TXC CORPORATION

Financial Statements for the
Six Months Ended June 30, 2005 and 2004 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying balance sheets of TXC Corporation (the "Company") as of June 30, 2005 and 2004 and the related statements of income, changes in stockholders' equity, and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As stated 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.

We have also reviewed the consolidated financial statements of TXC Corporation and subsidiaries as of June 30, 2005 and 2004 on which we have issued a report dated August 18, 2005.

August 18, 2005

<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. 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
JUNE 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Per Share Amount)

ASSETS	2005 Amount	2005 %	2004 Amount	2004 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 234,824	6	$ 119,867	3
Short-term investments, net (Notes 2 and 5)	60,000	2	130,000	3
Notes receivable, net (Notes 2 and 6)	69,388	2	17,326	1
Accounts receivable, net (Notes 2, 6 and 21)	1,001,301	25	920,157	24
Inventories, net (Notes 2 and 7)	569,770	14	677,712	18
Other current assets	58,357	2	64,794	2
Total current assets	1,993,640	51	1,929,856	51
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 8)				
Equity method	660,922	17	526,612	14
Cost method	3,000	-	3,000	-
Total long-term equity investments	663,922	17	529,612	14
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 9 and 22)				
Cost				
Land	157,040	4	157,040	4
Land - revaluation increment	8,954	-	8,954	-
Land improvements	377	-	377	-
Buildings	265,930	7	259,182	7
Machinery and equipment	1,354,450	35	1,246,565	33
Transportation equipment	2,557	-	1,528	-
Miscellaneous equipment	55,300	1	48,619	2
	1,844,608	47	1,722,265	46
Less accumulated depreciation	(651,437)	(17)	(534,299)	(14)
Prepayments for purchase of equipment	2,213	-	16,603	-
Property, plant and equipment, net	1,195,384	30	1,204,569	32
INTANGIBLE ASSETS				
Prepaid pension (Notes 2 and 13)	7,160	-	7,678	-
OTHER ASSETS	74,749	2	94,262	3
TOTAL	$3,934,855	100	$3,765,977	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2005 Amount	2005 %	2004 Amount	2004 %
CURRENT LIABILITIES				
Short-term loans (Note 11)	$ 175,946	4	$ 444,610	12
Current portion of long-term loans (Notes 14 and 22)	73,564	2	43,127	1
Commercial paper (Note 12)	-	-	79,887	2
Notes payable	45,252	1	40,499	1
Accounts payable (Note 21)	513,923	13	455,199	12
Accrued expenses	84,837	2	68,891	2
Dividend payable	82,405	2	-	-
Other current liabilities	28,562	1	54,541	1
Total current liabilities	1,004,489	25	1,186,754	31
LONG-TERM LIABILITIES				
Bonds payable (Note 13)	166,913	4	269,909	7
Long-term loans, net of current portion (Note 14)	251,000	7	129,564	4
Total long-term liabilities	417,913	11	399,473	11
OTHER LIABILITIES				
Land value-increment tax reserve	3,512	-	3,512	-
Deferred credits	426	-	-	-
Total other liabilities	3,938	-	3,512	-
Total liabilities	1,426,340	36	1,589,739	42
STOCKHOLDERS' EQUITY				
Capital stock (Note 16)				
Common stock, $10 par value authorized-260,000 thousand shares in 2005 and 2004; issued - 160,785 thousand shares in 2005 and 151,811 thousand shares in 2004	1,680,681	43	1,518,105	40
Stock dividends	101,132	2	89,691	3
Capital surplus				
Additional paid-in capital	425,587	11	363,754	10
Asset revaluation reserve	5,442		5,442	-
Retained earnings (Note 16)				
Legal reserve	105,774	3	79,959	2
Special reserve	34,087	1	409	-
Unappropriated earnings	194,610	5	119,607	3
Cumulative translation adjustments (Note 2)	(38,798)	(1)	(729)	-
Total stockholders' equity	2,508,515	64	2,176,238	58
TOTAL	$3,934,855	100	$3,765,977	100

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

(With Deloitte & Touche audit report dated August 18, 2005)

TXC CORPORATION

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2005		2004	
	Amount	%	Amount	%
OPERATING REVENUE	$1,575,899	101	$1,307,645	102
SALES DISCOUNTS AND RETURNS	17,499	1	22,054	2
NET OPERATING REVENUE	1,558,400	100	1,285,591	100
COST OF SALES	1,180,355	76	1,036,311	81
GROSS PROFIT	378,045	24	249,280	19
UNREALIZED GAIN ON TRANSACTIONS WITH INVESTEES	(426)	-	(1,110)	-
REALIZED GAIN ON TRANSACTIONS WITH INVESTEES	-	-	141	-
REALIZED GROSS PROFIT	377,619	24	248,311	19
OPERATING EXPENSES				
Sales and marketing	64,860	4	60,988	5
General and administrative	48,024	3	39,004	3
Research and development	59,831	4	44,012	3
Total operating expenses	172,715	11	144,004	11
OPERATING INCOME	204,904	13	104,307	8
NONOPERATING INCOME AND GAINS				
Interest income	783	-	137	-
Investment income accounted for by the equity method	25,645	2	9,962	1
Gain on disposal of property, plant and equipment	4	-	-	-
Gain on disposal of investments	115	-	-	-
Foreign exchange gains	46,564	3	37,682	3
Other	13,424	1	3,881	-
Total nonoperating income and gains	86,535	6	51,662	4
NONOPERATING EXPENSES AND LOSSES				
Interest expense	6,689	-	7,622	1
Loss on disposal of property, plant and equipment	624	-	22	-
Loss on disposal of investments	-	-	321	-
Loss on physical inventories	70	-	252	-
Foreign exchange losses	33,857	2	24,546	2
Loss on decline in value of inventories	12,520	1	4,545	-
Impairment loss	10,063	1	-	-
Other	1,728	-	315	-
Total nonoperating expenses and losses	65,551	4	37,623	3

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2005		2004	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 225,888	15	$ 118,346	9
INCOME TAX EXPENSE (Notes 2 and 17)	44,719	3	802	-
NET INCOME	$ 181,169	12	$ 117,544	9

	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	$ 1.39	$ 1.12	$ 0.73	$ 0.72
Diluted	$ 1.32	$ 1.06	$ 0.67	$ 0.66

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

(With Deloitte & Touche audit report dated August 18, 2005) (Concluded)

TXC CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

				Retained Earnings				
	Capital Stock	Stock Dividend	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Total
BALANCE, JANUARY 1, 2005	$ 1,607,847	$ -	$ 369,246	$ 79,959	$ 409	$ 260,217	$ (34,087)	$ 2,283,591
Appropriation of 2004 net income								
Legal reserve	-	-	-	25,815	-	(25,815)	-	-
Special reserve	-	-	-	-	33,678	(33,678)	-	-
Stock dividends	-	82,404	-	-	-	(82,404)	-	-
Cash dividends	-	-	-	-	-	(82,405)	-	(82,405)
Transfer of bonuses to employees to capital stock	-	18,728	-	-	-	(18,728)	-	-
Directors and supervisors remuneration	-	-	-	-	-	(3,746)	-	(3,746)
Convertible bonds for conversion to common stock	56,084	-	49,916	-	-	-	-	106,000
Employee stock option be converted to common stock	16,750	-	11,867	-	-	-	-	28,617
Net income in the six months ended June 30, 2005	-	-	-	-	-	181,169	-	181,169
Translation adjustments on long-term equity investments	-	-	-	-	-	-	(4,711)	(4,711)
BALANCE, JUNE 30, 2005	$ 1,680,681	$ 101,132	$ 431,029	$ 105,774	$ 34,087	$ 194,610	$ (38,798)	$ 2,508,515
BALANCE, JANUARY 1, 2004	$ 1,441,405	$ -	$ 295,691	$ 65,708	$ -	$ 154,710	$ (409)	$ 1,957,105
Appropriation of 2003 net income								
Legal reserve	-	-	-	14,251	-	(14,251)	-	-
Special reserve	-	-	-	-	409	(409)	-	-
Stock dividends	-	75,893	-	-	-	(75,893)	-	-
Cash dividends	-	-	-	-	-	(45,536)	-	(45,536)
Transfer of bonuses to employees to capital stock	-	13,798	-	-	-	(13,798)	-	-
Directors and supervisors remuneration	-	-	-	-	-	(2,760)	-	(2,760)
Convertible bonds for conversion to common stock	66,050	-	66,050	-	-	-	-	132,100
Employee stock option for converted to common stock	10,650	-	7,455	-	-	-	-	18,105
Net income in the six months ended June 30, 2004	-	-	-	-	-	117,544	-	117,544
Translation adjustments on long-term equity investments	-	-	-	-	-	-	(320)	(320)
BALANCE, JUNE 30, 2004	$ 1,518,105	$ 89,691	$ 369,196	$ 79,959	$ 409	$ 119,607	$ (729)	$ 2,176,238

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

(With Deloitte & Touche audit report dated August 18, 2005)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 181,169	$ 117,544
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Interest payable on bonds	1,095	2,009
(Gain on receivables) bad-debt expense	(375)	3,348
Depreciation and amortization	113,930	105,459
Nonoperating loss - idle assets	1,728	251
Impairment loss	10,063	-
Loss on decline in value of inventories	12,520	4,545
Loss on physical inventories	70	252
(Gain) loss on disposal of short-term investments	(115)	321
Investment income accounted for by the equity method	(25,645)	(9,962)
Loss (gain) on disposal of assets	620	(22)
Net changes in operating assets and liabilities		
Notes receivable	(35,215)	46,819
Accounts receivable	61,113	(181,896)
Inventories	(37,505)	(153,261)
Deferred income tax assets	24,189	(7,738)
Other current assets	8,493	594
Deferred pension cost	237	264
Notes payable	17,504	2,984
Accounts payable	129,668	56,941
Accrued expenses	3,763	6,252
Other current liabilities	(11,343)	(15,773)
Other liabilities	426	-
Net cash provided by (used in) operating activities	456,390	(21,069)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in deferred assets	(15,355)	(17,498)
Acquisition of short-term investments	(120,000)	(270,000)
Proceeds from sale of short-term investments	60,115	143,079
Proceeds from disposal of property, plant and equipment	3,970	4,341
Acquisition of property, plant and equipment	(101,708)	(160,392)
Acquisition of long-term equity investments	(61,800)	(52,109)
Decrease (increase) in refundable deposits paid	490	(769)
Net cash used in investing activities	(234,288)	(353,348)

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TXC CORPORATION

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	$ (202,050)	$ (20,088)
Increase in commercial paper issuance	-	9,968
Decrease in long-term loans	(18,563)	(66,563)
Proceeds from exercise of employee stock options	28,617	18,105
Net cash used in financing activities	(191,996)	(58,578)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,106	(432,995)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	204,718	552,862
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 234,824	$ 119,867
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (excluding interest capitalized)	$ 6,915	$ 5,196
Income tax	$ 30,693	$ 13,153
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term loans to current liabilities	$ 73,564	$ 43,127
Declaration of stock dividends from earnings	$ 101,132	$ 89,691
Convertible bonds	$ 106,000	$ 132,100
Acquisition of long-term equity investments through payment in the form of machinery	$ 63,792	$ 56,534

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

(With Deloitte & Touche audit report dated August 18, 2005) (Concluded)

TXC CORPORATION

NOTES TO FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 crystals, crystal oscillator and SAW (surface acoustic wave) filters.

As of June 30, 2005 and 2004, the Company had 630 and 598 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 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 stocks traded over the counter 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 receivable on the basis of management's evaluation of the collectibility of individual accounts, past loss experience and 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 investees. Cash dividends received are recorded as reductions of the carrying values of the investments. 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.

Asset Impairment

An impairment loss should be recognized whenever the aggregate carrying amount of specific assets exceeds their recoverable amount, and this impairment loss should be charged to current income.

An impairment loss recognized in prior years may be reversed if, there has been a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset (net of depreciation) had no impairment loss been recognized in prior years.

Employee Stock Options

Employee stock option plans that are amended or have options granted on or after January 1, 2004 must be accounted for in accordance with the interpretations issued by the Accounting Research and Development Foundation. Thus, for these option plans, the Company adopted the intrinsic value method under which any compensation cost is charged to expense over the vesting period.

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 assets or liabilities are determined actuarially.

Revenue Recognition

Revenue is recognized when ownership of 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.

Capital and Operating Expenditure

An expenditure is capitalized when it is probable that future economic benefits associated with the expenditure will flow to the Company and the expenditure exceeds a predetermined level. Otherwise, the expenditure is charged to expense when incurred.

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 applies the flow-through method to income tax credits for certain purchases of 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.

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 for 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.

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 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 six months ended June 30, 2004 have been reclassified to be consistent with the presentation of the financial statements for the six months ended June 30, 2005.

3. CHANGE IN ACCOUNTING PRINCIPLE

The Company adopted the Statement of Financial Accounting Standards No. 35, "Accounting for Impairment of Assets," on January 1, 2005. As a result, the carrying value of idle assets decreased by $10,063 thousand. The impairment loss was $10,063 thousand for the six months ended June 30, 2005.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2005	**2004**
Cash on hand	$ 565	$ 294
Checking and saving accounts	234,259	119,573
	$234,824	$119,867

5. SHORT-TERM INVESTMENTS

	June 30	
	2005	**2004**
Mutual funds	$ 60,000	$130,000
Less allowance for loss on decline in market value	-	-
	$ 60,000	$130,000

6. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	June 30	
	2005	**2004**
Notes receivable, third parties	$ 69,736	$ 17,413
Notes receivable, related parties	-	-
	69,736	17,413
Less allowance for doubtful accounts	(348)	(87)
	$ 69,388	$ 17,326
Accounts receivable, third parties	$ 992,024	$ 829,263
Accounts receivable, related parties	16,490	98,056
Overdue receivable	1,707	-
	1,010,221	927,319
Less allowance for doubtful accounts	(8,920)	(7,162)
	$1,001,301	$ 920,157

7. INVENTORIES

	June 30	
	2005	2004
Raw materials	$106,762	$119,418
Supplies and spare parts	9,943	10,959
Work in-process	109,050	130,346
Finished goods	155,094	166,965
Merchandise	180,953	211,769
Materials in transit	20,417	49,023
	582,219	688,480
Less allowance for loss on decline in market value and obsolescence	(12,449)	(10,768)
	$569,770	$677,712

Inventory insurance as of June 30, 2005 and 2004 amounted to $450,000 thousand and $370,000 thousand, respectively.

8. LONG-TERM INVESTMENTS

	June 30			
	2005		2004	
Investee	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Equity method				
Taiwan Crystal Technology International Ltd. (TCTI)	$657,799	100	$521,728	100
TXC Technology Inc.	3,123	100	4,884	100
Cost method				
Marson Technology Co., Ltd.	3,000	5	3,000	5
	$663,922		$529,612	

The financial statements used as basis for calculating the above equity-method investments had all been audited, except TXC Technology Inc..

Equity in earnings (loss) of the equity-method investees in the six months ended June 30, 2005 and 2004 was as follows:

	Equity in Investees' Gain (Loss)		Original Cost
	2005	2004	2005
TCTI	$24,122	$ 9,192	US$ 19,505
TXC Technology Inc.	1,523	770	US$ 200
	$25,645	$ 9,962	

9. PROPERTY, PLANT AND EQUIPMENT

	June 30			
	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	242	135	185
Buildings	265,930	105,027	160,903	170,938
Machinery and equipment	1,354,450	514,963	839,487	822,050
Transportation equipment	2,557	834	1,723	1,274
Miscellaneous equipment	55,300	30,371	24,929	27,525
Prepayments on purchase of equipment	2,213	-	2,213	16,603
	$ 1,846,821	$ 651,437	$ 1,195,384	$ 1,204,569

See Note 22 for the details on property, plant and equipment pledged as collaterals.

Property, plant and equipment insurance as of June 30, 2005 and 2004 amounted to $609,200 thousand and $778,500 thousand, respectively. No interest for the six months ended June 30, 2005 and 2004 was capitalized.

10. IDLE ASSETS

	June 30, 2005			
	Cost	Accumulated Depreciation	Accumulated Impairment	Carrying Value
Land	$ 2,252	$ -	$ -	$ 2,252
Buildings	15,444	8,072	4,874	2,498
Machinery and equipment	26,038	20,438	5,179	421
Other equipment	41	31	10	-
	$ 43,775	$ 28,541	$ 10,063	$ 5,171

	June 30, 2004			
	Cost	Accumulated Depreciation	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ -	$ 2,253
Buildings	15,444	7,573	-	7,871
	$ 17,697	$ 7,573	$ -	$ 10,124

Impairment loss was as follows:

	June 30, 2005	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Impairment loss		
Buildings	$ 4,874	$ -
Machinery and equipment	5,179	-
Other equipment	10	-
	$10,063	$ -

11. SHORT-TERM LOANS

	June 30			
	2005		2004	
	Amount	Interest Rate %	Amount	Interest Rate %
Material procurements loans	$155,946	0.77~1.50	$354,610	0.77~2.367
Unsecured bank loans	20,000	1.68	90,000	1.45
	$175,946		$444,610	

See Note 22 for details of pledged assets.

12. COMMERCIAL PAPER

	June 30			
	2005		2004	
	Amount	Interest Rate %	Amount	Interest Rate %
Commercial paper	$ -	-	$ 80,000	0.80~1.00
Less discount	-		(113)	
	$ -		$ 79,887	

13. BONDS PAYABLE

	June 30	
	2005	2004
First domestic unsecured convertible corporate bonds	$161,800	$267,900
Add accrued interest compensation	5,113	2,009
	$166,913	$269,909

On December 31, 2003, the Company issued first domestic unsecured convertible bonds with an aggregate face value of $400,000 thousand and maturity on December 31, 2008. Nominal interest is 0%. Other details of the bond issuance are summarized as follows:

(a) On the third and fourth anniversaries of the issuance date, bonds are redeemable at a price at 103.02% and 105.34%, respectively, of face value plus accrued interest. On maturity, bonds will be redeemed at face value.

(b) During the period between after 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	June 30 2005	June 30 2004
Secured bank loans	Repayable in quarterly installments; maturing on September 9, 2008	$ 81,000	$150,000
Unsecured bank loans	Repayable in quarterly installments; maturing on February 2, 2007	80,000	12,000
Secured loan from the Industrial Development Bureau Ministry of Economic Affairs	Repayable in quarterly installments; maturing on October 1, 2005	3,564	10,691
Chinatrust's loan		160,000	-
		324,564	172,691
Less current portion		(73,564)	(43,127)
		$251,000	$129,564
Interest rate (%)		0~2.75	0~3.20

See Note 22 for collateral on long-term loans.

As of June 30, 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. PENSION PLAN

The Company has established a retirement plan covering its regular employees. Under the Plan, retirement benefit calculation is based on the employee's years of service and average gross salary of the last six months before retirement. The Company contributes monthly to a retirement fund an amount based on 2% of employee salary. The fund is deposited in the Central Trust Bureau under the name of the Employee Retirement Fund Committee. As of June 30, 2005 and 2004, fund balance was $49,456 thousand and $44,002 thousand.

Net periodic pension costs in the six months ended June 30, 2005 and 2004 were as follows:

	2005	2004
Beginning balance	$(7,396)	$(7,942)
Net periodic pension cost	2,767	2,686
Employee retirement fund	(2,531)	(2,422)
	$(7,160)	$(7,678)

16. CAPITAL STOCK

The Company's authorized capital is $2,600,000 thousand (NT$10 par value). As of June 30, 2005, the Company's paid-in capital was $1,680,681 thousand divided into 168,068 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	27,400
Convertible bonds	122,184
	$ 1,680,681

Employee Stock Options

As of June 30, 2005, the Company had granted 9,000 units of the employee stock options, with each unit representing 1,000 common shares. The options are valid for five years and exercisable at certain percentages after the second anniversary of the grant date. Based on the option plans, the number of outstanding options and exercise prices had been adjusted to reflect the distribution of stock dividends.

The exercise of rights on employee stock options in the six months ended June 30, 2005 and 2004 is summarized as follows:

	2005		2004	
Employee Stock Options	**Units**	**Weighted Average Exercise Price**	**Units**	**Weighted Average Exercise Price**
Outstanding, beginning	7,935	$ 17.0	9,000	$ -
Current issuance	-	-	-	-
Current exercise	(1,675)	17.1	(1,065)	17.0
Outstanding, ending	6,260		7,935	
Exercisable options, ending	6,260		7,935	

As of June 30, 2005, the Company's employees had exercised rights on 1,675 stock options amounting to $28,617 thousand.

The outstanding employee stock options as of June 30, 2005 is summarized as follows:

Options Outstanding				Options Exercisable	
Exercise Price	**Number Outstanding (In thousands)**	**Weighted Average Remining Life (In years)**	**Weighted Average Exercise Price (NT$)**	**Number Exercisable (In thousands)**	**Weighted Average Exercise Price (NT$)**
$16.1	1,860	1.3	$ 16.1	1,860	$ 16.1
$34.1	1,500	1.8	-	1,500	-
$17.6	2,900	2.3	17.6	2,900	17.6

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 appropriate at the following percentages under the stockholder's approval.

(a) Employee bonus - 3% to 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 should not be less than 20% of the total dividends to be appropriated.

A special capital reserve equivalent to the net debit balance of the components of stockholders' equity (for example, unrealized loss on long-term investments and cumulative translation adjustments, but excluding treasury stock) should be allocated from unappropriated earnings under the regulations promulgated by the ROC Securities and Futures Bureau (SFB), formerly known as the Securities and Futures Commission before July 1, 2004. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

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.

The appropriation of the 2004 earnings been approved by the Board of Directors as of August 9, 2005 the date of the accompanying auditors' report. Information on the earnings appropriation can be later accessed online through the Market Observation Post system (MOPS) on the Web site of the Taiwan Stock Exchange (http://emops. tse.com.tw).

The appropriation of the 2004 and 2003 earnings was approved in the stockholders' meeting on June 13, 2005 and May 24, 2004, respectively. The appropriations and dividends per share are as follows:

	Appropriation of Earnings		**Dividends Per share (NT$)**	
	For Fiscal Year 2004	**For Fiscal Year 2003**	**For Fiscal Year 2004**	**For Fiscal Year 2003**
Cash dividends	$82,405	$45,536	$0.5	$0.3
Stock dividends	82,404	75,893	0.5	0.5
Employees' bonus stock	18,728	13,798	-	-
Remuneration to directors and supervisors - cash	3,746	2,760	-	-

17. INCOME TAX

Provision for income tax was calculated as follows:

	Six Months Ended June 30	
	2005	2004
Tax on pretax income at 25% statutory rate	$ 56,462	$ 29,576
Add (deduct) tax effects of		
Permanent differences	(17)	113
Temporary differences	(10,591)	(4,891)
Tax-exempt income for five years	(4,794)	-
Current payable	41,060	24,798
Less investment tax credit	(20,530)	(15,990)
Current tax expense	20,530	8,808
Deferred tax expense (benefit)	24,189	(7,738)
Adjustment of prior years' tax expense	-	(268)
Income tax expense	$ 44,719	$ 802

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

	2005	2004
Deferred income tax assets, current		
Loss on decline in value of inventories	$ 3,296	$ 2,876
Investment tax credit	23,183	17,186
Others	4,630	1,234
	31,109	21,296
Deferred income tax liabilities, current		
Unrealized foreign exchange gain	(3,683)	(4,069)
Net deferred income tax assets, current	$ 27,426	$ 17,227
Deferred income tax assets, noncurrent		
Investment tax credit	$ 69,550	$ 69,906
Others	465	-
	70,015	69,906
Deferred income tax liabilities, noncurrent		
Investment income	(11,614)	(3,671)
Others	-	(205)
	(11,614)	(3,876)
Net deferred income tax assets, noncurrent	$ 58,401	$ 66,030

The Company's investment tax credits as of June 30, 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	$68,917	$51,035	2009
	Research and development expenditures	$43,220	$40,775	2009
	Personnel trading	$ 1,126	$ 923	2009

Integrated income tax system information is as follows:

	June 30 2005	June 30 2004
Stockholders' creditable income tax	$ 32,225	$ 12,028

	2005 (Estimate)	2004 (Actual)
Earnings distribution tax credit rate	12.38%	9.65%

	June 30 2005	June 30 2004
Undistributed earnings		
Until 1997	$ -	$ -
From 1998	194,610	119,607
	$194,610	$119,607

18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

The Company's personnel, depreciation, and amortization expenses in the six months ended June 30, 2005 and 2004 are summarized as follows:

	2005			2004		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Personnel expense						
Salaries	$ 88,161	$ 56,204	$ 144,365	$ 74,151	$ 54,642	$ 128,793
Labor and health insurance	6,446	3,609	10,055	5,928	3,206	9,134
Pension	1,675	1,092	2,767	1,578	1,069	2,647
Others	21,938	1,681	23,619	19,276	1,480	20,756
Depreciation	81,342	18,223	99,565	78,548	15,058	93,606
Amortization	562	13,803	14,365	1,625	10,228	11,853

19. EARNINGS PER SHARE

	Six Months Ended June 30									
	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	$ 225,888	$ 181,169				$ 118,346	$ 117,544			
Basic income per share	$ 225,888	$ 181,169	161,959	$ 1.39	$ 1.12	$ 118,346	$ 117,544	163,174	$ 0.73	$ 0.72
Employee stock options	-	-	572			-	-	4,756		
Convertible bonds	5,846	4,385	12,995			2,343	2,327	13,395		
Diluted income per share	$ 231,734	$ 185,554	175,526	$ 1.32	$ 1.06	$ 120,689	$ 119,871	181,325	$ 0.67	$ 0.66

20. 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 June 30, 2005, the Company's forward contracts amounted to US$750 thousand, with maturity on September 13, 2005.

	Six Months Ended June 30			
	2005		2004	
Derivative Financial Instruments	Nominal Amount	Credit Risk	Nominal Amount	Credit Risk
Forward contracts	US$ 750	-	US$ 1,000	-

Risks on 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 exchange rate fluctuations. Gains or losses on forward exchange contracts are likely to offset the gains or losses on foreign-currency assets or liabilities.

Interest Rate Swap Agreements

As of June 30, 2005, interest income from interest rate swap agreements was $1,339 thousand. The contracts as of June 30, 2005 are summarized as follows:

Contract Date	Contract Term	Amount
September 24, 2004	September 29, 2004~ October 1, 2007	$ 100,000
September 1, 2004	September 3, 2004~ September 3, 2007	200,000
November 15, 2004	November 15, 2004~ November 19, 2007	100,000

Transaction Risks

Credit risk: The credit risk refers to the risk arising from counter-parties' default on contracts.

Market price risk: Market price risk refers to the risk arising from interest rate fluctuations in the market.

Liquidity Risk, Cash Flow Risk, Future Cash Demand and Period Uncertainty

The interest rate swap contract involves the exchange of fixed rate payments for obligations without the exchange of contract (notional) amounts. No gain (loss) from the contract is for six months ended June 30, 2004. Since the cash required for contract settlement is insignificant, there is no cash flow risk.

Currency Options

As of June 30, 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**
Sell	USD/JPY	US$ 300	JP¥ 106.00	July 20, 2005
Sell	USD/JPY	US$ 450	JP¥ 106.50	July 27, 2005
Sell	USD/JPY	US$ 300	JP¥ 109.00	July 20, 2005
Sell	USD/JPY or JPY/USD	US$ 500	JP¥ 107.00	August 1, 2005
Sell	USD/JPY	US$ 250	JP¥ 107.65	August 29, 2005
Buy	USD/NTD	US$ 250	NT$ 31.50	July 8, 2005
Sell	USD/JPY	US$ 250	JP¥ 108.00	September 30, 2005
Sell	USD/JPY	US$ 250	JP¥ 108.00	October 31, 2005
Sell	USD/JPY	US$ 250	JP¥ 108.20	August 22, 2005
Sell	USD/JPY	US$ 250	JP¥ 108.20	September 21, 2005
Sell	USD/JPY	US$ 250	JP¥ 108.20	October 20, 2005
Sell	USD/JPY	US$ 300	JP¥ 107.00	September 27, 2005
Sell	USD/JPY	US$ 300	JP¥ 107.00	October 27, 2005

2004

Buy/Sell	**Call/Put**	**Contract Value**	**Strike Rate**	**Final Maturity Date**
Sell	USD/JPY	US$ 500 or 750	-	July 21, 2004
Sell	NTD/USD	US$ 500	NT$ 32.60	August 23, 2004
Sell	NTD/USD	US$ 500	NT$ 32.65	September 30, 2004
Sell	USD/NTD	US$ 500	NT$ 33.30	October 6, 2004
Buy	JPY/USD	US$ 300	JP¥ 109.22	August 23, 2004
Sell	USD/JPY	US$ 450	JP¥ 109.22	August 23, 2004
Sell	USD/NTD	US$ 2,000	NT$ 33.50	October 8, 2004
Sell	USD/JPY	US$ 1,000	-	September 9, 2004
Sell	USD/JPY	US$ 500	JP¥ 114	December 17, 2004
Sell	USD/JPY	US$ 500	-	February 25, 2005
Sell	USD/JPY	US$ 500	JP¥ 105.50	December 17, 2004
Sell	USD/NTD	US$ 500	NT$ 33.80	November 5, 2004
Sell	NTD/USD	US$ 500	NT$ 32.80	November 5, 2004
Sell	JPY/USD	US$ 500	JP¥ 107.50	December 29, 2004
Sell	JPY/USD	US$ 750	JP¥ 111.00	December 20, 2004
Buy	USD/NTD	US$ 500	NT$ 33.45	October 27, 2004
Sell	NTD/USD	US$ 1,000	NT$ 33.20	December 29, 2004

Credit, Market and Liquidity Risks

The Company will incur a loss if a counter-party defaults on a contract. But because the Company's currency option contracts are only with reputable banks, credit risk is not considered significant.

Market price risk: The Company's currency contract are for hedging purposes, i.e., the exchange rate fluctuations on the contracts offset the exchange rate are fluctuations of the hedged items thus, market price risk is not significant.

Liquidity risk: There is no funding or cash flow risk on the currency option contracts.

Type of derivative financial instrument, purpose, and strategy to achieve objective: The Company's transactions, including foreign-currency borrowings are mainly in U.S. dollars and Japanese yen. To avoid risks on exchange rate fluctuations, the Company uses forward exchange contracts and currency option contracts with average periods of one year.

Fair Value of Financial Instruments

The fair values of nonderivative financial instruments (except short-term investments) were equal to their carrying values as of June 30, 2005 and 2004.

	2005		2004	
	Book Value	**Estimated Fair Value**	**Book Value**	**Estimated Fair Value**
Assets				
Cash and cash equivalents	$ 234,824	$ 234,824	$ 119,987	$ 119,987
Short-term investments, net	60,000	60,011	130,000	130,424
Notes receivable, net	69,388	69,388	17,326	17,326
Accounts receivable, net	1,001,301	1,001,301	920,157	920,157
Long-term equity investments	663,922	663,922	529,612	529,612
Liabilities				
Short-term loans	175,946	175,946	444,610	444,610
Commercial paper	-	-	79,887	79,887
Notes payable	45,252	45,252	40,499	40,499
Accounts payable, third parties	431,657	431,657	310,474	310,474
Accounts payable, related parties	82,266	82,266	144,725	144,725
Accrued expense	84,837	84,837	68,891	68,891
Current portion of long-term loan	73,564	73,564	43,127	43,127
Bonds payable	166,913	166,913	269,909	269,909
Long-term loans, net of current portion	251,000	251,000	129,564	129,564

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 because of their short maturities.
(b) The market values of short-term investments are based on their quoted market prices as of the balance sheet date.
(c) The fair values of long-term equity investments are based on their carrying value.

21. 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

	Six Months Ended June 30			
	2005		2004	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
GPT	$172,397	19	$162,238	17

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

Sales

	Six Months Ended June 30			
	2005		2004	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
GPT	$ 13,345	1	$ 31,908	1
Tai-Shing	9,887	1	14,565	3
TXC Technology Inc.	43	-	648	-
	$ 23,275	2	$ 47,121	4

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

Consulting Fee

	Six Months Ended June 30			
	2005		2004	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TXC Technology Inc.	$ 13,445	70	$ 9,041	71
GPT	5,660	30	3,605	29
	$ 19,105	100	$ 12,646	100

Other Expense

	Six Months Ended June 30			
	2005		2004	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 2,719	20	$ -	-

Receivables and Payables

		June 30			
		2005		2004	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts receivable	GPT	$ 10,284	1	$ 85,738	9
	Tai-Shing	6,183	1	11,735	1
	TXC Technology Inc.	23	-	583	-
Notes payable	Tai-Shing	816	2	898	-
Accounts payable	GPT	81,857	18	143,910	32
	Tai-Shing	409	-	815	-
Accrued expenses	GPT	1,937	-	1,209	2
	Tai-Shing	6	-	55	-

In the six months ended June 30, 2005 and 2004, the Company sold its equipments to NGB through GPT, at their net book values of $101 thousand and $4,266 thousand, respectively, and prices of $105 thousand and $4 thousand, respectively, for gains of assets of $4,275 thousand and $9 thousand, respectively. As of June 30, 2005, the Company had not received $24 thousand of the related receivable.

TXC were guarantors of bank loans of NGB and GPT. In the six months ended June 30, 2005, the Company's guarantees for NGB and GPT amounted to $100,156 thousand and $21,084 thousand, respectively. As of June 30, 2005, the Company's guarantees for NGB's and GPT's loans amounted to $78,809 thousand and $0 thousand, respectively.

22. PLEDGED ASSETS

As of June 30, 2005 and 2004, the following assets had been pledged at their book values to secure short-term loans, long-term debts and commercial paper issued:

	2005	2004
Property, plant and equipment		
Land	$165,994	$165,994
Buildings, net	80,269	81,777
Machinery and equipment, net	390,449	170,841
Total pledged assets	$636,712	$418,612

23. COMMITMENT AND CONTINGENCIES

The Company's commitments and contingencies as of June 30, 2005, which were not shown in the financial statements, were as follows:

Unit: In Thousands

Commitment	Contract Price	Paid Up	Not Yet Paid
Machinery contracts	US$973	US$876	US$97

For the guarantee for short-term and long-term loan and commercial paper, please refer to Note 12. Guarantee for customs purposes amounted to about $10,000 thousand.

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

Unused letters of credit amounted to about ¥294,774 thousand and US$63 thousand.

As of June 30, 2005, the Company had derivative financial instruments. Please refer to Note 20.

As of June 30, 2005, the Company's guarantee for NGB's loans amounted to $78,809 thousand.