

TXC Corporation

**Financial Statements for the
Six Months Ended June 30, 2007 and 2006 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying balance sheets of TXC Corporation (the "Corporation") as of June 30, 2007 and 2006, and the related statements of income, changes in stockholders' equity, and cash flows for the six months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, 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 stated 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 SFASs.

We have also reviewed the consolidated financial statements of TXC Corporation and subsidiaries as of and for the six months ended June 30, 2007 and 2006 on which we have issued a report dated August 6, 2007.

August 6, 2007

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

TXC CORPORATION

BALANCE SHEETS

JUNE 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

ASSETS	2007		2006		LIABILITIES AND STOCKHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 875,930	14	\$ 259,310	5	Short-term loans (Note 13)	\$ 74,863	1	\$ 284,590	6
Available-for-sale financial assets (Notes 2, 3 and 6)	210,392	3	110,419	2	Notes payable (Note 23)	52,137	1	46,656	1
Notes receivable, net (Notes 2 and 7)	4,250	-	151,014	3	Accounts payable to third parties	469,475	7	427,330	8
Accounts receivable, net (Notes 2, 7 and 23)	1,541,685	24	1,241,716	25	Accounts payable to related parties (Note 23)	296,325	5	204,588	4
Inventories, net (Notes 2 and 8)	654,592	10	658,889	13	Accrued expenses (Notes 16 and 23)	134,612	2	97,964	2
Other current assets (Notes 2, 19 and 23)	87,257	1	90,363	2	Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	460	-	34	-
Total current assets	<u>3,374,106</u>	<u>52</u>	<u>2,511,711</u>	<u>50</u>	Dividend payable (Note 18)	412,065	6	188,909	4
LONG-TERM INVESTMENTS (Notes 2, 9 and 10)					Current portion of long-term loans (Notes 15 and 24)	-	-	135,000	3
Investments accounted for using equity method	1,266,714	20	963,768	20	Other current liabilities	92,410	2	48,504	1
Financial assets carried at cost	3,000	-	3,000	-	Total current liabilities	<u>1,532,347</u>	<u>24</u>	<u>1,433,575</u>	<u>29</u>
Total long-term investments	<u>1,269,714</u>	<u>20</u>	<u>966,768</u>	<u>20</u>	LONG-TERM LIABILITIES				
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 24)					Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	12,444	-	18,375	1
Cost					Bonds payable (Notes 2 and 14)	678,455	11	2,634	-
Land	157,040	3	157,040	3	Long-term loans, net of current portion (Notes 15 and 24)	270,000	4	367,500	7
Land improvements	442	-	442	-	Other financial liabilities (Note 14)	62,767	1	-	-
Buildings	580,003	9	274,768	6	Total long-term liabilities	<u>1,023,666</u>	<u>16</u>	<u>388,509</u>	<u>8</u>
Machinery and equipment	1,960,255	30	1,621,887	32	OTHER LIABILITIES				
Transportation equipment	2,557	-	2,557	-	Land value increment tax reserve (Notes 2 and 11)	3,512	-	3,512	-
Miscellaneous equipment	91,204	1	74,870	2	Deferred credits (Notes 2 and 10)	1,076	-	1,047	-
Land - revaluation increment	8,954	-	8,954	-	Total other liabilities	<u>4,588</u>	<u>-</u>	<u>4,559</u>	<u>-</u>
	2,800,455	43	2,140,518	43	Total liabilities	<u>2,560,601</u>	<u>40</u>	<u>1,826,643</u>	<u>37</u>
Less accumulated depreciation	(1,101,213)	(17)	(804,887)	(16)	STOCKHOLDERS' EQUITY				
Unfinished construction and prepayments for purchase of equipment	40,859	1	79,759	1	Capital stock (Note 16)				
Property, plant and equipment, net	<u>1,740,101</u>	<u>27</u>	<u>1,415,390</u>	<u>28</u>	Common stock, \$10 par value;				
INTANGIBLE ASSETS					Authorized - 300,000 thousand and 260,000 thousand shares at June 30, 2007 and 2006;				
Pension prepayment (Notes 2 and 17)	7,947	-	7,947	-	Issued - 206,032 thousand and 188,943 thousand shares at June 30, 2007 and 2006	2,060,323	32	1,889,426	38
OTHER ASSETS					Advance receipts for common stock	5,923	-	-	-
Idle assets (Notes 2 and 12)	4,401	-	3,549	-	Stock dividend to be distributed	241,151	4	147,692	3
Refundable deposits	3,104	-	1,869	-	Capital surplus	603,634	9	509,546	10
Deferred charges, net	11,163	-	9,482	-	Retained earnings (Note 16)				
Deferred income tax assets (Notes 2 and 19)	30,461	1	82,935	2	Legal reserve	238,045	4	153,821	3
Total other assets	<u>49,129</u>	<u>1</u>	<u>97,835</u>	<u>2</u>	Special reserve	-	-	-	-
					Unappropriated earnings	655,275	10	460,376	9
					Cumulative translation adjustments (Note 2)	70,211	1	6,286	-
					Unrealized gains on financial instruments	392	-	419	-
					Asset revaluation reserve	5,442	-	5,442	-
					Total stockholders' equity	<u>3,880,396</u>	<u>60</u>	<u>3,173,008</u>	<u>63</u>
TOTAL	<u>\$ 6,440,997</u>	<u>100</u>	<u>\$ 4,999,651</u>	<u>100</u>	TOTAL	<u>\$ 6,440,997</u>	<u>100</u>	<u>\$ 4,999,651</u>	<u>100</u>

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

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

TXC CORPORATION**STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUE	\$2,597,858	101	\$2,214,848	101
LESS SALES DISCOUNTS AND RETURNS	<u>(23,410)</u>	<u>(1)</u>	<u>(26,139)</u>	<u>(1)</u>
NET OPERATING REVENUE	2,574,448	100	2,188,709	100
COST OF SALES	<u>1,866,031</u>	<u>72</u>	<u>1,654,737</u>	<u>76</u>
GROSS PROFIT	708,417	28	533,972	24
UNREALIZED GAIN ON TRANSACTIONS WITH INVESTEES	(1,076)	-	(1,047)	-
REALIZED GAIN ON TRANSACTIONS WITH INVESTEES	<u>240</u>	<u>-</u>	<u>689</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>707,581</u>	<u>28</u>	<u>533,614</u>	<u>24</u>
OPERATING EXPENSES				
Sales and marketing	119,468	5	92,851	4
General and administration	64,175	3	52,937	2
Research and development	<u>87,779</u>	<u>3</u>	<u>55,631</u>	<u>3</u>
Total operating expenses	<u>271,422</u>	<u>11</u>	<u>201,419</u>	<u>9</u>
OPERATING INCOME	<u>436,159</u>	<u>17</u>	<u>332,195</u>	<u>15</u>
NONOPERATING INCOME AND GAINS				
Interest income	7,737	-	1,041	-
Investment income accounted for by the equity method, net	72,935	3	43,480	2
Gain on disposal of assets	534	-	-	-
Gain on disposal of investments	350	-	368	-
Gain on physical inventories	24	-	-	-
Foreign exchange gains	49,314	2	40,498	2
Valuation gain on financial instruments	6,041	-	4,614	-
Others	<u>17,639</u>	<u>1</u>	<u>20,142</u>	<u>1</u>
Total nonoperating income and gains	<u>154,574</u>	<u>6</u>	<u>110,143</u>	<u>5</u>

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense	\$ 15,814	1	\$ 10,517	-
Loss on disposal of assets	7	-	889	-
Loss on physical inventories	221	-	592	-
Foreign exchange losses	38,728	2	47,190	2
Loss on decline in value of inventories	12,412	-	11,891	1
Others	<u>2,109</u>	<u>-</u>	<u>972</u>	<u>-</u>
Total nonoperating expenses and losses	<u>69,291</u>	<u>3</u>	<u>72,051</u>	<u>3</u>
INCOME BEFORE INCOME TAX	521,442	20	370,287	17
INCOME TAX EXPENSE (Notes 2 and 19)	<u>(58,280)</u>	<u>(2)</u>	<u>(29,123)</u>	<u>(1)</u>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	463,162	18	341,164	16
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, Net of tax benefit of NT\$5,756 thousand	<u>-</u>	<u>-</u>	<u>(17,267)</u>	<u>(1)</u>
NET INCOME	<u>\$ 463,162</u>	<u>18</u>	<u>\$ 323,897</u>	<u>15</u>
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 2.53</u>	<u>\$ 2.25</u>	<u>\$ 1.71</u>	<u>\$ 1.59</u>
Diluted	<u>\$ 2.41</u>	<u>\$ 2.13</u>	<u>\$ 1.70</u>	<u>\$ 1.58</u>

(Concluded)

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

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

TXC CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	Capital Stock				Retained Earnings			Other			Total
	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	
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 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	<u>\$2,060,323</u>	<u>\$ 5,923</u>	<u>\$ 241,151</u>	<u>\$ 603,634</u>	<u>\$ 238,045</u>	<u>\$ -</u>	<u>\$ 655,275</u>	<u>\$ 70,211</u>	<u>\$ 392</u>	<u>\$ 5,442</u>	<u>\$3,880,396</u>
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 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	<u>\$1,889,426</u>	<u>\$ -</u>	<u>\$ 147,692</u>	<u>\$ 509,546</u>	<u>\$ 153,821</u>	<u>\$ -</u>	<u>\$ 460,376</u>	<u>\$ 6,286</u>	<u>\$ 419</u>	<u>\$ 5,442</u>	<u>\$3,173,008</u>

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

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

TXC CORPORATION

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 463,162	\$ 323,897
Cumulative effect of changes in accounting principles	<u>-</u>	<u>17,267</u>
Net income before cumulative effect of changes in accounting principles	<u>463,162</u>	<u>341,164</u>
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	164,632	121,540
Nonoperating loss - idle assets	-	972
Amortization	27,332	19,906
Bad debt expense (gain on receivables)	(2,226)	2,624
Loss on decline in value of inventories	12,412	11,891
Loss on physical inventories	197	592
Gain on disposal of investments	(350)	(368)
Investment income accounted for by the equity method, net	(72,935)	(43,480)
(Gain) loss on disposal of assets	(527)	889
Unrealized gain on financial instruments, net	(6,041)	(4,614)
Unrealized gross profit	1,076	1,047
Realized gross profit	(240)	(689)
Accrued interest compensation	10,697	(565)
Deferred income tax	28,882	(8,767)
Other	(2,019)	-
Net changes in operating assets and liabilities		
Notes receivable	40,542	(66,015)
Accounts receivable	140,785	(55,036)
Inventories	(66,295)	(83,738)
Other current assets	(15,647)	(5,631)
Notes payable	(3,148)	(5,766)
Accounts payable	19,263	75,650
Accrued expenses	(20,775)	(30,580)
Other current liabilities	<u>(38,887)</u>	<u>1,525</u>
Net cash provided by operating activities	<u>679,890</u>	<u>272,551</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(150,011)	(220,000)
Proceeds from disposal of available-for-sale financial assets	90,362	170,368
Acquisition of long-term equity investments	(12,591)	(59,893)
Acquisition of property, plant and equipment	(239,444)	(273,280)
Proceeds from disposal of property, plant and equipment	1,178	600
(Increase) decrease in refundable deposits paid	(134)	461
Increase in deferred assets	<u>(26,997)</u>	<u>(24,650)</u>
Net cash used in investing activities	<u>(337,637)</u>	<u>(406,394)</u>

(Continued)

TXC CORPORATION

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	\$(130,413)	\$ 119,382
(Decrease) increase in long-term loans	(140,000)	32,500
Proceeds from the exercise of employee stock option	<u>6,956</u>	<u>28,285</u>
Net cash (used in) provided by financing activities	<u>(263,457)</u>	<u>180,167</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,796	46,324
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>797,134</u>	<u>212,986</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 875,930</u>	<u>\$ 259,310</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (including interest capitalized \$2,762 thousand)	<u>\$ 18,989</u>	<u>\$ 10,321</u>
Income tax	<u>\$ 74,036</u>	<u>\$ 31,653</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term loans to current liabilities	<u>\$ -</u>	<u>\$ 135,000</u>
Declaration of cash dividends from earnings	<u>\$ 412,065</u>	<u>\$ 188,909</u>
Convertible bonds	<u>\$ 30,800</u>	<u>\$ 17,300</u>
Acquisition of long-term equity investments through payment in the form of machinery	<u>\$ 3,922</u>	<u>\$ 9,723</u>

(Concluded)

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

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

TXC CORPORATION

NOTES TO FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

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

As of June 30, 2007 and 2006, the Corporation had 828 and 794 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 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 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 investments 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 change to the products are transferred to customers, usually upon shipment. Sales returns and discounts, which take into consideration customers' complaints and past experiences, are accrued in the same year of sales.

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

Inventories

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

Financial Assets Carried at Cost

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at original cost, such as non-publicly traded stocks.

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 re-calculated 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 based on total proceeds from the issuance less the (1) fair value of embedded derivatives and (2) issuance costs allocated to bonds 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.

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	<u>(17,267)</u>	<u>-</u>
	<u>\$ (17,267)</u>	<u>\$ 2</u>

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	2006
Cash on hand	\$ 1,680	\$ 969
Checking accounts and demand deposits	173,156	116,072
Time deposits	58,094	42,119
Cash equivalents		
Bonds	<u>643,000</u>	<u>100,150</u>
	<u>\$875,930</u>	<u>\$259,310</u>

5. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30	
	2007	2006
<u>Derivatives - financial liabilities</u>		
Forward contracts	<u>\$ 460</u>	<u>\$ 34</u>
Interest rate swap contracts	<u>\$ 12,444</u>	<u>\$ 18,375</u>

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)
<u>June 30, 2007</u>			
Sell	USD/NTD	August 29, 2007	US\$9,500/NT\$312,316
Sell	USD/JPY	September 5, 2007	US\$2,250/JP¥273,255
Sell	NTD/JPY	September 27, 2007	NT\$73,395/JP¥270,000
<u>June 30, 2006</u>			
Sell	USD/NTD	July 28, 2006	US\$250/NT\$8,142
Sell	USD/JPY	July 31, 2006	US\$1,750/JP¥200,260

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Mutual funds	<u>\$ 210,392</u>	<u>\$ 110,419</u>

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Notes receivable from third parties	\$ 4,272	\$ 151,773
Notes receivable from related parties	<u>-</u>	<u>-</u>
	4,272	151,773
Less allowance for doubtful accounts	<u>(22)</u>	<u>(759)</u>
	<u>\$ 4,250</u>	<u>\$ 151,014</u>
Accounts receivable from third parties	\$ 1,508,839	\$ 1,235,917
Accounts receivable from related parties	44,157	17,426
Overdue receivable	<u>-</u>	<u>-</u>
	1,552,996	1,253,343
Less allowance for doubtful accounts	<u>(11,311)</u>	<u>(11,627)</u>
	<u>\$ 1,541,685</u>	<u>\$ 1,241,716</u>

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	\$ 13,335	\$ 429	\$ 9,333
Add bad debt expense	-	-	330	2,294
Less gain on receivables	(202)	(2,024)	-	-
Balance, end of period	<u>\$ 22</u>	<u>\$ 11,311</u>	<u>\$ 759</u>	<u>\$ 11,627</u>

8. INVENTORIES

	June 30	
	2007	2006
Raw materials	\$ 131,045	\$ 127,094
Supplies	13,147	10,153
Work in-process	122,615	108,186
Finished goods	183,089	206,849
Merchandise inventories	182,295	199,269
Merchandise in transit	<u>53,452</u>	<u>26,594</u>
	685,643	678,145
Less allowance for loss on decline in market value and obsolescence	<u>(31,051)</u>	<u>(19,256)</u>
	<u>\$ 654,592</u>	<u>\$ 658,889</u>

9. FINANCIAL ASSETS CARRIED AT COST

	June 30	
	2007	2006
Non-publicly traded stocks	<u>\$ 3,000</u>	<u>\$ 3,000</u>

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investee	June 30			
	2007		2006	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Taiwan Crystal Technology International Ltd. (TCTI)	\$ 1,257,202	100	\$ 958,484	100
TXC Technology Inc.	6,788	100	2,800	100
TXC Japan Corporation	<u>2,724</u>	100	<u>2,484</u>	100
	<u>\$ 1,266,714</u>		<u>\$ 963,768</u>	

Equity in earnings (loss) of investees for the six months ended June 30, 2007 and 2006 was as follows:

	2007		2006	
	Investee Gain (Loss)	Recognized Investment Gain (Loss)	Investee Gain (Loss)	Recognized Investment Gain (Loss)
TCTI	\$ 65,853	\$ 68,795	\$ 49,705	\$ 45,313
TXC Technology Inc.	4,109	4,109	(2,217)	(2,217)
TXC Japan Corporation	31	31	384	384
		<u>\$ 72,935</u>		<u>\$ 43,480</u>

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

11. PROPERTY, PLANT AND EQUIPMENT

	Six Months Ended June 30, 2007								
	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Prepayments for Purchase of Equipment	Unfinished Construction	Total
<u>Cost</u>									
Balance, beginning	\$ 157,040	\$ 442	\$ 277,570	\$ 1,810,816	\$ 2,557	\$ 80,949	\$ 37,184	\$ 238,904	\$ 2,605,462
Addition	-	-	63,626	128,922	-	11,097	33,074	2,725	239,444
Disposal	-	-	(97)	(11,607)	-	(842)	-	-	(12,546)
Reclassification	-	-	238,904	32,124	-	-	(32,124)	(238,904)	-
Balance, ending	<u>157,040</u>	<u>442</u>	<u>580,003</u>	<u>1,960,255</u>	<u>2,557</u>	<u>91,204</u>	<u>38,134</u>	<u>2,725</u>	<u>2,832,360</u>
Revaluation increment	8,954	-	-	-	-	-	-	-	8,954
<u>Accumulated depreciation</u>									
Balance, beginning	-	343	132,728	761,124	1,856	48,503	-	-	944,554
Depreciation	-	35	11,915	145,814	85	6,783	-	-	164,632
Disposal	-	-	(97)	(7,034)	-	(842)	-	-	(7,973)
Balance, ending	-	<u>378</u>	<u>144,546</u>	<u>899,904</u>	<u>1,941</u>	<u>54,444</u>	-	-	<u>1,101,213</u>
Net	<u>\$ 165,994</u>	<u>\$ 64</u>	<u>\$ 435,457</u>	<u>\$ 1,060,351</u>	<u>\$ 616</u>	<u>\$ 36,760</u>	<u>\$ 38,134</u>	<u>\$ 2,725</u>	<u>\$ 1,740,101</u>
Six Months Ended June 30, 2006									
	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Prepayments for Purchase of Equipment	Unfinished Construction	Total
<u>Cost</u>									
Balance, beginning	\$ 157,040	\$ 442	\$ 272,793	\$ 1,453,138	\$ 2,557	\$ 67,945	\$ 12,035	\$ -	\$ 1,965,950
Addition	-	-	1,975	196,575	-	7,006	623	67,101	273,280
Disposal	-	-	-	(27,826)	-	(81)	-	-	(27,907)
Reclassification	-	-	-	-	-	-	-	-	-
Balance, ending	<u>157,040</u>	<u>442</u>	<u>274,768</u>	<u>1,621,887</u>	<u>2,557</u>	<u>74,870</u>	<u>12,658</u>	<u>67,101</u>	<u>2,211,323</u>
Revaluation increment	8,954	-	-	-	-	-	-	-	8,954
<u>Accumulated depreciation</u>									
Balance, beginning	-	273	114,034	548,278	1,175	36,281	-	-	700,041
Depreciation	-	35	9,198	105,128	340	6,839	-	-	121,540
Disposal	-	-	-	(16,635)	-	(59)	-	-	(16,694)
Balance, ending	-	<u>308</u>	<u>123,232</u>	<u>636,771</u>	<u>1,515</u>	<u>43,061</u>	-	-	<u>804,887</u>
Net	<u>\$ 165,994</u>	<u>\$ 134</u>	<u>\$ 151,536</u>	<u>\$ 985,116</u>	<u>\$ 1,042</u>	<u>\$ 31,809</u>	<u>\$ 12,658</u>	<u>\$ 67,101</u>	<u>\$ 1,415,390</u>

See Note 24 for the details of 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%.

12. IDLE ASSETS

	<u>June 30, 2007</u>		
	Book Value	Accumulated Impairment	Carrying Value
Land	\$ 2,253	\$ -	\$ 2,253
Buildings	6,549	4,401	2,148
Machinery and equipment	<u>4,224</u>	<u>4,224</u>	<u>-</u>
	<u>\$ 13,026</u>	<u>\$ 8,625</u>	<u>\$ 4,401</u>

	<u>June 30, 2006</u>		
	Book Value	Accumulated Impairment	Carrying Value
Land	\$ 2,253	\$ -	\$ 2,253
Buildings	6,944	5,648	1,296
Machinery and equipment	<u>3,039</u>	<u>3,039</u>	<u>-</u>
	<u>\$ 12,236</u>	<u>\$ 8,687</u>	<u>\$ 3,549</u>

13. SHORT-TERM LOANS

	<u>June 30</u>			
	<u>2007</u>		<u>2006</u>	
	Amount	Interest Rate %	Amount	Interest Rate %
Material procurements loans	\$ 54,863	1.20~1.82	\$ 214,590	0.72~1.485
Unsecured bank loans	<u>20,000</u>	2.86	<u>70,000</u>	1.745~1.98
	<u>\$ 74,863</u>		<u>\$ 284,590</u>	

See Note 24 for details of pledged assets.

14. BONDS PAYABLE

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
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	<u>62,767</u>	<u>-</u>
	<u>\$ 741,222</u>	<u>\$ 2,634</u>

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 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 Loans	Repayment Period	June 30	
		2007	2006
Machinery loans	Repayable at maturity on March 20, 2014	\$ 70,000	\$ -
Unsecured bank loans	Repayable maturity on October 26, 2008	200,000	200,000
Chinatrust's loan		<u>-</u>	<u>302,500</u>
		270,000	502,500
Less current portion		<u>-</u>	<u>(135,000)</u>
		<u>\$270,000</u>	<u>\$367,500</u>
Interest rate (%)		2.15~ 2.685	2.15~ 2.9211

See Note 24 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.

16. ACCRUED EXPENSES

	June 30	
	2007	2006
Accrued payroll	\$ 67,953	\$ 48,271
Accrued insurance expense	5,455	4,943
Accrued service fee	7,534	574
Accrued sales agent fee	7,584	-
Accrued commission	19,785	11,005
Others	<u>26,301</u>	<u>33,171</u>
	<u>\$134,612</u>	<u>\$ 97,964</u>

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 \$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.

18. STOCKHOLDERS' EQUITY

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	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Employee Stock Options				
Outstanding, beginning	334	\$ 17.59	4,129	\$ 17.00
Current issuance	-	-	-	-
Current exercise	<u>(334)</u>	20.83	<u>(1,772)</u>	15.96
Outstanding, ending	<u>-</u>		<u>2,357</u>	
Exercisable options, ending	<u>-</u>		<u>1,357</u>	

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	<u>38,152</u>	<u>-</u>
	<u>\$ 603,634</u>	<u>\$ 509,546</u>

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 shareholders are allowed a tax credit for their proportionate share of the income tax paid by the Corporation on earnings generated since January 1, 1998.

The appropriation of earnings for 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:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>
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
<u>Six months ended June 30, 2007</u>		
Balance, beginning	\$ 183	\$ 183
Fair value changes recognized directly in equity	304	304
Transfer to current gains or loss upon sales of financial assets	<u>(95)</u>	<u>(95)</u>
Balance, ending	<u>\$ 392</u>	<u>\$ 392</u>
<u>Six months ended June 30, 2006</u>		
Balance, beginning	\$ -	\$ -
Fair value changes recognized directly in equity	<u>419</u>	<u>419</u>
Balance, ending	<u>\$ 419</u>	<u>\$ 419</u>

19. INCOME TAX

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

	<u>Six Months Ended June 30</u>	
	2007	2006
Tax on pretax income at 25% statutory rate	\$ 130,350	\$ 92,562
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	<u>(36,767)</u>	<u>(36,562)</u>
Current tax credit	<u>\$ 36,767</u>	<u>\$ 36,562</u>

Income tax expense consisted of the following:

	<u>Six Months Ended June 30</u>	
	2007	2006
Current tax expense	\$ 36,767	\$ 36,562
Prior year's adjustment	(7,369)	1,328
Deferred tax expense (benefit)		
Temporary difference	5,690	(1,491)
Investment tax credits	<u>23,192</u>	<u>(7,276)</u>
Income tax expense	<u>\$ 58,280</u>	<u>\$ 29,123</u>

Changes of income tax payable:

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Balance, beginning of period	\$ 74,456	\$ 30,437
Accrued income tax this period	36,767	36,562
Current payment	(74,036)	(31,653)
Adjustment of prior years' tax expense	<u>(15)</u>	<u>1,216</u>
Balance, end of period	<u>\$ 37,172</u>	<u>\$ 36,562</u>

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

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
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	<u>1,158</u>	<u>1,529</u>
	38,293	44,164
Deferred income tax liabilities, current		
Unrealized foreign exchange gain	<u>(4,011)</u>	<u>(1,550)</u>
Net deferred income tax assets, current	<u>\$ 34,282</u>	<u>\$ 42,614</u>
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	<u>331</u>	<u>331</u>
	<u>81,575</u>	<u>100,075</u>
Deferred income tax liabilities, noncurrent		
Investment income	<u>(51,114)</u>	<u>(17,140)</u>
Net deferred income tax assets, noncurrent	<u>\$ 30,461</u>	<u>\$ 82,935</u>

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	<u>1,454</u>	<u>1,454</u>	2011
		<u>\$ 138,070</u>	<u>\$ 101,303</u>	

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") is as follows:

	June 30	
	2007	2006
Balance of ICA	<u>\$ 74,687</u>	<u>\$ 48,255</u>
	2006 (Estimate)	2005 (Actual)
Estimated imputation	<u>8.34%</u>	<u>10.88%</u>
	June 30	
	2007	2006
Undistributed earnings		
Until 1997	\$ -	\$ -
From 1998 and thereafter	<u>655,275</u>	<u>460,376</u>
	<u>\$ 655,275</u>	<u>\$ 460,376</u>

20. 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	127,835	93,296	221,131	121,510	63,132	184,642
Pension	4,936	4,563	9,499	5,111	3,116	8,227
Meal	5,884	2,675	8,559	5,420	1,884	7,304
Welfare	2,976	883	3,859	2,217	988	3,205
Labor and health insurance	7,869	5,735	13,604	7,759	4,225	11,984
Others	-	-	-	-	-	-
Depreciation	137,415	27,217	164,632	99,749	21,791	121,540
Amortization	1,784	25,548	27,332	3,560	16,346	19,906

21. 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 principle	-	-	(0.12)	(0.09)
Net income	<u>\$ 2.53</u>	<u>\$ 2.25</u>	<u>\$ 1.71</u>	<u>\$ 1.59</u>
Retroactive adjustment for stock dividends after balance sheet date	<u>\$ 2.53</u>	<u>\$ 2.25</u>	<u>\$ 1.71</u>	<u>\$ 1.59</u>
Diluted earnings per share (dollars)				
Income from continuing operations	\$ 2.41	\$ 2.13	\$ 1.82	\$ 1.67
Cumulative effect of changes in accounting principle	-	-	(0.12)	(0.09)
Net income	<u>\$ 2.41</u>	<u>\$ 2.13</u>	<u>\$ 1.70</u>	<u>\$ 1.58</u>
Retroactive adjustment for stock dividends after balance sheet date	<u>\$ 2.41</u>	<u>\$ 2.13</u>	<u>\$ 1.70</u>	<u>\$ 1.58</u>

	Six Months Ended June 30									
	2007					2006				
	Amount		Weighted Average Outstanding Common Stock	EPS		Amount		Weighted Average Outstanding Common Stock	EPS	
Before Tax	After Tax	Before Tax		After Tax	Before Tax	After Tax	Before Tax		After Tax	
Net income	<u>\$ 521,442</u>	<u>\$ 463,162</u>			<u>\$ 347,264</u>	<u>\$ 323,897</u>				
Basic income per share	\$ 521,442	\$ 463,162	205,885	<u>\$ 2.53</u>	<u>\$ 2.25</u>	\$ 347,264	\$ 323,897	203,135	<u>\$ 1.71</u>	<u>\$ 1.59</u>
Convertible bonds	11,505	8,629	15,385			112	84	398		
Employee stock option	-	-	107			-	-	1,265		
Net Diluted income per share	<u>\$ 532,947</u>	<u>\$ 471,791</u>	<u>221,377</u>	<u>\$ 2.41</u>	<u>\$ 2.13</u>	<u>\$ 347,376</u>	<u>\$ 323,981</u>	<u>204,798</u>	<u>\$ 1.70</u>	<u>\$ 1.58</u>

22. 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
Assets				
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	502,500	502,500
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	-	-	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				
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	502,500
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.

23. RELATED-PARTY TRANSACTIONS

The related parties are as follows:

Related Party	Relationship with the Corporation
Tai-Shing Electronic Components Corporation (Tai-Shing)	Chairman is the Corporation's general manager
TXC Technology Inc.	Wholly owned subsidiary
TXC Japan Corporation	Wholly owned subsidiary
Taiwan Crystal Technology International Ltd. (TCTI)	Wholly owned subsidiary
Growing Profits Trading Ltd. (GPT)	Subsidiary's equity-method investee
TXC (NGB) Corporation (NGB)	Subsidiary's equity-method investee
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 Balance	Amount	% to Total Account Balance
NGB	\$ 43,243	2	\$ -	-
Tai-Shing	9,628	-	11,242	-
TXC Japan Corporation	2,449	-	11	-
TXC Technology Inc.	2,403	-	21	-
GPT	-	-	19,290	1
	<u>\$ 57,723</u>	<u>2</u>	<u>\$ 30,564</u>	<u>1</u>

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

Purchases of Inventory and Processing Costs

	Six Months Ended June 30			
	2007		2006	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	\$474,704	33	\$ -	-
GPT	<u>1,542</u>	<u>-</u>	<u>344,276</u>	<u>25</u>
	<u>\$476,246</u>	<u>33</u>	<u>\$344,276</u>	<u>25</u>

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

Consulting Fee

	Six Months Ended June 30			
	2007		2006	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
TXC Technology Inc.	\$ 19,835	47	\$ 14,586	46
NGB	11,599	27	-	-
TXC Japan Corporation	10,952	26	8,312	26
GPT	<u>-</u>	<u>-</u>	<u>8,718</u>	<u>28</u>
	<u>\$ 42,386</u>	<u>100</u>	<u>\$ 31,616</u>	<u>100</u>

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	<u>240</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,253</u>	<u>3</u>	<u>\$ 3,821</u>	<u>4</u>

Receivables and Payables

Item	Related Party	June 30			
		2007		2006	
		Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts receivable	NGB	\$ 34,876	3	\$ -	-
	Tai-Shing	7,397	-	7,671	-
	TXC Japan Corporation	1,781	-	9	-
	GPT	-	-	9,746	1
	TXC Technology Inc.	<u>103</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 44,157</u>	<u>3</u>	<u>\$ 17,426</u>	<u>1</u>

		June 30			
		2007		2006	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Other current assets	TXC Technology Inc.	\$ 5,940	6	\$ -	-
	NGB	596	-	-	-
		<u>\$ 6,536</u>	<u>6</u>	<u>\$ -</u>	<u>-</u>
Notes payable	Tai-Shing	<u>\$ 937</u>	<u>2</u>	<u>\$ 1,664</u>	<u>4</u>
Accounts payable	NGB	\$296,033	38	\$ -	-
	Tai-Shing	292	-	503	-
	GPT	-	-	203,999	32
	TXC Japan Corporation	-	-	86	-
		<u>\$296,325</u>	<u>38</u>	<u>\$204,588</u>	<u>32</u>
Accrued expenses	NGB	\$ 7,584	6	\$ -	-
	Tai-Shing	547	-	5	-
	TXC Japan Corporation	10	-	144	-
		<u>\$ 8,141</u>	<u>6</u>	<u>\$ 149</u>	<u>-</u>

In the six months ended June 30, 2007, the Corporation sold its equipment to NGB, at the net book value of \$400 thousand and price of \$532 thousand, and gain of \$132 thousand.

As of June 30, 2007, the Corporation's guarantees for loans of its subsidiaries were described in Table 1.

24. PLEDGED ASSETS

As of June 30, 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	76,052	77,888
Machinery and equipment, net	<u>92,754</u>	<u>393,812</u>
	<u>\$334,800</u>	<u>\$637,694</u>

25. 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 15.
- b. Unused letters of credit of about JP¥170,936 thousand.
- c. As of June 30, 2007, the Corporation's guarantees for loans of its subsidiaries were described in Table 1.

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: 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 22 for the related information and Table 8 (attached).
- k. Investment in Mainland China: Table 9 (attached).

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	<u>Bond</u>							
	Government Bond	-	Cash and cash equivalents	-	\$ 513,000	-	\$ -	
	Financial Bond	-	"	-	130,000	-	-	
						<u>\$ 643,000</u>		
	<u>Beneficiary certificate</u>							
	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	
						<u>\$ 210,392</u>		
	<u>Stock</u>							
	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	-		
				<u>\$ 1,266,714</u>				
Marson Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	414	<u>\$ 3,000</u>	5	-		
TCTI	<u>Stock</u>							
	GPT	Subsidiary	Long-term investments - equity method	50	\$ 30,379	100	-	
TXC (Ningbo) Corporation	Subsidiary	"	US\$ 29,622	(US\$ 928) \$ 1,231,971 (US\$ 37,635)	100	-		

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

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)	\$ -

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES 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	\$ 964,547	29,622	100	\$ 1,257,202	\$ 65,853	\$ 68,795	
	TXC Technology Inc.	U.S.A.	Marketing activities	US\$ 29,622	US\$ 29,122						
	TXC Japan Corporation	Japan	Marketing activities	9,879	9,879	300	100	6,788	4,109	4,109	
TCTI	GPT	B.V.I.	National trading	US\$ 300	US\$ 300						
				4,661	4,661	2	100	2,724	31	31	
	NGB	Ningbo	Manufacture and sales of electronics products	JP¥ 16,000	JP¥ 16,000						
				50	50	50	100	30,379	6,121	6,121	
				US\$ 29,622	US\$ 29,122	US\$ 29,622		US\$ 928	US\$ 185	US\$ 185	
								1,231,971	59,731	59,731	
								US\$ 37,635	US\$ 1,809	US\$ 1,809	

TABLE 8**Derivative Transactions**

NGB entered into derivative transactions during the six months ended June 30, 2007 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of June 30, 2007:

<u>June 30, 2007</u>	Currency	Maturity	Contract Amount (In Thousands)
Sell	USD/RMB	July 3, 2007 to January 4, 2008	US\$7,000/RMB53,143
Sell	USD/JPY	July 5, 2007	US\$166/JPY20,000

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 \times 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	\$ -