TXC Corporation

Financial Statements for the Three Months Ended March 31, 2005 and 2004 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
TXC Corporation

We have reviewed the accompanying balance sheets of TXC Corporation as of March 31, 2005 and 2004 and the related statements of income, and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report based on our reviews.

Except for the matter discussed in the following paragraph, we conducted our reviews in accordance with Auditing Standards No. 36, "Review of Financial Statements," a generally accepted auditing standard in the Republic of China. A review of financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in Note 8 to the financial statements, TXC Corporation's long-term investments valued by the equity method of NT$522,763 thousand and NT$422,121 thousand as of March 31, 2005 and 2004, respectively, and related investment income of NT$9,915 thousand and NT$9,020 thousand for the three months ended March 31, 2005 and 2004, respectively, were recognized on the basis of the subsidiaries' unreviewed financial statements.

Based on our reviews, except for the effects of any adjustments that might have been determined to be necessary had the investments and investment income mentioned in the preceding paragraph been based on reviewed financial statements, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.
As discussed in Note 3 to the financial statements, the Corporation adopted the Statement of Financial Accounting Standards No. 35, "Accounting for Impairment of Assets," on January 1, 2005.

April 25, 2005

Notice to Readers

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

For the convenience of readers, the accountants' 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 accountants' report and financial statements shall prevail. Also as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

TXC CORPORATION

BALANCE SHEETS
MARCH 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2005		2004	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 259,617	7	$ 102,604	3
Short-term investments, net (Notes 2 and 5)	30,000	1	210,000	6
Notes receivable, net (Notes 2, 6 and 20)	46,943	1	20,682	1
Accounts receivable, net (Notes 2, 6 and 20)	964,859	26	759,268	21
Inventories, net (Notes 2 and 7)	514,049	14	602,452	17
Other current assets	78,882	2	115,370	3
Total current assets	1,894,350	51	1,810,376	51
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 8)				
Equity method	522,763	14	422,121	12
Cost method	3,000	-	3,000	-
Total long-term equity investments	525,763	14	425,121	12
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 9 and 20)				
Cost				
Land	157,040	4	157,040	5
Land - revaluation increment	8,954	-	8,954	-
Land improvements	377	-	377	-
Buildings	264,095	7	243,009	7
Machinery and equipment	1,384,303	37	1,307,712	37
Transportation equipment	2,128	-	1,528	-
Miscellaneous equipment	56,048	2	46,940	1
	1,872,945	50	1,765,560	50
Less accumulated depreciation	(646,932)	(17)	(550,261)	(15)
Prepayments on purchase of equipment	8,284	-	12,581	-
Property, plant and equipment, net	1,234,297	33	1,227,880	35
OTHER ASSETS	96,672	2	69,028	2
TOTAL	$3,751,082	100	$3,532,405	100

	2005		2004	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 11)	$ 236,937	6	$ 405,786	11
Current portion of long-term loans (Note 14)	73,345	2	43,127	1
Commercial paper (Note 12)	-	-	59,907	2
Notes payable (Note 20)	27,723	1	37,903	1
Accounts payable (Note 20)	373,661	10	374,353	11
Accrued expenses (Note 20)	64,704	2	44,671	1
Other current liabilities	46,395	1	17,374	1
Total current liabilities	822,765	22	983,121	28
LONG-TERM LIABILITIES				
Bonds payable (Note 13)	228,041	6	401,749	11
Long-term loans, net of current portion (Note 14)	268,000	7	131,345	4
Total long-term liabilities	496,041	13	533,094	15
OTHER LIABILITIES				
Land value increment tax reserve	3,512	-	3,512	-
Deferred credits	737	-	-	-
Total other liabilities	4,249	-	3,512	-
Total liabilities	1,323,055	35	1,519,727	43
STOCKHOLDERS' EQUITY				
Capital stock (Note 17)				
Common stock	1,631,339	44	1,441,405	41
Advance receipts for common stock	28,618	1	-	-
Capital surplus				
Additional paid-in capital	384,711	10	290,248	8
Asset revaluation reserve	5,442	-	5,442	-
Retained earnings				
Legal reserve	79,959	2	65,708	2
Special reserve	409	-	-	-
Unappropriated earnings	333,185	9	209,579	6
Cumulative translation adjustments (Note 2)	(35,636)	(1)	-	-
Total stockholders' equity	2,428,027	65	2,012,678	57
TOTAL	$3,751,082	100	$3,532,405	100

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

(With Deloitte & Touche review report dated April 25, 2005)

TXC CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2005		2004	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 2)	$ 762,882	101	$ 586,494	101
SALES DISCOUNTS AND RETURNS	(8,914)	(1)	(5,493)	(1)
NET OPERATING REVENUE	753,968	100	581,001	100
COST OF SALES	569,038	75	472,565	81
GROSS PROFIT	184,930	25	108,436	19
UNREALIZED GAIN ON TRANSACTIONS WITH INVESTEES	(737)	-	-	-
REALIZED GROSS PROFIT	184,193	25	108,436	19
OPERATING EXPENSES				
Sales and marketing	31,389	4	29,640	5
General and administration	23,735	3	18,597	3
Research and development	32,232	5	20,986	4
Total operating expenses	87,356	12	69,223	12
OPERATING INCOME	96,837	13	39,213	7
NONOPERATING INCOME AND GAINS				
Interest income	388	-	82	-
Investment income accounted for by the equity method (Notes 2 and 8)	9,915	2	9,020	2
Gain on disposal of assets (Note 2)	4	-	13	-
Gain on disposal of investments (Note 2)	-	-	249	-
Foreign exchange gains	24,137	3	18,277	3
Other	869	-	1,654	-
Total nonoperating income and gains	35,313	5	29,295	5
NONOPERATING EXPENSES AND LOSSES				
Interest expense	3,515	-	5,047	1
Foreign exchange losses	21,950	3	12,606	2
Loss on decline in value of inventories	8,029	1	-	-
Impairment loss	12,010	2	-	-
Other	565	-	129	-
Total nonoperating expenses and losses	46,069	6	17,782	3
INCOME BEFORE INCOME TAX	86,081	12	50,726	9
INCOME TAX (EXPENSE) BENEFIT (Notes 2 and 16)	(13,113)	(2)	4,142	-
NET INCOME	$ 72,968	10	$ 54,868	9

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2005		2004	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	$ 0.53	$ 0.45	$ 0.33	$ 0.36
Diluted	$ 0.52	$ 0.44	$ 0.29	$ 0.32

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

(With Deloitte & Touche review report dated April 25, 2005) (Concluded)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 72,968	$ 54,868
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Interest expense	623	1,749
Amortization of premium on commercial paper	-	107
Bad-debt expense	-	1,432
Depreciation and amortization	56,979	50,114
Loss on decline in value of inventories	8,029	-
Gain on disposal of short-term investments	-	(249)
Investment income accounted for by the equity method	(9,915)	(9,020)
Gain on disposal of assets	(4)	(13)
Impairment loss	12,010	-
Net changes in operating assets and liabilities		
Notes receivable and accounts receivable	84,408	24,372
Inventories	22,777	(74,856)
Deferred income tax assets	4,873	(4,142)
Other current assets	(5,613)	(15,044)
Notes payable	(25)	388
Accounts payable	(10,593)	(23,908)
Accrued expenses	(16,369)	(17,968)
Other current liabilities	10,236	(4,644)
Other liability	737	-
Net cash provided by (used in) operating activities	231,121	(16,814)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in deferred assets	(8,842)	(7,587)
Acquisition of short-term investments	(30,000)	(270,000)
Proceeds from sale of short-term investments	-	63,649
Proceeds from sale of property, plant and equipment	3,947	-
Acquisition of property, plant and equipment	(27,531)	(84,878)
Acquisition of long-term equity investments	-	(653)
Decrease (increase) in refundable deposits paid	428	(162)
Net cash used in investing activities	(61,998)	(299,631)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(141,060)	(40,912)
Decrease in commercial paper issuance	-	(10,119)
Decrease in long-term loans	(1,782)	(82,782)
Exercised option	28,618	-
Net cash used in financing activities	(114,224)	(133,813)

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TXC CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2005	2004
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ 54,899	$(450,258)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	204,718	552,862
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 259,617	$ 102,604
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (excluding interest capitalized)	$ 3,931	$ 2,820
Income tax	$ -	$ 1,674
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term loans to current liabilities	$ 20,000	$ 43,127

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

(With Deloitte & Touche review report dated April 25, 2005) (Concluded)

TXC CORPORATION

NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

On July 31, 2002, the Company was authorized by the Securities and Futures Commission of the Ministry of Finance of the ROC to become a public listed company. On August 26, 2002, the Company’s shares began to be traded on the Taiwan Stock Exchange.

The Company mainly produces and sells SMD CXO (surface mount device - crystal clock oscillator) crystals and SAW (surface acoustic wave) filters.

As of March 31, 2005 and 2004, the Company had 613 and 590 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 and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these Guidelines and Principles, the Company is required to make certain estimates and assumptions that could affect the amounts of the allowance for doubtful accounts; allowance for inventory devaluation; property, plant and equipment depreciation, pension; and provision for income tax. 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 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 and financial statements shall prevail. However, the accompanying financial statements do not include the English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau (SFB, formerly the “Securities and Futures Commission” before July 1, 2004) for their oversight purposes.

The Company’s significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

An asset should be classified as current when:

(a) It is expected to be realized, or is held for sale or consumption, in the normal course of the enterprise’s operating cycle; or

(b) It is held primarily for trading purposes or for the short-term and is expected to be realized within 12 months of the balance sheet date; or
(c) It consists of unrestricted cash or cash equivalent.

A liability should be classified as current when:

(a) It is expected to be settled in the normal course of the enterprise's operating cycle; or
(b) It is due to be settled within 12 months of the balance sheet date.

All other assets and liabilities are classified as noncurrent.

Cash Equivalents

Government bonds acquired under resell agreements and having maturities of up to three months from the date of purchase are classified as cash equivalents.

Short-Term Investments

Marketable securities are initially stated at their acquisition cost. Stock dividends received from invested companies are not recognized as investment income but are merely noted as an increase in the number of shares held. The cost of stocks and mutual funds sold is determined using the weighted-average method. At year-end, all short-term investments are evaluated at the lower of aggregate cost or market value. Gain on value recovery or loss on value decline at year-end is recorded currently. The market values of investments in listed closed-end funds, listed stocks, and OTC stocks are their respective average closing prices in the last month of the year. The market value of investments in open-end funds is the year-end net asset value of the funds.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided for notes and accounts receivable on the basis of management's evaluation of the collectibility of individual accounts, past loss experience and other pertinent factors.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average method, and market value is based on net realizable values of finished goods, work in process and merchandise and on replacement costs of raw materials.

Long-Term Investments

Long-term investments in which the Company exercises significant influence on the investees are accounted for by the equity method. Under this method, the investments are stated at cost and subsequently adjusted for the Company's share in the net earnings or other changes in stockholders' equity of the investee companies. Cash dividends received are recorded as reductions of the investment. The difference between investment cost and the underlying equity in net assets of the investee when a stock is acquired, is amortized over 20 years and charged to current income or loss.

Other long-term investments in which the Company has no significant influence on the investees are accounted for by the cost method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures that would increase the value or extend the useful lives of the property, plant, equipment, are capitalized. Repairs and maintenance are expensed currently.

Interest incurred for the construction of major facilities is capitalized.

An impairment loss is recognized when the recoverable amount of an asset is less than its carrying amount. A reversal of the impairment loss is recognized if there is a subsequent recovery in the value of the asset. The recoverable amount cannot exceed the original cost less accumulated depreciation. An impairment loss on a revalued asset is recognized directly against capital surplus from asset revaluation to the extent that the impairment loss does not exceed the capital surplus from revaluation of the same asset. A reversal of an impairment loss on a revalued asset is credited directly to capital surplus from revaluation. However, to the extent that an impairment loss on the same revalued asset was previously recognized in profit or loss, a reversal of that impairment loss is also recognized as profit or loss.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to nonoperating income.

Convertible Bonds

When the Company converts bonds to shares of stock, it writes off the sum of the balances of the carrying value of the bonds, redemption premium and issuance costs. The common stock exchange certificate (capital stock) is then valued at its carrying amount net of the amounts written off, and the difference between the net amount and the par value of the certificate is recognized as capital surplus.

Pension Plan

The Company’s accounting for pensions is in accordance with the generally accepted accounting standards for pension and related regulations. Net pension cost and related asset or liabilities are determined actuarially.

Revenue Recognition

Revenue is recognized when ownership and liability for risk of loss or change to the products are transferred to customers, usually upon shipment. Sales returns and discounts, which take into consideration customers’ complaints and past experiences, are accrued in the same year of sales.

Foreign-currency Transactions

Transactions negotiated in foreign currencies (except derivative transactions) are recorded in New Taiwan dollars at the exchange rates in effect on the transaction dates. Gains or losses caused by applying prevailing exchange rates when foreign-currency receivables and payables are settled, are credited or charged to current income. Balance sheet date balances of assets and liabilities denominated in foreign currencies are restated at the balance sheet date exchange rates, and any resulting gains or losses are credited or charged to current income.

The financial statements of consolidated foreign subsidiaries and other equity-method foreign investees are translated from their respective local currencies into New Taiwan dollars as follows:

- Assets and liabilities - at the rate as of the balance sheet date;
- Stockholders' equity accounts - at the historical rate, except for the beginning balance of the retained earnings, which is carried at the translated amount of the previous period;
- Income statement accounts - at the weighted-average rate of the current period.

Exchange gains or losses resulting from the above financial statement translation are recorded as "translation adjustments," which are presented as a separate component of stockholders' equity.

Income Tax

The Company adopted inter-period tax allocation. Deferred income taxes are recognized for tax effects of temporary differences and unused tax credits. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. Deferred tax assets and liabilities are classified as current or noncurrent accounts according to the classifications of their related assets and liabilities. If deferred tax assets and liabilities cannot be related to the assets or liabilities in the financial statement, they are classified as current or noncurrent on the basis of the length of the reversal or realization period.

Deferred income tax liabilities derived from the temporary differences between the carrying amounts and tax base of long-term investments are not recognized. In addition, if it is expected that a foreign subsidiary will not distribute its earnings in the future and the difference will permanently exist.

The Company adopts the flow-through method for income tax credits resulting from the purchase of certain equipment for automation of production or production technology, research and development expenditures, personnel training, etc.

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

Income taxes (10%) on undistributed earnings generated since 1998 are recorded as expense in the year when the stockholders resolve to retain these earnings.

Derivative Financial Instruments

For derivative financial instruments (forward exchange and currency option contracts), which are used to hedge risk exposures on foreign-currency assets or liabilities, any resulting gains or losses may either be credited or charged to current income or reported as adjustments to the carrying amount of the hedged assets or liabilities. For forward exchange contracts used to hedge identifiable foreign-currency sales commitments and the contract settlement dates are ahead of the actual selling dates, any exchange gain or loss should be deferred to the actual sales transaction date and recorded as an increase in the transaction price if the commodity purchase price is lower than the actual selling price. But if the exchange loss will result in a loss on actual sales because the actual selling price will become lower than the purchase price, the exchange loss should not be deferred.

Nonderivative Financial Instruments

The Company applies the above accounting policies and generally accepted accounting principles to account for assets and liabilities on nonderivative financial instruments and to recognize related revenues and expenses.

Reclassifications

Certain accounts for the three months ended March 31, 2004 have been reclassified to be consistent with the presentation of the financial statements for the three months ended March 31, 2005.

3. CHANGE IN ACCOUNTING PRINCIPLE

The Corporation adopted the Statement of Financial Accounting Standards (SFAS) No. 35, “Accounting for Impairment of Assets,” on January 1, 2005. As a result, the carrying value of idle assets decreased by $12,010 thousand. The impairment loss was $12,010 thousand for the three months ended March 31, 2005.

4. CASH AND CASH EQUIVALENTS

	March 31	
	2005	**2004**
Cash on hand	$ 993	$ 394
Checking and savings accounts	258,624	102,210
	$259,617	$102,604

5. SHORT-TERM INVESTMENTS

	March 31	
	2005	**2004**
Mutual funds	$30,000	$210,000
Less allowance for loss on decline in market value	-	-
	$30,000	$210,000

6. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31	
	2005	**2004**
Notes receivable, third parties	$ 47,179	$ 17,573
Notes receivable, related parties	-	3,213
	47,179	20,786
Less allowance for doubtful accounts	(236)	(104)
	$ 46,943	$ 20,682
Accounts receivable, third parties	$953,742	$706,088

	March 31	
	2005	2004
Accounts receivable, related parties	19,241	63,415
Overdue receivables	1,283	-
	974,266	769,503
Less allowance for doubtful accounts	(9,407)	(10,235)
	$964,859	$759,268

7. INVENTORIES

	March 31	
	2005	2004
Raw materials	$103,465	$106,196
Supplies and spare parts	7,755	10,468
Work in-process	112,890	139,588
Finished goods	160,614	155,882
Merchandise	141,712	198,330
	526,436	610,464
Less allowance for loss on decline in market value and obsolescence	(12,387)	(8,012)
	$514,049	$602,452

Inventory insurance as of March 31, 2005 and 2004 amounted to $450,000 thousand and $370,000 thousand, respectively.

8. LONG-TERM INVESTMENTS

	Three Months Ended March 31			
	2005		2004	
Investee	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Investments accounted for by equity method				
Taiwan Crystal Technology International Ltd. (TCTI)	$520,866	100	$421,503	100
TXC Technology Inc.	1,897	100	618	100
Investment accounted for by the cost method				
Marson Technology Co., Ltd.	3,000	4	3,000	4
	$525,763		$425,121	

The above equity-method investments were determined on the basis of unreviewed financial statements of the investees for the same periods.

Equity in earnings (loss) of the equity-method investees for the three months ended March 31, 2005 and 2004 was as follows:

	Equity Gain (Loss)		Original Cost
	2005	2004	2005
TCTI	$ 9,628	$ 8,541	US$ 15,470
TXC Technology Inc.	287	479	US$ 200
	$ 9,915	$ 9,020	

9. PROPERTY, PLANT AND EQUIPMENT

	Three Months Ended March 31			
	2005			2004
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	$ 157,040	$ -	$ 157,040	$ 157,040
Land - revaluation increment	8,954	-	8,954	8,954
Land improvements	377	230	147	196
Buildings	264,095	100,820	163,275	158,955
Machinery and equipment	1,384,303	517,560	866,743	861,878
Transportation equipment	2,128	670	1,458	1,401
Miscellaneous equipment	56,048	27,652	28,396	26,875
Prepayments on purchase of equipment	8,284	-	8,284	12,581
	$ 1,881,229	$ 646,932	$ 1,234,297	$ 1,227,880

See Note 21 for the details on property, plant and equipment pledged as collaterals.

Property, plant and equipment insurance as of March 31, 2005 and 2004 amounted to $899,000 thousand and $778,500 thousand, respectively. No interest for the three months ended March 31, 2005 and 2004 was capitalized.

10. IDLE ASSETS

	Three Months Ended March 31, 2005			
	Cost	Accumulated Depreciation	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ -	$ 2,253
Buildings	15,444	7,950	4,874	2,620
Machinery and equipment	27,297	20,161	7,136	-
	$ 44,994	$ 28,111	$ 12,010	$ 4,873

	Three Months Ended March 31, 2004			
	Cost	Accumulated Depreciation	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ -	$ 2,253
Buildings	15,444	7,448	-	7,996
	$17,697	$ 7,448	$ -	$10,249

Impairment loss was as follows:

	Three Months Ended March 31, 2005	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Impairment loss		
Buildings	$ 4,874	$ -
Machinery and equipment	7,136	-
	$12,010	$ -

11. SHORT-TERM LOANS

	March 31			
	2005		2004	
	Amount	Interest Rate %	Amount	Interest Rate %
Materials procurement loans	$166,937	0.80~1.50	$345,786	0.90~1.75
Unsecured bank loans	70,000	1.60	60,000	1.45~1.60
	$236,937		$405,786	

See Note 21 for details of pledged assets.

12. COMMERCIAL PAPER

	March 31			
	2005		2004	
	Amount	Interest Rate %	Amount	Interest Rate %
Commercial paper	$ -	-	$ 60,000	0.77~1.05
Less discount	-		(93)	
	$ -		$ 59,907	

13. BONDS PAYABLE

	March 31 2005	March 31 2004
Domestic		
1st Domestic unsecured convertible corporate bonds	$223,400	$400,000
Add accrued interest compensation	4,641	1,749
	$228,041	$401,749

On March 31, 2005, the Company issued first domestic unsecured convertible bonds with an aggregate face value of $400,000 thousand with maturity on December 31, 2008. Nominal interest is 0%. Other details of the bond issuance are summarized as follows:

(a) On the redemption date and the third and fourth anniversaries of the issuance date, bonds are redeemable at a price at 103.02% and 105.34% of face value plus accrued interest, respectively. On bond maturity, bonds will be redeemed at face value.
(b) During the period between after 3 three months of issuance and the 10th day before maturity, except for the period between the ex-dividend date and the date of record, holders can request for conversion of the bonds to the Company's common stock.
(c) The original conversion price per share is NT$20. The conversion price is subject to adjustment based on a certain formula if there are changes in outstanding shares execution of conversion below market price.

14. LONG-TERM LOANS

Nature of Loans	Repayment Period	March 31 2005	March 31 2004
Secured bank loans	Repayable in quarterly installments, maturing on September 9, 2008	$ 70,000	$ 150,000
Unsecured bank loans	Repayable in quarterly installments, maturing on July 23, 2004	106,000	12,000
Industrial Development Bureau, Ministry of Economic Affairs	Repayable in quarterly installments, maturing on September 9, 2008		
Secured loan		5,345	12,472
Chinatrust's loan		160,000	-
		341,345	174,472
Less current portion		(73,345)	(43,127)
		$ 268,000	$ 131,345
Interest rate (%)		0.00~3.20	0.00~5.00

See Notes 21 and 22 for collateral on long-term loans.

As of March 31, 2005, the Company had issued to various banks promissory notes amounting to $706,000 thousand to secure short-term loans, long-term loans and commercial paper issued.

15. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

The Company's personnel, depreciation, and amortization expenses for the three months ended March 31, 2005 and 2004 are summarized as follows:

	2005			2004		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Personnel expense						
Salaries	$ 44,710	$ 28,594	$ 73,304	$ 33,472	$ 28,087	$ 61,559
Labor and health insurance	3,154	1,794	4,948	2,934	1,541	4,475
Pension	838	423	1,261	782	405	1,187
Others	11,176	834	12,010	9,112	704	9,816
Depreciation	41,921	8,506	50,427	37,963	7,197	45,160
Amortization	136	5,851	5,987	242	4,586	4,828

16. INCOME TAX

Provision for income tax was calculated as follows:

	Three Months Ended March 31	
	2005	2004
Tax on pretax income at 25% statutory rate	$21,510	$12,671
Add (deduct) tax effects of		
Permanent differences	-	(62)
Deferred income tax	(3,114)	(4,330)
Tax-exempt income for five years	(1,916)	-
Current payable	16,480	8,279
Less investment tax credit	(8,240)	(8,279)
Current tax expense	8,240	-
Deferred tax benefits	4,873	(4,142)
Income tax benefits	$13,113	$ (4,142)

The Company's income tax returns through 1999 had been examined and approved by the tax authorities.

	Three Months Ended March 31	
	2005	2004
Deferred income tax assets, current		
Loss on decline in value of inventories	$ 3,281	$ 2,505
Others	7,061	893
Investment tax credit	26,143	42,970
	36,485	46,368
Deferred income tax liabilities, current		
Unrealized foreign exchange gain	(2,638)	(3,087)
Net deferred income tax assets, current	$33,847	$43,281

	Three Months Ended March 31	
	2005	2004
Deferred income tax assets, noncurrent		
Investment tax credit	78,429	40,000
Other	332	-
	78,761	40,000
Deferred income tax liabilities, noncurrent		
Unrealized pension cost	-	(205)
Cumulative translation adjustments	-	(99)
Investment income	(7,463)	(3,415)
	(7,463)	(3,719)
Net deferred income tax assets, noncurrent	$71,298	$36,281

The Company's investment tax credits as of March 31, 2005 for income tax purposes were as follows:

Regulatory Basis of Tax Credits	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$69,289	$62,369	2009
	Research and development expenditures	$42,520	$41,402	2009
	Personnel trading	$ 1,004	$ 801	2009

Integrated income tax system information is as follows:

	March 31	
	2005	2004
Stockholders' creditable income tax	$ 196	$ 15,253
	2004 (Estimate)	2003 (Actual)
Earnings distribution tax credit rate	9.65%	9.86%

	March 31	
	2005	2004
Undistributed earnings		
Until 1997	$ -	$ -
From 1998 and thereafter	333,185	209,579
	$333,185	$209,579

17. CAPITAL STOCK

The Company's authorized capital is $2,600,000 thousand (NT$10.00 par value). As of March 31, 2005, the Company's paid-in capital was $1,631,339 thousand divided into 163,134 thousand shares at NT$10.00 par value. Capital stock consisted of the following:

Initial cash subscription	$ 3,100
Additional cash subscription	540,080
Stock dividends from earnings	860,224
Stock dividends from capital surplus	127,693
Employee stock options	10,650
Convertible bonds	89,592
	$1,631,339

18 EARNINGS DISTRIBUTION AND DIVIDEND POLICY

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

(a) Employee bonus - 3%-15%
(b) Directors and supervisors' remuneration - 2%

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

Dividends are recommended by the board of directors in accordance with the Company's dividend policy. Under this policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. In addition, cash dividends and stock dividends should not be more than 80% and 50% of the total dividends to be appropriated. The final amount, type and percentage of the dividends are subject to the approval by the board of directors and stockholders on the basis of actual earnings and capital requirements of the Company in a particular year.

Legal reserve should be appropriated until its amount equals the Company's paid-in capital. It can be used to offset deficit. When legal reserve reaches 50% of paid-in capital, up to one half of this reserve may be transferred to capital stock.

As of April 25, 2005, the date of the accompanying independent accountants' review report, the appropriation of the 2004 earnings had not yet been proposed by the board of directors. Information on 2004 earnings appropriation can be accessed online through the Market Observation Post System (MOPS) on the Website of the Taiwan Stock Exchange when the related resolution is passed.

19. EARNINGS PER SHARE

	For the Three Months Ended March 31									
	2005					2004				
	Amount		Weighted Average Outstanding	EPS		Amount		Weighted Average Outstanding	EPS	
	Before Tax	After Tax	Common Stock	Before Tax	After Tax	Before Tax	After Tax	Common Stock	Before Tax	After Tax
Net income	$ 86,081	$ 72,968				$ 50,726	$ 54,868			
Basic income per share	$ 86,081	$ 72,968	161,567	$ 0.53	$ 0.45	$ 50,726	$ 54,868	152,728	$ 0.33	$ 0.36
Convertible bonds	5,159	3,869	13,386			1,749	1,312	20,000		
Employee stock option	-	-	1,013			-	-	5,299		
Diluted income per share	$ 91,240	$ 76,837	175,966	$ 0.52	$ 0.44	$ 52,475	$ 56,180	178,027	$ 0.29	$ 0.32

20. RELATED-PARTY TRANSACTIONS

The related parties are as follows:

Related Party	Relationship with the Company
Tai-Shing Electronic Components Corporation ("Tai-Shing")	Chairman is the Company's general manager
TXC Technology Inc.	Wholly owned subsidiary
Taiwan Crystal Technology International Ltd. (TCTI)	Wholly owned subsidiary
Growing Profits Trading Ltd. (GPT)	Subsidiary's equity-method investee
TXC (NGB) Electronic Co., Ltd. (NGB)	Subsidiary's equity-method investee

Major transactions with related parties are summarized below:

Purchases of Inventory and Processing Costs

	Three Months Ended March 31			
	2005		2004	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
GPT	$ 82,265	19	$124,568	27

Payment terms for purchases from related parties were similar to those for third parties.

Sales

	Three Months Ended March 31			
	2005		2004	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
GPT	$ 8,377	1	$ 36,221	1
Tai-Shing	4,438	1	4,583	6
TXC Technology Inc.	19	-	560	-
	$ 12,834	2	$ 41,364	7

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

Consulting Fee

	Three Months Ended March 31			
	2005		2004	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TXC Technology Inc.	$ 6,380	69	$ 4,045	69
GPT	2,836	31	1,796	31
	$ 9,216	100	$ 5,841	100

Other Expense

	Three Months Ended March 31			
	2005		2004	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 1,547	-	$ -	-

Receivables and Payables

		March 31			
		2005		2004	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Notes receivable	Tai-Shing	$ -	-	$ 3,213	15
Accounts receivable	Tai-Shing	4,660	5	2,303	-
	GPT	14,466	15	61,112	9
	TXC Technology Inc.	115	-	-	-
Notes payable	Tai-Shing	627	2	1,908	5
Accounts payable	Tai-Shing	881	-	448	2
	GPT	66,572	18	99,020	26
Accrued expenses	GPT	944	1	347	1
	Tai-Shing	139	-	128	-

In the three months ended March 31, 2005, the Company sold to GPT its computer, with a net book value of $164 thousand, for $82 thousand.

In the three months ended March 31, 2004, the Company sold to NGB its equipment, with a net book value of $4,235 thousand, for $4,235 thousand.

21. PLEDGED ASSETS

As of March 31, 2005 and 2004, the following assets had been pledged at their book values to secure short-term loans, long-term loans and commercial paper issued:

	2005	2004
Property, plant and equipment		
Land	$165,994	$165,994
Buildings	80,327	81,860
Machinery and equipment	413,150	251,707
	$659,471	$499,561

22. COMMITMENT AND CONTINGENCIES

The Company's commitments and contingencies as of March 31, 2005, which were not shown in the financial statements, were as follows:

Commitment	Contract Price	Paid Up	Not Yet Paid
Transportation system	$7,000	$4,900	$2,100

For the guarantees for short-term loans, long-term loans and commercial paper issued, please refer to Note 14. Guarantee for customs tax amounted to about $15,000 thousand.

Guarantee for hiring foreign employees was about $2,580 thousand.

Unused letters of credit of about JP¥271,087 thousand and US$37 thousand.

As of March 31, 2005, the Company had derivative transactions. Please refer to Note 24.

As of March 31, 2005, the Company's guarantee for GPT's loans amounted to $16,639 thousand.

23. EMPLOYEE STOCK OPTIONS

With the approval of the Securities and Futures Bureau (SFB), the Company's Board of Directors authorized in January and October of 2001 the issuance of employee stock options within one year from the issuance date. As of March 31, 2005, the outstanding options represented 9,000,000 shares.

Earlier, the Company issued employee stock options with the approval of the Ministry of Finance, ROC (SFC approval reference no. 160056 and no. 180587). As of October 8, 2001 and January 10, 2002, the authorized options of the Company consisted of 5,000 units and 4,000 units, respectively; 1 unit represents 1,000 shares, or a total of 9,000,000 shares. As of March 31, 2003, the outstanding options represented 9,000,000 shares.

Exercise of Stock Options

Exercise Price

The exercise price is equal to the stock market price on the grant date.

Exercise Period

All the options are exercisable within five years from 2001 and 2002. After this period, any unexercised stock options are considered forfeited.

Stock options cannot be pledged, given free to others or disposed of otherwise.

Since two fifths of the exercise period has expired, the employees can exercise stock options as follows:

Granted Period	Exercise Proportion
Expired 2 years	50%
Expired 3 years	75%
Expired 4 years	100%

Kind of Shares

Common stock.

Settlement of Unexercised Stock Options

The Company will call back unexercised stock options which will be unregistered.

Approach of Performing

The Company will issue new common stock for stock options.

Right and Obligation

Employees with stock options have rights the same as those of the Company's stockholders but cannot receive dividends and subscribe for new common stocks issued by the Company.

Outstanding Shares

As of March 31, 2005, there were 9,000 units of outstanding stock options, with each unit equal to 1,000 shares.

Exercise Price

The exercise prices on the grant dates were as follows: NT$20.4 - October 25, 2001; NT$43.2 - April 1, 2002; and NT$19.5 - October 29, 2002.

Exercisable Option

As of March 31, 2005, there were 1,650 units of exercisable stock option.

Compensation Cost

(Market price of stock on the measurement date - exercise price) × exercise shares
October 25, 2001 - (\$20.4－\$20.4)×3,500,000 shares= \$0
April 1, 2002 - (\$43.2－\$43.2)×1,500,000 shares= \$0
October 29, 2002 - (\$19.5－\$19.5)×4,000,000 shares= \$0

The exercise prices of the stock options had been adjusted from NT\$20.4, to NT\$16.2; from NT\$43.2 to NT\$33.3; and from NT\$19.5 to NT\$17.6.

24. FINANCIAL INSTRUMENTS

Forward Exchange Contracts - Hedge

The Company used forward contracts primarily to hedge the risk on exchange rate fluctuations of foreign-currency assets and liabilities. As of March 31, 2005, the Company's forward contracts amounted to US\$1,750 thousand, with maturity on May 9, 2005.

	Three Months Ended March 3			
	2005		**2004**	
Derivative Financial Instruments	**Nominal Amount**	**Credit Risk**	**Nominal Amount**	**Credit Risk**
Forward contracts	US\$ 1,750	-	US\$ 500	-

Risk of Forward Transactions

Credit risk: Credit risk refers to the uncertainties that may arise if a counter-party defaults on the contract. Since the counter-parties are all reputable banks, the Company does not expect any significant loss.

Market risk: Market risk refers to the uncertainties due to fluctuations in exchange rate. Gains or losses on forward exchange contracts are likely to offset the gains or losses on foreign-currency assets or liabilities.

Demand for Additional Cash

The cash flow requirements on the forward contracts are limited to the net differences between the contracting starting date rates and forward rates. Management believes that the cash requirements for contract settlement are not material.

Currency Options

As of March 31, 2005 and 2004, the Company had the following currency options. These instruments were used to hedge the risk on exchange rate fluctuations of net foreign-currency assets and liabilities.

European Option

		2005						
Buy/Sell	**Call/Put**	**Contract Value**		**Strike Rate**		**Final Maturity Date**	**Note**
Sell	USD/NTD	US$	750	NT$	32.35	June 7, 2005	1
Sell	USD/NTD	US$	300			April 11, 2005	2
Sell	USD/NTD	US$	1,000	NT$	32.45	June 17, 2005	3
Sell	USD/JPY	US$	300	JP¥	105.00	April 28, 2005	4
Sell	USD/NTD	US$	250			May 6,2005	5
Sell	USD/NTD	US$	500	NT$	32.45	May 6,2005	6
Sell	USD/NTD	US$	300			July 20, 2005	7
Sell	USD/JPY	US$	500	JP¥	106.00	May 16, 2005	8
Sell	USD/JPY	US$	500	JP¥	106.50	June 16, 2005	9
Buy	USD/JPY	US$	250	JP¥	106.50	June 27, 2005	10
Sell	USD/NTD	US$	250			May 13, 2005	11
Sell	USD/JPY	US$	300	JP¥	106.50	June 28, 2005	12
Sell	USD/JPY	US$	450	JP¥	106.50	July 27, 2005	13
Sell	USD/JPY	US$	500	JP¥	105.00	July 1, 2005	14

Fair Value of Financial Instruments

The fair values of nonderivative financial instruments (except short-term investments) were equal to their carrying amounts as shown in the Company's balance sheets as of March 31, 2005 and 2004.

	March 31			
	2005		2004	
	Book Value	**Estimated Fair Value**	**Book Value**	**Estimated Fair Value**
Assets				
Cash and cash equivalents	$259,617	$259,617	$102,604	$102,604
Short-term investments, net	30,000	30,010	210,000	210,224
Notes receivable, net	46,943	46,943	20,682	20,682
Accounts receivable, net	964,859	964,859	759,268	759,268
Long-term investments in stock	525,763	525,763	425,121	425,121
Liabilities				
Short-term loans	236,937	236,937	405,786	405,786
Commercial paper	-	-	59,907	59,907
Notes payable	27,723	27,723	37,903	37,903
Accounts payable	373,661	373,661	374,353	374,353
Accrued expense	64,704	64,704	44,671	44,671
Current portion of long-term loan	73,345	73,345	43,127	43,127
Bonds payable	228,041	228,041	401,739	401,739
Long-term loans	268,000	268,000	131,345	131,345

The Company’s market assumptions and estimation methodologies for the fair values of the above financial instruments are as follows:

(a) The fair values of short-term financial instruments such as cash and cash equivalents, receivables, payables and short-term debts are based on their carrying amounts due to their short-term nature.
(b) Short-term investments are reasonably estimated from their quoted market prices as at balance sheet date.
(c) The fair values of long-term equity investments are based on their carrying value.