TXC Corporation and Subsidiaries

Consolidated Financial Statements for the
Three Months Ended March 31, 2009 and 2008 and
Independent Accountants' Review Report

TXC CORPORATION AND SUBSIDIARIES

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

ASSETS	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT ASSETS				
Cash and cash equivalents (Note 3)	$ 744,736	9	$ 884,200	11
Financial assets at fair value through profit or loss, current (Note 4)	4,410	-	63,040	1
Available-for-sale financial assets - current (Note 5)	620,568	7	60,289	1
Notes receivable, net (Note 6)	22,504	-	24,639	-
Accounts receivable, net (Notes 6 and 20)	1,710,298	20	1,955,957	25
Inventories, net (Notes 2 and 7)	824,244	10	967,658	13
Other current assets	109,692	1	181,796	2
Total current assets	4,036,452	47	4,137,579	53
LONG-TERM INVESTMENTS (Note 8)				
Financial assets carried at cost	3,000	-	3,000	-
PROPERTY, PLANT AND EQUIPMENT(Notes 9 and 21)				
Cost				
Land	273,496	4	154,438	2
Land improvements	593	-	442	-
Buildings	1,195,478	14	802,106	10
Machinery and equipment	4,775,267	56	3,677,235	48
Transportation equipment	11,964	-	8,959	-
Miscellaneous equipment	175,187	2	155,228	2
Land - revaluation increment	8,954	-	8,954	-
	6,440,939	76	4,807,362	62
Less: Accumulated depreciation	(2,500,137)	(29)	(1,736,033)	(22)
Construction in progress and prepayments for equipment	451,173	5	406,684	5
Property, plant and equipment, net	4,391,975	52	3,478,013	45
INTANGIBLE ASSETS				
Land rights (Note 21)	17,897	-	15,937	-
Deferred pension cost	7,947	-	7,947	-
Others	813	-	575	-
Total intangible assets	26,657	-	24,459	-
OTHER ASSETS				
Assets leased to others (Note 10)	7,184	-	7,308	-
Idle assets (Note 10)	3,238	-	3,632	-
Refundable deposits	5,127	-	4,331	-
Deferred charges	29,004	1	38,341	1
Deferred income tax assets, noncurrent	25,907	-	60,003	1
Total other assets	70,460	1	113,615	2
TOTAL	$ 8,528,544	100	$ 7,756,666	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT LIABILITIES				
Short-term loans (Note 11)	$ 327,356	4	$ 461,217	6
Short-term bills payable (Note 12)	100,000	1	-	-
Financial liabilities at fair value through profit or loss (Note 4)	1,203	-	-	-
Notes payable (Note 20)	19,427	-	87,815	1
Accounts payable (Note 20)	677,303	8	1,022,250	13
Income tax payable (Note 18)	67,907	1	95,784	1
Accrued expenses (Notes 15 and 20)	296,448	3	210,107	3
Liability component of convertible bonds, current (Note 13)	-	-	21,690	-
Bonds payable, current (Note 13)	-	-	214,802	3
Current portion of long-term debt (Note 14)	198,025	2	207,273	3
Other current liabilities	60,171	1	63,500	1
Total current liabilities	1,747,840	20	2,384,438	31
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss - noncurrent (Note 4)	-	-	9,792	-
Bonds payable (Note 13)	50,036	1	-	-
Long-term debt, net of current portion (Note 14)	956,431	11	189,091	2
Liability component of convertible bonds - noncurrent (Note 13)	4,556	-	-	-
Total long-term liabilities	1,011,023	12	198,883	2
RESERVES				
Reserve for land value increment tax	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	4,741	-	4,708	-
Total liabilities	2,767,116	32	2,591,541	33
STOCKHOLDERS' EQUITY				
Capital stock (Note 16)				
Common stock	2,716,981	32	2,415,526	31
Advance receipts for common stock	-	-	745	-
Total capital stock	2,716,981	32	2,416,271	31
Capital surplus	1,092,215	13	1,017,130	13
Retained earnings				
Legal reserve	352,016	4	238,045	3
Unappropriated earnings	1,425,384	17	1,538,251	20
Total retained earnings	1,777,400	21	1,776,296	23
Other equity				
Cumulative translation adjustments	296,055	3	72,799	1
Unrealized gains on financial instruments	568	-	289	-
Unrealized revaluation increment	5,442	-	5,442	-
Treasury stock - 2008: 2,900 thousand shares (Note 17)	(127,233)	(1)	(123,102)	(1)
Total stockholders' equity	5,761,428	68	5,165,125	67
TOTAL	$ 8,528,544	100	$ 7,756,666	100

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

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	$ 1,405,220	101	$ 1,625,393	101
LESS: SALES RETURNS	1,984	-	4,638	-
LESS: SALES ALLOWANCES	9,450	1	7,068	1
NET OPERATING REVENUE	1,393,786	100	1,613,687	100
OPERATING COSTS	1,120,509	80	1,194,153	74
GROSS PROFIT	273,277	20	419,534	26
OPERATING EXPENSES				
Selling expense	70,536	5	80,848	5
General and administrative expense	46,814	4	56,800	4
Research and development expense	60,612	4	69,869	4
Total operating expenses	177,962	13	207,517	13
OPERATING INCOME	95,315	7	212,017	13
NONOPERATING INCOME AND GAINS				
Interest income	1,097	-	3,071	-
Gain on disposal of property, plant and equipment	781	-	-	-
Gain on sale of investments	46	-	426	-
Exchange gains	83,794	6	103,807	7
Reversal of impairment loss	-	-	1,107	-
Valuation gain on financial assets	485	-	53,730	3
Valuation gain on financial liabilities	-	-	2,010	-
Miscellaneous income	7,335	1	14,323	1
Total nonoperating income and gains	93,538	7	178,474	11
NONOPERATING EXPENSES AND LOSSES				
Interest expense	11,853	1	8,577	-
Valuation loss on financial liabilities	1,203	-	-	-
Loss on disposal of property, plant and equipment	247	-	2,518	-
Exchange loss	96,117	7	159,155	10
Miscellaneous expenses	314	-	3,013	-
Total nonoperating expenses and losses	109,734	8	173,263	10

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TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	%
INCOME BEFORE INCOME TAX	$ 79,119	6	$ 217,228	14
INCOME TAX	9,899	1	10,796	1
NET INCOME	$ 69,220	5	$ 206,432	13

	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 18)				
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 consolidated financial statements.

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	207,324	145,828
Nonoperating loss - idle assets and lease assets	129	130
Amortization	3,057	19,000
Reversal of provision for doubtful accounts	(4,092)	(2,894)
Provision for loss on inventories	7,410	4,130
Gain on sale of investments	(46)	(426)
(Gain) Loss on disposal of property, plant and equipment	(534)	2,518
Valuation loss (gain) on financial instruments	718	(55,740)
Reversal of impairment loss	-	(1,107)
Discount on bonds payable	351	1,561
Deferred income tax	2,789	(1,064)
Others	24,853	(6,606)
Net changes in operating assets and liabilities		
Notes and accounts receivable	533,425	236,008
Inventories	70,793	(225,116)
Other current assets	1,686	(51,256)
Notes payable	(21,067)	19,042
Accounts payable	(29,439)	69,037
Accrued expenses	(63,276)	(60,269)
Income tax payable	2,859	11,835
Other current liabilities	37,264	22,229
Net cash provided by operating activities	843,424	333,272
CASH FLOWS FROM INVESTING ACTIVITIES		
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 property, plant and equipment	(106,488)	(492,310)
Proceeds from disposal of financial assets at fair value through profit or loss	83	-
Proceeds of the disposal of property, plant and equipment	781	531
Decrease in refundable deposits	77	4,508
Increase in deferred charges	(10,227)	(27,709)
Increase in other assets	-	(206)
Net cash used in investing activities	(615,711)	(484,760)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(285,143)	35,366
Decrease in guarantee deposits received	(291)	(897)
Increase in long-term loans	193,528	-
Decrease in long-term debt	(244,817)	(1,818)

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TXC CORPORATION AND SUBSIDIARIES

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

	2009	2008
Cash paid for acquisition of treasury stock	-	(123,102)
Net cash used in financing activities	(336,723)	(90,451)
EFFECT OF EXCHANGE RATE CHANGES	10,941	(18,325)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(98,069)	(260,264)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	842,805	1,144,464
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 744,736	$ 884,200
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 13,010	$ 12,072
Income tax paid	$ -	$ -
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of current portion of long-term debt to current liabilities	$ 198,025	$ 207,273

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

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

TXC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Except for changes in accounting principles as described in Note 2 and details of significant accounting policies summarized below, all the other accounting policies are the same as consolidated financial statements in 2008 and 2007, respectively.

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

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

Investor	Investee	Business Nature	Percentage of Ownership at December 31 2009	2008
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%
NGB	TXC (HK) Limited	National 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”.

Treasury Stock

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

2. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the ARDF issued Interpretation 2007-52 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of $32,069 thousand in net income from continuing operations, a decrease of $26,801 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.

3. CASH AND CASH EQUIVALENTS

	March 31	
	2009	**2008**
Cash on hand	$ 1,962	$ 1,990
Checking accounts and demand deposits	568,372	402,210
Time deposits	174,402	-
Cash equivalents		
Repurchase agreements collateralized by bonds	-	480,000
	$744,736	$884,200

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$395 thousand in 2009 and 156 thousand in 2008)	1,738	611
China (RMB9,663 thousand, US$1,989 thousand and JP¥5,523 thousand in 2009 and RMB8,912 thousand , US$1,834 thousand and JP¥16,909 thousand in 2008)	117,863	99,625
America (US$390 thousand in 2009 and US$291 thousand in 2008)	13,303	8,861
Japan (JP¥26,603 thousand in 2009 and JP¥17,525 thousand in 2008)	9,104	5,361
	$ 148,908	$ 115,713

4. 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		
	$ -	$ 9,792
Cross-currency swap contracts		
Forward exchange contracts	$ 1,203	$ -

The Corporation entered into derivative transactions 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 minimized 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
Sell	USD/RMB	April 17, 2009 to May 5, 2009	US$1,500/ RMB 10,261

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$10,207/JP¥1,058,268
Sell	NTD/JPY	April 22, 2008 to April 24, 2008	NT$17,688/JP¥60,000
Sell	USD/RMB	April 4, 2008 to October 22, 2008	US$17,000/RMB116,977

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.

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

6. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31	
	2009	2008
Notes receivable from third parties	$ 22,704	$ 24,763
Less: Allowance for doubtful accounts	(200)	(124)
	$ 22,504	$ 24,639
Accounts receivable from third parties	$ 1,723,926	$ 1,967,194
Accounts receivable from related parties	2,420	3,321
	1,726,346	1,970,515
Less: Allowance for doubtful accounts	(16,048)	(14,558)
	$ 1,710,298	$ 1,955,957

See Note 21 for the details on accounts receivable as collaterals.

7. INVENTORIES

	March 31	
	2009	2008
Raw materials	$ 219,795	$ 221,676
Supplies and spare parts	43,262	46,942
Work in-process	186,415	222,190
Finished goods	219,303	221,163
Merchandise inventories	155,469	240,314
Goods in transit	-	15,373
	$ 824,244	$ 967,658

Allowance for loss as of March 31, 2009 and 2008 was $41,446 thousand and $36,442 thousand.

The cost of inventories recognized as cost of goods sold during the three months ended March 31, 2009 and 2008 was $1,120,509 thousand and $1,194,153 thousand, which included $7,410 thousand and $4,130 thousand of inventory to net realizable value.

8. FINANCIAL ASSETS CARRIED AT COST

	March 31	
	2009	**2008**
Domestic unquoted commons stock	$ 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.

9. 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	-	451	142
Buildings	1,195,478	-	260,334	935,144
Machinery and equipment	4,775,267	-	2,127,599	2,647,668
Transportation equipment	11,964	-	5,252	6,712
Miscellaneous equipment	175,187	-	106,501	68,686
Prepayments for equipment	55,494	-	-	55,494
Construction in progress	395,679	-	-	395,679
	$ 6,883,158	$ 8,954	$ 2,500,137	$ 4,391,975

	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	802,106	-	206,077	596,029
Machinery and equipment	3,677,235	-	1,440,119	2,237,116
Transportation equipment	8,959	-	3,366	5,593
Miscellaneous equipment	155,228	-	86,040	69,188
Prepayments for equipment	117,940	-	-	117,940
Prepayments for land	33,660	-	-	33,660
Construction in progress	255,084	-	-	255,084
	$ 5,205,092	$ 8,954	$ 1,736,033	$ 3,478,013

See Note 21 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.

10. 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, 2008		
	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
Miscellaneous 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	$ -

11. SHORT-TERM LOANS

	March 31	
	2009	2008
Usance letters of credit	$143,755	$201,910
Working capital loans	183,601	259,307
	$327,356	$461,217

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$11,000 thousand and RMB18,000 thousand as of March 31, 2009, and US$4,800 thousand as of March 31, 2008. Interest rates for the working capital loans ranged from 2.62% to 5.40% and 1.55% to 6.45% at March 31, 2009 and 2008, respectively.

See Note 21 for details of pledged assets.

12. 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		$ -

13. BONDS PAYABLE

	March 31	
	2009	2008
Domestic		
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

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 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.

14. 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	
Mortgage loans	Repayable at maturity on January 8, 2010, interest paid monthly	78,752	-
Unsecured bank loans	Repayable at maturity on June 9, 2011, interest paid seasonally	289,613	-
Less current portion		(198,025)	(207,273)
		$ 956,431	$ 189,091
Interest rate (%)		0.967~5.4	2.15~2.915

See Note 21 for collateral on long-term debt.

15. ACCRUED EXPENSES

	March 31 2009	March 31 2008
Payroll	$ 39,915	$ 45,562
Bonus	16,093	22,215
Bonus to employees, directors and supervisors	145,975	32,069
Commission	37,443	31,194
Others	57,022	79,067
	$296,448	$210,107

16. 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:

	Options Outstanding			Options Exercisable	
Range of Exercise Price (NT$)	**Number of Options (In Thousand)**	**Weighted Average Remaining Contractual Life (In Years)**	**Weighted Average Exercise Price (NT$)**	**Number of Options (In Thousand)**	**Weighted Average Exercise Price (NT$)**
$58.80~50.7	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	$ 41,629	$ 185,082

	Three Months Ended March 31	
	2009	2008
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

	Available-for-Sale Financial Assets	Total
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

17. TREASURY STOCK

(Shares in Thousands)

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

18. 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.

19. 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 loans (including current portion)		1,154,456		1,154,456		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		-		-

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	March 31		March 31	
	2009	2008	2009	2008
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)	-	-	1,154,456	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 $15,818 thousand a year.

20. RELATED-PARTY TRANSACTIONS

Related parties and their relationship with the Corporation:

Related Party	Relationship with the Corporation
Tai-Shing Electronic Components Corporation (Tai-Shing)	Chairman is the TXC's general manager

Significant transactions with related parties:

Sales

	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
Tai-Shing	$ 2,305	-	$ 2,963	-

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

Other Expenses

	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
Tai-Shing	$ 166	-	$ 1,783	-

Receivables from and Payables to Related Parties

		March 31			
		2009		2008	
Item	Related Party	Amount	% to Total	Amount	% to Total
Accounts receivable	Tai-Shing	$ 2,420	-	$ 3,321	-
Notes payable	Tai-Shing	$ 81	-	$ 1,266	1
Accounts payable	Tai-Shing	$ 60	-	$ 552	-
Accrued expenses	Tai-Shing	$ 34	-	$ 54	-

21. MORTGAGED OR PLEDGED ASSETS

	March 31	
	2009	2008
Property, plant and equipment		
Land	$ 258,076	$ 163,392
Buildings, net	569,432	147,245
Leased	-	7,308
Machinery and equipment, net	364,905	267,254
Restricted deposit	-	1,227
Accounts receivable	-	19,734
Intangible assets - land right	17,897	15,937
	$ 1,210,310	$ 622,097

22. 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
Prepayments on purchase of equipment	RMB 29,241	RMB 6,122	RMB 23,119
Technological development contract	$ 800	$ 300	$ 500

Unused letters of credit was about JP¥173,946 thousand.

As of March 31, 2009, TXC's guarantees for loans amounted to $1,310,000 thousand.

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

23. SUBSEQUENT EVENTS

None.

24. INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSITIONS

See Table 2 (attached).

TXC CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
THREE MONTHS ENDED MARCH 31, 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

No.	Endorsement/ Guarantee Provider	Counter-Party		Limit on Endorsement/ Guarantee Amounts Provided to Each Counter-Party (Note 1)	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant and Equipment	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)
		Name	Nature of Relationship						
0	TXC Corporation (TXC)	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: Not to exceed 50% of TXC's net equity. ($5,761,428 thousand × 50% = $2,880,714 thousand)
Note 2: Not to exceed the net worth of the Corporation.

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

No.	Company Name	Counter Party	Flow of Transaction (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	906	-	-
				Other expense - consulting expense	6,054	-	-
				Account receivable	1,367	-	-
				Other current assets	1,087	-	-
		TXC Japan Corporation	1	Purchase	275	-	-
				Sales	93	-	-
				Other expense - consulting expense	12,938	-	1
				Other expense	140	-	-
				Account payable	267	-	-
				Accrued expense	31	-	-
		TXC (NGB) Corporation		Sales	11,203	-	-
				Purchase	228,812	-	16
				Other expense - consulting expense	7,390	-	1
				Account receivable	13,977	-	1
				Account payable	260,470	-	3
				Accrued expense	7,390	-	-
		TXC (HK) Limited		Sales	657	-	-
				Account receivable	931	-	-
1	Growing Profits Trading Ltd.	TXC (NGB) Corporation	3	Sales	15,117	-	1
				Account receivable	7,184	-	-
2	TXC (NGB) Corporation	TXC (HK) Limited	3	Sales	609	-	-
				Account receivable	890	-	-

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

No.	Company Name	Counter Party	Flow of Transaction (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	518	-	-
				Other expense - consulting expense	9,690	-	1
				Account receivable	651	-	-
				Other current assets	2,532	-	-
		TXC Japan Corporation	1	Sales	280	-	-
				Other expense - consulting expense	8,913	-	-
				Other expense	27	-	-
				Account receivable	355	-	-
				Accrued expense	90	-	-
		TXC (NGB) Corporation		Sales	46,012	-	3
				Purchase	304,780	-	19
				Other expense - consulting expense	7,947	-	-
				Account receivable	56,316	-	1
				Other current assets	52	-	-
				Account payable	182,908	-	2
				Accrued expense	7,753	-	-
1	Growing Profits Trading Ltd.	Taiwan Crystal Technology Inc.	2	Other receivable	1,551	-	-

Note 1: 1. From parent company to subsidiary.
3. Between subsidiaries.

Note2: The term of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices are determined in accordance with mutual agreement.