TXC Corporation and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2008 Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
TXC Corporation

We have reviewed the accompanying balance sheet of TXC Corporation and subsidiaries (the Corporation) as of March 31, 2008, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our reviews.

Except for the matter discussed in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Review of Financial Statements" of the Republic of China. A review of financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in Note 1 to the consolidated financial statements, the subsidiaries' financial statements were unreviewed. As of March 31, 2008, the subsidiaries' assets were 25% (NT$1,941,610 thousand) of the consolidated total assets, and the subsidiaries' net income was 11% (NT$174,108 thousand) of the consolidated net income.

Based on our reviews, except for the effects of any adjustments that might have been determined to be necessary had the investments and investment income mentioned in the preceding paragraph been based on reviewed financial statements, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2008, the Corporation adopted an interpretation issued by the Accounting Research and Development Foundation of the Republic of China, which requires companies to recognize bonuses paid to employees as compensation expense. These bonuses were previously recorded as appropriations from earnings.

As discussed in Note 1 to the consolidated financial statements, under a certain interpretation the Corporation did not prepare comparative consolidated financial statements as of and for the three months March 31, 2008 and 2007.

April 16, 2008

Notice to Readers

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

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
MARCH 31, 2008
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	$ 884,200	11
Financial assets at fair value through profit or loss, current (Note 4)	63,040	1
Available-for-sale financial assets - current (Note 5)	60,289	1
Notes receivable, net (Note 6)	24,639	-
Accounts receivable, net (Notes 6 and 20)	1,955,957	25
Inventories, net (Note 7)	967,658	13
Other current assets	182,934	2
Total current assets	4,138,717	53
LONG-TERM INVESTMENTS (Note 8)		
Financial assets carried at cost	3,000	-
PROPERTY, PLANT AND EQUIPMENT(Notes 9 and 21)		
Cost		
Land	154,438	2
Land improvements	442	-
Buildings	802,106	10
Machinery and equipment	3,677,235	48
Transportation equipment	8,959	-
Miscellaneous equipment	155,228	2
Land - revaluation increment	8,954	-
	4,807,362	62
Less: Accumulated depreciation	(1,736,033)	(22)
Construction in progress and prepayments for equipment	406,684	5
Property, plant and equipment, net	3,478,013	45
INTANGIBLE ASSETS		
Land rights (Note 21)	15,937	-
Deferred pension cost (Note 15)	7,947	-
Others	575	-
Total intangible assets	24,459	-
OTHER ASSETS		
Assets leased to others (Note 10)	7,308	-
Idle assets (Note 10)	3,632	-
Refundable deposits	3,193	-
Deferred charges	38,341	1
Deferred income tax assets, noncurrent	60,003	1
Total other assets	112,477	2
TOTAL	$ 7,756,666	100

LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%
CURRENT LIABILITIES		
Short-term loans (Note 11)	$ 461,217	6
Notes payable (Note 20)	87,815	1
Accounts payable (Note 20)	1,022,250	13
Income tax payable	95,784	1
Accrued expenses (Notes 12 and 20)	210,107	3
Liability component of convertible bonds, current	21,690	-
Bonds payable, current (Note 13)	214,802	3
Current portion of long-term debt (Note 14)	207,273	3
Other current liabilities	63,500	1
Total current liabilities	2,384,438	31
LONG-TERM LIABILITIES		
Financial liabilities at fair value through profit or loss - noncurrent (Note 4)	9,792	-
Long-term debt, net of current portion (Note 14)	189,091	2
Total long-term liabilities	198,883	2
RESERVES		
Reserve for land value increment tax	3,512	-
OTHER LIABILITIES		
Guarantee deposits received	4,708	-
Total liabilities	2,591,541	33
STOCKHOLDERS' EQUITY		
Capital stock (Note 16)		
Common stock, $10 par value; authorized - 300,000 thousand shares. Issued - 241,553 thousand shares	2,415,526	31
Advance receipts for common stock	745	-
Total capital stock	2,416,271	31
Capital surplus		
Additional paid-in capital	290,248	4
Equity component of convertible bonds	657,052	8
Employee stock options	58,064	1
Others	11,766	-
Total capital surplus	1,017,130	13
Retained earnings		
Legal reserve	238,045	3
Unappropriated earnings	1,538,251	20
Total retained earnings	1,776,296	23
Other equity		
Cumulative translation adjustments	72,799	1
Unrealized gains on financial instruments	289	-
Unrealized revaluation increment	5,442	-
Treasury stock - 2008: 2,900 thousand shares (Note 17)	(123,102)	(1)
Total stockholders' equity	5,165,125	67
TOTAL	$ 7,756,666	100

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

(With Deloitte & Touche review report dated April 16, 2008)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Amount	%
OPERATING REVENUE	$ 1,625,393	101
LESS: SALES RETURNS	4,638	-
LESS: SALES ALLOWANCES	7,068	1
NET OPERATING REVENUE	1,613,687	100
OPERATING COSTS	1,190,023	73
GROSS PROFIT	423,664	27
OPERATING EXPENSES		
Selling	80,848	5
General and administrative	56,800	4
Research and development	69,869	4
Total operating expenses	207,517	13
OPERATING INCOME	216,147	14
NONOPERATING INCOME AND GAINS		
Interest income	3,071	-
Gain on sale of investments	426	-
Exchange gains	103,807	7
Reversal of impairment loss	1,107	-
Valuation gain on financial assets	53,730	3
Valuation gain on financial liabilities	2,010	-
Miscellaneous income	14,323	1
Total nonoperating income and gains	178,474	11
NONOPERATING EXPENSES AND LOSSES		
Interest expense	8,577	1
Loss on disposal of property, plant and equipment	2,518	-
Exchange loss	159,155	10
Provision for loss on inventories	4,130	-
Miscellaneous expenses	3,013	-
Total nonoperating expenses and losses	177,393	11
INCOME BEFORE INCOME TAX	217,228	14
INCOME TAX	10,796	1
NET INCOME	$ 206,432	13

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 18)		
Basic	$ 0.90	$ 0.85
Diluted	$ 0.89	$ 0.84

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

(With Deloitte & Touche review report dated April 16, 2008) (Concluded)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 206,432
Depreciation	145,828
Nonoperating loss - idle assets	130
Amortization	19,000
Reversal of provision for doubtful accounts	(2,894)
Provision for loss on inventories	4,130
Interest expense	1,561
Gain on sale of investments	(426)
Loss on disposal of property, plant and equipment	2,518
Valuation gain on financial instruments	(55,740)
Reversal of impairment loss	(1,107)
Deferred income tax	(1,064)
Compensation expense - bonuses paid to employees and remunerations to directors and supervisors	32,069
Others	(6,606)
Net changes in operating assets and liabilities	
Notes and accounts receivable	236,008
Inventories	(225,116)
Other current assets	(51,256)
Notes payable	19,042
Accounts payable	69,037
Income tax payable	11,835
Accrued expenses	(92,338)
Other current liabilities	22,229
Net cash provided by operating activities	333,272
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of available-for-sale financial assets	(30,000)
Proceeds of the disposal of available-for-sale financial assets	60,426
Acquisition of property, plant and equipment	(492,310)
Proceeds of the disposal of property, plant and equipment	531
Decrease in refundable deposits	4,508
Increase in deferred charges	(27,709)
Increase in other assets	(206)
Net cash used in investing activities	(484,760)
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in short-term loans	35,366
Decrease in guarantee deposits received	(897)
Decrease in long-term debt	(1,818)
Cash paid for acquisition of treasury stock	(123,102)
Net cash used in financing activities	(90,451)

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

EFFECT OF EXCHANGE RATE CHANGES	$ (18,325)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(260,264)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,144,464
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 884,200
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid (excluding capitalized interest)	$ 12,072
Income tax paid	$ -
NONCASH INVESTING AND FINANCING ACTIVITIES	
Transfer of current portion of long-term debt to current liabilities	$ 207,273

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

(With Deloitte & Touche review report dated April 16, 2008) (Concluded)

TXC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2008
(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 August 26, 2002, TXC's shares began to be traded on the Taiwan Stock Exchange.

TXC mainly produces and sells high quality Quartz Unite Crystul, Automotive Crystal, Crystal Oscillator (CXO) Surface Acoutic Wave (SAW) Filter, and Timing Module (TM).

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

Under Interpretation 0960064020 issued by the Financial Supervisory Commission under the Executive Yuan in connection with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, TXC need not prepare comparative consolidated financial statements for the three months ended March 31, 2008 and 2007. Thus, the accompanying consolidated financial statements were only for the period as of and for the three months ended March 31, 2008. In addition, TXC need not disclose in these notes the policies already disclosed in the notes to the consolidated financial statements for the year ended December 31, 2007.

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, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, pension cost and compensation expenses bonuses paid to employees, directors and supervisors, etc. Actual results may differ from these estimates.

For readers' convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

Significant accounting policies are summarized as follows:

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:

Investor	Investee	Business Nature	Percentage of Ownership as of March 31, 2008
TXC Corporation	Taiwan Crystal Technology International Limited (TCTI)	Investment holding	100%
	TXC Technology, Inc.	Marketing activities	100%
	TXC Japan Corporation	Marketing activities	100%
TCTI	Growing Profits Trading Ltd. (GPT)	National trading	100%
	TXC (NGB) Corporation (NGB)	Manufacture and sale electronic products	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, China.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction to arrive at shareholder' equity.

2. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the ARDF issued Interpretation that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of $32,069 thousand in net income from continuing operations, a decrease of $26,801 thousand in net income and a decrease in after income tax basic earnings per share of NT$0.11 for the three months ended March 31, 2008.

3. CASH AND CASH EQUIVALENTS

	March 31, 2008
Cash on hand	$ 1,990
Checking accounts and demand deposits	402,210
Time deposits	
Cash equivalents	
Repurchase agreements collateralized by bonds	480,000
	$884,200

Overseas deposits are summarized as follows:

	March 31, 2008
Hong Kong (US$41 thousand in 2008)	$ 1,255
Hong Kong (HK$156 thousand in 2008)	611
China (RMB8,912 thousand , US$1,834 thousand and JP¥16,909 thousand in 2008)	99,625
America (US$291 thousand in 2008)	8,861
Japan (JP¥17,525 thousand in 2008)	5,361
	$ 115,713

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

	March 31, 2008
Financial assets at FVTPL	
Forward exchange contracts	$ 53,830
Convertible bonds	9,210
	$ 63,040
Financial liabilities at FVTPL	
Cross-currency swap contracts	$ 9,792

The Corporation entered into derivative transactions during the three months ended March 31, 2008 to manage exposures related to exchange rate and interest rate fluctuations. The financial risk management objective of the Corporation is minimized risks due to change in fair value or cash flows.

Outstanding forward contracts as of March 31, 2008 and 2007:

	Currency	Maturity Date	Contract Amount (In Thousands)
March 31, 2008			
Sell	USD/NTD	April 3, 2008 to July 30, 2008	US$45,500/NT$1,419,423
Sell	USD/JPY	April 10, 2008 to July 24, 2008	US$10,207/JP¥1,058,268
Sell	NTD/JPY	April 22, 2008 to April 24, 2008	NT$17,688/JP¥60,000
Sell	USD/RMB	April 2, 2008 to October 22, 2008	US$17,000/RMB116,977

Outstanding cross-currency swap contracts as of March 31, 2007 were as follow:

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

Net gains on financial assets held for trading for the three months ended March 31, 2008 were $98,528 thousand.

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2008
Mutual funds	$ 60,289

6. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31, 2008
Notes receivable from third parties	$ 24,763
Notes receivable from related parties	-
	24,763
Less: Allowance for doubtful accounts	(124)
	$ 24,639
Accounts receivable from third parties	$ 1,967,194
Accounts receivable from related parties	3,321
	1,970,515
Less: Allowance for doubtful accounts	(14,558)
	$ 1,955,957

See Note 21 for the details on accounts receivable as collaterals.

7. INVENTORIES

	March 31, 2008
Raw materials	$ 226,994
Supplies and spare parts	47,907
Work in-process	228,032
Finished goods	234,244
Merchandise inventories	251,550
Goods in transit	15,373
	1,004,100
Less: Allowance for loss	(36,442)
	$ 967,658

8. FINANCIAL ASSETS CARRIED AT COST

	March 31, 2008
Non-publicly traded stocks	$ 3,000

9. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2008		
	Cost	Accumulated Depreciation	Carrying Value
Land	$ 154,438	$ -	$ 154,438
Land - revaluation increment	8,954	-	8,954
Land improvements	442	431	11
Buildings	802,106	206,077	596,029
Machinery and equipment	3,677,235	1,440,119	2,237,116
Transportation equipment	8,959	3,366	5,593
Miscellaneous equipment	155,228	86,040	69,188
Prepayments for equipment	117,940	-	117,940
Prepayments for land	33,660	-	33,660
Construction in progress	255,084	-	255,084
	$ 5,214,046	$ 1,736,033	$ 3,478,013

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

No interest for the three months ended March 31, 2008 was capitalized.

The Corporation revalued its land in 1996, which resulted in total revaluation increments of $8,954 thousand. The net revaluation amount of $5,442 thousand after deducting the reserve for land value increment tax of $3,512 thousand was credited to equity as unrealized revaluation increment.

10. OTHER ASSETS

Leased to Others

	March 31, 2008		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	4,706	-	4,706
	$ 7,308	$ -	$ 7,308

Future rental payments receivable were summarized as follows:

Period	
2nd to 4th quarter of 2008	$ 1,215
2009	615

As of March 31, 2008, the Corporation had received deposits of $270 thousand. The interest on these deposits of $2 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the three months ended March 31, 2008.

Idle Assets

	March 31, 2008		
	Book Value	**Accumulated Impairment**	**Carrying Value**
Land	$ 2,253	$ -	$ 2,253
Buildings	6,252	4,873	1,379
Miscellaneous equipment	5,704	5,704	-
	$ 14,209	$ 10,577	$ 3,632

Impairment loss was as follows:

	Three Months Ended March 31, 2008	
	Recognized in Income Statement	**Recognized in Stockholders' Equity**
Gain on reversal of impairment loss		
Buildings	$ 1,107	$ -

11. SHORT-TERM LOANS

	March 31, 2008
Usance letters of credit	$ 201,910
Working capital loans	259,307
	$ 461,217

See Note 21 for details of pledged assets.

12. ACCRUED EXPENSES

	March 31, 2008
Payroll	$ 67,777
Bonus to employees, directors and supervisors	32,069
Commission	31,194
Others	79,067
	$ 210,107

13. BONDS PAYABLE

	March 31, 2008
Domestic	
Second domestic unsecured convertible corporate bonds	$ 237,200
Liability component of unsecured domestic unsecured convertible corporate bonds	
Add: Accrued interest compensation	(22,398)
Less: Current portion	(214,802)
	$ -

Second Domestic Unsecured Convertible Corporate Bonds

On November 8, 2006, the Corporation issued second domestic unsecured convertible bonds with an aggregate value of $800,000 thousand and maturity on November 8, 2011. Nominal interest is 0%. As of March 31, 2007, the Corporation's outstanding domestic unsecured convertible corporate bonds were $562,800 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 16), 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. The conversion price is NT$45.60 on March 31, 2008.

14. LONG-TERM DEBT

Nature of Loan	Repayment Term	March 31, 2008
Secured bank loans	Repayable on maturity on May 04, 2021	$ 96,364
Unsecured bank loans	Repayable on maturity on August 14, 2009	100,000
Unsecured bank loans	Repayable on maturity on October 26, 2008	200,000
Less current portion		(207,273)
		$ 189,091
Interest rate (%)		2.15~2.915

See Note 21 for collateral on long-term debt.

15. PENSION PLANS

The Labor Pension Act (the LPA) took effect on July 1, 2005. TXC's Employees subject to the Labor Standards Law (the LSL) prior to July 1, 2005 were allowed to choose to continue being subject to the LSL or to be subject to the LPA, with their service years as of July 1, 2005 retained. Those hired as regular employees on or after July 1, 2005 automatically become subject to the LPA.

The pension plan under the LPA is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs were $4,229 thousand and $3,518 thousand for the three months ended March 31, 2008 and 2007, respectively.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The pension fund is deposited in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity) in the committee's name. The Corporation recognized pension costs of $1,096 thousand for the three months ended March 31, 2008.

16. STOCKHOLDERS' EQUITY

Capital Stock

The TXC's authorized capital was 3,000,000 thousand as of March 31, 2008 ($10.00 par value). As of March 31, 2008, the TXC's issued capital stock amounted to $2,415,526 thousand divided into 241,553 thousand shares, with $10.00 par value.

Employee Stock Options

In October 2001, April 2002, October 2002 and December 2007; 3,500, 1,500, 4,000 and 8,000, options, respectively, were granted to qualified employees of the Corporation and its subsidiaries. Each option entitles the holder to subscribe for one thousand common shares of the Corporation when exercisable. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Corporation's common shares listed on the TSE on the grant date. For any subsequent changes in the Corporation's paid-in capital, the exercise price and the number of options are adjusted accordingly.

Information about employee stock option plans was as follows:

Employee Stock Options	Three Months Ended March 31, 2008 Number of Options (In Thousand)	Three Months Ended March 31, 2008 Weighted Average Exercise Price
Balance, beginning of period	8,000	$ -
Options granted	-	-
Options exercised	-	-
Options expired	-	-
Balance, end of period	8,000	-
Options exercisable, end of period	-	-

Information about outstanding options as of March 31, 2008 was as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Price (NT$)	Number of Options (In Thousand)	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price (NT$)	Number of Options (In Thousand)	Weighted Average Exercise Price (NT$)
$58.8	8,000	4.70	$58.8	-	$ -

The pro forma information for the three months ended March 31, 2008 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39 is as follows:

Assumptions	
Risk-free interest rate	2.42%
Expected life (years)	3.875 years
Expected volatility	43.5%
Expected dividend yield	-

	Three Months Ended March 31, 2007
Net income	
As reported	$ 206,432
Pro forma net income	$ 185,082
Basic after income tax earnings per share (NT$)	
As reported	$ 0.85
Pro forma	$ 0.77
Diluted after income tax earnings per share (NT$)	
As reported	$ 0.84
Pro forma	$ 0.76

Capital Surplus

Under the Company Law capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Corporation's paid-in capital and once a year.

Capital surplus comprised of the following

	March 31, 2008
Arising from issuance of common shares	$ 290,248
Arising from conversion of bonds	657,052
Employee stock options	58,064
Conversion options	11,766
	$ 1,017,130

Appropriation of Earnings and Dividend Policy

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

(a) Employee bonus - not less than 3%;
(b) Directors and supervisors' remuneration - not more than 2%; and
(c) 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.

For the three months ended March 31, 2008 the bonus to employees and bonus to directors and supervisors representing 15% and 2% of net income respectively were accrued based on past experiences.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (excluding treasury stock) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve shall be appropriated until its has reached the Corporation's paid-in capital. It may be used to offset a deficit. When legal reserve has reaches 50% of the Corporation's paid-in capital, up to 50% there of may be transferred to paid in capital.

Except for non-ROC resident stockholders', all stockholders' receiving the dividends are allowed a tax credit equals to their proportionate share of the income tax paid by the Corporation.

The appropriation of earnings for 2007 had been approved in the stockholders' meeting on June 13, 2007. The appropriations and dividends per share were as follows:

	Appropriation of Earnings For Year 2006	Dividends Per Share (NT$) For Year 2006
Legal reserve	$ 84,224	$ -
Cash dividends	412,065	2.0
Stock dividends	206,032	1.0
Bonus to employees - stock	35,119	-
Bonus to employee - cash	35,119	-
Bonus to directors and supervisors - cash	14,048	-

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

As of April 16, 2008, the board of directors of TXC Corporation has not resolved the appropriation of 2007 earnings. The above information on the earnings appropriation can be accessed online through the Market Observation Post System (MOPS) on the Web site of the Taiwan Stock Exchange (http://emops. tse.com.tw).

Unrealized Gains on Financial Instruments

For the three months ended March 31, 2008, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-Sale Financial Assets	Total
Balance, beginning of period	$ 462	$ 462
Recognized in stockholders' equity	226	226
Transferred to profit or loss	(399)	(399)
Balance, ended of period	$ 289	$ 289

17. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
<u>Three months ended March 31, 2008</u>				
For transfer to employees	-	2,900	-	2,900

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

18. EARNINGS PER SHARE

	Three Months Ended March 31, 2008	
	Before Income Tax	After Income Tax
Basic earnings per share (dollars)		
From continuing operations	$ 0.90	$ 0.85
Net income	$ 0.90	$ 0.85
Diluted earnings per share (dollars)		
From continuing operations	$ 0.89	$ 0.84
Net income	$ 0.89	$ 0.84

The numerators and denominators used in calculating basic and diluted EPS were as follows:

	Three Months Ended March 31 2008				
	Amount (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (in Thousands)	Before Income Tax	After Income Tax
Net income	$ 217,228	$ 206,432			
Basic EPS (NT$)					
Income for the period attributable to common stockholders'	$ 217,228	$ 206,432	241,602	$ 0.90	$ 0.85
Effect of dilutive potential common stock					
Employee stock option	-	-	-		
Convertible bonds	1,569	1,177	5,227		
Diluted EPS					
Income for the period attributable to common stockholders' plus effect of potential dilutive common stock	$ 218,797	$ 207,609	246,829	$ 0.89	$ 0.84

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused the basic and diluted after income tax EPS for the three months ended March 31, 2007 to decrease from NT$1.19 to NT$1.07 and from NT$1.12 to NT$1.01, respectively.

19. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	March 31, 2008	
	Carrying Amount	Fair Value
Financial assets		
Financial assets at fair value through profit or loss - current	$ 9,210	$ 9,210
Available-for-sale financial assets - current	60,289	60,289
Financial assets carried at cost	3,000	-

	March 31, 2008	
	Carrying Amount	Fair Value
Financial liabilities		
Bonds payable (including current portion)	236,492	236,492
Long-term debt (including current portion)	396,364	396,364
Derivative Financial Instruments		
Financial assets		
Forward exchange contracts	53,830	53,830
Financial liabilities		
Cross-currency swap contracts	9,792	9,792

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, receivables, payables and short-term bank loans. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

(b) Fair values of financial instruments designated as at FVTPL and available-for-sale are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

(c) Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

(d) Fair value of long-term loans is estimated using the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans (e.g., similar maturities).

Fair value of financial assets and liabilities based on quoted market prices or valuation techniques were as follows:

	March 31, 2008	
	Quoted Market Price	Valuation Techniques Incorporating Estimates and Assumptions
Assets		
Financial assets at fair value through profit or loss - current	$ 9,210	$ 53,830
Available-for-sale financial assets, current	60,289	-

	March 31, 2008	
	Quoted Market Price	Valuation Techniques Incorporating Estimates and Assumptions
<u>Liabilities</u>		
Bonds payable		236,492
Long-term debt (including current portion)		396,364
Financial liabilities at fair value through profit of loss, noncurrent		9,792

Valuation loss arising from the changes in fair value of financial instruments determined using valuation techniques were $55,840 thousand for the three months ended March 31, 2008.

As of March 31, 2008, financial liabilities exposed to cash flow interest rate risk were $9,792 thousand.

Information about financial risks is as follows:

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

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

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

(d) Cash flow interest rate risk: The Corporation's short-term and long-term loans are floating-rate loans. When the market interest rate increases by one percentage point, the Corporation's cash outflow will increase by $8,576 a year.

20. RELATED-PARTY TRANSACTIONS

Related parties and their relationship with the Corporation:

Related Party	Relationship with the Corporation
Tai-Shing Electronic Components Corporation (Tai-Shing)	Chairman is the TXC's general manager
K&H MFG. Co., Ltd. (K&H)	Chairman is the TXC's vice-chairman

Significant transactions with related parties:

Sales

	Three Months Ended March 31, 2008	
	Amount	% to Total Account Balance
Tai-Shing	$ 2,963	-

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

Other Expenses

	Three Months Ended March 31, 2008	
	Amount	% to Total Account Balance
Tai-Shing	$ 1,783	-

Receivables from and Payables to Related Parties

		March 31, 2008	
Item	Related Party	Amount	% to Total Account Balance
Accounts receivable	Tai-Shing	$ 3,321	-
Notes payable	Tai-Shing	$ 1,266	1
Accounts payable	Tai-Shing	$ 552	-
Accrued expenses	Tai-Shing	$ 54	-

21. MORTGAGED OR PLEDGED ASSETS

	March 31, 2008
Land	$ 163,392
Buildings, net	147,245
Leased	7,308
Machinery and equipment, net	267,254
Restricted deposit	1,227
Accounts receivable	19,734
Intangible assets - land right	15,937
	$ 622,097

22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Corporation's commitments and contingencies as of March 31, 2008, which were not shown in the financial statements, were as follows:

Commitment	Contract Price	Paid Up	Not Yet Paid
Prepayments on purchase of land	$ 112,200	$ 33,660	$ 78,540
Prepayments on purchase of equipment	$ 463,983	$ 121,776	$ 342,207
Construction-in-progress	RMB 42,420	RMB 30,206	RMB 12,214
Electrical construction	RMB 30,000	RMB 9,972	RMB 20,028

Unused letters of credit was about JP¥133,683 thousand.

As of March 31, 2008, TXC's guarantees for loans amounted to $1,594,500 thousand.

As of March 31, 2008, the Corporation's guarantee for loan of its subsidiary was described in Table 1 (attached).

23. SUBSEQUENT EVENTS

None.

24. INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSITIONS

See Table 2 (attached).

TXC CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

No.	Endorsement/ Guarantee Provider	Counter-Party		Limit on Endorsement/ Guarantee Amounts Provided to Each Counter-Party (Note 1)	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant and Equipment	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)
		Name	Nature of Relationship						
0	TXC Corporation (TXC)	TCTI	Subsidiary	$ 2,582,563	$ 33,089	$ 33,089	$ -	-	$ 5,165,125
		GPT	Subsidiary	2,582,563	158,827	158,827	-	2	5,165,125

Note 1: Not to exceed 50% of TXC's net equity. ($5,165,125 thousand × 50% = $2,582,563 thousand)
Note 2: Not to exceed the net worth of the Corporation.

TABLE 2

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

No.	Company Name	Counter Party	Flow of Transaction (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	518	-	-
				Other expense - consulting expense	9,690	-	1
				Account receivable	651	-	-
				Other current assets	2,532	-	-
		TXC Japan Corporation	1	Sales	280	-	-
				Other expense - consulting expense	8,913	-	-
				Other expense	27	-	-
				Account receivable	355	-	-
				Accrued expense	90	-	-
		TXC (NGB) Corporation		Sales	46,012	-	3
				Purchase	304,780	-	19
				Other expense - consulting expense	7,947	-	-
				Account receivable	56,316	-	1
				Other current assets	52	-	-
				Account payable	182,908	-	2
				Accrued expense	7,753	-	-
1	Growing Profits Trading Ltd.	Taiwan Crystal Technology Inc.	2	Other receivable	1,551	-	-

Note 1: 1. From parent company to subsidiary.
2. Between subsidiaries.

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