TXC Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2008 and 2007 and Independent Accountants’ Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
TXC Corporation

We have reviewed the accompanying consolidated balance sheets of TXC Corporation and subsidiaries (collectively, the Corporation) as of June 30, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on reviews.

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

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

As discussed in Note 3 to the consolidated financial statements, in March 2007, the Accounting Research and Development Foundation (ARDF) issued Interpretation 2007-052 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 appropriation from earnings.

August 5, 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Per Share Amount)
(Reviewed, Not Audited)

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 787,360	9	$ 1,015,166	16
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	23,143	-	1,568	-
Available-for-sale financial assets - current (Notes 2 and 6)	-	-	210,392	3
Notes receivable, net (Notes 2 and 7)	14,016	-	4,250	-
Accounts receivable, net (Notes 2, 7, 23 and 24)	2,121,807	26	1,626,013	25
Inventories, net (Notes 2 and 8)	1,130,106	14	804,030	12
Other current assets (Notes 2 and 19)	157,070	2	127,002	2
Total current assets	4,233,502	51	3,788,421	58
INVESTMENTS				
Financial assets carried at cost (Notes 2 and 9)	3,000	-	3,000	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 24)				
Cost				
Land	154,438	2	157,040	2
Land improvements	442	-	442	-
Buildings	817,545	10	765,588	12
Machinery and equipment	4,101,593	49	2,940,198	45
Transportation equipment	9,852	-	10,084	-
Miscellaneous equipment	161,464	2	130,859	2
Land - revaluation increment	8,954	-	8,954	-
	5,254,288	63	4,013,165	61
Less accumulated depreciation	(1,905,725)	(23)	(1,372,545)	(21)
Construction in progress and prepayments for equipment	608,039	8	71,249	1
Property, plant and equipment, net	3,956,602	48	2,711,869	41
INTANGIBLE ASSETS				
Deferred pension cost (Notes 2 and 16)	7,947	-	7,947	-
Land rights	16,182	-	16,075	-
Total intangible assets	24,129	-	24,022	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 11)	7,277	-	-	-
Idle assets (Notes 2 and 11)	3,534	-	4,401	-
Refundable deposits	4,182	-	3,156	-
Deferred charges, net	37,598	-	21,872	-
Deferred income tax assets (Notes 2 and 19)	44,529	1	30,461	1
Total other assets	97,120	1	59,890	1
TOTAL	$ 8,314,353	100	$ 6,587,202	100

	2008		2007	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 12)	$ 616,358	8	$ 246,115	4
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	4,439	-	460	-
Notes payable (Note 23)	78,476	1	52,137	1
Accounts payable (Note 23)	1,177,962	14	699,773	10
Accrued expenses (Notes 3, 13 and 23)	254,712	3	159,997	2
Dividend payable (Note 17)	477,254	6	412,065	6
Bonds payable - current portion	181,512	2	-	-
Liability component of convertible bonds - current	19,713	-	-	-
Current portion of long-term loans (Notes 15 and 24)	207,273	3	-	-
Other current liabilities	111,853	1	108,965	2
Total current liabilities	3,129,552	38	1,679,512	25
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss - noncurrent (Notes 2 and 5)	6,640	-	12,444	-
Bonds payable (Notes 2 and 14)	-	-	678,455	11
Long-term loans, net of current portion (Notes 15 and 24)	278,399	3	270,000	4
Other financial liabilities (Notes 2 and 14)	-	-	62,767	1
Total long-term liabilities	285,039	3	1,023,666	16
OTHER LIABILITIES				
Reserve for land value increment tax (Notes 2 and 10)	3,512	-	3,512	-
Guarantee deposits received	4,849	-	116	-
Total other liabilities	8,361	-	3,628	-
Total liabilities	3,422,952	41	2,706,806	41
STOCKHOLDERS' EQUITY (Note 17)				
Capital stock				
Common stock, $10 par value; Authorized - 350,000 thousand and 300,000 thousand shares at June 30, 2008 and 2007; Issued - 241,627 thousand and 206,032 thousand shares at June 30, 2008 and 2007	2,416,271	29	2,060,323	31
Advance receipts for common stock	8,377	-	5,923	-
Stock dividend to be distributed	279,302	4	241,151	4
Total capital stock	2,703,950	33	2,307,397	35
Capital surplus	1,047,380	13	603,634	9
Retained earnings				
Legal reserve	352,016	4	238,045	4
Unappropriated earnings	822,596	10	655,275	10
Total retained earnings	1,174,612	14	893,320	14
Cumulative translation adjustments (Note 2)	87,250	1	70,211	1
Unrealized gains on financial instruments (Note 2)	-	-	392	-
Unrealized revaluation increment	5,442	-	5,442	-
Treasury stock - 2008: 3,000 thousand shares (Notes 2 and 18)	(127,233)	(2)	-	-
Total stockholders' equity	4,891,401	59	3,880,396	59
TOTAL	$ 8,314,353	100	$ 6,587,202	100

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

(With Deloitte & Touche review report dated August 5, 2008)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2008		2007	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 3,426,929	101	$ 2,728,692	101
LESS SALES ALLOWANCES AND RETURNS	(21,365)	(1)	(23,410)	(1)
NET OPERATING REVENUE	3,405,564	100	2,705,282	100
COST OF SALES	2,504,085	74	1,888,836	70
GROSS PROFIT	901,479	26	816,446	30
OPERATING EXPENSES				
Selling	166,762	5	162,275	6
General and administration	117,520	4	49,869	2
Research and development	148,248	4	87,779	3
Total operating expenses	432,530	13	299,923	11
OPERATING INCOME	468,949	13	516,523	19
NONOPERATING INCOME AND GAINS				
Interest income	7,822	-	8,135	-
Reversal of impairment loss	905	-	743	-
Valuation gain on financial assets	13,833	-	1,560	-
Valuation gain on financial liabilities	-	-	6,041	-
Gain on disposal of property, plant and equipment	-	-	604	-
Gain on sale of investments	853	-	350	-
Exchange gains	196,309	6	55,163	2
Miscellaneous income	18,549	1	20,669	1
Total nonoperating income and gains	238,271	7	93,265	3
NONOPERATING EXPENSES AND LOSSES				
Interest expense	19,033	1	21,313	1
Loss on disposal of property, plant and equipment	2,268	-	422	-
Loss on physical inventories	59	-	197	-
Exchange losses	206,991	6	49,294	2
Provision for loss on inventories	11,308	-	12,412	-
Valuation loss on financial liabilities	1,174	-	-	-
Miscellaneous expenses	4,637	-	5,236	-
Total nonoperating expenses and losses	245,470	7	88,874	3

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	$ 461,750	13	$ 520,914	19
INCOME TAX EXPENSE (Notes 2 and 19)	(43,501)	(1)	(57,752)	(2)
NET INCOME	$ 418,249	12	$ 463,162	17

	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 21)				
Basic	$ 1.93	$ 1.74	$ 2.27	$ 2.02
Diluted	$ 1.91	$ 1.72	$ 2.18	$ 1.93

(Concluded)

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

(With Deloitte & Touche review report dated August 5, 2008)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Capital Stock				Retained Earnings		Other Equity				
	Common Stock	Advance Receipts for Common Stock	Stock Dividends to be Distributed	Capital Surplus	Legal Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Gains on Financial Instruments	Unrealized Revaluation Increment	Treasury Stock	Total
BALANCE, JANUARY 1, 2008	$ 2,402,435	$ 13,091	$ -	$ 1,014,499	$ 238,045	$ 1,331,819	$ 111,374	$ 462	$ 5,442	$ -	$ 5,117,167
Appropriation of 2007 earnings											
Legal reserve	-	-	-	-	113,971	(113,971)	-	-	-	-	-
Stock dividends	-	-	238,627	-	-	(238,627)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(477,254)	-	-	-	-	(477,254)
Bonus to employees (including $40,675 thousand paid in stock)	-	-	40,675	-	-	(81,350)	-	-	-	-	(40,675)
Bonus to directors and supervisors	-	-	-	-	-	(16,270)	-	-	-	-	(16,270)
Advance receipts for common stock converted to common stock	13,091	(13,091)	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	745	8,377	-	34,944	-	-	-	-	-	-	44,066
Equity component of convertible bonds	-	-	-	(2,063)	-	-	-	-	-	-	(2,063)
Net income for the six months ended June 30, 2008	-	-	-	-	-	418,249	-	-	-	-	418,249
Change in unrealized gains on available-for-sale financial assets	-	-	-	-	-	-	-	(462)	-	-	(462)
Change in translation adjustments	-	-	-	-	-	-	(24,124)	-	-	-	(24,124)
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	(127,233)	(127,233)
BALANCE, JUNE 30, 2008	$ 2,416,271	$ 8,377	$ 279,302	$ 1,047,380	$ 352,016	$ 822,596	$ 87,250	$ -	$ 5,442	$ (127,233)	$ 4,891,401
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 (including $35,119 thousand paid in stock)	-	-	35,119	-	-	(70,238)	-	-	-	-	(35,119)
Bonus to directors and supervisors	-	-	-	-	-	(14,048)	-	-	-	-	(14,048)
Conversion of convertible bonds	-	5,923	-	25,404	-	-	-	-	-	-	31,327
Equity component of convertible bonds	-	-	-	1,458	-	-	-	-	-	-	1,458
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
Change in unrealized gains on available-for-sale financial assets	-	-	-	-	-	-	-	209	-	-	209
Change in translation adjustments	-	-	-	-	-	-	33,823	-	-	-	33,823
BALANCE, JUNE 30, 2007	$ 2,060,323	$ 5,923	$ 241,151	$ 603,634	$ 238,045	$ 655,275	$ 70,211	$ 392	$ 5,442	$ -	$ 3,880,396

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

(With Deloitte & Touche reviewt report dated August 5, 2008)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 418,249	$ 463,162
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	312,531	213,833
Nonoperating loss - idle assets and lease assets	259	262
Amortization	42,893	29,383
Reversal of provision for doubtful accounts	(1,017)	(2,165)
Provision for loss on inventories	11,308	12,412
Loss on physical inventories	59	197
Gain on sale of investments	(853)	(350)
Loss (gain) on disposal of property, plant and equipment	2,268	(182)
Valuation gain on financial instruments, net	(12,659)	(7,601)
Reversal of impairment loss	(905)	(743)
Discount on bonds payable	3,116	10,697
Deferred income tax	10,877	28,882
Other	(6,606)	(343)
Net changes in operating assets and liabilities		
Notes receivable	(1,295)	40,542
Accounts receivable	78,834	177,451
Inventories	(390,684)	(81,460)
Other current assets	(13,524)	(8,744)
Notes payable	9,703	(3,148)
Accounts payable	195,108	(55,340)
Accrued expenses	939	(19,932)
Other current liabilities	(54,342)	(29,423)
Net cash provided by operating activities	604,259	767,390
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(30,000)	(150,011)
Proceeds from disposal of available-for-sale financial assets	120,853	90,362
Acquisition of property, plant and equipment	(1,066,098)	(320,607)
Proceeds from disposal of property, plant and equipment	889	1,363
Decrease (increase) in refundable deposits paid	3,519	(134)
Increase in deferred charges	(50,132)	(28,713)
Net cash used in investing activities	(1,020,969)	(407,740)

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	$ 131,758	$ (97,146)
Increase (decrease) in long-term loans	87,489	(160,876)
Decrease in guarantee deposits received	(757)	(113)
Proceeds from the exercise of employee stock option	-	6,956
Cash bonus to employees	(15,971)	-
Cash paid for acquisition of treasury stock	(127,233)	-
Net cash provided by (used in) financing activities	75,286	(251,179)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(15,680)	6,269
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(357,104)	114,740
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,144,464	900,426
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 787,360	$ 1,015,166
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period		
Interest (including interest capitalized $2,762 thousand)	$ 23,240	$ 22,369
Income tax	$ 85,074	$ 74,206
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term loans to current liabilities	$ 207,273	$ -
Declaration of cash dividends from earnings	$ 477,254	$ 412,065
Convertible bonds	$ 41,600	$ 30,800

(Concluded)

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

(With Deloitte & Touche review report dated August 5, 2008)

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).

TXC Corporation specializes in five categories of products such as high quality Quartz Unite Crystul, Automotive Crystal, Crystal Oscillator (CXO) Surface Acoutic Wave (SAW) Filter, and Timing Module (TM), and provides for a complete solution of frequency devices and modules, design in service to fully satisfy various needs of the customers.

On August 26, 2002, TXC Corporation's shares began to be traded on the Taiwan Stock Exchange.

As of June 30, 2008 and 2007, TXC and its consolidated subsidiaries had 2,122 and 1,751 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The 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, compensation expenses bonuses paid to employees, directors and supervisors, and impairment of assets etc. Actual results may differ from these estimates.

For readers' convenience, the accompanying consolidated 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 difference arises in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

Name of Investor	Name of Investee	Business Nature	Percentage of Ownership at June 30, 2008	Percentage of Ownership at June 30, 2007
TXC Corporation	Taiwan Crystal Technology International Limited (TCTI)	Investment holding	100%	100%
	TXC Technology, Inc.	Marketing activities	100%	100%
	TXC Japan Corporation	Marketing activities	100%	100%
TCTI	Growing Profits Trading Ltd. (GPT)	International trading	100%	100%
	TXC (NGB) Corporation (NGB)	Manufacture and sales of electronic products	100%	100%

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

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

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

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

e. NGB was incorporated on March 12, 1999 in Ningbo, China.

TXC and its consolidated subsidiaries, listed above, are hereinafter collectively referred to as the “Corporation”.

Current/Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

Cash equivalents, consisting of commercial papers, bank acceptances and repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Corporation recognizes a financial asset or a financial liability on its balance sheet when the Corporation becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Corporation has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Bonds - at prices quoted by the Taiwan GreTai Securities Market; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Available-for-Sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the period. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Fair value of financial assets at the balance sheet date is determined as follows: Open-end mutual funds - at net assets values.

Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts

Revenue from sales of goods is recognized when the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or realizable. The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Corporation and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Corporation assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables as well as the economic environment.

Inventories

Inventories consist of including with raw material, supplies and spare parts, finished goods, work-in-process and merchandise inventories.

Inventories are recorded at weighted-average cost on the balance sheet date. Market value means replacement cost for raw materials, supplies and spare parts and net realizable value for finished goods, work-in-process and merchandise inventories.

Financial Assets Carried at Cost

Investments in equity instrument with no quoted price in an active market and with fair value cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

If there is objective evidence that a financial asset is impaired, a loss is recognized. No recording of a subsequent recovery in fair value is allowed.

Property, Plant and Equipment

Property, plant and equipment are stated at cost plus revaluation increment less accumulated depreciation. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over the estimated useful lives as follow: buildings - 3 to 60 years; machinery and equipment - 3 to 8 years; transportation equipment - 2 to 5 years; miscellaneous equipment - 2 to 6 years.

Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives. Depreciation of revaluated assets is provided on a straight-line basis over their remaining estimated useful lives determined at the time of revaluation.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the period of disposal.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a deduction to the unrealized revaluation increment.

Stock-based Compensation

Employee stock option granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). The Corporation adopted the intrinsic value method, under which compensation cost is recognized on a straight-line basis over the vesting period.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the period in which employees render services.

Curtailment or settlement gains or losses of the defined benefit plan are recognized as part of the net periodic pension cost for the period.

Convertible Bonds

The entire proceeds from convertible bonds issued on or before December 31, 2005 were accounted for as a liability. The difference between the agreed redemption price and the face value of the bonds is accrued using the effective interest method over the period from the issue date of the bonds to the date the put option becomes exercisable. The conversion of bonds into common shares is accounted for using the book value method, whereby the difference between the book value of the bonds (net of any unamortized premiums or discounts, accrued interest, and unamortized transaction costs) and the par value of the common shares issued is recorded as capital surplus.

For convertible bonds issued on or after January 1, 2006, the Corporation first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivatives) that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding the embedded non-equity derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, the Corporation uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.

Treasury Stock

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

Income Tax

The Corporation applies intra-period and inter-period allocations for its income tax, whereby (1) a portion of income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the consolidated financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's tax provision.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

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

Foreign Currencies

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
b. Shareholders' equity - at historical exchange rates;
c. Dividends - at the exchange rate prevailing on the dividend declaration date; and
d. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2007 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the six months ended June 30, 2008.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

<u>Accounting for Bonuses to Employees, Directors and Supervisors</u>

In March 2007, the ARDF issued Interpretation 2007-52 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 $63,992 thousand in net income from continuing operations, a decrease of $54,178 thousand in net income and a decrease in after income tax basic earnings per share of NT$0.22 for the six months ended June 30, 2008.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2008	2007
Cash on hand	$ 1,769	$ 2,065
Checking accounts and demand deposits	426,972	312,007
Time deposits	293,619	58,094
Cash equivalents		
Repurchase agreement collateralized bonds	65,000	643,000
	$ 787,360	$ 1,015,166

Overseas deposits are summarized as follows:

	June 30	
	2008	2007
Hong Kong (US$135 thousand in 2008 and US$254 thousand in 2007)	$ 4,105	$ 8,309
Hong Kong (HK$118 thousand in 2008 and HK$985 thousand in 2007)	460	4,125
China (RMB19,001 thousand, US$2,692 thousand, JP¥ 12,788 thousand in 2008 and RMB14,960 thousand, US$1,319 thousand, JP¥22,339 thousand in 2007)	169,561	113,461
American (US$283 thousand in 2008 and US$334 thousand in 2007)	8,587	10,948
Japan (JP¥21,088 thousand in 2008 and JP¥10,237 thousand in 2006)	6,075	2,714
	$ 188,788	$ 139,557

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30	
	2008	2007
Financial assets at FVTPL		
Forward exchange contracts	$ 13,843	$ 1,568
Convertible bonds	9,300	-
	$ 23,143	$ 1,568
Financial liabilities at FVTPL		
Forward exchange contracts	$ 4,439	$ 460
Cross-currency swap contracts	$ 6,640	$ 12,444

The Corporation entered into derivative contracts during the six months ended June 30, 2008 and 2007 to manage exposures related to exchange rate and interest rate fluctuations. The financial risk management objective of the Corporation is to minimize risks due to change in fair value or cash flows.

Outstanding forward contracts as of June 30, 2008 and 2007:

	Currency	Maturity	Contract Amount (In Thousands)
June 30, 2008			
Sell	USD/NTD	September 30, 2008	US$34,500/NT$1,054,209
Sell	USD/JPY	September 19, 2008	US$5,250/JP¥560,720
Sell	NTD/JPY	September 24, 2008	NT$127,608/JP¥450,000
Sell	USD/RMB	November 21, 2008	US$12,000/RMB81,038
June 30, 2007			
Sell	USD/NTD	August 29, 2007	US$9,500/NT$312,316
Sell	USD/JPY	September 5, 2007	US$2,416/JP¥293,255
Sell	NTD/JPY	September 27, 2007	US$73,395/JP¥270,000
Sell	USD/RMB	January 4, 2008	US$7,000/RMB53,143

Outstanding Interest rate swap contracts as of June 30, 2008:

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

Net gains and losses arising from derivative financial instruments for the six months ended June 30, 2008 and 2007 were $67,916 thousand and $13,748 thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2008	2007
Mutual funds	$ -	$210,392

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	June 30	
	2008	**2007**
Notes receivable from third parties	$ 14,086	$ 4,272
Notes receivable from related parties	-	-
	14,086	4,272
Less allowance for doubtful accounts	(70)	(22)
	$ 14,016	$ 4,250
Accounts receivable from third parties	$ 2,133,842	$ 1,632,019
Accounts receivable from related parties	4,486	7,397
	2,138,328	1,639,416
Less allowance for doubtful accounts	(16,521)	(13,403)
	$ 2,121,807	$ 1,626,013

Movements of allowance for doubtful accounts were as follows:

	Six Months Ended June 30			
	2008		**2007**	
	Notes Receivable	**Accounts Receivable**	**Notes Receivable**	**Accounts Receivable**
Balance, beginning of period	$ 64	$ 17,544	$ 224	$ 15,366
Add (deduct): Provision (reversal of provision) for doubtful accounts	6	(1,023)	(202)	(1,963)
Balance, end of period	$ 70	$ 16,521	$ 22	$ 13,403

8. INVENTORIES

	June 30	
	2008	**2007**
Raw materials	$ 232,954	$ 200,879
Supplies and spare parts	35,374	13,454
Work in-process	231,736	164,325
Finished goods	319,389	217,669
Merchandise inventories	324,601	187,400
Goods in transit	23,864	55,785
	1,167,918	839,512
Less allowance for loss	(37,812)	(35,482)
	$ 1,130,106	$ 804,030

9. FINANCIAL ASSETS CARRIED AT COST

	June 30	
	2008	**2007**
Domestic unquoted common stocks	$ 3,000	$ 3,000

The above equity investments which had no quoted prices in an active market and of which fair values could not be reliably measured were carried at cost.

10. PROPERTY, PLANT AND EQUIPMENT

	Six Months Ended June 30, 2008				
	Cost	**Revaluation Increment**	**Accumulated Depreciation**	**Accumulated Impairment Losses**	**Carrying Value**
Land	$ 154,438	$ 8,954	$ -	$ -	$ 163,392
Land improvements	442	-	442	-	-
Buildings	817,545	-	219,927	-	597,618
Machinery and equipment	4,101,593	-	1,590,407	-	2,511,186
Transportation equipment	9,852	-	3,741	-	6,111
Miscellaneous equipment	161,464	-	91,208	-	70,256
Prepayments for equipment	220,751	-	-	-	220,751
Prepayments for land	88,739	-	-	-	88,739
Construction in progress	298,549	-	-	-	298,549
	$ 5,853,373	$ 8,954	$ 1,905,725	$ -	$ 3,956,602

	Six Months Ended June 30, 2007				
	Cost	**Revaluation Increment**	**Accumulated Depreciation**	**Accumulated Impairment Losses**	**Carrying Value**
Land	$ 157,040	$ 8,954	$ -	$ -	$ 165,994
Land improvements	442	-	378	-	64
Buildings	765,588	-	172,884	-	592,704
Machinery and equipment	2,940,198	-	1,123,041	-	1,817,157
Transportation equipment	10,084	-	3,949	-	6,135
Miscellaneous equipment	130,859	-	72,293	-	58,566
Prepayments for equipment	47,788	-	-	-	47,788
Prepayments for building	19,096	-	-	-	19,096
Construction in progress	4,365	-	-	-	4,365
	$ 4,075,460	$ 8,954	$ 1,372,545	$ -	$ 2,711,869

Information about capitalized interest was as follows:

	Six Months Ended June 30	
	2008	**2007**
Interest paid	$ 21,014	$ 24,075
Capitalized interest	1,981	2,762
Capitalization rates	7.64%	2.63%

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

The Corporation revalued its land in 1996, which resulted in total revaluation increments of $8,954 thousand. The net add 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.

11. OTHER ASSETS

Leased to Others

	June 30, 2008			
	Book Value	Accumulated Depreciation	Accumulated Impairment	Carrying Value
Land	$ 2,602	$ -	$ -	$ 2,602
Buildings	7,558	(2,883)	-	4,675
	$ 10,160	$ (2,883)	$ -	$ 7,277

Future rental payments receivable were summarized as follows:

Period	Amount
2008	$ 810
2009	795

As of June 30, 2008, the Corporation had received deposits of $270 thousand, respectively. The interest on these deposits of $3 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the six months ended June 30, 2008.

Idle Assets

	June 30, 2008		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	6,154	4,873	1,281
Machinery and equipment	11,032	11,032	-
Miscellaneous equipment	27	27	-
	$19,466	$15,932	$ 3,534

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

Impairment loss was as follows:

	Six Months Ended June 30, 2008	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Gain on reversal of impairment loss		
Machinery and equipment	$ 905	$ -

	Six Months Ended June 30, 2007	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Gain on reversal of impairment loss		
Machinery and equipment	$ 743	$ -

12. SHORT-TERM LOANS

	June 30			
	2008		2007	
	Amount	Interest Rate %	Amount	Interest Rate %
Usance letters of credit	$234,766	1.383~1.999	$ 54,863	1.20~1.82
Working capital loans	381,592	3.07~8.02	191,252	2.86
	$616,358		$246,115	

Usance letters of credit amounted to JP¥814,876 thousand as of June 30, 2008, and JP¥206,951 thousand as of June 30, 2007.

Working capital loans amounted to US$7,900 thousand as of June 30, 2008 and US$5,750 thousand and JP¥80,000 thousand as of June 30, 2007.

See Note 24 for details of pledged assets.

13. ACCRUED EXPENSES

	June 30	
	2008	2007
Payroll	$ 49,949	$ 34,667
Bonus	39,932	45,245
Bonus to employees, directors and supervisors	63,992	-
Service fee	2,830	7,534
Sales agent fee	-	7,584
Commission	30,327	19,785
Others	67,682	45,182
	$254,712	$159,997

14. BONDS PAYABLE

	June 30	
	2008	2007
Second unsecured domestic convertible bonds	$199,000	$769,200
Liability component of unsecured domestic convertible bonds		
Less: Discount on bonds payable	(17,488)	(90,745)
Less: Current portion	(181,512)	-
	$ -	$678,455

Second Unsecured Domestic 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, 2008, the Corporation's outstanding unsecured domestic convertible bonds were $601,000 thousand. According to Statement of Financial Accounting Standards No. 36, "Disclosure and Presentation of Financial Instruments," these unsecured domestic convertible bonds were separated into convertible options, equity (Note 17), and bonds payable, liability. Other details of the bond issuance are summarized as follows:

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

(b) During the period between one month after issuance and the 40^{th} 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 10^{th} 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 2008	June 30 2007
Secured bank loans	Repayable at maturity on March 20, 2014	$ -	$ 70,000
Secured bank loans	Maturity on May 4, 2021, repayable in 55 quarterly installments from November 2007	94,546	-
Secured bank loans	Maturity on June 9, 2011, repayable in three monthly installments from September 2009	91,126	-
Unsecured bank loans	Repayable at maturity on August 14, 2009	100,000	-
Unsecured bank loans	Repayable at maturity on October 26, 2008	200,000	200,000
		485,672	270,000
Less current portion		(207,273)	-
		$ 278,399	$ 270,000
Interest rate (%)		2.15~4.10	2.15~2.685

See Note 24 for collateral on long-term loans.

16. PENSION PLANS

The pension plan under the Labor Pension Act (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 $8,842 thousand and $7,114 thousand for the six months ended June 30, 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 Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. 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 $2,151 thousand and $2,043 thousand for the six months ended June 30, 2008 and 2007, respectively.

17. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $3,500,000 thousand and $3,000,000 thousand at June 30, 2008 and 2007 ($10.00 par value per share). As of June 30, 2008, the Corporation's issued capital stock was $2,416,271 thousand divided into 241,627 thousand shares at $10.00 par value each.

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:

	Six Months Ended June 30			
	2008		2007	
Employee Stock Options	**Number of Options (In Thousand)**	**Weighted Average Exercise Price**	**Number of Options (In Thousand)**	**Weighted Average Exercise Price**
Balance, beginning of period	8,000	$ -	(330)	$ 17.59
Options granted	-	-	-	-
Options exercised	-	-	(330)	20.83
Options expired	-	-	-	
Balance, end of period	8,000	-	-	
Options exercisable, end of period	-	-	-	

Information about outstanding options as of June 30, 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	4.45	$58.8	-	$ -

The pro forma information for the six months ended June 30, 2008 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39 was as follows:

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

	Six Months Ended June 30, 2008
Net income	
As reported	$ 418,249
Pro forma net income	$ 375,549
Basic after income tax earnings per share (NT$)	
As reported	$ 1.74
Pro forma	$ 1.57
Diluted after income tax earnings per share (NT$)	
As reported	$ 1.72
Pro forma	$ 1.55

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

	June 30	
	2008	**2007**
Arising from issuance of common shares	$ 290,248	$ 290,248
Arising from conversion of bonds	689,197	217,170
Employee stock options	58,064	58,064
Conversion options	9,871	38,152
	$ 1,047,380	$ 603,634

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 six months ended June 30, 2008 the bonus to employees and bonus to directors and supervisors representing 15% and 2% of net income (net of the bonus to employees and bonus to directors and supervisors) respectively were estimated based on past experiences. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative transaction adjustments) 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 it 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 and 2006 had been approved in the stockholders' meeting on June 13, 2008 and June 13, 2007. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2007	**For Year 2006**	**For Year 2007**	**For Year 2006**
Legal reserve	$ 113,971	$ 84,224	$ -	$ -
Cash dividends	477,254	412,065	2.0	2.0
Stock dividends	238,627	206,032	1.0	1.0
Bonus to employees - stock	40,675	35,119	-	-
Bonus to employee - cash	40,675	35,119	-	-
Bonus to directors and supervisors - cash	16,270	14,048	-	-

The Board of Directors set August 18, 2008 as the ex-dividend date.

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

18. 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
Six months ended June 30, 2008				
For transfer to employees	-	3,000	-	3,000

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.

19. INCOME TAX

A reconciliation of income tax expense based on income before income tax at the 25% statutory rate and income tax expense was as follows:

	Six Months Ended June 30	
	2008	2007
Income tax expense at 25% statutory rate	$115,794	$130,350
Tax effect on adjusting items:		
Permanent differences	(360)	(88)
Temporary differences	(43,075)	(20,797)
Tax-exempt income for five years	(27,600)	(41,494)
Additional 10% income tax on unappropriated earnings	21,223	5,563
Investment tax credits used	(32,991)	(36,767)
Current income tax expense	32,991	36,767
Subsidiary's income tax	(1,468)	(528)
Deferred tax expenses (benefits)		
Temporary differences	43,075	5,690
Investment tax credits	(32,198)	23,192
Adjustments for prior years' tax	1,101	(7,369)
	$ 43,501	$ 57,752

Deferred income tax assets (liabilities) were as follows:

	Six Months Ended June 30	
	2008	2007
Current		
Deferred income tax assets		
Investment tax credit	$ 41,571	$ 25,326
Unrealized allowance for loss on inventories	8,560	7,947
Unrealized exchange losses	3,283	3,656
Unrealized gain on transactions with investees	4,441	1,158
Allowance for doubtful accounts	739	91
Unrealized valuation loss on financial instruments	3,280	115
	61,874	38,293
Less valuation allowance	-	-
	61,874	38,293
Deferred income tax liabilities		
Unrealized exchange gains	(3,250)	(4,011)
Unrealized valuation gain on financial instrument	(3,461)	-
	(6,711)	(4,011)
	$ 55,163	$ 34,282
Noncurrent		
Deferred income tax assets		
Investment tax credits	$124,714	$ 75,977
Impairment loss	2,823	2,156
Unrealized valuation loss on financial instrument	1,660	3,111
Accrued pension cost	331	331
	129,528	81,575
Less valuation allowance	-	-
	129,528	81,575
Deferred income tax liabilities		
Investment income recognized on equity-method investments	(84,999)	(51,114)
	$ 44,529	$ 30,461

As of June 30, 2008, investment tax credit comprised of:

Lows and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$113,152	$ 91,532	2012
	Research and development expenditures	118,823	73,937	2012
	Personnel training expenditures	2,130	816	2012
		$234,105	$166,285	

As of June 30, 2008, profits attributable to the following expansion and construction projects were exempted from income tax for five-year.

	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 have been examined and approved by the tax authorities.

Information about integrated income tax was as follows:

	June 30	
	2008	2007
Balance of ICA	$ 32,474	$ 74,687
	2007 (Estimate)	2006 (Actual)
The creditable ratio for distribution	8.02%	8.34%

	June 30	
	2008	2007
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	822,596	655,275
	$ 822,596	$ 655,275

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2007 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Function / Expense Item	Six Months Ended June 30					
	2008			2007		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Personnel						
Salary	235,700	186,304	422,004	165,986	120,516	286,502
Insurance	10,036	6,508	16,544	7,869	6,021	13,890
Pension	6,680	5,404	12,084	5,060	4,658	9,718
Meal	7,508	5,234	12,742	5,884	4,040	9,924
Welfare	3,857	3,796	7,653	3,020	2,322	5,342
Depreciation	267,775	44,756	312,531	181,498	32,335	213,833
Amortization	7,362	33,531	42,893	2,246	27,137	29,383

21. EARNINGS PER SHARE

	Six Months Ended June 30			
	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic earnings per share (NT$)				
From continuing operations	$ 1.93	$ 1.74	$ 2.27	$ 2.02
Net income	$ 1.93	$ 1.74	$ 2.27	$ 2.02
Pro forma EPS adjusted for stock dividends with ex-dividend date after issuance of financial statement	$ 1.73	$ 1.56	$ 2.04	$ 1.81
Diluted earnings per share (NT$)				
From continuing operations	$ 1.91	$ 1.72	$ 2.18	$ 1.93
Net income	$ 1.91	$ 1.72	$ 2.18	$ 1.93
Pro forma EPS adjusted for stock dividends with ex-dividend date after issuance of financial statement	$ 1.71	$ 1.54	$ 1.96	$ 1.73

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

	Six Months Ended June 30, 2008				
	Amount (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (in Thousands)	Before Income Tax	After Income Tax
Net income	$ 463,218	$ 418,249			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 463,218	$ 418,249	239,273	$ 1.93	$ 1.74
Effect of dilutive potential common stock					
Employee stock option	-	-	-		
Convertible bonds	4,133	3,100	5,214		
Bonus to employee	-	-	551		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 467,351	$ 421,349	245,038	$ 1.91	$ 1.72

	Six Months Ended June 30, 2007				
	Amount (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (in Thousands)	Before Income Tax	After Income Tax
Net income	$ 521,442	$ 463,162			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 521,442	$ 463,162	229,285	$ 2.27	$ 2.02
Effect of dilutive potential common stock					
Employee stock option	-	-	107		
Convertible bonds	11,505	8,629	15,385		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 532,947	$ 471,791	244,777	$ 2.18	$ 1.93

The Corporation presumes that the bonus to employees will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus by the closing price of the shares of the balance sheet date. The dilutive effect of the shares needs to be considered until the shareholders resolve the number of shares to be distributed to employees in their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of employee stock bonuses distributed out of earnings for the year ended December 31, 2006 and stock dividends. This adjustment caused the basic and diluted after income tax EPS for the six months ended June 30, 2007 to decrease from NT$2.25 to NT$2.13 and from NT$2.02 to NT$1.93, respectively.

22. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	June 30			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at fair value through profit or loss - current	$ 23,143	$ 23,143	$ 1,568	$ 1,568
Available-for-sale financial assets, current	-	-	210,392	210,392
Financial assets carried at cost	3,000	-	3,000	-
Financial liabilities				
Financial liabilities at fair value through profit or loss - noncurrent	11,079	11,079	12,904	12,904
Bonds payable (including current portion)	201,225	201,225	741,222	741,222
Long-term debt (including current portion)	485,672	485,672	270,000	270,000

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.

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

	Quoted Market Price		**Valuation Techniques**	
	June 30		**June 30**	
	2008	**2007**	**2008**	**2007**
Assets				
Available-for-sale financial assets, current	$ -	$ 210,392	$ -	$ -
Financial assets at fair value through profit or loss	9,300	-	13,843	-
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	4,439	460
Bonds payable	-	-	201,225	741,222
Long-term debt (including current portion)	-	-	485,672	270,000
Financial liabilities at fair value through profit of loss, noncurrent	-	-	6,640	12,444

Valuation gains and losses arising from changes in fair value of financial instruments determined using valuation techniques were $9,404 thousand and $460 thousand for the six months ended June 30, 2008 and 2007, respectively.

As of June 30, 2008 and 2007, financial liabilities exposed to cash flow interest rate risk were $6,640 and $12,444 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- and long are floating-rate loans. When the market interest rate increases by one percentage point, the Corporation's cash outflow will increase by $11,020 thousand a year.

23. RELATED-PARTY TRANSACTIONS

The related parties and their relationships with the Corporation are as follows:

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

Major transactions with related parties were summarized below:

Sales

	Six Months Ended June 30			
	2008		2007	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 7,088	-	$ 9,628	-

Purchases

	Six Months Ended June 30			
	2008		2007	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 262	-	$ -	-

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

Other Expense

	Six Months Ended June 30			
	2008		2007	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Tai-Shing	$ 3,455	2	$ 3,013	3
K&H	27	-	240	-
	$ 3,482	2	$ 3,253	3

Receivables from and Payables to Related Parties

		June 30			
		2008		2007	
Item	Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts receivable	Tai-Shing	$ 4,486	-	$ 7,397	-
Notes payable	Tai-Shing	$ -	-	$ 937	-
Accounts payable	Tai-Shing	$ 587	-	$ 292	-
Accrued expenses	Tai-Shing	$ 15	-	$ 547	-

24. MORTGAGED OR PLEDGED ASSETS

The Corporation’s assets mortgaged or pledged as collateral for bank loans were as follows:

	June 30	
	2008	2007
Accounts receivable	$ -	$ 7,873
Property, plant and equipment		
Land	163,392	165,994
Buildings, net	578,218	566,828
Machinery and equipment, net	359,716	359,024
Restricted deposit	943	-
Intangible asset	16,182	16,075
	$ 1,118,451	$ 1,115,794

25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

In addition to those disclosed in other notes, significant commitments and contingencies of The Corporation as of June 30, 2008 were as follows:

Commitment	Contract Price	Paid Up	Not Yet Paid
Prepayments on purchase of land	$ 116,739	$ 88,739	$ 28,000
Construction in progress	$ 407,783	$ 110,357	$ 297,426
	RMB 72,420	RMB 55,882	RMB 16,538
Prepayments on purchase of equipment	$ 42,090	$ 23,387	$ 18,703
	RMB 374,015	RMB 168,518	RMB 205,497

Unused letters of credit amounted to approximately JP¥496,376 thousand.

Guarantee for short-term loan and long-term loan amount to about $1,594,500 thousand.

As of June 30, 2008, the Corporation's guarantees for loan of its subsidiaries were described in Table 1.

26. SUBSEQUENT EVENTS

None.

27. 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 or disposed of at costs or prices of at least $100 million or 20% of the paid-in capital: None.

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

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

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

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4 (attached).

i. Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 5 (attached).

j. Derivative transactions of investees over which the Corporation has a controlling interest: Table 6 (attached).

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

l. Intercompany relationships and significant intercompany transactions: Table 8 (attached).

TXC CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
SIX MONTHS ENDED JUNE 30, 2008
(In Thousands of New Taiwan Dollars)

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	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	TXC Corporation	TCTI	Subsidiary	$ 2,445,701	$ 33,089	$ 33,089	$ -	1	$ 4,891,401
		GPT	Subsidiary	2,445,701	189,240	189,240	-	4	4,891,401

Note 1: Not to exceed 50% of the Corporation’s net equity. ($4,891,401 thousand × 50% = $2,445,701 thousand)
Note 2: Not to exceed the net worth of the Corporation.

TABLE 2

TXC CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Holding Company	Marketable Securities Type and Issuer/ Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	June 30, 2008				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	Convertible bonds							
	AMTRAN	-	Financial assets at FVTPL	100	$ 9,300	-	$ 9,300	
	Stock							
	TCTI	Subsidiary	Investment accounted for by the equity method	35,270	$ 1,581,220	100	None	
	TXC Technology Inc.	Subsidiary	〃	300	6,152	100	None	
	TXC Japan Corporation	Subsidiary	〃	2	4,657	100	None	
					$ 1,592,029			
	Marson Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	414	$ 3,000	5	None	
TCTI	Stock							
	GPT	Subsidiary	Investment accounted for by the equity method	50	$ 63,724 US$ 2,099	100	None	
	TXC (Ningbo) Corporation	Subsidiary	〃	1,163,389 US$ 35,270	$ 1,533,678 US$ 50,526	100	None	

TABLE 3

TXC CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Non-arm's Length		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	$ 610,271	30	-	-	-	$ (217,943)	(23)	

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

TABLE 4

TXC CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2008
(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	$ 217,943 US$ 7,176	5.21	$ -	-	$ 78,287 US$ 2,579	$ -

TABLE 5

TXC CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
JUNE 30, 2008
(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, 2008			Net Income (Losses) of the Investee	Investment Income (Loss) Recognized	Note
				June 30, 2008	December 31, 2007	Shares (in Thousands)	Percentage of Ownership	Carrying Amount			
TXC Corporation	TCTI	WESTERN Samoa	Investment holding	$ 1,163,389 US$ 35,270	$ 988,041 US$ 29,835	35,270	100	$ 1,581,220	$ 158,863	$ 148,268	
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 US$ 300	9,879 US$ 300	300	100	6,152	(499)	(499)	
	TXC Japan Corporation	Japan	Marketing activities	6,172 JP¥ 21,000	4,661 JP¥ 16,000	2	100	4,657	258	258	
TCTI	GPT	B.V.I.	National trading	US$ 50	US$ 50	50	100	63,724 US$ 2,099	27,283 US$ 880	27,283 US$ 880	
	NGB	Ningbo	Manufacture and sales of electronics products	US$ 35,270	US$ 29,835	US$ 35,270	100	1,533,678 US$ 50,526	131,584 US$ 4,247	131,584 US$ 4,247	

TABLE 6

TXC CORPORATION AND SUBSIDIARIES

DERIVATIVE TRANSACTIONS OF INVESTEES OVER WHICH THE CORPORATION HAS A CONTROLLING INTEREST

NGB entered into derivative transactions during the six months ended June 30, 2008 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of June 30, 2008:

	Currency	**Maturity**	**Contract Amount (In Thousands)**
June 30, 2008			
Sell	USD/RMB	2008.07.07~2008.11.21	US$12,000/RMB81,038

TXC CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars)

1. Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2008 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2008 (US$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of June 30, 2008	Accumulated Inward Remittance of Earnings as of June 30, 2008
					Outflow (US$ in Thousand)	Inflow					
TXC (Ningbo) Corporation	Manufacturing and sales of crystal and crystal oscillator	$ 1,163,389 (US$ 35,270)	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	$ 928,459 (US$ 28,000)	$ 175,378 (US$ 5,435)	$ -	$ 1,103,837 (US$ 33,435)	100	$ 131,584 (US$ 4,247)	$ 1,533,678 (US$ 50,526)	$ 122,808 (US$ 3,783)

Accumulated Investment in Mainland China as of June 30, 2008 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment (Note)
$1,103,837 (US$33,435)	$1,250,400 (US$37,835)	$1,956,560

Note: Not to exceed 40% of the Corporation's net equity ($4,891,401 thousand × 40% = $1,956,560 thousand).

2. Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Nature of Relationship	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
		Purchase/Sale	Amount	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
NGB	Subsidiary	Purchase	$ 610,271 (US$ 19,609)	Negotiated price	Similar with third parties	Similar	$ 217,943 (US$ 7,176)	23	$ (14,658)
		Sale	$ 80,024 (US$ 2,579)	Negotiated price	Similar with third parties	Similar	$ 29,839 (US$ 983)	1	$ (3,107)

3. Endorsements, guarantees or collateral directly or indirectly provided to the investees: None.

4. Financings directly or indirectly provided to the investees: None.

5. Other transactions that significantly impacted current year's profit or loss or financial position: None.

TABLE 8

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
SIX MONTHS ENDED JUNE 30, 2008
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC Technology, Inc.	1	Sales	1,621	-	-
				Other expense - consulting expense	18,792	-	-
				Accounts receivable	770	-	-
				Other current assets	780	-	-
		TXC Japan Corporation	1	Sales	778	-	-
				Purchase	19	-	
				Other expense - consulting expense	18,055	-	-
				Accounts receivable	278	-	-
				Accounts payable	19		
				Accrued expense	18	-	-
		TXC (NGB) Corporation	1	Sales	80,024	-	2
				Purchase	610,271	-	18
				Other expense - consulting expense	15,734	-	-
				Accounts receivable	29,839	-	-
				Accounts payable	217,943	-	3
1	Growing profits Trading Ltd.	Taiwan Crystal Technology Inc.	3	Account receivable	1,518	-	-
				Other receivable	30	-	-
		TXC (NGB) Corporation	3	Sales	11,213	-	-
				Account receivable	10,986	-	-
2	TXC (NGB) Corporation	TXC Japan Corporation	3	Accrued expense	195	-	-

TABLE 9

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
SIX MONTHS ENDED JUNE 30, 2008
(In Thousands of New Taiwan Dollars)

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

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

Note 2: The term of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, price are determined in accordance with mutual agreement.