TXC Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2008 and 2007 and Independent Auditors' Report

REPRESENTATION LETTER

The entities included in the combined financial statements of TXC Corporation as of and for the year ended December 31, 2008, which were prepared in conformity with the Regulations Governing the Preparation of Combined Business Report and Combined Financial Statements of a Public Company and its Affiliated Enterprises, are the same as the entities included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, “Consolidated Financial Statements.” The information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, TXC Corporation and subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

TXC CORPORATION

By

____

Paul Lin

Chairman

February 18, 2009

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying consolidated balance sheets of TXC Corporation and subsidiaries (the "Corporation") as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the consolidated financial statements, the Accounting Research and Development Foundation (ARDF) issued Interpretation 2007-052, that required 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.

February 18, 2009

<u>Notice to Readers</u>

T*he 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

ASSETS	2008 Amount	%	2007 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 842,805	10	$ 1,144,464	15
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	28,878	-	9,310	-
Available-for-sale financial assets - current (Notes 2 and 6)	120,049	2	90,462	1
Notes receivable, net (Notes 2 and 7)	39,709	1	12,727	-
Accounts receivable, net (Notes 2, 7 and 24)	2,222,426	25	2,200,982	29
Inventories, net (Notes 2 and 8)	902,447	10	746,672	10
Other current assets (Notes 2 and 20)	113,475	1	137,788	2
Total current assets	4,269,789	49	4,342,405	57
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	3,000	-	3,000	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 25)				
Cost				
Land	273,496	3	157,040	2
Land improvements	593	-	442	-
Buildings	1,165,060	13	801,126	11
Machinery and equipment	4,660,747	53	3,382,257	44
Transportation equipment	11,647	-	10,032	-
Miscellaneous equipment	184,679	2	145,624	2
Land - revaluation increment	8,954	-	8,954	-
	6,305,176	71	4,505,475	59
Less accumulated depreciation	(2,284,177)	(26)	(1,603,763)	(21)
Construction-in-progress and prepayments for equipment	417,825	5	319,392	4
Property, plant and equipment, net	4,438,824	50	3,221,104	42
INTANGIBLE ASSETS				
Land right (Note 25)	17,395	-	16,420	-
Deferred pension cost (Notes 2 and 17)	7,947	-	7,947	-
Other	825	-	417	-
Total intangible assets	26,167	-	24,784	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 11)	7,215	-	-	-
Idle assets (Notes 2 and 11)	3,336	-	3,731	-
Refundable deposits	3,823	-	7,701	-
Deferred charges	21,124	-	29,762	-
Deferred income tax assets - noncurrent (Notes 2 and 20)	27,981	1	61,162	1
Total other assets	63,479	1	102,356	1
TOTAL	$ 8,801,259	100	$ 7,693,649	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2008 Amount	%	2007 Amount	%
CURRENT LIABILITIES				
Short-term loans (Note 12)	$ 612,499	7	$ 484,601	6
Short-term bills payable (Note 13)	100,000	1	-	-
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	-	-	6,606	-
Notes payable (Note 24)	40,494	1	68,773	1
Accounts payable (Note 24)	706,742	8	980,101	13
Income tax payable (Note 20)	65,048	1	83,949	1
Accrued expenses (Notes 16 and 24)	359,724	4	253,772	3
Current portion of long-term loans (Notes 15 and 25)	119,273	1	207,273	3
Other current liabilities	22,908	-	41,272	-
Total current liabilities	2,026,688	23	2,126,347	27
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss - noncurrent (Notes 2 and 5)	-	-	10,034	-
Bonds payable (Note 14)	49,685	1	216,304	3
Long-term debt (Note 15)	1,086,472	12	190,909	3
Liability component of convertible bonds - noncurrent (Note 14)	4,556	-	23,771	-
Total long-term liabilities	1,140,713	13	441,018	6
RESERVES				
Reserve for land value increment tax (Notes 2 and 10)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	5,032	-	5,605	-
Total liabilities	3,175,945	36	2,576,482	33
STOCKHOLDERS' EQUITY (Note 18)				
Capital stock				
Common stock	2,716,981	31	2,402,435	31
Advance receipts for common stock	-	-	13,091	-
Total capital stock	2,716,981	31	2,415,526	31
Capital surplus	1,092,215	13	1,014,499	13
Retained earnings				
Legal reserve	352,016	4	238,045	3
Unappropriated earnings	1,356,164	15	1,331,819	18
Total retained earnings	1,708,180	19	1,569,864	21
Other equity (Note 2)				
Cumulative translation adjustments	229,680	3	111,374	2
Unrealized gains on financial instruments	49	-	462	-
Unrealized revaluation increment	5,442	-	5,442	-
Treasury stock	(127,233)	(2)	-	-
Total other equity	107,938	1	117,278	2
Total stockholders' equity	5,625,314	64	5,117,167	67
TOTAL	$ 8,801,259	100	$ 7,693,649	100

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

(With Deloitte & Touche audit report dated February 18, 2009)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 2)	$ 7,432,999	101	$ 6,303,777	101
LESS: SALES RETURNS	(20,914)	-	(23,532)	-
LESS: SALES ALLOWANCES	(50,434)	(1)	(30,130)	(1)
NET OPERATING REVENUE	7,361,651	100	6,250,115	100
OPERATING COSTS	5,321,454	72	4,356,934	70
GROSS PROFIT	2,040,197	28	1,893,181	30
OPERATING EXPENSES				
Selling expenses	375,285	5	290,622	5
General and administrative expenses	220,607	3	159,923	2
Research and development expenses	317,353	5	198,643	3
Total operating expenses	913,245	13	649,188	10
OPERATING INCOME	1,126,952	15	1,243,993	20
NONOPERATING INCOME AND GAINS				
Interest income	13,648	-	17,433	-
Gain on disposal of property, plant and equipment	124	-	1,296	-
Gain on sale of investments	-	-	1,732	-
Gain on physical inventory	-	-	24	-
Exchange gain	459,356	6	116,752	2
Valuation gain on financial assets, net	24,552	-	-	-
Valuation gain on financial liabilities, net	2,279	-	-	-
Miscellaneous income	30,867	1	30,135	-
Total nonoperating income and gains	530,826	7	167,372	2
NONOPERATING EXPENSES AND LOSSES				
Interest expense	38,203	1	41,013	1
Loss on disposal of property, plant and equipment	5,531	-	4,856	-
Loss on sale of investments, net	1,546	-	-	-
Loss on physical inventory	565	-	321	-
Exchange losses	520,500	7	111,485	2
Provision for loss on inventories	23,845	-	26,853	-
Impairment loss	4,252	-	2,528	-
Valuation loss on financial assets	-	-	690	-
Valuation loss on financial liabilities	-	-	10,078	-
Miscellaneous expenses	7,447	-	7,259	-
Total nonoperating expenses and losses	601,889	8	205,083	3

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	1,055,889	14	1,206,282	19
INCOME TAX EXPENSE	(104,072)	(1)	(66,576)	(1)
NET INCOME	$ 951,817	13	$ 1,139,706	18

	2008		2007	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
CONSOLIDATED EARNINGS PER SHARE (Note 20)				
Basic	$ 3.92	$ 3.56	$ 4.62	$ 4.37
Diluted	$ 3.87	$ 3.50	$ 4.49	$ 4.23

(Concluded)

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

(With Deloitte & Touche audit report dated February 18, 2009)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings		Others Equity				
	Capital Stock	Advance Receipts for Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Unrealized Revaluation Increment	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Treasury Stock	Total
BALANCE, JANUARY 1, 2007	$ 2,056,983	$ -	$ 573,156	$ 153,821	$ 978,720	$ 5,442	$ 183	$ 36,388	$ -	$ 3,804,693
Appropriation of 2006 earnings										
Legal reserve	-	-	-	84,224	(84,224)	-	-	-	-	-
Stock dividends	206,032	-	-	-	(206,032)	-	-	-	-	-
Cash dividends	-	-	-	-	(412,065)	-	-	-	-	(412,065)
Bonus to directors and supervisors	-	-	-	-	(14,048)	-	-	-	-	(14,048)
Bonus to employees - (including $35,119 thousand paid in stock)	35,119	-	-	-	(70,238)	-	-	-	-	(35,119)
Convertible bonds converted to common stock	100,961	13,091	465,474	-	-	-	-	-	-	579,526
Employee stock option converted to common stock	3,340	-	3,615	-	-	-	-	-	-	6,955
Equity component of convertible bonds	-	-	(27,746)	-	-	-	-	-	-	(27,746)
Net income for the year ended December 31, 2007	-	-	-	-	1,139,706	-	-	-	-	1,139,706
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	279	-	-	279
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	74,986	-	74,986
BALANCE, DECEMBER 31, 2007	2,402,435	13,091	1,014,499	238,045	1,331,819	5,442	462	111,374	-	5,117,167
Appropriation of 2007 earnings										
Legal reserve	-	-	-	113,971	(113,971)	-	-	-	-	-
Stock dividends	238,627	-	-	-	(238,627)	-	-	-	-	-
Cash dividends	-	-	-	-	(477,254)	-	-	-	-	(477,254)
Bonus to directors and supervisors	-	-	-	-	(16,270)	-	-	-	-	(16,270)
Bonus to employees - (including $40,675 thousand paid in stock)	40,675	-	-	-	(81,350)	-	-	-	-	(40,675)
Convertible bonds converted to common stock	35,244	(13,091)	-	-	-	-	-	-	-	22,153
Equity component of convertible bonds	-	-	77,716	-	-	-	-	-	-	77,716
Net income for the year ended December 31, 2008	-	-	-	-	951,817	-	-	-	-	951,817
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(413)	-	-	(413)
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	118,306	-	118,306
Acquisition of treasury stock - 3,000 thousand shares	-	-	-	-	-	-	-	-	(127,233)	(127,233)
BALANCE, DECEMBER 31, 2008	$ 2,716,981	$ -	$ 1,092,215	$ 352,016	$ 1,356,164	$ 5,442	$ 49	$ 229,680	$ (127,233)	$ 5,625,314

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

(With Deloitte & Touche audit report dated February 18, 2009)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 951,817	$ 1,139,706
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	689,908	461,172
Nonoperating loss - idle assets and lease assets	2,470	395
Amortization	46,663	66,310
Provision for doubtful accounts	2,407	2,381
Provision for loss on inventories	23,845	26,853
Loss on physical inventory	565	297
Gain on sale of investments	1,546	(1,732)
Loss on disposal of property, plant and equipment	5,407	3,560
Valuation (gain) loss on financial instruments, net	(26,831)	10,768
Impairment loss	4,252	2,528
Discount on bonds payable	4,746	16,161
Deferred income tax	32,630	(16,944)
Other	(7,139)	(1,744)
Net changes in operating assets and liabilities		
Notes receivable	(27,118)	32,022
Accounts receivable	(23,715)	(402,022)
Inventories	(180,185)	(38,644)
Other current assets	24,868	(5,458)
Notes payable	(28,279)	13,487
Accounts payable	(273,359)	224,990
Accrued expenses	105,952	73,843
Income tax payable	(18,901)	9,493
Other current liabilities	(18,365)	26,508
Net cash provided by operating activities	1,293,184	1,643,930
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	-	(10,000)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	(7,485)	163
Acquisitions of available-for-sale financial assets	(210,000)	(270,011)
Proceeds from disposal of available-for-sale financial assets	180,906	331,743
Acquisitions of property, plant and equipment	(1,799,985)	(1,111,231)
Proceeds from disposal of property, plant and equipment	1,302	3,380
Decrease (increase) in refundable deposits	3,878	(4,679)
Increase in deferred charges	(36,871)	(73,990)
Net cash used in investing activities	(1,868,255)	(1,134,625)

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	$ 127,898	$ 132,513
Increase in short-term bill payable	100,000	-
Redemption of convertible bonds	(87,900)	-
(Decrease) increase in guarantee deposits received	(573)	5,376
Proceeds from long-term debt	1,014,836	38,897
Repayment of long-term debt	(207,273)	(71,591)
Cash bonus to directors and supervisors	(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	285,556	(349,081)
EFFECT OF EXCHANGE RATE CHANGES	(12,144)	83,814
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(301,659)	244,038
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,144,464	900,426
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 842,805	$ 1,144,464
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest $15,167 thousand and $2,762 thousand)	$ 58,241	$ 39,176
Income tax paid	$ 90,462	$ 75,736
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term loans to current liabilities	$ 119,273	$ 207,273
Conversion of convertible bonds	$ 99,000	$ 559,400

(Concluded)

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

(With Deloitte & Touche audit report dated February 18, 2009)

TXC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

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

TXC and its consolidated subsidiaries, listed in Note 2, are hereinafter collectively referred to as the “Corporation.”

As of December 31, 2008 and 2007, the Corporation had 1,718 and 1,935 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, pension cost, compensation expenses bonuses paid to employees, directors and supervisors, and impairment of assets etc. Actual results may differ from these estimates.

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

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

Investor	Investee	Business Nature	Percentage of Ownership at December 31 2008	2007
TXC Corporation	Taiwan Crystal Technology International Limited (TCTI)	Investment holding	100%	100%
	TXC Technology, Inc.	Marketing activities	100%	100%
	TXC Japan Corporation	Marketing activities	100%	100%
TCTI	Growing Profits Trading Ltd. (GPT)	International trading	100%	100%
	TXC (NGB) Corporation (NGB)	Manufacture and sales of electronic products	100%	100%
TXC (NGB) Corporation	TXC (HK) Limited	International trading	100%	100%

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

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

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

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

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

f. TXC (HK) Limited was incorporated on March 31, 2008 in Hong Kong Special Administrative Region, China.

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

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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

A derivative objective of the Corporation is to minimize risks due to changes in fair value or cash flows, that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

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

Available-for-Sale Financial Assets

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

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

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

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

Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts

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

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

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

Inventories

Inventories consist of including with raw material, supplies and spare parts, finished goods, work-in-process and merchandise. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date. Market value means replacement cost for raw materials, supplies and spare parts and net realizable value for finished goods, work in process and merchandise.

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.

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 10 years; transportation equipment - 2 to 5 years; miscellaneous equipment - 2 to 8 years.

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

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

Impairment of Assets

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

Stock-based Compensation

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

Pension Cost

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

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

Convertible Bonds

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

Treasury Stock

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

Income Tax

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

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

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

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

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

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

Foreign Currencies

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

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

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

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

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

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2007 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 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 $139,123 thousand in net income from continuing operations, a decrease of $116,912 thousand in net income and a decrease in after income tax basic earnings per share of NT$0.44 for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2008	2007
Cash on hand	$ 2,097	$ 2,054
Checking accounts and demand deposits	681,309	319,327
Time deposits	69,399	138,083
Cash equivalents		
Repurchase agreements collateralized by bonds	90,000	685,000
	$ 842,805	$ 1,144,464

Overseas deposits are summarized as follows:

	December 31	
	2008	2007
Hong Kong (US$421 thousand in 2008 and US$533 thousand in 2007)	$ 13,859	$ 17,305
Hong Kong (HK$838 thousand in 2008 and HK$659 thousand in 2007)	3,676	2,741
China (RMB16,897 thousand, US$4,098 thousand, JP¥3,075 thousand in 2008 and RMB12,342 thousand, US$725 thousand, JP¥1,782 thousand in 2007)	217,371	78,904
American (US$364 thousand in 2008 and US$243 thousand in 2007)	11,991	7,882
Japan (JP¥15,584 thousand in 2008 and JP¥14,551 thousand in 2007)	5,655	4,203
	$ 252,552	$ 111,035

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2008	2007
Financial assets at FVTPL		
Convertible bonds	$ 4,025	$ 9,310
Forward exchange contracts	$ 24,853	$ -
Financial liabilities at FVTPL		
Forward exchange contracts	$ -	$ 6,606
Cross-currency contracts	$ -	$ 10,034

The Corporation entered into derivative contracts during the years ended December 31, 2008 and 2007 to manage exposures due 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 December 31, 2008 and 2007 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2008			
Sell	USD/NTD	March 17, 2009	US$27,500/NT$902,742
Sell	USD/JPY	March 11, 2009	US$10,750/JP¥1,038,055
Sell	USD/RMB	March 26, 2009	US$5,000/RMB34,233
December 31, 2007			
Sell	USD/NTD	April 2, 2008	US$31,000/NT$996,838
Sell	USD/JPY	April 10, 2008	US$10,750/JP¥1,194,705
Sell	NTD/JPY	March 7, 2008	NT$25,890/JP¥90,000
Sell	USD/RMB	April 2, 2008	US$6,000/RMB44,004
Sell	USD/JPY	February 20, 2008	US$355/JP¥40,000

Net gains on financial assets held for trading for the year ended December 31, 2008 was $2,265 thousand. Net loss and gain on financial liabilities held for trading for the years ended December 31, 2008 and 2007 were $1,412 thousand and $3,932 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2008	2007
Mutual funds	$120,049	$ 90,462

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2008	2007
Notes receivable - third parties	$ 39,909	$ 12,791
Notes receivable - related parties	-	-
	39,909	12,791
Less: Allowance for doubtful accounts	(200)	(64)
	$ 39,709	$ 12,727
Accounts receivable - third parties	$2,239,156	$2,211,947
Accounts receivable - related parties	3,299	6,579
	2,242,455	2,218,526
Less: Allowance for doubtful accounts	(20,029)	(17,544)
	$2,222,426	$2,200,982

8. INVENTORIES

	December 31 2008	December 31 2007
Raw materials	$265,515	$178,439
Supplies and spare parts	45,401	19,871
Work-in process	206,638	198,556
Finished goods	261,256	168,960
Merchandise	137,253	178,001
Goods in transit	24,577	38,134
	940,640	781,961
Less: Allowance for loss	(38,193)	(35,289)
	$902,447	$746,672

9. FINANCIAL ASSETS CARRIED AT COST

	December 31 2008	December 31 2007
Domestic unquoted common stocks	$ 3,000	$ 3,000

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

10. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2008			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	444	149
Buildings	1,165,060	-	240,857	924,203
Machinery and equipment	4,660,747	-	1,936,959	2,723,788
Transportation equipment	11,647	-	4,699	6,948
Miscellaneous equipment	184,679	-	101,218	83,461
Prepayments for equipment	31,215	-	-	31,215
Construction in progress	386,610	-	-	386,610
	$ 6,714,047	$ 8,954	$ 2,284,177	$ 4,438,824

	Year Ended December 31, 2007			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 157,040	$ 8,954	$ -	$ 165,994
Land improvements	442	-	413	29
Buildings	801,126	-	197,723	603,403
Machinery and equipment	3,382,257	-	1,320,105	2,062,152
Transportation equipment	10,032	-	3,366	6,666
Miscellaneous equipment	145,624	-	82,156	63,468
Prepayments for equipment	203,516	-	-	203,516
Construction in progress	115,876	-	-	115,876
	$ 4,815,913	$ 8,954	$ 1,603,763	$ 3,221,104

Information about capitalized interest was as follows:

	Years Ended December 31	
	2008	2007
Capitalized interest	$ 15,169	$ 2,762
Capitalization rates	2.51%~6.02%	2.63%

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.

See Note 25 for collateral on loans.

11. OTHER ASSETS

Leased to Others

	December 31, 2008			
	Book Value	Accumulated Impairment	Accumulated Impairment Losses	Carrying Value
Land	$ 2,602	$ -	$ -	$ 2,602
Buildings	7,558	(2,945)	-	4,613
	$ 10,160	$ (2,945)	$ -	$ 7,215

Future rental payments receivable were summarized as follows:

Year	
2009	$ 795

As of December 31, 2008, the Corporation had received deposits of $270 thousand, respectively. The interest on these deposits of $7 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the year ended December 31, 2008.

Idle Assets

	December 31, 2008		
	Book Value	**Accumulated Impairment**	**Carrying Value**
Land	$ 2,253	$ -	$ 2,253
Buildings	5,957	4,874	1,083
Machinery and equipment	17,726	17,726	-
Miscellaneous equipment	30	30	-
	$25,966	$22,630	$ 3,336

	December 31, 2007		
	Book Value	**Accumulated Impairment**	**Carrying Value**
Land	$ 2,253	$ -	$ 2,253
Buildings	6,352	4,874	1,478
Machinery and equipment	12,654	12,654	-
Miscellaneous equipment	42	42	-
	$21,301	$17,570	$ 3,731

Impairment loss was as follows:

	December 31, 2008	
	Recognized in Income Statement	**Recognized in Stockholders' Equity**
Impairment loss		
Machinery and equipment	$ 4,252	$ -

	December 31, 2007	
	Recognized in Income Statement	**Recognized in Stockholders' Equity**
Impairment loss		
Machinery and equipment	$ 2,528	$ -

The Corporation recognized an impairment loss of $4,252 thousand and $2,528 thousand in 2008 and 2007, respectively, because of a decrease in cash inflow from the use of the related machinery and resulted in recoverable amount of the machine being lower than its carrying amount.

12. SHORT-TERM LOANS

	December 31	
	2008	2007
Usance letters of credit	$156,543	$210,277
Working capital loans	455,956	274,324
	$612,499	$484,601

(a) Usance letters of credit amounted to JP¥431,366 thousand as of December 31, 2008 and US$65 thousand and JP¥517,362 thousand as of December 31, 2007. Interest rates ranged from 1.303% to 2.11% and from 1.33% to 2.2% at December 31, 2008 and 2007, respectively.

(b) Working capital loans amounted to US$8,000 thousand and RMB$40,000 thousand as of December 31, 2008 and US$7,750 thousand and JP¥80,000 thousand as of December 31, 2007. Interest rates for working capital loans ranged from 3.79% to 6.44% and from 1.55% to 6.45% at December 31, 2008 and 2007, respectively.

See Note 25 for collateral on short-term loans.

13. SHORT-TERM BILLS PAYABLE

	December 31			
	2008		2007	
	Interest Rate	Amount	Interest Rate	Amount
Commercial paper	2.50	$ 100,000	-	$ -
Less: Unamortized discount on bills payable	-	-	-	-
		$ 100,000		$ -

14. BONDS PAYABLE

	December 31	
	2008	2007
Second unsecured domestic convertible bonds	$ 53,700	$240,600
Less: Discount on bonds payable	(4,015)	(24,296)
	$ 49,685	$216,304
Liability component of unsecured domestic corporate bonds	$ 4,556	$ 23,771

Second Unsecured Domestic Convertible Corporate 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 December 31, 2008, bonds with a face value of $658,400 thousand had been converted into 13,620 thousand common shares. Before the third anniversary of the issuance date, the Corporation redeem the bonds from holders at contracted price of $87,900 thousand. According to Statement of Financial Accounting Standards No. 36, “Disclosure and Presentation of Financial Instruments,” these unsecured domestic convertible bonds were separated into convertible options, equity (Note 18), and bonds payable, liability. Other details of the bond issuance are summarized as follows:

(a) Upon maturity the Corporation has redeemed the bonds by cash at face value.

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

(c) 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.

(d) 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.

(e) 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. The conversion price per share is $39.3 on December 31, 2008.

15. LONG-TERM LOANS

		December 31	
Nature of Loans	**Repayment Period**	**2008**	**2007**
Secured bank loans	Maturity on May 4, 2021, repayable in 55 quarterly installments from November 2007	$ 90,909	$ 98,182
Unsecured bank loans	Repayable at maturity on August 14, 2009	100,000	100,000
Unsecured bank loans	Repayable at maturity on October 26, 2008	-	200,000
Secured bank loans	Repayable at maturity on July 24, 2013	290,000	-
Unsecured bank loans	Repayable at maturity on September 11, 2010	100,000	-
Unsecured bank loans	Repayable at maturity on September 12, 2010	150,000	-
Unsecured bank loans	Repayable at maturity on November 20, 2010	100,000	-
Unsecured bank loans	Repayable at maturity on November 28, 2010	200,000	-
Mortgage loans	Repayable at maturity on January 18, 2010, interest paid monthly	76,092	-
Unsecured loans	Repayable at maturity on June 9, 2011, interest paid seasonally	98,744	-
		1,205,745	398,182
Less current portion		(119,273)	(207,273)
		$1,086,472	$ 190,909
Interest rate (%)		1.835~5.45	2.15~2.915

See Notes 25 for collateral on long-term loans.

16. ACCRUED EXPENSES

	December 31	
	2008	2007
Payroll	$ 36,160	$ 53,944
Bonus	79,525	83,724
Bonus to employees, directors and supervisors	139,123	-
Commission	44,291	26,924
Others	60,625	89,180
	$359,724	$253,772

17. 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 not less than 6% of monthly salaries and wages. Such pension costs were $18,761 thousand and $13,847 thousand for the years ended December 31, 2008 and 2007, respectively.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The 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 $4,186 thousand and $4,116 thousand for the years ended December 31, 2008 and 2007, respectively.

Information about the defined benefit plan was as follows:

a. Components of net yearic pension cost

	Years Ended December 31	
	2008	2007
Service cost	$ 2,208	$ 2,237
Interest cost	1,569	1,411
Projected return on plan assets	(1,470)	(1,451)
Amortization	1,924	589
Net yearic pension cost	$ 4,231	$ 2,786

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2008 and 2007

	December 31	
	2008	**2007**
Benefit obligation		
Vested benefit obligation	$ (2,705)	$ (2,512)
Non-vested benefit obligation	(43,421)	(43,873)
Accumulated benefit obligation	(46,126)	(46,385)
Additional benefit based on future salaries	(18,588)	(18,560)
Projected benefit obligation	(64,714)	(64,945)
Fair value of plan assets	61,343	59,169
Funded status	(3,371)	(5,776)
Unrecognized net transitional obligation	41	337
Unrecognized net loss	14,663	16,817
Accrued pension cost	$ 11,333	$ 11,378
Vested benefit	$ (3,082)	$ (2,990)

c. Actuarial assumptions as of December 31, 2008 and 2007:

	2008	**2007**
Discount rate used in determining present values	2.75%	2.75%
Future salary increase rate	2.50%	3.00%
Expected rate of return on plan assets	2.75%	2.75%

	Years Ended December 31	
	2008	**2007**
d. Contributions to the fund	$ 4,186	$ 4,116
e. Payments from the fund	$ (4,185)	$ (2,503)

18. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $3,500,000 thousand and $3,000,000 thousand at December 31, 2008 and 2007 ($10.00 par value per share). As of December 31, 2008, the Corporation's outstanding capital stock was $2,716,981 thousand divided into 271,698 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:

	December 31			
	2008		2007	
	Number of Options	Weighted Average Exercise Price (NT$)	Number of Options	Weighted Average Exercise Price (NT$)
Balance, beginning of year	8,000	$ 58.8	330	$ 17.59
Options granted	-	-	8,000	58.8
Options exercised	-	-	(330)	20.83
Options canceled	-	-	-	-
Balance, end of year	8,000	50.7	8,000	58.8
Options exercisable, end of year	-		-	

Information about outstanding and exercisable options as of December 31, 2008 was as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Price (NT$)	Number of Options	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price (NT$)	Number of Options	Weighted Average Exercise Price (NT$)
$58.80~50.7	8,000	3.94	$ 50.7	-	$ -

The pro forma information for the year ended December 31, 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	3.875 years	
Expected volatility	43.5%	
Expected dividend yield	-	

	2008	2007
Net income		
As reported	$ 951,817	$ 1,139,706
Pro forma net income	$ 866,417	1,132,589
Basic after income tax earnings per share (NT$)		
As reported	$ 3.56	$ 4.37
Pro forma	$ 3.24	$ 4.35
Diluted after income tax earnings per share (NT$)		
As reported	$ 3.50	$ 4.23
Pro forma	$ 3.19	$ 4.20

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. Also, the capital surplus from long-term investments may not be used for any purpose.

Capital surplus comprised of the following

	December 31	
	2008	**2007**
Arising from issuance of common shares	$ 290,248	$ 290,248
Arising from conversion of bonds	736,879	654,253
Arising from treasury stock transactions	4,360	-
Employee stock options	58,064	58,064
Conversion options	2,664	11,934
	$ 1,092,215	$ 1,014,499

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%
(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.

The bonus to employees of $122,755 thousand and the bonus to directors and supervisors of $16,368 thousand, which representing 15% and 2% of net income (net of the bonus to employees and bonus to directors and supervisors), respectively, was recognized for the year ended December 31, 2008. The amounts were estimated based on past experiences. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' 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 shareholders' 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% thereof may be transferred to paid in capital.

Except for non-ROC resident shareholders, all shareholders 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 2008 and 2007 had been approved in the stockholders' meeting on June 13, 2008 and June 13, 2007, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share ($)**	
	For Fiscal Year 2007	**For Fiscal Year 2006**	**For Fiscal Year 2007**	**For Fiscal 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 appropriations of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

19. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	**Number of Shares, Beginning of Year**	**Addition During the Year**	**Reduction During the Year**	**Number of Shares, End of Year**
Year ended December 31, 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.

20. INCOME TAX

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

	Years Ended December 31	
	2008	**2007**
Income tax expense at the 25% statutory rate	$262,609	$301,150
Tax effect on adjusting items:		
Permanent differences	(683)	(588)
Temporary differences	(83,964)	(38,457)
Tax-exempt income for five years	(69,329)	(99,771)
Additional 10% income tax on unappropriated earnings	21,223	5,564
Investment tax credits used	(64,928)	(83,949)
Current income tax expense	64,928	83,949
Subsidiary's income tax	5,413	1,638
Deferred income tax expenses (benefit)		
Temporary difference	70,479	(7,352)
Investment tax credits	(37,849)	(9,592)
Adjustment for prior years' tax	1,101	(2,067)
	$104,072	$ 66,576

Deferred income tax assets (liabilities) were as follows:

	2008	**2007**
Current		
Deferred income tax assets		
Investment tax credits	$ 42,984	$ 33,522
Unrealized allowance for loss on inventories	8,045	7,762
Unrealized exchange losses	10,992	982
Unrealized valuation loss on financial instruments	244	4,920
Unrealized gain on transactions with investees	2,132	2,676
Others	1,427	-
	65,824	49,862
Less: Valuation allowance	(1,427)	-
	64,397	49,862
Deferred income tax liabilities		
Unrealized exchange gain	(8,296)	(454)
Unrealized valuation gain on financial instrument	(6,142)	-
	(14,438)	(454)
	$ 49,959	$ 49,408

	2008	2007
Noncurrent		
Deferred income tax assets		
Investment tax credits	$128,953	$100,566
Impairment loss	2,644	3,100
Unrealized valuation loss on financial instruments	-	2,508
Accrued pension cost	331	331
Others	1,799	-
	133,727	106,505
Less: Valuation allowance	(1,799)	-
	131,928	106,505
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(103,947)	(45,343)
	$ 27,981	$ 61,162

As of December 31, 2008, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$101,531	$ 74,179	2012
	Research and development expenditures	96,278	96,278	2012
	Personnel training expenditures	1,480	1,480	2012
		$199,289	$171,937	

As of December 31, 2008, profits attributable to the following expansion and construction projects were exempted from income tax for five-year.

Expansion of Construction Project	Tax-Exemption Year
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:

	December 31	
	2008	2007
Balance of ICA	$ 32,474	$ 21,138

	2008 (Estimate)	2007 (Actual)
The creditable ratio for distribution	7.18%	8.02%

	December 31 2008	2007
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	1,356,164	1,331,819
	$1,356,164	$1,331,819

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2008 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

21. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

The Corporation's personnel, depreciation, and amortization expenses for the years ended December 31, 2008 and 2007 were summarized as follows:

Function / Expense Item	Years Ended December 31 2008 Classified as Cost of Sales	2008 Classified as Operating Expenses	2008 Total	2007 Classified as Cost of Sales	2007 Classified as Operating Expenses	2007 Total
Labor cost						
Salary	$457,509	$384,765	$842,273	$342,898	$252,369	$595,267
Insurance	30,046	16,762	46,808	25,719	14,043	39,762
Pension	14,010	11,267	25,277	10,208	9,117	19,325
Meals	15,787	10,181	25,968	12,369	8,762	21,131
Welfare	8,495	10,040	18,535	7,013	5,240	12,253
Others	-	-	-	-	-	-
Depreciation	587,337	102,571	689,908	393,265	67,907	461,172
Amortization	16,397	30,266	46,663	7,404	58,906	66,310

22. EARNINGS PER SHARE (EPS)

	Years Ended December 31 2008 Before Tax	2008 After Tax	2007 Before Tax	2007 After Tax
Basic earnings per share (dollars)				
From continuing operations	$ 3.92	$ 3.56	$ 4.62	$ 4.37
Income for the year	$ 3.92	$ 3.56	$ 4.62	$ 4.37
Diluted earnings per share (dollars)				
From continuing operations	$ 3.87	$ 3.50	$ 4.49	$ 4.23
Income for the year	$ 3.87	$ 3.50	$ 4.49	$ 4.23

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

	2008				
	Amount (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
Income for the year	$ 1,050,476	$ 951,817			
Basic EPS (NT$)	$ 1,050,476	$ 951,817	267,734	$ 3.92	$ 3.56
Income for the year attributable to common stockholders					
Effect of dilutive potential common stock					
Convertible bonds	6,166	4,625	2,583		
Bonus to employees	-	-	2,937		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 1,056,642	$ 956,442	273,254	$ 3.87	$ 3.50

	2007				
	Amount (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (in Thousands)	Before Income Tax	After Income Tax
Income for the year	$ 1,204,644	$ 1,139,706			
Basic EPS (NT$)					
Income for the year attributable to common stockholders	$ 1,204,644	$ 1,139,706	260,617	$ 4.62	$ 4.37
Effect of dilutive potential common stock					
Employee stock option	-	-	783		
Convertible bonds	25,909	19,432	12,745		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 1,230,553	$ 1,159,138	274,145	$ 4.49	$ 4.23

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should 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 entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted 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 year ended December 31, 2007 to decrease from NT$4.88 to NT$4.37 and from NT$4.69 to NT$4.23, respectively.

23. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	December 31			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss - current	$ 28,878	$ 28,878	$ 9,310	$ 9,310
Available-for-sale financial assets, current	120,049	120,049	90,462	90,462
Financial assets carried at cost	3,000	-	3,000	-
Liabilities				
Financial liabilities at FVTPL	-	-	16,640	16,640
Bonds payable	54,241	54,241	240,075	240,075
Long-term debt (including current portion	1,205,745	1,205,745	398,182	398,182

Methods and assumptions used to estimate the 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, available-for-sale and derivates 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 and bonds payable are 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 techniques were as follows:

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	December 31		December 31	
	2008	2007	2008	2007
Assets				
Financial assets at fair value through profit or loss - current	$ 4,025	$ 9,310	$ 24,853	$ -
Available-for-sale financial assets, current	120,049	90,462	-	-
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	-	6,606
Bonds payable	-	-	54,241	240,075
Financial liabilities at fair value through profit of loss, noncurrent	-	-	-	10,034

Valuation gains and losses arising from changes in fair value of financial instruments determined using valuation techniques were $24,836 thousand and $10,078 thousand for the years ended December 31, 2008 and 2007, respectively.

As of December 31, 2008 and 2007, financial liabilities exposed to fair value interest rate risk amounted to $0 thousand and $10,034 thousand.

Financial risks:

(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. Cross currency contract 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 breached contracts. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Corporation's exposure to default by those parties to be material.

(c) Liquidity risk: The Corporation's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

(d) Cash flow interest rate risk: The Corporation's short- and long- term loans are floating-rate loans. When the market interest rate increases by one percentage point, the Corporation's cash outflow will increase by $19,182 a year.

24. RELATED-PARTY TRANSACTIONS

The related parties were as follows:

Related Party	Relationship with the Corporation
Tai-Shing Electronics 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

Significant transactions with related parties:

Purchases

	Years Ended December 31			
	2008		2007	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 2,627	-	$ 243	-

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

Sales

	Years Ended December 31			
	2008		2007	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 15,255	-	$ 19,160	-

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

Other Expenses

	Years Ended December 31			
	2008		2007	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 6,106	1	$ 6,385	2
K&H	-	-	265	-
	$ 6,106	1	$ 6,650	2

Receivable from and Payable to Related Parties

		December 31			
		2008		2007	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts receivable	Tai-Shing	$ 3,299	-	$ 6,579	-
Notes payable	Tai-Shing	$ 3,357	1	$ 1,834	2
	K&H	-	-	26	-
		$ 3,357	1	$ 1,860	2
Accounts payable	Tai-Shing	$ 245	-	$ 550	-
Accrued expense	Tai-Shing	$ 11	-	$ 226	-

Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2008	2007
Salaries	$ 11,232	$ 13,655
Incentives and special compensation	6,366	5,956
Professional fee	1,320	1,440
Bonus	20,131	28,525
	$ 39,049	$ 49,576

The compensation of directors, supervisors and management personnel for the year ended December 31, 2007 included the bonuses appropriated from earnings for 2007 which had been approved by stockholders in their annual meeting held in 2008. While that for the year ended December 31, 2008 included the broad’s proposed bonus appropriation from 2007 earnings subject to approval in 2008. More detailed information may be referred in the Corporation’s annual reports.

25. MORTGAGED OR PLEDGED ASSETS

	2008	2007
Property, plant and equipment		
Land	$ 258,076	$ 165,994
Buildings, net	577,220	232,946
Machinery and equipment, net	365,260	281,223
Restricted deposit	-	3,352
Intangible assets - land right	17,395	16,420
	$ 1,217,951	$ 699,935

26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

Unit: In Thousands

Commitment	Contract Price	Paid Up	Not Yet Paid
Construction in progress	$416,283	$380,893	$ 35,390
Prepayments for equipment	$ 14,315	$ 6,187	$ 8,128

Guarantee notes payable for short-term loan and long-term loan amount to about $1,310,000 thousand.

Unused letters of credit was about JP¥170,749 thousand.

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

27. SUBSEQUENT EVENTS

None.

28. SEGMENT, GEOGRAPHIC AREA, EXPORT SALES AND MAJOR CUSTOMER INFORMATION

Segment Information

No segment information.

Geographic Area Information

	2008			
	China and Others	Taiwan	Adjustments and Elimination	Consolidated
Sales to other than consolidated entities	$ 906,856	$ 6,454,795	$ -	$ 7,361,651
Sales among consolidated entities	1,263,980	111,495	(1,375,475)	-
Total sales	$ 2,170,836	$ 6,566,290	$ (1,375,475)	$ 7,361,651
Operating income	$ 336,427	$ 792,167	$ (1,642)	$ 1,126,952
Non-operating income and gains				530,826
Non-operating expenses and losses				(601,889)
Income before income tax				$ 1,055,889
Identifiable assets	$ 2,849,968	$ 6,188,505	$ (240,214)	8,798,259
Long-term investments				3,000
Total assets				$ 8,801,259

	2007			
	China and Others	Taiwan	Adjustments and Elimination	Consolidated
Sales to other than consolidated entities	$ 411,764	$ 5,838,351	$ -	$ 6,250,115
Sales among consolidated entities	1,118,582	123,619	(1,242,201)	-
Total sales	$ 1,530,346	$ 5,961,970	$ (1,242,201)	$ 6,250,115
Operating income	$ 184,685	$ 1,055,857	$ 3,451	$ 1,243,993
Non-operating income and gains				167,372
Non-operating expenses and losses				(205,083)
Income before income tax				$ 1,206,282
Identifiable assets	$ 1,920,085	$ 6,056,511	$ (285,947)	$ 7,690,649
Long-term investments				3,000
Total assets				$ 7,693,649

Export Sales

Area	2008	2007
America	$ 131,101	$ 111,895
Europe	113,311	97,037
Asia	6,200,605	4,587,324
	$ 6,445,017	$ 4,796,256

Major Customer Information

Major customer did not exceed the sales account 10% of income statements in 2008 and 2007.

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 and 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 properties at costs of at least $100 million or 20% of the paid-in capital: Table 3 (attached).

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

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 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 on which the Corporation exercises significant influence: Table 6 (attached).

j. Derivative transactions: Please refer to Note 23 for the related information and Table 7 (attached).

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

l. Intercompany relationships and significant intercompany transactions: Table 9 (attached).

TABLE 1

TXC CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

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	$ 2,812,657	$ 33,089	$ 33,089	$ -	1	$ 5,625,314
		GPT	Subsidiary	2,812,657	189,240	189,240	-	3	5,625,314

Note 1: Issuing corporation
Note 2: Not to exceed 50% of the Corporation’s net equity. ($5,625,314 thousand × 50% = $2,812,657 thousand)
: Not to exceed the net value of the Corporation.

TXC CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Holding Company	Marketable Securities Type and Issuer/ Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	Convertible bonds							
	AMTRAN	-	Financial assets at FVTPL	50	$ 4,025	-	$ 4,025	
	Beneficiary's certificates							
	UPAMC James Bond Fund	-	Available-for-sale financial assets	1,885	$ 30,031	-	$ 30,031	
	Shin Kong Chi-Shin Fund	-	〃	2,031	30,009	-	30,009	
	Capital Income Fund	-	〃	1,952	30,004	-	30,004	
	Cathy Bond Fund	-	〃	2,523	30,005	-	30,005	
					$ 120,049			
	Stock							
	TCTI	Subsidiary	Investment accounted for by the equity method	37,835	$ 1,882,582	100	None	
	TXC Technology Inc.	Subsidiary	〃	300	11,761	100	None	
	TXC Japan Corporation	Subsidiary	〃	2	5,398	100	None	
					$ 1,899,741		None	
	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	106,039 US$ 3,222	100	None	
	TXC (Ningbo) Corporation	Subsidiary	〃	1,244,699 US$ 37,835	1,736,678 US$ 52,763	100	None	
NGB	TXC (HK) Limited	Subsidiary	Investment accounted for by the equity method	846 HK$ 200	1,010 HK$ 230	100	None	

TXC CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

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

TABLE 4

TXC CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms (Note)	Unit Price	Payment Terms	Ending Balance	% to Total	
TXC Corporation	NGB	Subsidiary	Purchase	$ 1,189,948	31	-	-	-	$ (220,777)	(32)	
TXC Corporation	NGB	Subsidiary	Sales	105,938	2	-	-	-	8,631	1	

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

TABLE 5

TXC CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
NGB	TXC Corporation	Ultimate parent	$ 220,777	5.1	$ -	-	$ 47,950	$ -

TXC CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2008			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	$ 1,244,699 US$ 37,835	$ 988,041 US$ 29,835	37,835	100	$ 1,882,582	$ 310,220	$ 307,803	Difference from upstream transactions $2,417 thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 US$ 300	9,879 US$ 300	300	100	11,761	4,368	4,368	
	TXC Japan Corporation	Japan	Marketing activities	6,172 JP¥ 21,000	4,661 JP¥ 16,000	2	100	5,398	(128)	(128)	
TCTI	GPT	B.V.I.	National trading	1,691 US$ 50	1,691 US$ 50	50	100	106,039 US$ 3,222	63,150 US$ 2,003	63,150 US$ 2,003	
	NGB	Ningbo	Manufacture and sales of electronics products	1,244,699 US$ 37,835	988,041 US$ 29,835	1,244,699 US$ 37,835	100	1,736,678 US$ 52,763	234,184 US$ 7,428	234,184 US$ 7,428	
NGB	TXC (HK) Limited	Hong Kong	National trading	846 HK$ 200	-	846 HK$ 200	100	1,010 RMB 209	154 RMB 34	154 RMB 34	

TABLE 7

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

NGB entered into derivative transactions during the year ended December 31, 2008 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of December 31, 2008:

	Currency	Maturity	Contract Amount (In Thousands)
December 31, 2008			
Sell	USD/RMB	January 5, 2009 to March 26, 2009	US$5,000/RMB34,233

TABLE 8

TXC CORPORATION AND SUBSIDIARIES

INFORMATION OF INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 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 December 31, 2008 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007 (US$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized (Note)	Carrying Amount as of December 31, 2008	Accumulated Inward Remittance of Earnings as of December 31, 2008
					Outflow	Inflow					
TXC (Ningbo) Corporation	Manufacturing and sales of crystal and crystal oscillator	$ 1,244,699 US$ 37,835	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	$ 928,459 US$ 28,000	$ 256,659 US$ 8,000	$ -	$ 1,185,118 US$ 36,000	100	$ 234,184 US$ 7,428	$ 1,736,678 US$ 52,763	$ 202,853 US$ 6,223

Note: Calculation was based on audited financial statements.

Accumulated Investment in Mainland China as of December 31, 2008 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment
1,185,118 US$ 36,000	1,245,526 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	$ 1,189,948	Negotiated price	Similar with third parties	Similar	$ 220,777	31	$ (6,479)
		Sale	$ 105,938	Negotiated price	Similar with third parties	Similar	$ 8,631	1	$ (2,049)

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.

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 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	$ 3,530	-	-
				Other expense - consulting expense	37,619	-	-
				Accounts receivable	845	-	-
				Other current assets	973	-	-
		TXC Japan Corporation	1	Sales	1,583	-	-
				Other expense - consulting expense	36,306	-	-
				Accounts receivable	13	-	-
				Purchase	107	-	-
		TXC (NGB) Corporation	1	Sales	105,938	-	1
				Purchase	1,189,948	-	16
				Other expense - consulting expense	32,160	-	-
				Accounts receivable	8,631	-	-
				Accounts payable	220,777	-	3
		TXC (HK) Limited	1	Sale	444	-	-
				Accounts receivable	447	-	-
1	Growing profits Trading Ltd.	TXC (NGB) Corporation	3	Sales	44,930	-	1
				Account receivable	14,261	-	-
2	TXC (NGB) Corporation	TXC (HK) Limited	3	Sales	5,900	-	-
				Account receivable	5,900	-	-

(Continued)

TABLE 9

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 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	3,631	-	-
				Other expense - consulting expense	39,454	-	1
				Accounts receivable	613	-	-
				Other current assets	99	-	-
		TXC Japan Corporation	1	Sales	2,644	-	-
				Other expense - consulting expense	24,014	-	-
				Accounts receivable	63	-	-
				Accrued expense	58	-	-
		Growing profits Trading Ltd.	1	Purchase	1,542	-	-
		TXC (NGB) Corporation		Sales	117,343	-	2
				Purchase	1,053,572	-	17
				Other expense - consulting expense	23,071	-	-
				Accounts receivable	34,319	-	-
				Other current assets	100	-	-
				Accounts payable	250,793	-	4
1	Growing profits Trading Ltd.	TXC (NGB) Corporation	3	Sales	2,725	-	-
		Taiwan Crystal Technology Inc.	3	Other receivable	1,657	-	-

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

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

(Concluded)