TXC Corporation

Financial Statements for the
Three Months Ended March 31, 2009 and 2008

TXC CORPORATION

BALANCE SHEETS
MARCH 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2009		2008	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 530,507	7	$ 734,400	10
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	4,410	-	63,040	1
Available-for-sale financial assets - current (Notes 2 and 6)	620,568	8	60,289	1
Notes receivable, net (Notes 2 and 7)	22,504	-	24,639	-
Accounts receivable, net (Notes 2, 7 and 25)	1,533,464	19	1,819,214	25
Inventories, net (Notes 2, 3 and 8)	659,596	8	815,528	11
Other current assets (Notes 2, 21 and 25)	68,761	1	120,800	2
Total current assets	3,439,810	43	3,637,910	50
LONG-TERM INVESTMENTS				
Investments accounted for by the equity method (Notes 2 and 10)	2,003,869	25	1,479,712	20
Financial assets carried at cost (Notes 2 and 9)	3,000	-	3,000	-
Total long-term investments	2,006,869	25	1,482,712	20
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 26)				
Cost				
Land	273,496	3	154,438	2
Land improvements	593	-	442	-
Buildings	611,779	8	595,138	8
Machinery and equipment	3,016,498	38	2,503,419	34
Transportation equipment	2,557	-	2,557	-
Miscellaneous equipment	108,607	1	106,922	2
Land - revaluation increment	8,954	-	8,954	-
	4,022,484	50	3,371,870	46
Less: Accumulated depreciation	(1,939,989)	(24)	(1,386,890)	(19)
Construction in progress and prepayments for equipment	418,901	5	149,051	2
Property, plant and equipment, net	2,501,396	31	2,134,031	29
INTANGIBLE ASSETS				
Deferred pension cost (Notes 2 and 18)	7,947	-	7,947	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 12)	7,184	-	7,308	-
Idle assets (Notes 2 and 12)	3,238	-	3,632	-
Refundable deposits	3,702	-	3,084	-
Deferred charges	6,601	-	28,020	-
Deferred income tax assets - noncurrent (Notes 2 and 21)	25,907	1	60,003	1
Total other assets	46,632	1	102,047	1
TOTAL	$ 8,002,654	100	$ 7,364,647	100

	2009		2008	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ 143,755	2	$ 347,854	5
Short-term bills payable (Note 14)	100,000	1	-	-
Notes payable (Note 25)	19,427	-	87,815	1
Accounts payable	519,583	7	644,121	9
Accounts payable - related parties (Note 25)	260,797	3	183,460	3
Income tax payable (Note 21)	67,907	1	95,784	1
Accrued expenses (Notes 3, 17 and 25)	268,165	3	177,176	2
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	1,203	-	-	-
Liability component of convertible bonds - current (Notes 2 and 15)	-	-	21,690	-
Bonds payable - current (Note 15)	-	-	214,802	3
Current portion of long-term loans (Note 16)	119,273	2	207,273	3
Other current liabilities	11,593	-	10,021	-
Total current liabilities	1,511,703	19	1,989,996	27
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss - noncurrent (Notes 2 and 5)	-	-	9,792	-
Bonds payable (Notes 2 and 15)	50,036	1	-	-
Long-term loans, net of current portion (Note 16)	666,818	8	189,091	3
Liability component of convertible bonds - noncurrent (Notes 2 and 15)	4,556	-	-	-
Total long-term liabilities	721,410	9	198,883	3
RESERVES				
Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	4,494	-	4,494	-
Deferred credits - gain on inter-company transactions (Note 2)	107	-	2,637	-
Total other liabilities	4,601	-	7,131	-
Total liabilities	2,241,226	28	2,199,522	30
STOCKHOLDERS' EQUITY				
Capital stock (Note 19)				
Common stock	2,716,981	34	2,415,526	33
Advance receipts for common stock	-	-	745	-
Total capital stock	2,716,981	34	2,416,271	33
Capital surplus	1,092,215	14	1,017,130	14
Retained earnings				
Legal reserve	352,016	4	238,045	3
Unappropriated earnings	1,425,384	18	1,538,251	21
Total retained earnings	1,777,400	22	1,776,296	24
Other equity				
Cumulative translation adjustments (Note 2)	296,055	4	72,799	1
Unrealized gains on financial instruments (Note 2)	568	-	289	-
Unrealized revaluation increment (Notes 2 and 11)	5,442	-	5,442	-
Treasury stock (Notes 2 and 20)	(127,233)	(2)	(123,102)	(2)
Total other equity	174,832	2	(44,572)	(1)
Total stockholders' equity	5,761,428	72	5,165,125	70
TOTAL	$ 8,002,654	100	$ 7,364,647	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche review report dated April 15, 2009)

TXC CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 1,262,208	101	$ 1,498,094	101
LESS: SALES RETURNS	(1,984)	-	(4,638)	-
LESS: SALES ALLOWENCES	(9,123)	(1)	(7,068)	(1)
NET OPERATING REVENUE	1,251,101	100	1,486,388	100
OPERATING COSTS	1,056,850	84	1,165,805	78
GROSS PROFIT	194,251	16	320,583	22
UNREALIZED INTER-COMPANY GAIN	(107)	-	(2,637)	-
REALIZED INTER-COMPANY GAIN	2,049	-	3,691	-
REALIZED GROSS PROFIT	196,193	16	321,637	22
OPERATING EXPENSES				
Selling expense	67,921	6	77,445	5
General and administrative expense	28,300	2	42,190	3
Research and development expense	52,667	4	57,906	4
Total operating expenses	148,888	12	177,541	12
OPERATING INCOME	47,305	4	144,096	10
NONOPERATING INCOME AND GAINS				
Interest income	1,089	-	3,056	-
Investment income recognized under equity method	37,753	3	63,359	4
Gain on disposal of property, plant and equipment	781	-	-	-
Gain on sale of investments	46	-	426	-
Exchange gains	82,902	7	92,830	6
Reversal of impairment loss	-	-	1,107	-
Valuation gain on financial assets	485	-	53,730	4
Valuation gain on financial liabilities	-	-	2,010	-
Miscellaneous income	6,466	-	10,117	1
Total nonoperating income and gains	129,522	10	226,635	15

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2009		2008	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Interest expense	$ 5,198	-	$ 6,014	-
Loss on disposal of property, plant and equipment	-	-	1,107	-
Exchange loss	95,309	8	146,277	10
Valuation loss on financial liabilities	1,203	-	-	-
Miscellaneous expenses	130	-	130	-
Total nonoperating expenses and losses	101,840	8	153,528	10
INCOME BEFORE INCOME TAX	74,987	6	217,203	15
INCOME TAX EXPENSE (Notes 2 and 21)	(5,767)	-	(10,771)	(1)
NET INCOME	$ 69,220	6	$ 206,432	14

	2009		2008	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 23)				
Basic	$ 0.28	$ 0.26	$ 0.90	$ 0.85
Diluted	$ 0.28	$ 0.26	$ 0.89	$ 0.84

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

(With Deloitte & Touche review report dated April 15, 2009) (Concluded)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 69,220	$ 206,432
Depreciation	155,604	115,625
Nonoperating loss - idle assets and lease assets	129	130
Amortization	1,432	17,753
Provision for doubtful accounts	(4,092)	(2,894)
Discount on bonus payable	351	1,561
Provided for loss on inventories	7,410	4,130
Gain on sale of investments	(46)	(426)
Valuation loss (gain) on financial instruments	718	(55,740)
Investment income recognized under equity method	(37,753)	(63,359)
(Gain) loss on disposal of property, plant and equipment	(781)	1,107
Reversal of impairment loss	-	(1,107)
Unrealized gross profit	107	2,637
Realized gross profit	(2,049)	(3,691)
Deferred income tax	2,789	(1,064)
Others	24,568	(6,606)
Net changes in operating assets and liabilities		
Notes and accounts receivable	521,803	272,048
Inventories	25,031	(191,586)
Other current assets	3,728	(27,220)
Notes payable	(21,067)	19,041
Accounts payable	93,115	(78,313)
Income tax payable	2,979	11,835
Accrued expenses	(44,991)	(45,448)
Other current liabilities	3,252	(498)
Net cash provided by operating activities	801,457	174,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	83	-
Acquisition of available-for-sale financial assets	(590,000)	(30,000)
Proceeds of the disposal of available-for-sale financial assets	90,063	60,426
Acquisition of investments accounted for by equity method	-	(163,662)
Acquisition of property, plant and equipment	(64,406)	(319,421)
Proceeds of the disposal of property, plant and equipment	781	-
Decrease in refundable deposits	3	4,500
Increase in deferred charges	(2,110)	(27,353)
Net cash used in investing activities	(565,586)	(475,510)

(Continued)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	$ (12,788)	$ 131,348
Decrease in long-term loans	(244,818)	(1,818)
Cash paid for acquisition of treasury stock	-	(123,102)
Net cash (used in) provided by financing activities	(257,606)	6,428
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,735)	(294,735)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	552,242	1,029,135
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 530,507	$ 734,400
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 5,608	$ 7,624
Income tax paid	$ -	$ -
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term debt to current liabilities	$ 119,273	$ 207,273

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

(With Deloitte & Touche review report dated April 15, 2009) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

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

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

As of March 31, 2009 and 2008, the Corporation had 864 and 997 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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

A derivative 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 raw materials, supplies and spare parts, work-in-process, finished goods and merchandize. Before January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value meant replacement cost for raw materials and supplies and spare parts and net realizable value for work in process, finished goods and merchandize. As discussed in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date

Financial Assets Carried at Cost

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

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

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

Investments Accounted for by the Equity Method

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

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

Property, Plant and Equipment

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

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

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

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

Impairment of Assets

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

Stock-based Compensation

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

Pension Cost

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

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

Convertible Bonds

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

Treasury Stock

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

Income Tax

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

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

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

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

Foreign Currencies

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

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

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

Reclassifications

Certain accounts in the financial statements as of and for the three months ended March 31, 2008 have been reclassified to conform to the presentation of the financial statements as of and for the three months ended March 31, 2009.

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 $32,069 thousand in net income from continuing operations, a decrease of $26,810 thousand in net income and a decrease in after income tax basic earnings per share of NT$0.11 for the three months ended March 31, 2008.

Accounting for Inventories

On January 1, 2009, the Corporation adopted the newly revised SFAS No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption did not result in net income. For comparison purposes, the Corporation also reclassified nonoperating losses of $4,130 thousand to cost of goods sold for the three months ended March 31, 2008.

4. CASH AND CASH EQUIVALENTS

	March 31	
	2009	2008
Cash on hand	$ 1,531	$ 1,515
Checking accounts and demand deposits	354,676	252,885
Time deposits	174,300	-
Cash equivalents		
Repurchase agreements collateralized by bonds	-	480,000
	$530,507	$734,400

Overseas deposits are summarized as follows:

	March 31	
	2009	2008
Hong Kong (US$202 thousand in 2009 and US$41 thousand in 2008)	$ 6,900	$ 1,255
Hong Kong (HK$161 thousand in 2009 and HK$156 thousand in 2008)	707	611
	$ 7,607	$ 1,866

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31	
	2009	2008
Financial assets at FVTPL		
Forward exchange contracts	$ -	$ 53,830
Convertible bonds	4,410	9,210
	$ 4,410	$ 63,040
Financial liabilities at FVTPL		
Cross-currency swap contracts	$ -	$ 9,792
Forward exchange contracts	$ 1,203	$ -

The Corporation entered into derivative contracts during the three months ended March 31, 2009 and 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 exchange contracts as of March 31, 2009 and 2008:

	Currency	Maturity Date	Contract Amount (In Thousands)
March 31, 2009			
Sell	USD/NTD	April 8, 2009 to May 4, 2009	US$16,500/NT$559,177
Sell	USD/JPY	May 7, 2009 to May 19, 2009	US$1,750/JP¥172,071
Sell	NTD/JPY	June 8, 2009 to July 3, 2009	NT$73,335/JP¥210,000
March 31, 2008			
Sell	USD/NTD	April 3, 2008 to July 30, 2008	US$45,500/NT$1,419,423
Sell	USD/JPY	April 10, 2008 to July 24, 2008	US$10,000/JP¥1,038,268
Sell	NTD/JPY	April 22, 2008 to April 24, 2008	NT$17,688/JP¥60,000

Net (loss) gain on financial instruments held for trading for the three months ended March 31, 2009 and 2008 were $(48,517) and $40,798.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31 2009	March 31 2008
Mutual funds	$ 620,568	$ 60,289

7. NOTES AND ACCOUNTS RECEIVABLE

	March 31 2009	March 31 2008
Notes receivable from third parties	$ 22,704	$ 24,763
Notes receivable from related parties	-	-
	22,704	24,763
Less: Allowance for doubtful accounts	(200)	(124)
	$ 22,504	$ 24,639
Accounts receivable from third parties	$ 1,527,525	$ 1,771,807
Accounts receivable from related parties	18,695	60,643
	1,546,220	1,832,450
Less: Allowance for doubtful accounts	(12,756)	(13,236)
	$ 1,533,464	$ 1,819,214

Movements of allowances for doubtful accounts were as follows:

	Three Months Ended March 31			
	2009		2008	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of period	$ 200	$ 16,848	$ 64	$ 16,190
Add (deduct): Provision (reversal of provision) for doubtful accounts	-	(4,092)	60	(2,954)
Balance, end of period	$ 200	$ 12,756	$ 124	$ 13,236

8. INVENTORIES

	March 31 2009	March 31 2008
Raw materials	$ 135,053	$ 173,336
Supplies and spare parts	31,291	39,875
Work in-process	141,114	176,648
Finished goods	197,626	177,013
Merchandise inventories	154,512	243,277
Goods in transit	-	5,379
	$ 659,596	$ 815,528

Allowance for loss as of March 31, 2009 and 2008 was $35,224 thousand and $31,583 thousand.

The cost of inventories recognized as cost of goods sold during the three months ended March 31, 2009 and 2008 was $1,056,850 thousand and $1,165,805 thousand, which included $7,410 thousand and $4,130 thousand of inventory to net realizable value.

9. FINANCIAL ASSETS CARRIED AT COST

	March 31	
	2009	**2008**
Domestic unquoted common stocks	$ 3,000	$ 3,000

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

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	March 31			
	2009		**2008**	
	Carrying Value	**Ownership Percentage**	**Carrying Value**	**Ownership Percentage**
Unlisted companies				
Taiwan Crystal Technology International Ltd. (TCTI)	$ 1,983,430	100	$ 1,467,720	100
TXC Technology Inc.	12,811	100	6,521	100
TXC Japan Corporation	7,628	100	5,471	100
	$ 2,003,869		$ 1,479,712	

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

	Three Months Ended March 31	
	2009	**2008**
TCTI	$ 34,456	$ 62,719
TXC Technology Inc.	617	(136)
TXC Japan Corporation	2,680	776
	$ 37,753	$ 63,359

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

11. PROPERTY, PLANT AND EQUIPMENT

	Three Months Ended March 31, 2009			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	450	143
Buildings	611,779	-	204,944	406,835
Machinery and equipment	3,016,498	-	1,659,267	1,357,231
Transportation equipment	2,557	-	2,242	315
Miscellaneous equipment	108,607	-	73,086	35,521
Construction in progress	393,923	-	-	393,923
Prepayments for equipment	24,978	-	-	24,978
	$ 4,432,431	$ 8,954	$ 1,939,989	$ 2,501,396

	Three Months Ended March 31, 2008			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 154,438	$ 8,954	$ -	$ 163,392
Land improvements	442	-	431	11
Buildings	595,138	-	170,587	424,551
Machinery and equipment	2,503,419	-	1,150,463	1,352,956
Transportation equipment	2,557	-	2,070	487
Miscellaneous equipment	106,922	-	63,339	43,583
Construction in progress	57,538			57,538
Prepayments for equipment	57,853	-	-	57,853
Prepayments for land	33,660	-	-	33,660
	$ 3,511,967	$ 8,954	$ 1,386,890	$ 2,134,031

See Note 26 for the details on property, plant and equipment pledged as collaterals.

No interest for the three months ended March 31, 2009 and 2008 was capitalized.

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

12. OTHER ASSETS

Leased to Others

	March 31, 2009		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	7,558	2,976	4,582
	$ 10,160	$ 2,976	$ 7,184

	March 31, 2009		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	7,558	2,852	4,706
	$ 10,160	$ 2,852	$ 7,308

Future rental payments receivable were summarized as follows:

Period	Amount
2009	$ 390

As of March 31, 2009, the Corporation had received deposits of $270 thousand. The interest on these deposits of $1 and $2 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the three months ended March 31, 2009 and 2008.

Idle Assets

	March 31, 2009		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	5,858	4,873	985
Machinery and equipment	5,704	5,704	-
	$ 13,815	$ 10,577	$ 3,238

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

Impairment loss was as follows:

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

13. SHORT-TERM LOANS

	March 31 2009	March 31 2008
Usance letters of credit	$143,755	$201,910
Working capital loans	-	145,944
	$143,755	$347,854

Usance letters of credit amounted to JP¥420,090 thousand as of March 31, 2009, and JP¥660,052 thousand as of March 31, 2008. Interest rates ranged from 1.202% to 1.70% and from 1.38% to 1.998% at March 31, 2009 and 2008, respectively.

Working capital loans amounted to US$4,800 thousand as of March 31, 2008. Interest rates for the working capital loans ranged from 3.03% to 3.40% at March 31, 2008.

See Note 26 for details of pledged assets.

14. SHORT-TERM BILLS PAYABLE

	March 31			
	2009		2008	
	Interest Rate %	Amount	Interest Rate %	Amount
Commercial paper	1.23	$ 100,000	-	$ -
Less: Unamortized discount on bills payable	-	-	-	-
		$ 100,000		$ -

15. BONDS PAYABLE

	March 31 2009	March 31 2008
Second unsecured domestic convertible corporate bonds	$ 53,700	$237,200
Less: Discount on bonds payable	(3,664)	(22,398)
Less: Current portion	-	(214,802)
	$ 50,036	$ -
Liabilities component of unsecured domestic corporate bonds	$ 4,556	$ 21,690

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 March 31, 2009, 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 19), 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 March 31, 2009.

16. LONG-TERM DEBT

Nature of Loan	Repayment Period	March 31 2009	March 31 2008
Secured bank loans	Maturity in May 4,2021, repayable in 55 quarterly installments from November 2007	$ 89,091	$ 96,364
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	287,000	-
Unsecured bank loans	Repayable at maturity on September 11, 2010	100,000	-
Unsecured bank loans	Repayable at maturity on March 16, 2011	210,000	
Less current portion		(119,273)	(207,273)
		$ 666,818	$ 189,091
Interest rate (%)		0.967~1.714	2.15~2.915

See Note 26 for collateral on long-term debt.

17. ACCRUED EXPENSES

	March 31 2009	March 31 2008
Payroll	$ 26,692	$ 33,769
Bonus	13,325	17,614
Bonus to employees, directors and supervisors	145,975	32,069
Commission	37,443	31,194
Others	44,730	62,530
	$268,165	$177,176

18. PENSION PLANS

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at not less than 6% of monthly salaries and wages. Such pension costs were $4,349 thousand and $4,229 thousand for the three months ended March 31, 2009 and 2008, 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 $819 thousand and $1,096 thousand for the three months ended March 31, 2009 and 2008, respectively.

19. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $3,500,000 thousand and $3,000,000 thousand at March 31, 2009 and 2008 ($10.00 par value per share). As of March 31, 2009, the Corporation's issued capital stock was $2,716,981 thousand divided into 271,698 thousand shares at $10.00 par value each.

As of March 31, 2008, the Corporation's issued capital stock was $2,415,526 thousand divided into 241,553 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:

	Three Months Ended March 31			
	2009		2008	
Employee Stock Options	**Number of Options (In Thousand)**	**Weighted Average Exercise Price**	**Number of Options (In Thousand)**	**Weighted Average Exercise Price**
Balance, beginning of period	8,000	$ 50.7	8,000	$ 58.8
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options expired	-	-	-	-
Balance, end of period	8,000	50.7	8,000	58.8
Options exercisable, end of period	-		-	-

Information about outstanding options as of March 31, 2009 was as follows:

Range of Exercise Price (NT$)	Options Outstanding: Number of Options (In Thousand)	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price (NT$)	Options Exercisable: Number of Options (In Thousand)	Weighted Average Exercise Price (NT$)
$58.80~50.7	8,000	3.70	$ 50.7	-	$ -

The pro forma information for the three months ended March 31, 2009 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	-

	Three Months Ended March 31 2009	2008
Net income		
As reported	$ 69,220	$ 206,432
Pro forma net income	$ 47,870	$ 185,082
Basic after income tax earnings per share (NT$)		
As reported	$ 0.26	$ 0.85
Pro forma	$ 0.18	$ 0.77
Diluted after income tax earnings per share (NT$)		
As reported	$ 0.26	$ 0.84
Pro forma	$ 0.18	$ 0.76

Capital Surplus

Under the Company Law capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Corporation's paid-in capital and once a year. Also the capital surplus from long-term investments may not be used for any purpose.

Capital surplus comprised of the following

	March 31 2009	2008
Arising from issuance of common shares	$ 290,248	$ 290,248
Arising from conversion of bonds	736,879	657,052
Arising from treasury stock transactions	4,360	-
Employee stock options	58,064	58,064
Conversion options	2,664	11,766
	$ 1,092,215	$ 1,017,130

Appropriation of Earnings and Dividend Policy

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

(a) Employee bonus - not less than 3%
(b) Directors and supervisors' remuneration - not more than 2%
(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 $6,230 thousand and the bonus to directors and supervisors of $623 thousand, which representing 10% and 1% of net income (net of the bonus to employees and bonus to directors and supervisors), respectively, was recognized for the three months ended March 31, 2009 and 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 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 pay 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.

As of April 15, 2009, the board of directors of TXC Corporation has not resolved the appropriation of 2008 earnings. The above information on the earnings appropriation can be accessed online through the Market Observation Post System (MOPS) on the Web site of the Taiwan Stock Exchange.

Unrealized Gains on Financial Instruments

For the three months ended March 31, 2009 and 2008, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-Sale Financial Assets	Total
Three months ended March 31, 2009		
Balance, beginning of period	$ 49	$ 49
Recognized in stockholders' equity	528	528
Transferred to profit or loss	(9)	(9)
Balance, ended of period	$ 568	$ 568
Three months ended March 31, 2008		
Balance, beginning of period	$ 462	$ 462
Recognized in stockholders' equity	226	226
Transferred to profit or loss	(399)	(399)
Balance, ended of period	$ 289	$ 289

20. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
Three months ended March 31, 2009				
For transfer to employees	3,000	-	-	3,000
Three months ended March 31, 2008				
For transfer to employees	-	2,900	-	2,900

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

21. INCOME TAX

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

	Three Months Ended March 31	
	2009	**2008**
Income tax expense at 25% statutory rate	$ 18,737	$ 54,291
Tax effect on adjusting items:		
Permanent differences	(16)	(106)
Temporary differences	(10,203)	(17,730)
Tax-exempt income for five years	(2,562)	(12,785)
	5,956	23,670
Investment tax credits used	(2,978)	(11,835)
Current income tax expense	2,978	11,835
Deferred tax expenses (benefits)		
Temporary differences	11,264	17,730
Investment tax credits	(8,475)	(18,794)
	$ 5,767	$ 10,771

Deferred income tax assets (liabilities) were as follows:

	Three Months Ended March 31	
	2009	**2008**
Current		
Deferred income tax assets		
Investment tax credit	$ 45,103	$ 35,843
Unrealized allowance for loss on inventories	8,045	8,080
Unrealized exchange losses	3,110	18,752
Unrealized gain on transactions with investees	639	659
Unrealized valuation loss on financial instruments	123	2,851
Others	-	3,210
	57,020	69,395
Less: Valuation allowance	-	-
	57,020	69,395
Deferred income tax liabilities		
Unrealized exchange gains	(7,776)	(4,307)
Unrealized valuation gain on financial instrument	-	(13,457)
	$ 49,244	$ 51,631

	Three Months Ended March 31	
	2009	2008
Noncurrent		
Deferred income tax assets		
Investment tax credits	$135,309	$117,039
Accrued pension cost	332	332
Impairment loss	2,644	2,823
Unrealized valuation loss on financial instrument	-	2,448
	138,285	122,642
Less: Valuation allowance	-	-
	138,285	122,642
Deferred income tax liabilities		
Investment income recognized on equity-method investments	(112,378)	(62,639)
	$ 25,907	$ 60,003

As of March 31, 2009, investment tax credit comprised of:

Lows and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 103,222	$ 75,869	2011~2013
	Research and development expenditures	106,036	103,509	2011~2013
	Personnel training expenditures	1,485	1,034	2011~2013
		$ 210,743	$ 180,412	

As of March 31, 2009, profits attributable to the following expansion and construction projects were exempted from income tax for five-year.

	Tax-Exemption Period
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:

	March 31	
	2009	2008
Balance of ICA	$ 32,474	$ 21,138

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

	March 31	
	2009	2008
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	1,425,384	1,538,251
	$ 1,425,384	$ 1,538,251

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.

22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Function / Expense Item	Three Months Ended March 31					
	2009			2008		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel						
Salary	57,426	41,616	99,042	90,289	68,041	158,330
Labor and health insurance	4,908	3,162	8,070	4,886	3,008	7,894
Pension	2,991	2,299	5,290	3,121	2,356	5,477
Meal	3,246	1,326	4,572	3,668	1,405	5,073
Welfare	1,246	489	1,735	1,777	462	2,239
Depreciation	128,823	26,781	155,604	98,051	17,574	115,625
Amortization	112	1,320	1,432	2,152	15,601	17,753

23. EARNINGS PER SHARE

	Three Months Ended March 31			
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic earnings per share (dollars)				
From continuing operations	$ 0.28	$ 0.26	$ 0.90	$ 0.85
Net income	$ 0.28	$ 0.26	$ 0.90	$ 0.85
Diluted earnings per share (dollars)				
From continuing operations	$ 0.28	$ 0.26	$ 0.89	$ 0.84
Net income	$ 0.28	$ 0.26	$ 0.89	$ 0.84

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

	Three Months Ended March 31 2009				
	Amount (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (in Thousands)	Before Income Tax	After Income Tax
Net income	$ 74,987	$ 69,220			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 74,987	$ 69,220	268,698	$ 0.28	$ 0.26
Effect of dilutive potential common stock					
Employee stock option	-	-	-		
Convertible bonds	352	264	1,366		
Bonus to employees	-	-	2,224		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 75,339	$ 69,484	272,288	$ 0.28	$ 0.26

	Three Months Ended March 31 2008				
	Amount (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (in Thousands)	Before Income Tax	After Income Tax
Net income	$ 217,203	$ 206,432			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 217,203	$ 206,432	241,602	$ 0.90	$ 0.85
Effect of dilutive potential common stock					
Employee stock option	-	-	-		
Employee bonus	-	-	347		
Convertible bonds	1,569	1,177	5,227		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 218,772	$ 207,609	247,176	$ 0.89	$ 0.84

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.

24. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	March 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at FVTPL	$ 4,410	$ 4,410	$ 63,040	$ 63,040
Available-for-sale financial assets, current	620,568	620,568	60,289	60,289
Financial assets carried at cost	3,000	-	3,000	-
Financial liabilities				
Bonds payable (including current portion)	54,592	54,592	236,492	236,492
Long-term debt (including current portion)	786,091	786,091	396,364	396,364
Financial liabilities at FVTPL, current	1,203	1,203	-	-
Financial liabilities at FVTPL, noncurrent	-	-	9,792	9,792

Methods and assumptions used in the determination of fair values of financial instruments were as follows:

(a) The above financial instruments do not include cash and cash equivalents, receivables, payables and short-term bank loans. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

(b) Fair values of financial instruments designated as at FVTPL, available-for-sale and derivatives 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 values 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 based on quoted market prices or valuation techniques were as follows:

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	March 31		March 31	
	2009	2008	2009	2008
Assets				
Financial assets at fair value through profit or loss	$ 4,410	$ 9,210	$ -	$ 53,830
Available-for-sale financial assets, current	620,568	60,289	-	-
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	1,203	-
Bonds payable	-	-	54,592	236,492
Long-term debt (including current portion)	-	-	786,091	396,364
Financial liabilities at fair value through profit of loss, noncurrent	-	-	-	9,792

Valuation gains and losses arising from changes in fair value of financial instruments determined using valuation techniques were $1,203 thousand and $55,840 thousand for the three months ended March 31, 2009 and 2008, respectively.

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

Information about financial risks is as follows:

(a) Market risk: The Corporation’s market risk refers to the uncertainties due to exchange rate fluctuations. Gains or losses on forward exchange contracts are likely to offset the gains or losses on foreign-currency assets or liabilities. 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 the contracts. The counter-parties to the foregoing financial instruments are reputable financial institutions. 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-term and long-term loans are floating-rate. When the market interest rate increases by one percentage point, the Corporation’s cash outflow will increase by $10,298 thousand a year.

25. RELATED-PARTY TRANSACTIONS

Related parties and their relationships with the Corporation:

Related Party	Relationship with the Corporation
Tai-Shing Electronic Components Corporation (Tai-Shing)	Chairman is the Corporation's general manager
TXC Technology Inc.	Equity-method investee
TXC Japan Corporation	Equity-method investee
Taiwan Crystal Technology International Ltd. (TCTI)	Equity-method investee
TXC (Ningbo) Corporation (NGB)	Subsidiary's equity-method investee
TXC (H.K.) Limited	Subsidiary's equity-method investee

Significant transactions with related parties:

Purchases

	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
NGB	$228,812	29	$304,780	29
TXC Japan Corporation	275	-	-	-
	$229,087	29	$304,780	29

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

Sales

	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
NGB	$ 11,203	-	$ 46,012	3
Tai-Shing	2,305	-	2,963	-
TXC Technology Inc.	906	-	518	-
TXC HK	657	-	-	-
TXC Japan Corporation	93	1	280	-
	$ 15,164	1	$ 49,773	3

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

Consulting Fee

	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
TXC Japan Corporation	$ 12,938	49	$ 8,913	34
NGB	7,390	28	7,947	30
TXC Technology Inc.	6,054	23	9,690	36
	$ 26,382	100	$ 26,550	100

Other Expenses

	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
Tai-Shing	$ 166	-	$ 1,783	-
TXC Japan Corporation	140	-	27	-
	$ 306	-	$ 1,810	-

Receivables from and Payables to Related Parties

		March 31			
		2009		2008	
Item	Related Party	Amount	% to Total	Amount	% to Total
Accounts receivable	NGB	$ 13,977	1	$ 56,316	3
	Tai-Shing	2,420	-	3,321	-
	TXC Technology Inc.	1,367	-	651	-
	TXC HK	931	-	-	-
	TXC Japan Corporation	-	-	355	-
		$ 18,695	1	$ 60,643	3
Other current assets	TXC Technology Inc.	$ 1,087	8	$ 2,532	4
	NGB	-	-	52	-
		$ 1,087	8	$ 2,584	4
Notes payable	Tai-Shing	$ 81	-	$ 1,266	
Accounts payable	NGB	$ 260,470	33	$ 182,908	22
	TXC Japan Corporation	267	-	-	-
	Tai-Shing	60	-	552	-
		$ 260,797	33	$ 183,460	22

		March 31			
		2009		2008	
Item	Related Party	Amount	% to Total	Amount	% to Total
Accrued expenses	NGB	$ 7,390	3	$ 7,753	5
	Tai-Shing	34	-	54	-
	TXC Japan Corporation	31	-	90	-
		$ 7,455	3	$ 7,897	5

As of March 31, 2009, the Corporation's guarantee for the loans of its subsidiaries was described in Table 1.

26. MORTGAGED OR PLEDGED ASSETS

As of March 31, 2009 and 2008, the following assets had been pledged at their book values to secure short-term loans and long-term loans:

	2009	2008
Property, plant and equipment		
Land	$258,076	$163,392
Buildings, net	404,093	424,551
Leased	-	7,308
Restricted deposit	-	1,227
	$662,169	$596,478

27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Corporation's commitments and contingencies as of March 31, 2009, which were not shown in the financial statements, were as follows:

Commitment	Contract Price	Paid Up	Not Yet Paid
Construction in progress	$ 365,333	$ 333,120	$ 32,213
Prepayments on purchase of equipment	$ 7,300	$ 6,570	$ 730
Technological development contract	$ 800	$ 300	$ 500

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¥173,946 thousand.

As of March 31, 2009, the Corporation's guarantee for loan of its subsidiary was described in Table 1.

28. SUBSEQUENT EVENTS: None.

29. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Corporation and its investees:

a. Financing provided: None.

b. Endorsement/guarantee provided: Table 1 (attached).

c. Marketable securities held: Table 2 (attached).

d. Marketable securities acquired or disposed of at costs or prices of at least $100 million or 20% of the paid-in capital: Table 3

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

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

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 4 (attached).

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

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

j. Derivative transactions of investees over which the Corporation has a controlling interest: Table 7 (attached).

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

TABLE 1

TXC CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
THREE MONTHS ENDED MARCH 31, 2009
(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	$ 2,880,714	$ 33,089	$ 33,089	$ -	1	$ 5,761,428
		GPT	Subsidiary	2,880,714	189,240	156,612	-	3	5,761,428

Note 1: Issuing corporation

Note 2: Not to exceed 50% of the Corporation’s net equity. ($5,761,428 thousand × 50% = $2,880,714 thousand)
Not to exceed the net value of the Corporation.

TABLE 2

TXC CORPORATION

MARKETABLE SECURITIES HELD
MARCH 31, 2009
(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	March 31, 2009				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	Convertible bonds							
	AMTRAN	-	Financial assets at FVTPL	49	$ 4,410	-	$ 4,410	
	Beneficiary's certificates							
	UPAMC James Bond Fund	-	Available-for-sale financial assets	8,154	$ 130,162	-	$ 130,162	
	Capital Income Fund	-	〃	9,101	140,126	-	140,126	
	Cathy Bond Fund	-	〃	5,046	60,126	-	60,126	
	Hua Nan Kirin Fund	-	〃	9,610	110,061	-	110,061	
	Tlam Solomon Bond Fund	-	〃	4,983	60,038	-	60,038	
	Fubon Chi-Hsiang Fund	-	〃	2,004	30,028	-	30,028	
	Mega Diamond Bond Fund	-	〃	5,042	60,024	-	60,024	
	Polaris Do-Li Fund		〃	1,926	30,003	-	30,003	
					$ 620,568			
	Stock							
	TCTI	Subsidiary	Investment accounted for by the equity method	37,835	$ 1,983,430	100	None	
	TXC Technology Inc.	Subsidiary	〃	300	12,811	100	None	
	TXC Japan Corporation	Subsidiary	〃	2	7,628	100	None	
					$ 2,003,869		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	118,480 US$ 3,473	100	None	
	TXC (Ningbo) Corporation	Subsidiary	〃	1,244,699 US$ 37,835	1,819,387 US$ 53,331	100	None	
NGB	TXC (HK) Limited	Subsidiary		846 HK$ 200	988 RMB 198	100	None	

TABLE 3

TXC CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2009
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company	Marketable Securities Type and Issuer/Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (in Thousands)	Amount	Shares/Units (in Thousands)	Amount	Shares/Units (in Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units (in Thousands)	Amount
TXC Corporation	UPAMC James Bond Fund	Available-for-sale financial assets	-	-	1,884	$ 30,000	6,270	$ 100,000	-	$ -	$ -	$ -	8,154	$ 130,162
	Hua Nan Kirin Fund	Available-for-sale financial assets	-	-	-	-	9,610	110,000	-	-	-	-	9,610	110,061
	Capital Income Fund	Available-for-sale financial assets	-	-	1,951	30,000	7,150	110,000	-	-	-	-	9,101	140,126

TXC CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2009
(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	$ 228,812	29	-	-	-	$ (260,470)	(33)	

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

TABLE 5

TXC CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2009
(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	$ 260,470	3.8	$ -	-	$ -	$ -

TABLE 6

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
MARCH 31, 2009
(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	$ 1,244,699 US$ 37,835	37,835	100	$ 1,983,430	$ 30,425	$ 34,456	Difference from upstream transactions $4,031 thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 US$ 300	9,879 US$ 300	300	100	12,811	617	617	
	TXC Japan Corporation	Japan	Marketing activities	6,172 JP¥ 21,000	6,172 JP¥ 21,000	2	100	7,628	2,680	2,680	
TCTI	GPT	B.V.I.	National trading	1,691 US$ 50	1,691 US$ 50	50	100	118,480 US$ 3,473	8,523 US$ 251	8,523 US$ 251	
	NGB	Ningbo	Manufacture and sales of electronics products	1,244,699 US$ 37,835	1,244,699 US$ 37,835	US$ 37,835	100	1,819,387 US$ 53,331	21,923 US$ 647	21,923 US$ 647	
NGB	TXC (HK) Limited	Hong Kong	National trading	846 HK$ 200	846 HK$ 200	HK$ 200	100	988 RMB 198	(20) RMB (4)	(20) RMB (4)	

TABLE 7

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

NGB entered into derivative transactions during the three months ended March 31, 2009 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of March 31, 2009:

March 31, 2009	Currency	Maturity	Contract Amount (In Thousands)
Sell	USD/RMB	April 7, 2009 to May 5, 2009	US$1,500/RMB10,261

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2009
(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	$ 1,185,118 US$ (36,000)	$ -	$ -	$ 1,185,118 US$ (36,000)	100	$ 21,923 US$ (647)	$ 1,819,387 US$ (53,331)	$ 202,852 US$ (6,223)

Note: Calculation was based on audited financial statements.

Accumulated Investment in Mainland China as of March 31, 2009 (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	$ 228,812	Negotiated price	Similar with third parties	Similar	$ (260,470)	33	$ (2,449)
		Sale	$ 11,203	Negotiated price	Similar with third parties	Similar	$ 13,997	1	$ (107)

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

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

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