TXC Corporation

Financial Statements for the
Three Months Ended March 31, 2006 and 2005 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 (the "Corporation") as of March 31, 2006 and 2005, and the related statements of income, and cash flows for the three months then ended. These financial statements are the responsibility of the Corporation'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 accounted for by the equity method with carrying values of NT$873,090 thousand and NT$522,763 thousand as of March 31, 2006 and 2005, respectively, and related investment income of NT$22,402 thousand and NT$9,915 thousand for the three months ended March 31, 2006 and 2005, 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.

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

April 28, 2006

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 review such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the accountants' review 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' review 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, 2006 AND 2005
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2006		2005	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 261,711	6	$ 259,617	7
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	50	-	-	-
Available-for-sale financial assets (Notes 2, 3 and 6)	200,208	4	30,000	1
Notes receivable, net (Notes 2, 6 and 20)	95,910	2	46,943	1
Accounts receivable, net (Notes 2, 6 and 20)	1,218,035	25	964,859	26
Inventories, net (Notes 2 and 7)	638,427	13	514,049	14
Other current assets	94,588	2	78,882	2
Total current assets	2,508,929	52	1,894,350	51
LONG-TERM INVESTMENTS (Notes 2 and 8)				
Investments accounted for using equity method	873,090	18	522,763	14
Financial assets carried at cost	3,000	-	3,000	-
Total long-term investments	876,090	18	525,763	14
PROPERTY, PLANT AND EQUIPMENT(Notes 2, 9 and 20)				
Cost				
Land	157,040	3	157,040	4
Land improvements	442	-	377	-
Buildings	273,007	6	264,095	7
Machinery and equipment	1,576,351	33	1,384,303	37
Transportation equipment	2,557	-	2,128	-
Miscellaneous equipment	69,506	1	56,048	2
Land - revaluation increment	8,954	-	8,954	-
	2,087,857	43	1,872,945	50
Less accumulated depreciation	(756,891)	(15)	(646,932)	(17)
Prepayments for purchase of equipment	9,400	-	8,284	-
Property, plant and equipment, net	1,340,366	28	1,234,297	33
INTANGIBLE ASSETS				
Pension prepayment	7,947	-	7,396	-
OTHER ASSETS				
Idle assets	3,976	-	4,873	-
Refundable deposits	2,373	-	1,349	-
Deferred charges, net	8,924	-	11,756	-
Deferred income tax assets	84,944	2	71,298	2
Total other assets	100,217	2	89,276	2
TOTAL	$ 4,833,549	100	$ 3,751,082	100

	2006		2005	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 11)	$ 195,697	4	$ 236,937	6
Notes payable (Note 20)	53,783	1	27,723	1
Accounts payable to third parties (Note 20)	432,788	9	306,208	8
Accounts payable to related parties	156,453	3	67,453	2
Accrued expenses (Note 20)	87,711	2	64,704	2
Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	-	-	4,243	-
Current portion of long-term loans (Note 14)	90,000	2	73,345	2
Other current liabilities	61,823	1	42,152	1
Total current liabilities	1,078,255	22	822,765	22
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss	20,823	1	-	-
Bonds payable (Note 13)	3,266	-	228,041	6
Long-term loans, net of current portion (Note 14)	530,000	11	268,000	7
Total long-term liabilities	554,089	12	496,041	13
OTHER LIABILITIES				
Land value increment tax reserve	3,512	-	3,512	-
Deferred credits	2,276	-	737	-
Total other liabilities	5,788	-	4,249	-
Total liabilities	1,638,132	34	1,323,055	35
STOCKHOLDERS' EQUITY				
Capital stock (Note 17)				
Common stock, $10 par value; Authorized - 260,000 thousand shares in 2006 and 2005; Issued - 188,909 thousand shares in 2006 and 163,134 thousand shares in 2005	1,889,088	39	1,631,339	43
Advance receipts for common stock	-	-	28,618	1
Capital surplus				
Additional paid-in capital	290,249	6	290,249	8
Asset revaluation reserve	5,442	-	5,442	-
Employee stock option	31,504	1	7,455	-
Convertible bonds	187,531	4	87,007	3
Retained earnings				
Legal reserve	105,774	2	79,959	2
Special reserve	34,087	1	409	-
Unappropriated earnings	645,232	13	333,185	9
Cumulative translation adjustments (Note 2)	6,302	-	(35,636)	(1)
Unrealized gains on financial instruments (Note 2)	208	-	-	-
Total stockholders' equity	3,195,417	66	2,428,027	65
TOTAL	$ 4,833,549	100	$ 3,751,082	100

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

(With Deloitte & Touche review report dated April 28, 2006)

TXC CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2006		2005	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 2)	$1,055,156	100	$ 762,882	100
SALES DISCOUNTS AND RETURNS	(13,472)	(1)	(8,914)	(1)
NET OPERATING REVENUE	1,041,684	99	753,968	99
COST OF SALES	788,922	75	569,038	75
GROSS PROFIT	252,762	24	184,930	24
UNREALIZED GAIN ON TRANSACTIONS WITH INVESTEES	(2,276)	-	(737)	-
REALIZED GAIN ON TRANSACTIONS WITH INVESTEES	689	-	-	-
REALIZED GROSS PROFIT	251,175	24	184,193	24
OPERATING EXPENSES				
Sales and marketing	42,977	4	31,389	4
General and administration	26,825	2	23,735	3
Research and development	27,447	3	32,232	4
Total operating expenses	97,249	9	87,356	11
OPERATING INCOME	153,926	15	96,837	13
NONOPERATING INCOME AND GAINS				
Interest income	34	-	388	-
Investment income accounted for by the equity method, net (Notes 2 and 8)	22,402	2	9,915	2
Gain on disposal of assets (Note 2)	-	-	4	-
Gain on disposal of investments (Note 2)	40	-	-	-
Foreign exchange gains	19,120	2	24,137	3
Valuation gain on financial instruments	1,432	-	-	-
Other	8,050	1	869	-
Total nonoperating income and gains	51,078	5	35,313	5
NONOPERATING EXPENSES AND LOSSES				
Interest expense	3,515	-	3,515	-
Loss on disposal of assets (Note 2)	22	-	-	-

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2006		2005	
	Amount	**%**	**Amount**	**%**
Foreign exchange losses	18,504	2	17,707	2
Loss on decline of inventory value	8,317	1	8,029	1
Valuation loss on financial instruments	-	-	4,243	1
Impairment loss	-	-	12,010	2
Other	545	-	565	-
Total nonoperating expenses and losses	30,903	3	46,069	6
INCOME BEFORE INCOME TAX	174,101	17	86,081	12
INCOME TAX EXPENSE (Notes 2 and 16)	(5,511)	(1)	(13,113)	(2)
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	168,590	16	72,968	10
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX EXPENSE OF NT$5,756 THOUSAND	(17,267)	(2)	-	-
NET INCOME	$ 151,323	14	$ 72,968	10

	2006		2005	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 19)				
Basic	$ 0.80	$ 0.81	$ 0.50	$ 0.43
Diluted	$ 0.80	$ 0.80	$ 0.49	$ 0.41

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

(With Deloitte & Touche review report dated April 28, 2006) (Concluded)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before cumulative effect of changes in accounting principles		
Net income	$ 151,323	$ 72,968
Cumulative effect of changes in accounting principles	17,267	-
	168,590	72,968
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	64,876	56,414
Nonoperating loss - idle assets	545	565
Bad-debt expense	251	-
Interest expense	(818)	-
Loss on decline of inventory value	8,317	8,029
Gain on disposal of investments	(40)	-
Valuation gain on financial instruments, net	(1,432)	-
Investment income accounted for by the equity method, net	(22,402)	(9,915)
Loss (gain) on disposal of assets	22	(4)
Accrued interest compensation	(533)	623
Impairment loss	-	12,010
Unrealized gain on transactions with investees	2,276	737
Deferred income tax	(10,537)	4,873
Net changes in operating assets and liabilities		
Notes and accounts receivable	(39,893)	84,408
Inventories	(59,111)	22,777
Other current assets	(10,094)	(5,613)
Notes payable	1,361	(25)
Accounts payable	32,973	(10,593)
Accrued expenses	(40,833)	(16,369)
Other current liabilities	21,025	10,236
Net cash provided by operating activities	114,543	231,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(190,000)	(30,000)
Proceeds from sale of available-for-sale financial assets	50,040	-
Acquisition of property, plant and equipment	(122,410)	(27,531)
Proceeds from sale of property, plant and equipment	-	3,947
Decrease (increase) in refundable deposits paid	(44)	428
Increase in deferred charges	(12,177)	(8,842)
Net cash used in investing activities	(274,591)	(61,998)

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TXC CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	$ 30,488	$(141,060)
Increase (decrease) in long-term loans	150,000	(1,782)
Proceeds from the exercise of employee stock option	28,285	28,618
Net cash provided by (used in) financing activities	208,773	(114,224)
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,725	54,899
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	212,986	204,718
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 261,711	$ 259,617
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (excluding interest capitalized)	$ 4,888	$ 3,913
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term loans to current liabilities	$ 90,000	$ 20,000

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

(With Deloitte & Touche review report dated April 28, 2006) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

On July 31, 2002, the Corporation 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 Corporation's shares began to be traded on the Taiwan Stock Exchange.

The Corporation mainly produces and sells crystal, crystal oscillator and SAW (surface acoustic wave) filters and Timing Module (TM).

As of March 31, 2006 and 2005, the Corporation had 731 and 613 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 Corporation 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 Corporation'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.

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Derivatives that do not meet the criteria for hedge accounting are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, the derivatives are remeasured at fair value with the changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is recognized and derecognized using transaction date accounting.

Fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is a positive amount, the derivative is recognized as a financial asset; when the fair value is a negative amount, the derivative is recognized as a financial liability.

Available-for-Sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. When subsequently measured at fair value, the changes in fair value are excluded from earnings and reported as a separate component of stockholders’ equity. The accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is recognized and derecognized using transaction date accounting.

The fair value of investments in open-end funds is the year-end net asset value of the funds.

Revenue Recognition and Allowance for Doubtful Accounts

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.

Allowance for doubtful accounts is provided on the basis of management’s evaluation of the collectibility of receivables, 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.

Financial Assets Carried at Cost

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at original cost, such as non-publicly traded stocks. The costs of funds and non-publicly traded stocks are determined using the weighted-average method. If there is objective evidence that a financial asset is impaired, a loss is recognized. No recording of a subsequent recovery in fair value is allowed.

Investments Accounted for Using Equity Method

Long-term investments in which the Corporation exercises significant influence on the investees are accounted for by the equity method.

The entire amount of the gains or losses on sales to investees over which the Corporation has a controlling interest is deferred until such gains or losses are realized through the subsequent sales of the related products to third parties.

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.

Depreciation is calculated using the straight-line method over the estimated useful lives; buildings - 5 to 60 years; machinery and equipment - 3 to 9 years; transportation equipment - 3 to 6 years; miscellaneous equipment - 5 to 15 years.

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 its option plans, the Corporation adopted the intrinsic value method under which any compensation cost is charged to expense over the vesting period.

Convertible Bonds

When the Corporation 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 Corporation'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.

Income Tax

The Corporation 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 if it is expected that a foreign subsidiary will not distribute its earnings in the future and the difference will permanently exist.

The Corporation 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 tax (10%) on undistributed earnings generated since 1998 is 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 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.

Reclassifications

Certain accounts for the three months ended March 31, 2005 have been reclassified to be consistent with the presentation of the financial statements for the three months ended March 31, 2006.

3. CHANGE IN ACCOUNTING PRINCIPLE

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

a. Effect of adopting the newly released SFASs and related revisions of previously released SFASs

The Corporation had properly categorized its financial assets and liabilities upon initial adoption of the newly released SFASs. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or financial liabilities at fair value through profit or loss were included in the cumulative effect of changes in accounting principles; on the other hand, the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to stockholders' equity.

The effect of adopting the newly released SFASs is summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)	Recognized as a Separate Component of Stockholders' Equity (Net of Tax)
Available-for-sale financial assets	$ -	$ 2
Financial liabilities at fair value through profit or loss , noncurrent	(17,267)	-
	$ (17,267)	$ 2

The adoption of the newly released SFASs resulted in a cumulative effect of changes in accounting principles of NT$17,267 thousand (net of NT$5,756 thousand income tax expense), a decrease in net income of NT$17,267 thousand, and a decrease in after income tax basic earnings per share of NT$0.09 dollar, for the three months ended March 31, 2006.

b. Reclassifications

Upon the adoption of SFAS No. 34, certain accounts in the financial statements as of and for the three months ended March 31, 2005 were reclassified to conform with the financial statements as of and for the three months ended March 31, 2006. The previously issued financial statements as of and for the three months ended March 31, 2005 need not be restated.

Certain accounting policies prior to the adoption of the newly released SFASs are summarized as follows:

1) 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 investment 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.

2) Long-term investments

Long-term investments in which the Corporation 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 Corporation’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.

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

3) 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.

Certain accounts in financial statements as of and for the three months ended March 31, 2005 have been reclassified to conform to the classifications prescribed by the newly released and revised SFAS. The reclassifications of the whole or a part of the account balances of certain accounts are summarized as follows:

	Before Reclassification	After Reclassification
Balance sheet		
Short-term investments	$ 30,000	$ -
Long-term investments	3,000	-
Other current liabilities	4,243	-
Available-for-sale financial assets	-	30,000
Financial assets carried at cost	-	3,000
Financial liabilities at fair value through profit or loss, current	-	4,243
	$ 37,243	$ 37,243
Statement of income		
Foreign exchange loss	$ 4,243	$ -
Valuation loss on financial instruments	-	4,243
	$ 4,243	$ 4,243

The Corporation 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 $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	
	2006	2005
Cash on hand	$ 1,025	$ 993
Checking accounts	56,841	55,472
Demand deposits	195,045	203,152
Time deposits	8,800	-
	$261,711	$259,617

5. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31	
	2006	2005
Derivatives - financial assets		
Forward contracts	$ 50	$ -
Derivatives - financial liabilities		
Interest rate swap contracts	$ 20,823	$ -
Currency option	-	4,243
	$ 20,823	$ 4,243

The Corporation entered into derivative transactions during the three months ended March 31, 2006 and 2005 to manage exposures related to foreign exchange rate and interest rate fluctuations.

Outstanding forward contracts as of March 31, 2006 and 2005:

	Currency	Maturity	Contract Amount (In Thousands)
March 31, 2006			
Sell	USD/NTD	April 17, 2006	US$250/NT$8,126
Sell	USD/JPY	April 20, 2006	US$250/JP¥29,080
Sell	USD/JPY	April 10, 2006	US$250/JP¥29,378
Sell	USD/JPY	April 12, 2006	US$250/JP¥29,502
Sell	USD/JPY	May 4, 2006	US$250/JP¥29,345
Sell	USD/JPY	April 21, 2006	US$250/JP¥29,277
Sell	USD/JPY	May 2, 2006	US$250/JP¥29,375
March 31, 2005			
Sell	USD/JPY	April 6, 2005	US$250/JP¥26,313
Sell	USD/JPY	April 6, 2005	US$250/JP¥26,205
Sell	USD/JPY	April 28, 2005	US$250/JP¥26,175
Sell	USD/JPY	May 31, 2005	US$250/JP¥26,560
Sell	USD/JPY	May 31, 2005	US$250/JP¥26,660
Sell	USD/JPY	May 6, 2005	US$250/JP¥26,375
Sell	USD/JPY	May 9, 2005	US$250/JP¥26,530

Outstanding Interest rate swap contracts as of March 31, 2006:

Maturity Date	Contract Amount (In Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
March 31, 2006			
August 12, 2010	300,000	3.68%	Rate on 90-day commercial paper

Net losses arising from derivative financial instruments for the three months ended March 31, 2006 and 2005 were $20,823 thousand and $4,243 thousand, and net gains were $50 thousand and zero.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31	
	2006	2005
Mutual funds	$200,208	$ 30,000

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31	
	2006	2005
Notes receivable from third parties	$ 96,392	$ 47,179
Notes receivable from related parties	-	-
	96,392	47,179
Less allowance for doubtful accounts	(482)	(236)
	$ 95,910	$ 46,943
Accounts receivable from third parties	$ 1,206,756	$ 953,742
Accounts receivable from related parties	20,810	19,241
Overdue receivables	-	1,283
	1,227,566	974,266
Less allowance for doubtful accounts	(9,531)	(9,407)
	$ 1,218,035	$ 964,859

8. INVENTORIES

	March 31	
	2006	2005
Raw materials	$ 125,592	$ 103,465
Supplies and spare parts	14,316	7,755
Work in-process	108,581	112,890
Finished goods	180,512	160,614
Merchandise	229,320	141,712
	658,321	526,436
Less allowance for loss on decline in market value and obsolescence	(19,894)	(12,387)
	$ 638,427	$ 514,049

9. FINANCIAL ASSETS CARRIED AT COST

	March 31	
	2006	2005
Non-publicly traded stocks	$ 3,000	$ 3,000

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31			
	2006		2005	
Investee	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Taiwan Crystal Technology International Ltd. (TCTI)	$866,323	100	$520,866	100
TXC Technology Inc.	3,737	100	1,897	100
TXC Japan Corporation	3,030	100	-	-
	$873,090		$522,763	

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, 2006 and 2005 was as follows:

	Equity Gain (Loss)		Original Cost
	2006	2005	2006
TCTI	$22,713	$ 9,628	US$ 23,000
TXC Technology Inc.	(1,295)	287	US$ 300
TXC Japan Corporation	984	-	JP¥ 10,000
	$22,402	$ 9,915	

On August 26, 2005, the Corporation's stockholders resolved to establish TXC Japan Corporation, a wholly owned subsidiary that will make investments. The Corporation invested $2,973 thousand in this subsidiary.

11. PROPERTY, PLANT AND EQUIPMENT

	Three Months Ended March 31			
	2006			2005
	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	442	291	151	147
Buildings	273,007	118,603	154,404	163,275
Machinery and equipment	1,576,351	596,936	979,415	866,743
Transportation equipment	2,557	1,345	1,212	1,458
Miscellaneous equipment	69,506	39,716	29,790	28,396
Prepayments on purchase of equipment	9,400	-	9,400	8,284
	$2,097,257	$ 756,891	$1,340,366	$1,234,297

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

Property, plant and equipment insurance as of March 31, 2006 and 2005 amounted to $717,600 thousand and $899,000 thousand, respectively. No interest for the three months ended March 31, 2006 and 2005 was capitalized.

12. IDLE ASSETS

	Three Months Ended March 31, 2006			
	Cost	Accumulated Depreciation	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ -	$ 2,253
Buildings	15,444	8,401	5,320	1,723
Machinery and equipment	13,749	10,382	3,367	-
	$31,446	$18,783	$ 8,687	$ 3,976

	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

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	$ -

13. SHORT-TERM LOANS

	March 31			
	2006		2005	
	Amount	Interest Rate %	Amount	Interest Rate %
Materials procurement loans	$175,697	0.72~1.211	$166,937	0.80~1.50
Unsecured bank loans	20,000	1.68	70,000	1.60
	$195,697		$236,937	

See Note 21 for details of pledged assets.

14. BONDS PAYABLE

	March 31 2006	March 31 2005
Domestic		
1st Domestic unsecured convertible corporate bonds	$ 3,100	$223,400
Add accrued interest compensation	166	4,641
	$ 3,266	$228,041

On March 31, 2003, the Corporation 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 Corporation's common stock.

(c) The original conversion price per share is NT$20 dollars. 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.

15. LONG-TERM LOANS

Nature of Loans	Repayment Period	March 31 2006	March 31 2005
Secured bank loans	Repayable in quarterly installments, maturing on September 9, 2008	$ -	$ 96,000
Unsecured bank loans	Repayable in quarterly installments, maturing on February 2, 2007	-	80,000
Unsecured bank loans	Repayable in maturity on October 26, 2008	200,000	-
Secured loan from the Industrial Development Bureau, Ministry of Economic Affairs Secured loan	Repayable in quarterly installments, maturing on October 1, 2005	-	5,345
Chinatrust loan		420,000	160,000
		620,000	341,345
Less current portion		(90,000)	(73,345)
		$ 530,000	$ 268,000
Interest rate (%)		2.15~2.8716	0~3.20

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

As of March 31, 2006, the Corporation had issued to various banks promissory notes amounting to $701,000 thousand to secure short-term loans, long-term loans and commercial paper issued.

On September 6, 2004, the Corporation signed a syndicated loan agreement for $500,000 thousand with Chinatrust Commercial Bank and five other financial institutions. The syndicated loan can be separated into two parts and terms summarized as follows:

Credit Lines	Credit Amount	Credit Period	Interest Rate %	Repayment Agreements
$300,000	$270,000	Three years after the first drawdown date including additional one year.	2.7811~ 2.8358	Six semiannual installments starting from one year after the first drawdown date.
200,000	150,000	Three years after the first drawdown date.	2.6895~ 2.8716	Lump sum on due date.
$500,000	$420,000			

16. PENSION PLANS

The Labor Pension Act (the Act) became effective on July 1, 2005 and the pension mechanism under the Act is deemed a defined contribution plan. Employees who were subject to the Labor Standards Law prior to July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act or continue to be subject to the pension mechanism under the Labor Standards Law. For those employees who were subject to the Labor Standards Law before July 1, 2005 and still work for the same company after July 1, 2005 and have chosen to be subject to the pension mechanism under the Act, their seniority as of July 1, 2005 shall be maintained. Employees who joined the Corporation after July 1, 2005 can only be subject to the pension mechanism under the Act.

The Act prescribes that the contribution by an employer to employees' pension accounts per month shall be in amount equal to not less than 6% of each employee's monthly salary. Pursuant to the Act, the Corporation has made monthly contributions to employees' pension accounts starting from July 1, 2005, and recognized pension costs of $2,994 thousand for the three months ended March 31, 2006.

The Corporation has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Corporation contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund). The Fund is administered by the pension fund monitoring committee (the Committee) and deposited in the Committee's name in the Central Trust of China.

Reconciliation of fund status of the plan and accrued pension cost is as follows:

a. Changes in pension fund

	March 31, 2006	March 31, 2005
Balance, beginning of period	$ 50,429	$ 46,926
Contribution	1,081	1,261
Interest	373	-
Payment of benefits	-	-
Balance, end of period	$ 51,883	$ 48,187

b. Changes in accrued pension cost

	March 31, 2006	March 31, 2005
Balance, beginning of period	$ (7,947)	$ (7,396)
Accrual	-	-
Balance, end of period	$ (7,947)	$ (7,396)

17. CAPITAL STOCK

The Corporation's authorized capital is $2,600,000 thousand (NT$10.00 dollar par value). As of March 31, 2006, the Corporation's paid-in capital was $1,889,088 thousand divided into 188,909 thousand shares at NT$10.00 dollar par value. Capital stock consisted of the following:

Initial cash subscription	$ 3,100
Additional cash subscription	540,080
Stock dividends from earnings	961,357
Stock dividends from capital surplus	127,693
Employee stock options	47,490
Convertible bonds	209,368
	$ 1,889,088

Employee Stock Options

The Corporation's employee stock option plans were issued in October 2001, April 2002 and October 2002; the maximum number of units authorized to be granted was 3,500, 1,500 and 4,000, respectively, with each unit eligible to subscribe to one thousand common shares when exercisable. The option may be granted to qualified employees of the Corporation or any of its domestic or foreign subsidiaries. The options of all the plans are valid for five years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of the Corporation's common shares listed on the TSE on the grant date.

Information about outstanding stock options for the three months ended March 31, 2006 and 2005 was as follows:

Employee Stock Options	2006 Units	2006 Weighted Average Exercise Price	2005 Units	2005 Weighted Average Exercise Price
Outstanding, beginning	4,129	$ 17.00	7,935	$ 17.00
Current issuance	-	-	-	-
Current exercise	(1,772)	15.96	(1,650)	17.00
Current cancel	-	-	-	-
Outstanding, ending	2,357		6,285	
Exercisable options, ending	1,791		6,285	

As of March 31, 2006, information about outstanding and exercisable options was as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Price (NT$)	Number of Options (In Thousands)	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT$)
$17.00~$15.20	93	0.57	$16.20	93	$16.20
$34.10~$32.20	1,214	1.00	-	839	-
$17.60~$16.60	1,050	1.58	17.10	50	17.10
	2,357			982	

No compensation cost was recognized under intrinsic value method for the three months ended March 31, 2006 and 2005. The assumptions and pro forma results of the Corporation for the three months ended March 31, 2006 would have been as follows:

Assumptions	
Expected dividend yield	0%
Expected volatility	46.75%
Risk free interest rate	1.92%
Expected life	3.875 years
Net income	
Net income as reported	$151,323
Pro forma net income	144,240
Earnings per share (EPS) - after income tax (in dollars)	
Basic EPS as reported	$0.81
Pro forma basic EPS	0.80
Diluted EPS as reported	0.77
Pro forma diluted EPS	0.76

Capital Surplus

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issue price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus from treasury stock transactions) may be appropriated as stock dividends, which is restricted to a certain percentage of the paid in common stock of the Corporation.

Earnings Distribution and Dividend Policy

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

(a) Employee bonus - 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 Corporation's dividend policy. Under this policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. In addition, cash dividends should not be less than 20% of the total dividends to be appropriated.

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 of reversed debit balance.

Legal reserve should be appropriated until its amount equals the Corporation'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.

Under the Integrated Income Tax System that became effective on January 1, 1998, the ROC resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by the Corporation on earnings generated since January 1, 1998.

The appropriation of earnings for 2005 and 2004 were approved in the Board of Directors' meeting and the stockholders' meeting held on March 28, 2006 and June 13, 2005, respectively. The appropriations and dividends per share are as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2005	For Fiscal Year 2004	For Fiscal Year 2005	For Fiscal Year 2004
Legal reserve	$ 48,047	$ 25,815	$ -	$ -
Cash dividends	188,909	82,404	1.00	0.50
Stock dividends	113,345	82,405	0.60	0.50
Employees' bonus - stock	34,347	18,728	-	-
Remuneration to directors and supervisors - cash	6,869	3,746	-	-

As of April 28, 2006, the date of the accompanying independent accountants' review report, the appropriation of the 2005 earnings had not yet been approved by the stockholders. Information on 2005 earnings appropriation can be accessed online through the Market Observation Post System (MOPS) on the Website of the Taiwan Stock Exchange.

Unrealized Gains on Financial Instruments

Summary of changes in the unrealized gains on financial instruments is as follows:

	Three Months Ended March 31, 2006
Available-for-sale financial assets recognized as a separate component of stockholders' equity	$ 208
	$ 208

Cumulative Translation Adjustments

Summary of changes in the cumulative translation adjustments is as follows:

	Three Months Ended March 31	
	2006	2005
Translation adjustments on long-term equity investments	$ (2,394)	$ (1,549)

18. INCOME TAX

Provision for income tax was calculated as follows:

	Three Months Ended March 31	
	2006	2005
Tax on pretax income at 25% statutory rate	$ 43,515	$ 21,510
Add (deduct) tax effects of		
Permanent differences	(9)	-
Temporary differences	(2,905)	(3,114)
Tax-exempt income for five years	(14,349)	(1,916)
Less investment tax credit	(10,204)	(8,240)
Current tax expense	16,048	8,240
Deferred tax benefits	(10,537)	4,873
Income tax expense	$ 5,511	$ 13,113

A change of income tax payable:

	March 31	
	2006	2005
Balance, beginning of period	$ 30,437	$ 30,856
Accrued income tax this year	16,048	8,240
Balance, end of period	$ 46,485	$ 39,096

	Three Months Ended March 31	
	2006	2005
Deferred income tax assets, current		
Investment tax credit	$ 34,063	$ 26,143
Loss on decline in value of inventories	5,157	3,281
Unrealized foreign exchange loss	677	2,980
Unrealized gain on transactions with investees	569	-
Allowance for doubtful accounts	-	894
Impairment loss	2,172	3,002
Others	221	185
	42,859	36,485
Deferred income tax liabilities, current		
Unrealized foreign exchange gain	(472)	(2,638)
Unrealized valuation gain on financial instrument	(12)	-
Net deferred income tax assets, current	$ 42,375	$ 33,847
Deferred income tax assets, noncurrent		
Investment tax credit	$102,189	$ 78,429
Pension cost	332	332
Unrealized valuation loss on financial instrument	5,206	-
	107,727	78,761
Deferred income tax liabilities, noncurrent		
Investment income	(22,783)	(7,463)
Net deferred income tax assets, noncurrent	$ 84,944	$ 71,298

The Corporation's investment tax credits as of March 31, 2006 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	$ 64,492	$ 54,288	2010
	Research and development expenditures	80,987	80,987	2010
	Personnel training	977	977	2010
		$146,456	$136,252	

The sales generated from the following expansion and construction of TXC Corporation's factories is exempt from income tax:

	Tax-Exemption Period
Acquisition of equipment in 2003	2004 to 2008
Acquisition of equipment in 2004	2005 to 2009

The Corporation’s income tax returns through 2000 had been examined and approved by the tax authorities.

According to the amended Income Tax Law, unappropriated earnings are subject to 10% tax. The 10% tax will be used as a reduction of the shareholders income tax expense in the year when dividends are distributed. The information of imputation credit accounts (“ICA”) were as follows:

	March 31	
	2006	**2005**
Balance of ICA	$ 26,009	$ 1,532

	2005 (Estimate)	**2004 (Actual)**
Estimated imputation	11.44%	12.38%

	March 31	
	2006	**2005**
Undistributed earnings		
Until 1997	$ -	$ -
From 1998 and thereafter	645,232	333,185
	$645,232	$333,185

19. LABOR COST, DEPRECIATION AND AMORTIZATION

Function / Expense Item	Three Months Ended March 31					
	2006			**2005**		
	Classified as Cost of Sales	**Classified as Operating Expenses**	**Total**	**Classified as Cost of Sales**	**Classified as Operating Expenses**	**Total**
Labor cost						
Salary	59,427	32,145	91,572	44,710	28,594	73,304
Labor and health insurance	3,802	2,107	5,909	3,154	1,794	4,948
Pension	2,540	1,535	4,075	838	423	1,261
Meal	2,641	937	3,578	2,261	815	3,076
Welfare	1,000	459	1,459	863	313	1,176
Others	-	-	-	-	-	-
Depreciation	46,532	10,352	56,884	41,921	8,506	50,427
Amortization	1,453	6,539	7,992	136	5,851	5,987

20. EARNINGS PER SHARE

If the appropriation of earnings for 2005 was approved in the stockholders' meeting the EPS would have been computed retroactively as follows:

	Three Months Ended March 31			
	2006		2005	
	Before Tax	After Tax	Before Tax	After Tax
Earnings per share, originally				
Basic earnings per share (dollars)	$ 0.80	$ 0.81	$ 0.50	$ 0.43
Diluted earnings per share (dollars)	$ 0.80	$ 0.80	$ 0.49	$ 0.41
Earnings per share, retroactively adjusted				
Basic earnings per share (dollars)	$ 0.75	$ 0.75	$ 0.46	$ 0.39
Diluted earnings per share (dollars)	$ 0.74	$ 0.74	$ 0.43	$ 0.36

	Three Months Ended March 31									
	2006					2005				
	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 at operating activities	$ 174,101	$ 168,590	187,800	$ 0.93	$ 0.90					
Cumulative effect of changes in accounting principles	(23,023)	(17,267)	187,800	(0.13)	(0.09)					
Net income	$ 151,078	$ 151,323				$ 86,081	$ 72,968			
Basic income per share	$ 151,078	$ 151,323	187,800	$ 0.80	$ 0.81	$ 86,081	$ 72,968	171,518	$ 0.50	$ 0.43
Convertible bonds	168	126	644			5,159	3,869	13,386		
Employee stock option	-	-	1,430			-	-	1,013		
Net Diluted income per share	$ 151,246	$ 151,449	189,874	$ 0.80	$ 0.80	$ 91,240	$ 76,837	185,917	$ 0.49	$ 0.41

21. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair values of assets and liabilities were as follows:

	March 31			
	2006		2005	
	Book Value	Estimated Fair Value	Book Value	Estimated Fair Value
Assets				
Cash and cash equivalents	$ 261,711	$ 261,711	$ 259,617	$ 259,617
Available-for-sale financial assets, current	200,208	200,208	30,000	30,000
Notes and accounts receivable, net	1,313,945	1,313,945	1,011,802	1,011,802
Financial assets carried at cost	3,000	-	3,000	-
Liabilities				
Short-term loans	195,697	195,697	236,937	236,937
Notes and accounts payable	643,024	643,024	401,384	401,384
Accrued expense	87,711	87,711	64,704	64,704
Bonds payable	3,266	3,266	228,041	228,041
Long-term loans (including current portion	620,000	620,000	341,345	341,345

	March 31			
	2006		2005	
	Book Value	Estimated Fair Value	Book Value	Estimated Fair Value
Derivative financial instruments				
Interest rate swap contract				
Taiwan	$ (20,823)	$ (20,823)	$ (4,243)	$ (4,243)
Forward contract				
Taiwan	88	88	-	-
Foreign country	(38)	(38)	-	-

Methods and assumptions used in the determination of fair values of 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 loans are based on their carrying amounts because of their short maturities. The carrying amounts of these financial instruments approximate their fair values.

(b) Fair values of available-for-sale financial assets were based on their quoted market price.

(c) Fair values of derivatives were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.

Fair value of assets and liabilities based on:

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	March 31		March 31	
	2006	2005	2006	2005
Assets				
Cash and cash equivalents	$ -	$ -	$ 261,711	$ 259,617
Financial assets at fair value through profit or loss	-	-	50	-
Notes and accounts receivable, net	-	-	1,313,945	1,011,802
Available-for-sale financial assets, current	200,208	30,000	-	-
Financial assets carried at cost	-	-	3,000	3,000
Liabilities				
Short-term loans	-	-	195,697	236,937
Notes and accounts payable	-	-	643,024	401,384
Accrued expenses	-	-	87,711	64,704
Financial liabilities at fair value through profit or loss, current	-	-	-	4,243
Bonds payable	-	-	3,266	228,041
Long-term loans (including current portion	-	-	620,000	341,345
Financial liabilities at fair value through profit of loss, noncurrent	-	-	20,823	-

Loss recognized for the changes in fair value of derivatives estimated using valuation techniques were $20,773 thousand for the three months ended March 31, 2006.

As of March 31, 2006, financial liabilities exposed to cash flow interest rate risk were $20,773 thousand.

The Company recognized an unrealized loss of $208 thousand in stockholders' equity for the changes in fair value of available-for-sale financial assets for the three months ended March 31, 2006.

Information about financial risks is as follows:

(a) Market risk: The Corporation's market risk refers to the uncertainties due to exchange rate fluctuations. Gains or losses on forward exchange contracts are likely to offset the gains or losses on foreign-currency assets or liabilities. Interest rate swap contract refers to the risk arising from interest rate fluctuations in the market. The Corporation does not have significant price risk.

(b) Credit risk: Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached the contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing derivative financial instruments are reputable financial institutions, business organizations, and government agencies. Management believes its exposure to default by those parties is low.

(c) Liquidity risk: The Company has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low.

22. RELATED-PARTY TRANSACTIONS

The related parties are as follows:

Related Party	Relationship with the Corporation
Tai-Shing Electronic Components Corporation ("Tai-Shing")	Chairman is the Corporation's general manager
TXC Technology Inc.	Wholly owned subsidiary
TXC Japan Corporation	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			
	2006		2005	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
GPT	$165,365	24	$ 82,265	19

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

Sales

	Three Months Ended March 31			
	2006		2005	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
GPT	$ 8,468	1	$ 8,377	1
Tai-Shing	4,171	-	4,438	1
TXC Technology Inc.	21	-	19	-
	$ 12,660	1	$ 12,834	2

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

Consulting Fee

	Three Months Ended March 31			
	2006		2005	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TXC Technology Inc.	$ 7,251	47	$ 6,380	69
GPT	4,374	27	2,836	31
TXC Japan Corporation	4,190	26	-	-
	$ 15,815	100	$ 9,216	100

Other Expense

	Three Months Ended March 31			
	2006		2005	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 1,752	-	$ 1,547	-

Receivables and Payables

		March 31			
		2006		2005	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts receivable	GPT	$ 16,414	2	$ 14,466	15
	Tai-Shing	4,382	-	4,660	5
	TXC Technology Inc.	13	-	115	-
	TXC Japan Corporation	1	-	-	-
		$ 20,810	2	$ 19,241	20

Item	Related Party	March 31 2006 Amount	2006 % to Total Account Balances	2005 Amount	2005 % to Total Account Balances
Other current assets	TXC Technology Inc.	$ 4,230	4	$ -	-
Notes payable	Tai-Shing	$ 1,467	3	$ 672	2
Accounts payable	Tai-Shing	$156,114	27	$ 66,572	18
	GPT	339	-	881	-
		$156,453	27	$ 67,453	18
Accrued expenses	GPT	$ 1,470	2	$ 944	1
	TXC Japan Corporation	2	-	139	-
	Tai-Shing	88	-	-	-
		$ 1,560	2	$ 1,083	1

In the three months ended March 31, 2005, the Corporation sold to GPT its computer, with a net book value of $86 thousand, for $82 thousand, and loss of $4 thousand.

23. PLEDGED ASSETS

As of March 31, 2006 and 2005, the following assets had been pledged at their book values to secure short-term loans, long-term loans and commercial paper issued:

	2006	2005
Property, plant and equipment		
Land	$165,994	$165,994
Buildings, net	78,556	80,327
Machinery and equipment, net	412,892	413,150
	$657,442	$659,471

24. COMMITMENT AND CONTINGENCIES

The Corporation's commitments and contingencies as of March 31, 2006, which were not shown in the financial statements, were as follows:

Commitment	Contract Price	Paid Up	Not Yet Paid
Construction contract	$135,000	$ -	$135,000

Guarantee for short-term loan and long-term loan, please refer to Note 13. Guarantee for customs tax amount to about $15,000 thousand.

Unused letters of credit of about JP¥180,368 thousand.

As of March 31, 2006, the Corporation's guarantee for NGB's loans amounted to $97,365.