capital sources		Use of non-cash property to pay for the shares	Others
		Shares	Amount	Shares	Amount	Amount	Source		
							from corporate bonds		No. 09501232720
01/2007	10	140,000	1,400,000	77,388	773,882	12,721	Shares transferred from corporate bonds	-	10/23/2007 Jing-Shou-Shang Zi No. 09601018460
04/2007	10	140,000	1,400,000	78,605	786,050	12,168	Shares transferred from corporate bonds	-	04/17/2007 Jing-Shou-Shang Zi No. 09601080210
07/2007	10	140,000	1,400,000	84,242	842,421	56,371	Shares transferred from corporate bonds	-	07/23/2007 Jing-Shou-Shang Zi No. 09601175210
08/2007	10	140,000	1,400,000	95,469	954,691	112,270	Earnings transfer	-	08/24/2007 Jing-Shou-Shang Zi No. 09601206420

Unit: share

Share type	Approved capitalization			Remarks
	Outstanding shares	Un-issued shares	Total	
Common stock	95,469,127	44,530,873	140,000,000	Listed shares

(2) Shareholder structure

April 15, 2008

Shareholder structure / Q'ty	Government agencies	Financial institutions	Other institutional investors	Individuals	Foreign institutional investors and foreign investors	Total
Number of persons (institutions)	1	17	32	4,400	33	4,783
Shares held	255,811	24,180,368	13,651,756	37,706,243	19,674,949	95,469,127
Shareholding ratio	0.26%	25.33%	14.30%	39.50%	20.61%	100.00%

(3) Equity distribution status

Face value per share: $10 April 15, 2008

Grades of shareholding	Number of shareholders	Number of held shares	Shareholding ratio
1 to 999	1,099	243,870	0.26%
1,000 to 5,000	2,502	5,152,876	5.40%
5,001 to 10,000	399	3,126,000	3.27%
10,001 to 15,000	139	1,733,523	1.82%
15,001 to 20,000	78	1,414,886	1.48%
20,001 to 30,000	79	2,025,479	2.12%
30,001 to 50,000	53	2,076,454	2.18%
50,001 to 100,000	37	2,555,352	2.68%
100,001 to 200,000	42	5,961,562	6.24%
200,001 to 400,000	17	4,462,427	4.67%
400,001 to 600,000	6	3,052,617	3.20%
600,001 to 800,000	7	5,095,956	5.34%
800,001 to 1,000,000	3	2,787,699	2.92%
Over 1,000,001	22	55,780,426	58.42%
Total	4,483	95,469,127	100.00%

(4) Major shareholders:

April 15, 2008

Shares / Names of major shareholders	Held shares	Shareholding ratio
China Development Industrial Bank	6,389,859	6.69%
Lin Xu-ting	4,790,255	5.02%
UMC Capital Corporation	4,632,180	4.85%
Contracted Customer Investment Account of KGI Asia under the trusteeship of Standard Chartered Bank.	4,503,341	4.72%
Account of Cathay Greater China Fund	3,820,809	4.00%
Rui Zhan Investment Co., Ltd.	3,239,948	3.39%
Account of Cathay Small & Medium Capital Fund	3,195,000	3.35%
Account of CITC Marathon Fund	2,711,959	2.84%
Account of College Retirement Equities Fund under the trusteeship of J.P. Morgan Chase & Co.	2,710,600	2.84%
The investment account of Yuanta Securities (H.K.) under the trusteeship of HSBC bank	2,702,461	2.83%

(5) Market price, net value, earnings, dividend per share and related information in the recent two years. .

Unit: NT$/share

Item		Year	2006	2007	2008 (As of April 30)
Market price per share	Highest		73.10	123.00	66.00
	Lowest		49.20	63.60	41.15
	Average		57.90	85.93	53.58
NAV	Pre-distribution		24.04	25.83	26.37(note1)
	Post-distribution		21.19	(note 2)	--
EPS	Weighted average shares		82,837,000	93,263,000	95,469,000
	EPS (pre-adjustment)		5.10	5.52	0.81(note 1)
	(post-adjustment)		4.41	(note 2)	--
DPS	Cash dividend		2.457	(note 2)	--
	Scrip issue	Stock dividend from retained earnings	1.053	(note 2)	--
		Stock dividend from capital reserve	--	(note 2)	--
	Accumulated dividends having yet to be paid		--	--	--
Analysis of ROI	P/E		11.35	(note 2)	--
	Dividend ratio		23.57	(note 2)	--
	Cash dividend yield		4.24%	(note 2)	--

Note 1：The NAV and EPS shown above are the data certified by the CPA as of the 1st quarter of 2008.

Note 2：The data has yet to be passed in the 2008 shareholders' regular meeting, so it is not applicable

(6) The company's dividend policies and implementation status

a. Given the fact that the company is in its growing period and taking its future development, financial structure and shareholders' equity into account, the company has concurrently released stock and cash dividends, in which the cash dividend shall not be lower than 10% of the total shareholder bonus released in the current year.

b. The dividends planned to be distributed this year are as below: (the proposal has been passed by the board of directors, and planned to be submitted to the shareholders' meeting for discussion)

As passed in the board meeting on March 7, 2008 for 2007 earnings distribution, the company plans to distribute the stock dividend at $1.193981 per share and cash dividend at $2.7859 per share. (It is planned to request shareholders to authorize the board of directors to adjust the ensuing change to be caused by the change in shareholder's stock dividend/cash dividend rate resulting from the outstanding shares which are influenced by the change of capitalization).

(7) The influence of the scrip issue planned to be discussed in the shareholders' meeting on the company's operating performance and EPS:
Since the company has yet to make public of its 2008 financial forecast, there is no way to estimate profit/loss of EPS or give hypothetic figures.

(8) Employee bonuses and remuneration of directors and supervisors

a. The ratio or range of employee bonuses and remuneration of directors and supervisors stated in the corporate constitution:
If there is surplus in the company's annual final account, the surplus shall be first used to pay tax and cover past losses, followed by appropriating 10% of the remaining surplus as the legal reserve. Then, a special surplus reserve may be set aside as needed. If there is still a balance left, it can be added to the earnings accumulated from past years, and if it is resolved in the shareholders' meeting, the accumulated earnings can be used for the shareholder bonus, employee bonus and director/supervisor remuneration, in which the employee bonus shall be over 1% and below 15%.

b. Information of the employee bonus and director/supervisor remuneration passed by the board of directors:

1) The amounts of the employee cash bonus, stock bonus and director/supervisor remuneration planned to be distributed are as below:
As approved by the board of directors on March 7, 2008, it is expected to distribute $69,505,133 of employee cash bonuses and $13,901,027 of director/supervisor remuneration for 2007.
2) The shares of employee stock bonuses planned to be distributed and their ratio to the increased capital from earnings transfer: N/A
3) Calculation of the EPS by taking the planned distribution of employee bonuses and director/supervisor remuneration into account:
The EPS is $4.5 after taking the planned distribution of employee bonuses and director/supervisor remuneration into account

c. Information of the employee bonus and director/supervisor remuneration distributed from the earnings in the last half year:

	Distribution shares resolved in the shareholders' meeting	Distribution shares passed in the board meeting	Variance
Distribution status:			
Employee cash bonus	-	-	-
Employee stock bonus			
Shares	2,356,000	2,356,000	-
Amount	$23,560,000	$23,560,000	-
Ratio to the outstanding shares at the end of the current year	3.10%	3.10%	-
Director/supervisor remuneration	$9,874,000	$9,874,000	-
Information of EPS			
Original EPS	$5.10	$5.10	-

	Distribution shares resolved in the shareholders' meeting	Distribution shares passed in the board meeting	Variance
EPS taking bonuses and remuneration into account	$4.63	$4.63	-

(9) Repurchase of the company's shares: N/A

2. Status of Corporate bond :
The first unsecured convertible corporate bonds issued by the company on Feb. 17, 2006 were all converted into common stock on June 25, 2007. The company had finished its declaration of the case to the competent authorities on July 1, 2007.

3. Status of corporate bonds: N/A
4. Status of ADR/GDR: N/A
5. Status of Employee stock options :
   (1) The handling status as of the annual report publication date, and the influence on shareholders' equity:

April 30, 2008

Cat. of employee stock option certificates	1st time (phase) Employee stock option certificate	2nd time (phase) Employee stock option certificate
Date approved by the competent authority	March 29, 20069	Dec. 13, 2007
Issue date	Apr. 7, 2006	Dec. 18, 2007
Issued units	5,520	5,000
Ratio of the shares eligible for subscription to total issued shares	7.02%	5.24%
Share subscription period	For Apr. 7, 2006 through Apr. 7, 2011	For Dec. 18, 2007 through Dec. 18, 2012
Fulfillment method	The common stock newly issued by the company	The common stock newly issued by the company
Restriction on subscription and ratio (%)	Two years of seniority: 50%；Three years of seniority: 75%；Four years of seniority：100%	Two years of seniority: 50%；Three years of seniority: 75%；Four years of seniority：100%
Shares acquired	-	-
Amount of executed subscription shares	-	-

Unexecuted subscription shares	5,057,000	4,889,000
The unexecuted subscription share price	39.09	68.20
The ratio of the unexecuted subscription shares to total issued shares (%)	5.31%	5.20%
Influence on shareholders' equity	The issue of employee stock option certificates may create common interests between the company and its shareholders. Furthermore, the issued shares have only very trivial impact on equity dilution, so no significant influence will be made on shareholders' equity	The issue of employee stock option certificates may create common interests between the company and its shareholders. Furthermore, the issued shares have only very trivial impact on equity dilution, so no significant influence will be made on shareholders' equity

(2) Acquisition and subscription status of the managers acquired the employee stock option certificates, and the employees who acquired top 10 employee stock options, in which the subscription amount is more than NT$30 million as of the annual report publication date:

April 30, 2008

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Acquired subscription shares</th><th rowspan="2">Ratio of acquired subscription shares to total issued shares</th><th colspan="4">Executed</th><th colspan="4">Not yet to be executed</th></tr>
<tr><th>Executed subscription shares</th><th>Executed subscription price</th><th>Amount of executed subscription shares</th><th>Ratio of the executed subscription shares to total issued shares</th><th>Unexecuted subscription shares</th><th>Unexecuted subscription share price</th><th>Amount of unexecuted subscription shares</th><th>Ratio of unexecuted subscription shares to total issued shares</th></tr>
<tr><td rowspan="6">Managerial personnel</td><td rowspan="2">CEO</td><td rowspan="2">Lin Xu-ting</td><td rowspan="2">950,000</td><td rowspan="2">1.00%</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td>500,000</td><td>39.09</td><td>19,545,000</td><td rowspan="2">1.00%</td></tr>
<tr><td>450,000</td><td>68.20</td><td>30,,690,000</td></tr>
<tr><td rowspan="2">General manager</td><td rowspan="2">Jiang Zhen-wen</td><td rowspan="2">170,000</td><td rowspan="2">0.18%</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td>170,000</td><td>68.20</td><td>11,594,000</td><td rowspan="2">0.18%</td></tr>
<tr><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">General manager of new product business div.</td><td rowspan="2">Huang Li-qiang</td><td rowspan="2">750,000</td><td rowspan="2">0.79%</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td>450,000</td><td>39.09</td><td>17,590,500</td><td rowspan="2">0.79%</td></tr>
<tr><td>300,000</td><td>68.20</td><td>20,460,000</td></tr>
</table>

	Title	Name	Acquired subscription shares	Ratio of acquired subscription shares to total issued shares	Executed				Not yet to be executed			
					Executed subscription shares	Executed subscription price	Amount of executed subscription shares	Ratio of the executed subscription shares to total issued shares	Unexecuted subscription shares	Unexecuted subscription share price	Amount of unexecuted subscription shares	Ratio of unexecuted subscription shares to total issued shares
	Vice general manager	Wang Jia-hong	850,000	0.89%	-	-	-	-	450,000	39.09	17,590,500	0.89%
									400,000	68.20	27,280,000	
	Director of Production div.	Huang Yin-ming	320,000	0.34%	-	-	-	-	180,000	39.09	7,036,200	0.34%
									140,000	68.20	9,548,000	
	Director of R&D div.	Chen Zhao-yang	470,000	0.49%	-	-	-	-	330,000	39.09	12,899,700	0.49%
									140,000	68.20	9,548,000	
	Manger of financial div.	Lian Jing-huei	390,000	0.41%	-	-	-	-	300,000	39.09	11,727,000	0.41%
									90,000	68.20	6,138,000	

6. Status of the issue of new shares from merging or buying stock shares from other companies: N/A

7. Fund implementation plan:

In recent three years and the current year as of the annual report publication date, the company had not issued any new shares resulting from company's acquisition or receipt of assignment, and the cash capital increases planned by the company previously had all been completely executed. The plans whose actual completion dates not beyond three years from the declaration time are the cash capital increase held in 2006 and the convertible corporate bonds issued in 2005. Their contents and execution status are as below:

(1) Issue of unsecured convertible corporate bonds in 2005

a. Plan contents:

(a) Approval date and doc. no. of the competent authority: Jan. 1, 2006 Jin-Guan-Zheng (1) Zi No. 0940159002

(b) Capital required for the plan: NT$400 million

(c) Capital source: Issue of NT$400 million of local 1st unsecured convertible corporate bonds.

(d) Plan items and capital utilization status.

① Purpose of capital increase: Purchase of machinery equipment and repayment of bank loans

② Plan items and capital utilization schedule:

Unit: NT$1,000

Plan items	Expected completion date	Total required capital	Capital utilization schedule	
			2006	
			1st quarter	2nd quarter
Repayment of bank loans	1st quarter of 2006	260,000	260,000	—
Purchase of machinery equipment	2nd quarter of 2006 9	140,000	86,000	54,000
Total		400,000	346,000	54,000

(e) Evaluation of expected effects of the raised capital

① Repayment of bank loans

The company plans to repay banks NT$260 million to improve its financial structure. Based on the company's current loan rates, it is expected that $6.039 million of interest expenses could be saved in 2006 if the loan repayment is made upon the capital being raised, and as from 2007, about $7.506 of annual interest can be further saved. In this way, the company will be able to modestly reduce its financial load, enhance its solvency and strengthen its financial structure.

② Purchase of machinery equipment

The company also plans to use NT$140 million to purchase machinery equipment in order to elevate its self-production capacity of linking- type bar material, reduce production cost and well control production schedule and quality. The following are the expected effects and achievements:

Unit: piece: NT$1,000

Year	Machine name	Production capacity	Product cost to be saved
2006	Linking–type bar material processing equipment	44,652	88,857
2007	Linking–type bar material processing equipment	53,556	106,576
2008	Linking–type bar material processing equipment	53,556	106,576
2009	Linking–type bar material processing equipment	53,556	106,576
2010	Linking–type bar material processing equipment	53,556	106,576
	Total		515,161

Note: The number of years of useful life of the processing equipment is 10 years.

b. Execution status: Capital disbursement and plan execution status.

Unit: NT$1,000

Plan items	Execution status			Date
Repayment of bank loans	Disbursement amount	Actual	260,000	Expected completion date: March 31, 2006
		Scheduled	260,000	
	Execution progress (%)	Actual	100	Actual completion date: March 31, 2006
		Scheduled	100	
Purchase of machinery equipment	Disbursement amount	Actual	137,079	Expected completion date: June 30, 2006
		Scheduled	140,000	
	Execution progress (%)	Actual	97.91	Actual completion date: Dec. 31, 2006
		Scheduled	100	

The company raised a total of $400 million of convertible corporate bonds this time. All the raised money was received by Feb. 17, 200, and is expected to be used as scheduled. As of March, 2006, NT$260 million was used to repay bank loans as scheduled. The execution went smoothly with 100% of execution progress. In addition, the raised money has also been used to purchase machinery equipment, for which the expected completion schedule was June, 2006. As of the end of June, 2006, NT$112,236,000 was used to purchase machinery equipment, representing 80.17% of execution progress. The delay in the execution progress was mainly because that some main boards were ordered a bit late and it took longer time to do acceptance inspection. As a result, the tail amount on this part was not able to be fully paid by the end of the 2nd quarter. The remaining amount would be paid accordingly after the purchased equipment was all in place and had acceptance inspection. As of the end of 2006, the purchase of the machinery equipment had all been completed and the actual payment amount was NT$137,079,000, representing 97.91% of execution progress. The variance from expected execution progress is caused mainly because the main boards ordered by the company were more customized, which made our company request finer adjustment on some main boards and resulted in less-than-expected payment. The remaining NT$2,921,000 has been put in the company's passbook deposit to supplement its working capital. Based on the related regulations, the company has posted the convertible corporate bonds related information, such as the capital increase plan and capital utilization status, on the Market Observation Post System and in the quarterly financial statements. At the same time, the information has also been disclosed in the company's 2006 annual report.

c. Analysis of the effects shown after the execution.

① Repayment of bank loans

Unit：%

Item/year		End of 2005 (Before raising the capital)	End of 2006 (After raising the capital)
Financial structure	Proprietary capital ratio	51.38	58.89
	Debit ratio	48.62	41.11
	Long-term capital/fixed assets	163.94	160.94
Solvency	Current ratio	124.84	138.47
	Acid –test ratio	94.76	89.12

The NT$400 million of convertible corporate bonds raised by the company in 2005 had been fully received and, as per the capital increase plan, $260 million of the raised capital was used to repay the bank loans in the 1st quarter of 2006. The company's operating income in 2006 was $1,241,680,000, a boost of 49.65% from the $829,749,000 in 2005. As the result of the company's repayment of bank loans, the company's debit ratio in 2006 dropped to 41.11% from 48.62% in 2005, while the proprietary capital ratio increased to 58.89% in 2006 from 51.38% in 2005. As to the ratio of long-term capital to fixed assets, given the purchase of new grinding main boards from abroad, the net amount of fixed assets substantially increased in 2006 compared with 2005. As a result, the ratio of long-term capital to fixed assets in 2006 was lower than that in 2005. Moreover, the current ratio of 2006 increased from 2005's 124.84% to 138.47%. As to the acid-test ratio in 2006, caused by the company's modification of its operating mode, for which outsourcing ratio of linking-type bar material has been reduced, self-production material process has been elevated and material as well as product inventory has been increased, the 2006 inventory amount increased 117.19% from 2005, which resulted in the decrease of acid-test ratio to 89.12% in 2006 from 94.76% in 2005. As a whole, following the repayment of bank loans as part of the company's plan for issuing convertible corporate bonds in 2005, the company's financial ratios and solvency have been significantly improved, which gives positive effects on the company's operating income and profit. Thus, the effects of the capital raised this time have already emerged, which gives positive influence on shareholder's equity.

② Purchase of machinery equipment

The company used NT$140 million of the capital raised this time to purchase machinery equipment to increase production lines and expand production capacity. As a result, the company's annual output increased from 49.186 million pieces in 2005 to 105.216 million pieces in 2006. It illustrates that the effect of the purchase of the machinery equipment on production capacity has gradually emerged. The company's 2006 operating income, gross margin and profit were respectively NT$1,241.68 million, NT$471.488 million and NT$316.978 million, representing a growth of 49.65%、67.32% and 103.12% respectively from 2005. Thus, the expected expansion of production capacity and increase of operating gross margin projected in the original capital raising plan has been preliminarily achieved. It shows sound progress in achievement.

(2) 2006 cash capital increase plan

a. Contents of the plan

(a) The approval date and doc. no. of the competent authority: March 16, 2006 Jin-Guan-Zheng (1) Zi No. 0950107595

(b) Total capital required by the plan: NT$450 million。

(c) Capital source: Increase of the capital by issuing additional 10 million shares at NT$45 per share for a total of NT$450 million.。

(d) Plan items and capital utilization status:

① Purpose of the capital increase: purchase of machinery equipment

② Plan items and capital utilization schedule:

Unit: NT$1,000

Plan items	Expected completion date	Total required capital	Capital utilization schedule			
			2006			2007
			2nd quarter	3rd quarter	4th quarter	1st quarter
Purchase of machinery equipment	1st quarter of 2007	450,000	171,943	52,342	71,230	154,485
Total		450,000				

The company scheduled to start the purchase from the first quarter of 2006. In the case requiring paying deposit or making payment for the equipment purchased in the 1st quarter, the company would temporarily use its own capital or bank loans for the payment occurring before the capital increase completion date (scheduled for May, 2006). After receipt of the increased capital, the prepayment would be returned. As to machinery equipment purchase and the payment occurring after the 2nd quarter, they may be processed in conjunction with the time of capital acquisition,

(e) Evaluation of expected effects of capital increase

The company plans to use NT$450 million from the increased capital this time to purchase the main board equipment for the production of precision drills and milling cutters, so as to expand its production capacity and enhance its market competition. The following are the expected results:

Unit: piece; NT$1,000

Year	Equipment name	Output	Sales volume	Sales value	Gross profit	Operating net profit
2006	Precision drills and milling cutters	11,828	11,828	252,495	88,373	50,499
2007	Precision drills and milling cutters	37,410	37,410	756,301	267,855	153,060
2008	Precision drills and milling cutters	38,460	38,460	763,089	244,188	152,618
2009	Precision drills and milling cutters	38,460	38,460	740,196	236,863	148,039
2010	Precision drills and milling cutters	38,460	38,460	717,990	229,757	143,598
	Total	164,618	164,618	3,230,071	1,067,036	647,814

b. Execution status: Capital utilization and plan execution status

Unit: NT$1,000

<table>
<tr><th>Plan items</th><th colspan="3">Execution status</th><th>Date</th></tr>
<tr><td rowspan="4">Purchase of machinery equipment</td><td rowspan="2">Disbursement amount</td><td>Actual</td><td>428,286</td><td rowspan="2">Expected completion date March 31, 2007</td></tr>
<tr><td>Scheduled</td><td>450,000</td></tr>
<tr><td rowspan="2">Execution progress (%)</td><td>Actual</td><td>95.17%</td><td rowspan="2">Actual completion date 96.4.20</td></tr>
<tr><td>Scheduled</td><td>100%</td></tr>
</table>

A total of NT$450 million was raised from this cash capital increase plan. The amount was fully received on June 6, 2006, and the plan has proceeded as scheduled. As of the end of 2007, NT$375.677 million was used to purchase machinery equipment, representing 83.48% of execution progress. The delay in this quarter's purchase of new main boards and capital execution schedule was mainly because that the purchase of the main boards in last quarter was ahead of the schedule, the configuration of some main boards and plant building planning had yet to be completely integrated, and it came across the off-season (early season) and delivery-schedule adjustment made by foreign suppliers. For the utilization of the increased capital in the 2nd quarter of 2007, the company already finished the ensuing main board purchasing operation by April 20, 2007. Thus, as of the evaluation report publication date, all the purchase of machinery equipment and related payment operation had all been completed. The actual disbursement from the increased capital was NT$428.286 million, representing 95.17% of execution progress. The variance from expected capital execution progress was mainly caused because the main boards ordered by the company were more customized, which made our company request finer adjustment on some main boards, and compound matters, given larger purchase scale and quantity of the main boards and peripheral consumption material, the suppliers offered better purchase discount to the company. The remaining NT$27,714,000 has been put in the company's passbook to supplement its working capital. The company has fully executed the cash capital increase plan. Based on the related regulations, the company has posted the increased capital related information, such as the capital increase plan and capital utilization status, on the Market Observation Post System and in the quarterly financial statements. At the same time, the information has also been disclosed in the company's 2006 annual report.

c. Analysis of the effects shown after the execution

The company used about NT$450 million of the capital increased by cash this time to purchase machinery equipment to increase production lines and expand production capacity. As a result, the company's annual output increased from 49.186 million pieces in 2006 to 105.216 million pieces in 2006. Furthermore, in 2007 as of the 3rd quarter, the company had produced 131.039 million pieces, sharply surging from 78.373 million pieces produced during the same period in 2006. It illustrates that the effect of the purchase of the machinery equipment on production capacity has gradually emerged. The company's 2006 operating income, gross margin and profit were respectively NT$1,241.68 million, NT$471.488 million and NT$316.978 million, representing a growth of 49.65%、67.32% and 103.12% respectively from 2005. By comparing the period for Jan. through Sep. of 2007, the operating income, gross margin and profit in 2007 respectively showed $1,107.2 million, $452.018 million and $323.553 million, representing a growth of 21.20%, 30.05% and 38.35% respectively from the same period in 2006. Thus, the expected expansion of production capacity and increase of operating gross margin projected in the original capital raising plan has been preliminarily achieved. It shows sound progress in achievement.

(3) 2007 cash capital increase plan

a. Contents of the plan

(a) Approval date and doc. no. of the competent authority: Nov. 23, 2007 Jin-Guan-Zheng (1) Zi No. 0960064796

(b) Total capital required for the plan: NT$800 million.

(c) Capital source: Increase of the capital by cash by issuing additional 10 million shares, in which the issue price is temporarily set at $80/share and a total of NT$800 million is expected to be raised.

(d) Plan items and capital utilization schedule

Unit: NT$1,000

Plan items	Expected completion date	Total required capital	Capital utilization schedule			
			2008			
			1st quarter	2nd quarter	3rd quarter	4th quarter
Repayment of bank loans	1st quarter of 2008 97	500,000	500,000	—	—	—
Purchase of machinery equipment	4th quarter of 2008	300,000	75,900	2,100	60,000	162,000
Total		800,000	575,900	2,100	60,000	162,000

b. Execution status: As approved by Financial Supervisory Commission, Executive Yuan with doc. no. Jin-Guan-Zheng (1) Zi No. 0970005496 on Feb. 5, 2008, the company withdrew the cash capital increase application.

E. Status of Operations

1. Contents of Business

(1) Scope of business

a. Major contents of the businesses the company has engaged:

① Manufacture and sales of micro-drill bits exclusively for printed circuit boards

② Manufacture and sales of digital drilling machines exclusively for printed circuit boards

③ Manufacture and sales of the peripheral facilities for the process of printed circuit boards

④ General export/import trading and agency businesses

b. Major products and their ratios in the company's total businesses

Business items	2006		2007	
	Operating income	Ratio of total businesses (%)	Operating income	Ratio of total businesses (%)
Drill bit	910,150	73.30	1,057,566	68.45
Router bit	71,564	5.76	260,493	16.86
Others	259,966	20.94	227,030	14.69
Total	1,241,680	100.00	1,545,089	100.00

c. Major products of the company

Product name		Specification
Drill bit	Micro size	Below 0.25mm
	Mini size	0.30mm~0.45mm
Router bit	Micro size	0.50 mm~0.75mm
	Mini size	0.80mm~3.175mm
	Large size	Over 3.175mm

d. New products under development

In order to be listed as a world-class manufacturer of precision drills, the company has not only kept updating the quality and performance of its products, but also continued to develop micro-drill technology in line with the IC substrate advancement and the trend of increasing micro-contraction of layout density, so as to upgrade its drilling efficiency and meet the market demand for minimizing hole diameters and increasing hole accuracy. By devoting our efforts to developing new products and key technologies, we can then ensure our competition edge and sustainable growth.

① Development of micro drills continuously

With a strong R&D team, the company has already plunged into mass production of 0.075mm micro drills which have been acknowledged and used by local major customers given our quality being on par with other world-class giant manufacturers. In 2006, we successfully developed 0.050mm micro drills, and we are now making headway toward the technology of 0.030mm, in order to meet the demand of the fast growing market for IC substrates.

② Developemnt of micro routers continuously

Routers are a kind of tungsten carbide cutting tool. Their process is similar to drill bits. Given their continuous cutting feature, they are the ideal tool to be used in cutting expensive sheet materials, such as PCB and BGA. With the trend of electronic products being thinner and smaller, more precise routers have become required in milling, shaping and processing. Under such circumstances, the demand for micro-type precision routers will be getting heavier by the day. On top of that, for DDR 2 and other BOC substrates with golden fingers coverage, we have developed exclusively special routers in an attempt to enhance shaping processing quality and lower shaping cost when DDR2's alternative effect and relevant applications are gradually emerging.

③ Development of drills with a high aspect ratio and longer lifetime

In order to escalate drilling efficiency, we have devoted efforts to developing drills with a higher aspect ratio and longer lifetime, which will turn out to be the optimal resolution for major PCB and IC substrate manufacturers to reduce their cost.

(2) Industry overview

a. Industry status and development

Affected by imbalanced supply and demand in the global semiconductor market, the price of memory chips slipped in 2007. However, compared with 2006, it still grew 3.2%. The price is expected to continue to decline to 1% of growth. Nevertheless, it is estimated that as from 2009, the price will come back to two-digit growth, and the compound growth rate between 2007 and 2012 will be 5%. In the future, as prompted by the growth of mobile telecommunications, notebook computers, and LCD TV sets along with the increasing demand from the emerging markets, the global semiconductor market will continue to thrive.

Estimated growth rate of the global semiconductor market

Year	2007	2008	2009	2010	2011	2012
Growth rate	3.2%	1.0%	15%	10%	-2%	15%

Data source: PrismarK Feb. 2008; Compiled by the company

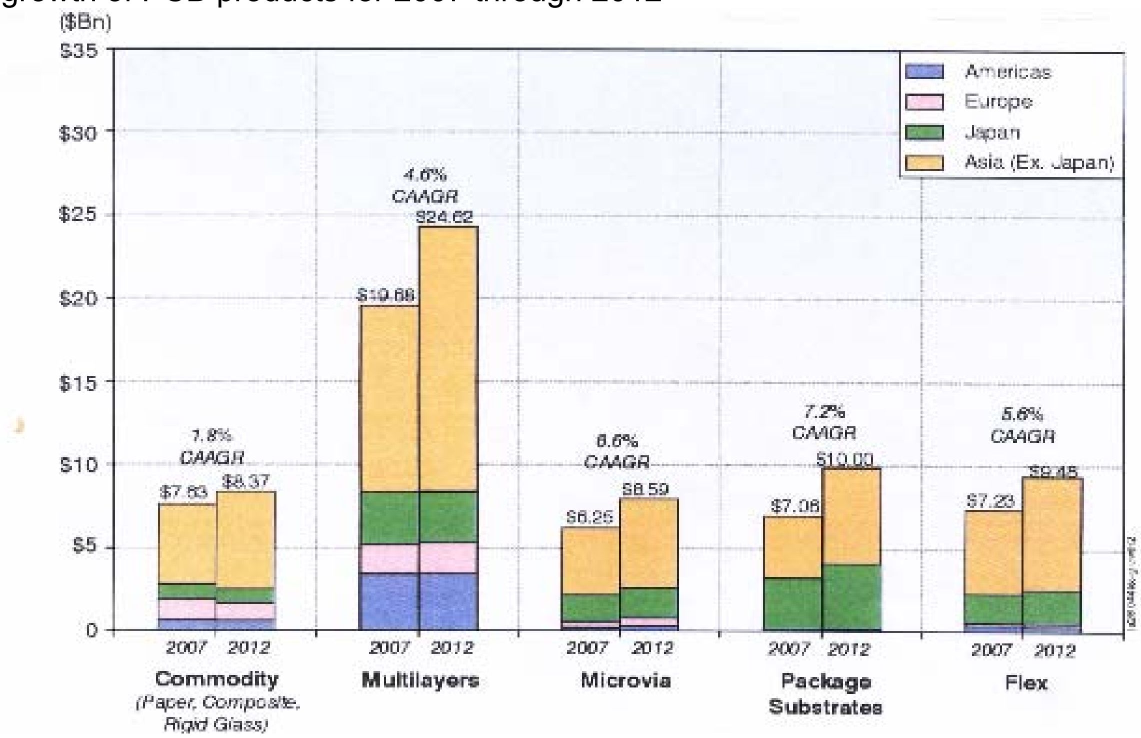
Given its function to continue the last stage of a semiconductor process and bridge the next packaging process, the IC substrate industry is a crucial link in the IC packaging industry. As the increasing demand for the function of electrical property, thermal dispersion and layout density on IC products, together with more focus being placed on environmentally friendly materials the world over, the packaging technology has been pushed to keep upgrading and, at the same time, it shows an obvious trend of switching from lead frame packaging to substrate packaging; the application is also becoming more diversified. According to PrismarK, the global output value of IC substrates in 2007 was US$7.06 billion whereas it was US$6.25 billion for microplates. It is expected that the output of IC substrates in 2008 will continue to pace forward with a value of US$7.41 billion representing an annual growth of 5%, whereas the output value of microvia boards is estimated to be US$6.61 billion representing an annual growth of 5.7%. By comparison, the growth of Taiwan's IC substrate output value is still superior to the overall growth of the industry. As estimated, Taiwan 's IC substrate output value in 2007 would be US$2.34 billion and microvia board output value would be US$1.134 billion, respectively taking up 33.15% and 18.15% of the global market share.

The global PCB market

Item	2007		2008		2009		2010		2011		2012		CAAGR
	Growth rate	Output value	Growth rate	Output value	Growth rate	Output value	Growth rate	Output value	Growth rate	Output value	Growth rate	Output value	07-'12
China	15.56%	13,563	6.80%	14,491	10.20%	15,969	9.60%	17,495	8.70%	19,017	8.50%	20,633	8.80%
Japan	2.70%	10,797	0.30%	10,832	5.00%	11,373	2.00%	11,601	2.50%	11,891	1.10%	12,019	2.20%
ROA	7.46%	15,291	2.59%	15,687	7.70%	16,895	5.85%	17,883	6.03%	18,961	6.10%	20,117	5.60%
Europe	-1.70%	3,550	-5.00%	3,372	-2.00%	3,304	1.00%	3,337	1.40%	3,383	2.40%	3,464	-0.50%
Americas	-7.90%	4,655	-7.40%	4,312	3.50%	4,462	3.10%	4,602	3.00%	4,740	1.70%	4,820	0.70%
Total	6.00%	47,856	1.70%	48,693	6.80%	52,004	5.60%	54,918	5.60%	57,991	5.30%	61,053	5.00%

Data source：PrismarK Feb. 2008，compiled by the company

Global growth of PCB products for 2007 through 2012



In the field of advanced packaging technology, flip chip packaging can more meet IC product demand for high pincounts, miniaturization, multi-function and high speed. In this day and age, the use of CPU, drawing chips and north bridge chips in personal computers, and MPU and GPU in high-end console game players have generated more demand for flip-chip substrates. Following the development of new applications in the future, such as memory related south bridge chips and high thermal chips, a new wave of flip-chip substrates growth will be anticipated. By looking into the future of IC substrates, it is expected that lead-frame products will be replaced by flip-chip substrates. Hence, the IC substrate industry mainly based on PBGA substrates and flip-chip substrates will show an upward growing trend.

2007 global PCB output value was about US$47.8 billion representing an annual growth of 6% and maintaining a slowly but persistently growing trend. While competitively priced computers keep being brought out and introduced into the emerging markets, it is expected that the heavy demand for computers by their enormous population in those markets will prompt strong growth of the PCB market. Additionally, sales of information and consumer products have still slowly grown, in which the demand for information and communication board related products constitutes the major growth of the PCB market. Some of the manufacturers have either turned to the new field, such as car boards, or aggressively developed new technology, such as high-end HDI, or invested in high value added products, such as IC substrates and COF, etc. As estimated by PrismarK, the global PCB output value would present an average of 5% annual growth rate for 2007 through 2012, in which IC substrates would have the highest compound growth rate at 7.2%, second by microplates at a rate of 6.6%. The PCB industry is expected to develop in OEM mode, for which the economic scale will continue to expand, the cost will be lowered, production efficiency will be enhanced, new products with leading technology and unique niche will be created and, in the end, the PCB industry will continue to grow.

While electronic products are coming to the meager-profit age, the PCB industry has swiftly switched its focus to the Asia-Pacific area. The PCB output value in the Asia-Pacific area in 2007 already reached US$38.9 billion accounting for 81% of the global market, and the growth has continued. Out of the countries in the Asia-Pacific area, China has taken the lead to have the fastest growth. Its market scale has grown in a pace far beyond western countries and Japan and its global market share is estimated to be rapidly growing to 39% in 2012 from 33% in 2007, which will make it the world's No. 1 PCB producer.

PCB output values and growth rates in Asia/Taiwan and China

2007	General substrates	Multilayer plates	Microplates	IC substrates	FPC plates	Total
Japan	931	3,234	1,681	3,192	1,760	10,798
China	3,220	6,874	1,609	214	859	12,776
Taiwan	302	2,157	1,134	2,340	859	6,792
Korea	600	1,304	954	986	1,207	5,051
Other Asian countries	677	914	351	259	1,248	3,449
Total Asian production	5,730	14,483	5,729	6,991	5,933	38,866

2012	General substrates	Multilayer plates	Microplates	IC substrates	FPC plates	Total	CAAGR
Japan	772	3,183	1,949	4,074	2,040	12,018	2.20%
China	4,114	10,866	2,717	450	2,487	20,634	8.80%
Taiwan	283	2,522	1,413	3,519	1,096	8,833	5.40%
Korea	615	1,521	1,161	1,448	1,615	6,360	4.70%
Other Asian countries	905	1,206	653	416	1,742	4,922	7.30%
Total Asian production	6,689	19,298	7,893	9,907	8,980	52,767	

Data source:：PrismarK Feb. 2008, compiled by the company

Drills are mainly applied to the drilling in circuit board process. They are used to connect the circuits in the inner layer of circuit boards, and are mainly supplied by PCB and IC substrate manufacturers. In general, the drills used by conventional PCB are in the sizes over 0.25mm while the sizes below 0.25mm are required by IC substrates. The smaller the drill's diameter is, the higher the technology that is required in drill design and mass production. Caused by the rapid growth of the IC substrate industry, the demand for micro-drills has also drastically boosted. Also, due to the line width and space of high-end PCB becoming miniaturized, the sizes of drills have downwardly reduced. Given the fact that drills are an integral material in the process of PCB and IC substrates, they are highly influenced by the fluctuation of the business of PCB and IC substrates.

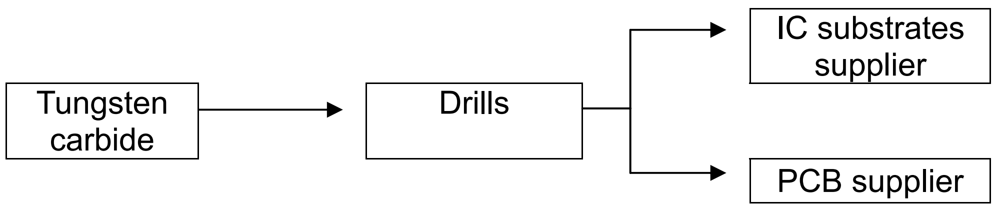
Since electronic products tend to be "thinner and smaller", IC packaging technology has therefore kept improving in order to meet customer's demand. Thus, the requisites for packaging materials and characteristics are getting rigid, substrate space and function have therefore been more emphasized, and the request for circuit layout miniaturization and drilling quality is getting critical. Under such circumstances, how to develop and design the micro precision drills exclusively for IC substrates, enhance hole accuracy, improve hole wall roughness and strengthen drilling efficiency will play a key role in improving the overall effect of IC substrates.

The company has developed its products according to customer demand in an attempt to create a maximum effect. In compliance with the technology of substrates being kept upgrading, the sizes of micro-drills have also been downwardly developed. Currently, the drill size demanded in the industry has reached 0.075mm, and, at the same time, the industry has also made headway to challenge a size of 0.050mm. Since the downstream IC substrate market has persistently grown, Topoint has grasped the key technology required for the production of drills and devoted its efforts to developing new products, strengthening its competition and rolling out the products demanded by the market ahead of time. At the moment, that line width and space increasingly become a critical issue and new materials (e.g. special environmentally friendly substrates) have kept being brought out, a drill manufacturer has to rapidly launch the fittest new products to survive. In the process to develop the leading technology, the company has been clearly aware of the market demand and in the good control of the timeliness of new product development, so as to keep upgrading its technology capability and meet customer's requirement for technology elevation. Other than the basic technology requirements, such as high precision of hole position, low roughness of hole walls and low breakage rate, etc., for micro-drills, Topoint has also aggressively headed for efficiency enhancement, such as increasing stack height and drilling lifetime. It is hoped that with our leading-edge technology and differential design capability, we will help our customers reduce their manufacturing cost and enhance their operation efficiency. Furthermore, by adding the value of our micro-drills, we will put our competitors behind and create a win-win scenario for both the company and our clients.

The company will continue to devote its efforts to developing finer drills. The through holes with dia. below 0.15mm used to get hole plug or drill breakage due to the problems of drill precision and the spindle speed of the drilling machine, so laser drilling has commonly become used in such situations. However, when below 0.075 mm can be massively produced, a drilling machine's spindle speed can be more than 300krpm(revolutions per minute), and mechanical drilling machines are capable of drilling multiple boards at a time (laser drilling can only be made one stack at a time), there shall be substantial room for Topoint to develop in this filed. Last year, the company gave a trial production of 0.05mm drills and further developed the size of 0.03mm. In conjunction with the enhancement of spindle speed of drilling machines in the future, we are convinced that our drilling will be able to replace some laser drilling someday. If this is the case, another wave of growth will be initiated. For our long-term development, based on our existing precision equipment, we will develop the market of the cutting tools with a specific niche.

b. Correlations among upstream, midstream and downstream industries:
The following are the industries the company falls into and their correlations:

<u>Upstream</u>　　<u>Midstream</u>　　<u>Downstream</u>



c. Product development
The market has continued rolling out "thinner and smaller" products, which has made the twin-high (high function and high speed) the mainstream. At the same time, the industry has also continued to develop products with high frequency, high speed and multiple IO chips. As a result, the design of IC substrates/PCB has to be developed towards the attributes of high hole density, finer line width and space, and multiple electrical components. Hence, the demand for drilling quality has become more critical. To compound matters, due to increasing worldwide consciousness of green environmental protection, higher norms (e.g. Halogen-Free, Lead-Free and High Tg, etc.) for substrate materials will be imposed. Under such circumstances, it is imperative for the company to take measures as early as possible to counter the change in materials, so our drilling quality can comply with the future market demand.

① To develop micro- diameter for IC substrates
While electronic products tend to be miniaturized with integrated function, high pincounts, high watts, high density, no pins, multiple chips, modulization and dimensionalization will turn out to be the crucial trend in future electronic packaging. Out of them, flip chip BGA is more applicable to IC packaging with high-frequency and high pincounts; the applicable products include MCU, MPU, ASIC, RF, high-end DSP, chip sets, graphic chips, and memories, etc. The applicable field is expected to be further expanded. As shown in the circuit board wiring technology development roadmap below, we may see that, in compliance with the narrowing line width/space and bump pitch, conventional PCB, high-end HDI boards and IC substrates will all have to be transformed to be with micro diameter.

Circuit board wiring technology development roadmap

Process capability - Conventional Product Capability (Conventional PCB)

Unit : μ m

Feature	Production	Sample Run	Advanced	
Year	2006	2006	2007	2008
I/L Trace and Space (1 oz)	81	69	69	50
I/L Trace and Space (0.5 oz)	75	63	63	50
O/L Trace and Space	75	75	63	50
Drill Through Hole	250	200	200	200
Pad over Drill Size	250	225	200	200

Process capability - Advanced HDI Product Capability (high-end HDI plates)

Unit : μ m

Feature	Production	Sample Run	Advanced	
Year	2006	2006	2007	2008
I/L Trace and Space(1 oz)	81	69	69	50
I/L Trace and Space(0.5 oz)	75	63	63	50
O/L Trace and Space	75	75	63	50
Drill Through Hole	250	200	200	200
Pad over Drill Size	225	200	200	200

Process capability - Package Substrate PBGA , CSP , Flip chip (IC substrates)

Unit : μ m

Feature	Production	Sample Run	Advanced	
Year	2006	2006	2007	2008
I/L Trace and Space(1 oz)	62	55	50	50
I/L Trace and Space(0.5 oz)	50	45	40	40
O/L Trace and Space	20	18	15	15
Drill Through Hole	100	80	80	70
Pad over Drill Size	75	50	50	40

Data source: Website of Nan Ya Printed Circuit Board Corp., compiled by the company

② Status of min. hole diameters and forecast

Year / Specification	2006	2007	2008 (f)
General production level (note 1)	0.250mm	0.200mm	≦0.200mm
Leading production level (note 2)	0.100mm	0.075mm	≦0.075mm
Advanced production level (note 3)	0.075mm	0.050mm	≦0.050mm

Data source: As estimated by the company

Note 1: The min. hole size applied in the mass production of general PCB.
Note 2: The min. hole size applied in the mass production of general IC substrates
Note 3: The min. hole size applied in the mass production of advanced IC substrates

As shown above, the company has already launched mass production of 0.075mm micro-drills and successfully developed 0.050mm micro-drills. It illustrates that we have our finger on the pulse of the latest market technology trend and take the lead in the industry. All the advantages have ensured our competition edge in the market.

d. Competition status

In the early days, Japan and Europe manufacturers were the mainstay of global drill production. However, in the face of new electronic products that keep rolling out in recent years, those international electronic information giants could no longer sustain intense price competition, so the production has gradually been moved to Asian area. Drills are indispensable materials in the overall electronic supply chain, so they have also shown some change in competition. Led by Union Tool, Japan-based drill production is still taking up the highest global market share. On the other hand, as strangled by the problems of cost and technology, Europe drill manufacturers have gradually lost their market share to Taiwan drill manufacturers. Currently, the market share taken by Taiwan drill manufacturers has continued to grow.

There is difference for the drills being applied to general PCB and IC substrates in terms of the hole diameter and technology level. The manufacturers in Taiwan and China have mainly produced the mini sizes (more than 0.3 mm) for PCB. Since there are too many competitors in this sector, it results in severe price competition. On the other hand, Japanese drill manufacturers have mainly produced micro sizes (lower than 0.25 mm) for IC substrates. The company has also mainly produced drills with sizes lower than 0.25 mm. Except for Japanese manufacturers, the company currently has the highest drill output in the world. In other words, the company's major competitors in this sector are Japanese manufacturers.

(3) Technology and R&D overview:

a. Technology level

Since its establishment, the company has kept upgrading its manufacturing technology. It has continued to introduce new production and measurement equipments in order to enhance product precision. As a result, the company's product quality has been well acknowledged by its clients within and without. In addition, with our own solid technology teamwork, we have continued to develop high-precision drills, given mass production of 0.075mm drills, and are well prepared for the mass production of 0.050mm drills. Our technology capability has been far ahead of our local competitors. At the same time, we have also introduced innovative process technology trying to add to the value of our products and evade vicious market competition.

b. Research and development

(a) To continue to develop micro drilling technology: In addition to smoothly giving mass production of 0.075mm drills, we have also successfully developed 0.050mm micro drills. We will continue to develop 0.030 mm drills this year, so as to be well prepared for what is required in the technology of the next generation.

(b) To develop the drills with a high aspect ratio: The drill's aspect ratio refers to the ratio between flute length and drill diameter. The ratio is about 15 for the current products in the market. The higher aspect ratio may increase the stack height in mechanical drilling, which may enhance customer's production efficiency. However, the enhancement of aspect ratio may also result in higher drill breakage rate and lower hole position accuracy, so stricter and more precise mass production technology shall be applied in this case. Based on the existing technology structure, the company has further updated its products and it will continue to develop drills with aspect ratio more than 20, which will make it harder for other competitors to compete with us.

(c) To develop cutters with longer lifetime: By studying the design of cutters, use of specific materials, or use of surface metal coating technology, we hope to reinforce the cutters' wear-resistance, prolong drills' lifetime, increase drilling efficiency and lower customer's production cost.

c. R&D personnel and their education as well as work experience

April 30, 2008

Item＼Education	PhD／Masters	University graduates	Senior high school	Total	Service seniority
No. of personnel	3	8	1	12	12
Ratio	25%	66.67%	8.33%	100%	4.46

d. Amounts invested in annual R&D in the recent five years:

Unit: NT$1,000

Item＼year	2003	2004	2005	2006	2007
R&D expense	12,796	21,486	38,234	36,220	36,517
Sales revenue	456,734	631,050	829,749	1,241,680	1,545,089
Ratio	3%	3%	5%	3%	2%

e. The products and technology successfully developed

Item/year	2003	2004	2005	2006	2007
Product size	0.10mm	0.075mm	0.075mm	0.050mm	0.050mm

(4) Long and short-term business development plans:

a. To continue to expand production capacity

Short-term plan:

① Purchase new equipment in order to meet the market demand. The equipment will mainly be for fluting and pointing in the back-end process and part of it will be for the de-bottlenecking process.

② Elevate the production efficiency of existing equipment, reinforce processing technology, improve production yield rate and increase production effectiveness.

Long-term plan:

To build a new Shanghai plant which is expected to have monthly output of 7.5 million pieces at the end of June.

b. To continue to upgrade technology

Short-term plan:

① To prepare for the mass production of 0.050mm drills, and, in conjunction with the development of IC substrates, design products with high density and finer line width/space in order to grasp the trend of technology development

② In compliance with RoHS requested by EU, the company will develop drills exclusively for the use of environmentally friendly substrates.

Long-term plan:

① Continue to develop 0.03mm products in order to meet future market demand.

② Continue to develop new micro-drill products in order to effectively enhance drilling efficiency.

③ To develop and promote high value added cutting products.

c. To continue to develop new clients

Short-term plan

① Become the leading manufacturer in Taiwan's micro-drill market in terms of technology and scale, continue to develop the new clients producing IC substrates, HDI boards and FPC boards in Taiwan, and enhance the share in the existing clients.

② Continue to develop new clients who produce conventional PCB and HDI boards in China, use differential product design to enhance the market share, and evade vicious price competition.

③ Continue to profoundly develop the Japanese market: With Topoint's accumulated reputation, for its excellent product quality, Topoint hopes to be recognized by its Japanese clients and further increase its market share in Japan.

Long-term plan:

① To gain a toehold in Taiwan, market globally and turn the company into a world-class leading brand of micro drills.

② To expand overseas sales footholds, increase market share, augment operating scale and build a Topoint world brand image.

2. Status of Market, production and sales :

(1) Market analysis

a. Sales regions of major products

Unit: NT$1,000

Sales regions \ year		2006		2007	
		Sales turnover	Ratio to operating income (%)	Sales turnover	Ratio to operating income (%)
Domestic sales		773,489	62.29%	825,239	53.41%
Export sales	China	243,274	19.59%	440,139	28.49%
	Korea	222,926	17.95%	258,246	16.71%
	Japan	1,945	0.17%	15,751	1.02%
	Others	46	-	5,714	0.37%
	Sub-total	468,191	37.71%	719,850	46.59%
Total		1,241,680	100%	1,545,089	100%

b. Market share

	1,000pcs/month
The company's monthly production capacity at the end of 2007	1,200
Estimated global monthly production capacity at the end of 2007	9,000
Market share (%)	13%

Assuming that the capacity utilization rate and yield rate of each drill manufacturer are the same, the company's market share at the end of 2007 was 13%, calculated according to the total estimated monthly global production capacity, which put the company to the third place in the world. However, in terms of the output of micro-drills, the company is the 2nd largest supplier throughout the world, only second to Japan's Union Tool.

c. Market's future supply and demand and its growth

① Demand-wise:

The company's main products are drills and routers which are the materials required in the PCB drilling and routing process, and highly related to the markets of semiconductors, packaging, IC substrates, PCB and 3C products. With the trend of electronic products being thinner and smaller with multi-function, circuit layout miniaturization has naturally turned out to be a related trend. Thus, the growth of the annual demand for drills is equivalent to (the growth rate of PCB/IC substrates) X (the growth rate of layout density). As estimated by PrismarK, the compound growth rate of global IC substrates for 2007 through 2012 would be about 7.2%. By multiplying it with the growth rate of layout density, the annual growth rate of drill demand is estimated to be somewhere between 10 and 20%.

According to PrismarK Feb. 2008, caused by the fact that PCB manufacturing has been shifted to Asia, the output value of the circuit boards produced in the Asia-Pacific countries in 2007 accounted for 83% of the global circuit board output value, in which China took up 28.3% ranking first globally, second by Japan at 22.6%, while Taiwan is in 3rd place at 14.2% and Korea in 4th place at 10.6%.

- Japan: The leading country in the global PCB industry. Given its competent technology capacity, competitiveness in product quality and other versatile products, such as multilayer boards, IC substrates and some special application circuit board products, Japan is still the area which has the strongest demand for micro-drills globally.
- China: China's PCB output value is estimated to be able to reach US$13.6 billion representing an annual growth of 7.1% and outperforming other markets globally. Its production capacity has continued to expand following the PCB or IC substrate suppliers in Western countries, Japan and Taiwan, continually magnifying their production to China due to cost and supply chain consideration. All the factors lead China to become the area having the heaviest demand for drills globally.
- Taiwan: Taiwan's PCB industry has recently been transforming their

products for niche and exclusiveness, e.g. high-end HDIs, servers, LED boards, and IC substrates. Also, as prompted by the demand in the downstream industry, the growth of its output value has continued to outperform the world average growth. Its PCB output value in 2007 was about US$6.8 billion, which made it the world's 2^{nd} largest IC substrate production country, only second to Japan. On top of that, in line with increasing local production capacity along with reducing line width and distance which makes the hole diameter continue to diminish, Taiwan's demand for micro-drills has also been further prompted.

- Korea: Korea's PCB output value was US$5.1 billion in 2007. Its PCB products are mostly applied to communications. With the increased demand for handsets in the market, its major manufacturers have placed focus on HDI boards, IC substrates and FPC boards. Given its high concentration on some specific products, its demand for PCB will continue to grow, thus, the demand for drills will also increase accordingly.

② Supply-wise:

As estimated at the end of 2007, world drills are mainly supplied by Japanese, Taiwanese and European manufacturers, in which Japan's Union Tool takes first place in the world at a market share of 34% (other Japanese manufacturers take up about 8% of the total market share), followed by Taiwanese manufacturers accounting for approx. 45% of the market share and European manufacturers (mainly Germany) taking up approx. 8%, and the rest of the market share is taken by Chinese and Korean manufacturers. In terms of micro-drills, they are mainly supplied by Japanese manufacturers (i.e. Union Tool, Kyocera, Mitsubishi and Sumitomo, etc.) and Taiwanese manufacturers (i.e. Topoint and Toshiba Tungaloy), in which Union Tool takes the first place and Topoint second.

For the supply of 2008's drills, Japan's Union Tool plans to increase 13% of its production capacity and Topoint schedules to expand 40% of its production capacity. As a result, the global production capacity is estimated to increase 10-20%. In view of the demand for drills resulting from the increased scope and speed of PCB and IC substrate production plus the increase of inner layer drilling holes, the supply and demand status for 2008 is expected to remain balanced.

d. Competition niche

① The company accurately follows the development trend of IC substrates to become the only local manufacturer capable of giving mass production of 0.075mm products. It will continue to develop drills with smaller diameter and higher aspect ratio, so as to take the lead in the industry and prepare for what is required in the technology of the next generation.

② The company offers "localized services", in which the drills demanded by clients can be developed within the shortest period of time. In this way, by using its R&D competence along with quick adaptation in the change of substrate materials, the company will design the optimal products to effectively elevate its client's drilling efficiency.

③ The company perfects its processing management system, uses automatic processing technology, accumulates its micro-drill mass production scale, enhances cost control efficiency and utilizes the edge of material cost to present its competitiveness with the attribute of "high quality and low cost"

④ The company aggressively expands its sales distribution of micro-drills. Its product quality and services have been acknowledged by the giant manufacturers within and without, which could help the company proceed with global marketing and increase its market share.

e. Favorable and unfavorable factors in development perspectives, and the counter measures:

① Favorable factors

- The global semiconductor market continues to grow:
  As indicated in PrismarK Feb. 2008, the global semiconductor market would maintain an annual compound growth rate of 9.3% for the next five years to come. The continual increase in the demand for mobile communications, notebook computers and LCD TVs will contribute to the major growth of the semiconductor market and drive more demand for PCB and IC substrates. The products produced by the company are mostly in the sizes below 0.25mm, which are in the strong demand in this wave of business. In addition, the company is the only local supplier capable of giving mass production of the products with sizes below 0.10mm. Due to its leading technology in the local industry, there is substantial room for the company to increase its market share in the future.
- To promote its “high quality and low cost” strategy
  By inducing the optimal grinding parameters from its rigid internal product verification procedure and using its scale economy effect resulting from the mass production of micro-drills, the company may effectively enhance the yield rate and reduce cost. In the face of increasingly intense competition in the market, the company has continued to promote its cost control scheme in order to fulfill client’s pursuit of cost efficiency and equip the company’s precision drill brand with the competition edge of high quality and low cost.
- Technology-oriented sales and fulfillment of “customer utmost satisfaction” policy.
  With solid R&D teamwork and technology supporting system, the company is capable of developing products in the shortest period of time according to the client’s varying demands, and using the standardized process to quickly bring the products into mass production. Additionally, the company also provides integrated technology resolutions to help its clients enhance production efficiency and save their cost and, in the end, to reinforce customer satisfaction.
- The use of global distribution deployment to develop new clients in new markets.
  Given that the existing clients are worldwide well-known manufacturers and the orders placed by them are very stable, the company will continue to develop new clients in the markets of Taiwan, China and Korea, while, at the same time, the company will also enhance its share in the existing clients. In addition, the company will aggressively strengthen its expansion in the Japan market with new client development in order to further enhance its global market share.

② Unfavorable factors and the counter measures

- While “thinner and smaller” electronic and communication products are becoming mainstream and “high speed and multi function” are the trend, the line width/space is becoming narrower in circuit design, and the hole diameter is also downwardly reduced accordingly. Currently, extra micro-holes (below 0.10mm) are still mainly drilled by laser. However, if the demand for the extra micro-hole products boosts, the growth of precision drills may therefore slow down.

Counter measures:

In terms of quality, there are still unfavorable technical factors existing in laser drilling (e.g. the decrease in laser capacity may cause bad shape of the holes, and the variance of compound substrates receiving laser lights may cause greater roughness of the hole wall). Also, taking the cost efficiency of laser drilling (the equipment cost and the number of output holes per second), drilling processing quality and total cost efficiency into account, mechanical drilling is still a better way. So far, the company has already given mass production of 0.075mm drills, and successfully developed 0.050mm products. According to current available technology, the size of micro drills shall be able to reach 0.030mm or below. As long as the shaft spindle speed of drilling machine can be improved in the future to meet the technological demand, mechanical drilling will be able to be applied to the holes with diameter below 0.050mm. If this is the case, the quality and cost efficiency will outperform that of laser drilling. Thus, the situation does not pose any threat to the company.

- Severe price competition for the low-end products in the industry is likely to result in vicious competition in the market.

  Counter measures:

  (1) To expedite R&D and give mass production of the drills with high aspect ratio may largely reduce client’s production cost. In order to use the high performance drills, more precision mass production technology shall be equipped. Thus, the manufacturers using our advanced drills can be more competitive than their rivals in the industry because it requires a higher threshold to have their competitors simulate the required skills.

  (2) To use high-end boards (e.g. halogen free, lead free, and high Tg, etc.) to develop applicable products, increase cutter’s lifetime, enhance production efficiency and add product value.

  (3) To develop the core products with the sizes under 0.10mm, and use the technology edge to evade severe market competition.

  (4) To strengthen process management capability, enhance the yield rate and effectively reduce the production cost.

- The scarcity of its major material, tungsten carbide, and the pressure of raising material price.

  Counter measures:

  (1) To effectively track the trend of international tungsten carbide price, and massively purchase when the price comes to a low point.

  (2) To continue to develop new materials and reduce material utilization cost.

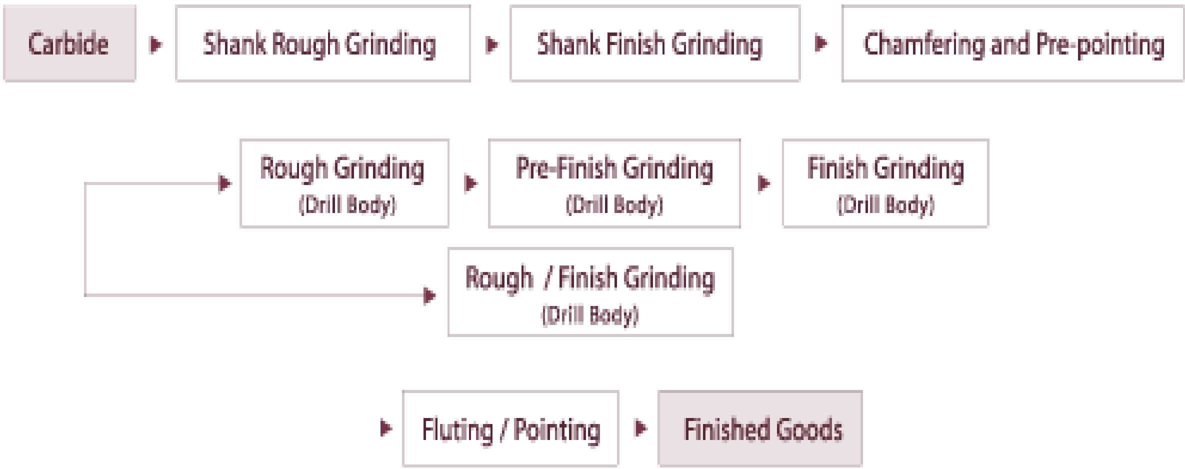
(2) Major applications and production process of the main products.

a. Major applications of the main products

With different drill diameters, flute lengths, pointing angles, and helix angles, the BGA/PCB precision drills and routers have the following major applications:

Item	Major applications
Drills exclusively for BGA/ PCB	They are applied to IC substrates, high-end PCB (HDI) boards, circuit drilling of the internal layer of FPC boards
Routers exclusively for BGA/DDR2	They are used to cut IC substrates and DDR2 substrates.

b. Production process



(3) Supply status of major materials

The major material of the company's products is tungsten carbide. Its material characteristics and quality stability are the major concern of the company in purchase. The company has established a good relationship with its suppliers, so the supply has kept normal and stable.

Major material	Suppliers	Supply status
Tungsten carbide	Japan-based Mitsubishi Japan-based Sumitomo	Good

(4) The suppliers taking more than 10% of the company's annual purchase in any of the recent two years, the purchase amount as well as ratio they took, and reasons for the change in increase or decrease of the purchase

a. Material supplier list

Unit: NT$1,000

2006				2007			
Name	Amount	Ratio to annual purchase net amount (%)〔%〕	Relationship with the issuer	Name	Amount	Ratio to annual purchase net amount (%)〔%〕	Relationship with the issuer
Sumitomo	246,233	40.02%	N/A	Sumitomo	160,686	27.07%	N/A
Mitsubishi	103,710	16.86%	N/A	Mitsubishi	115,467	19.45%	N/A
Nan Ya	66,735	10.85%	N/A	N/A	N/A	N/A	N/A

Reasons for the change in increase or decrease: Due to increasingly expanding operating scale, the amount of raw material purchase has also increased accordingly. In order to lower the purchase risk and have more choices in material purchase, the company has diversified its purchase to several suppliers as opposed to the concentration of total purchase to a single supplier.

b. List of major clients

Unit: NT$1,000

2006				2007			
Name	Amount	Ratio to annual net sales turnover (%)	Relationship with the issuer	Name	Amount	Ratio to annual net sales turnover (%)	Relationship with the issuer
Client A	240,671	19.38%	Subsidiary	Client A	440,139	28.49%	Subsidiary
Client B	232,778	18.75%	N/A	Client B	198,885	12.87%	N/A
Client D	124,173	10.00%	N/A	Client C	158,153	10.24%	N/A

Reasons for the change in increase or decrease: Sales to client A increased due to the increased shipments of finished products and materials. Sales to client D increased $20.754 million in 2007, but the amount was not on par with the company's sales growth, so the ratio dropped to 9.38%. Client C increased the purchase of CSP drills.

(5)Output values in the recent two years

Unit: NT$1,000/1,000pcs.

Year/output value / Major products	2006			2007		
	Production capacity	Output	Output value	Production capacity	Output	Output value
Precision drills	49,789	43,814	492,788	65,161	64,280	633,482
Precision milling cutters	5,574	4,905	99,176	9,277	8,208	140,460
Others	0	7	150	0	868	6,381
Total	55,363	48,726	592,114	74,438	73,356	787,079

(6) Sales turnovers in the recent two years

Unit: NT$1,000/1,000 pcs

Year/sales turnover / Major products	2006				2007			
	Domestic sales		Export sales		Domestic sales		Export sales	
	volume	value	Volume	Value	Volume	Value	Volume	value
Precision drills	28,233	599,413	15,379	310,846	32,235	598,820	28,395	458,746
Precision milling cutter	4,649	157,614	326	11,120	6,767	214,227	1,125	46,267
Others	1,184	16,462	22,870	146,225	838	12,192	42,854	214,837
Total	34,066	773,489	38,575	468,191	39,840	825,239	72,374	719,850

3. Employee information for the past two years and up to the publishing date of annual report:

April 30, 2008

Year		2006	2007	2008 as of April 30
Number of employees	Indirect	125	90	105
	Direct	159	235	213
	Total	284	325	318
Average age		30.7	31.1	31.4
Average service years		2.64	2.98	3.17
Education distribution ratio	PhD	0%	0%	0%
	Master	2%	2.5%	2.2%
	College	39%	40.5%	40.3%
	Senior high school graduate	50%	48.2%	47.2%
	Below senior high school	9%	8.9%	10.4%

4. information on environmental protection Expense:

(1) To elaborate on the amount the company spent on loss (including compensation) and punishment caused by environmental pollution for the recent two years and the current year as of the annual report publication date, and disclose the counter measures (including improvement measures) and possible disbursements (covering the estimated amounts of possible losses, punishments and compensation caused by not taking counter measures. If the amounts can not be appropriately estimated, please state why): N/A

(2) Influence of RoHS：

As confirmed by the Industrial Development Bureau of Ministry of Economic Affairs as per doc. Guang-Dian-Zi no. 09500240130 dated March 29, 2006, the company is free from the restriction of RoHS requested by EU for hazardous substances.

5. Relationship between employer and employees:

(1) Employee's working environment and personal safety

a. To institute the guidelines of safety and health operation

b. To non-periodically hold safety and health education seminars

c. To post warning signs

(2) Appraisal of employee's behavior and morality

a. To institute "behavior code" for directors, supervisors and managers to follow.

b. To institute "employee reward and punishment management regulations" for employees to follow. In the event requiring giving a boost and punishment to an employee, the regulations shall be applied as the standards.

c. Additionally, employee performance evaluation standards have also been specifically laid down, so employees will know how to comply with the behavior expected by the company.

(3) Employee welfare

To value its employees and take good care of them, the company has set employee recreation areas, and offered extra life and medical insurance to protect its employees, in which the field personnel are given higher benefit limits of accident insurance.

There is an employee welfare committee set in the company to plan a variety of employee welfare activities. Other than holding employee traveling and other recreational activities, the company also sends gifts or prizes for marrying and child birth cases and gives education subsidies, consolation money, holiday benefits and birthday gifts, etc. to its employees.

(4) Employee advanced studies and training

By instituting the "implementation and management procedure of education training", the company has conducted a variety of training courses as scheduled, so the employees across the board can be capable of taking on the tasks. In order to ensure the efficiency of the training, the training system is divided into: internal and external training courses and accreditation appraisal. The company has given language, oriental and on-the-job training to its employees, aggressively trained their own lecturers from within, and encouraged its employees to self study. It is anticipated that, by cultivating professional talents in the company through the training system and encouraging employee's persistent self-studies, employees' quality will be enhanced and the working efficiency will be boosted. At the same time, the company has also brought out the knowledge management system and hoped that, through the knowledge management platform, more talents will be quickly nurtured, technology can be enhanced and experiences can be forever passed along,

(5) Employee's retirement system

The company follows chapter 6 of Labor Standard Law to implement employee retirement related affairs. It has monthly contributed employee pension reserves as regulated in the old system and labor pension as regulated in the new system.

(6) Labor relations

Since its establishment, the company has valued employee’s welfare, interests and rights, so its labor relationship has kept amicable. The company has periodically met with its employees, encouraged employees to submit proposals and set suggestion boxes for employees to reflect their opinions, in order to have good interaction and build harmonious labor relations. 。

(7) Were there any labor disputes resulting in the loss or possible loss of the company in the recent year and the current year as of the annual report publication date? If so, what is the loss or estimated loss amount? Are there any counter measures to be taken? If the amount can not be appropriately estimated, please state why:

So far, a case occurred. It was about an employee who violated the company’s management regulations. Since the violation was gross negligence, the employee was fired. However, this employee objected to the punishment and filed a lawsuit against the company. The verdict of the case was made in March, 2008, but the company lost the case because the legal attest letter mailed by the company failed to reach the employee. As estimated, the company would lose NT$250,000 on this case.

6. Major contracts (including supply and sales contracts, technical corporation contracts, engineering contracts, long-term loan contracts, and the important contracts which may influence shareholders’ equity)

Contract characteristics	The interested party	Contract start and end dates	Major content	Restriction
Long-term loan contract	China Development	94.12.28~101.4.27	Installments	N/A
Long-term loan contract	Taiwan Cooperative Bank	93.05.27~103.9.24	Installments	N/A
Long-term loan contract	China Trust	93.12.30~98.02.22	Installments	N/A
Long-term loan contract	Hsinchu Commercial Bank	94.11.25~97.11.24	Installments	N/A
Long-term loan contract	Industrial Bank of Taiwan	94.12.20~97.12.20	Installments	N/A
Long-term loan contract	E Sun Bank	95.02.09~99.05.29	Installments	N/A

F. Financial Status

1. Brief balance sheet and Income statement of the last five years

A. Condensed Balance Sheet

Unit: Thousands NT$

Item \ Year		Financial information for the past five years					Financial information as of March 31, 2008 (Audited by CPAs)
		2003	2004	2005	2006	2007	
Current assets		486,056	578,883	668,293	997,918	1,183,344	1,340,442
Funds and investment		198,428	197,897	373,928	587,712	1,078,436	1,093,579
Fixed assets		326,394	481,875	828,123	1,469,448	1,901,401	1,911,644
Intangible assets		-	-	-	-	-	-
Other assets		45,844	20,918	29,478	52,283	20,565	13,137
Total assets		1,056,722	1,279,573	1,899,822	3,107,361	4,183,746	4,358,802
Current liabilities	Before distribution	292,439	322,410	535,309	840,756	1,042,632	
	After distribution	307,433	336,782	624,906	-	-	
Long-term liabilities			193,491	381,541	535,020	767,432	678,464
Other liabilities			7,716	6,911	21,823	109,470	120,441
Total liabilities	Before distribution	467,197	523,617	923,761	1,717,658	1,841,537	
	After distribution	482,191	537,989	1,013,358	-	-	
Common stock			483,930	552,581	773,882	954,692	954,692
Capital surplus			182,431	175,172	619,648	841,477	841,477
Retained earnings (Accumulated Loss)	Before distribution	39,302	106,398	243,909	603,314	680,757	
	After distribution	7,378	30,633	-	-	-	
Unrealized gains and losses of financial products			-	-	-	932	1,370
Cumulated adjustment number			(16,803)	4,399	18,742	65,673	38,969
Net loss exclusive of retirement			-	-	-	-	-
Total shareholders' equity	Before distribution	589,525	755,956	976,061	-	2,466,088	2,517,265
	After distribution	574,531	741,584	886,464	-	-	-

B. Condensed income statement

Unit: Thousands NT$

Item \ Year	Financial information for the past five years					Financial information as of March 31, 2008 (Audited by CPAs)
	2003	2004	2005	2006	2007	
Operating Revenue	456,734	631,050	829,749	1,241,680	1,545,089	349,406
Gross Profit	110,147	198,239	281,789	471,488	604,739	128,166
Operating gain (loss)	36,757	112,689	156,057	316,978	420,319	73,955
Non operating revenue and income	7,050	21,820	74,532	116,922	212,313	53,665
Non operating expense and loss	15,928	26,175	35,258	39,099	54,499	40,328
Gain (loss) from continuous operating department departments – before Tax	27,879	108,334	195,331	394,801	578,133	87,292
Gain (loss) from continuous operating department departments	39,302	99,020	213,274	364,026	514,853	77,443
Non operating department losses	-	-	-	-	-	-
Extraordinary gain (loss)	-	-	-	-	-	-
Cumulative effect of changes in accounting principle	-	-	-	964	-	-
Total Gain (Loss)	39,302	99,020	213,274	364,990	514,853	77,443
EPS($)	1.00	2.31	3.26	5.10	5.52	0.81

C. Names of the CPAs and audited opinions for the past five years

Year	CPA	Opinion
2003	Wu En-Ming, Shieh Chien-Shin (Deloitte & Touche-Taiwan)	N/A
2004	Shieh Chien-Shin, Yu Chih-Hui (Deloitte & Touche-Taiwan)	N/A
2005	Wu En-Ming, Chen Chao-Mei (Deloitte & Touche-Taiwan)	N/A
2006	Shieh Chien-Shin, Wu En-Ming (Deloitte & Touche-Taiwan)	Modified
2007	Shieh Chien-Shin, Wu En-Ming (Deloitte & Touche-Taiwan)	N/A

2. Financial analysis of the last five years

Item			Financial information for the past five years 2003	2004	2005	2006	2007	Financial information as of March 31, 2008 (Audited by CPAs)
Financial structure %	Ratio of liabilities to assets		44.21	40.92	48.62	41.11	41.06	42.25
	Ratio of long-term capital to fixed assets		231.28	197.03	163.94	160.94	170.17	167.17
Debt-paying ability%	Current Ratio		166.21	179.55	124.84	138.47	140.75	128.75
	Quick Ratio		127.17	143.23	94.76	89.12	99.90	92.21
	Times interest Earned Ratio		4.07	11.98	20.23	14.64	18.88	9.74
Operating ability	Receivables Turnover (times)		2.21	2.62	2.51	3.30	3.25	2.39
	Average cash receiving days		165.15	139.10	145.23	110.71	112.24	152.49
	Inventory Turnover Ratio (times)		3.13	3.82	3.89	2.96	2.74	2.39
	Payable Turnover Ratio (times)		6.74	7.74	6.13	7.82	9.25	10.52
	Average period of sales		116.6	95.58	93.88	123.22	133.32	152.86
	Ratio of Fixed Assets Turnover (times)		1.40	1.31	1.00	0.84	0.81	0.73
	Ratio of Total Assets Turnover(times)		0.43	0.49	0.44	0.40	0.37	0.32
Profitability	Return on assets (%)		4.69	9.11	13.90	15.38	14.73	1.99
	Return on shareholders' equity (%)		6.99	14.72	24.63	26.02	23.97	3.11
	Ratio to capital (%)	Operating profit (loss)	8.97	23.29	28.24	41.64	44.03	7.75
		Profit (loss) before tax	6.80	22.39	35.35	51.87	60.56	9.14
	Net profit margin (%)		8.61	15.69	25.70	29.39	33.32	22.16
	EPS (loss) ($)		1.00	2.31	3.86	5.10	5.52	0.81
Cash Flows (%)	Cash flow ratio (%)		25.62	53.11	19.46	30.28	51.16	5.76
	Cash flow adequacy ratio (%)		19.21	29.67	36.01	34.76	36.64	36.35
	Ratio of cash reinvestment (%)		7.47	12.47	5.40	4.85	6.09	1.65
Leverage	Operating leverage		5.55	2.70	2.44	2.06	1.94	2.76
	Financial leverage		1.33	1.10	1.07	1.09	1.08	1.15

The reason for changes in financial ratio within two years: (Changers under 20% do not require analysis)
(1) Due to the decreased corporate bond interest and increased profit before tax, times interest earned ratio has increased 28%.
(2) Due to the increased cash in-flow casued by tax return, cash flow ratio has increased 68%.
Due to fixed assets increase of 51%, ratio of cash reinvestment has decreased 26%.

Note1: The financial analysis formulas are listed below:
Formula:
1. Financial structure
(1)Ratio of liabilities to assets=Total liabilities/Total assets
(2)Ratio of long-term capital to fixed assets= (Net Shareholder's equity + Long-term liabilities) / Net fixed assets.

2. Debt-paying ability
(1)Current Ratio=Current assets/Current liabilities
(2)Quick Ratio= (Current assets-Inventory-Prepaid expense) /Current liabilities
(3)Times interest Earned Ratio= Net profit before tax and interest expense/interest expense
3. Operating ability
(1) Receivables (Including accounts receivable and the notes receivable due to operation) turnover ratio= Net sales/Average receivables (including accounts receivable and the notes receivable due to operation) balance
(2)Average cash receiving days=365/Turnover rate of total assets.
(3) Inventory Turnover Ratio=Cost of sales/Average amount of inventory
(4)Payables (including accounts payable and the notes payable due to operation) turnover ratio= Cost of sales/Average Payables (including accounts payable and the notes payable due to operation) balance
(5)Average period of sales=365/Inventory Turnover Ratio
(6)Ratio of Fixed Assets Turnover=Net sales/Net fixed assets
(7)Ratio of Total Assets Turnover=Net sales/Total assets
4. Profitability
(1)Return on assets = [gain and loss after tax + interest expense× (1-ax ratio)]/ Average Total assets
(2)Return on shareholders' equity=gain and loss after tax/Average Net shareholders' equity.
(3)Net profit margin=gain and loss after tax/Net sales
(4)EPS= (Net income -Preferred dividend) /weighted average number of issued shares (Note4)
5. Cash Flows
(1)Cash flow ratio=Operating net Cash Flows/Current liabilities
(2) Net Cash flow adequacy ratio = the past five years' operating net Cash Flows/ the past five years' (capital expense+ inventory increasing amount+ cash dividend).
(3)Ratio of cash reinvestment= (Operating net Cash Flows- cash dividend) / (Gross fixed assets+ Long-term investment+ other financial assets+ operating capital) (Note5)
6. Leverage:
(1)Operating leverage= (Net operating income- operating cost and expense changes) / Operating income (Note6)
(2)Financial leverage=Operating income / (Operating income-interest expense)

Note2: The notice items for calculating EPS are as follows:

1. Based on weighted average common shares, not the weighted average number of issued shares.
2. The weighted average number of shares should be calculated when there are cash replenishment or treasure stock transactions during their circulation period.
3. When calculating EPS for the past year or six months, if there is a surplus or capital surplus for replenishment, the adjustment should be in line with the replenishment ratio, and does not need to consider the issused period of the replenishment.
4. If the preferred share is a non-cumulative preferred share, the annual dividend (whether it is paid or not) should be deducted from profit after tax, or increase the net loss after tax. If the preferred share is the non-cumulative type, the preferred share dividends should be deducted from profit after tax when there is profit after tax; however, if there is loss, then it does not require adjustment.

Note3: The notice items for cash flow analysis are as follows:

1. Operating net cash flow refers to the operating net cash in-flow in the cash flow table.
2. Capital expense refers to the cash out-flow of the annual capital investment.
3. The increase in inventory will only be calculated when the final balance is more than the opening balance, if the inventory decreases at the end of the year, then it is calculated as zero.
4. Cash dividend includes the cash dividend of common shares and preferred shares.
5. Gross fixed assets refer to the fixed assets before deducting the accumulated depreciation.

Note4: The publisher should divide the various operating cost and expense into fixed and modified in accordance with the quality. When there are estimation and subjective judgement involved, the reasonablility should be noticed and consistency should be maintained.

3. Supervisor Auditing Report for the latest annual financial reports:Please refer to P. 74 in the annual report for details.

4. Latest annual fincial reports: Please refer to P.75~P.111 in the annual report for details.

5. Latest annual consolidated financial reports: Please refer to P. 112 in the annual report for details.

6. The influence of financial difficulty, occurring in the company and its affiliated enterprises in the most recent year and the current year as of the annual report publication date, on the company’s finances: N/A

Topoint Technology Co., Ltd.
Declaration on Internal Control System

Date:April 25, 2008

The declarations of the self-inspection result of the company's internal control system between Jan.1, 2007, to Dec. 31, 2007, are listed below:

a. The internal control system establishment, implementation and maintenance are the duty of the board and managers. The system has been established to ensure the achievement of operating efficiency (including profit, performance and safeguarding of asset security), reliability of financial reports and the observance of relevant regulations, etc. objectives.

b. The internal control system has its inherent limitations. No matter how well designed it is, the effective internal control system is only able to provide reasonable guarantees for the three above mentioned objectives; moreover, due to changes of environment and circumstance, the effectiveness of the internal control system may change as well. The company's internal control system has a self-monitoring mechanism, therefore, when mistakes are identified, the company will immediately take corrective actions.

c. The company uses the *Securities and Futures Market Internal Control System Guidelines* (SFMICS Guidelines) to regulate the judgmental items for the effectiveness of the internal control system. The judgmental items, which *SFMICS Guidelines* use, have divided the internal control system into five elements, according to the management control process, which are: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervision. Each element also includes various items. (Please refer to the regulation of *SFMICS Guidelines*.)

d. The company has used the above mentioned internal control system judgmental items to inspect the effectiveness of the internal control system design and implementation.

e. Based on the inspection results, the design and implementation of the company's internal control system is effective. (The internal control system includes the monitoring and management of the subsidiaries.)

f. This declaration will be included in the annual report and the prospectus for perusal by the public. Any false statement or concealment in the said documents will be a violation of *Articles 20, 32, 171, and 174 of the Securities Exchange Act*

g. This declaration was approved by the board on Apr. 25, 2008; none of the 5 attending directors (2 were commissioned) had negative opinions.

Topoint Technology Co., Ltd.
Chairman: Lin Shu-Ting

President:Chiang Chen-Wen

Internal Control System Audit Report

The attached declaration of the internal control system (including the supervising and management to the subsidiaries) of Topoint Technology Co., Ltd., which is relevant to the financial reports and the protection of assets security between October 1, 2006 to September 30, 2007, has been evaluated by the CPA as an effective design and implementation on November 29, 2007. It is the company manager's responsibility to maintain an effective internal control system and evaluate its effectiveness, and our responsibility is to express opinions on the effectiveness of the internal control system and the declaration of the internal control system of the listed company, based on the audits.

We conducted our audit in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the general auditing standards to resonablely ensure whether the Company maintains effectiveness in all the significant respects referred to in the above internal control system. This audit includes understanding the company's internal control system, assessing the process of the management level assessing the overall effectiveness of internal control system, testing and evaluating the design and implementation effectiveness of internal control system, as well as other auditing procedures that we consider necessary. We believe that our audits provide a reasonable basis for our opinion.

Any internal control system has its inherent restrictions, therefore, the above internal control system of Topoint Technology Co., Ltd. may still fail to prevent or detect errors or fraud that already occured. In addition, the future environment may change, the level of the following internal control system may also reduce, therefore, the internal control system that is effective in the current period may not necessarily be as effective in the future.

In accordance with the effective judgemental items of internal control in the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the internal control system (including the supervising and management to the subsidiaries) of Topoint Technology Co., Ltd which is relevant to the financial reports and the protection of assets security. The design and implementation, between October 1, 2006 to September 30, 2007, has been evaluated by the CPA as effective in all the significant respects. In our opinion, the internal control system declaration issued by Topoint Technology Co., Ltd. on November 29, 2007 referred to fairly above the present, in all significant respects.

Deloitte & Touche-Taiwan
CPA, Shieh Chien-Shin CPA, Wu En-Ming

November 29, 2007

Topoint Technology Co., Ltd. Supervisor's Audit Report

The 2007 consolidated financial statements, business report, and remuneration of the company and its subsidiaries has been audited and certified by the CPAs: Shieh Chien-Shin, and Wu En-Ming of Deloitte & Touche-Taiwan. The supervisors have reviewed and audited the above-mentioned issued documents, composed and presented by the Board of Directors. It is concluded that the said documents are presented fairly; therefore, a supervisor's report is hereby issued in accordance with Article 219 of the Company Act.

Topoint Technology Co., Ltd. 2008 Shareholder's Meeting

Supervisor: Chen Ken-Ching

Independent supervisor: Liang Shwu-Jian

Independent supervisor: Niu Cheng-Chie

March 7, 2008

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Topoint Technology Co., Ltd.

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

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Topoint Technology Co., Ltd. as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2006, the Corporation adopted the newly released Statements of Financial Accounting Standards ("Statements") No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions of previously released Statements.

We have also audited the consolidated financial statements of the Corporation and subsidiaries as of and for the years ended December 31, 2007 and 2006 and have issued an unqualified opinion thereon in our report dated January 30, 2008.

January 30, 2008

<u>*Notice to Readers*</u>

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

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

TOPOINT TECHNOLOGY CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 96,074	2	$ 143,578	5
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	1,790	-	-	-
Available-for-sale financial assets(Notes 2 and 6)	8,030	-	-	-
Notes receivable (Note 2)	23,083	1	32,938	1
Accounts receivable (Note 2)	283,348	7	172,986	5
Notes and accounts receivable - related parties (Note 20)	278,400	7	158,074	5
Other financial assets	7,351	-	20,319	1
Inventories, net (Notes 2 and 7)	326,460	8	332,978	11
Prepayments	16,962	-	22,690	1
Deferred income tax assets (Notes 2 and 17)	93,504	2	47,188	1
Certificates of deposits - restricted (Note 21)	48,300	1	67,033	2
Other current assets (Note 2)	42	-	134	-
Total current assets	1,183,344	28	997,918	32
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 8)	1,078,436	26	587,712	19
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 9 and 21)				
Cost				
Land	75,652	2	75,652	2
Buildings and equipment	253,422	6	188,167	6
Machinery and equipment	1,678,716	40	1,193,687	38
Transportation equipment	1,620	-	1,620	-
Office equipment	2,672	-	1,189	-
Miscellaneous equipment	34,629	1	19,249	1
Total cost	2,046,711	49	1,479,564	47
Less: Accumulated depreciation	317,858	8	384,743	12
	1,728,853	41	1,094,821	35
Construction in progress and advances for equipment acquisition	172,548	4	374,627	12
Net properties	1,901,401	45	1,469,448	47
OTHER ASSETS				
Refundable deposits	14,774	1	19,694	1
Deferred income tax assets (Notes 2 and 17)	-	-	26,016	1
Miscellaneous (Notes 2 and 18)	5,791	-	6,573	-
Total other assets	20,565	1	52,283	2
TOTAL	$4,183,746	100	$3,107,361	100

	2007		2006	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 10)	$ 50,000	1	$ 214,073	7
Commercial paper, net (Note 11)	29,982	1	89,991	3
Notes payable	51,606	1	56,751	2
Accounts payable	30,805	1	22,072	1
Income tax payable (Notes 2 and 17)	58,366	1	35,283	1
Accrued expenses (Note 20)	125,776	3	86,283	3
Notes and accounts payable - related parties (Note 20)	1,030	-	2,208	-
Balance payable - machinery and equipment	176,396	4	45,508	1
Deferred income (Note 2)	25,285	1	25,144	1
Long-term loans - current portion (Notes 13, 20 and 21)	289,995	7	139,900	4
Other current liabilities	1,515	-	3,438	-
Total current liabilities	840,756	20	720,651	23
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 12)	-	-	288,086	9
Long-term loans, net of current portion (Notes 13, 20 and 21)	767,432	18	246,934	8
	767,432	18	535,020	17
OTHER LIABILITIES				
Deferred income (Note 2)	84,282	2	19,593	1
Accrued pension liabilities (Notes 2 and 18)	1,422	-	2,230	-
Deferred income tax liabilities (Note 17)	23,766	1	-	-
Total other liabilities	109,470	3	21,823	1
Total liabilities	1,717,658	41	1,277,494	41
STOCKHOLDERS' EQUITY				
Capital stock, NT$10.00 par value; authorized - 140,000 thousand shares; issued and outstanding - 95,469 thousand shares in 2007 and 76,116 thousand shares in 2006	954,692	23	761,161	25
Capital collected in advance	-	-	12,721	-
Capital surplus				
Paid-in capital in excess of par value	841,477	20	596,038	19
Bond conversion option	-	-	23,610	1
Total capital surplus	841,477	20	619,648	20
Retained earnings				
Legal reserve	71,658	2	35,159	1
Special reserve	16,803	-	16,803	-
Unappropriated earnings	514,853	12	365,633	12
Total retained earnings	603,314	14	417,595	13
Other equity adjustments				
Cumulative translation adjustments	65,673	2	18,742	1
Unrealized gain on financial instruments	932	-	-	-
Total other equity adjustments	66,605	2	18,742	1
Total stockholders' equity	2,466,088	59	1,829,867	59
TOTAL	$4,183,746	100	$3,107,361	100

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

(With Deloitte & Touche audit report dated January 30, 2008)

TOPOINT TECHNOLOGY CO., LTD.

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

	2007		2006	
	Amount	**%**	**Amount**	**%**
SALES (Note 20)	$ 1,560,853	101	$ 1,259,815	101
LESS: SALES RETURNS	14,794	1	17,577	1
SALES DISCOUNTS AND ALLOWANCES	970	-	558	-
NET SALES	1,545,089	100	1,241,680	100
COST OF SALES (Note 20)	944,254	61	752,683	61
GROSS PROFIT BEFORE REALIZED (UNREALIZED) PROFIT ON INTERCOMPANY TRANSACTIONS	600,835	39	488,997	39
REALIZED (UNREALIZED) PROFIT ON INTERCOMPANY TRANSACTIONS (Note 2)	3,904	-	(17,509)	(1)
GROSS PROFIT	604,739	39	471,488	38
OPERATING EXPENSES				
Marketing and selling	69,073	5	52,715	4
General and administrative	78,830	5	65,575	5
Research and development	36,517	2	36,220	3
Total operating expenses	184,420	12	154,510	12
OPERATING INCOME	420,319	27	316,978	26
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	191,583	13	101,513	8
Income from sale of scraps	7,974	1	3,623	-
Gain on disposal of property, plant and equipment	4,830	-	2,045	-
Gain from valuation of financial assets	1,790	-	-	-
Interest income	715	-	578	-
Gain on physical inventory	173	-	1,862	-
Gain on disposal of investments	3	-	1,202	-
Other (Note 20)	5,245	-	3,828	1
Total nonoperating income and gains	212,313	14	114,651	9
NONOPERATING EXPENSES AND LOSSES				
Interest expenses (Note 20)	29,596	2	26,606	2
Loss on inventory valuation	6,885	1	1,611	-

(Continued)

TOPOINT TECHNOLOGY CO., LTD.

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

	2007		2006	
	Amount	**%**	**Amount**	**%**
Loss on inventory obsolescence	$ 5,471	-	$ 1,349	-
Exchange loss, net	5,310	-	787	-
Loss on disposal of property, plant and equipment (Note 20)	1,564	-	3,106	-
Other	5,673	1	3,369	1
Total nonoperating expenses and losses	54,499	4	36,828	3
INCOME BEFORE INCOME TAX	578,133	37	394,801	32
INCOME TAX EXPENSE (Notes 2 and 17)	63,280	4	30,775	3
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	514,853	33	364,026	29
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (NET OF INCOME TAX EXPENSE OF $295 THOUSAND) (Notes 3 and 17)	-	-	964	-
NET INCOME	$ 514,853	33	$ 364,990	29

	2007		2006	
	Before Tax	**After Tax**	**Before Tax**	**After Tax**
EARNINGS PER SHARE (Note 16)				
Basic earnings per share				
Net income before cumulative effect of changes in accounting principles	$ 6.20	$ 5.52	$ 4.76	$ 4.40
Cumulative effect of changes in accounting principles	-	-	0.02	0.01
Net income of common stockholders	$ 6.20	$ 5.52	$ 4.78	$ 4.41
Diluted earnings per share				
Net income before cumulative effect of changes in accounting principles	$ 5.90	$ 5.25	$ 4.50	$ 4.14
Cumulative effect of changes in accounting principles	-	-	0.01	0.01
Net income of common stockholders	$ 5.90	$ 5.25	$ 4.51	$ 4.15

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

(With Deloitte & Touche audit report dated January 30, 2008) (Concluded)

TOPOINT TECHNOLOGY CO., LTD.

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

	Capital Stock Issued and Outstanding			Capital Surplus		Retained Earnings (Note 14)					
	Shares (Thousands)	Amount	Capital Collected in Advance	Paid-in Capital in Excess of Par Value	Bond Conversion Option (Notes 2, 12 and 14)	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Unrealized Gain on Financial Instruments (Note 2)	Total Stockholders' Equity
BALANCE, JANUARY 1, 2006	55,258	$552,581	$ -	$175,172	$ -	$13,832	$16,803	$213,274	$ 4,399	$ -	$ 976,061
Appropriation of prior year's earnings											
Stock dividend - NT$1.285 per share	8,386	83,857	-	-	-	-	-	(83,857)	-	-	-
Cash dividend - NT$1.285 per share	-	-	-	-	-	-	-	(83,857)	-	-	(83,857)
Legal reserve	-	-	-	-	-	21,327	-	(21,327)	-	-	-
Bonus to employees	1,785	17,850	-	-	-	-	-	(17,851)	-	-	(1)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(5,739)	-	-	(5,739)
Issuance of convertible bond	-	-	-	-	30,485	-	-	-	-	-	30,485
Issuance of capital stock - June 6, 2006; at NT$45.00 per share	10,000	100,000	-	350,000	-	-	-	-	-	-	450,000
Conversion of convertible bond	687	6,873	12,721	70,866	(6,875)	-	-	-	-	-	83,585
Net income in 2006	-	-	-	-	-	-	-	364,990	-	-	364,990
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	14,343	-	14,343
BALANCE, DECEMBER 31, 2006	76,116	761,161	12,721	596,038	23,610	35,159	16,803	365,633	18,742	-	1,829,867
Appropriation of prior year's earnings											
Stock dividend - NT$1.053 per share	8,871	88,710	-	-	-	-	-	(88,710)	-	-	-
Cash dividend - NT$2.457 per share	-	-	-	-	-	-	-	(206,990)	-	-	(206,990)
Legal reserve	-	-	-	-	-	36,499	-	(36,499)	-	-	-
Bonus to employees	2,356	23,560	-	-	-	-	-	(23,560)	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(9,874)	-	-	(9,874)
Capital collected in advance	1,272	12,721	(12,721)	-	-	-	-	-	-	-	-
Conversion of convertible bond	6,854	68,540	-	245,439	(23,610)	-	-	-	-	-	290,369
Net income in 2007	-	-	-	-	-	-	-	514,853	-	-	514,853
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	46,931	-	46,931
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	932	932
BALANCE, DECEMBER 31, 2007	95,469	$954,692	$ -	$841,477	$ -	$71,658	$16,803	$514,853	$65,673	$932	$2,466,088

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

(With Deloitte & Touche audit report dated January 30, 2008)

TOPOINT TECHNOLOGY CO., LTD.

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

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 514,853	$ 364,990
Cumulative effect of changes in accounting principles	-	(964)
Net income before cumulative effect of changes in accounting principles	514,853	364,026
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	158,877	107,906
Provision for doubtful accounts	389	65
Loss on inventory valuation	6,885	1,611
Loss on inventory obsolescence	5,471	1,349
Provision for reversed pension costs	(1,431)	(1,873)
Unrealized (realized) gain on intercompany transactions	(3,904)	17,509
Gain on disposal of investments	(3)	(1,202)
Net loss (gain) on disposal of properties	(3,266)	1,061
Equity in net income of investees	(191,583)	(101,513)
Deferred income tax	3,466	(5,486)
Interest expenses on bonds payable	1,594	6,418
Gain from valuation of financial assets	(1,790)	-
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	3,511
Notes receivable	9,855	(13,028)
Accounts receivable	(110,362)	60,665
Notes and accounts receivable - related parties	(35,100)	(24,197)
Other financial assets	12,968	(11,725)
Inventories	(5,484)	(182,624)
Prepayments	5,728	(14,963)
Other current assets	259	2,656
Overdue receivables	(389)	(65)
Notes payable	(5,145)	13,452
Accounts payable	8,733	4,867
Income tax payable	23,083	34,369
Accrued expenses	39,493	21,099
Notes and accounts payable - related parties	(1,178)	(48,866)
Other current liabilities	(1,923)	(5,176)
Net cash provided by operating activities	430,096	229,846
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Available-for-sale financial assets	(7,095)	-
Long-term equity investments	(252,210)	(97,928)
Property, plant and equipment	(657,065)	(733,458)
Proceeds of the disposal of property, plant and equipment	187,138	37,059
Decrease (increase) in refundable deposits	4,920	(12,620)

(Continued)

TOPOINT TECHNOLOGY CO., LTD.

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

	2007	2006
Decrease (increase) in certificates of deposits - restricted	$ 18,733	$ (45,706)
Increase in miscellaneous assets	(1,668)	(3,027)
Net cash used in investing activities	(707,247)	(855,680)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term loans	(164,073)	60,871
Net increase (decrease) in commercial paper	(60,009)	60,019
Proceeds of the issuance of convertible bonds	-	395,000
Increase in long-term loans	855,940	79,000
Repayment of long-term loans	(185,347)	(230,745)
Decrease in deposits received	-	(167)
Cash dividends paid	(206,990)	(83,857)
Remuneration to directors and supervisors paid	(9,874)	(5,739)
Bonuses to employees paid	-	(1)
Proceeds of the issuance of capital stock	-	450,000
Net cash provided by financing activities	229,647	724,381
NET INCREASE (DECREASE) IN CASH	(47,504)	98,547
CASH, BEGINNING OF YEAR	143,578	45,031
CASH, END OF YEAR	$ 96,074	$ 143,578
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 30,662	$ 21,184
Less: Interest capitalized	(1,902)	(1,432)
Interest paid excluding capitalized interest	$ 28,760	$ 19,752
Income tax paid	$ 36,731	$ 1,865
NONCASH FINANCING ACTIVITIES		
Current portion of long-term loans	$ 289,995	$ 139,900
Conversion of convertible bonds	$ 290,369	$ 83,585
CASH PAID FOR PROPERTY ACQUISITION		
Increase in properties	$ 788,642	$ 777,969
Capitalized interest on convertible bonds	(689)	(738)
Net increase in payables on equipment	(130,888)	(43,773)
Cash paid	$ 657,065	$ 733,458

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

(With Deloitte & Touche audit report dated January 30, 2008) (Concluded)

1. ORGANIZATION AND OPERATIONS

Topoint Technology Co., Ltd. (the "Corporation") was incorporated in 1996. It manufactures and markets micro-drills for printed circuit boards (PCBs), numerically controlled drilling machines for PCBs and peripheral equipment used in PCB manufacture. On May 10, 2000, the Securities and Futures Commission (SFC) approved the Corporation's application to become a public company. Since December 21, 2004, the Corporation's shares have been traded on the GreTai Securities Market (over-the-counter securities exchange). Later, when the Corporation's shares ceased to be traded over the counter, the Corporation's shares became listed on the Taiwan Stock Exchange on January 21, 2008.

As of December 31, 2007 and 2006, the Corporation had 326 and 284 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China (ROC). In preparing financial statements in conformity with these guidelines and principles, the Corporation is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, inventory devaluation, property depreciation, pension and warranty. Actual results could differ from these estimates.

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

The Corporation's significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets are cash and those assets held for trading or to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due within one year from the balance sheet date. All other assets and liabilities are classified as noncurrent.

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets or financial liabilities classified as held for trading and financial instruments that are designated on initial recognition as at fair value through profit or loss, with direct instrument acquisition costs expensed as incurred. After initial recognition, financial instruments are remeasured at fair value, with the changes in fair value recognized in as gain or loss. A regular purchase or sale of financial assets is recognized and de-recognized using settlement date accounting.

Derivative financial instruments that need not be subject to hedge accounting are classified as financial assets when their fair value exceeds zero and are classified as financial liabilities when their fair value is lower than zero.

For forward contracts, the valuation method is used to determine their fair value.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus direct asset acquisition costs. At each balance sheet date after the initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of. On asset disposal, the cumulative gain or loss previously recognized in equity is included in gain or loss for the year. All regular purchases or sales of financial assets are recognized and de-recognized on a settlement date basis.

The fair value bases of available-for-sale financial assets are similar to those of financial instruments at fair value through profit or loss.

Cash dividends are recognized on the ex-dividend date; however, dividends distributed from the pre-acquisition earnings are treated as a reduction of investment cost. Stock dividends received are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares after the increase is used to recalculate the cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any decrease in impairment loss on an equity instrument classified as available for sale is recognized directly under equity.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Sales are recognized when titles to products and risks of ownerships are transferred to customers because the earning process has been completed or substantially completed and revenue is realized or realizable. Sales are determined at fair value, taking into account business and quantity discounts agreed upon by the Corporation and customer. The imputed interest rate is not included in calculating fair value because the fair value of receivables approximates the nominal amount of payments and sales transactions are frequent.

Allowance for doubtful accounts is provided on the basis of a review of the collectibility of receivables.

Inventories

Inventories are stated at the lower of weighted-average cost or market value (net realizable value or replacement cost).

Long-term Equity Investments Accounted for by the Equity Method

Under the equity method, long-term investments are stated at cost on the acquisition date and subsequently adjusted for the Corporation’s equity in the investee’s net income or net loss. Any cash dividends received from investees are accounted for as a reduction of the carrying value of the related investments.

Stock dividends received from an investee are accounted for as increases in the number of shares held and are not recognized as investment income.

The costs of equity investments sold are determined using the weighted-average method.

An impairment loss is recognized when there are objective evidences of the recoverable amount of an asset becoming less than its carrying amount.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Major additions or betterments are capitalized, while maintenance and repairs are expensed currently.

Depreciation expense is calculated using the straight-line method over service lives estimated as follows (plus one year to represent estimated salvage value): buildings, 3 to 50 years; machinery and equipment, 3 to 10 years; transportation equipment, 3 to 5 years; office equipment, 3 years; and miscellaneous equipment, 3 to 7 years. Properties still in use beyond their originally estimated service lives are depreciated over their newly estimated service lives.

During property construction, interest charges for borrowings used to finance the construction are capitalized and debited to fixed assets.

When properties are retired or disposed, the related cost and accumulated depreciation are removed from the accounts, and any gains or losses are recognized as nonoperating income or expenses.

Impairment losses are recognized when the carrying values of properties exceed their recoverable amounts on the balance sheet date. If the recoverable amount increases, the increase in carrying value is recognized as gain. However, this increase should not exceed the carrying value that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

Convertible Bonds

For convertible bonds issued on or after January 1, 2006, the liability and equity components should be identified. The liability component (excluding the embedded non-equity derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. The carrying amount of the equity component is calculated by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole.

The book value approach is used to account for bond conversion by the bondholders. Under this method, no gain or loss on bond conversion is recorded, but the shares resulting from the bond conversion and related accounts are transferred to capital and capital surplus.

Deferred Income

Unrealized gains or losses from downstream transactions with equity-method investees are deferred at the percentage of the Corporation’s equity interest in the investee if the Corporation has no controlling power over the investees. Unrealized gains or losses on sales to investees over which the Corporation has a controlling power are totally eliminated. Gains or losses arising from equipment purchases from equity-method investees are eliminated and recognized over the estimated remaining useful life of the equipment.

Compensatory Stock Options

Employee stock option plans with amendment date on or after January 1, 2004 are accounted for under the interpretations issued by the Accounting Research and Development Foundation. The intrinsic value method is used to recognize compensation cost, which is recognized as expense.

Pension Costs

Pension costs under the defined benefit plan are recognized in accordance with actuarial reports. Unrecognized net transition obligation is amortized within 25 years. Prior service cost and pension gain (loss) are amortized using the straight-line method over the average remaining service years of employees. Pension costs under the defined contribution plan are recognized in accordance with the amount of required contributions by the Corporation during the employees’ service period.

Income Tax

The Corporation accounts for income tax using the inter-period allocation method. Under this method, deferred income tax is recognized for investment tax credits and tax consequences of differences between financial statement carrying amounts and their respective tax bases. A valuation allowance is recognized if evidence indicates that it is more likely than not that a portion or the entire deferred tax asset will not be realized. A deferred tax asset or liability is classified as current or noncurrent according to the classification of the related asset or liability. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected reversal date of the temporary difference.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax expense. Income tax (10%) on the undistributed earnings is recorded as expense in the year when the stockholders resolve to retain the earnings.

Foreign-currency Transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses from settling foreign-currency assets and liabilities at prevailing rates are credited or charged to current income. Year-end balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are credited or charged to current income. However, differences pertaining to foreign-currency long-term stock investments accounted for by the equity method are reported as cumulative translation adjustments under stockholders' equity.

3. ACCOUNTING CHANGES

On January 1, 2006, the Corporation adopted the newly released Statement of Financial Accounting Standards (SFAS or "Statement") No. 34 - "Accounting for Financial Instruments" and SFAS No. 36 - "Disclosure and Presentation for Financial Instruments" and related revisions of previously released Statements.

The Corporation recategorized its financial assets and liabilities upon making the accounting changes. The adjustments made to the carrying amounts of the financial instruments recategorized into financial assets or financial liabilities at fair value through profit or loss were included in the cumulative effect of changes in accounting principles. The cumulative effect of accounting changes amounted to $964 thousand after adopting the newly released Statements.

4. CASH

	2007	2006
Cash on hand	$ 694	$ 612
Checking accounts and demand deposits	62,132	94,924
Foreign-currency demand deposits	33,248	48,042
	$ 96,074	$ 143,578

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2007	2006
Financial assets held for trading		
Forward exchange contracts	$ 1,790	$ -

The Corporation entered into derivative contracts into 2007 and 2006 to manage exposures due to exchange rate fluctuations.

The Corporation's hedge strategy is to use instruments that offset the fluctuations in the values of the hedged items.

The Corporation had no forward exchange contracts as of December 31, 2006. Forward exchange contracts as of December 31, 2007 were as follows:

	Currency	Maturity Due	Contract Amount (In Thousands)
December 31, 2007			
Forward exchange contracts - buy	NTD/CHF	2008.3.18-2008.5.20	NT$98,879/CHF3,500

Net losses on financial assets held for trading were $739 thousand in 2007 and $3,058 thousand in 2006.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2007	2006
Domestic quoted stocks	$ 8,030	$ -

7. INVENTORIES

	2007	2006
Merchandise	$ 9,486	$ 11,165
Finished goods	65,200	43,058
Work in process	67,188	35,194
Raw materials	150,130	224,767
Supplies	53,089	30,542
	345,093	344,726
Less: Allowance for decline in market value	18,633	11,748
	$ 326,460	$ 332,978

8. LONG-TERM EQUITY INVESTMENTS

	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Long-term equity investments accounted for by the equity method				
Topoint Technology Co., Ltd. (B.V.I.)	$ 1,076,003	100	$ 586,243	100
Warpspeed Corporation (B.V.I.)	1,433	100	1,469	100
Topoint Japan Co., Ltd.	1,000	52	-	-
	$ 1,078,436		$ 587,712	

The Corporation invested indirectly in Shanghai Topoint Precision Technology Co., Ltd. through Topoint Technology Co., Ltd. (B.V.I.). Warpspeed Corporation (B.V.I.) was incorporated in 2001 to engage in international trading. The Corporation invested $4,337 thousand to obtain a 52% equity interest in Topoint Japan Co., Ltd., which sells electronic components.

The carrying values of the investments in Topoint Technology Co., Ltd. (B.V.I.), Warpspeed Corporation (B.V.I.) and Topoint Japan Co., Ltd. were based on audited financial statements with reporting periods the same as those of the Corporation.

All accounts of the Corporation's subsidiaries were included in the Corporation's consolidated financial statements.

9. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of:

	2007	2006
Buildings	$ 34,336	$ 16,973
Machinery and equipment	268,432	359,279
Transportation equipment	1,619	1,536
Office equipment	833	370
Miscellaneous equipment	12,638	6,585
	$ 317,858	$ 384,743

Depreciation expenses were $155,811 thousand in 2007 and $105,096 thousand in 2006.

Interest charges of $2,591 thousand in 2007 and $2,170 thousand in 2006 were capitalized at interest rates of 2.34% to 2.73% and 2.80%, respectively.

10. SHORT-TERM LOANS

	2007	2006
Unsecured loans - annual interest of 2.51% to 2.80% in 2007 and 2.17% to 2.37% in 2006	$ 50,000	$ 150,000
Letter of credit loans - annual interest of 1.65% to 6.58% in 2006	-	64,073
	$ 50,000	$ 214,073

11. COMMERCIAL PAPER

Commercial paper with one-year maturities were issued under guarantees by commercial institutions. These were issued at discount rates of 2.07% and 2.30% to 2.34% as of December 31, 2007 and 2006, respectively.

12. CONVERTIBLE BONDS

On February 17, 2006, the Corporation issued five-year unsecured zero coupon domestic convertible bonds with an aggregate face value of $400,000 thousand, each with a face value of $100 thousand. The Corporation separated the bond conversion option from the put option in accordance with the Statement of Financial Accounting Standards No. 36 - “Disclosure and Presentation of Financial Instruments” and recognized the equity and liability components accordingly. The initially recognized amount of the liability was $364,515 thousand, with an effective rate of 2.32%. This amount was evaluated at fair value on February 17, 2006, including the amortized transaction costs of $4,614 thousand. The equity component amounted to $30,485 thousand, which was included in capital surplus - bond conversion option. This amount was at the initial total fair value of the bonds minus the fair value of the liability account, including the amortized transaction cost of $386 thousand.

Bondholders may exercise their put options at the conversion price from a month after the issuance date to the 10th day before the expiry date. Bondholders may also ask the Corporation to buy back the conversion bonds at face value plus the accrued interest compensation expense. The interest rate of 5.09% is used for the interest compensation expense for the fourth and fifth years from bond issuance. If the quoted market price exceeds 50% of the conversion price for 30 consecutive trading days within a period from a month after the issuance date to the 11th day before the expiration date, the Corporation may redeem the bonds by cash within 30 trading days after the expiration date. The Corporation may also redeem the bonds by cash at any time when the outstanding amount is 10% below the aggregate face value.

As of December 31, 2007, all bondholders had exercised their put options; the liability and equity components had been converted into common shares and paid-in capital in excess of par value; an liability amounting to $364,515 thousand had been amortized at the effective rate. Bonds payable as of December 31, 2006 amounted to $288,086 thousand.

13. LONG-TERM LOANS

	2007	2006
Secured loans - annual interest of 3.24% to 3.58% in 2007 and 2.94% to 3.29% in 2006	$ 754,380	$ 227,573
Unsecured loans - annual interest of 2.50% to 3.22% in 2007 and 2.37% to 3.22% in 2006	303,047	159,261
	1,057,427	386,834
Less: Current portion	289,995	139,900
	$ 767,432	$ 246,934

14. STOCKHOLDERS' EQUITY

As of December 31, 2007, the Corporation's Article of Incorporation stipulated that the Corporation's total authorized capital should be $1,400,000 thousand, or a total of 140,000 thousand shares with NT$10.00 par value. The Corporation's board of directors is entitled either to issue these shares in batches or to make a one-time issuance of all the shares. Of the authorized capital, $300,000 thousand, or a total of 30,000 thousand shares, should be reserved for an employee stock option plan, preferred stock with warrant, and bonds with warrants attached. As of December 31, 2007, the Corporation's paid-in capital was $954,692 thousand.

The Corporation's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income, less any accumulated deficit. The remainder of this income should be appropriated as follows:

a. Remuneration of 3% (maximum) to directors and supervisors;

b. Bonuses of 1% to 15% to employees; and

c. The remainder, together with the unappropriated earnings of prior years, to be distributed to the stockholders.

These appropriations should be approved by the stockholders in, and given effect to in the financial statements of, the year following the year of earnings generation.

The Corporation is currently in a growth phase. To meet the requirements for present and future operational expansion and to satisfy the stockholders' need for cash inflow, the Corporation's dividend policy states that dividends will be in the form of shares and/or cash, with cash dividends to be at least 10% of total dividends.

Under the relevant law, capital surplus resulting from long-term equity investments should not be used for any purpose. In addition, other components of capital surplus may be used only for transfer to capital or for offsetting deficit. This transfer should be made within certain limits.

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the Corporation's paid-in capital. The reserve may only be used to offset deficit. When the reserve reaches 50% of the Corporation's paid-in capital, up to 50% of the reserve may be transferred to capital.

As of January 30, 2008, the date of the accompanying independent auditors' report, the board of directors had not yet approved the proposal on the distribution of the 2006 earnings. Information on the appropriation of earnings can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

The appropriations from the 2006 and 2005 earnings were approved by the stockholders on June 15, 2007 and June 20, 2006, respectively, as follows:

	Appropriation of Earnings and Capitalization of Capital Surplus		Earnings Per Share	
	2006	2005	2006	2005
Stock dividends	$ 88,710	$ 83,857	$ 1.053	$ 1.285
Cash dividends	206,990	83,857	2.457	1.285
Legal reserve	36,499	21,327		
Employee bonus	23,560	17,851		
Remuneration to directors and supervisors (cash)	9,874	5,739		

The actual distribution of the 2006 earnings as bonuses to employees and remuneration to directors and supervisors was as follows:

	Actual Distribution Approved by the Stockholders	Proposed Distribution Approved by the Board of Directors	Difference
a. Appropriation			
1) Employee bonus: Cash			-
2) Employee bonus: Stock			
a) Shares	2,356 thousand shares	2,356 thousand shares	-
b) Amounts	$23,560 thousand	$23,560 thousand	-
c) Percentage of outstanding shares	3.10%	3.10%	-
3) Directors and supervisors' remuneration	$9,874 thousand	$9,874 thousand	-
b. Earnings per share (New Taiwan dollars)			
1) Basic earnings per share	$5.10	$5.10	-
2) Imputed earnings per share	$4.63	$4.63	-

15. COMPENSATORY STOCK OPTIONS

Effective Date	Resolution Date	Thousand Units	Exercise Price (in New Taiwan Dollars)
2006.03.29	2006.04.07	5,520	$39.09 (original price - $57.20)
2007.12.13	2007.12.18	5,000	68.20
		10,520	

Each option represented 10 common shares of the Corporation. The term of these options is five years. These options may be exercised after two years from the grant date. Under the terms of the stock option plan, if the number of the Corporation's common shares changes, the exercise price will be revised.

The Corporation’s stock options in 2007 and 2006 are summarized as follows:

	2007			
	2007.12.18 Issued		2006.04.07 Issued	
	Thousand Units	Weighted-average Exercise Price (in Dollars)	Thousand Units	Weighted-average Exercise Price (in Dollars)
Outstanding units, beginning of year	-	$ -	5,240	$ 46.76
Granted units	5,000	68.20	-	-
Exercised units	-	-	-	-
Canceled units	-	-	(130)	43.22
Outstanding units, end of year	5,000	68.20	5,110	39.09
Exercisable units, end of year	-		-	

	2006	
	2006.04.07 Issued	
	Thousand Units	Weighted-average Exercise Price (in Dollars)
Outstanding units, beginning of year	-	$ -
Granted units	5,520	57.20
Exercised units	-	-
Canceled units	(280)	46.76
Outstanding units, end of year	5,240	46.76
Exercisable units, end of year	-	

Stock options outstanding as of December 31, 2007 are summarized as follows:

	Outstanding Stock Options as of December 31, 2007			Exercisable Stock Options as of December 31, 2007	
Exercise Price	Thousand Units	Anticipated Weighted-average Existence Years	Weighted-average Exercise Price (in Dollars)	Thousand Units	Weighted-average Exercise Price (in Dollars)
NT$39.09 to $68.20 (in dollars)	10,110	3.12 years	NT$53.49	-	$ -

The Corporation recognizes compensation cost using the intrinsic value method and recognizes compensation cost on a straight-line basis over the vesting period. For 2007, the Corporation calculated that the compensation cost was zero. Had the Corporation used the fair value method, the pro forma net income and basic and diluted earnings per share (EPS) of the Corporation in 2007 and 2006 would have been as follows:

		2007 New Taiwan Dollars	2006 New Taiwan Dollars
Net income	Actual	$514,853 thousand	$364,990 thousand
	Pro forma	$490,729 thousand	$347,627 thousand
EPS - basic	Actual	$5.52	$4.41
	Pro forma	$5.26	$4.20
EPS - diluted	Actual	$5.25	$4.15
	Pro forma	$5.00	$3.95

Had the Black-Scholes pricing model been used to calculate compensation cost using the fair value method, the assumptions would have been as follows:

		2007.12.18 Issued	2006.04.07 Issued
Assumptions	Expected dividend yield	-	-
	Risk-free interest rate	2.43%	1.82%
	Expected duration	3.875 years	4 years
	Expected volatility	44.35%	30.25%
	Weighted-average fair value (in dollars)	$25.17	$15.22

16. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	Amounts (Numerator)		Weighted-average Number of	Earnings Per Share (Dollars)	
	Income Before Income Tax	Net Income	Outstanding Shares (Denominator; Thousands)	Income Before Income Tax	Net Income
2007					
Basic EPS (NT$)					
Income before cumulative effect of changes in accounting principles	$ 578,133	$ 514,853	93,263	$ 6.20	$ 5.52
Cumulative effect of changes in accounting principles					
Net income of common stockholders					
Effect of dilutive potential common stock					
Unsecured convertible bonds in Taiwan	1,594	1,195	2,206		
Compensatory stock options	-	-	2,834		
Diluted EPS (NT$)					
Income available to common stockholders (including effect of dilutive potential common stock)	$ 579,727	$ 516,048	98,303	$ 5.90	$ 5.25

(Continued)

2006	Amounts (Numerator) Income Before Income Tax	Amounts (Numerator) Net Income	Weighted-average Number of Outstanding Shares (Denominator; Thousands)	Earnings Per Share (Dollars) Income Before Income Tax	Earnings Per Share (Dollars) Net Income
Basic EPS (NT$)					
Income before cumulative effect of changes in accounting principles	$ 394,801	$ 364,026			
Cumulative effect of changes in accounting principles	1,259	964			
Net income of common stockholders	396,060	364,990	82,837	$ 4.78	$ 4.41
Effect of dilutive potential common stock					
Unsecured convertible bonds in Taiwan	6,418	4,813	6,194		
Compensatory stock options	-	-	168		
Diluted EPS (NT$)					
Income available to common stockholders (including effect of dilutive potential common stock)	$ 402,478	$ 369,803	89,199	$ 4.51	$ 4.15

(Concluded)

The average number of shares outstanding used for EPS calculation was adjusted retroactively for the issuance of stock dividends. Because of this adjustment, the basic net income per share before and after income tax in 2006 decreased from NT$5.53 to NT$4.78 and from NT$5.10 to NT$4.41, respectively, and the diluted net income per share before and after income tax in 2006 decreased from NT$5.16 to NT$4.51 and from NT$4.74 to NT$4.15, respectively.

17. INCOME TAX

The Basic Income Tax Act (the "BIT Act"), which took effect on January 1, 2006, requires the payment of the basic income tax at 10% of the sum of the taxable income under the Income Tax Act plus tax-exempt income under the Income Tax Act or other laws. The tax payable of the current year would be the higher of the basic income tax or income tax payable under the Income Tax Act. The Corporation has considered the impact of the IBT Act in determining the current year's income tax expense.

a. The reconciliation of income tax on pretax accounting income at statutory rate and income tax expense - current was as follows:

	2007	2006
Tax on pretax accounting income at statutory rate (25%)	$ 144,523	$ 99,005
Adjusted for:		
Tax-free income	(53,256)	(14,774)
Permanent differences	402	2,517
Temporary differences	14,710	(16,144)
Tax on unappropriated earnings	-	64
Investment tax credit	(47,952)	(35,334)
Income tax expense - current	$ 58,427	$ 35,334

Income tax expense - current minus the prepaid tax as of December 31, 2007 and 2006 was shown under income tax payable.

b. Income tax expense consisted of the following:

	2007	2006
Income tax expense - current	$ 58,427	$ 35,334
Prior year's income tax adjustments	1,387	1,222
Deferred income tax	3,466	(5,486)
Cumulative effect of changes in accounting principles amortized under income expense	-	(295)
Income tax expense	$ 63,280	$ 30,775

c. Deferred income tax assets (liabilities) consisted of the following:

	December 31	
	2007	2006
Current		
Investment tax credits	$ 82,542	$ 37,668
Deferred unrealized gain	6,319	6,282
Allowance for inventory losses	4,658	2,937
Unrealized exchange losses	432	301
Gain on valuation of financial assets	(447)	-
Net deferred income tax assets	$ 93,504	$ 47,188
Noncurrent		
Equity in net income of investees	$ (44,589)	$ (42,050)
Deferred unrealized gain	21,064	4,890
Investment tax credit	-	63,007
Other	(241)	169
Net deferred income tax assets (liabilities)	$ (23,766)	$ 26,016

Deferred income taxes as of December 31, 2007 and 2006 were calculated at the 25% statutory rate.

As of December 31, 2007, the unused investment tax credits were as follows:

Item	Total Tax Credits	Unused Tax Credits	Year of Expiration
Machinery and equipment	$ 3,513	$ 3,513	2008
Machinery and equipment	60,291	40,662	2010
Machinery and equipment	18,426	18,426	2011
	82,230	62,601	
Research and development	9,666	9,666	2010
Research and development	9,536	9,536	2011
	19,202	19,202	
Training	3	3	2009
Training	100	100	2010
Training	636	636	2011
	739	739	
	$ 102,171	$ 82,542	

Under Article 5 of the "Regulations Governing the Application of Profit-seeking Enterprise Income Tax Exemption to Capital Increase of the Manufacturing Industry and the Technological Services Industry," which took effect on March 20, 2003, for the Corporation's investment plan of expanding its capacity to produce micro drills and micro routers, the Corporation is exempted for five years from the profit-seeking enterprise income tax on the increased income as a result of this expansion. The exemption period is from January 1, 2005 to December 31, 2009. The calculation of the tax-exempt income is based on the "Guidelines Governing the Calculation of the Profit-seeking Enterprise's Income Tax Exemption on the Capital Increase of the Manufacturing Industry and the Technological Services Industry."

Income tax returns through 2005 had been examined and cleared by the tax authorities.

d. Information on the Imputation Income Tax System is as follows:

	December 31	
	2007	**2006**
Balances of the imputation credit account	$ 1,909	$ 59

The estimated and actual ratios of imputation tax credits to undistributed earnings as of December 31, 2007 and 2006 were 11.71% and 9.54%.

e. Under the Integrated Income Tax System, which took effect on January 1, 1998, resident stockholders are allowed a tax credit for the income tax paid by the Corporation on earnings generated since 1998. An imputation credit account is maintained by the Corporation for such income tax and the tax credit allocated to each stockholder.

f. The Corporation's earnings as of December 31, 2007 and 2006 did not include earnings generated until 1997.

18. PENSION PLAN

The Labor Pension Act of the ROC (the "Act") took effect on July 1, 2005. The Corporation's employees who were subject to the Labor Standards Law (the "Law") before the enforcement of the Act were allowed to choose to be subject to the pension mechanism under the Act or to remain to be subject to the pension calculation under the Law. For those employees who chose to switch to the pension calculation under the Act, their service years as of July 1, 2005 were retained. Persons hired as regular employees on or after July 1, 2005 automatically become subject to the Act.

The pension mechanism under the Act is a defined contribution plan. Under the Act, the rate of the required contributions by an employer to the employees' individual pension accounts should be at least 6% of monthly salaries or wages. Based on the Act, the Corporation's rate of required monthly contributions has been at 6% of salaries and wages since July 1, 2005.

Pension expense recognized under the defined contribution plan was $7,981 thousand in 2007 and $7,094 thousand in 2006. Accrued pension liabilities under the defined contribution plan amounted to $1,422 thousand and $1,214 thousand as of December 31, 2007 and 2006, respectively.

Under the Labor Standards Law, which was promulgated earlier than the Act, the Corporation set up a defined benefit plan, which provides benefits based on length of service and average basic salaries or wages of the last six months before retirement. The Corporation makes monthly contributions to a retirement fund equal to 2% of salaries and wages. The fund is administered by the employees' pension plan committee and deposited in the committee's name in the Central Trust of China Company (the Central Trust of China merged with the Bank of Taiwan in July 1 2007, with the Bank of Taiwan as the survivor entity).

Other information on the defined benefit pension plan is as follows:

a. Pension cost components

	2007	2006
Service cost	$ 83	$ 86
Interest cost	305	273
Expected return of plan assets	(281)	(205)
Amortization	(83)	(121)
Net pension cost	$ 24	$ 33

b. Reconciliation of the fund status of the plan and accrued pension cost

	December 31	
	2007	2006
Benefit obligation		
Vested benefit obligation	$ 188	$ 189
Non-vested benefit obligation	7,989	7,105
Accumulated benefit obligation	8,177	7,294
Additional benefits based on future salaries	1,735	1,435
Projected benefit obligation	9,912	8,729
Fair value of plan assets	(12,576)	(10,599)
Funded status	(2,664)	(1,870)
Unrecognized net transition obligation	(480)	(508)
Unrecognized net benefit	2,521	3,394
Accrued pension liability (prepaid pension cost)	$ (623)	$ 1,016

c. Vested benefit

	2007	2006
Vested benefit	$ 208	$ 210

d. Actuarial assumptions

	2007	2006
Discount rate	3.5%	3.5%
Future salary increase rate	1.0%	1.0%
Expected rate of return on plan assets	2.5%	2.5%

e. Contributions and payments

	2007	2006
Contributions	$ 1,663	$ 2,188
Payments	$ -	$ -

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2007			2006		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Personnel expenses						
Payroll	$ 152,096	$ 59,897	$ 211,993	$ 128,294	$ 56,147	$ 184,441
Labor and health insurance	9,502	2,826	12,328	8,610	2,859	11,469
Pension	5,956	2,049	8,005	5,204	1,923	7,127
Depreciation	147,974	7,837	155,811	99,320	5,776	105,096
Amortization	1,075	1,991	3,066	903	1,850	2,753
	$ 316,603	$ 74,600	$ 391,203	$ 242,331	$ 68,555	$ 310,886

20. RELATED-PARTY TRANSACTIONS

a. The Corporation's related parties were as follows:

Related Party	Relationship with the Corporation
China Development Industrial Bank	Director and stockholder
Warpspeed Corporation (B.V.I.)	Subsidiary
Topoint Technology Co., Ltd. (B.V.I.)	Subsidiary
Topoint Japan Co., Ltd.	
Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd. (B.V.I.)
Topgreen Technology Co., Ltd.	Its president is a nephew of the Corporation's chairman

b. Significant transactions with the related parties were as follows:

	2007		2006	
	Amount	%	Amount	%
For the year				
Sales				
Warpspeed Corporation (B.V.I.)	$ 440,139	28	$ 240,671	19
Topoint Japan Co., Ltd.	17	-	-	-
Topgreen Technology Co., Ltd.	-	-	14,223	1
	$ 440,156	28	$ 254,894	20
Purchase of materials				
Warpspeed Corporation (B.V.I.)	$ 48,142	9	$ 6,633	1
Topgreen Technology Co., Ltd.	-	-	6,315	1
	$ 48,142	9	$ 12,948	2
Processing cost (materials cost)				
Topgreen Technology Co., Ltd.	$ -	-	$ 18,751	8
Nonoperating income and gains - other				
Topgreen Technology Co., Ltd.	$ -	-	$ 82	2

	2007		2006	
	Amount	%	Amount	%
Interest expense				
China Development Industrial Bank	$ 6,472	22	$ 1,632	6
At end of year				
Receivables from related parties				
Warpspeed Corporation (B.V.I.)				
Accounts receivable	$ 190,531	68	$ 120,165	76
Receivable on equipment	85,226	31	11,604	7
Payment on behalf of others	2,626	1	12,550	8
Other receivables	-	-	12,920	8
	278,383	100	157,239	99
Topoint Japan Co., Ltd.	17	-	-	-
Topgreen Technology Co., Ltd.	-	-	835	1
	$ 278,400	100	$ 158,074	100
Interest payable (accrued expenses)				
China Development Industrial Bank	$ 154	-	$ 53	-
Payables to related parties				
Warpspeed Corporation (B.V.I.)	$ 1,030	100	$ 2,208	100
Current portion of long-term loans				
China Development Industrial Bank	$ 66,633	23	$ 13,538	10
Long-term loans				
China Development Industrial Bank	$ 260,252	34	$ 27,039	11

In 2007 and 2006, the Corporation sold some of its property, plant and equipment to Warpspeed Corporation (B.V.I.) at their net book values of $198,791 thousand and $23,546 thousand, respectively, with selling prices of $272,355 thousand and $42,632 thousand, respectively. The gains on these sales of $73,564 thousand in 2007 and $19,086 thousand in 2006 will be amortized over the service lives of the properties sold.

In 2006, the Corporation sold some of its property, plant and equipment to Topgreen Technology Co., Ltd. at the net book value of $8,014 thousand, with a selling price of $5,839 thousand. The loss on this sale was $2,175 thousand.

In 2003, the Corporation rented out machinery to Topgreen Technology Co., Ltd. under an operating lease agreement, and the monthly rental was about $27 thousand. The lease is from August 1, 2003 to July 31, 2008, but the Corporation ended the lease in April 2006.

The overdue receivables from Warpspeed Corporation (B.V.I.), shown as follows, were regarded as interest-free financing:

	2007		2006	
Name	Maximum Balance for the Period	Ending Balance	Maximum Balance for the Period	Ending Balance
Warpspeed Corporation (B.V.I.)	$ 12,920	$ -	$ 79,556	$ 12,920

Except for the selling price, purchase cost and other payment terms of the transactions with Warpspeed Corporation (B.V.I.) and Topoint Japan Co., Ltd., and the selling price to Topgreen Technology Co., Ltd., the terms and conditions of related-party transactions were similar to those for third parties.

21. ASSETS PLEDGED OR MORTGAGED

The following assets were pledged or mortgaged as collaterals for short-term and long-term bank loans:

	December 31	
	2007	2006
Net property, plant and equipment	$ 1,389,098	$ 537,900
Certificates of deposits - restricted	48,300	67,033
	$ 1,437,398	$ 604,933

Of the above pledged certificates of deposits, an amount of $24,942 thousand was a collateral for a subsidiary.

22. SIGNIFICANT COMMITMENTS AS OF DECEMBER 31, 2007

a. Unused letters of credit amounted to about $45,722 thousand.

b. The Corporation guaranteed a $319,446-thousand bank loan of Shanghai Topoint Precision Technology Co., Ltd. for this investee's financial purposes.

c. The Corporation had a commitment to buy machinery and equipment for $52,513 thousand.

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments:

	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative financial instruments				
Assets:				
Cash and cash equivalents	$ 96,074	$ 96,074	$ 143,578	$ 143,578
Available-for-sale financial assets	8,030	8,030	-	-
Notes receivable	23,083	23,083	32,938	32,938
Accounts receivable	283,348	283,348	172,986	172,986
Notes and accounts receivable - related parties	278,400	278,400	158,074	158,074
Other financial assets	7,351	7,351	20,319	20,319
Certificates of deposits - restricted	48,300	48,300	67,033	67,033
Long-term equity investments accounted for by the equity method	1,078,436	1,079,112	587,712	587,850
Refundable deposits	14,774	14,774	19,694	19,694

(Continued)

	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities:				
Short-term loans	$ 50,000	$ 50,000	$ 214,073	$ 214,073
Commercial paper, net	29,982	29,982	89,991	89,991
Notes payable	51,606	51,606	56,751	56,751
Accounts payable	30,805	30,805	22,072	22,072
Income tax payable	58,366	58,366	35,283	35,283
Accrued expenses	125,776	125,776	86,283	86,283
Notes and accounts payable - related parties	1,030	1,030	2,208	2,208
Balance payable - machinery and equipment	176,396	176,396	45,508	45,508
Current portion of long-term loans	289,995	289,995	139,900	139,900
Bonds payable	-	-	288,086	288,086
Long-term loans	767,432	767,432	246,934	246,934
Accrued pension liabilities	1,422	1,422	2,230	2,230
Financial derivatives are classified in accordance with the geographic location of the trading transaction				
In Taiwan				
Financial assets	1,790	1,790	-	-

(Concluded)

Effective January 1, 2006, the Corporation adopted Statement of Financial Standards No. 34 - "Accounting for Financial Instruments." The cumulative effect of this accounting change is described in Note 3.

b. The Corporation uses the following methods and assumptions to estimate the fair values of its financial instruments:

1) For financial instruments, except those mentioned in (2) and (3) below, the carrying values reported in the balance sheet approximate their fair values because of their short maturities.

2) The fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on quoted prices. The fair value of long-term investments is based on the net asset value of the investment.

3) The fair value of long-term loans is estimated using the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans.

c. The fair values of financial instruments were as follows:

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Financial assets at fair value through profit or loss	$ -	$ -	$ 1,790	$ -
Available-for-sale financial assets	8,030	-	-	-

d. In 2007, there was a gain of $1,790 thousand on financial assets at fair value through profit or loss because of the change in fair value estimated by using a valuation technique.

e. Financial risks

1) Market risk

The Corporation's available-for-sale assets were publicly traded securities, with fair values that are affected by changes in market prices. Since the Corporation carefully chooses its investments, there is no significant market risk. In addition, the Corporation uses forward exchange contracts to offset the exchange rate fluctuations of net assets, net liabilities or firm commitments. Thus, no significant market risk is anticipated.

2) Credit risk

The Corporation is exposed to credit risk on the default by counter-parties to forward contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. As a result, no material losses resulting from counter-party defaults are anticipated.

3) Liquidity risk

The Corporation's available-for-sale financial instruments are publicly traded in an active market and can be sold in the market at their fair values. In addition, the Corporation has enough operating capital to meet cash demand. Thus, no significant demand for extra cash is expected.

24. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau, Financial Supervisory Commission for the Corporation and its investees:

a. Financing provided: Table 1 (attached)

b. Endorsement/guarantee provided: Table 2 (attached)

c. Marketable securities held: Table 3 (attached)

d. Marketable securities acquired and disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: None

e. Acquisition of individual real estates at costs of at least NT$100 million or 20% of the paid-in capital: None

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

g. Total purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5 (attached)

i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 6 (attached)

j. Derivative financial transactions: Notes 5 and 23

k. Investment in Mainland China

1) Investee company name, description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 7 (attached)

2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:

a) Amount and percentage of sales; the balance and percentage of related accounts payables: Table 8 (attached);

b) Amount and percentage of purchase; the balance and percentage of related accounts receivables: Table 8 (attached)

c) Gain (loss) on and amounts of asset: Table 8 (attached)

d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: Table 2 (attached)

e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: Table 1 (attached)

f) Other transactions which have significant influence over current year's gain or loss or financial status: None

25. SEGMENT INFORMATION

a. Industry segment information: The Corporation operates in a single industry: The manufacture and sale of printed circuit boards (PCBs), numerically controlled drilling machines for PCBs and peripheral equipment used in PCB manufacture.

b. Geographic information: The Corporation has no foreign operations.

c. Export sales

Geographic Area	**2007**	**2006**
Asia	$ 714,614	$ 468,145
Europe	5,235	46
	$ 719,849	$ 468,191

d. Major customers

	2007		**2006**	
	Amount	**Percentage of Net Sales**	**Amount**	**Percentage of Net Sales**
Master dealer - A	$ 440,139	28	$ 240,671	19
Master dealer - B	198,885	13	232,778	19
Master dealer - C	158,153	10	93,965	8
	$ 797,177	51	$ 567,414	46

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

No.	Financing Company Name	Counter-Party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Reasons (Note 1)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Financing Amount Limits (Note 3)
											Item	Value		
0	Topoint Technology Co., Ltd.	Warpspeed Corporation (B.V.I.)	Receivables from related parties - other receivables	$ 12,920	$ -	-	1	Sales $ 440,139 (US$13,433) Purchase $ 48,142 (US$ 1,457)	-	$ -	-	$ -	$ 493,218	$ 986,435
1	Warpspeed Corporation (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Other receivables	US$ 396	-	-	1	Sales $ 440,139 (US$13,433) Purchase $ 48,142 (US$ 1,457)	-	-	-	-	493,218	986,435

Note 1: For settling intercompany transactions.

Note 2: The maximum financing allowed for a single party is limited to 20% of the net value of Topoint Technology Co., Ltd. as of December 31, 2007.

Note 3: The maximum total financing provided is limited to 40% of the net value of Topoint Technology Co., Ltd. as of December 31, 2007.

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

ENDORSEMENT/ GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, U.S. Dollars and Swiss Franc, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts (Note 2)	Maximum Balance for the Period	Ending Balance (Note 3)	Value of Collaterals Property, Plant, or Equipment (Note 4)	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	Topoint Technology Co., Ltd. (the "Corporation")	Shanghai Topoint Precision Technology Co., Ltd.	(Note 1)	$493,218	$319,446 (US$9,067 and CHF880)	$319,446 (US$9,067 and CHF880)	$24,932	13	$1,233,044

Note 1: Subsidiary.

Note 2: The maximum total endorsement/guarantee provided is limited to 50% of the net value of the Corporation as of December 31, 2007. The maximum endorsement/guarantee provided for a single partly is limited to 20% of the net value of the Corporation as of December 31, 2007.

Note 3: The collateral provided by the Corporation is a promissory note.

Note 4: The collaterals provided by the Corporation are $7,763 in demand deposits and $17,169 in time deposits.

TABLE 3

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value/ Net Asset Value	
Topoint Technology Co., Ltd.	Stock							
	Topoint Technology Co., Ltd. (B.V.I.)	Subsidiary	Long-term equity Investments accounted for by the equity method	2,510	$ 1,076,003	100	$ 1,076,679	Notes 1 and 2
	Warpspeed Corporation (B.V.I.)	Subsidiary	Long-term equity investments accounted for by the equity method	50,000	1,433	100	1,433	Note 1
	Topoint Japan Co., Ltd.	Subsidiary	Long-term equity investments accounted for by the equity method	312	1,000	52	1,000	Note 1
	Key Ware Electronics Co., Ltd.	-	Available-for-sale financial assets	795,000	7,098	1	8,030	Note 3
Topoint Technology Co., Ltd. (B.V.I.)	Share certificates							
	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary	Long-term equity investments accounted for by the equity method	-	US$ 32,968	100	US$ 32,968	Note 1

Note 1: Based on audited financial statements.

Note 2: The difference between carrying value and net asset value was an unrealized profit of $676 thousand from upstream intercompany transactions.

Note 3: The carrying value was the original cost, which was not marked to market.

TABLE 4

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Company Name (Note 2)	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Account Payable or Receivable	
			Purchase/ Sale	Amount	% to Total (Note 2)	Payment Terms	Unit Price	Payment Terms	Ending Balance(Note 1)	% to Total (Note 2)
Topoint Technology Co., Ltd. (the "Corporation")	Warpspeed Corporation (B.V.I.)	Subsidiary	Sale	$ (440,139)	28	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	$ 190,531	33
			Purchase	48,142	9	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(1,030)	(1)
Warpspeed Corporation (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd. (B.V.I.)	Sale	(440,139)	90	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	190,531	68
			Purchase	48,142	10	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(1,030)	-

Note 1: The amounts refer to the receivables and payables on sales and purchases.

Note 2: The rate is calculated in accordance with individual financial statements of the company.

TABLE 5

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

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

Company Name	Related Party	Nature of Relationship	Accounts Receivable - Related Parties		Turnover Rate	Overdue		Amounts Collected in Subsequent Period	Allowance for Bad Debts
			Account	Ending Balance		Amount	Actions Taken		
Topoint Technology Co., Ltd.	Warpspeed Corporation (B.V.I.)	Subsidiary	Accounts receivable	$ 190,531	2.83	$ -	-	$ -	$ -
			Receivables on equipment	85,226	-				
			Payment on behalf of others	2,626	-				
Warpspeed Corporation (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd. (B.V.I.)	Accounts receivable	190,531	2.83	-	-	-	-
			Receivables on equipment	85,226	-				
			Payment on behalf of others	2,626	-				

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)
				Dec. 31, 2007	Dec. 31, 2006	Shares	Percentage of Ownership	Carrying Value		
Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd. (B.V.I.)	British Virgin Islands	International investment	$ 647,032	$ 399,159	2,510	100	$ 1,076,003	$ 195,550	$ 195,012 (Note)
	Warpspeed Corporation (B.V.I.)	British Virgin Islands	International trade	1,569	1,569	50,000	100	1,433	(36)	(36)
	Topoint Japan Co., Ltd.	Japan	Selling electronic components	4,337	-	312	52	1,000	(6,525)	(3,393)
Topoint Technology Co., Ltd. (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Mainland China	Manufacturing and selling precision equipment and measurement facilities	647,032 (US$ 19,500)	399,159 (US$ 12,000)	-	100	1,069,152 (US$ 32,968)	195,544 (US$ 5,953)	195,544 (US$ 5,953)

Note: Investment gain is the investee’s net income of $195,550 thousand minus unrealized profits of $538 thousand from upstream intercompany transactions.

TABLE 7

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 3)	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of Dec. 31, 2007 (Note 2)	Accumulated Inward Remittance of Earnings as of Dec. 31, 2007
					Outflow	Inflow					
Shanghai Topoint Precision Technology Co., Ltd.	Manufacturing and selling precision equipment and measurement facilities	$ 829,116 (US$ 25,100)	Indirect: through an investment company registered in a third region	$ 399,159 (US$ 12,000)	$ 247,873 (US$ 7,500)	$ -	$ 647,032 (US$ 19,500)	100	$ 195,544 (US$ 5,953)	$ 1,069,152 (US$ 32,968)	$ -

Accumulated Investment in Mainland China as of Dec. 31, 2007	Investment Amounts Authorized by Investment Commission, MOEA(Note 4)	Upper Limit on Investment Net Asset Value × 40% (Note 1)
$647,032 (US$19,500)	$829,116 (US$25,100)	$986,436

Note 1: According to the Investment Commission under the Ministry of Economic Affairs, the Corporation's issued capital is between $80,000 thousand and $5,000,000 thousand, and the upper limit on the Corporation's investment is at the higher of 40% of the capital or $80,000 thousand.

Note 2: Investment gains (losses) were recognized on the basis of the investee's financial statements audited by the CPA of the Corporation.

Note 3: Including the capitalization of retained earnings of US$5,600 of Shanghai Topoint Precision Technology Co., Ltd.

Note 4: Investment amounts authorized by Investment Commission, MOEA included the capitalization of retained earnings of US$5,600 thousand.

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

SIGNIFICANT TRANSACTIONS WITH THE INVESTEE COMPANY IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

No.	Investor Company	Investee Company	Transaction Details	Amount	% to Total of Sales or Purchase	Deferred Gain	Note/Accounts Payable or Receivable		Note
							Ending Balance	% to Total	
0	Topoint Technology Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	Sales	$ 440,139	28	$ 3,904	$ 190,531	33	Note 1
			Purchase	48,142	9	676	(1,030)	1	Note 1
			Sale of property, plant and equipment	272,355	-	73,564	85,226	15	Note 1
			Payment on behalf of others	-	-	-	2,626	-	Notes 1 and 2

Note 1: The Corporation’s transaction with Shanghai Topoint Precision Technology Co., Ltd. was made indirectly through Warpspeed Corporation (B.V.I.).The prices and payment terms were based on mutual agreement.

Note 2: The transaction refers to the Corporation’s purchase of new parts, material and supplies for Shanghai Topoint Precision Technology Co., Ltd.

Topoint Technology Corporation
Consolidated Balance Sheet (Audited)

Unit: NT$ thousand

Accounting Title	2007/12/31	2006/12/31
	Amount	Amount
Current Assets	1,629,093	1,362,395
Fixed Assets	2,763,824	1,889,764
Other Assets	232,657	81,804
Assets	4,625,574	3,333,963
Current Liabilities	1,108,530	877,623
Long-term Liabilities	1,023,806	623,266
Other Liabilities	26,227	3,207
Liabilities	2,158,563	1,504,096
Capital	954,692	773,882
Capital Surplus	841,477	619,648
Retained Earnings	603,314	417,595
Other Adjustment	66,605	18,742
Stockholders' equity	2,467,011	1,829,867

Topoint Technology Corporation
Consolidated Income Statement (Audited)

Unit: NT$ thousand

Accounting Title	2007/12/31	2006/12/31
	Amount	Amount
Sales	2,140,036	1,563,090
Operating Costs	1,241,522	945,132
Gross profit(loss) from operations	898,514	617,958
Operating Expenses	253,777	189,390
Operating income (loss)	644,737	428,568
Non-Operating Income	40,577	21,615
Non-Operating Expenses	77,817	39,247
Income from continuing operations before income tax	607,497	410,936
Income tax expense (benefit)	95,776	46,910
Income from continuing operations	511,721	364,026
Consolidated net income attributable to parent company	511,721	364,990

G. Review, Analysis and Risk Management for Financial Status and Operation

1. Financial status

A. Financial status comparison analysis

Unit: Thousands

Item \ Year	2007	2006	Difference	
			Amount	%
Current assets	$1,183,344	$ 997,918	185,426	18.58
Fixed assets	1,901,401	1,469,448	431,953	29.4
Other assets	20,565	52,283	(31,718)	(60.67)
Total assets	4,183,746	3,107,361	1,076,385	34.64
Current liabilities	840,756	720,651	120,105	16.67
Long-term liabilities	767,432	535,020	232,412	43.44
Other liabilities	109,470	21,823	87,647	401.63
Total liabilities	1,717,658	1,277,494	440,164	34.46
Common stock	954,692	773,882	335,044	43.29
Capital surplus	841,477	619,648	221,829	35.8
Retained earnings	603,314	417,595	185,719	44.47
Total shareholders' equity	2,466,088	1,829,867	636,221	34.77

Note:

(1)Current assets increase is mainly due to the increase of accounts receivable and deferred income tax assets in 2007.

(2)Fixed assets increase is mainly due to the increase of machine equipment purchased in 2007.

(3)Other assets decrease is mainly due to the decrease of non-current deferred income tax assets in 2007.

(4)Total assets increase is mainly due to the increase of current assets, fixed assets in 2007.

(5)Current liabilities increase is mainly due to the increase of equipment accounts payable in 2007.

(6)Long-term liabilities increase is mainly due to the increase of long-term bank loans in 2007.

(7)Total liabilities increase is mainly due to the increase of current liabilities and long-term liabilities in 2007.

(8)The stocks increase is mainly due to the capital increase by retained earnings and the exchange traded funds transferred to common stocks in 2007.

(9)Capital surplus increase is mainly due to the exchange traded funds transferred to common stocks in 2007.

(10)Retained earnings increase is mainly due to the increasing net profit in 2007.

(11)Total shareholders' equity is mainly due to the capital increase by retained earnings and exchange traded funds transferred to common stocks in 2007.

2. Operating Results

A. Operating results comparison analysis

Unit: Thousands

	2007		2006		Fluctuation Amount	Fluctuation Ratio (%)
	Subtotal	Total	Subtotal	Total		
Total sales revenue	$1,560,853		$1,259,815		301,038	23.9
-: Sales return	14,794		17,577		(2,783)	(15.83)
Sales allowance	970		558		412	73.84
Net sales		$1,545,089		$1,241,680	303,409	24.44
Cost of goods sold		944,254		752,683	191,571	25.45
Gross margin before deducting Unearned-Related Sale		600,835		488,997	111,838	22.87
-: Unearned-Related Sale		(3,904)		17,509	(21,413)	122.3
Gross sales		604,739		471,488	133251	28.26
Operating expense		184,420		154,510	29,910	19.36
Operating profit		420,319		316,978	103,341	32.6
Non operating revenue and income		212,313		116,922	95,391	81.59
Non operating expense and loss		54,499		39,099	15,400	39.39
Gain from continuous operating department departments –before Tax		578,133		394,801	183,332	46.44
Income tax expense (profit)		63,280		30,775	32,505	105.62
Gain from continuous operating department departments –after Tax		514,853		364,026	150,827	41.43
Cumulative effect of changes in accounting principle		0		964	(964)	0
Net profit		514,853		364,990	149,863	41.06

Description and analysis of items with changes:

(1) Sales revenue increase is mainly due to increasing customer demands in 2007.

(2) For gross margin increase, please refer to B. Gross margin difference analysis.

(3) Non operating revenue and income increase is mainly due to the increasing investment profit in 2007.

B. Gross margin difference analysis

Unit: Thousands

Item	Difference amount	Difference reason			
		Price	Cost	Sales	Quantity
Gross margin	111,838	(191,782)	117,708	(25,982)	211,894
Note	1. The sales price in 2007 decreased 19.43% compared with 2006, and is mainly due to the 16.44% decrease in the sales price of drills. 2. The cost price decrease in 2007 is mainly due to the annual production quantity increase of 81,890,000, or 77.83%, in 2007 from the annual production of 105,220,000 in 2006 and				

	the increase of raw material. 3. The poor sales are due to the low gross profit in the sales ratio increase of 39% in 2007 from 33% in 2006. 4. The quantity difference increase is mainly due to the company's positive expansion of the business. Therefore, the total sales increased 54.48%. Of that, the drill sales increased 39.02% and the raw material sales increased 81.65%.

3. Cash Flows

A. Analysis of changes in cash flows in the past two years

Item / Year	2007	2006	Fluctuation ratio %
Cash flow ratio (%)	51.16	30.28	68.96%
Cash flow adequacy ratio (%)	36.64	34.76	5.41%
Ratio of cash reinvestment (%)	6.09	4.85	25.57%
Description and analysis of items with changes: Cash flow ratio and ratio of cash reinvestment is mainly due to 2007's operating net cash in-flow increased.			

B. Analysis of cash flows in the future year

Unit: Thousands

Opening cash balance	Annual operating net cash flows	Annual cash outflow	Cash surplus (shortfall) amount	Remedial measures for cash shortfall	
				Investment plan	Financial plan
96,074	496,337	933,571	(341,160)		390,000
The remedial measures for expected cash shortfall: The insufficient amount of the company corresponding to the plan of equipment purchase will be supported by bank refinancing.					

4. The major causes of major capital expenditure, to finance and business in the latest year:

A. The usage and fund sources of major capital expenditure

Unit: Thousands

Item	Actual or expected fund sources	Actual or expected completion date	Total funds required	Actual or expected fund usage				
				2007	2008	2009	2010	2011
Purchase production equipment	Bank refinancing or equity capital	97.12.31	1,039,363	657,065	382,298	--	--	--

B. Expected profit (production and sales amount, value and gross profit expected to increase)

The expected production profit of the purchased machines is as follows:

Unit: Thousands

Year	Name	Output	Volume	Value	Gross profit
2007	Precision drills and routers	22,844	22,844	399,313	164,705
2008	Precision drills and routers	44,564	44,564	674,253	265,156
2009	Precision drills and routers	60,408	60,408	724,896	302,040
2010	Precision drills and routers	60,408	60,408	724,896	302,040
2011	Precision drills and routers	60,408	60,408	724,896	302,040
	Total	248,632	248,632	3,248,254	1,335,981

5. The Major causes of profits or losses for the investment policies in the latest year, improvement plan and investment plan in the next year:

Invested company	Holding Amount (Thousand dollars)	Policy	Major reason of gains and losses	Improvement plan	Future investment plan
Topoint Technology Co., Ltd.(B.V.I)	1,076,003	The company is an offshore subsidiary established with an investment in Mainland China	Investment income recognized in equity method	N/A	N/A
Warpspeed Corporation (B.V.I.)	1,433	The company is an offshore subsidiary established with international trade.	Investment loss recognized in equity method	N/A	N/A
Topoint Japan Co., Ltd.	1,000	The company is a subsidiary for selling electronic components	Investment loss recognized in equity method	N/A	N/A
KEY WARE ELECTRONICS CO., LTD	7,098	Long-term investment	Available-for-sale financial assets	N/A	N/A

Invested company	Holding Amount (Thousand dollars)	Policy	Major reason of gains and losses	Improvement plan	Future investment plan
Shanghai Topoint Precision Technology Company	1,069,152	Indirect investment in the good market development potential of Mainland China.	Excellent operating status	N/A	N/A

6. Risk Evaluation

Organization structure of risk management:

Name	Responsibility
High-ranked management level (CEO, president)	-Establish risk management decision and structure -Ensure the effectiveness of risk management policy
Chairman's Office	-Implement risk management policy -Coordinate the risk management interaction and communication between cross departments -Organize the implementation results of risk management activity -Assist and supervise the risk management activities of the branches
Headquarters and the various departments	-Implement daily risk management activities -Self-evaluate the process of risk control activity

A. Risk Factors

1) The impact of changes of recent annual interest rate and exchange rate, and inflation on company income and future countermeasures:
   a. Interest rate: The Company's interest expenses in 2006 and 2007 are respectively $26,606,000 and $29,596,000, which is due to turnover growth and capacity expansion, and having bank loans to cover the operation capital. The company is in accordance with the fund demand and received a more favorable market loan financing interest rate and fund raising pathway, and has the most effective fund scheduling to reduce the interest expense.
   b. Exchange rate: The Company's exchange profit in 2006 and 2007 are respectively $787,000 and $5,310,000, which are 0.02% and 1.68% of the operating income ratio, therefore, the exchange profit does not have a significant influence on company profit. In exchange rate fluctuations, the company closely monitors the changes in foreign exchange rate, the foreign currency assets and liabilities adopted long-term foreign exchange risk hedging trading strategy to reduce currency exchange risk.
   c. Inflation: There is no significant influence on the company's profit due to inflation this year.
   d. Future corresponding measures: The Company has grasped the changing situation of the upstream raw material price to reduce the impact on the company profit due to the raw material cost difference.

2) Transactions of high risk, high leverage investment, loan funds to others, endorsement, and derivatives commodity:

a. Transactions of high risk or high leverage investment: N/A.

b. The company has set up “loan funds to others”, “endorsement” and “transaction of derivatives commodity”, etc. operation measures to be the base of the operation. Transactions of loaning funds to others is due to the invested subsidiary having the demand for short-term financing, therefore, until the end of December 31, 2007, the balance of loan funds to others is NT$0. The balance of endorsement for subsidiaries, due to business relations, is NT$319,446,000 till the end of December 31, 2007. The purpose of transactions with a long-term foreign exchange contract is to hedge risk trading, until the end of the third season of 2007, the total amount of the abatement contract is 3,500,000 Swiss francs.

3) Future R&D plans and expected R&D investment expense

The future research and development still focuses on micro drills (0.03mm), the expected investment amount is about 3% of the operating revenue. This will help to cope with the industrial technology demand to increase the development of Flipchip drill performance and DDRII tools.

4) The impact of change in major policies, and laws, in Taiwan, and abroad, upon the financial standing of the company and the countermeasures:

In accordance with the implementation of Financial Accounting Standards No.34 and No.36, the company has met the relevant laws and regulations; therefore, there is no significant impact on the company’s financial operation. The operations of the company have all followed the relevant laws and regulations, and noticed the policy direction and corresponded with the strategy appropriately; therefore, the company can always effectively correspond and grasp the domestic and international important policy and legal changes.

5) The impact of change in technology and industry upon the financial standing of the company and the countermeasures:

The company always attaches great attention to the relevant technology changes of the industry to grasp the market trend and assess the impact it may cause to the company operations.

6) The impact of change in corporate image upon corporate risk management and the countermeasures:

Since the establishment of the company, it has been actively strengthening internal management, improving management quality and effectiveness, continuing to follow and implement various corporate governance requirements, setting up independent directors and supervisors, and appointing relevant experts to provide timely advice to reduce the occurrence of risks and the impact of risks to the company.

7) Expected benefit(s) and possible risk(s) for M&A activities: N/A

8) Expected profit and possible risk of plant expansion: N/A

9) Purchase and sales risks and the countermeasures**:** The Company sought to scatter suppliers or customers to reduce its risk caused by excessive concentration.

10) The impact upon and potential risks for the company due to a significant transfer and the impact upon and potential risks for the company due to a significant transfer and change in shareholding of the directors and supervisors or major shareholders holding over 10%: N/A

11) The impact of change in management and its potential risks: N/A

12) Litigation and non-litigation matters:

(1) The results of the company's decided judgment or still in process litigation, non-litigation or administrative litigation matters, which may have significant impact on the shareholder's equity, or securities price, its indisputable fact, the target amount, the starting date of the litigation, the major litigation parties and the current handling situation in the past two years and the current year as of the prospectus publication date: N/A

(2) The results of the company's directors, supervisors, presidents, responsible person, and major shareholders that hold more than a 10% shareholding ratio and the affiliate companies' decided judgment or still in process litigation, non-litigation or administrative litigation matters which may have significant impact on the shareholder's equity, or securities price, its indisputable fact, the target amount, the starting date of the litigation, the major litigation parties and the current handling situation in the past two years and the current year as of the prospectus publication date:

a. The director- China Development Industrial Bank was the director and supervisor of Cheng I Co., Ltd. (herein as Cheng I Co.) in 1998, and was accused of falsifying Cheng I Co.'s financial statements and prospectus and has resulted in investment losses by He Jin-Xia, etc. 389 people, therefore, the amount of $71,018,000 was requested (51 plaintiffs settled out of court for the amount of $69,780,000), and China Development Industrial Bank is jointly and severally liable. Taipei District Court dismissed the plaintiff's claim on November 30, 2006; the plaintiff filed an appeal, which is currently being processed in the Taiwan High Court.

b. China Development Industrial Bank sold overseas investment using the whole batch method, and dealt with China Development Asset Management Corporation splits, due to it not establishing an appropriate internal control or not having the implementation properly done, according to Paragraph 1, Article 45-1 of Bank Law, the CDIB was fined $10,000,000 in December, 2006. CDIB filed an appeal, which was rejected. Currently administrative litigation has been filed.

c. Hong Cheng Venture Capital and its representative, Cheng Tun-Chien was accused of assisting UMC to assist He Jian Technology in Suzhou, which was involved in the crime of Criminal Code Offenses of Breach of Trust and the breach of Commercial Account Law on January 9, 2006 by the prosecutors of Hsinchu District Court. The Hsinchu District Court acquitted the first instance with a not-guilty verdict on October 26, 2007. The prosecutor has filed an appeal, which is currently being processed in the Taiwan High Court.

13) Other major risks and countermeasures: N/A

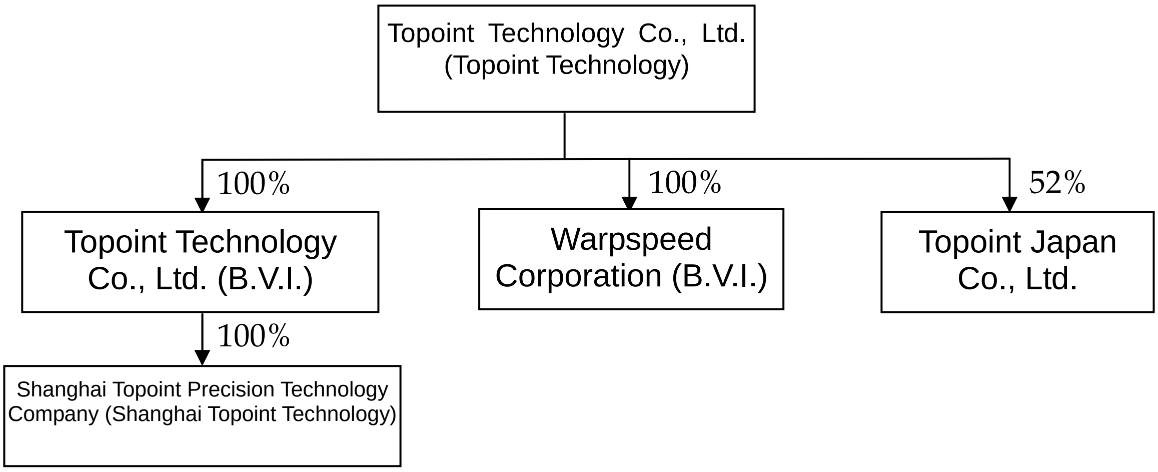
7. Other Significant Items: N/A

H. Special Notes

1. Information of Affiliated Firms

A. Affiliates Consolidated Business Report

1) Organization chart



2) Basic information

Name of the invested company	Area	Major business	Paid-up capital
Topoint Technology Co., Ltd.(B.V.I.)	British Virgin Islands	International Investment	NT$1,076,003,000
Warpspeed Corporation (B.V.I.)	British Virgin Islands	International Trade	NT$1,433,000
Topoint Japan Co., Ltd.	Japan	Sales of electronic components	NT$1,000,000
Shanghai Topoint Precision Technology Company	China	The production and sales of precision cutting tools and automatic measuring tools	NT$1,069,152,000 (US$32,968,000)

3) The shareholder's information presumed to have control and subordination: N/A

4) The industry covered by the overall affiliates operating business
The operating business of the company and its affiliated enterprises include the R&D, manufacture, and sales of drills, etc.

5) Affiliated enterprises directors, supervisors, and presidents

Company Name	Position	Name/Representative	Share holding	
			Amount	%
Topoint Technology Co., Ltd.(B.V.I.)	Major Shareholder	Topoint Technology/ Lin Shu-Ting	2,510	100%
Warpspeed Corporation (B.V.I.)	Major Shareholder	Topoint Technology/ Chiang Chen-Wen	50,000	100%
Topoint Japan Co., Ltd.	Director	Topoint Technology/ Lin Shu-Ting	312	52%
Shanghai Topoint Precision Technology Company	Director	Lin Shu-Ting	-	-
	Director	Wang Chia-Hong	-	-
	Director	Chen Shiu-Tao	-	-

B. Affiliates Consolidated Financial Statements: See P.97~P142.

The affiliates of Topoint Technology Co., Ltd., which should have been included in the combined financial statements of Topoint Technology and its affiliates, as of 2007 (from January 1, 2007 to December 31, 2007), based on the “Principles and Guidelines for Preparation of the Affiliates Consolidated Business Report, Affiliates Consolidated Financial Statements, and the Report.”, are the same as those included in the consolidated financial statements of Topoint Technology and its subsidiaries as of 2007, prepared under the Statement of Financial Accounting Standards No.7. The information required to be disclosed in the consolidated financial statements has already been disclosed in the above consolidated financial statements. Consequently, there is no need to prepare a separate consolidated financial statement of Topoint Technology and its affiliates.

C. Affiliation Report: N/A

2. Handing status of the private placement securities in the most recent year and the current year as of the annual report publication date: N/A

3. Subsidiary’s holding or disposal of the company’s stock in the most recent year and up to the publishing date of annual report: N/A

4. Other items required to be explained:

A. The status of financial information disclosure relevant personnel receiving relevant certifications from the authorities:

The company’s internal auditors have received the Securities & Futures Institute’s corporate internal control basic capacity test qualification certificates on January 15, 2008. The certificate number is: (96) Cheng Chin Chi Tse Cheng Tze No. 3610600731.

5. The major impacts of subparagraph 2, paragraph 2, article 36 of law of security trades in the latest year and up to the publishing date of annual report: N/A