TXC Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 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 consolidated balance sheets of TXC Corporation and subsidiaries (collectively, the "Corporation") as of June 30, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on reviews.

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 consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, on January 1, 2006, TXC Corporation and subsidiaries 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 SFASs.

August 6, 2007

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

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements shall prevail.

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Per Share Amount)
(Reviewed, Not Audited)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,015,166	16	$ 311,146	6
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	1,568	-	-	-
Available-for-sale financial assets (Notes 2, 3 and 6)	210,392	3	110,419	2
Notes receivable, net (Notes 2 and 7)	4,250	-	151,014	3
Accounts receivable, net (Notes 2, 7, 22 and 23)	1,626,013	25	1,334,797	25
Inventories, net (Notes 2 and 8)	804,030	12	794,254	15
Other current assets (Notes 2 and 18)	127,002	2	130,645	3
Total current assets	3,788,421	58	2,832,275	54
LONG-TERM INVESTMENTS				
Financial assets carried at cost (Notes 2 and 9)	3,000	-	3,000	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 23)				
Cost				
Land	157,040	2	157,040	3
Land improvements	442	-	442	-
Buildings	765,588	12	449,742	8
Machinery and equipment	2,940,198	45	2,447,447	47
Transportation equipment	10,084	-	7,780	-
Miscellaneous equipment	130,859	2	100,058	2
Land - revaluation increment	8,954	-	8,954	-
	4,013,165	61	3,171,463	60
Less accumulated depreciation	(1,372,545)	(21)	(975,005)	(18)
Unfinished construction and prepayments for purchase of equipment	71,249	1	87,184	2
Property, plant and equipment, net	2,711,869	41	2,283,642	44
INTANGIBLE ASSETS				
Pension prepayment (Notes 2 and 16)	7,947	-	7,947	-
Land right	16,075	-	15,499	-
Total intangible assets	24,022	-	23,446	-
OTHER ASSETS				
Idle assets (Notes 2 and 11)	4,401	-	3,549	-
Refundable deposits	3,156	-	1,921	-
Deferred charges, net	21,872	-	19,457	-
Deferred income tax assets (Notes 2 and 18)	30,461	1	82,935	2
Total other assets	59,890	1	107,862	2
TOTAL	$ 6,587,202	100	$ 5,250,225	100

	2007		2006	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 12)	$ 246,115	4	$ 428,853	8
Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	460	-	34	-
Notes payable (Note 22)	52,137	1	46,655	1
Accounts payable (Note 22)	699,773	10	653,173	12
Accrued expenses (Note 15 and 22)	159,997	2	120,272	2
Dividend payable (Note 17)	412,065	6	188,909	4
Current portion of long-term loans (Notes 14 and 23)	-	-	135,000	3
Other current liabilities	108,965	2	54,149	1
Total current liabilities	1,679,512	25	1,627,045	31
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	12,444	-	18,375	1
Bonds payable (Notes 2 and 13)	678,455	11	2,634	-
Long-term loans, net of current portion (Notes 14 and 23)	270,000	4	425,372	8
Other financial liabilities (Notes 2 and 13)	62,767	1	-	-
Total long-term liabilities	1,023,666	16	446,381	9
OTHER LIABILITIES				
Land value increment tax reserve (Notes 2 and 10)	3,512	-	3,512	-
Guarantee deposits received	116	-	279	-
Total other liabilities	3,628	-	3,791	-
Total liabilities	2,706,806	41	2,077,217	40
STOCKHOLDERS' EQUITY				
Capital stock (Note 17)				
Common stock, $10 par value; Authorized - 300,000 thousand shares in 2007 and 260,000 thousand shares in 2006; Issued - 206,032 thousand shares in 2007 and 188,943 thousand shares in 2006	2,060,323	31	1,889,426	36
Advance receipts for common stock	5,923	-	-	-
Stock dividend to be distributed	241,151	4	147,692	3
Capital surplus	603,634	9	509,546	10
Retained earnings				
Legal reserve	238,045	4	153,821	3
Special reserve	-	-	-	-
Unappropriated earnings	655,275	10	460,376	8
Cumulative translation adjustments (Note 2)	70,211	1	6,286	-
Unrealized gains on financial instruments (Notes 2 and 3)	392	-	419	-
Asset revaluation reserve	5,442	-	5,442	-
Total stockholders' equity	3,880,396	59	3,173,008	60
TOTAL	$ 6,587,202	100	$ 5,250,225	100

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

(With Deloitte & Touche review report dated August 6, 2007)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 2,728,692	101	$ 2,370,403	101
LESS SALES DISCOUNTS AND RETURNS	(23,410)	(1)	(26,139)	(1)
NET OPERATING REVENUE	2,705,282	100	2,344,264	100
COST OF SALES	1,888,836	70	1,718,607	73
GROSS PROFIT	816,446	30	625,657	27
OPERATING EXPENSES				
Sales and marketing	162,275	6	117,711	5
General and administration	49,869	2	57,504	3
Research and development	87,779	3	55,631	2
Total operating expenses	299,923	11	230,846	10
OPERATING INCOME	516,523	19	394,811	17
NONOPERATING INCOME AND GAINS				
Interest income	8,135	-	1,274	-
Valuation gain on financial instruments	7,601	-	4,614	-
Gain on disposal of assets	604	-	-	-
Gain on disposal of investments	350	-	368	-
Foreign exchange gains	55,163	2	39,837	2
Others	21,914	1	22,063	1
Total nonoperating income and gains	93,767	3	68,156	3
NONOPERATING EXPENSES AND LOSSES				
Interest expense	21,313	1	17,681	1
Loss on disposal of assets	422	-	5,097	-
Loss on physical inventories	197	-	592	-
Foreign exchange losses	49,294	2	48,189	2
Loss on decline in value of inventories	12,412	-	12,839	1
Impairment loss	502	-	848	-
Others	5,236	-	4,338	-
Total nonoperating expenses and losses	89,376	3	89,584	4

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	$ 520,914	19	$ 373,383	16
INCOME TAX EXPENSE (Notes 2 and 18)	(57,752)	(2)	(32,219)	(1)
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	463,162	17	341,164	15
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, Net of tax benefit of NT$5,756 thousand	-	-	(17,267)	(1)
NET INCOME	$ 463,162	17	$ 323,897	14

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 20)				
Basic	$ 2.53	$ 2.25	$ 1.71	$ 1.59
Diluted	$ 2.41	$ 2.13	$ 1.70	$ 1.58

(Concluded)

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

(With Deloitte & Touche review report dated August 6, 2007)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Capital Stock				Retained Earnings			Other			
	Common Stock	Advance Receipts for Common Stock	Stock Dividends	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Gains on Financial Instruments	Asset Revaluation Reserve	Total
BALANCE, JANUARY 1, 2007	$2,056,983	$ -	$ -	$ 573,156	$ 153,821	$ -	$ 978,720	$ 36,388	$ 183	$ 5,442	$3,804,693
Appropriation of 2006 earnings											
Legal reserve	-	-	-	-	84,224	-	(84,224)	-	-	-	-
Stock dividends	-	-	206,032	-	-	-	(206,032)	-	-	-	-
Cash dividends	-	-	-	-	-	-	(412,065)	-	-	-	(412,065)
Bonus to employees - capital stock	-	-	35,119	-	-	-	(70,238)	-	-	-	(35,119)
Remuneration to directors and supervisors	-	-	-	-	-	-	(14,048)	-	-	-	(14,048)
Convertible bonds converted to common stock	-	5,923	-	26,862	-	-	-	-	-	-	32,785
Employee stock option be converted to common stock	3,340	-	-	3,616	-	-	-	-	-	-	6,956
Net income for the six months ended June 30, 2007	-	-	-	-	-	-	463,162	-	-	-	463,162
Unrealized gains on available-for-sale financial assets	-	-	-	-	-	-	-	-	209	-	209
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	33,823	-	-	33,823
BALANCE, JUNE 30, 2007	$2,060,323	$ 5,923	$ 241,151	$ 603,634	$ 238,045	$ -	$ 655,275	$ 70,211	$ 392	$ 5,442	$3,880,396
BALANCE, JANUARY 1, 2006	$1,861,987	$ -	$ -	$ 491,400	$ 105,774	$ 34,087	$ 493,909	$ 8,696	$ -	$ 5,442	$3,001,295
Effect of adopting the newly released Statement of Financial Accounting Standards No. 34	-	-	-	-	-	-	(17,267)	-	-	-	(17,267)
Appropriation of 2005 earnings											
Legal reserve	-	-	-	-	48,047	-	(48,047)	-	-	-	-
Special reserve	-	-	-	-	-	(34,087)	34,087	-	-	-	-
Stock dividends	-	-	113,345	-	-	-	(113,345)	-	-	-	-
Cash dividends	-	-	-	-	-	-	(188,909)	-	-	-	(188,909)
Bonus to employees - capital stock	-	-	34,347	-	-	-	(34,347)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	(6,869)	-	-	-	(6,869)
Convertible bonds converted to common stock	9,719	-	-	7,581	-	-	-	-	-	-	17,300
Employee stock option be converted to common stock	17,720	-	-	10,565	-	-	-	-	-	-	28,285
Net income for the six months ended June 30, 2006	-	-	-	-	-	-	341,164	-	-	-	341,164
Unrealized gains on available-for-sale financial assets	-	-	-	-	-	-	-	-	419	-	419
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(2,410)	-	-	(2,410)
BALANCE, JUNE 30, 2006	$1,889,426	$ -	$ 147,692	$ 509,546	$ 153,821	$ -	$ 460,376	$ 6,286	$ 419	$ 5,442	$3,173,008

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

(With Deloitte & Touche review report dated August 6, 2007)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 463,162	$ 323,897
Cumulative effect of changes in accounting principles	-	17,267
Net income before cumulative effect of changes in accounting principles	463,162	341,164
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	213,833	161,606
Nonoperating loss - idle assets	262	1,279
Amortization	29,383	21,410
Bad debt expense (gain on receivables)	(2,165)	3,400
Loss on decline in value of inventories	12,412	12,839
Loss on physical inventories	197	592
Gain on disposal of investments	(350)	(368)
Loss on disposal of assets	(182)	5,097
Unrealized gain on financial instruments, net	(7,601)	(4,614)
Impairment loss	502	848
Accrued interest compensation	10,697	(565)
Deferred income tax	28,882	(8,767)
Other	(1,588)	-
Net changes in operating assets and liabilities		
Notes receivable	40,542	(66,015)
Accounts receivable	177,451	(35,375)
Inventories	(81,460)	(102,112)
Other current assets	(8,744)	(24,931)
Notes payable	(3,148)	(5,766)
Accounts payable	(55,340)	71,612
Accrued expenses	(19,932)	(27,252)
Other current liabilities	(29,423)	(2,605)
Net cash provided by operating activities	767,390	341,477
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(150,011)	(220,000)
Proceeds from disposal of available-for-sale financial assets	90,362	170,368
Acquisition of property, plant and equipment	(320,607)	(337,282)
Proceeds from disposal of property, plant and equipment	1,363	859
(Increase) decrease in refundable deposits paid	(134)	461
Increase in deferred assets	(28,713)	(29,156)
Net cash used in investing activities	(407,740)	(414,750)

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 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	$ (97,146)	$ 75,115
(Decrease) increase in long-term loans	(160,876)	20,052
(Decrease) increase in guarantee deposits received	(113)	29
Proceeds from the exercise of employee stock option	6,956	28,285
Net cash (used in) provided by financing activities	(251,179)	123,481
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	6,269	1,606
NET INCREASE IN CASH AND CASH EQUIVALENTS	114,740	51,814
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	900,426	259,332
CASH AND CASH EQUIVALENTS, END OF PERIOD	$1,015,166	$ 311,146
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (including interest capitalized $2,762 thousand)	$ 22,369	$ 16,779
Income tax	$ 74,206	$ 34,749
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term loans to current liabilities	$ -	$ 135,000
Declaration of cash dividends from earnings	$ 412,065	$ 188,909
Convertible bonds	$ 30,800	$ 17,300

(Concluded)

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

(With Deloitte & Touche review report dated August 6, 2007)

TXC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

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

TXC and its consolidated subsidiaries, listed in Note 2, are hereinafter collectively referred to as the "Corporation."

As of June 30, 2007 and 2006, the Corporation had 1,751 and 1,550 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated 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 law, 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 consolidated 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 consolidated financial statements shall prevail.

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of TXC and its subsidiaries. All significant intercompany balances and transactions are eliminated upon consolidation.

The consolidated entities were as follows:

Name of Investor	Name of Investee	Business Nature	Percentage of Ownership at June 30, 2007	Percentage of Ownership at June 30, 2006
TXC Corporation	Taiwan Crystal Technology International Limited ("TCTI")	Investment holding	100%	100%
	TXC Technology, Inc.	Marketing activities	100%	100%
	TXC Japan Corporation	Marketing activities	100%	100%
TCTI	Growing Profits Trading Ltd. ("GPT")	National trading	100%	100%
	TXC (NGB) Corporation ("NGB")	Manufacture and sales of electronics products	100%	100%

a. TCTI was incorporated on December 23, 1998 in Samoa.

b. TXC Technology, Inc. was incorporated on December 1, 2000 in California, U.S.A.

c. TXC Japan Corporation was incorporated on September 13, 2005 in Yokhoma, Japan.

d. GPT was incorporated on March 9, 1999 in the British Virgin Islands.

e. NGB was incorporated on March 12, 1999 in Ningbo Economic Technical Development Zone in China.

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 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 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 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.

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 of: buildings - 5 to 60 years; machinery and equipment - 3 to 10 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 based on 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 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.

TCTI and GPT are tax-exempted companies incorporated in Samoa and the British Virgin Islands.

The Corporation's other subsidiaries, including TXC Technology, Inc., TXC Japan Corporation and NGB, are subject to their respective local country's income tax law.

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 six months ended June 30, 2006 have been reclassified to be consistent with the presentation of the financial statements for the six months ended June 30, 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 for 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 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 tax), 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 six months ended June 30, 2006.

4. CASH AND CASH EQUIVALENTS

	June 30 2007	June 30 2006
Cash on hand	$ 2,065	$ 1,347
Checking accounts and demand deposits	312,007	167,530
Time deposits	58,094	42,119
Cash equivalents		
Bonds	643,000	100,150
	$ 1,015,166	$ 311,146

5. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30 2007	June 30 2006
Derivatives - financial asset		
Forward contracts	$ 1,568	$ -
Derivatives - financial liabilities		
Forward contracts	$ 460	$ 34
Interest rate swap contracts	$ 12,444	$ 18,375

The Corporation entered into derivative transactions during the six months ended June 30, 2007 and 2006 to manage exposures related to foreign exchange rate and interest rate fluctuations.

Outstanding forward contracts as of June 30, 2007 and 2006:

	Currency	Maturity	Contract Amount (In Thousands)
June 30, 2007			
Sell	USD/NTD	August 29, 2007	US$9,500/NT$312,316
Sell	USD/JPY	September 5, 2007	US$2,416/JP¥293,255
Sell	NTD/JPY	September 27, 2007	US$73,395/JP¥270,000
Sell	USD/RMB	January 4, 2008	US$7,000/RMB53,143
June 30, 2006			
Sell	USD/NTD	July 28, 2006	US$250/NT$8,142
Sell	USD/JPY	July 31, 2006	US$1,750/JP¥200,260
Sell	USD/RMB	August 30, 2006	US$1,000/RMB7,932

Outstanding Interest rate swap contracts as of June 30, 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 gains and losses arising from derivative financial instruments for the six months ended June 30, 2007 and 2006 were $13,146 thousand and $860 thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2007	2006
Mutual funds	$210,392	$110,419

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	June 30	
	2007	2006
Notes receivable from third parties	$ 4,272	$ 151,854
Notes receivable from related parties	-	-
	4,272	151,854
Less allowance for doubtful accounts	(22)	(840)
	$ 4,250	$ 151,014
Accounts receivable from third parties	$1,632,019	$1,341,427
Accounts receivable from related parties	7,397	7,671
	1,639,416	1,349,098
Less allowance for doubtful accounts	(13,403)	(14,301)
	$1,626,013	$1,334,797

Changes in allowance for doubtful accounts:

	Six Months Ended June 30			
	2007		2006	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of period	$ 224	$ 15,366	$ 510	$ 11,231
Add bad debt expense	-	-	330	3,070
Less gain on receivables	(202)	(1,963)	-	-
Balance, end of period	$ 22	$ 13,403	$ 840	$ 14,301

8. INVENTORIES

	June 30 2007	June 30 2006
Raw materials	$200,879	$186,440
Supplies	13,454	10,153
Work in-process	164,325	158,234
Finished goods	217,669	231,912
Merchandise inventories	187,400	204,496
Merchandise in transit	55,785	26,782
	839,512	818,017
Less allowance for loss on decline in market value and obsolescence	(35,482)	(23,763)
	$804,030	$794,254

9. FINANCIAL ASSETS CARRIED AT COST

	June 30 2007	June 30 2006
Non-publicly traded stocks	$ 3,000	$ 3,000

10. PROPERTY, PLANT AND EQUIPMENT

	June 30			
	2007			2006
	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	378	64	134
Buildings	765,588	172,884	592,704	307,665
Machinery and equipment	2,940,198	1,123,041	1,817,157	1,673,804
Transportation equipment	10,084	3,949	6,135	3,993
Miscellaneous equipment	130,859	72,293	58,566	44,868
Prepayments for purchase of equipment	47,788	-	47,788	15,114
Prepayments for building purchase	19,096	-	19,096	-
Unfinished construction	4,365	-	4,365	72,070
	$4,084,414	$1,372,545	$2,711,869	$2,283,642

See Note 23 for the details on property, plant and equipment pledged as collaterals.

Interest expenses capitalized for the six months ended June 30, 2007 amounted to $2,762 thousand, with interest rate of 2.63%.

11. IDLE ASSETS

	June 30, 2007		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	6,549	4,401	2,148
Machinery and equipment	10,128	10,128	-
	$18,930	$14,529	$ 4,401

	June 30, 2006		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	6,944	5,648	1,296
Machinery and equipment	6,602	6,602	-
	$15,799	$12,250	$ 3,549

12. SHORT-TERM LOANS

	June 30			
	2007		2006	
	Amount	Interest Rate %	Amount	Interest Rate %
Material procurements loans	$ 54,863	1.20~1.82	$214,590	0.72~1.485
Unsecured bank loans	191,252	2.86~6.5	214,263	1.745~6.46
	$246,115		$428,853	

See Note 23 for details of pledged assets.

13. BONDS PAYABLE

	June 30	
	2007	2006
First domestic unsecured convertible corporate bonds	$ -	$ 2,500
Add accrued interest compensation	-	134
Second domestic unsecured convertible corporate bonds	769,200	-
Liability component of domestic unsecured convertible corporate bonds		
Discount on bonds payable	(90,745)	-
Other financial liabilities	62,767	-
	$741,222	$ 2,634

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 June 30, 2007, the Corporation’s outstanding domestic unsecured convertible corporate bonds were $769,200 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 17), 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.

14. LONG-TERM LOANS

		June 30	
Nature of Loans	**Repayment Period**	**2007**	**2006**
Machinery loans	Repayable at maturity on March 20, 2014	$ 70,000	$ -
Unsecured bank loans	Repayable at maturity on October 26, 2008	200,000	200,000
Secured bank loans	Repayable in monthly installments, maturing on August 31, 2008	-	57,872
Chinatrust’s loan		-	302,500
		270,000	560,372
Less current portion		-	(135,000)
		$ 270,000	$ 425,372
Interest rate (%)		2.15~2.685	2.15~5.85

See Note 23 for collateral on long-term loans.

As of June 30, 2007, the Corporation had issued to various banks promissory notes amounting to $1,795,500 thousand to secure short-term loans and long-term loans.

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 June 30, 2007.

15. ACCRUED EXPENSES

	June 30	
	2007	**2006**
Accrued payroll	$ 80,918	$ 56,618
Accrued insurance expense	5,455	4,943
Accrued service fee	7,534	574
Accrued commission	19,785	11,005
Others	46,305	47,132
	$159,997	$120,272

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 $7,114 thousand and $6,093 thousand for the six months ended June 30, 2007 and 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. The Corporation recognized pension costs of $2,043 thousand and $2,134 thousand for the six months ended June 30, 2007 and 2006.

17. CAPITAL STOCK

The Corporation's authorized capital is $3,000,000 thousand and $2,600,000 thousand at June 30, 2007 and 2006 ($10.00 par value per share). As of June 30, 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 six months ended June 30, 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	-		1,357	

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:

	June 30	
	2007	**2006**
Additional paid-in capital	$290,248	$290,248
Convertible bonds	217,170	187,794
Employee stock option	58,064	31,504
Warrants	38,152	-
	$603,634	$509,546

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 - not less than 3%
(b) Directors and supervisors' remuneration - not more than 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 stockholders 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 2006 and 2005 were approved in the stockholders' meeting held on June 13, 2007 and June 15, 2006, respectively. The appropriations and dividends per share are as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2006	For Fiscal Year 2005	For Fiscal Year 2006	For Fiscal Year 2005
Legal reserve	$ 84,224	$ 48,047	$ -	$ -
Cash dividends	412,065	188,909	2.00	1.00
Stock dividends	206,032	113,345	1.00	0.60
Employees' bonus - stock	35,119	34,347	-	-
Employee's bonus - cash	35,119	-	-	
Remuneration to directors and supervisors - cash	14,048	6,869	-	-

The Board of Directors set August 15, 2007 as the ex-dividend date.

Unrealized Gains on Financial Instruments

Summary of changes in the unrealized gains on financial instruments for the six months ended June 30, 2007 and 2006 is as follows:

	Available-for-Sale Financial Assets	Total
Six months ended June 30, 2007		
Balance, beginning	$ 183	$ 183
Fair value changes recognized directly in equity	304	304
Transfer to current gains or loss upon sales of financial assets	(95)	(95)
Balance, ending	$ 392	$ 392
Six months ended June 30, 2006		
Balance, beginning	$ -	$ -
Fair value changes recognized directly in equity	419	419
Balance, ending	$ 419	$ 419

18. INCOME TAX

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

	Six Months Ended June 30	
	2007	2006
Tax on pretax income at statutory rate	$136,504	$101,525
Add (deduct) tax effects of		
Permanent differences	(88)	(12,318)
Temporary differences	(20,797)	1,492
Tax-exempt income for five years	(41,494)	(17,507)
Income tax (10%) on undistributed earnings	5,563	8,895
Investment tax credit	(42,751)	(42,004)
Current tax credit	$ 36,937	$ 40,083

Income tax expense consisted of the following:

	Six Months Ended June 30	
	2007	2006
Current tax expense	$ 36,937	$ 40,083
Prior year’s adjustment	(8,067)	903
Deferred tax (benefit) expense		
Temporary difference	5,690	(1,491)
Investment tax credits	23,192	(7,276)
Income tax expense	$ 57,752	$ 32,219

Changes of income tax payable:

	June 30	
	2007	2006
Balance, beginning of period	$ 74,456	$ 30,437
Accrued income tax this year	36,937	40,083
Current payment	(74,206)	(34,749)
Adjustment of prior years' tax expense	(15)	791
Balance, end of period	$ 37,172	$ 36,562

Deferred income tax assets and liabilities as of June 30, 2007 and 2006 were as follows:

	June 30	
	2007	2006
Deferred income tax assets, current		
Investment tax credit	$ 25,326	$ 32,524
Loss on decline in value of inventories	7,947	4,998
Unrealized foreign exchange loss	3,656	511
Allowance for doubtful accounts	91	-
Unrealized valuation loss on financial instruments	115	4,602
Unrealized gain on transactions with investees	1,158	1,529
	38,293	44,164
Deferred income tax liabilities, current		
Unrealized foreign exchange gain	(4,011)	(1,550)
Net deferred income tax assets, current	$ 34,282	$ 42,614
Deferred income tax assets, noncurrent		
Investment tax credit	$ 75,977	$ 97,572
Impairment loss	2,156	2,172
Unrealized valuation gain on financial instruments	3,111	-
Others	331	331
	81,575	100,075
Deferred income tax liabilities, noncurrent		
Investment income	(51,114)	(17,140)
Net deferred income tax assets, noncurrent	$ 30,461	$ 82,935

The Corporation's investment tax credits as of June 30, 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	$ 58,850	$ 58,850	2011
	Research and development expenditures	77,766	40,999	2011
	Personnel training	1,454	1,454	2011
		$138,070	$101,303	

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 2004 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 stockholders income tax expense in the year when dividends are distributed. The information of imputation credit accounts ("ICA") was as follows:

	June 30	
	2007	**2006**
Balance of ICA	$ 74,687	$ 48,255

	2007 (Estimate)	**2006 (Actual)**
Estimated imputation	8.34%	10.88%

	June 30	
	2007	**2006**
Undistributed earnings		
Until 1997	$ -	$ -
From 1998 and thereafter	655,275	460,376
	$655,275	$460,376

19. LABOR COST, DEPRECIATION AND AMORTIZATION

Function / Expense Item	**Six Months Ended June 30**					
	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	165,986	120,516	286,502	144,765	87,388	232,153
Labor and health insurance	7,869	6,021	13,890	9,305	4,879	14,184
Pension	5,060	4,658	9,718	5,238	3,170	8,408
Meal	5,884	4,040	9,924	5,420	2,760	8,180
Welfare	3,020	2,322	5,342	2,499	3,651	6,150
Others	-	-	-	-	-	-
Depreciation	181,498	32,335	213,833	134,806	26,800	161,606
Amortization	2,246	27,137	29,383	3,913	17,497	21,410

20. EARNINGS PER SHARE

	Six Months Ended June 30			
	2007		2006	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (dollars)				
Income from continuing operations	$ 2.53	$ 2.25	$ 1.83	$ 1.68
Cumulative effect of changes in accounting principles	-	-	(0.12)	(0.09)
Net income	$ 2.53	$ 2.25	$ 1.71	$ 1.59
Retroactive adjustment for stock dividends after balance sheet date	$ 2.53	$ 2.25	$ 1.71	$ 1.59
Diluted earnings per share (dollars)				
Income from continuing operations	$ 2.41	$ 2.13	$ 1.82	$ 1.67
Cumulative effect of changes in accounting principles	-	-	(0.12)	(0.09)
Net income	$ 2.41	$ 2.13	$ 1.70	$ 1.58
Retroactive adjustment for stock dividends after balance sheet date	$ 2.41	$ 2.13	$ 1.70	$ 1.58

	Six Months Ended June 30									
	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	$ 521,442	$ 463,162				$ 347,264	$ 323,897			
Basic earnings per share	$ 521,442	$ 463,162	205,885	$ 2.53	$ 2.25	$ 347,264	$ 323,897	203,135	$ 171	$ 1.59
Convertible bonds	11,505	8,629	15,385			112	84	398		
Employee stock option	-	-	107			-	-	1,265		
Net diluted earnings per share	$ 532,947	$ 471,791	221,377	$ 2.41	$ 2.13	$ 347,376	$ 323,981	204,798	$ 1.70	$ 1.58

21. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair values of assets and liabilities were as follows:

	June 30			
	2007		2006	
	Book Value	Estimated Fair Value	Book Value	Estimated Fair Value
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$ 1,568	$ 1,568	$ -	$ -
Available-for-sale financial assets, current	210,392	210,392	110,419	110,419
Liabilities				
Bonds payable	741,222	741,222	2,634	2,634
Long-term loans (including current portion	270,000	270,000	560,372	560,372
Derivative financial instruments				
Interest rate swap contract				
Taiwan	(12,444)	(12,444)	(18,375)	(18,375)
Forward contract				
Taiwan	(460)	(460)	(133)	(133)
Foreign country	1,568	1,568	99	99

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	
	June 30		June 30	
	2007	2006	2007	2006
Assets				
Financial asset at fair value through profit or loss	$ -	$ -	$ 1,568	$ -
Available-for-sale financial assets, current	210,392	110,419	-	-
Liabilities				
Financial liabilities at fair value through profit or loss, current			460	34
Bonds payable			741,222	2,634
Long-term loans (including current portion)		-	270,000	560,372
Financial liabilities at fair value through profit of loss, noncurrent			12,444	18,375

As of June 30, 2007 and 2006, financial liabilities exposed to fair value risk were $12,444 thousand and $18,375 thousand.

Information about financial risks was 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.

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
K&H MFG. Co., Ltd. (K&H)	Chairman is the Corporation's vice-president

Major transactions with related parties were summarized below:

Sales

	Six Months Ended June 30			
	2007		2006	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 9,628	-	$ 11,242	-

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

Other Expense

	Six Months Ended June 30			
	2007		2006	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Tai-Shing	$ 3,013	3	$ 3,821	4
K&H	240	-	-	-
	$ 3,253	-	$ 3,821	4

Receivables and Payables

		June 30			
		2007		2006	
Item	Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts receivable	Tai-Shing	$ 7,397	-	$ 7,671	-
Notes payable	Tai-Shing	$ 937	-	$ 1,664	4
Accounts payable	Tai-Shing	$ 292	-	$ 503	-
Accrued expenses	Tai-Shing	$ 547	-	$ 5	-

23. PLEDGED ASSETS

As of June 30, 2007 and 2006, the following assets had been pledged at their book values to secure short-term loans, long-term loans and commercial paper issued:

	2007	2006
Accounts receivable	$ 7,873	$ -
Property, plant and equipment		
Land	165,994	165,994
Buildings, net	212,222	261,642
Machinery and equipment, net	359,024	549,941
Intangible asset	16,075	15,499
	$761,188	$993,076

24. COMMITMENT AND CONTINGENCIES

The Corporation's commitments and contingencies as of June 30, 2007, which were not shown in the financial statements, were as follows:

a. Guarantee for short-term loan and long-term loan, please refer to Note 14.

b. Unused letters of credit of about JP¥170,936 thousand.

25. 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: Table 3 (attached).

e. Acquisition of individual real estate properties at costs of at least $100 million or 20% of the paid-in capital: Table 4 (attached).

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 5 (attached).

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6 (attached).

i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 7 (attached).

j. Derivative transactions: Please refer to Note 21.

k. Investment in Mainland China: Table 8 (attached).

l. Intercompany relationship and significant intercompany transaction: Table 9 (attached).

TABLE 1

TXC CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars)

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	$ 1,940,198	$ 33,089	$ 33,089	$ -	1	$ 3,880,396
		GPT	Subsidiary	1,940,198	241,550	158,827	-	4	3,880,396
		TXC (Ningbo) Corporation	Subsidiary	1,940,198	97,365	97,365	-	2	3,880,396

Note 1: Not to exceed 50% of the Corporation's net equity. ($3,880,396 thousand × 50% = $1,940,198 thousand)
Note 2: Not to exceed the net worth of the Corporation.

TXC CORPORATION

MARKETABLE SECURITIES HELD
JUNE 30, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2007				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	Bond							
	Government Bond	-	Cash and cash equivalents	-	$ 513,000	-	$ -	
	Financial Bond	-	〃	-	130,000	-	-	
					$ 643,000			
	Beneficiary certificate							
	Ta Chong Bond Fund	-	Available-for-sale financial assets	4,604	$ 60,408	-	$ 60,408	
	Fubon Chi-Hsiang Fund	-	〃	2,062	30,226	-	30,226	
	Fubon Jin-Ju-I Fund	-	〃	2,454	30,409	-	30,409	
	Mega Diamond Bond Fund	-	〃	2,596	30,096	-	30,096	
	Yuanta Fund	-	〃	3,000	29,130	-	29,130	
	ING Taiwan Income III Fund	-	〃	2,740	30,123	-	30,009	
					$ 210,392			
	Stock							
	TCTI	Subsidiary	Long-term investments - equity method	29,622	$ 1,257,202	100	-	
	TXC Technology Inc.	Subsidiary	〃	300	6,788	100	-	
	TXC Japan Corporation	Subsidiary	〃	2	2,724	100	-	
					$ 1,266,714			
	Marson Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	414	$ 3,000	5	-	
TCTI	Stock							
	GPT	Subsidiary	Long-term investments - equity method	50	$ 30,379 (US$ 928)	100	-	
	TXC (Ningbo) Corporation	Subsidiary	〃	US$ 29,622	$ 1,231,971 (US$ 37,635)	100	-	

TABLE 3

TXC CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
TXC Corporation	Government Bond	Cash and cash equivalents	-	-	-	$ -	-	$ 300,000	-	$ 300,776	$ 300,000	$ 776	-	$ -
	〃	〃	-	-	-	-	-	300,000	-	300,697	300,000	697	-	-
	〃	〃	-	-	-	-	-	300,000	-	-	-	-	-	300,000

TABLE 4

TXC CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
TXC Corporation	Buildings	2007.05.31	$141,879	Full payment	Note	-	-	None	-	$ -	-	Operating purpose	-

Note: Construction on Corporation's own land.

TXC CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)

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	$ 474,704	33	-	-	-	$ (296,033)	(38)	

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

TXC CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

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	$ 296,033 (US$ 9,032)	3.3	$ -	-	$ 148,519 (US$ 4,537)	$ -

TABLE 7

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
JUNE 30, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of JUNE 30, 2007			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				June 30, 2007	December 31, 2006	Shares (in Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN Samoa	Investment holding	$ 981,061 US$ 29,622	$ 964,547 US$ 29,122	29,622	100	$ 1,257,202	$ 65,853	$ 68,795	
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 US$ 300	9,879 US$ 300	300	100	6,788	4,109	4,109	
	TXC Japan Corporation	Japan	Marketing activities	4,661 JP¥ 16,000	4,661 JP¥ 16,000	2	100	2,724	31	31	
TCTI	GPT	B.V.I.	National trading	US$ 50	US$ 50	50	100	30,379 US$ 928	6,121 US$ 185	6,121 US$ 185	
	NGB	Ningbo	Manufacture and sales of electronics products	US$ 29,622	US$ 29,122	US$ 29,622	100	1,231,971 US$ 37,635	59,731 US$ 1,809	59,731 US$ 1,809	

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars and U.S. Dollars)

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 June 30, 2007 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2007 (US$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses)	Carrying Value as of June 30, 2007	Accumulated Inward Remittance of Earnings as of June 30, 2007
					Outflow (US$ in Thousand)	Inflow					
TXC (Ningbo) Corporation	Manufacturing and sales of crystal and crystal oscillator	$ 981,061 (US$ 29,622)	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	$ 904,965 (US$ 27,287)	$ 16,513 (US$ 500)	$ -	$ 921,478 (US$ 27,787)	100	$ 59,731 (US$ 1,809)	$ 1,231,971 (US$ 37,635)	$ -

2. The limitation on investment:

Accumulated Investment in Mainland China as of June 30, 2007 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment (Note)
$921,478 (US$27,787)	$989,469 (US$29,835)	$1,552,158

Note: Not to exceed 40% of the Corporation's net equity ($3,880,396 thousand × 40% = $1,552,158 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	Sale	$ 43,243 (US$ 1,306)	Negotiated price	Similar with third parties	Similar	$ 34,876 (US$ 1,065)	3	$ -
		Purchase	$ 474,704 (US$ 14,352)	Negotiated price	Similar with third parties	Similar	$ 296,033 (US$ 9,032)	38	$ -

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC Technology, Inc.	1	Sales	2,403	-	-
				Other expense - consulting expense	19,835	-	1
				Accounts receivable	103	-	-
				Other current assets	5,940	-	-
		TXC Japan Corporation	1	Sales	2,449	-	-
				Other expense - consulting expense	10,952	-	-
				Accounts receivable	1,781	-	-
				Accrued expense	10	-	-
		Growing profits Trading Ltd.	1	Purchase	1,542	-	-
		TXC (NGB) Corporation		Sales	43,243	-	2
				Purchase	474,704	-	17
				Other expense - consulting expense	11,599	-	-
				Accounts receivable	34,876	-	-
				Other current assets	596	-	-
				Accounts payable	296,033	-	4
				Accrued expense	7,584	-	-
1	Growing profits Trading Ltd.	Taiwan Crystal Technology Inc.	3	Other receivable	1,669	-	-

Note 1: 1. Represents the transactions from parent company to subsidiary.
3. Represent the transactions between subsidiaries.

Note2: The term of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, price are determined in accordance with mutual agreement.