TXC Corporation

Financial Statements for the
Three Months Ended March 31, 2007 and 2006 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, 2007 and 2006, 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 10 to the financial statements, TXC Corporation's long-term investments accounted for by the equity method with carrying values of NT$1,207,150 thousand and NT$873,090 thousand as of March 31, 2007 and 2006, respectively, and related investment income of NT$34,652 thousand and NT$22,402 thousand for the three months ended March 31, 2007 and 2006, 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, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

April 19, 2007

<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 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.

TXC CORPORATION

BALANCE SHEETS
MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

ASSETS	2007 Amount	%	2006 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 907,361	14	$ 261,711	6
Financial assets at fair value through profit or loss (Notes 2 and 5)	-	-	50	-
Available-for-sale financial assets (Notes 2 and 6)	210,305	3	200,208	4
Notes receivable, net (Notes 2 and 7)	35,577	1	95,910	2
Accounts receivable, net (Notes 2, 7 and 23)	1,522,515	24	1,218,035	25
Inventories, net (Notes 2 and 8)	611,216	9	638,427	13
Other current assets (Notes 2, 19 and 23)	101,291	2	94,588	2
Total current assets	3,388,265	53	2,508,929	52
LONG-TERM INVESTMENTS (Notes 2, 9 and 10)				
Investments accounted for using equity method	1,207,150	19	873,090	18
Financial assets carried at cost	3,000	-	3,000	-
Total long-term investments	1,210,150	19	876,090	18
PROPERTY, PLANT AND EQUIPMENT(Notes 2, 11 and 24)				
Cost				
Land	157,040	3	157,040	3
Land improvements	442	-	442	-
Buildings	284,703	5	273,007	6
Machinery and equipment	1,942,606	30	1,576,351	33
Transportation equipment	2,557	-	2,557	-
Miscellaneous equipment	86,838	1	69,506	1
Land revaluation increment	8,954	-	8,954	-
	2,483,140	39	2,087,857	43
Less accumulated depreciation	(1,020,556)	(16)	(756,891)	(15)
Unfinished construction and prepayments for purchase of equipment	285,368	4	9,400	-
Property, plant and equipment, net	1,747,952	27	1,340,366	28
INTANGIBLE ASSETS				
Pension prepayment (Notes 2 and 17)	7,947	-	7,947	-
OTHER ASSETS				
Idle assets (Notes 2 and 12)	4,450	-	3,976	-
Refundable deposits	3,074	-	2,373	-
Deferred charges, net	13,076	-	8,924	-
Deferred income tax assets (Notes 2 and 19)	56,640	1	84,944	2
Total other assets	77,240	1	100,217	2
TOTAL	$ 6,431,554	100	$ 4,833,549	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2007 Amount	%	2006 Amount	%
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ 73,771	1	$ 195,697	4
Notes payable (Note 23)	52,330	1	53,783	1
Accounts payable to third parties	543,786	8	432,788	9
Accounts payable to related parties (Note 23)	307,390	5	156,453	3
Income tax payable (Note19)	90,943	1	46,485	1
Accrued expenses (Notes 16 and 23)	98,947	2	87,711	2
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	1,817	-	-	-
Current portion of long-term loans (Note 15)	-	-	90,000	2
Other current liabilities	6,979	-	15,338	-
Total current liabilities	1,175,963	18	1,078,255	22
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5))	17,767	-	20,823	1
Bonds payable (Notes 2 and 14)	768,659	12	3,266	-
Long-term loans, net of current portion (Note 15)	380,000	6	530,000	11
Total long-term liabilities	1,166,426	18	554,089	12
OTHER LIABILITIES				
Land value increment tax reserve (Notes 2 and 11)	3,512	-	3,512	-
Deferred credits (Note 2)	787	-	2,276	-
Total other liabilities	4,299	-	5,788	-
Total liabilities	2,346,688	36	1,638,132	34
STOCKHOLDERS' EQUITY				
Capital stock (Note 18)				
Common stock, $10 par value; Authorized - 300,000 thousand and 260,000 thousand shares at March 31, 2007 and 2006; Issued - 206,032 thousand and 188,909 thousand shares at March 31, 2007 and 2006	2,060,323	32	1,889,088	39
Capital surplus	576,771	9	509,284	11
Retained earnings				
Legal reserve	153,821	3	105,774	2
Special reserve	-	-	34,087	1
Unappropriated earnings	1,222,772	19	645,232	13
Cumulative translation adjustments (Note 2)	65,443	1	6,302	-
Unrealized gains on financial instruments (Notes 2 and 3)	294	-	208	-
Asset revaluation increment	5,442	-	5,442	-
Total stockholders' equity	4,084,866	64	3,195,417	66
TOTAL	$ 6,431,554	100	$ 4,833,549	100

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

(With Deloitte & Touche review report dated April 19, 2007)

TXC CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 1,280,017	101	$ 1,055,156	101
LESS SALES DISCOUNTS AND RETURNS	(9,716)	(1)	(13,472)	(1)
NET OPERATING REVENUE	1,270,301	100	1,041,684	100
COST OF SALES	919,414	72	788,922	76
GROSS PROFIT	350,887	28	252,762	24
UNREALIZED GAIN ON TRANSACTIONS WITH INVESTEES	(787)	-	(2,276)	-
REALIZED GAIN ON TRANSACTIONS WITH INVESTEES	240	-	689	-
REALIZED GROSS PROFIT	350,340	28	251,175	24
OPERATING EXPENSES				
Sales and marketing	59,181	5	42,977	4
General and administration	32,834	3	26,825	2
Research and development	42,175	3	27,447	3
Total operating expenses	134,190	11	97,249	9
OPERATING INCOME	216,150	17	153,926	15
NONOPERATING INCOME AND GAINS				
Interest income	3,346	-	34	-
Investment income accounted for by the equity method	35,215	3	23,697	2
Gain on disposal of assets	401	-	-	-
Gain on disposal of investments	132	-	40	-
Foreign exchange gains	24,791	2	19,120	2
Gain on reversal of impairment loss	809	-	-	-
Valuation gain on financial instruments	1,177	-	1,432	-
Others	5,021	-	8,050	1
Total nonoperating income and gains	70,892	5	52,373	5

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TXC CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense	$ 9,438	1	$ 3,515	-
Investment loss accounted for by the equity method	563	-	1,295	-
Loss on disposal of assets	-	-	22	-
Foreign exchange loss	9,601	1	18,504	2
Loss on decline in value of inventories	7,538	-	8,317	1
Valuation loss on financial instruments	1,817	-	-	-
Others	485	-	545	-
Total nonoperating expenses and losses	29,442	2	32,198	3
INCOME BEFORE INCOME TAX	257,600	20	174,101	17
INCOME TAX EXPENSE (Notes 2 and 19)	(13,548)	(1)	(5,511)	(1)
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	244,052	19	168,590	16
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, Net of tax benefit of NT$5,756 thousand	-	-	(17,267)	(1)
NET INCOME	$ 244,052	19	$ 151,323	15

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 21)				
Basic	$ 1.25	$ 1.19	$ 0.75	$ 0.75
Diluted	$ 1.19	$ 1.12	$ 0.74	$ 0.74

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

(With Deloitte & Touche review report dated April 19, 2007) (Concluded)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 244,052	$ 151,323
Cumulative effect of changes in accounting principles	-	17,267
Net income before cumulative effect of changes in accounting principles	244,052	168,590
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	77,390	56,885
Nonoperating loss - idle assets	485	545
Amortization	13,439	7,992
Bad debt expense	-	251
Interest expense	5,348	(818)
Loss on decline in value of inventories	7,538	8,317
Gain on disposal of investments	(132)	(40)
Valuation loss (gain) on financial instruments	640	(1,432)
Investment income accounted for by the equity method	(34,652)	(22,402)
(Gain) loss on disposal of assets	(401)	22
Accrued interest compensation	-	(533)
Gain on reversal of impairment loss	(809)	-
Unrealized gross profit	787	2,276
Realized gross profit	(240)	(689)
Deferred income tax	(1,506)	(10,537)
Net changes in operating assets and liabilities		
Notes and accounts receivable	166,944	(39,893)
Inventories	(17,849)	(59,111)
Other current assets	(25,471)	(10,094)
Notes payable	(2,956)	1,361
Accounts payable	104,639	32,973
Income tax payable	16,487	16,048
Accrued expenses	(56,439)	(40,833)
Other current liabilities	(696)	5,665
Net cash provided by operating activities	496,598	114,543
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial liabilities at fair value through profit or loss	(1,744)	-
Acquisition of available-for-sale financial assets	(120,012)	(190,000)
Proceeds from disposal of available-for-sale financial assets	60,133	50,040
Acquisition of property, plant and equipment	(155,726)	(122,410)
Proceeds from disposal of property, plant and equipment	647	-
Increase in refundable deposits paid	(103)	(44)
Increase in deferred charges	(15,017)	(12,177)
Net cash used in investing activities	(231,822)	(274,591)

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TXC CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	$ (131,504)	$ 30,488
(Decrease) increase in long-term loans	(30,000)	150,000
Proceeds from the exercise of employee stock option	6,955	28,285
Net cash (used in) provided by financing activities	(154,549)	208,773
NET INCREASE IN CASH AND CASH EQUIVALENTS	110,227	48,725
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	797,134	212,986
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 907,361	$ 261,711
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (excluding interest capitalized)	$ 4,289	$ 4,888
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term loans to current liabilities	$ -	$ 90,000

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

(With Deloitte & Touche review report dated April 19, 2007) (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 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, 2007 and 2006, the Corporation had 820 and 731 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, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the ROC. 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, depreciation, pension, etc. Actual results could differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If 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.

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

Current/Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents and those expected to be converted to cash, sold or consumed within 12 months from the balance sheet date. Property, plant and equipment, intangible assets and those not classified as current assets are noncurrent assets. Current liabilities are obligations incurred for operating purposes and expected to be paid or settled within 12 months from the balance sheet date. All other liabilities not classified as current liabilities are noncurrent liabilities.

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

Financial instruments at fair value through profit or loss include financial assets or liabilities held for trading and those designated on initial recognition to be measured at fair value with fair value changes recognized in profit or loss. The financial instruments are recognized and carried at fair value plus transaction costs with fair value changes recognized in profit or loss. A regular way purchase or sale of financial instruments 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. Derivatives that do not meet the criteria for hedge accounting are recognized at fair value. 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 recognized and carried at fair value plus transaction costs that are directly attributable to the acquisition. 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 asset 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.

If there is objective evidence that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to stockholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

Revenue Recognition and Allowance for Doubtful Accounts

Revenue is recognized when ownership and risk of loss or liability for changes to 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 value of finished goods, work in process and merchandise and on replacement cost 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.

Cash dividends are recognized as dividend income on the ex-dividend date, but are accounted for as reductions to the original cost of investments if such dividends are declared on the earnings of investees attributable to periods prior to the purchase of investments. Stock dividends are not recognized as current income but are accounted for only as an increase in the number of shares held. The cost per share is recalculated based on the new number of shares.

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 owns 20% or more of an investee's outstanding voting shares or exercises significant influence on the investee are accounted for by the equity method.

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

Gains or losses on sales of investees to the Corporation are deferred in proportion to the Corporation's ownership percentage in the investees until they are realized through transactions with 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, and 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 of: 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.

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.

Convertible Bonds

Convertible bonds that were issued before December 31, 2005 are classified as current or noncurrent according to the redemption dates. 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 bond's 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.

For convertible bonds issued on or after January 1, 2006, the carrying value of host contract is recorded in total proceeds from the issuance less the (1) fair value of embedded derivatives and (2) issuance costs allocated to bond payable under the initially recognized amount. When the fair value of the bonds is subsequently measured at amortized cost using the effective interest rate method, the related interest expense or redemption gain is recognized as loss or earnings. When the bondholder exercises the conversion option before bond maturity, the adjusted carrying value of the debt components (bonds and embedded derivatives are included) is credited to capital stock account.

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 for financial reporting. If deferred tax assets and liabilities cannot be related to the assets or liabilities in the financial statements, they are classified as current or noncurrent on the basis of the length of the reversal or realization period.

Deferred income tax liability derived from the temporary difference between the carrying amount and tax base of long-term investments is 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.

The above prevailing exchange rates are based on the Interbank Spot Market closing rates of Central Bank of China.

Reclassifications

Certain accounts for the three months ended March 31, 2006 have been reclassified to be consistent with the presentation of the financial statements for the three months ended March 31, 2007.

3. CHANGES IN ACCOUNTING PRINCIPLES

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 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 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 $17,267 thousand (net of tax), a decrease in net income of $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.

4. CASH AND CASH EQUIVALENTS

	March 31	
	2007	2006
Cash on hand	$ 1,356	$ 1,025
Checking accounts and demand deposits	140,803	251,886
Time deposits	198,202	8,800
Cash equivalents		
Bonds with repurchase rights	567,000	-
	$907,361	$261,711

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

	March 31	
	2007	2006
Derivatives - financial assets		
Forward contracts	$ -	$ 50
Derivatives - financial liabilities		
Interest rate swap contracts	$ 17,767	$ 20,823
Forward contracts	$ 1,817	$ -

The Corporation entered into derivative transactions during the three months ended March 31, 2007 and 2006 to manage exposures related to foreign exchange rate and interest rate fluctuations.

Outstanding forward contracts as of March 31, 2007 and 2006:

	Currency	Maturity	Contract Amount (In Thousands)
March 31, 2007			
Sell	USD/NTD	April 2, 2007 to May 25, 2007	US$9,000/NT$295,500
Sell	USD/JPY	April 13, 2007 to May 16, 2007	US$1,500/JP¥175,630
March 31, 2006			
Sell	USD/NTD	April 17, 2006	US$250/NT$8,126
Sell	USD/JPY	April 10, 2006 to May 4, 2006	US$1,500/JP¥175,957

Outstanding Interest rate swap contracts as of March 31, 2007:

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

Net losses and gains arising from derivative financial instruments for the three months ended March 31, 2007 and 2006 were $640 thousand and $1,432 thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31 2007	March 31 2006
Mutual funds	$210,305	$200,208

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31 2007	March 31 2006
Notes receivable from third parties	$ 35,801	$ 96,392
Notes receivable from related parties	-	-
	35,801	96,392
Less allowance for doubtful accounts	(224)	(482)
	$ 35,577	$ 95,910
Accounts receivable from third parties	$1,516,301	$1,206,756
Accounts receivable from related parties	19,549	20,810
	1,535,850	1,227,566
Less allowance for doubtful accounts	(13,335)	(9,531)
	$1,522,515	$1,218,035

Changes in allowance for doubtful accounts:

	Three Months Ended March 31			
	2007		2006	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of period	$ 224	$ 13,335	$ 429	$ 9,333
Add bad debt expense	-	-	53	198
Balance, end of period	$ 224	$ 13,335	$ 482	$ 9,531

8. INVENTORIES

	March 31	
	2007	2006
Raw materials	$118,452	$125,592
Supplies	17,943	14,316
Work in-process	120,608	108,581
Finished goods	180,321	180,512
Merchandise inventories	204,690	229,320
	642,014	658,321
Less allowance for loss on decline in market value and obsolescence	(30,798)	(19,894)
	$611,216	$638,427

9. FINANCIAL ASSETS CARRIED AT COST

	March 31	
	2007	2006
Non-publicly traded stocks	$ 3,000	$ 3,000

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31			
	2007		2006	
Investee	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Taiwan Crystal Technology International Ltd. (TCTI)	$1,200,603	100	$ 866,323	100
TXC Technology Inc.	4,272	100	3,737	100
TXC Japan Corporation	2,275	100	3,030	100
	$1,207,150		$ 873,090	

Equity in earnings (loss) of investees for the three months ended March 31, 2007 and 2006 was as follows:

	2007		2006	
	Investee Gain (Loss)	Recognized Investment Gain (Loss)	Investee Gain (Loss)	Recognized Investment Gain (Loss)
TCTI	$ 34,588	$ 33,695	$ 23,551	$ 22,713
TXC Technology Inc.	1,520	1,520	(1,295)	(1,295)
TXC Japan Corporation	(563)	(563)	984	984
	$ 35,545	$ 34,652	$ 23,240	$ 22,402

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

11. PROPERTY, PLANT AND EQUIPMENT

	Three Months Ended March 31, 2007								
	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Prepayments for Purchase of Equipment	Unfinished Construction	Total
Cost									
Balance, beginning	$ 157,040	$ 442	$ 277,570	$ 1,810,816	$ 2,557	$ 80,949	$ 37,184	$ 238,904	$ 2,605,462
Addition	-	-	7,133	123,045	-	6,142	-	19,406	155,726
Disposal	-	-	-	(1,381)	-	(253)	-	-	(1,634)
Reclassification	-	-	-	10,126	-	-	(10,126)	-	-
Balance, ending	157,040	442	284,703	1,942,606	2,557	86,838	27,058	258,310	2,759,554
Revaluation increment	8,954	-	-	-	-	-	-	-	8,954
Accumulated depreciation									
Balance, beginning	-	343	132,728	761,124	1,856	48,503	-	-	944,554
Depreciation	-	17	5,061	68,846	43	3,423	-	-	77,390
Disposal	-	-	-	(1,137)	-	(251)	-	-	(1,388)
Balance, ending	-	360	137,789	828,833	1,899	51,675	-	-	1,020,556
Net	$ 165,994	$ 82	$ 146,914	$ 1,113,773	$ 658	$ 35,163	$ 27,058	$ 258,310	$ 1,747,952

	Three Months Ended March 31, 2006								
	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Prepayments for Purchase of Equipment	Unfinished Construction	Total
Cost									
Balance, beginning	$ 157,040	$ 442	$ 272,793	$ 1,453,138	$ 2,557	$ 67,945	$ 12,035	$ -	$ 1,965,950
Addition	-	-	214	120,578	-	1,618	-	-	122,410
Disposal	-	-	-	-	-	(57)	-	-	(57)
Reclassification	-	-	-	2,635	-	-	(2,635)	-	-
Balance, ending	157,040	442	273,007	1,576,351	2,557	69,506	9,400		2,088,303
Revaluation increment	8,954	-	-	-	-	-	-	-	8,954
Accumulated depreciation									
Balance, beginning	-	273	114,034	548,278	1,175	36,281	-	-	700,041
Depreciation	-	18	4,569	48,658	170	3,470	-	-	56,885
Disposal	-	-	-	-	-	(35)	-	-	(35)
Balance, ending	-	291	118,603	596,936	1,345	39,716	-	-	756,891
Net	$ 165,994	$ 151	$ 154,404	$ 979,415	$ 1,212	$ 29,790	$ 9,400	$ -	$ 1,340,366

See Note 24 for the details on property, plant and equipment pledged as collaterals.

No interest for the three months ended March 31, 2007 and 2006 was capitalized.

12. IDLE ASSETS

	March 31, 2007		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	6,647	4,450	2,197
Machinery and equipment	4,610	4,610	-
	$ 13,510	$ 9,060	$ 4,450

	March 31, 2006		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	7,043	5,320	1,723
Machinery and equipment	3,367	3,367	-
	$ 12,663	$ 8,687	$ 3,976

Reversal of impairment loss was as follows:

	Three Months Ended March 31, 2007	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Gain on reversal of impairment loss		
Buildings	$ 424	$ -
Machinery and equipment	385	-
	$ 809	$ -

Three Months Ended March 31, 2006: None

13. SHORT-TERM LOANS

	March 31			
	2007		2006	
	Amount	Interest Rate %	Amount	Interest Rate %
Materials procurement loans	$ 73,771	0.274~0.294	$ 175,697	0.72~1.211
Unsecured bank loans	-		20,000	1.68
	$ 73,771		$ 195,697	

See Note 24 for details of pledged assets.

14. BONDS PAYABLE

	March 31	
	2007	2006
Domestic		
First domestic unsecured convertible corporate bonds	$ -	$ 3,100
Second domestic unsecured convertible corporate bonds	800,000	-
Liability component of domestic unsecured convertible corporate bonds	(31,341)	-
Add accrued interest compensation	-	166
	$768,659	$ 3,266

First Domestic Unsecured Convertible Corporate Bonds

On December 31, 2003, the Corporation 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 of 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 three months after issuance and the 40th 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$20.00. The conversion price is subject to adjustment based on a certain formula if there are changes in outstanding shares or execution of conversion below market price.

Second Domestic Unsecured Convertible Corporate Bonds

On November 8, 2006, the Corporation issued second domestic unsecured convertible bonds with an aggregate value of $800,000 thousand and maturity on November 8, 2011. Nominal interest is 0%. As of March 31, 2007, the Corporation's outstanding domestic unsecured convertible corporate bonds were $800,000 thousand. According to Statement of Financial Accounting Standards No. 36, "Disclosure and Presentation of Financial Instruments," these domestic unsecured convertible bonds were separated into convertible options, equity (Note 18), and bonds payable, liability. Other details of the bond issuance are summarized as follows:

(a) On the third anniversary of the issuance date, bonds are redeemable at face value.

(b) During the period between one month after issuance and the 40th day before maturity, the Corporation can redeem the bonds from holders at contracted price.

(c) During the period between one month after 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.

(d) The original conversion price per share is NT$52.00. The conversion price is subject to adjustment based on a certain formula if there are changes in outstanding shares or execution of conversion below market price.

15. LONG-TERM LOANS

Nature of Loan	Repayment Period	March 31 2007	March 31 2006
Machinery loans	Repayable at maturity on March 20, 2014	$ 70,000	$ -
Unsecured bank loans	Repayable at maturity on September 3, 2021	110,000	-
Unsecured bank loans	Repayable at maturity on October 26, 2008	200,000	200,000
Chinatrust loan		-	420,000
Less current portion		-	(90,000)
		$ 380,000	$ 530,000
Interest rate (%)		2.15~2.715	2.15~2.8716

See Note 24 for collateral on long-term loans.

As of March 31, 2007, the Corporation had issued to various banks promissory notes amounting to $1,875,500 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. Total syndicated loan had been fully paid as of March 31, 2007.

16. ACCRUED EXPENSES

	March 31 2007	March 31 2006
Accrued payroll	$ 52,095	$ 35,910
Accrued insurance expense	5,462	5,086
Accrued commission	9,285	4,288
Accrued freight expense	3,447	2,317
Others	28,658	40,110
	$ 98,947	$ 87,711

17. 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 $3,518 thousand and $2,994 thousand for the three months ended March 31, 2007 and 2006.

The Corporation also 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. The Corporation recognized pension costs of $1,031 thousand and $1,081 thousand for the three months ended March 31, 2007 and 2006.

18. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $3,000,000 thousand and $2,600,000 thousand at March 31, 2007 and 2006 ($10.00 par value per share). As of March 31, 2007, the Corporation's outstanding capital stock was $2,060,323 thousand divided into 206,032 thousand shares at $10.00 par value each.

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, 2007 and 2006 was as follows:

	2007		2006	
Employee Stock Options	**Units**	**Weighted Average Exercise Price**	**Units**	**Weighted Average Exercise Price**
Outstanding, beginning	334	$ 17.59	4,129	$ 17.00
Current issuance	-	-	-	-
Current exercise	(334)	20.83	(1,772)	15.96
Outstanding, ending	-		2,357	
Exercisable options, ending	-		1,791	

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. Capital surplus consisted of the following:

	March 31	
	2007	**2006**
Additional paid-in capital	$290,248	$290,248
Convertible bonds	188,779	187,531
Employee stock option	58,064	31,505
Warrants	39,680	-
	$576,771	$509,284

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 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 the 2005 earnings was approved in the stockholders' meeting on June 15, 2006. The appropriations and dividends per share are as follows:

	For Fiscal Year 2005	
	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 48,047	$ -
Cash dividends	188,909	1.00
Stock dividends	113,345	0.60
Employees' bonus - stock	34,347	-
Remuneration to directors and supervisors - cash	6,869	-

As of April 19, 2007, the board of directors of TXC Corporation has not resolved the appropriation of 2006 earnings. The above information on the earnings appropriation can be accessed online through the Market Observation Post System (MOPS) on the Web site of the Taiwan Stock Exchange (http://emops. tse.com.tw).

Unrealized Gains on Financial Instruments

Summary of changes in the unrealized gains on financial instruments for the three months ended March 31, 2007 and 2006 is as follows:

	Available-for-Sale Financial Assets	**Total**
Three months ended March 31, 2007		
Balance, beginning	$ 183	$ 183
Fair value changes recognized directly in equity	213	213
Transfer to current gains or loss upon sales of financial assets	(102)	(102)
Balance, ending	$ 294	$ 294
Three months ended March 31, 2006		
Balance, beginning	$ -	$ -
Fair value changes recognized directly in equity	208	208
Balance, ending	$ 208	$ 208

Cumulative Translation Adjustment

Summary of changes in the translation adjustment for the three months ended March 31, 2007 and 2006 is as follows:

	Long-Term Equity Investment	**Total**
Three months ended March 31, 2007		
Balance, beginning	$ 36,388	$ 36,388
Recognized directly in equity	29,055	29,055
Balance, ending	$ 65,443	$ 65,443
Three months ended March 31, 2006		
Balance, beginning	$ 8,696	$ 8,696
Recognized directly in equity	(2,394)	(2,394)
Balance, ending	$ 6,302	$ 6,302

19. INCOME TAX

The reconciliation of imputed income tax on pretax income at statutory tax rate to income tax expense was as follows:

	Three Months Ended March 31	
	2007	2006
Tax on pretax income at 25% statutory rate	$ 64,390	$ 43,515
Add (deduct) tax effects of		
Permanent differences	(33)	(9)
Temporary differences	(11,265)	(2,905)
Tax-exempt income for five years	(20,118)	(14,349)
Less investment tax credit	(16,487)	(10,204)
	-	-
Income tax (10%) on undistributed earnings	-	-
Current tax credit	$ 16,487	$ 16,048

Income tax expense consisted of the following:

	Three Months Ended March 31	
	2007	2006
Current tax expense	$ 16,487	$ 16,048
Prior year's adjustment	(1,433)	-
Deferred tax expenses (benefits)		
Temporary difference	(3,197)	2,955
Investment tax credits	1,691	(13,492)
	$ 13,548	$ 5,511

Changes of income tax payable:

	March 31	
	2007	2006
Balance, beginning of period	$ 74,456	$ 30,437
Accrued income tax this period	16,487	16,048
Balance, end of period	$ 90,943	$ 46,485

Deferred income tax assets and liabilities were as follows:

	Three Months Ended March 31	
	2007	2006
Deferred income tax assets, current		
Investment tax credit	$ 30,701	$ 34,063
Loss on decline in value of inventories	7,884	5,157
Unrealized foreign exchange loss	1,219	677
Unrealized gain on transactions with investees	2,045	569
Impairment loss	-	2,172
Unrealized valuation loss on financial instruments	454	-
Others	-	221
	42,303	42,859

	Three Months Ended March 31	
	2007	2006
Deferred income tax liabilities, current		
Unrealized foreign exchange gain	(3,812)	(472)
Unrealized valuation gain on financial instrument	-	(12)
Net deferred income tax assets, current	$ 38,491	$ 42,375
Deferred income tax assets, noncurrent		
Investment tax credit	$ 92,104	$102,189
Pension cost	332	332
Impairment loss	2,265	-
Unrealized valuation loss on financial instrument	4,442	5,206
	99,143	107,727
Deferred income tax liabilities, noncurrent		
Investment income	(42,503)	(22,783)
Net deferred income tax assets, noncurrent	$ 56,640	$ 84,944

The Corporation's investment tax credits as of March 31, 2007 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	$ 55,882	$ 55,882	2011
	Research and development expenditures	82,009	65,522	2011
	Personnel training	1,401	1,401	2011
		$139,292	$122,805	

The sales generated from the following expansions and constructions of the Corporation's factories are 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 up to 2002 had been examined and approved by the tax authorities. However, the Corporation disagreed with the examination result of the income tax returns for 2001, and filed request for reexamination.

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") is as follows:

	March 31	
	2007	2006
Balance of ICA	$ 15,370	$ 26,069

	2006 (Estimate)	2005 (Actual)
Imputation tax credit rate	9.18%	10.88%

	March 31	
	2007	2006
Undistributed earnings		
Until 1997	$ -	$ -
From 1998 and thereafter	1,222,772	645,232
	$ 1,222,772	$ 645,232

20. LABOR COST, DEPRECIATION AND AMORTIZATION

Function / Expense Item	Three Months Ended March 31					
	2007			2006		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost						
Salary	63,332	46,971	110,303	59,427	32,145	91,572
Labor and health insurance	3,909	2,819	6,728	3,802	2,107	5,909
Pension	2,451	2,240	4,691	2,540	1,535	4,075
Meal	2,927	1,326	4,253	2,641	937	3,578
Welfare	1,469	433	1,902	1,000	459	1,459
Depreciation	64,024	13,366	77,390	46,533	10,352	56,885
Amortization	1,767	11,672	13,439	1,453	6,539	7,992

21. EARNINGS PER SHARE

	Three Months Ended March 31			
	2007		2006	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (dollars)				
Income from continuing operations	$ 1.25	$ 1.19	$ 0.86	$ 0.83
Cumulative effect of changes in accounting principles	-	-	(0.11)	(0.08)
Net income	$ 1.25	$ 1.19	$ 0.75	$ 0.75
Diluted earnings per share (dollars)				
Income from continuing operations	$ 1.19	$ 1.12	$ 0.85	$ 0.82
Cumulative effect of changes in accounting principles	-	-	(0.11)	(0.08)
Net income	$ 1.19	$ 1.12	$ 0.74	$ 0.74

	Three Months Ended March 31									
	2007					2006				
	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	$ 257,600	$ 244,052				$ 151,078	$ 151,323			
Basic earnings per share	$ 257,600	$ 244,052	205,698	$ 1.25	$ 1.19	$ 151,078	$ 151,323	202,569	$ 0.75	$ 0.75
Employee stock option	-	-	214			-	-	1,430		
Convertible bonds	5,349	4,012	15,385			168	126	644		
Net diluted earnings per share	$ 262,949	$ 248,064	221,297	$ 1.19	$ 1.12	$ 151,246	$ 151,449	204,643	$ 0.74	$ 0.74

22. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair values of assets and liabilities were as follows:

	March 31			
	2007		2006	
	Book Value	Estimated Fair Value	Book Value	Estimated Fair Value
Assets				
Available-for-sale financial assets, current	$ 210,305	$ 210,305	$ 200,208	$ 200,208
Investment accounted for using equity method	1,207,150	1,207,150	873,090	873,090
Financial assets carried at cost	3,000	3,000	3,000	3,000
Liabilities				
Bonds payable	768,659	768,659	3,266	3,266
Long-term loans (including current portion)	380,000	380,000	620,000	620,000
Derivative financial instruments				
Interest rate swap contract				
Taiwan	(17,767)	(17,767)	(20,823)	(20,823)
Forward contract				
Taiwan	(1,817)	(1,817)	88	88
Foreign country	-	-	(38)	(38)

Effective January 1, 2006, the Corporation adopted newly issued SFAS No. 34, "Accounting for Financial Instruments," and, therefore, the derivative financial instruments were not recognized in the 2005 financial statements. Please refer to Note 3 for the related description of the cumulative effect of changes in accounting principle and the adjustments in equity as a result of the adoption of newly issued SFASs.

Methods and assumptions used in the determination of fair values of financial instruments were as follows:

(a) The above financial instruments do not include cash and cash equivalents, notes and accounts receivable, pledged time deposits, refundable deposits, notes and accounts payable and guarantee deposits. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

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

(c) Because there is no active market and a reliable fair value could only be verified at a more than reasonable cost, the fair values of investments in unlisted stocks carried at cost or accounted for using equity method can not be estimated.

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

(e) The fair value of the long-term loans and bonds payable was determined using the discounted value of expected cash flows, which approximates their carrying amount.

Fair value of assets and liabilities based on:

	Quoted Market Price		**Valuation Techniques Incorporating Estimates and Assumptions**	
	March 31		**March 31**	
	2007	**2006**	**2007**	**2006**
Assets				
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ 50
Available-for-sale financial assets, current	210,305	200,208	-	-
Investment accounted for using equity method	-	-	1,207,150	873,090
Financial assets carried at cost	-	-	3,000	3,000
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	1,817	-
Bonds payable	-	-	768,659	3,266
Long-term loans (including current portion)	-	-	380,000	620,000
Financial liabilities at fair value through profit of loss, noncurrent	-	-	17,767	20,823

Loss and gain recognized for the changes in fair value of derivatives estimated using valuation techniques were $640 thousand and $1,432 thousand for the three months ended March 31, 2007.

As of March 31, 2007, financial liabilities exposed to cash flow interest rate risk were $17,767 thousand.

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 risk 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 Corporation 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 Corporation has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low.

23. RELATED-PARTY TRANSACTIONS

The related parties were as follows:

Related Party	Relationship with the Corporation
Tai-Shing Electronic Components Corporation (Tai-Shing)	Chairman is the Corporation's general manager
K&H MFG. Co., Ltd. (K&H)	Chairman is the Corporation's vice-president
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 (Ningbo) Corporation (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			
	2007		2006	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
NGB	$255,587	32	$ -	-
GPT	-	-	165,365	24
	$255,587	32	$165,365	24

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

Sales

	Three Months Ended March 31			
	2007		2006	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
NGB	$ 9,036	1	$ -	-
Tai-Shing	4,948	-	4,171	-
TXC Technology Inc.	1,989	-	21	-
TXC Japan Corporation	602	-	-	-
GPT	-	-	8,468	1
	$ 16,575	1	$ 12,660	1

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

Consulting Fee

	Three Months Ended March 31			
	2007		2006	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
TXC Technology Inc.	$ 9,893	48	$ 7,251	47
NGB	5,796	28	-	-
TXC Japan Corporation	4,928	24	4,190	26
GPT	-	-	4,374	27
	$ 20,617	100	$ 15,815	100

Other Expenses

	Three Months Ended March 31			
	2007		2006	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Tai-Shing	$ 1,359	-	$ 1,752	-
K&H	252	-	-	-
	$ 1,611	-	$ 1,752	-

Receivables from and Payables to Related Parties

		March 31			
		2007		2006	
Item	Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts receivable	NGB	$ 9,932	-	$ -	-
	Tai-Shing	6,777	-	4,382	-
	TXC Technology Inc.	2,128	-	13	-
	TXC Japan Corporation	671	-	1	-
	GPT	41	-	16,414	2
		$ 19,549	-	$ 20,810	2
Other current assets	TXC Technology Inc.	$ 4,392	10	$ 4,230	4
	NGB	239	-	-	-
		$ 4,631	10	$ 4,230	4
Notes payable	Tai-Shing	$ 851	2	$ 1,467	3
	K&H	79	-	-	-
		$ 930	2	$ 1,467	3

Item	Related Party	March 31 2007 Amount	2007 % to Total Account Balance	2006 Amount	2006 % to Total Account Balance
Accounts payable	NGB	$306,802	36	$ -	-
	Tai-Shing	481	-	339	-
	K&H	95	-	-	-
	TXC Japan Corporation	12	-	-	-
	GPT	-	-	156,114	27
		$307,390	36	$156,453	27
Accrued expenses	NGB	$ 1,936	1	$ -	-
	TXC Japan Corporation	60	-	88	-
	Tai-Shing	27	-	2	-
	GPT	-	-	1,470	2
		$ 2,023	1	$ 1,560	2

As of March 31, 2007, the Corporation's guarantees for loans of its subsidiaries were described in Table 1.

24. PLEDGED ASSETS

As of March 31, 2007 and 2006, the following assets had been pledged at their book values to secure short-term loans and long-term loans:

	2007	2006
Property, plant and equipment		
Land	$165,994	$165,994
Buildings, net	76,675	78,556
Machinery and equipment, net	99,678	412,892
	$342,347	$657,442

25. COMMITMENT AND CONTINGENCIES

The Corporation's commitments and contingencies as of March 31, 2007, which were not shown in the financial statements, were as follows:

Commitment	Contract Price	Paid Up	Not Yet Paid
Building construction	$282,600	$216,348	$ 66,252

Guarantee for short-term loan and long-term loan, please refer to Note 15.

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

As of March 31, 2007, the Corporation's guarantees for loans of its subsidiaries amounted to $289,281.

As of March 31, 2007, the Corporation had derivative financial instruments. Please refer to Note 22.

26. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Corporation and its investees:

a. Financing provided: None.

b. Endorsement/guarantee provided: Table 1 (attached).

c. Marketable securities held: Table 2 (attached).

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

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

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

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 3 (attached).

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

i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 4 (attached).

j. Derivative transactions: Please refer to Note 22 for the related information and Table 6 (attached).

k. Investment in Mainland China: Table 7 (attached).

TABLE 1

TXC CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limit on Each Guaranteed Party's Endorsement/ Guarantee Amounts (Note 1)	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	TXC Corporation	TCTI	Subsidiary	$ 2,042,433	$ 33,089	$ 33,089	$ -	1	$ 4,084,866
		GPT	Subsidiary	2,042,433	241,550	158,827	-	4	4,084,866
		TXC (Ningbo) Corporation	Subsidiary	2,042,433	97,365	97,365	-	2	4,084,866

Note 1: Not to exceed 50% of the Corporation's net equity. ($4,084,866 thousand × 50% = $2,042,433 thousand)
Note 2: Not to exceed the net worth of the Corporation.

TABLE 2

TXC CORPORATION

MARKETABLE SECURITIES HELD
MARCH 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)
(Reviewed, Not Audited)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	Beneficiary certificate							
	Ta Chong Bond Fund	-	Available-for-sale financial assets	4,603	$ 60,178	-	$ 60,178	
	Fubon Chi-Hsiang Fund	-	〃	2,062	30,117	-	30,117	
	Fubon Jin-Ju-I Fund	-	〃	2,454	30,123	-	30,123	
	Fubon Millennium Dragon Fund	-	〃	2,545	30,118	-	30,118	
	Yuanta Fund	-	〃	3,000	29,760	-	29,760	
	ING Taiwan Income III Fund	-	〃	2,740	30,009	-	30,009	
					$ 210,305			
	Stock							
	TCTI	Subsidiary	Long-term investments - equity method	29,122	$ 1,200,603	100	-	
	TXC Technology Inc.	Subsidiary	〃	300	4,272	100	-	
	TXC Japan Corporation	Subsidiary	〃	2	2,275	100	-	
					$ 1,207,150			
	Marson Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	414	$ 3,000	5	-	
TCTI	Stock							
	GPT	Subsidiary	Long-term investments - equity method	50	$ 27,387 (US$ 828)	100	-	
	TXC (Ningbo) Corporation	Subsidiary	〃	US$ 29,122	$ 1,182,219 (US$ 35,729)	100	-	

TABLE 3

TXC CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)
(Reviewed, Not Audited)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms (Note)	Unit Price	Payment Terms	Ending Balance	% to Total	
TXC Corporation	NGB	Subsidiary	Purchase	$ 255,587	32	-	-	-	$ (306,802)	(36)	

Note: The terms of purchases from related parties were not significantly different from those to third parties.

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
MARCH 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)
(Reviewed, Not Audited)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2007			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				March 31, 2007	March 31, 2006	Shares (in Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN Samoa	Investment holding	$ 964,547	$ 964,547	29,122	100	$ 1,200,603	$ 34,588	$ 33,695	
				US$ 29,122	US$ 29,122						
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879	9,879	300	100	4,272	1,520	1,520	
				US$ 300	US$ 300						
	TXC Japan Corporation	Japan	Marketing activities	4,661	4,661	2	100	2,275	(563)	(563)	
				JP¥ 16,000	JP¥ 16,000						
TCTI	GPT	B.V.I.	National trading			50	100	27,387	2,798	2,798	
				US$ 50	US$ 50			US$ 828	US$ 85	US$ 85	
	NGB	Ningbo	Manufacture and sales of electronics products				100	1,182,219	31,790	31,790	
				US$ 29,122	US$ 29,122	US$ 29,122		US$ 35,729	US$ 965	US$ 965	

TABLE 5

TXC CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)
(Reviewed, Not Audited)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
NGB	TXC Corporation	Ultimate parent	$ 306,802 (US$ 9,270)	3.49	$ -	-	$ -	$ -

TABLE 6

Derivative Transactions

NGB entered into derivative transactions during the three months ended March 31, 2007 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of March 31, 2007:

	Currency	Maturity	Contract Amount (In Thousands)
March 31, 2007			
Sell	USD/RMB	April 4, 2007 to January 4, 2008	US$6,500/RMB49,763

TABLE 7

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)
(Reviewed, Not Audited)

1. The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of March 31, 2007 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2007 (US$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses)	Carrying Value as of March 31, 2007	Accumulated Inward Remittance of Earnings as of March 31, 2007
					Outflow (US$ in Thousand)	Inflow					
TXC (Ningbo) Corporation	Manufacturing and sales of crystal and crystal oscillator	$ 964,547 (US$ 29,122)	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	$ 904,965 (US$ 27,287)	$ -	$ -	$ 904,965 (US$ 27,287)	100%	$ 31,790 (US$ 965)	$ 1,182,219 (US$ 35,729)	$ -

2. The limitation on investment:

Accumulated Investment in Mainland China as of March 31, 2006 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment (Note)
$904,965 (US$27,287)	$989,469 (US$29,835)	$1,633,946

Note: Not to exceed 40% of the Corporation's net equity ($4,084,866 thousand × 40% = $1,633,946 thousand).

3. Significant direct or indirect transactions with the investee company, prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports:

Company Name	Nature of Relationship	Transaction Details					Accounts (Notes) Receivable (Payable)		Unrealized Gain or Loss
		Purchase/Sale	Amount	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
NGB	Subsidiary	Purchase	$ 9,036 (US$ 276)	Negotiated price	Similar	Similar	$ 9,932 (US$ 300)	(4)	$ -
		Sale	$ 255,587 (US$ 7,764)	Negotiated price	Similar	Similar	$ 306,802 (US$ 9,270)	76	$ -