TXC Corporation

Financial Statements for the
Nine Months Ended September 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 balance sheets of TXC Corporation (the Corporation) as of September 30, 2008 and 2007, and the related statements of income, and cash flows for the nine months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our reviews.

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

As discussed in Note 10 to the financial statements, TXC Corporation's investments accounted for by the equity method with carrying values of NT$1,857,807 thousand and NT$1,327,149 thousand as of September 30, 2008 and 2007, respectively, and related investment income of NT$235,178 thousand and NT$113,243 thousand for the nine months ended September 30, 2008 and 2007, respectively, were recognized on the basis of the subsidiaries' unreviewed financial statements.

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

As discussed in Note 3 to the financial statements, 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.

We have also reviewed the consolidated financial statements of TXC Corporation and subsidiaries as of September 30, 2008, and expressed qualified opinion on such financial statements.

October 16, 2008

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

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

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

TXC CORPORATION

BALANCE SHEETS
SEPTEMBER 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 701,118	8	$ 874,188	13
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	8,500	-	4,692	-
Available-for-sale financial assets - current (Notes 2 and 6)	-	-	180,118	3
Notes receivable, net (Notes 2 and 7)	17,244	-	11,365	-
Accounts receivable, net (Notes 2, 7 and 25)	2,252,719	26	1,917,182	28
Inventories, net (Notes 2 and 8)	909,881	11	581,924	9
Other current assets (Notes 2 and 21)	119,902	2	90,850	1
Total current assets	4,009,364	47	3,660,319	54
LONG-TERM INVESTMENTS				
Investments accounted for the equity method (Notes 2 and 10)	1,857,807	22	1,327,149	20
Financial assets carried at cost - noncurrent (Notes 2 and 9)	3,000	-	3,000	-
Total long-term investments	1,860,807	22	1,330,149	20
PROPERTY, PLANT AND EQUIPMENT(Notes 2, 11 and 26)				
Cost				
Land	272,106	3	157,040	2
Land improvements	442	-	442	-
Buildings	624,045	7	581,825	9
Machinery and equipment	2,883,527	34	2,031,589	30
Transportation equipment	2,557	-	2,557	-
Miscellaneous equipment	108,930	1	93,090	1
Land - revaluation increment	8,954	-	8,954	-
	3,900,561	45	2,875,497	42
Less: Accumulated depreciation	(1,646,362)	(19)	(1,194,410)	(18)
Construction-in-progress and prepayments for equipment	350,632	4	49,387	1
Property, plant and equipment, net	2,604,831	30	1,730,474	25
INTANGIBLE ASSETS				
Deferred pension cost (Notes 2 and 18)	7,947	-	7,947	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 12)	7,246	-	-	-
Idle assets (Notes 2 and 12)	3,435	-	3,978	-
Refundable deposits	4,148	-	3,022	-
Deferred charges	18,247	-	14,846	-
Deferred income tax assets - noncurrent (Notes 2 and 21)	25,299	1	29,968	1
Total other assets	58,375	1	51,814	1
TOTAL	$ 8,541,324	100	$ 6,780,703	100

	2008		2007	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ 491,058	6	$ 98,018	1
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	10,798	-	-	-
Short-term bills payable (Note 14)	100,000	1	-	-
Notes payable (Note 25)	67,083	1	54,130	1
Accounts payable to third parties	756,110	9	602,471	9
Accounts payable to related parties (Note 25)	358,828	4	311,312	5
Accrued expenses (Notes 3, 15 and 25)	297,510	3	165,369	2
Liability component of convertible bonds - current (Note 2)	12,172	-	-	-
Bonds payable - current portion (Notes 2 and 16)	130,084	2	-	-
Current portion of long-term loans (Notes 17 and 26)	207,273	2	-	-
Other current liabilities	78,348	1	67,594	1
Total current liabilities	2,509,264	29	1,298,894	19
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss - noncurrent (Notes 2 and 5)	8,466	-	10,634	-
Bonds payable (Notes 2 and 16)	-	-	268,007	4
Long-term loans, net of current portion (Notes 17 and 26)	652,454	8	520,000	8
Liability component of convertible bonds - noncurrent (Note 2)	-	-	29,579	-
Total long-term liabilities	660,920	8	828,220	12
RESERVES				
Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	4,494	-	210	-
Deferred credits - gain on inter-company transaction (Note 2)	2,385	-	642	-
Total other liabilities	6,879	-	852	-
Total liabilities	3,180,575	37	2,131,478	31
STOCKHOLDERS' EQUITY (Note 18)				
Capital stock				
Common stock, $10 par value; Authorized - 350,000 thousand and 300,000 thousand shares at September 30, 2008 and 2007; Issued - 270,395 thousand and 230,740 thousand shares at September 30, 2008 and 2007	2,703,951	32	2,307,397	34
Advance receipts for common stock	13,030	-	95,037	2
Total capital stock	2,716,981	32	2,402,434	36
Capital surplus	1,092,215	13	968,133	14
Retained earnings				
Legal reserve	352,016	4	238,045	4
Unappropriated earnings	1,098,992	13	951,694	14
Total retained earnings	1,451,008	17	1,189,739	18
Other equity				
Cumulative translation adjustments (Note 2)	222,336	3	83,359	1
Unrealized gains on financial instruments (Note 2)	-	-	118	-
Unrealized revaluation increment	5,442	-	5,442	-
Treasury stock - 2008: 3,000 thousand shares (Notes 2 and 20)	(127,233)	(2)	-	-
Total stockholders' equity	5,360,749	63	4,649,225	69
TOTAL	$ 8,541,324	100	$ 6,780,703	100

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

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

TXC CORPORATION

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

	2008		2007	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$4,959,237	101	$4,229,486	101
LESS: SALES RETURNS	(15,932)	-	(20,636)	(1)
LESS: SALES ALLOWANCES	(30,279)	(1)	(18,402)	-
NET OPERATING REVENUE	4,913,026	100	4,190,448	100
OPERATING COSTS	3,786,566	77	3,034,228	72
GROSS PROFIT	1,126,460	23	1,156,220	28
UNREALIZED INTER-COMPANY GAIN	(2,385)	-	(642)	-
REALIZED INTER-COMPANY GAIN	3,691	-	240	-
REALIZED GROSS PROFIT	1,127,766	23	1,155,818	28
OPERATING EXPENSES				
Selling	241,979	5	181,619	5
General and administration	129,327	3	95,946	2
Research and development	198,516	4	135,155	3
Total operating expenses	569,822	12	412,720	10
OPERATING INCOME	557,944	11	743,098	18
NONOPERATING INCOME AND GAINS				
Interest income	9,348	-	12,247	-
Investment income recognized under equity method	235,178	5	113,243	3
Gain on disposal of property, plant and equipment	-	-	534	-
Gain on sale of investments	853	-	1,145	-
Exchange gains	311,309	7	65,942	2
Reversal of impairment loss	1,107	-	-	-
Valuation gain on financial assets, net	-	-	4,692	-
Miscellaneous income	13,350	-	17,558	-
Total nonoperating income and gains	571,145	12	215,361	5

(Continued)

TXC CORPORATION

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

	2008		2007	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Interest expense	$ 21,428	1	$ 23,200	1
Loss on disposal of property, plant and equipment	1,107	-	6	-
Loss on physical inventories	59	-	221	-
Provision for loss on inventories	16,552	-	20,013	-
Exchange losses	302,513	6	65,434	2
Valuation loss on financial assets, net	810	-	-	-
Valuation loss on financial liabilities, net	7,077	-	3,918	-
Miscellaneous expenses	629	-	3,626	-
Total nonoperating expenses and losses	350,175	7	116,418	3
INCOME BEFORE INCOME TAX	778,914	16	842,041	20
INCOME TAX EXPENSE (Notes 2 and 21)	(84,268)	(2)	(82,459)	(2)
NET INCOME	$ 694,646	14	$ 759,582	18

	2008		2007	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 23)				
Basic	$ 2.91	$ 2.60	$ 3.27	$ 2.95
Diluted	$ 2.87	$ 2.55	$ 3.18	$ 2.85

(Concluded)

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

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

TXC CORPORATION

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

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 694,646	$ 759,582
Depreciation	396,960	258,084
Nonoperating loss - idle assets and lease assets	389	148
Amortization	64,540	10,658
(Reversal of provision) provision for doubtful accounts	(1,187)	275
Provision for loss on inventories	16,552	20,013
Loss on physical inventories	59	221
Gain on sale of investments	(853)	(1,145)
Investment income recognized under equity method	(235,178)	(113,243)
Loss (gain) on disposal of property, plant and equipment	1,107	(528)
Valuation loss (gain) on financial instruments	7,887	(774)
Reversal of impairment loss	(1,107)	-
Unrealized gross profit	2,385	642
Realized gross profit	(3,691)	(240)
Deferred income tax	33,847	24,967
Discount on bonds payable	4,202	14,369
Others	(6,606)	(1,744)
Net changes in operating assets and liabilities		
Notes receivable	(4,541)	33,391
Accounts receivable	(151,228)	(237,177)
Inventories	(298,421)	(1,253)
Other current assets	(28,479)	(14,832)
Notes payable	(1,690)	(1,156)
Accounts payable	184,687	167,246
Accrued expenses	99,243	9,983
Other current liabilities	(16,122)	(14,536)
Net cash provided by operating activities	757,401	912,951
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(30,000)	(210,012)
Proceeds from disposal of available-for-sale financial assets	120,853	181,157
Acquisition of investments accounted for by equity method	(205,340)	(19,571)
Acquisition of property, plant and equipment	(1,025,915)	(323,268)
Proceeds from disposal of property, plant and equipment	-	1,178
Decrease (increase) in refundable deposits	3,436	(52)
Increase in deferred charges	(64,367)	(14,006)
Net cash used in investing activities	(1,201,333)	(384,574)

(Continued)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 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	$ 215,802	$ (107,257)
Increase in short-term bills payable	100,000	-
Increase in long-term loans	461,545	110,000
Increase in guarantee deposits received	-	210
Cash bonus to directors, supervisors and employees	(56,945)	(49,167)
Cash dividends	(477,254)	(412,065)
Proceeds from the exercise of employee stock option	-	6,956
Cash paid for acquisition of treasury stock	(127,233)	-
Net cash provided by (used in) financing activities	115,915	(451,323)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(328,017)	77,054
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,029,135	797,134
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 701,118	$ 874,188
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 21,844	$ 26,375
Income tax paid	$ 85,049	$ 72,389
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term loans to current liabilities	$ 207,273	$ -
Convertible bonds	$ 99,000	$ 499,700
Acquisition of long-term equity investments through payment in the form of machinery	$ 15,060	$ 3,922

(Concluded)

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

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

TXC CORPORATION

NOTES TO FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

The 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, the Corporation's shares began to be traded on the Taiwan Stock Exchange.

As of September 30, 2008 and 2007, the Corporation had 1,056 and 875 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The 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 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 financial statements shall prevail.

Significant accounting policies are summarized as follows:

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 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.

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

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

Investments Accounted for by the Equity Method

Investments in which the Corporation holds 20 percent or more of the investees’ voting shares or exercises significant influence over the investees’ operating and financial policy decisions are accounted for by the equity method.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Corporation’s percentage of ownership in the investee; however, if the Corporation has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee.

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 options 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

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 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.

Foreign Currencies

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.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Corporation. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Reclassifications

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

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

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 $106,280 thousand in net income from continuing operations, a decrease of $89,709 thousand in net income and a decrease in after income tax basic earnings per share of NT$0.33for the nine months ended September 30, 2008.

4. CASH AND CASH EQUIVALENTS

	September 30	
	2008	**2007**
Cash on hand	$ 975	$ 1,836
Checking accounts and demand deposits	218,755	231,433
Time deposits	296,388	17,919
Cash equivalents		
Repurchase agreement collateralized by bonds	185,000	623,000
	$701,118	$874,188

Overseas deposits are summarized as follows:

	September 30	
	2008	**2007**
Hong Kong (US$171thousand in 2008 and US869 thousand in 2007)	$ 5,536	$ 28,326
Hong Kong (HK$468thousand in 2008 and HK$315 thousand in 2007	1,930	1,324
	$ 7,466	$ 29,650

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

	September 30	
	2008	**2007**
Financial assets at FVTPL		
Forward exchange contracts	$ -	$ 4,692
Convertible bonds	8,500	-
	$ 8,500	$ 4,692
Financial liabilities at FVTPL		
Forward exchange contracts	$ 10,798	$ -
Cross-currency swap contracts	$ 8,466	$ 10,634

The Corporation entered into derivative contracts during the nine months ended September 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 of cash flows.

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

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2008			
Sell	USD/NTD	January 21, 2009	US$33,500/NT$1,044,957
Sell	USD/JPY	December 12, 2009	US$9,250/JP¥994,395
Sell	NTD/JPY	December 24, 2009	NT$44,001/JP¥150,000
September 30, 2007			
Sell	USD/NTD	November 28, 2007	US$10,000/NT$328,213
Sell	USD/JPY	November 19, 2007	US$4,250/ JP¥491,563
Sell	NTD/JPY	October 4, 2007	NT$8,268/ JP¥30,000

Outstanding cross-currency swap contracts as of September 30, 2008:

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 gain on financial assets held for trading for the nine months ended September 30, 2008 was $25,990 thousand. Net losses on financial liabilities held for treading for the nine months ended September 30, 2007 was $9,096 thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30	
	2008	2007
Mutual funds	$ -	$180,118

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	September 30 2008	September 30 2007
Notes receivable, third parties	$ 17,331	$ 11,422
Notes receivable, related parties	-	-
	17,331	11,422
Less: Allowance for doubtful accounts	(87)	(57)
	$ 17,244	$ 11,365
Accounts receivable, third parties	$2,243,005	$1,893,953
Accounts receivable, related parties	24,694	37,006
	2,267,699	1,930,959
Less: Allowance for doubtful accounts	(14,980)	(13,777)
	$2,252,719	$1,917,182

Movements of allowance for doubtful accounts were as follows:

	Nine Months Ended September 30			
	2008		2007	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of period	$ 64	$ 16,190	$ 224	$ 13,335
Add (deduct): Provision (reversal of provision) for doubtful accounts	23	(1,210)	(167)	442
Balance, end of period	$ 87	$ 14,980	$ 57	$ 13,777

8. INVENTORIES

	September 30 2008	September 30 2007
Raw materials	$ 188,175	$ 148,911
Supplies and spare parts	29,674	13,386
Work in-process	193,674	130,896
Finished goods	241,861	132,771
Merchandise	249,364	177,728
Goods in transit	39,352	8,788
	942,100	612,480
Less: Allowance for loss	(32,219)	(30,556)
	$ 909,881	$ 581,924

9. FINANCIAL ASSETS CARRIED AT COST

	September 30	
	2008	2007
Domestic unquoted common stocks	$ 3,000	$ 3,000

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

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	September 30			
	2008		2007	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Unlisted companies				
Taiwan Crystal Technology International Ltd. (TCTI)	$1,847,005	100	$1,316,892	100
TXC Technology Inc.	6,071	100	7,292	100
TXC Japan Corporation	4,731	100	2,965	100
	$1,857,807		$1,327,149	

Investment income (loss) recognized under the equity-method was as follows:

	Nine Months Ended September 30	
	2008	2007
TCTI	$236,087	$108,512
TXC Technology Inc.	(956)	4,641
TXC Japan Corporation	47	90
	$235,178	$113,243

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

11. PROPERTY, PLANT AND EQUIPMENT

	Nine Months Ended September 30, 2008				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment Losses	Carrying Value
Land	$ 272,106	$ 8,954	$ -	$ -	$ 281,060
Land improvements	442	-	442	-	-
Buildings	624,045	-	192,599	-	431,446
Machinery and equipment	2,883,527	-	1,384,402	-	1,499,125
Transportation equipment	2,557	-	2,155	-	402
Miscellaneous equipment	108,930	-	66,764	-	42,166
Prepayments for equipment	29,559	-	-	-	29,559
Construction in progress	321,073	-	-	-	321,073
	$ 4,242,239	$ 8,954	$ 1,646,362	$ -	$ 2,604,831

	Nine Months Ended September 30, 2007				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment Losses	Carrying Value
Land	$ 157,040	$ 8,954	$ -	$ -	$ 165,994
Land improvements	442	-	395	-	47
Buildings	581,825	-	154,503	-	427,322
Machinery and equipment	2,031,589	-	979,818	-	1,051,771
Transportation equipment	2,557	-	1,984	-	573
Miscellaneous equipment	93,090	-	57,710	-	35,380
Prepayments for equipment	49,387	-	-	-	49,387
	$ 2,915,930	$ 8,954	$ 1,194,410	$ -	$ 1,730,474

Information about capitalized interest was as follows:

	Nine Months Ended September 30	
	2008	2007
Capitalized interest	$ -	$ 2,762
Capitalization rates	- %	2.63%

See Note 26 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.

12. OTHER ASSETS

Leased to Others

	September 30, 2008		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	7,558	(2,914)	4,644
	$ 10,160	$ (2,914)	$ 7,246

Future rental payments receivable were summarized as follows:

Period	
2008	$ 405
2009	795

As of September 30, 2008, the Corporation had received deposits of $270 thousand, respectively. The interest on these deposits of $5 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the nine months ended September30, 2008.

Idle Assets

	September 30, 2008		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	6,055	4,873	1,182
Machinery and equipment	5,704	5,704	-
	$ 14,012	$ 10,577	$ 3,435

	September 30, 2007		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	6,598	4,873	1,725
Machinery and equipment	4,997	4,997	-
	$ 13,848	$ 9,870	$ 3,978

Impairment loss was as follows:

	Nine Months Ended September 30, 2008	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Gain on reversal of impairment loss		
Machinery and equipment	$ 1,107	$ -

13. SHORT-TERM LOANS

	September 30	
	2008	2007
Usance letters of credit	$ 258,534	$ 58,922
Unsecured bank loans	232,524	39,096
	$ 491,058	$ 98,018

Usance letters of credit amounted to JP¥844,606 thousand as of September 30, 2008 and JP¥208,425 thousand as of September 30, 2007. Interest rates ranged from 1.64% to 2.002% and from 1.2% to 2.07% at September 30, 2008 and 2007, respectively.

Working capital loans amounted to US$7,200 thousand and US$1,200 thousand as of September 30, 2008 and 2007. Interest rates ranged from 3.273% to 3.69% and 2.7% to 2.955% at September 30, 2008 and 2007, respectively.

14. SHORT-TERM BILLS PAYABLE

	September 30			
	2008		2007	
	Interest Rate	Amount	Interest Rate	Amount
Commercial paper	2.212	$ 100,000	-	$ -
Less: Unamortized discount on bills payable	-	-	-	-
		$ 100,000		$ -

15. ACCRUED EXPENSES

	September 30	
	2008	2007
Payroll	$ 32,455	$ 27,205
Bonus	54,532	62,979
Bonus to employees, directors and supervisors	106,280	-
Service fee	3,580	9,413
Commission	42,108	25,842
Others	58,555	39,930
	$297,510	$165,369

16. BONDS PAYABLE

	September 30	
	2008	2007
Second unsecured domestic convertible bonds	$141,600	$300,300
Liability component of unsecured domestic corporate bonds		
Less: Discount on bonds payable	(11,516)	(32,293)
Less: Current portion	(130,084)	-
	$ -	$268,007

Second Unsecured Domestic Convertible Bonds

On November 8, 2006, the Corporation issued second unsecured domestic convertible bonds with an aggregate value of $800,000 thousand and maturity on November 8, 2011. Nominal interest is 0%. As of September 30, 2008, bonds with a face value of $685,400 thousand. had been converted into 13,620 thousand common shares. 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 19), 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 $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.

17. LONG-TERM LOANS

		September 30	
Nature of Loans	**Repayment Period**	**2008**	**2007**
Secured bank loans	Repayable at maturing on March 20,2014	$ -	$ 70,000
Secured bank loans	Repayable maturing on September 3, 2021	-	100,000
Secured bank loans	Maturity on May 4, 2021, repayable in 55 quarterly installments from November 2007	92,727	-
Secured bank loans	Repayable at maturity on July 24, 2013	217,000	-
Unsecured bank loans	Repayable at maturing on August 14, 2009	100,000	100,000
Unsecured bank loans	Repayable at maturity on October 26, 2008	200,000	200,000
Unsecured bank loans	Repayable at maturing on September 12, 2009	-	50,000
Unsecured bank loans	Repayable at maturing on September 12, 2010	150,000	-
Unsecured bank loans	Repayable at maturing on September 11, 2010	100,000	-
		859,727	520,000
Less current portion		(207,273)	-
		$ 652,454	$ 520,000
Interest rate (%)		2.150~2.915	2.15~2.8716

See Notes 26 for collateral on long-term loans.

18. 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 $13,643 thousand and $10,840 thousand for the nine months ended September 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 $3,196 thousand and $3,058 thousand for the nine months ended September 30, 2008 and 2007, respectively.

19. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $3,500,000 thousand and $3,000,000 thousand at September 30, 2008 and 2007 ($10.00 par value per share). As of September 30, 2008, the Corporation's issued capital stock was $2,703,951 thousand divided into 270,395 thousand shares at $10.00 par value each.

Employee Stock Options

In December 2007, 8,000, options, 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:

	Nine Months Ended September 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	$ 58.8	(330)	$ 17.59
Options granted	-	-	-	-
Options exercised	-	-	(330)	20.83
Options expired	-	-	-	
Balance, end of period	8,000	50.7	-	
Options exercisable, end of period	-	-	-	

Information about outstanding options as of September 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$)**
$50.7~$58.8	8,000	4.19	$50.7	-	$ -

The pro forma information for the nine months ended September 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	-

	Nine Months Ended September 30, 2008
Net income	
As reported	$ 694,646
Pro forma net income	$ 630,596
Basic after income tax earnings per share (NT$)	
As reported	$ 2.60
Pro forma	$ 2.36
Diluted after income tax earnings per share (NT$)	
As reported	$ 2.55
Pro forma	$ 2.30

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

	September 30	
	2008	**2007**
Arising from issuance of common shares	$ 290,248	$ 290,248
Arising from conversion of bonds	736,879	604,926
Employee stock options	58,064	58,064
Conversion options	7,024	14,895
	$1,092,215	$ 968,133

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 nine months ended September 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 stockholders' 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.

Unrealized Gains or Loss on Financial Instruments

For the nine months ended September 30, 2008 and 2007, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-Sale Financial Assets	Total
Nine months ended September 30, 2008		
Balance, beginning of period	$ -	$ -
Recognized in stockholders' equity	462	462
Transferred to profit or loss	(462)	(462)
Balance, ended of period	$ -	$ -
Nine months ended September 30, 2007		
Balance, beginning of period	$ 183	$ 183
Recognized in stockholders' equity	105	105
Transferred to profit or loss	(170)	(170)
Balance, ended of period	$ 118	$ 118

20. 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
Nine months ended September 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.

21. 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:

	Nine Months Ended September 30	
	2008	2007
Income tax expense at 25% statutory rate	$194,719	$210,500
Tax effect on adjusting items:		
Permanent differences	(360)	(287)
Temporary differences	(69,180)	(26,186)
Tax-exempt income for five years	(47,762)	(70,472)
Additional 10% income tax on unappropriated earnings	21,223	5,563
Investment tax credits used	(49,320)	(59,559)
Current income tax expense	49,320	59,559
Deferred tax expenses (benefits)		
Temporary differences	63,611	10,644
Investment tax credits	(29,764)	14,323
Adjustments for prior years' tax	1,101	(2,067)
	$ 84,268	$ 82,459

Deferred income tax assets (liabilities) were as follows:

	Nine Months Ended September 30	
	2008	2007
Current		
Deferred income tax assets		
Investment tax credit	$ 42,355	$ 27,543
Unrealized allowance for loss on inventories	8,239	7,823
Unrealized exchange losses	13,444	5,122
Unrealized gain on transactions with investees	4,511	1,033
Allowance for doubtful accounts	442	717
Unrealized valuation loss on financial instruments	5,631	-
	74,622	42,238
Less valuation allowance	-	-
	74,622	42,238
Deferred income tax liabilities		
Unrealized exchange gains	(23,199)	(2,374)
Unrealized valuation gain on financial instrument	-	(1,173)
	(23,199)	(3,547)
	$ 51,423	$ 38,691

	Nine Months Ended September 30	
	2008	2007
Noncurrent		
Deferred income tax assets		
Investment tax credits	$127,065	$ 82,629
Impairment loss	2,823	2,468
Unrealized valuation loss on financial instrument	2,117	5,715
Accrued pension cost	331	331
	132,336	91,143
Less valuation allowance	-	-
	132,336	91,143
Deferred income tax liabilities		
Investment income recognized on equity-method investments	(107,037)	(61,175)
	$ 25,299	$ 29,968

As of September 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	$118,537	$ 96,916	2012
	Research and development expenditures	132,564	71,350	2012
	Personnel training expenditures	2,467	1,154	2012
		$253,568	$169,420	

As of September 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
Acquisition of equipment in 2005	2010 to 2014

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:

	September 30	
	2008	2007
Balance of ICA	$ 32,474	$ 21,138

	2007 (Estimate)	2006 (Actual)
The creditable ratio for distribution	8.02%	8.34%

	September 30	
	2008	2007
Undistributed earnings		
Until 1997	$ -	$ -
From 1998 and thereafter	1,098,992	951,694
	$1,098,992	$ 951,694

22. PRESONNEL, DEPRECIATION AND AMORTIZATION

Function / Expense Item	Nine Months Ended September 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	276,736	213,326	490,062	195,001	139,414	334,415
Insurance	15,470	9,381	24,851	12,010	8,655	20,665
Pension	9,849	7,447	17,296	7,538	6,870	14,408
Meal	11,531	4,339	15,870	8,971	4,064	13,035
Welfare	5,697	1,430	7,127	4,646	1,368	6,014
Others	-	-	-	-	-	-
Depreciation	333,058	63,902	396,960	215,601	42,483	258,084
Amortization	11,897	52,643	64,540	2,177	8,481	10,658

23. EARNINGS PER SHARE (EPS)

	Nine Months Ended September 30			
	2008		2007	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (dollars)				
From continuing operations	$ 2.91	$ 2.60	$ 3.27	$ 2.95
Income for the period	$ 2.91	$ 2.60	$ 3.27	$ 2.95
Diluted earnings per share (dollars)				
From continuing operations	$ 2.87	$ 2.55	$ 3.18	$ 2.85
Income for the period	$ 2.87	$ 2.55	$ 3.18	$ 2.85

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

	Nine Months Ended September 30 2008				
	Amount (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (in Thousands)	Before Income Tax	After Income Tax
Income for the period	$ 778,914	$ 694,646			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 778,914	$ 694,646	267,411	$ 2.91	$ 2.60
Effect of dilutive potential common stock					
Employee stock option	-	-	-		
Convertible bonds	6,096	4,572	5,226		
Bonus to employees	-	-	1,161		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 785,010	$ 699,218	273,798	$ 2.87	$ 2.55

	Nine Months Ended September 30 2007				
	Amount (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (in Thousands)	Before Income Tax	After Income Tax
Income for the period	$ 842,041	$ 759,582			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 842,041	$ 759,582	257,842	$ 3.27	$ 2.95
Effect of dilutive potential common stock					
Employee stock option	-	-	107		
Convertible bonds	25,474	19,105	15,002		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 867,515	$ 778,687	272,951	$ 3.18	$ 2.85

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 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 nine months ended September 30, 2007 to decrease from NT$3.29 to NT$3.16 and from NT$2.95 to NT$2.85, respectively.

24. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	September 30			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Financial assets at FVTPL, current	$ 8,500	$ 8,500	$ 4,692	$ 4,692
Available-for-sale financial assets, current	-	-	180,118	180,118
Financial assets carried at cost	3,000	-	3,000	-
Financial liabilities				
Financial liabilities at FVTPL	19,264	19,264	10,634	10,634
Bonds payable (including current portion)	142,256	142,256	297,586	297,586
Long-term loans (including current portion)	859,727	859,727	520,000	520,000

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 using based on quoted market prices or valuation technique were as follow:

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	September 30		September 30	
	2008	2007	2008	2007
Assets				
Financial assets at fair value through profit or loss , current	$ 8,500	$ -	$ -	$ 4,692
Available-for-sale financial assets, current	-	180,118	-	-
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	10,798	-
Financial liabilities at fair value through profit of loss, noncurrent	-	-	8,466	10,634
Bonds payable(including current portion)	-	-	142,256	297,586
Long-term debt (including current portion)	-	-	859,727	520,000

Valuation losses and gain arising from changes in fair value of financial instruments determined using valuation techniques were $7,077 thousand and $774 thousand for the nine months ended September 30, 2008 and 2007, respectively.

As of September 30, 2008 and 2007, financial liabilities exposed to fair value interest rate risk amounted to $8,466 thousand and $10,634 thousand.

Information about financial risks was as follows:

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

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

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

(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 $14,507 thousand a year.

25. RELATED-PARTY TRANSACTIONS

The related parties and their relationship with the Corporation

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
TXC Technology Inc.	Wholly owned subsidiary
TXC Japan Corporation	Wholly owned subsidiary
Taiwan Crystal Technology International Ltd. (TCTI)	Wholly owned subsidiary
Growing Profits Trading Ltd. (GPT)	Subsidiary's equity-method investee
TXC (NGB) Corporation (NGB)	Subsidiary's equity-method investee
TXC (HK) Limited	Subsidiary's equity-method investee

Significant transactions with related parties:

Sales

	Nine Months Ended September 30			
	2008		2007	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	$ 97,416	2	$ 60,309	1
Tai-Shing	12,565	-	13,130	-
TXC Technology Inc.	2,844	-	3,060	-
TXC Japan Corporation	1,456	-	2,529	-
TXC (HK) Limited	30			
	$114,311	2	$ 79,028	1

The Selling prices for products sold to related parties were similar to those for products sold to third parties.

Purchases

	Nine Months Ended September 30			
	2008		2007	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	$939,950	30	$791,822	33
Tai-Shing	271	-	-	-
TXC Japan Corporation	19	-	-	-
GPT	-	-	1,536	-
	$940,240	30	$793,358	33

Terms of purchases from related parties were similar to those for third parties.

Consulting Fee

	Nine Months Ended September 30			
	2008		2007	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TXC Technology Inc.	$ 27,903	35	$ 29,669	47
TXC Japan Corporation	26,750	34	16,816	26
NGB	23,818	31	17,388	27
	$ 78,471	100	$ 63,873	100

Other Expense

	Nine Months Ended September 30			
	2008		2007	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 5,282	3	$ 4,141	5
K&H	-	-	252	-
GPT	-	-	192	
	$ 5,282	3	$ 4,585	5

Receivables from and Payables to Related Parties

		September 30			
		2008		2007	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts receivable	NGB	$ 17,364	1	$ 30,552	1
	Tai-Shing	6,082	-	5,405	-
	TXC Technology Inc.	495	-	967	-
	TXC Japan Corporation	722	-	82	-
	TXC (HK) Limited	31	-	-	-
		$ 24,694	1	$ 37,006	1
Other current assets	TXC Technology Inc.	$ 1,422	1	$ 2,153	2
	NGB	-	-	609	-
		$ 1,422	1	$ 2,762	2
Notes payable	Tai-Shing	$ 1,463	2	$ 754	1
Accounts payable	NGB	$358,103	100	$310,899	34
	Tai-Shing	725	-	413	-
		$358,828	100	$311,312	34

Item	Related Party	September 30 2008 Amount	2008 % to Total Account Balances	2007 Amount	2007 % to Total Account Balances
Accrued expenses	NGB	$ 8,235	2	$ 1,938	-
	TXC Japan Corporation	106	-	70	-
	Tai-Shing	-	-	18	-
		$ 8,341	2	$ 2,026	-
Temporary credit	GPT	$ 15,436	20	$ -	-
	NGB	857	-	-	-
	TXC Technology Inc.	10	-	-	-
		$ 16,303	20	$ -	-

In the nine months ended September 30, 2007, the Corporation sold to NGB its machinery and computer, with a net book value of $400 thousand, for $532 thousand, and gain of $132 thousand.

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

26. PLEDGED ASSETS

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

	2008	2007
Property, plant and equipment		
Land	$281,060	$165,994
Buildings, net	431,446	427,322
Machinery and equipment, net	-	85,966
Leased assets	2,602	-
Restricted deposit	9,205	-
	$724,313	$679,282

27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

Commitment	Contract Price	Paid Up	Not Yet Paid
Construction in progress	$ 417,383	$ 320,916	$ 96,467
Prepayments on purchase of equipment	$ 9,210	$ 7,263	$ 1,947

Unused letters of credit amounted to approximately JP¥496,030 thousand.

Guarantee for short-term loan and long-term loan amount to about $1,760,000 thousand.

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

28. SUBSEQUENT EVENTS

None.

29. 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: Table 3 (attached).

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 4 (attached).

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

i. Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 6 (attached).

j. Derivative transactions: Please refer to Note 24 and Table 7 (attached).

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

TABLE 1

TXC CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

No. (Note 1)	Endorsement/ Guarantee Provider	Counter-Party		Limit on Each Endorsement/ Guarantee Amounts Provided to Each Counter-Party (Note 2)	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 Statement	Maximum Endorsement/ Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	TXC Corporation	TCTI	Subsidiary	$ 2,680,375	$ 33,089	$ 33,089	$ -	1	$ 5,360,749
		GPT	Subsidiary	2,680,375	189,240	189,240	-	4	5,360,749

Note 1: Issuing corporation
Note 2: Not to exceed 50% of the Corporation’s net equity. ($5,360,749 thousand × 50% = $2,680,375 thousand)
: Not to exceed the net worth of the Corporation.

TABLE 2

TXC CORPORATION

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars)
(Reviewed, Not Audited)

Holding Company	Marketable Securities Type and Issuer/ Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	September 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	$ 8,500	-	$ 8,500	
	Stock							
	TCTI	Subsidiary	Investment accounted for by the equity method	36,705	$ 1,847,005	100	None	
	TXC Technology Inc.	Subsidiary	〃	300	6,071	100	None	
	TXC Japan Corporation	Subsidiary	〃	2	4,731	100	None	
					$ 1,857,807			
	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	$ 91,136 US$ 2,822	100	None	
	TXC (Ningbo) Corporation	Subsidiary	〃	1,260,929 US$ 36,705	$ 1,773,124 US$ 54,904	100	None	

TABLE 3

TXC CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
TXC Corporation	Land	2008.08.31	$ 117,668	Full payment	Yong Lung	-	-	-	-	$ -	Market value	Operating purpose	-

TABLE 4

TXC CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars)
(Reviewed, Not Audited)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms (Note)	Unit Price	Payment Terms	Ending Balance	% to Total	
TXC Corporation	NGB	Subsidiary	Purchase	$ 939,950	30	-	-	-	$ (358,103)	(31)	

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

TABLE 5

TXC CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars or U.S. Dollars)
(Reviewed, Not Audited)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
NGB	TXC Corporation	Ultimate parent	$ 358,103 (US$ 11,091)	4.12	$ -	-	$ 32,546 (US$ 1,008)	$ --

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars)
(Reviewed, Not Audited)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2007			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				September 30, 2008	December 31, 2008	Shares (in Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN Samoa	Investment holding	$ 1,206,929 US$ 36,705	$ 988,041 US$ 29,835	36,705	100	$ 1,847,005	$ 247,683	$ 236,087	Difference from upstream transactions $12,505 thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 US$ 300	9,879 US$ 300	300	100	6,071	(956)	(956)	
	TXC Japan Corporation	Japan	Marketing activities	6,172 JPY 21,000	4,661 JPY 16,000	2	100	4,731	47	47	
TCTI	GPT	B.V.I.	National trading	1,691 US$ 50	1,691 US$ 50	50	100	91,136 US$ 2,822	49,792 US$ 1,604	49,792 US$ 1,604	
	NGB	Ningbo	Manufacture and sales of electronics products	1,206,929 US$ 36,705	988,041 US$ 29,835	1,206,929 US$ 36,705	100	1,773,124 US$ 54,904	197,894 US$ 6,374	197,894 US$ 6,374	

TABLE 7

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

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

Outstanding forward contracts as of September 30, 2008:

	Currency	Maturity	Contract Amount (In Thousands)
September 30, 2008			
Sell	USD/RMB	October 6, 2008 to January 22, 2009	US$8,500/RMB57,518

TABLE 8

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
NINE MONTHS ENDED SEPTEMBER 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 (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of September 30, 2008 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2007 (US$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized (Note)	Carrying Amount as of September 30, 2008	Accumulated Inward Remittance of Earnings as of September 30, 2008
					Outflow	Inflow					
TXC (Ningbo) Corporation	Manufacturing and sales of crystal and crystal oscillator	$ 1,206,929 (US$ 36,705)	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	$ 928,459 (US$ 28,000)	$ 218,888 (US$ 6,870)	$ -	$ 1,147,347 (US$ 34,870)	100	$ 197,894 (US$ 6,374)	$ 1,773,124 (US$ 54,904)	$ 122,808 (US$ 3,783)

Note: Calculation was based on unreviewed financial statements.

Accumulated Investment in Mainland China as of September 30, 2008 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment
$1,147,347 (US$34,870)	$1,250,460 (US$37,835)	$ -

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	$ 939,950 (US$ 30,181)	Negotiated price	Similar with third parties	Similar	$ (358,103) (US$ -11,091)	31	$ (15,658)
		Sale	$ 97,416 (US$ 3,141)	Negotiated price	Similar with third parties	Similar	$ 17,364 (US$ 538)	-	$ (2,385)

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.