TXC Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2008 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
TXC Corporation

We have reviewed the accompanying balance sheet of TXC Corporation and subsidiaries (the Corporation) as of September 30, 2008, and the related statements of income and of 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 review.

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

As discussed in Note 1 to the consolidated financial statements, the subsidiaries' financial statements were unreviewed. As of September 30, 2008, the subsidiaries' assets were 28% (NT$2,600,264 thousand) of the consolidated total assets, and the subsidiaries' net income was 13% (NT$730,464 thousand) of the consolidated net income.

Based on our review, 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, order No. VI-0960064020 issued by the Financial Supervisory Commission under the Executive Yuan on November 15, 2007, and accounting principles generally accepted in the Republic of China.

As discussed in Note 2 to the consolidated 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.

As discussed in Note 1 to the consolidated financial statements, the Corporation prepared single period disclosures for the first-time publication of third-quarter consolidated financial statements.

October 16, 2008

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

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

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	$ 898,731	10
Financial assets at fair value through profit or loss - current (Note 4)	8,500	-
Notes receivable, net (Note 5)	17,244	-
Accounts receivable, net (Notes 5 and 20)	2,560,692	28
Inventories, net (Note 6)	1,121,351	12
Other current assets	180,079	2
Total current assets	4,786,597	52
INVESTMENTS		
Financial assets carried at cost - noncurrent (Note 7)	3,000	-
PROPERTY, PLANT AND EQUIPMENT(Notes 8 and 24)		
Cost		
Land	272,106	3
Land improvements	442	-
Buildings	850,123	9
Machinery and equipment	4,412,453	48
Transportation equipment	10,359	-
Miscellaneous equipment	170,301	2
Land - revaluation increment	8,954	-
	5,724,738	62
Less: Accumulated depreciation	(2,096,637)	(23)
Construction-in-progress and prepayments for equipment	736,025	8
Property, plant and equipment, net	4,364,126	47
INTANGIBLE ASSETS		
Land rights (Note 21)	17,208	-
Deferred pension cost (Note 15)	7,947	-
Total intangible assets	25,155	-
OTHER ASSETS		
Assets leased to others (Note 9)	7,246	-
Idle assets (Note 9)	3,435	-
Refundable deposits	4,264	-
Deferred charges	28,966	1
Deferred income tax assets - noncurrent	25,299	-
Total other assets	69,210	1
TOTAL	$ 9,248,088	100

LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%
CURRENT LIABILITIES		
Short-term loans (Note 10)	$ 954,809	10
Short-term bills payable (Note 11)	100,000	1
Financial liabilities at fair value through profit or loss - current (Note 4)	12,667	-
Notes payable (Note 20)	67,083	1
Accounts payable (Note 20)	1,185,300	13
Accrued expenses (Notes 12 and 20)	377,315	4
Bonds payable - current portion (Note 13)	130,084	2
Liability component of convertible bonds - current	12,172	-
Current portion of long-term loans (Note 14)	207,273	2
Other current liabilities	74,377	1
Total current liabilities	3,121,080	34
LONG-TERM LIABILITIES		
Financial liabilities at fair value through profit or loss - noncurrent (Note 4)	8,466	-
Long-term loans, net of current portion (Note 14)	749,339	8
Total long-term liabilities	757,805	8
RESERVES		
Reserve for land value increment tax	3,512	-
OTHER LIABILITIES		
Guarantee deposits received	4,942	-
Total liabilities	3,887,339	42
STOCKHOLDERS' EQUITY (Note 16)		
Capital stock		
Common stock, $10 par value; Authorized - 350,000 thousand shares at September 30, 2008; Issued - 270,395 thousand shares at September 30, 2008	2,703,951	29
Advance receipts for common stock	13,030	-
Total capital stock	2,716,981	29
Capital surplus	1,092,215	12
Retained earnings		
Legal reserve	352,016	4
Unappropriated earnings	1,098,992	12
Total retained earnings	1,451,008	16
Other equity		
Cumulative translation adjustments	222,336	2
Unrealized revaluation increment	5,442	-
Treasury stock - 2008: 3,000 thousand shares (Note 17)	(127,233)	(1)
Total other equity	100,545	1
Total stockholders' equity	5,360,749	58
TOTAL	$ 9,248,088	100

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

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Amount	%
OPERATING REVENUE	$ 5,605,026	101
LESS: SALES RETURNS	(15,932)	-
LESS: SALES ALLOWANCES	(30,279)	(1)
NET OPERATING REVENUE	5,558,815	100
OPERATING COSTS	4,063,656	73
GROSS PROFIT	1,495,159	27
OPERATING EXPENSES		
Selling	268,567	5
General and administration	175,621	3
Research and development	235,818	4
Total operating expenses	680,006	12
OPERATING INCOME	815,153	15
NONOPERATING INCOME AND GAINS		
Interest income	10,899	-
Gain on sale of investments	853	-
Exchange gains	311,312	6
Reversal of impairment loss	907	-
Miscellaneous income	25,217	-
Total nonoperating income and gains	349,188	6
NONOPERATING EXPENSES AND LOSSES		
Interest expense	34,159	1
Loss on disposal of property, plant and equipment	2,277	-
Loss on physical inventories	59	-
Provision for loss on inventories	15,910	-
Exchange losses	312,213	6
Valuation loss on financial assets, net	810	-
Valuation loss on financial liabilities, net	8,831	-
Miscellaneous expenses	5,875	-
Total nonoperating expenses and losses	380,134	7
INCOME BEFORE INCOME TAX	784,207	14
INCOME TAX EXPENSE	(89,561)	(2)
NET INCOME	$ 694,646	12

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 18)		
Basic	$ 2.91	$ 2.60
Diluted	$ 2.87	$ 2.55

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

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

TXC CORPORATION AND SUBSIDIARIES

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 694,646
Depreciation	495,368
Nonoperating loss - idle assets and lease assets	389
Amortization	68,360
Reversal of provision for doubtful accounts	(382)
Provision for loss on inventories	15,910
Loss on physical inventories	59
Gain on sale of investments	(853)
Loss on disposal of property, plant and equipment	2,277
Valuation loss on financial instruments	9,641
Reversal of impairment loss	(907)
Deferred income tax	33,847
Discount on bonds payable	4,202
Others	(6,606)
Net changes in operating assets and liabilities	
Notes receivable	(4,541)
Accounts receivable	(359,447)
Inventories	(390,648)
Other current assets	(40,272)
Notes payable	(1,690)
Accounts payable	205,198
Accrued expenses	123,542
Other current liabilities	(50,843)
Net cash provided by operating activities	797,250
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of available-for-sale financial assets	(30,000)
Proceeds from disposal of available-for-sale financial assets	120,853
Acquisition of property, plant and equipment	(1,539,184)
Proceeds from disposal of property, plant and equipment	1,328
Decrease in refundable deposits	3,437
Increase in deferred charges	(66,199)
Net cash used in investing activities	(1,509,765)
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in short-term loans	470,208
Increase in short-term bills payable	100,000
Increase in long-term loans	558,430
Decrease in guarantee deposits received	(663)
Cash bonus to directors, supervisors and employees	(56,945)
Cash dividends	(477,254)
Cash paid for acquisition of treasury stock	(127,233)
Net cash provided by financing activities	466,543

(Continued)

TXC CORPORATION AND SUBSIDIARIES

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

EXCHANGE INFLUENCE	$ 239
NET DECREASE IN CASH AND CASH EQUIVALENTS	(245,733)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,144,464
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 898,731
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid	$ 37,928
Income tax paid	$ 90,342
NONCASH INVESTING AND FINANCING ACTIVITIES	
Transfer of current portion of long-term loans to current liabilities	$ 207,273
Convertible bonds	$ 99,000

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

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

TXC CORPORATION AND SUBSIDIARIES

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, order No. VI-0960064020 issued by the Financial Supervisory Commission under the Executive Yuan on November 15, 2007, and accounting principles generally accepted in the Republic of China ("ROC").

Except for changes in accounting principles as described in Note 2 and details of significant accounting policies summarized below, all the other accounting policies are the same as consolidated financial statements in 2007.

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

Significant accounting policies are summarized as follows:

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 financial statements are prepared in accordance with the order No. VI-0960034217 issued by the Financial Supervisory Commission under the Executive Yuan., on July 9, 2007, as "Single Period Disclosures for the First-Time Publication of Third-Quarter Consolidated Financial Statements."

The consolidated entities were as follows:

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

f. TXC (HK) Limited was incorporated on September 16, 2008 in Hong Kong Special Administrative Region, China.

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

Treasury Stock

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

2. 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$0.33 for the nine months ended September 30, 2008.

3. CASH AND CASH EQUIVALENTS

	September 30, 2008
Cash on hand	$ 1,554
Checking accounts and demand deposits	415,789
Time deposits	296,388
Cash equivalents	
Repurchase agreement collateralized by bonds	185,000
	$ 898,731

Overseas deposits are summarized as follows:

	September 30, 2008
Hong Kong (US$171 thousand in 2008)	$ 5,536
Hong Kong (HK$669 thousand in 2008)	2,765
China (RMB33,896 thousand, US$380 thousand, JP¥ 481 thousand in 2008)	172,974
American (US$298 thousand in 2008)	9,625
Japan (JP¥18,588 thousand in 2008)	5,690
	$ 196,590

4. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2008
Financial assets at FVTPL	
Convertible bonds	$ 8,500
Financial liabilities at FVTPL	
Forward exchange contracts	$ 12,667
Cross-currency swap contracts	$ 8,466

The Corporation entered into derivative contracts during the nine months ended September 30, 2008 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 September 30, 2008:

September 30, 2008	Currency	Maturity	Contract Amount (In Thousands)
Sell	USD/NTD	2008.10.03~ 2009.01.21	US$33,500/NT$1,044,957
Sell	USD/JPY	2008.10.01~ 2008.12.12	US$9,250/JP¥994,395
Sell	NTD/JPY	2008.10.01~ 2008.12.24	NT$44,001/JP¥150,000
Sell	USD/RMB	2008.10.06~ 2009.01.22	US$8,500/RMB57,518

Outstanding cross-currency swap contracts as of September 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 arising from derivative financial instruments for the nine months ended September 30, 2008 were $30,041 thousand.

5. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	September 30, 2008
Notes receivable, third parties	$ 17,331
Notes receivable, related parties	-
	17,331
Less: Allowance for doubtful accounts	(87)
	$ 17,244
Accounts receivable, third parties	$ 2,571,892
Accounts receivable, related parties	6,082
	2,577,974
Less: Allowance for doubtful accounts	(17,282)
	$ 2,560,692

6. INVENTORIES

	September 30, 2008
Raw materials	$ 270,715
Supplies and spare parts	39,734
Work in-process	246,840
Finished goods	291,652
Merchandise inventories	275,053
Goods in transit	34,184
	1,158,178
Less: Allowance for loss	(36,827)
	$ 1,121,351

7. FINANCIAL ASSETS CARRIED AT COST

	September 30, 2008
Domestic unquoted common stocks	$ 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.

8. 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	850,123	-	236,451	-	613,672
Machinery and equipment	4,412,453	-	1,760,157	-	2,652,296
Transportation equipment	10,359	-	4,247	-	6,112
Miscellaneous equipment	170,301	-	95,340	-	74,961
Prepayments for equipment	53,292	-	-	-	53,292
Construction in progress	682,733	-	-	-	682,733
	$ 6,451,809	$ 8,954	$ 2,096,637	$ -	$ 4,364,126

Information about capitalized interest was as follows:

	Nine Months Ended September 30, 2008
Capitalized interest	$ 1,981
Capitalization rates	7.64%

See Note 21 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.

9. OTHER ASSETS

Leased to Others

	September 30, 2008			
	Book Value	Accumulated Depreciation	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	Amount
2008	$ 405
2009	795

As of September 30, 2008, the Corporation had received deposits of $270 thousand. 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 September 30, 2008.

Idle Assets

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

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	$ 907	$ -

10. SHORT-TERM LOANS

	September 30, 2008
Usance letters of credit	$258,534
Working capital loans	696,275
	$954,809

Usance letters of credit amounted to JP¥844,606 thousand as of September 30, 2008. Interest rates ranged from 1.64% to 2.002% at September 30.

Working capital loans amounted to US$13,200 thousand and RMB57,000 thousand as of September 30, 2008. Interest rates ranged from 3.273% to 8.217% at September 30.

See Note 21 for details of pledged assets.

11. SHORT-TERM BILLS PAYABLE

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

12. ACCRUED EXPENSES

		September 30, 2008
Payroll	$	54,219
Bonus		61,423
Bonus to employees, directors and supervisors		106,280
Service fee		3,580
Commission		42,108
Others		109,705
	$	377,315

13. BONDS PAYABLE

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

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 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 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.

14. LONG-TERM LOANS

Nature of Loan	Repayment Term	September 30, 2008
Secured bank loans	Maturity on June 9, 2011, repayable in three monthly installments from September 2009	$ 96,885
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
Unsecured bank loans	Repayable at maturity on October 26, 2008	200,000
Unsecured bank loans	Repayable at maturing on September 12, 2010	150,000
Unsecured bank loans	Repayable at maturing on September 11, 2010	100,000
Less current portion		(207,273)
		$ 749,339
Interest rate (%)		2.150~4.10

See Note 21 for collateral on long-term loans.

15. 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 for the nine months ended September 30, 2008.

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 nine 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 for the nine months ended September 30, 2008.

16. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $3,500,000 thousand at September 30, 2008 ($10.00 par value per share). As of September 30, 2008, the Corporation's issued capital stock was $2,703,951 thousand divided into 2,703,951 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	
Employee Stock Options	**Number of Options (In Thousand)**	**Weighted Average Exercise Price**
Balance, beginning of period	8,000	$ 58.8
Options granted	-	-
Options exercised	-	-
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~$58.80	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
Arising from issuance of common shares	$ 290,248
Arising from conversion of bonds	736,879
Employee stock options	58,064
Conversion options	7,024
	$ 1,092,215

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 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 had been approved in the stockholders' meeting on June 13, 2008. The appropriations and dividends per share were as follows:

	Appropriation of Earnings For Year 2006	Dividends Per Share (NT$) For Year 2006
Legal reserve	$113,971	$ -
Cash dividends	477,254	2.0
Stock dividends	238,627	1.0
Bonus to employees - stock	40,675	-
Bonus to employee - cash	40,675	-
Bonus to directors and supervisors - cash	16,270	-

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, 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	$ -	$ -

17. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
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.

18. EARNINGS PER SHARE

	Nine Months Ended September 30, 2008	
	Before Income Tax	After Income Tax
Basic earnings per share (NT$)		
From continuing operations	$ 2.91	$ 2.60
Income for the period	$ 2.91	$ 2.60
Diluted earnings per share (NT$)		
From continuing operations	$ 2.87	$ 2.55
Income for the period	$ 2.87	$ 2.55

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
Net income	$ 778,914	$ 694,646			
Basic EPS (NT$)	$ 778,914	$ 694,646			
Income for the period attributable to common stockholders			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 employee	-	-	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

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.

19. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	September 30, 2008	
	Carrying Amount	**Fair Value**
<u>Financial assets</u>		
Financial assets at fair value through profit or loss - current	$ 8,500	$ 8,500
Financial assets carried at cost	3,000	-
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss - noncurrent	21,133	21,133
Bonds payable (including current portion)	142,256	142,256
Long-term debt (including current portion)	859,727	859,727

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:

	September 30, 2008	
	Quoted Market Price	**Valuation Techniques Incorporating Estimates and Assumptions**
<u>Assets</u>		
Financial assets at fair value through profit or loss	$ 8,500	$ -
<u>Liabilities</u>		
Financial liabilities at fair value through profit or loss, current	-	12,667
Financial liabilities at fair value through profit of loss, noncurrent	-	8,466
Bonds payable (including current portion)	-	142,256
Long-term debt (including current portion)	-	859,727

Valuation losses arising from changes in fair value of financial instruments determined using valuation techniques were $8,831 thousand for the nine months ended September 30, 2008.

As of September 30, 2008, financial liabilities exposed to cash flow interest rate risk were $8,466 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 $20,114 thousand a year.

20. 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

	Nine Months Ended September 30, 2008	
	Amount	% to Total Account Balances
Tai-Shing	$ 12,565	-

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

Purchases

	Nine Months Ended September 30, 2008	
	Amount	% to Total Account Balances
Tai-Shing	$ 271	-

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

Other Expense

	Nine Months Ended September 30, 2008	
	Amount	% to Total Account Balance
Tai-Shing	$ 5,282	3

Receivables from and Payables to Related Parties

		September 30, 2008	
Item	Related Party	Amount	% to Total Account Balance
Accounts receivable	Tai-Shing	$ 6,082	-
Notes payable	Tai-Shing	$ 1,463	2
Accounts payable	Tai-Shing	$ 725	-

21. PLEDGED ASSETS

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

	September 30, 2008
Property, plant and equipment	
Land	$ 281,060
Buildings, net	595,465
Machinery and equipment, net	559,979
Leased to others	2,602
Restricted deposit	9,205
Intangible asset	17,208
	$1,465,519

22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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
	RMB 2,786	RMB 728	RMB 2,058
	US$ 44	US$ 10	US$ 34

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.

23. SUBSEQUENT EVENTS

None.

24. INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS: TABLE 2 (ATTACHED).

TXC CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
NINE MONTHS ENDED SEPTEMBER 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	$ 2,680,375	$ 33,089	$ 33,089	$ -	1	$ 5,360,749
		GPT	Subsidiary	2,680,375	189,240	189,240	-	4	5,360,749

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

TABLE 2

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
NINE MONTHS ENDED SEPTEMBER 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	$ 2,844	-	-
				Consulting expense	27,903	-	-
				Accounts receivable	495	-	-
				Other current assets	1,422	-	-
				Temporary receipts	10	-	-
		TXC Japan Corporation	1	Sales	1,456	-	-
				Purchase	19	-	-
				Consulting expense	26,750	-	-
				Accounts receivable	722	-	-
				Accrued expense	106	-	-
		TXC (NGB) Corporation	1	Purchase	939,950	-	17
				Sales	97,416	-	2
				Consulting expense	23,818	-	-
				Accounts receivable	17,364	-	-
				Accounts payable	358,103	-	4
				Account expense	8,235	-	-
				Temporary receipts	857	-	-
		TXC (HK) Limited	1	Sales	30		-
				Account receivable	31		-
		Growing Profits Trading Ltd.	1	Temporary receipts	15,436		-
1	Growing Profits Trading Ltd.	Taiwan Crystal Technology Inc.	3	Other receivable	32		-
				Accounts receivable	1,615		-
		TXC (NGB) Corporation	3	Sales	27,185		-
				Accounts receivable	28,277		-
2	TXC (NGB) Corporation	TXC (HK) Limited	3	Sales	2,177		-
				Accounts receivable	2,265		-

Note 1: 1. Represents the transactions from parent company to subsidiary.
3. 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, prices are determined in accordance with mutual agreement.