Annual Report 2009 Table of Contents

TXC CORPORATION

Vision Statement

To provide the frequency controlled application products for the computer, communication, optical, and automotive industry so as to become, the most outstanding company in FCP industry judged by performance matrix and managerial capability.

Mission Statement

Through the continuous improvement and the urge for discipline and execution to enhance the productivity to interact with tier one vendors' requests by promoting company's professionalism and globalization framework.

Quality Policy

In accordance with the principles of customer orientation, problem prevention, and the pursuit of zero defect, TXC management team commits to deploy the quality policy as follows:

(1)Technological innovation
(2)Reliable quality
(3)Continuous improvement
(4)Customer satisfaction

Green Product Policy

- Based upon the most rigid legitimate rules or the requirements of our customers to set TXC's green product policy in order to be the fittest green products partner of our customer.
- Documented the environmental policy in details to promote the overall awareness of the environmental protection concept and the implementation methods.
- Through company-wide various activities to ensure the quality of our green products will meet or exceed the regulated or expected requirements.
- Continuously improving environmental management system through periodic auditing and system inspection.
- TXC's company policy, aimed at everlasting, is based upon the corner stones of green products designing, environmental protection, and customer satisfaction.

I. Business Report

Looking back, 2009 will be remembered as a stormy year of growth. From the steep drop off in business when the financial crisis hit to the slow and gradually recovery of the market, we have finally regained our balance and are now marching steadily ahead toward our goals. The accomplishments that we have made along the way are the result of the collective efforts of everyone. We continue to stand by this belief only our direction has changed. A journey of a thousand miles starts with a single step. We travel the road ahead with purpose and perseverance. With a spirit of gratitude, we would like to present a review our business operations for the year and discuss our future plans to the Shareholder's Meeting.

Our consolidated revenue in 2009 was NT$7,728 million, an increase of 5% over NT$73.62 million in the previous year, and 124% to reach budget target ; net profit after tax was NT$782 million, a decrease of 18% over NT$ 952million , and 205% to reach budget target; basically each share's earning was NT$2.75, a decrease of 18.0% over NT$3.36 in the previous year. Looking forward to 2010, we are expected to have growth and revenue above the average of the industry under a precise performance index set by the company. We hereby briefly report on our operational achievements in 2009 and operational plan for 2010 as follows:

A. Operational achievements in 2009:

1. Revenue and net profit after tax Unit: NT$1,000

	2009	2008	Increase(decrease)amount)	Percentage increase
Net consolidated revenue income	7,727,524	7,361,651	365,873	4.97%
Consolidated operational profit	1,904,410	2,040,197	(111,377)	(5.53%)
Net consolidated profit (loss) after tax	782,223	951,817	(169,594)	(17.82%)

2. Revenue income and expenditure and profitability:

Consolidated revenue income and expenditure and profitability:

	Year	2009	2008
Finance Structure (%)	Liability vs asset ratio	37.44	36.09
	Longterm fund vs fixed asset ratio	165.79	152
Debt-paying Capability (%)	Liquidity ratio	201.69	211
	Quick ratio	164.03	161
Profitability (%)	Return on assets ratio (%)	8.82	11.89
	Return on shareholders equities ratio (%)	13.55	17.72
	Earnings per basic share（NT$）	2.75	3.56

3. Budget implementation:
   For 2009, the company only set internal budget goals but did not disclose financial estimate numbers. The overall business condition is still being affected by the health of economy and environment at large but sales and profits exceeded the business goals set by the company.

4. Research and development.
The company has seen significant results in our efforts to achieve product miniaturization and specification refinement goals. We are now capable of volume production for 2016 and 1612 products and will continue to expand miniaturization capabilities to the 1210 product levels. In order to satisfy customer requests to extend these capabilities to other products, we will focus our resources on the development of high-end products. As for TCXO, VCSO, VCXO product applications, we have achieved significant breakthroughs by way of technology learning and accumulation.

5. Other Project Implementation Results:
(1) Green Business:
In order to strengthen supplier chain green product requirements, the MSDS sheets needed for upstream and downstream supplier environmental safety have been upgraded. The MSDS sheets for all plants now need Chinese and English descriptions to ensure that there is no error in comprehension and the sheets are properly handled. In order to comply further with international environment, safety and health guidelines, the company has issued an Environmental Safety and Health Management Manual in the expectation that we can work jointly with suppliers to meet the highest international standards for production conditions and environmental protection. As for energy conservation and carbon reduction, the company won the Outstanding Performance Award issued Foundation of Taiwan Industry Service and Inventec and Green Adoption Performance Award issued by the Industrial Development Bureau at the Hsinchu Industrial Park.

(2) Occupational Safety and Health:
Through the promotion work of the Labor Safety and Health Committee, the company followed relevant guidelines to introduce the Occupational Safety and Health Performance Permit in order to improve safety at the workplace. After performing risk identification, correction and prevention, we are pleased to have been granted a three-year permit from the Council on Labor Affairs. Each item and environmental safety and health action will be promoted throughout our plants to ensure work environment safety and health and provide maximum safety to company personnel.

(3) Quality Certification:
In addition to receiving the Supplier Continuous Quality Improvement (SCQI) from Intel, the company received ISO14001:2004 Environmental Management System certification. Other quality assurance systems such as ISO9001, ISO/TS16949, QC080000 are also in place to ensure that product quality can reach international standards.

(4) Skill Upgrading:
In order to improve the process improvement concepts behind statistic quality control, the company launched 6-Sigma training and project improvement work at Pingchen, Taiwan and Ningbo, China. There are black and green belt personnel at these two plants performing continuous improvement work on major product processes and yield rates. The company also plans to further strengthen process capabilities, yield rates and raise overall competitiveness under the direction of internal promotional committees.

(5) Information Disclosure:
The company has strived to provide transparent information to stakeholders for many years. From participation in information disclosure and transparency ranking, the company received the highest A+ ranking in 2008 and 2009 for our comprehensive assessment report, webpage information and externally disclosed information. In the future, the company will provide

business operation performance information in a transparent and open manner to investors for reference purposes.

(6) Organization Restructuring:
In order to upgrade the management capabilities of personnel and transfer relevant management skills, the company made a major adjustment to organization structure in the middle of the year in response to changes in the market. Some executive managers with strong business management skills will be transferred to company subsidiaries provided it does not affect business operations at home to strengthen exchanges. Through the mutual transfer of experience and technology, improvement will be seen local work practices and management performance.

B. Overview of 2010 operating plan:

1. Business Direction and Major Policy:

(1) Cost of Poor Quality (COPQ) Improvement:
The company has always focused our efforts on improving overall competitiveness through process and yield rate improvement. Therefore, the foremost issue for process refinement has been to root out defects. In addition to raising the yield rate, reducing COPQ is a major part of our internal cost control work because it allows the company to precisely calculate the various costs resulting from quality defects, adjust the focus of relevant work stations and extend its use to each production site.

(2) Quality System and Awards:
Regarding the present quality system, the company has added the system certifications required by customers and obtained SONY GP recertification this year. Certification was granted again for TS16949 and QC080000. The first of these systems is to conform to international customer requirements. The second can be used to make our work system more complete which will raise our overall competitiveness. In our effort to strive for further upgrading and refinement, the company was rated favorably in an eight part evaluations through the close cooperation of all personnel and received the National Quality Award by the Executive Yuan in April 2010 which recognized the company's pursuit of excellence in our business operations.

(3) Environmental Safety and Health:
Through the efforts of our Labor Safety and Health Committee, the company has not only received the Occupation Safety and Health Performance Permit but also initiated Greenhouse Gas Verification (ISO14064-1), Carbon Footprint Verification (PAS2050) and Occupational Health and Safety Management System (OHSAS) in 2010. The ISO14064-1 verification was completed in April and the company received the related certification from the BSI company.

(4) Customer and Supplier Development
To allow better control of customer development results and progress, the company will conduct a third stage strengthening of the customer relation management system to understand the actual condition of new markets, customers and material numbers and fully display them in the management system in order to perform better strategy adjustment and performance control. Regarding the development of high-end products, the company will provide the required resources and specialized personnel in order to achieve greater results in the telecommunication and automotive markets. In addition, the company will perform supplier chain management (SCM) to promote closer interaction and cooperation between upstream and downstream suppliers and make the organization of information more complete and accessible.

(5) Corporate Governance and Corporate Accountability
Fulfilling corporate responsibility and giving back to society is part of our corporate mission. Because the company prepared for corporate governance ranking in 2009 to ensure operations

conform to the expectations of stakeholders. Through each department' s cooperation and hard work and its physical expression in the control system, the company was awarded the corporate governance system evaluation certification from the Taiwan Corporate Governance Association in March of 2010. In addition, the company began preparation of our Corporate Social Responsibility Report in 2008. In addition to the writing of this report, the company plans to obtain corporate social accountability report certification based on the Global Reporting Initiative (GRI) G3 guidelines at the end of the year to fully display the efforts of the company and encourage others in the industry to do their part for the country and society. Based on our past work for social charities, environmental safety and corporate governance, the company was awarded Commonwealth Magazine's Enterprise Model Award for corporate social responsibility in the technology industry B category in March of 2010 to recognize the company's achievements in this area.

(6) Establishment of a Free Trade Zone
To promote efficiency in the company's overall logistic operations and speed up customer product receipt times, the company set up a logistics center at the Taoyuan Air Cargo Free Trade Zone in April of 2010. By joining together our operation management in Taiwan and China, the company hopes to effectively reduce the time between the customer order and receipt of goods and thereby improve customer loyalty and overall competitiveness.

(7) Plant Expansion:
To meet forecast business requirements and respond to demand from developing markets, the company decided to start additional plant expansion projects. The old plant facilities in Pingchen were rebuilt and new production equipment was purchased to meet the needs of global firms.

2. Sales forecasts and basis:
The overall economy was struck by the financial storm that occurred at the end of 2008. Due to the quartz component industry response to changes at the application end, overall business for the industry declined. To cope with these changes, the company turned our sights to wireless communication and personal digital products and focused on the low consumption, miniaturization and precision niche markets in an environment where raw material prices and foreign exchange risks are increasing in order to effectively raise overall profitability. For long term development, capital investment will be determined based on the overall business environment. The company expects to continue to release high-end products, improve process capabilities, add new customers and launch new projects to become one of the top thee quartz component manufacturers in the world. By continuing to grow and maintaining efficient business operations, the company's global market share is expected to rise to 10% or more. Due to the commitment to excellence of company personnel and supplier support, the company forecasts that 2010 sales will exceed 1.8 billion dollars which represents an overall improvement in sales and profitability.

Though the severity of the financial crisis has lessened, the company learned valuable lessons about how to respond to a crisis. Our employees will always remember how they sacrificed, teamed up together and struggled under great pressure to survive. For our 2009 grade report, the company could not boast of high rates of growth like in previous years but we can find some consolation in the fact that our results were better than other companies in the quartz component industry. In 2010, the company is ready to cross the 10 billion sales mark. Through the everyday hard work and steadfast persistence of company personnel, we have been able to demonstrate solid business results to our stakeholders. We will keep an optimistic and pro-active spirit and embrace an attitude of continuous improvement. By cautiously and steadily pushing forward along this path, we also firmly believe that we can successful in meeting the expectations of our shareholders.

II.Company Overview

A.Company Introduction

1. Date of the company´s incorporation

TXC Corporation, founded in 1983, is a leading professional frequency control product manufacturer. We have devoted to the research, design, manufacture, and sale of Dual-Inline-Package (DIP) and Surface Mount Device (SMD) quartz crystal products. TXC now specializes in five categories of products such as high quality Quartz Unit Crystal, Automotive Crystal, Crystal Oscillator (CXO), Surface Acoustic Wave (SAW) Filter, and Timing Module (TM). Our goal is to add value to our customers by providing a complete solution of frequency devices and modules, design-in service to fully satisfy various needs of the esteemed customers. We believe based upon the competence of cost effectiveness, quality, lead-time, and customer service TXC will go beyond customers' expectation. TXC has now been highly recognized as the first-class crystal provider by our customers and TXC Corporation will continue striving for excellence not to meet but to exceed the most rigid customers' standards.

2. Company History

1983 Founded in Taiwan with US$95,000 capital.
1984 Began production on DIP type crystals and oscillators in Peitou factory.
1993 ISO9002 certified.
1995 Winner of the 4th National Award of Small and Medium Enterprises.
1997 Began production of SMD type crystals and oscillators in Taoyuan factory.
1998 Began production os SAW devices.
Implemented Oracle ERP system.
1999 Established US sales office.
2000 Increased capital to US$25.3 million.
2001 IPO’ed with capital increased to US$37 million.
2002 Listed in the Taiwan Stock Exchange(Code-3042)
ISO14001 certified.
Ranked among the top 10 worldwide frequency control product manufacturers.
2003 Began to offer value-added products(HF CXO/VCXO,OCXO,FX,etc.) for the telecom market.
Began production in new factory in NIngbo, China.
2004 Implemented QoS and 6-Sigma management systems.
QS9000 certified.
Established US Technology Center.
2005 ISO/TS16949 certified.
Ranked number 6 among the worldwide frequency control product manufacturers.
2006 Expanding Tauouan factory. Adding production lines in Taiwan and China. The capacity reached to 70 million units per month. Authorized Capital: US$57.9 million.
2007 New factory in Pingzhen inaugurated, factory expansion project in Ningbo factory launched, Intel presented the Preferred Quality Supplier, promotion of the Six Sigma project to Ningbo plant green belt training, procurement of the Shenzhen office, implementation of employee stock option, CB conversion, and recapitalization of surplus to NT$2,415,530,000.
2008 Simultaneously expanded factories in Pingzhen, Taiwan and Ningbo, China; won Intel’s Supplier Continuous Quality Improvement (SCQI) Award; won A+ evaluation for information disclosure

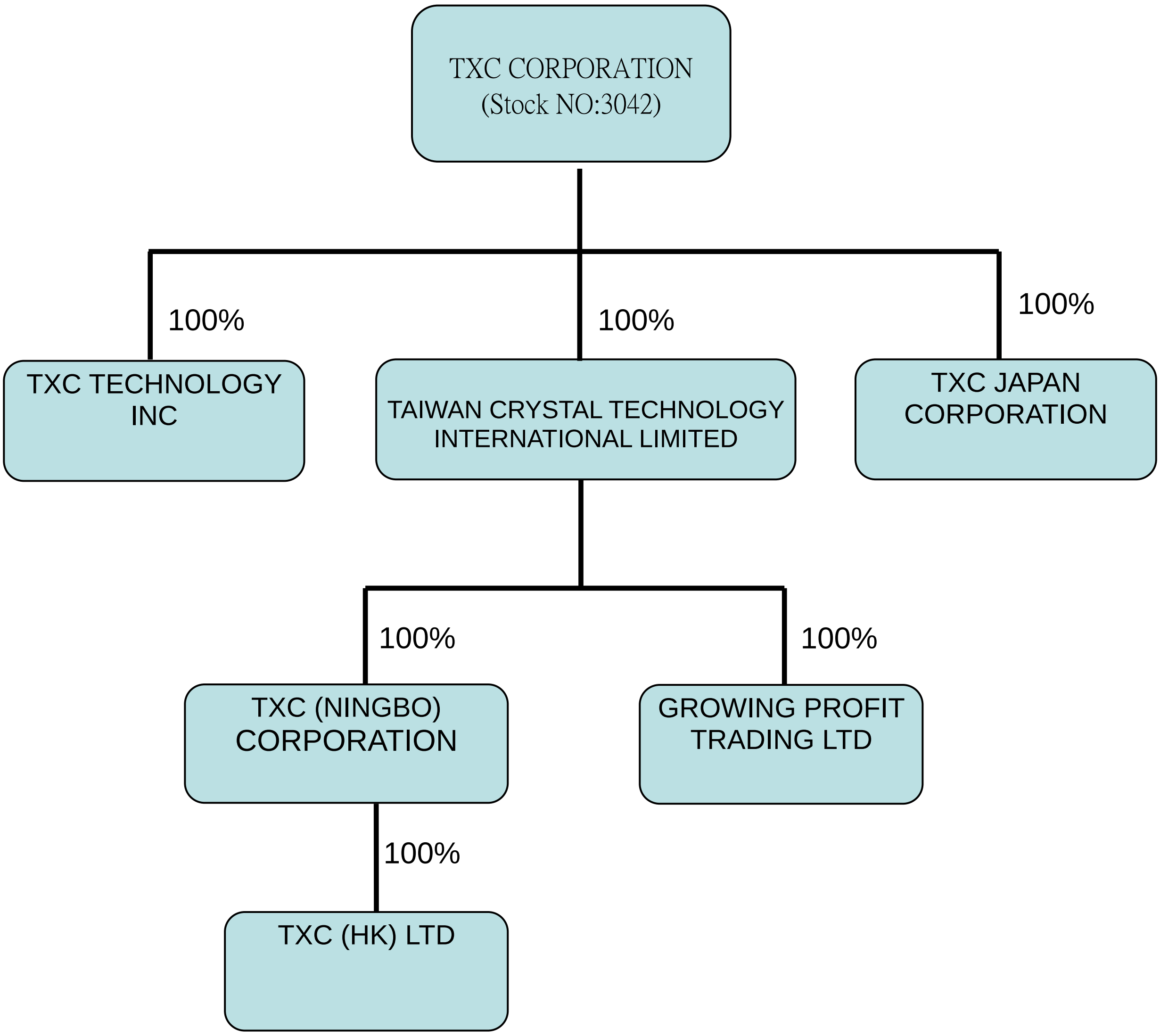
and top 10 potential golden torch award; continued to promote the 6-Sigma black belt training program at Ningbo and Pingzhen plants. Set up sales operations in Osaka, Japan and Singapore to promote sales. Issued employee options and implement the treasury stock system. Set up subsidiary TXC Hongkong; execute employee option, CB conversion, surplus conversion to increase capitalization to NT$2,716,980,000.

2009 Second phase of Taiwan Pingchen and China Ningbo plant expansion initiated, received A+ ranking and top 10 award at sixth annual Information Disclosure and Transparency Ranking, on-the-job training plan launched for personnel at Ningbo and Pingchen plants, received Preferred Quality Supplier Award recognition again from Intel, strengthen company internal controls to ensure corporate governance effectiveness, promoted transparency of corporate governance information, exercised employee stock warrants, convertible bonds, capital increase by retained earnings to NT$2,887.27 million.

2010 Issued third convertible bond, received corporate governance system evaluation certification from the Taiwan Corporate Governance Associations, received industry model award for the Technology Industry B group from Commonwealth Magazine, awarded National Quality Award from Executive Yuan, continued to implement 6-Sigma black belt training plan for Ningpo and Pingchen plants, set up sales office in Europe to expand business, purchased offices in Shanghai and Suzhou, started third phase of plant expansion for Taiwan PCF.

B、Company Structure and the Subsidiaries

1.The chart of TXC corporation and the subsidiaries



2.The basic data of the subsidiaries

2010.03.31

Name	Incorporated	Address	Capital	Business Nature
Taiwan Crystal Technology International Limited	1998.12.23	WESTERN SAMOA	USD37,835,294	Investment holding
Growing Profits Trading Ltd	1999.03.09	BRITISH VIRGIN ISLANDS	USD 50,000	National trading
TXC (NGB) Electronic Co., Ltd. corporation	1999.03.12	No.189, Huangshan Xi Rd., Economic & Technical Development Zone,Ningbo Zhejiang, China	USD37,835,294	Manufacture and sales of electronics products
TXC Technology Inc	2000.12.01	431 Lambert Road,Suite 306 Brea,California 92812, U.S.A.	USD 300,000	Marketing activities
TXC Japan Corporation	2005.09.13	Davinici-shin-yokohama Bldg.,1-3-1, Shin-yokohama, Kohoku-ku,Yokohama,222-0033 Japan	YEN 21,000,000	Marketing activities
TXC (HK) LTD	2008.03.31	ROOM C.21/F.,CAPITAL TRADE CENTRE, 62,TSUN YIP ST.,KWUN TONG,KOWLOON, H.K.	HKD 200,000	National trading

III. Corporate governance

A. Directors and Supervisors

2010.03.31

Title	Name	Major academic (professional) experience	Current position in our company or other company
Chairman of the Board of Directors	Lin, Jin-Bao	MBA, West Texas A&M University, USA	Director, TaiwanCrystal Industry Association
Vice-Chairman of the Board of Directors	Hsu, Der-Jun	Kei-Nan Institute of Technology and Business	Chairman of the Board of Director, Chan-Yu Corporation Chairman of the Board of Director,Kuan-Ya Int'l Corporation Chairman of the Board of Director,TCTI Corporation
Director of Board	Kuo, Fa-Jin	Pei-Yun High School	-
Director of Board	Lin, Wan-Shing	Master in Management, Taipei Science and Technological University	Chairman of the Board of Director,Tai Shin Electronics Corporation Chairman of the Board of Director,TXC Ninpo Corp
Director of Board	Go, Tien-Chong	Electronics Dept, Taipei Institute	Consultant, Amulaire
Director of Board	Kuo, Shu-Hsin	Business Major, Taipei Business School	Vice-Chairman of the Board of Director, Chan-Yu Corporation
Director of Board	Kuo, Je-Hsiun	Taipei Business School	-
Independent Director of Board	Shen, Chi-Fong	BusinessAdministration, Taipei Cultural University	Board of Director, Shun-Ban Technology Corp. Chairman of the Board of Director,Hon-Sheng Technology Corp(Institution Representative) Auditor, Chun-Chong Optics-Electronics (Institution Representative)
Independent Director of Board	Yu, Shang-Wu	Ph.D., Birmingham University	Professor, Taipei Science and Technological University
Supervisor	Yang, Min-shou	Taipei Second Professional High School	-
Supervisor	Yang, Du-An	History Dept, TamKung University	-
Independent Supervisor	Liu,Cheng-Yi	Master in Finance, Baruch-The City University of New York	Director, Jochu Technology

B. Personnel data of the general manager, vice general manager, assistant vice general manager, chief of divisions

2010.03.31

Title	Name	Date of employment	Major academic (professional)	Other part time position with other companies
General Manager	Lin, Wan-Hsing	1989.11.11	Master in Management, Taipei Science and Technological University	Chairman of the Board of Director, Tai-Shin Electronics Corp Chairman of the Board of Director, TXC Ninpo Corp
Vice General Manager of	Chen, Shan-hsing	2002.04.01	Mt．San Antonio College	President of TXC Ninpo Corp Chairman of the Board of Director, Shin Mau Electronics Corp
Vice General Manager	Kuo, Ya-Ping	2009.08.01	BOSTON UNIVERSITY, MBA	-
Vice General Manager	Chang, Qi-Zhong	2009.08.01	Lunghwa University of Science and Technology	-
Assistant Vice General Manager	Tsai, Ron-Yian	2002.04.01	Dept of Econiomics, Ba Dai Institute Japan	-
Assistant Vice General Manager	Kuo, Ya Han	2009.08.01	West Coast University	-
Assistant Vice General Manager	Lo, Zhong Lun	2008.12.01	Tsing Hua University of Materials science and Engineering	-
Chief of Finance	Hong, Gon-Wen	2003.03.11	Accounting and Statistics, TamShui School of Technology and Business	-

C. Corporate governance and variations with management principles of publicly-listed companies and reasons

Items	Operation Circumstances	Difference with governance principles of publicly-listed companies and reasons
1. Corporate equity structure and shareholder equity （1） Company's way of handling shareholder recommendations and disputes. （2） The Company is in actual control of the namelist of the Company's major shareholders and the end controllers of the major shareholders. （3） The Company has set up a risk management mechanism and firewall with its affiliate enterprises.	(1) The Company has dedicated spokesman and surrogate spokesman and email box for handling shareholders' recommendations and disputes. (2) The Company regularly reports on the holdings of the major shareholders and timely in control and has maintained good relations with the major shareholders. (3) In addition to risk control mechanisms set up by the company, relevant procedures have been established to govern the sales and financial business between the company and affiliated businesses such as subsidiary business management procedure. The procedure guides the establishment of written internal controls at subsidiaries. It defines decision making authority at subsidiaries and manages transactions between related parties and affiliated companies. Work procedures were set up for transactions between related parties and corporate groups. The acquisition and disposal of asset guidelines, endorsement and guarantee procedures, capital loan to other procedures, guidelines for transactions of derivative financial products from the parent company were referenced to implement subsidiary risk control mechanism.	Answer the requirements of Corporate Governance Guidelines

Items	Operation Circumstances	Difference with governance principles of publicly-listed companies and reasons
2. Formation of the Board of Directors andits responsibility and authority （1）The Company has set up independent directors （2）Regularly evaluate the independence of the certified accountants	(1) The Company had hold the shareholders meeting on 13 June, 2007 and already eleted 2 directors fulfill the qualifications of independent directors and the Company has included the independent directors to be governed by the regulations to accommodate with the revised regulations of the Equities Trading Law. (2) The company regularly evaluates the independence of CPAs. Before CPA replacement, the company must first explain the reason for the replacement and report the current status to directors and supervisors. After the Chairman and President interview the incoming CPA to evaluate his/her competency, the CPA profile information is submitted to the Directors and Supervisors for discussion and the CPA is invited to attend Board of Director meetings on a non-regular basis.	Answer the requirements of Corporate Governance Guidelines
3. Establish communication channels with the stakeholders.	The Company has set up the spokesman system, website and various channels for providing the company's latest news and communication channels, as well as setting up shareholders' mailbox.	Answer the requirements of Corporate Governance Guidelines
4. Open information （1） The Company has set up website to disclose finance, sales and corporate management. （2） The Company has adopted other methods for disclosing company information（such as setting up an English website, appointed dedicated person responsible for collecting company information and disclosure, implement the spokesman system, and place progress of investors conference presentation on the company website, etc.）	(1) The Company has set up a website in simplified and traditional Chinese, English and Japanese. Website: http://www.txccorp.com to provide information on finance, sales and others and has dedicated person to maintain and update information. (2) The Company will hold investors conference presentation according to practical needs and place relevant information on the company website. (3) A dedicated person is responsible for collecting relevant information and disclosing major events; a spokesman is responsible for speaking to the public.	Answer the requirements of Corporate Governance Guidelines

Items	Operation Circumstances	Difference with governance principles of publicly-listed companies and reasons
5. Operation of function committees set up by the company such as Nomination Committee and Remuneration Committee.	The Company has 3 auditors and one of them has qualifications of an independent auditor but no function committee is being set up.	In accordance with the law, Auditors Committee or Auditing Committee or various other function committees should be set up.
6. If the company has formulated corporate governance principles in accordance with the Corporate Governance Principles of the publicly-listed companies, please state its operation and difference with the corporate governance principles: The company has set up corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies. Please explain the difference in the operation and corporate governance best-practice principles set down by the company: The company passed the corporate governance best-practice principles at a board of directors meeting held on October 27, 2009. Actual operation follows corporate governance best-practice principles. To enhance the integrity and spirit of corporate governance, the company has continually devised more defined and specific guidelines and procedures. This includes Code of Conduct Guidelines passed at the 2007 Shareholders Meeting and Management of Related Party Transactions, Work Procedure for Affiliated Company and Related Party and Group Company Transactions, Independent Director Sphere of Responsibility, Subsidiary Supervision Work Procedures. Financial Business between Affiliated Companies Procedures and Risk Control Procedures have been passed by the board of directors and put into effect by the company.		

Items	Operation Circumstances	Difference with governance principles of publicly-listed companies and reasons
7. Other important information that helps understand operation of corporate governance(for instance, further studies by directors and auditors, risk management policy and implementation of risk measurement standard, implementation of policy for protection of consumers or customers, buying of insurance policies for company directors and auditors, etc）: (1). Employee rights: The company handles employee matters in accordance with the Labor Standards Act. See page 78 of the company's Annual Report for information regarding other employee welfare measures, the pension system, continuing studies and employee rights. (2). Concern for employees: In addition to providing a medical office staffed by a medical specialist, the company has also established a Labor Safety and Health Committee to handle employee safety and health issues and provide various assistance programs to employees including psychological, medical and health services. A range of communication channels are available to personnel to submit their opinions and enable smooth two-way communication between the company and employees. (3). Supplier relations, rights of stakeholders: The company work regulations are followed and company suppliers are required to comply with contract provisions to uphold the legal rights of both parties. No relevant litigation cases have occurred this year. (4). Investor relations: The company is highly concerned about investor rights. Relevant information is promptly posted on the Market Observation Post System as instructed by the governing agency in accordance with regulations. Relevant information is also post on the company website. For six consecutive years, the company was named a voluntary disclosure of transparent information company by the Securities & Futures Institute. (5). The company's directors and supervisors attend continuing education courses concerning financial, business and other professional subjects on a non-regular basis. See p.14 in the company's Annual Report – Director and Supervisor Education and Training Chart. (6). Implementation of the company's risk management policy and risk measurement standards: See p.90 in the company's Annual Report for risk management policy, organizational framework and relevant risk controls. In addition, the company analyzes and tracks high risk events to the business targets. Responses are also prepared to create a sound risk management system. (7). Implementation of policies to protect consumers and customers: Customer First, Fulfill Mission demonstrates the determination and commitment of TXC toward the customer. Our total dedication to quality has recognized by our customers over the years. The company has been given preferred supplier awards from a number of customers in encouragement of our efforts. (8). The company began to purchase liability insurance for directors and supervisors starting in 2004. In 2008, the policy amount was increased US$5 million. (9). Corporate governance training and continuing education for the president, vice president, financial officer and audit supervisor:		

Items	Operation Circumstances	Difference with governance principles of publicly-listed companies and reasons

<table>
<tr><th rowspan="2">Position</th><th rowspan="2">Name</th><th rowspan="2">Training Time</th><th colspan="2">Study Period</th><th rowspan="2">Organizer</th><th rowspan="2">Course Name</th></tr>
<tr><th>Start Date</th><th>End Date</th></tr>
<tr><td>President</td><td>Peter Lin</td><td>3H</td><td>2009/12/12</td><td>2009/12/12</td><td>Securities & Futures Institute</td><td>Commonly used transnational investment frameworks</td></tr>
<tr><td>Vice President</td><td>Landau Chang</td><td rowspan="4">3H</td><td rowspan="4">2009/08/28</td><td rowspan="4">2009/08/28</td><td rowspan="4">Taiwan Corporate Governance Association</td><td rowspan="4">How do companies respond to business sustainability issues in the face of the financial storm</td></tr>
<tr><td>Vice President</td><td>Yapin Guo</td></tr>
<tr><td>Financial Controller</td><td>Vivian Hong</td></tr>
<tr><td>Audit Supervisor</td><td>Weihan Chang</td></tr>
<tr><td>Audit Supervisor</td><td>Weihan Chang</td><td>6H</td><td>2009/09/02</td><td>2009/09/02</td><td>Accounting Research and Development Association</td><td>The role of internal audits in corporate governance and corporate mergers & acquisitions.</td></tr>
<tr><td>Chief Financial Officer</td><td>Vivian Hong</td><td>6H</td><td>2009/09/16</td><td>2009/09/16</td><td>Accounting Research and Development Association</td><td>Advanced study course for issuers, securities company and stock exchange accounting managers</td></tr>
</table>

8. If the Company has self-evaluation report or evaluation report by professional institutions on corporate governance, it is necessary to state the results of self-evaluation (or outsourced evaluation), major shortcomings（or recommendations）and improvement:

The Taiwan Corporate Governance Association (TCGA) conducted a corporate governance evaluation of the company on March 2, 2010. The company received CG6005 General Version Corporate Governance System Evaluation certification from the TCGA on March 23. The recommendations from the evaluation are the following. The will continue to make step by step improvements based on these recommendations.

(1) It was recommended that the company make reference to content and spirit of corporate governance best-practices and perform a comprehensive review of the overall connection and integration of those regulations passed in recent years in response to the fast rate of growth and establish an internalized corporate governance system and relevant regulations that conforms to the company attributes and requirements.

Items	Operation Circumstances	Difference with governance principles of publicly-listed companies and reasons
(2) It was recommended that the company consider setting up a system and relevant regulations for company segmentation from a corporate group perspective to put in place corporate group management procedures. (3) It was recommended that the company's board of directors use their distance to look at the business goals and strategy development at difference stages to identify risks and determine a suitable risk appetite and acceptance. The board of directors shall pro-actively combine the risk management procedures contained in current but scattered systems and regulations to form a comprehensive risk management policy with clearly defined procedures, regulations, guidelines and practices. A dedicated section should be responsible for its implementation and auditing to achieve the goal of risk management. Risk management policy implementation results should be regularly reported to the board of directors. (4) It is recommended that the company establish a performance evaluation systems for directors and perform evaluations to encourage self-improvement and sound operation of the Board of Directors. (5) It is recommended that the approval of the company's president and other management performance evaluation standards by the Board of Directors. (6) The company is presently in a period of high growth. The company chairman concurrently serves the chief executive officer and the vice chairman serves as the deputy CEO. It is recommended that the company take concrete action to reduce their concurrent involvement of the Chairman and Vice-Chairman in the management team. Actions like increasing the number of independent directors, raising the supervisory function of the Board of Directors should be the long-term development goals of the company's corporate governance system. (7) To improve director and supervisor attendance at meetings, plan the Board of Director meeting schedule six months or one year in advance. Video conferencing methods can also be used but relevant regulations must be followed to ensure the legality of the video conference meeting. (8) In order to adhere to the spirit of corporate governance, independent directors should fulfill their decision making responsibility when a conflict of interest of directors and supervisors is present for an issue at Board of Directors meetings and supervise director avoidance matters during Board of Directors meetings. In order to ensure effective implementation, the secretary at the Board of Directors meeting shall be responsible for reminding everyone in attendance at the meeting and the independent director shall oversee thee avoidance procedure and its operation. (9) The company information disclosure process works effectively but to ensure that members of the board of directors are informed of important company information, it is recommended that the company establish a procedure for the reporting of important information to the board of directors, independent directors and supervisors which includes report expiration periods, information type in the reports and reporting method to assist the directors and supervisors in fulfilling their responsibilities.		

Items	Operation Circumstances	Difference with governance principles of publicly-listed companies and reasons
(10) It is recommended that the company establish independent directors and supervisors. Hold regular, formal meetings or set up communication channels between CPAs / internal auditors outside of the Board of Directors meeting. Take appropriate meeting minutes of meeting or communication results to better track and supervise financial report quality and internal control system operation effectiveness. Note 1: For director and supervisor continuing studies, see the Publicly Listed Company Director and Supervisor Continuing Education Implementation Point Reference Examples issued by the Taiwan Stock Exchange Corporation. Note 2: If you are a securities company, securities investment trust enterprises, securities investment consultant or futures commission merchant, explain the implementation of risk management policy, risk measurement standard, consumer protection and customer policy. Note 3: Corporate governance self-evaluation report is self-evaluations and explanations provided by the company based on the corporate governance self-evaluation items. Each self-evaluation item reports current company operations and implementation status.		

(4) If the company has corporate governance rules and regulations, it is necessary to disclose its inquiry method: please go to the company website: http://www.txccorp.com/tw/f_investor/04.asp

(5) Other important information for furthering understanding of the Company should also be disclosed: go to the company website: http://www.txc.com.tw/tw/f_investor/04_2.html

IV.Capitals and Stocks

A. Source of Capitals

2010.04.16 unit: share

Shares Class	Approved Shares			Remark
	Circulated in Market (note)	Uncirculate shares	Total	
Common shares	287,907,037	109,092,963	400,000,000	Excluding 3,000,000 shares treasure stock.

note:these shares are listed。

B. Shareholders structures

2010.04.16

Shareholders / Numbers	Government	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total(note)
Numbers	6	6	181	21,078	94	21,365
Number of Shares	10,024,314	9,792,000	110,902,791	130,614,398	26,573,534	287,907,037
Percentage of shares	3.48%	3.40%	38.51%	45.38%	9.23%	100.00%

note：The above based on the transactions end at 16/4/2010, it excludes 3,000,000 shares treasure stock.

C. Data on share price, net value, profit, and dividend of the past two years

item / year			2008	2009	2010.03.31 end
Marketprice / share (note 1)	Highest		66.00	59.3	58.80
	Lowest		17.40	19.85	46.35
	Average		44.12	36.91	53.42
Net value per share (note 2)	Before distribution		20.70	20.51	21.51
	After distribution		18.72	註 9	-
Earnings Per Share	Weight average number of shares (1000’s share)		267,734	284,489	285,727
	earnings per share (note3)	3.56	3.56	2.75	0.75
		3.36	3.36	註 9	-
Dividend/share	Cash dividend		2.0	註 9	-
	Stock dividend without compensation	0.5	0.5	註 9	-
		-	-	註 9	-
	Accrued undistributed dividend (note 4)		-	-	-
Analysis of rate of return	P/E (note 5)		12.39	13.42	-
	P/C (note 6)		22.06	註 9	-
	C/P (note 7)		4.53%	註 9	-

＊ If use profits or capital reserve for raising capital shares appropriate, then it should announce the information of the number of appropriate shares and retroactivlye adjust market price and cash dividend。

note1：list the hightest and lowest price of the common stocks in that year, and the average market price for that year is calculated based on the transaction values and transaction amounts。

note2：Use the number of circulated shares at the end of the year as the base, then the dividend distributed determined in the coming year's stockholders' meeting。

note3：If there is any retroactive adjustment from the stock dividend without compensation, then it should list earning per share on before and after adjustment。

note4：If the equity investment has constraint that limits the undistributed dividend for that year and it is cumulated until to later profitable year. Then it should disclose the cumulative undistributed dividend up to that year。

note5：P/E＝current year average share price at closing／earning per share。

note6：P/C＝current year average share price at closing／cash dividend per share。

note7：C/P＝ cash dividend per share／current year average share price。

note8：The financial statements of TXC Corporation were audited or view or certified by CPA.

note9：Up to 2010.03.31，The retain earnings of 2009 has not yet admitted by the stockholders' meeting.

D. Company's dividend policy and its current implementation status

1.Dividend policy as defined in the articles of incorporation：

Our company, at the time being, is still in its growth stage. In considering the company's long term financial plan as well as to satisfy shareholders' cash income needs, therefore the method of profit distribution, after the current year legal reserve, and special reserve, will abide by this Chapter, title 19: profit distribution. The cash dividend out of the total dividend the shareholder received cannot be less than 20% of the sum of the cash dividend and stock dividend.

2.Suggested dividend appropriate in this shareholders’ meeting：

Profit distribution for 2009

unit：NT$

Item	Amount	
	Sub-total	Sum
Beginning period undistributed profits		589,237,566
plus：Available distributed profit for current year Net profit after tax for this yea	782,222,564	
minus：		
Appropriate legal reserve (10%)	(78,222,256)	
Profits available for distribution		1,293,237,874
Items of distribution：		
Shareholder bonus—transfer raising capital share appropriate ($0.2 per share)	57,581,410	
Shareholder bonus—cash ($2 per share)	575,814,074	
Total of distribution		(633,395,484)
End period of undistributed profits		659,842,390
Note:		
Employee bonus—cash	71,168,032	
Directors and supervisor remuneration (2%)—cash total	7,116,803	

Note 1.Calculation for issuance of stock dividend and cash dividend is based on the number of shares in circulation externally (as of April 16, 2010, the number of shares in circulation externally after deducting 3,000 thousand treasury stocks is 287,907,037 shares.)

2. Difference in the planned allocation amount from expense for employee bonus and surplus in the 2009 financial statement is due to difference in the number of shares in circulation externally and is calculated at NT$916,785. This variation will be adjusted in 2010. In the event of further variation in amount at the resolution date of the shareholders meeting shall be handled in accordance with accounting estimation and will be adjusted in the account book in 2010.

E. Employee bonus and rewards for directors and auditors

1. The principle of surplus distribution in accordance with company regulations:

Surplus in this year’s final account should first be used to pay tax and to make up for past deficits, then followed by allocation of 10% as legal reserve or appropriate or divert the special surplus reserve in accordance with applicable laws and regulations, and after retaining an appropriate amount in view of the operation status, the balance unallocated surplus should be allocated by percentages as follows:

（1）Employee bonus must not be less than 3%.

（2）Reward for directors and auditors must not be over 2%.

（3）Shareholder bonus comes from the entire amount after deducting employee bonus and reward for directors and auditors for the year.

Moreover, the objects of employee bonus should comprise employees of affiliated companies under specific conditions and authorize the board of directors to formulate the stipulations.

2. Recognition basis for this period's employee bonuses and director / supervisor remuneration amounts, basis for employee bonus stock dividend calculations and accounting treatment of differences between the actual allocated amount and estimated recognized amount:
The employee bonuses and director / supervisor remuneration recognized in 2009 was done in accordance with the company's Articles of Incorporation and based on the company's operation results. To avoid share dilution, all employee bonuses in 2009 were issued in cash. If there is any difference between the actual allocated amount and the estimated recognized amount, an adjustment will be made 2010 profits/ loss.

3. Proposal by the Board of Directors for surplus distribution in 2009:
As proposed by the Board of Directors on 24 April, 2010 surplus distribution for employee bonus and reward for directors and auditors are as follows:

(1) Propose to allocate employee cash bonus amounting to NT$71,168,032 and cash reward for directors and auditors amonting to NT$7,116,803. Difference in the planned allocation amount from expense for employee bonus and surplus in the 2009 financial statement is due to difference in the number of shares in circulation externally and is calculated at NT$916,785. This variation will be adjusted in 2010.

(2) Propose to allocate employee bonus and reward for directors and auditors in accordance with par value setting earnings per share at: NT$2.75

4. The Company Board of Directors on surplus allocation in 2008:
The actual surplus allocation of employee bonus and reward for directors and auditors according to resolution adopted by the shareholders meeting on 16 June, 2009.

(1) Actual employee stock, cash bonus dividend and reward for directors and auditors in cash respectively: NT$60,699,870, NT$60,699,870 and NT$16,186,632. Difference in the planned allocation amount from expense for employee bonus and surplus in the 2008 financial statement is due to difference in the number of shares in circulation externally and is calculated at NT$1,536,144. This variation will be adjusted in 2009.

(2) No difference between the proposed allocation adopted by the Board of Directors and the resolution by shareholders meeting.

F. Buying back company stocks

The company board of directors meeting adopted resolution on January 28, 2008 to buy back company stocks as source of required stocks for transferring to employees and the implementation period is from January 29, 2008 to March 28, 2008. It is scheduled to buy back 3,000,000 shares at a price range between NT$30 to NT$55. The company may continue to buy back stocks if price falls below the lower price limit. As of March

28, 2008 the company has completed buying back 3,000,000 shares (bought 100,000 shares on March 28, 2008 and the transaction date is April 1). The average buy back stock cost is NT$42.41 with 100% implementation.

2010.04.16

Time of buy back	First time
Purpose of buy back	For transferring to employees
Buy back period	2008.01.29~2008.03.28
Buy back interval price	NT$30~NT$55
Type and Qty of buy back stocks	Common stocks 3,000,000 shares
Buy back stock amount	NT$127,232,834
Cancelled and transferred stock quantity	0 share
Accumulated company stock	3,000,000 shares
Proportion of accumulated company stocks to total issued stocks (%)	1.03%

G. Convertible Corporate Bond:

Convertible Corporate bond data

Type of corporate bond (Note 1)		domestic second unsecured convertible corporate bond		domestic third unsecured convertible corporate bond
Year / Item		2009	As of March 31, 2010	As of March 31, 2010
Convertible corporate bond market price (note 2)	Highest	117.39	162	110.5
	Lowest	110.27	161	106.17
	Average	113.74	161.05	108.2
Conversion price		NT$45.6 / NT$39.3	NT$39.3	NT$57.6
Issuance (handling) date & conversion price at issuance		2006.11.08，NT$52	2006.11.08，NT$52	2010.01.11，NT$57.6

Performance of conversion obligations (note 3)	Creditors may, 3 months after publication date of conversion of corporate bond and 10 days before maturity date, request the company to convert the held corporate bond into common stock in accordance with articles 10 and 11 of said regulation, except for Ex-right publication date for free stock allocation transaction suspension, Ex-divident publication date for stock dividend suspension, suspension of conversion 3 business days before Ex-right publication date for suspension of transaction of cash recapitalization to equity allocation date in accordance with the law for transaction suspension or application with Taiwan Stock Exchange (hereinafter abbreviated as TSE). The company will complete the conversion procedures within 5 business days upon receipt of conversion application and directly appropriate into the centralized account of the original creditor after conversion into common stock. The company shall apply with the competent authority for registration of change in capital at least once a quarter.	Creditors may, 3 months after publication date of conversion of corporate bond and 10 days before maturity date, request the company to convert the held corporate bond into common stock in accordance with articles 10 and 11 of said regulation, except for Ex-right publication date for free stock allocation transaction suspension, Ex-divident publication date for stock dividend suspension, suspension of conversion 3 business days before Ex-right publication date for suspension of transaction of cash recapitalization to equity allocation date in accordance with the law for transaction suspension or application with Taiwan Stock Exchange (hereinafter abbreviated as TSE). The company will complete the conversion procedures within 5 business days upon receipt of conversion application and directly appropriate into the centralized account of the original creditor after conversion into common stock. The company shall apply with the competent authority for registration of change in capital at least once a quarter.	Creditors may, 1 months after publication date of conversion of corporate bond and 10 days before maturity date, request the company to convert the held corporate bond into common stock in accordance with articles 10 , 11 and 16 of said regulation, except for Ex-right publication date for free stock allocation transaction suspension, Ex-divident publication date for stock dividend suspension, suspension of conversion 15 business days before Ex-right publication date for suspension of transaction of cash recapitalization to equity allocation date in accordance with the law for transaction suspension or application with Taiwan Stock Exchange (hereinafter abbreviated as TSE). The company will complete the conversion procedures within 5 business days upon receipt of conversion application and directly appropriate into the centralized account of the original creditor after conversion into common stock. The company shall apply with the competent authority for registration of change in capital at least once a quarter.

G. Employee stock option handling:

(1) Handling of unmatured employee stock option receipts and impact on shareholder equity

2010.04.16

Type of employee stock option receipts	2007 employee stock option receipts
Approval date of competent authority	2007.11.09
Issuance (handling) date	2007.12.10
Issuance unit qty (thousand shares/unit)	8,000
Proportion of warranted shares to total issued shares (%)	3.31%
Warrant period	2009.12.10~2012.12.09
Fulfillment	Issue new shares
Restricted warrant period and ratio (%)	Over 2 years 50% Over 3 years 75% Over 4 years 100%
Acquired no. of shares	2,069 thousand shares
Implemented warrant amount	93,932,600 dollars
Unimplemented warrant quantity	5,931 thousand shares
Per share warrnt price of unimplemented warrant	NT$ 45.4
Proportion of unimplemented warrant shares to total issued shares (%)	2.04%
Impact on shareholder equity	Employee stock option receipts must over 2 years before purchasing stock option by scheduled stage as stipulated by the company therefore no major impact on shareholder equity.

V、Business Information

A、Business Contents

1、Business Scope

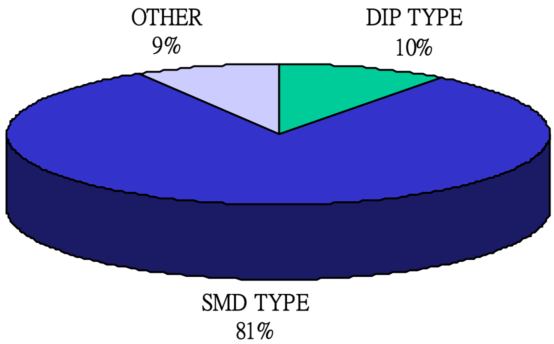
(1). The Major Business Contents

TXC Corporation, founded in 1983, is a leading professional frequency control product manufacturer. We have devoted to the research, design, manufacture, and sale of Dual-Inline-Package (DIP) and Surface Mount Device (SMD) quartz crystal products. TXC now specializes in five categories of products such as high quality Quartz Unit Crystal, Automotive Crystal, Crystal Oscillator (CXO), Surface Acoustic Wave (SAW) Filter, and Timing Module (TM). Our goal is to add value to our customers by providing a complete solution of frequency devices and modules, design-in service to fully satisfy various needs of the esteemed customers. We believe based upon the competence of cost effectiveness, quality, lead-time, and customer service TXC will go beyond customers' expectation. TXC has now been highly recognized as the first-class crystal provider by our customers and TXC Corporation will continue striving for excellence not to meet but to exceed the most rigid customers' standards.

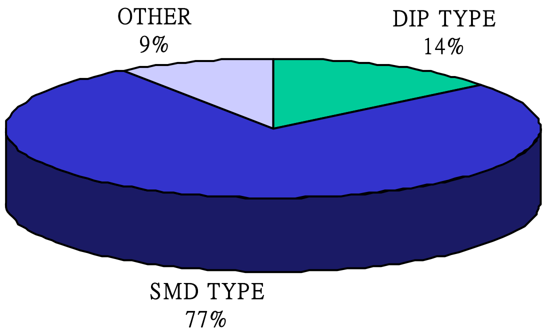
(2). Business Proportions

(unit NT$ 1000's)

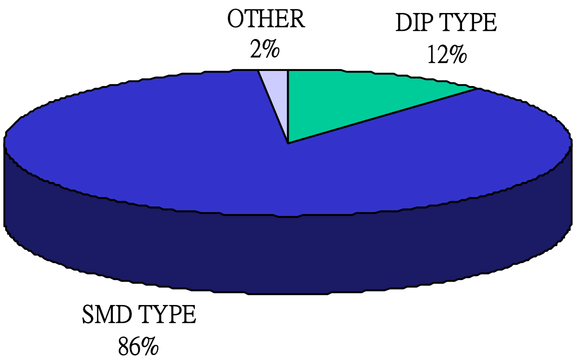
2009Consolidated Revenue
(NTD7,727,524 thousand dollars)



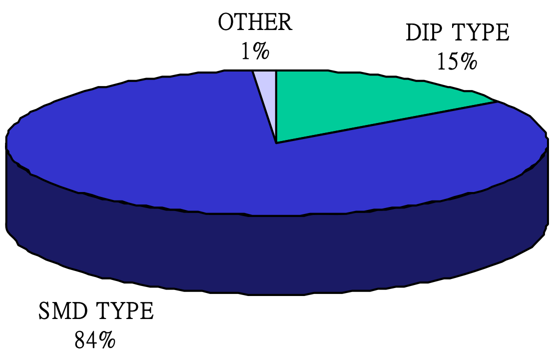
2008Consolidated Revenue
(NTD7,361,651 thousand dollars)



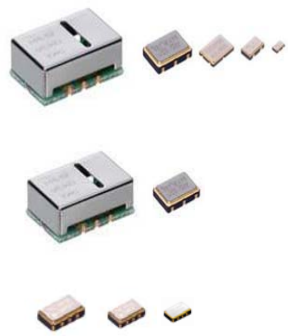
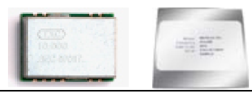
2009 Parent Revenue
(NTD6,557,116thousand dollars)



2008 Parent Revenue
(NTD6,547,340thousand dollars)



(3). Company's current products

Product type	Type	Product description	Product picture
Crystals	DIP	HC-49U / HC49S / HC-49S SMD	
	Glass Sealed Crystal	8*4.5mm / 5*3.2mm /3*2.5mm /2.5*2mm	
	Seam Sealed Crystal	7*5mm / 6*3.5mm / 5*3.2mm / 3.2*2.5mm / 2.5*2.0mm /2.0*1.6mm /1.6*1.2mm	
	Tuning Fork Type	2*1.2 mm	
Crystal Oscillators	CXO	14.4*9.5mm / 7*5mm / 5*3.2mm / 3.2*2.5mm / 2.5*2mm / 2*1.6mm	
	VCXO	14.4*9.5mm / 7*5mm / 5*3.2mm	
	TCXO	3.2*2.5mm / 2.5*2.0mm / 2*1.6mm	
Timing Module		25.4*20.3mm / 20*20mm	
Automotive	DIP / Glass Sealed Crystal / Seam Sealed Crystal / Crystal / CXO	HC49S / HC-49S SMD / 8*4.5mm / 5*3.2mm / 3.2*2.5mm 5*3.2mm / 3.2*2.5mm / 2.5*2.0mm	

(4). Scheduled new products development

Our company research & development will continue to invest more resources in the new products of the high-end niche market, as well as in the basic research. In facing of domestic as well as other regional competitions and fierce catching up of the IT products, our company has our research & development in the following strategies:

(a). Slim down SMD product development

Thanks to efforts over the years for miniaturization of crystal components, mass production already commenced for 2.0 x 1.6 mm SMD Crystal Unit CXO. Development of crystal unit component 1.6 x 1.2 x 0.4 mm already completed and mass production.

Aside from continued product miniaturization, currently TXC has continued with new process and equipment development in response to requirement for high-precision process technology and equipment generated by product miniaturization in order to improve yield rate and reliability and will begin to develop world-class ultra-micro-1.2x1.0x0.35mm quartz crystal.

(b).Product development for vehicles use

To effectively shorten product development design schedule and lower cost, TXC has introduced the TS-16949 product development quality operating system in advance and won formal certification. The system has successfully assisted the Company in meeting demand by the frequency control component suppliers of the pre-assembly automobile market.

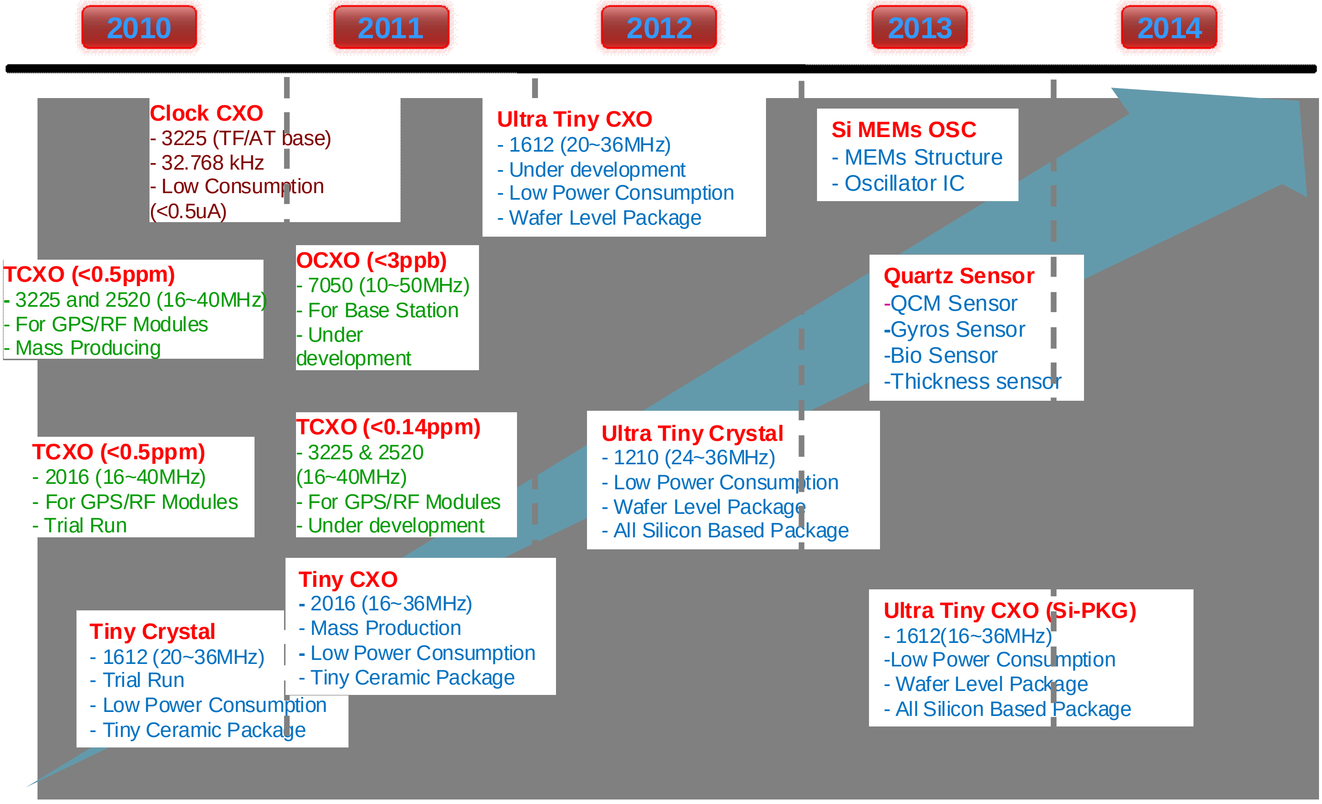
(c).Development of high-end oscillators and module products

From now, we will carry out deeper and more extensive product development, for instance, TCXO for use in some special telecommunication equipment, the VCSO for use in the optical fiber telecommunication module, the HFF VCXO for use in high frequency telecommunication and the various high precision frequency control modules (Frequency Translator, CS, CDR) for use in infrastructure. Such high-end module niche products are technology-oriented targeting at the high output value and high profit product market with comparatively lower investment in production equipment.

(d).In the future, development of application end products using

Aside from application in frequency control the quartz components has also been extensively applied to the sensor field. Sensors using quartz components as the basis can be applied to gas sensing, liquid sensing, pressure sensing and inertia sensing……..And combining quartz substrate with micro electromechanical system (MEMS) manufacturing process technology can create new applications for quartz components. Presently, only two fof the top 5 frequency control components in the world have the capability in developing this tester and has generated substantial revenue. TXC has already carried out technology research and market application analysis of the sensor field in the initial stage and actively prepares for manpower arrangement and seeks strategic alliance in a bid to enter the market in 2009.

Study on development trend of future end application products



(e).Basic Research

We'll continue to deeply research the vibration of quartz crystals and the basic nature of materials used and combine technology accumulated over the years. In order to achieve the top five of frequency controlled components provider, we will need to invest more in the hardware, software and human resources. We will be able to see a gradually increase in the research publications, and the patents applications. The concept of sustainable operation through an interdepartmental platform to effectively integrate the technical problems of the various engineering departments, accumulate the basic research capability. We can speed the new products entry into the market, and a better position in negotiation of the supply chain strategies.

2、The Industry

(1). Current industry status and development

The current domestic quartz industries are mainly for producing components such as crystals, crystal oscillators, and crystal filters. The basic manufacturing process of making crystals starts from cutting the quartz, and then after grinding and polish to the desired sizes; followed by depositing thin metal film electrodes on its surface under the vaccum, and subsequently, it is connected with condut wires; afterward it is packaged. In addition, by assembling and packaging the crystal components with IC oscillators then it will result the crystal oscillators. Assembling and packaging the crystal components and capacitors, wires, and resistors then it will be the crystal filters.

Earlier quartz crystal has being used widely in the aerospace and consuming industries and initially it is considered to be the low end applications. With the growth of wireless communication, and other optic-electronics applications such as LCD, Digital, Video, Audio, and Automotive; which have lead the quartz to the high end applications. With the continuous growth of the consumer market, we can category quartz components into three application areas: “communications”, ”information technology”, and “consumers and others”. Roughly estimates, quartz components have its use in 45% of the communications, 30% in communication technology, and 25% in consumers’ electronics and others. As for the mobile phone market, we have seen the consumers are actively seeking “functional” mobile phone upgrades such as usage of mobile phone for digital camera, GPS, wireless networking, MP3/4, and TV. With the extend use of the information technology we have seen more applications such as in the auto industry such as the automobile frequency components, automobile remote keyless entry system, electronic TC system, automobile guideance system, tire pressure auto-detection system, safety air bag, constant temperature control system etc. As the market overall, the market demand of crystal components in the next few years will be rather stable.

When you comparing the three crystal technologies: frequency, precision, and size dimension you can see that the European and US manufacturers are strong in the frequencies development. It was because of their development of the wireless technology that it gives them an advantage in the design and development; but production efficiency is lower. Japan manufacturers are the technology leaders and they are excellent in the precision and the scale size of the products. They have the advantages of products improvement, and can further to make it in mass production and automatic production. To the Taiwanese manufacturers, most of them are buying the material & know-how, machinery equipments, or purchasing the manufacturing process of which usually lead to a faster time in marketing the product. But recently, the manufacturers have improved their manufacturing process, and the manufacturing equipments; also the learning of the manufacturing process further improves it. Presently, the mainland manufacturers mainly produce low-end products wherein 80% of them are for export and their products still have not effectively satisfied the demand of their massive domestic market. In recent years Chinese manufacturers are aggressively to promote their technology abilities and to advance to the middle and high end. Below table is a comparison of advantages/disadvantages of competitions from the major producers.

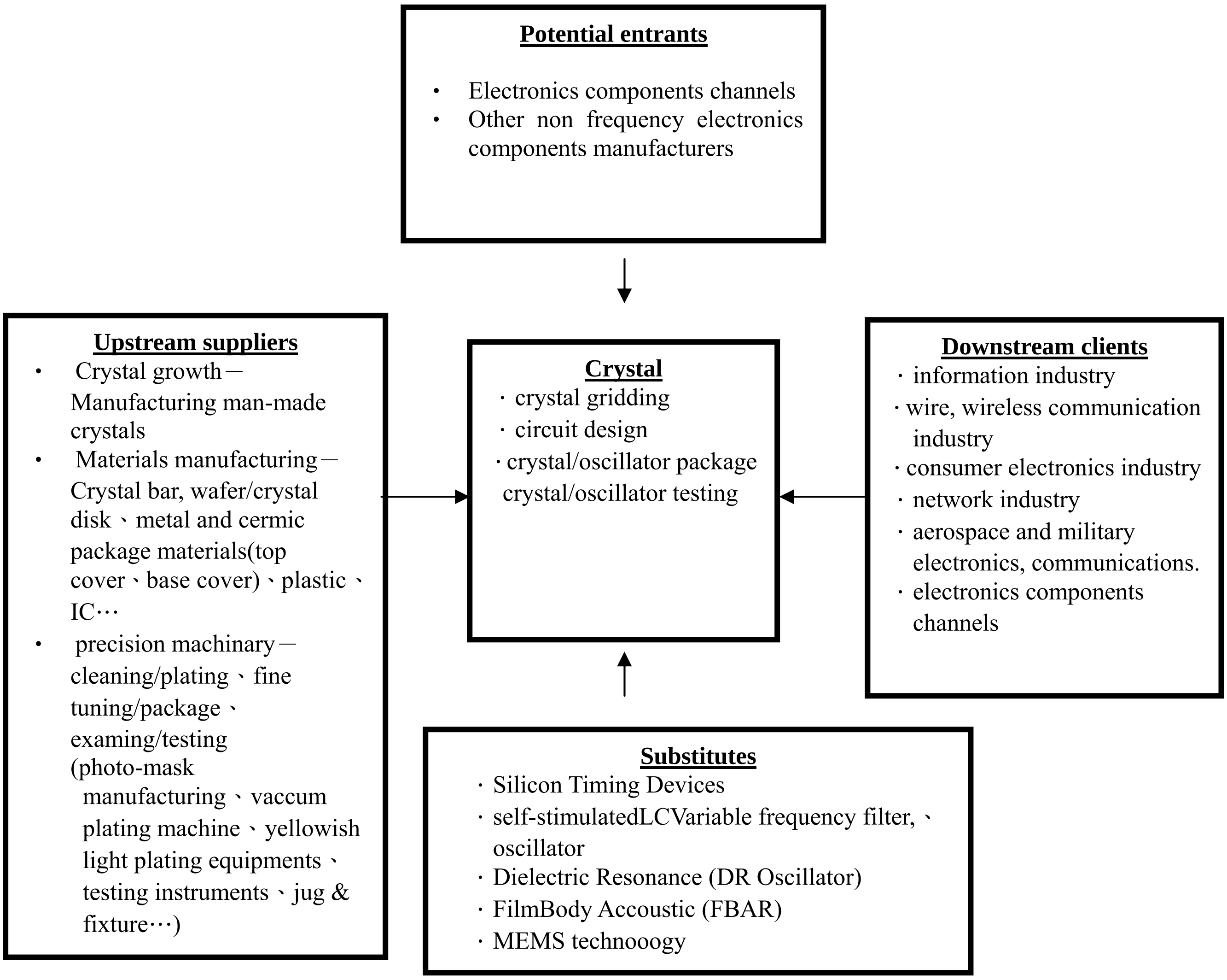
Key technology	European, USA manufactures	Japanese manufactures	Taiwanese manufactures	China manufactures
Frequency	high	High	High-middle	Middle-low
Precision	high	Very high	High-middle	Middle-low
Sizes	High-middle	High	High-middle	Middle-low

Currently, in Taiwan the major crystal manufacturers are TXC Corp, Siward Crystal Technology, Harmony Electronics, Taitien Electronics, Tai-Saw Technology, and EChina Technology. TXC Corp has the highest market share and Harmony Electronics is next.

(2). Market relationship of up, middle, and down stream companies

Crystal components are our major product and it is also the basic electronics parts. Our upstream industries include crystal growth, material manufacturing, and precision machinery. The downstream applications include information technology, wire and wireless communications, consumer electronics, and network products etc.

The relationship between the up, middle, and downstream manufacturers is given in the below diagram:



Crystal products are important components in the electronics products. To sponsor the future 3C growth and trend, the future product style, its size, and the precision will have the following trend：

(3). Production trend：

(a). Slim down and usage of SMD

In terms of the technology aspect, we have achieved the slim down level for use the single crystal IC, crystal design & manufacturing, and packaging & testing etc. For example take the case of SMD quartz crystal, its dimension has downsized from 11.8×5.5mm、8×4.5mm、7×5mm to 6×3.5mm、5×3.2mm，and further to 4×2.5mm、3×2.5mm、2.5×2.0mm、even to the dimension of 2.0*1.6mm、1.6*1.2mm；its height has also improved from 2mm、1.8mm、1.5mm、1.2mm to 1mm、0.9mm、0.8mm、0.7mm、0.5mm、0.3mm。By the effective SMD scale down improvement, we are also toning with the SMT production from our downstream clients.

(b). High frequency、high frequency modularized、high precision：

Because the low frequency has more interference and there are more saturated with application in the low frequency ranges, the development of high frequency has become more important。In the communication industries, the cellular phones、wireless LAN 、Fiber Channel、Gigabit Ethernet、simultaneous optics network (SONET)、and simultaneous digital system (SDH)，are developing in the direction of high frequency, and high speed; and also a higher demand of higher precision. Also the developing tendency of modularized components gives clients' simplified and easy tasks in their applications and design.。

The products are as the below list:

No	Projects	PKG (mm)	Type	Features
1	High Frequency CXO (above 100MHz)	7x5	LVPECL LVDS	High Freq. Low Noise
2	High Frequency VCXO (above 50MHz)	7x5	CMOS LVPECL LVDS	High Freq. Low Noise High Pull
3	High Frequency VCXO (below 50MHz)	5x3.2 3.2x2.5	CMOS	Low Noise High Pull
4	3225 TCXO	3.2x2.5	Clipped Sine	High Stability
5	32.768KHz CXO (TF)	5x3.2	CMOS	High Stability
6	Precise CXO	7x5 5x3.2	CMOS	High Stability
7	Frequency Translator (FX)	25x20	LVPECL	Low Noise
8	Stratum 3 TCXO	7x5	Clipped Sine	Ultra High Stability
9	622MHz VCSO	7x5	LVPECL	High Freq. Low Noise High Pull

(4). Competitions

For quite some time Taiwan electronics industry usually take the OEM fashion to function as a supplier to world's largest electronics and information technology companies. Applying Taiwan's capital, technical skills, labor or other market unique advantages that takes the advantages of "global labor division"、"regional labor division" to achieve the vertical integration purpose。With the advance of Taiwanese electronics manufacturer's technical level, their business operatios have transformed from the parts assembled in the early days, to the OEM, and even promoted to the ODM scale. In order to gain a more added value, many Taiwan electronics companies, reposition their value chain locations, and have gradually extended themselves from manufacturing to product R&D, design and even further to sales and marketing, post-sale and brand management; and amid the global work divisions, have stance in a unique place . The major global companies with their procurement arranging, are team with Taiwan electronics companies in value creations; and themselves would be able to intend more on their brand and sales management. This ends up in a win-win situation for both parties。

With Taiwanese electronics industry forms in the nature cluster groups, and it thus has a demand of 30% of the global crystal component product. But Taiwanese manufactures can only produce no more than the 15% of total global production, and this China domestic market would provide growing space for Taiwanese companies. But the crystal component industries are in the border of oligopoly competition since the ten largest manufacturers in the world have a total combination of production of 80% and more. This illustrates the great differences of the manufacturers in this industry, and this can be said it is a oligopoly competition market. But because the wide applications of the products, each manufacturer emphasizes its own product and the market. The lower end, and mature market has a stronger tendency in cutting price to competition. This results a very strong competition market。

In the global crystal component industry, Japan is still the largest producer and it has about 65% of the worldwide productions. Our domestic competitors are SiWard Crystal Corporation, EChina Technology, Harmony Electronics, Taitien Electronics, and Tai-Saw Technology. Each corporation differentiates by specializing in different products and market. Our company has the highest market share which demonstrates our leading role in the crystal component industry。

3. Technology and Recent Research and Development

(1) Ratio of R&D expense in Total Operating Cost during recent years up to 2009.03.31

units：NT$ 1,000's，%

Year	2008	2009	2010.03.31
Net Operating Cost	6,547,340	6,557,116	1,760,847
Cost for Research and Development	268,959	258,557	71,677
R&D cost/net operating Cost(%)	4.11	3.94	4.07

(2). Research and Development Results

Products development	1. SMD Crystals 1.6 × 2.0 mm for SIM Card 2. SMD 5.0 × 3.2 mm TF CXO for variable applications. 3. SMD 2.5 x 2.0 mm TCXO for GPS and WiMAX applications 4. SAW-based Oscillator for SAN applications 5. SMD Seam CXO 2.0 × 1.6 mm 2~54 MHz for digital camera, Portable TV... 6. SMD 3.2 x 2.5 mm TCXO for GPS and WiMAX applications **7.** SMD 2.5 x 2.0 mm TCXO for GPS and WiMAX applications8. SMD 5.0 × 3.2 mm TF CXO for variable applications.
Patents and Academic publications	1. "piezoelectric effect crystal oscillator component electrode" is patented in Taiwan, Japan and U.S.A. 2. "Energy Trapping Effect of Stepped Electrode in Miniature AT-Cut Quartz Resonator" 2006 SPAWDA Hangzhou, Shejiang, China 3. "Parameters Extraction and Design Optimization for AT-cut Quartz Resonator based on Mindlin's 2D Model " 2006 IEEE International Frequency Control Symposium, Miami, FL. USA 4. "Study on Cr/Ag/Au Layered Electrode for AT-cut Quartz Resonator "2006 SPAWDA Hangzhou, Shejiang, China 5. "The Effect of Electrodes on Higher-order Overtone Vibrations of the Thickness-shear mode of Quartz Crystal Plates "2006 SPAWDA Hangzhou, Shejiang, China 6. "An Assessment of the Recent Development of MEMS Oscillators as Compared with Crystal Oscillators "2006 SPAWDA Hangzhou, Shejiang, China 7. A Study of Small Sized Quartz Tuning Fork Using Finite Element Analysis. 8. Tuning fork type vibrator.

4. Long and short term sales and marketing plan

(1). Short term Development Plan

(a). Sales and Marketing Strategy：

- Affirm the IT industry，take on the communication industry，and engage the automobile industry。
- From the major domestic clients out of the main industries，then slot in the global Tier 1 clients，and eventually align with global major companies。
- Target the industry and clients，start from the Deign in, to secure the business opportunities and time and to promote the profitability。
- In addition to the continuous strengthening the sales activities in North America and China, more aggressively in expanding market territories in Japan, Kprea, and Europe.。
- Strengthening the Marketing PM functions，that to fulfill the pre-sale operations and planning。
- Construct a complete global Logisticnetwork, that would meet clients' delivery on time needs, and also provides clients' technical integration services in real time basis。
- Maintain service and flexibility edge in cultivating core customer relation to increase market share.
- Assist sales with formulation and determination of sales strategies by establishing information system learning curve.

(b). Manufacturing Strategy：

- Time to Volume，Time to Market. Orders taking and planned production policy run in parallel，delivery on time，and have the appropriate amounts of products in stock。
- In response to special circumstances of the industry: Surplus production capacity, compete for orders through price reduction, ultra-short delivery. Create most needed production capability: Response capability+Control capability+Integration capability=Core.
- Integrate production resources on both sides of Taiwan Strait for optimum production capacity and benefit allocation for maximum company benefit.
- Establish new products, new technology and rapid introduction of production for development of company core technology.
- Collaborate the Outsourcing policy，helping and assisting with all of our efforts to our outsourcing partners that their products meet the quality requirements and the market needs. This would enable us in projecting an overall production rate。
- Targeting the "ideal cost"，by using the "comparing cost" as the base，gradually improve monthly until the cost becomes reasonable。
- An effective operation, management; and well organizedin driving the business projects。

(c). Quality Assurance Strategy：

- The manufacturing specification needs to become systematic，control of the DCC and its actual implementation。
- Adhere the ISO 9001、ISO 14000、QS 9000、TS16949 systems as well as monitoring and improving our major clients' quality system, pursuing and actual implementations。
- Executing KPI audit, supervising, and improvement of all the divisions. Place more emphasis on the manufacturing unit, such as Practical environment、SOP manufacturing process、CPK、SPC of the end products etc. The primary responsibility would be

monitoring the product quality。

- Drive the TQM and 6-Sigma concept，promote the overall clients' satisfaction level。
- Strengthening QA department's engineering ability. They would have the technical ability to handle these IPQC, OQC inquires. They will also be effectively in handling the needed service to vendors, manufacturing units, and clients as well。
- To our suupliers and outsourcing partners we need to further raise their quality requirements and management level. Looking for the SCM system implementation，and further in link up with global companies。
- Managing and executing the instruments calibrations of Taiwan and China's plants. Fulfill the demand of quality certificate from our important client Golden Sample; and this would reduce any disagreement and waste of the resources。
- Strictly follow company's manufacturing policy to achieve the ”Zero Defect” target，based on the believe that quality comes from the manufacturing, the entire unit needs to carry out thoroughly。

(d). Product R&D Strategy：

- According to the marketing & sales strategy and needs; we need to map the direction of the product that it should go. We will aim the product's specifications meet the clients' needs.
- According to the new specifications from the clients, our RD or engineering can provide the product within the scheduled time frame that will help us to win the business opportunity。
- According to our business strategy and planning; our RD will fix on the product development or work as team with other company in the industry that we could bring the new product to the market。
- Execute the scheduled progress RD project management，effectively monitoring and managing the RD development that to shorten the RD time。
- Continuously to strengthen the RD staff, conduct the effective training and upgrade the overall professional attribute。
- Cooperation between the industry and the academic circle, cooperative development with schools and research institutes, strengthening of R&D technological capability.
- Have an effective RD management practice, reasonable reward system, and to motivate the group's efficiency and attitude。

(2). Long term development

- Assertively developing the applications of Fiber Channel、Gigabit Ethernet、SDH-SONET(synchronous fiber optics transmission) and frequency controlled component used in terminal communications。
- Actively developing frequency controlled component used in automobile accessories; and the primary goal would be their converge to the strict high quality requirements。
- Continuously expanding sales and services offices. Need to strengthen the marketing & sales phase in Europe and North America; and to add the marketing & sales centers in South China (ShenZhen), and East China (Suzhou, Shanghai). Successively set up new operations in Japan (Yokohama, Osaka) , Europe and Singapore to provide market demand and service for China, Japan, Singapore, India and Vietnam. It can also expand the China market share and setup as a foundation for future expansion in China. Eventually the above approach will help us to position into the top five worldwide of the

crystal components manufacturers。

- Strengthening of training of engineering capability and promote the existing knowledge platform and training resources for internal electronics so as to accumulate technology
- Continuously seeking alliance that would provide good joint opportunities, and this would strengthen our overall competitiveness。
- Striving to develop the automobile industry market by meeting the high quality requirements of products for automobile use.
- Reinforce resources of overseas offices and integration of technical support to gradually transform FAE function into Pre-sales.

B、Marketing & Sales Situation

1、Market Analysis

(1).Market for our major products

The product trend is toward to small and light . The products that use the SMD crystal will have a higher percentage than others. In the future, Asia still is the major OEM center, and the products from Asia are still very high. TXC would still need to work hard on the market expansion in America and Europe。

Regional sales distribution of our major products in the past two years：

unit: Thousand NT$

Region / year	2008		2009	
	$ dollars	%	$ dollars	%
America	124,893	1.91	152,645	2.33
Europe	113,244	1.73	54,076	0.83
Asia	5,414,169	82.69	5,608,620	85.53
Domestic	895,034	13.67	741,775	11.31
Total	6,547,340	100.00	6,557,116	100.00

(2). Market share

unit：million USD

2007 Rank	2008 Rank	2009 Rank	Company Name	2007 Revenue	2008 Revenue	2009 revenue	(07-08) Change %	(08-09) Change %	2008 Market Share	2009 Market Share
1	1	1	Epson Toyocom	656	675	641.2	2.90%	-5.01%	19.90%	22.1%
2	2	2	NDK	649	571	459.1	-12.02%	-19.60%	16.90%	15.8%
3	4	3	Kyocera Kinseki	380	304	292.4	-20.00%	-3.82%	9.00%	10.1%
4	3	4	KDS	293	327	271.3	11.60%	-17.03%	9.70%	9.4%
6	**5**	**5**	**TXC**	**192**	**222**	**240.5**	**15.63%**	**8.33%**	**6.60%**	**8.3%**
5	6	6	Vectron	206	200	147.9	-2.91%	-26.05%	5.90%	5.1%
-	7	7	Hosonic	-	119	97.3	-	-18.24%	3.50%	3.4%
7	8	8	Rakon	109	96	81.5	-11.93%	-15.10%	2.80%	2.8%
8	9	9	TEW	88	75	60.1	-14.77%	-19.87%	2.20%	2.1%
11	11	10	Pericom	57	53	47.6	-7.02%	-10.19%	1.60%	1.6%
9	10	11	Micro Crystal	62	56	47.5	-9.68%	-15.18%	1.70%	1.6%
10	12	12	River	60	51	40.8	-15.00%	-20.00%	1.50%	1.4%
13	13	13	Conner-Winfield	46	44	35.1	-4.35%	-20.23%	1.30%	1.2%
12	14	14	Fox	51	40	34.4	-21.57%	-14.00%	1.20%	1.2%
15	15	15	CTS	35	34	27.2	-2.86%	-20.00%	1.00%	0.9%
14	16	16	MtronPTI	35	28	20.9	-20.00%	-25.36%	0.80%	0.7%
			Total Revenue	**3,564**	**3,388**	**2,900**	**-4.94%**	**-14.39%**		

Modified from CS&A

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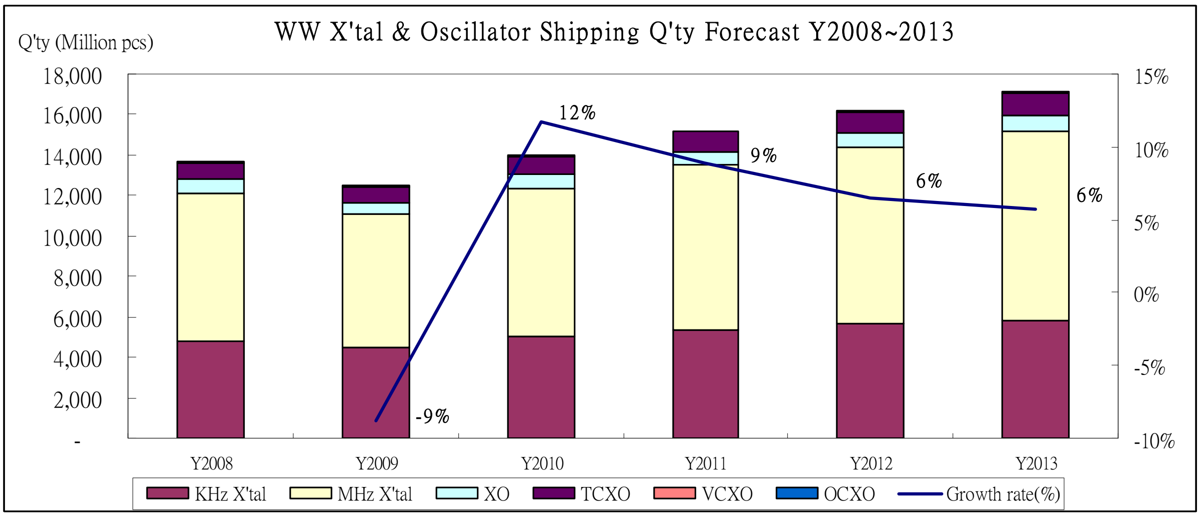
(3). Market future demand and supply condition, and its growth potential

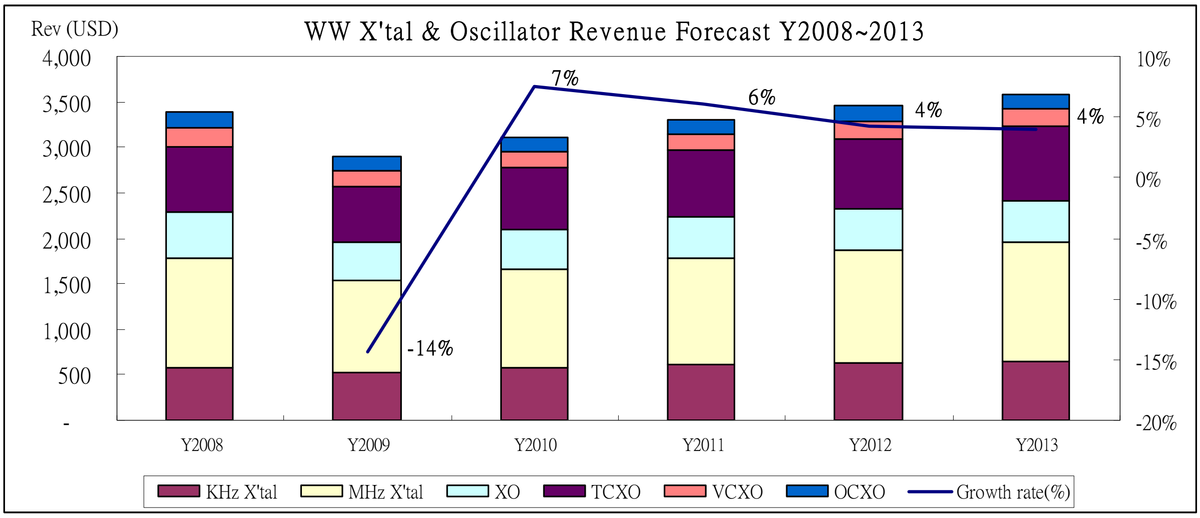
Industry:

A report by the Institute for Information Industry in April 2009 points out that Taiwan tops the world in market share of 12 information and telecommunications products, namely, Netbook, MB, WLAN, Server, NB, DSL, CPE, Cable CPE, LCDM and PDA. Even under global economic recession in the latter half of 2008, the information industry still registered a growth rate of 4.6% while the network and telecommunications industry has a growth rate of 11%. Under sluggish growth of the European and American markets, market focus has gradually moved to India, China and other emerging markets. With China's policy of selling household electrical appliances in the rural areas, Taiwanese suppliers have the edge of having the same language, same race and geographical proximity, the large European and American manufacturers will rely on long-term OEM cooperation with Taiwanese suppliers for logistical arrangement in China. On the other hand, the Taiwanese manufacturers have gradually made inroads into the China local brands with their sterling performance in cost control.

The realms of application for crystal components may be divided into telecommunications, information and consumer and other fields. Below is an analysis of the market of principal application fields:



Source：CS & A，2010/04



Source：CS & A，2010/04

Market:

The outstanding performance of LED, touch panel, e-book and cloud computing swept away the dark clouds that hung over 2009. The year 2010 looks like a prime opportunity for Taiwan to rebound from the economic plunge. The 2010 Global Technology Industry Trends Forecast by the Topology Research Institute offered the following views: The release of Windows 7 will invigorate PC user groups. The NB industry is forecast to grow by 27% in 2010. The global LCD TV market may reach of 155.81 million units and resume a normal path of growth. LED TV is critical factor for return to growth. Broadband is a major force driving ICT industry growth. Mobile broadband networks supported by smart phone growth will play a broader role in the ICT industry which willl affect netbook and even smartbook mobile broadband deployment. Still in a stable growth trend, the mobile phone industry is still quite optimistic about market prospects. The following is an individual analysis of the market conditions of major application fields:

A. PC market

Because of the reduced capital expenditures by companies in 2008 and 2009, a computer replacement wave is expected to occur in the corporate sector in 2010. The launch of Windows 7 by Microsoft has swept away the previous poor performance of Vista. Individual users are now much more willing to upgrade to a new notebook computers because mobile broadband is more commonplace, commercial markets are recovering, consumer markets become individualized and companies are rolling out new products. Growth for 2010 is forecast to reach 27%. The TRI predicts that the overall shipments of notebook computers will only increase by 17% in 2011 because netbook sales will be affected by similar competing devices such as smart phones and tablet PCs.

This year, shipments of netbooks are expected to reach 20 million units. As for next year, the market is expected to continue its strong growth. Semico estimated that netbook shipments will rise at a 31.3% CAGR in the period 2009~2013. In 2013, shipments are predicted to exceed 59.50 million units. With respect to sales amounts, the netbook market will rise at a rate of 27.4% CAGR to reach US$16.2 billion in 2013.

B. Consumer Markets

The LCD TV market did not stand still and let the computer market grab all the attention. LCD TV shipments are expected to rise by 20% to 156 million units. Most of the growth came from factors like brisk sales of LED TV, continued growth of the China market and tax rebates for energy saving models. Looking towards 2010, TV manufactures will need to offer LED TV and 3D TV to stay competitive in the market. The annual growth rate is forecast to be 621%. The China market is expected to keep growing which will increase the global average TV size and boost shipments from China's top six brands which will benefit the increase in outsourcing by major Japanese brands. TRI believes that Taiwan LCD TV shipments will be concentrated at the six major assembly plants. Due to the high degree of overlap by OEM customers, competition is expected to intensify in the future.

Sales of TV game consoles declined by 4% to 46.65 million units in 2010. This was mainly due to a drop in Wii sales which made up over 40 percent of the market. It has been on the market for 36 months and its hardware performance now lags behind its rivals. Since there is no third party game company that can lend a hand to Wii, sales are expected to continue their decline which should cause the overall industry to shrink by 4%. Total game console sales worldwide reached 46.65 million. With the support of game software, sales of PS3 and SMC will continue to grow in 2010. The hopes of Xbox 360 rest in the release of Project Natal controller at the end of this year. Once it hits the market, the controller is forecast to boost console sales by at least 2 million units. Today's TV game consoles have taken shape as a platform that can provide family entertainment, audio-visual capabilities and on-line content so we can predict that game consoles of the future may become the breakthrough device that companies use to bring the digital home into reality.

Affected by the recessionary environment and oversupply of branded products in the fourth quarter of 2008, sales of digital cameras (DSC) only totaled 121 million units in 2009 representing a decrease of 7.3% over the previous year. Production value declined by 22.2% to just US$19 billion. The IMF forecasts that the global GDP growth will rise by

3.9% in 2010. As the global economy gains traction, the DSC industry should also recover. TRI believes that DSC shipments will rise by 6.2% to reach 129 million units. There are four main forces that will support industry recovery. Since low priced DSC models are no longer cost effective for Japanese companies to manufacture, Taiwanese OEM manufacturers will largely benefit from the robust growth in low price DSC and take one half of the global market share.

C. Mobile broadband networks

U.S. President Obama responded to IBM's Smarter Planet plan by proposing the Internet of Things (IOT) Economic Revival Strategy and outlining the new global IOT smart infrastructure. In addition, Chinese Premier Wen Jia-Bao proposed Sensing China project and Korea recently launched the Basic Plan for IOT Infrastructure Construction. TRI pointed out that Taiwan companies will have more tangible opportunities outside of global and national IOT with city, car, smart home and personal IOT. The business opportunities from this widespread IOT coverage are expected to grow at an explosive rate this year.

Wireless communication technology functions and relevant standards have steadily improved. Integration of the three networks has accelerated. Digital TV and mobile phone functions are become more and more varied. The range of end-user products that contain TV network broadcast reception and other wireless modules will continue to grow over time. This will offer even more business opportunities to chip and component manufacturers.

The number of broadband users around the world continues to grow. Telecommunication service providers now compete to offer a variety of added value integrated services to users. This move has not only stimulated greater broadband demand but also made broadband internet upgrades a major development issue for global network communication industry in 2010. According to forecasts from the Topology Research Institute, the size of global telecommunications equipment market was US$467 billion in 2010, which represented an increase of 8.9% over the previous year. Most of the demand comes from network infrastructure demand from China, India and other emerging regions spurring growth for Ethernet LAN switch equipment. Since China Netcom and China Telecom have been issuing a steady stream of telecommunication tenders, end user CPE (such as WiFi ADSL routers) shipments continue to look promising. Taiwan equipment manufacturers are well positioned to vie for a share of this market. The production value for Taiwan's telecom equipment is estimated to increase by 9.8% to reach US$25.828 billion dollars. The establishment of WLAN 11n specifications has caused WiMAX demand to explode in emerging markets including Brazil, Russia, India and Indonesia. IPTV service has boosted STB shipment percentages in three directions to become golden triangle of stable growth for the network communications industry in 2010.

In 2010, global shipments of WLAN are expected to grow by 25% over 2009. The main drivers of this growth are: (1) mobile internet trends have boosted the WLAN percentage in NB, netbook, smart phone and other internet devices; (2) the size of PC, NB, netbook and smart phone markets continue to rise; (3) companies had pushed digital home service projects increasing WLAN percentage in CE products such as digital picture frames, printers, TVs and IP STB. From a technology specification viewpoint, since the price of 11n is close to 11g, mobile network devices and corporate user equipment mainly use 11n solutions due to their high speed transmission requirements. As a result, shipments of 11n exceeded 11g in 2010. It is estimated that the percentage of 11n shipments will rise to 65%. 11n + Bluetooth combo specification products will grow in number as smart phone and other internet device shipments increase. Computer game and smart home products mainly use 11g solutions.

Shipments of mobile phone from top global brands rose by 11.6% to reach 1.329 billion (not including generic phones) in 2010. In addition to the top global brands, shipments of generic mobile phones manufactured in China are estimated to increase by 13% to over 260 million units. The main source of demand growth in China has shifted to the second and third tier cities. The current mobile user penetration for middle and western China is less than 50% so there is potential for new mobile user growth in these regions. In 2010, smart phone will continue their fast pace of growth in 2009. Shipments are forecast to rise by 29% to 235 million units so growth is exploding. Entry-level smart phones use open OS and competition between phone operating systems has steadily heated up for smart phones. By observing market share developments for the top five global manufacturers, Nokia will have difficulty finding growth. Only Samsung and LG are positioned well for continued growth. In 2010, Korean manufacturers will continue upgrading product competitiveness and extending their business advantage in each region around the world. The market share of Apple and Blackberry should continue rising and challenge top five mobile phone manufacturers due to the growth in smart phone demand.

TRI estimates China 3G mobile phone sales will explode upward 650% from 5.3 million in 2009 to 40 million units in 2010. It is forecast that 3G mobile phones will take a 29% share of the 310 million mobile phones in the China market in 2012. In 2010, domestic sales of 2G phones in China will decline from 250 million in 2008 to 240 million in 2010 representing a growth rate of -4%.

The production output of personal navigation device (PND) declined in 2009 due to the economic recession, weakening business and consumer confidence and inventory levels. The navigation industry smoothly shifted from PND to GPS phones. Based on general estimates from the Department of Industrial Technology, the production value derived from GPS systems (including satellites) reached US$240 billion in 2010. Once the EU Galileo system enters service in 2013, GPS production value will rise to US$412.5 and GPS downstream end user system business opportunities are forecast to reach US$32.0 billion annually.

The size to global MCU market reflects the health of global automotive markets and development trends for automotive electronic systems. As the global automotive market recovers in 2010, it is forecast that the size of the automotive MCU market will start to grow again. The automotive MCU market is gradually moving from 8 bit applications to 32 bit applications. Since fuel efficiency will continue to rise in the future, higher complexity of auto internal and external message transmissions and upgrading of auto entertainment systems will expand the use of 32 bit MCU applications. As the average price of MCU declines, car electronics will continue to migrate downward from high-end to lower-end models to make car electronics a more universal feature.

As global technology industries integrate and new innovative products are unveiled on the market, demand for quartz components are expected to stay strong. For Taiwan's quartz component manufacturers, there should be opportunities for future development as demand increase, the technology level rises and supply capabilities improve.

(4). Niches competition, the advantages/disadvantages of the future development, and the response strategies.

SWOT analysis

Advantages	Disadvantages
1. Have been in the industry for long time, and a higher market share, have good knowledge of customers and their production base, can team with their design and technical service。 2. High flexible in adjust production line, has large and complete capability in production lines, excellent manufacturing improvement ability, efficient in production, and good competitness in unit cost。 3. more miniaturized sizes and more stringent specifications close the gap in technology with the advanced US and Japanese quartz component manufacturers. 4. Global operation management, fast product delivery, a good customer service team, wide product line, can satisfy clients' one stop shop。 5. High technical in vertical integration; better quality management and fast response in proposing total solution to clients application needs。	1. It is insufficient channel in America and Europe。 2. Insufficient guidance in areas of critical materials, equipment development。 3. Extent of Automation is limited in the front end manufacturing process。 4. With a comparative edge in brand recognition, control of raw material production and technology capability, the Japanese manufacturers have comparative advantage in cost structure. 5. The material and labor cost is more higher than before.
Opportunities	**Threatens**
1. Plants in China can provide products easily to the nearby downstream clients。 2. Enhance the cell phone function which will boost the product demand。 3. With the new products replace the older model, and will increase the needs of the crystal components。 4. Wirelesscommunication grows rapidly and the future growth of Wireless LAN, Blue-toothis expected。 5. With the car electronics supply chain moved to mainland China, they have the competitive edge in price due to same language and same race.	1. Competitors takeaway orders with lower price. 2. The financial crisis has seriously impact on market demand, raised financial risk in payment collection and exacerbated internal inventory control and raw material preparation. 3. Some clients, with the cost considerations, might switch high end products to cheaper lower end products。 4. With cost consideration, when clients design the end application products, they tend to integrate (or reduce) the number of crystal components used。

Respond Strategies
1. Enhance abroad sales teams，actively seeking Europe, USA,Japan and Korea etc Tier 1 clients。 2. Enhance the engineering technlolist of NGB factory, train material handling/ manufacture process automatic professionals in China。 3. Continuously to hire domestic trained as well as from abroad the research scientists and professionals in the communication and automobile parts industries. 4. Create more advantageous products，may take strategic alliance and partnership in some of the products for cost reduction。 5. Enhance product R&D ability，develop smaller size and high end products that to improve the overall profitability。 6. Enhance the development of quartz crystal modularized products。 7. Exercise stringent control over receivables and timely and closely verify demand on the customer side to facilitate flexible allocation.

2、Major products' important applications and their manufacturing process

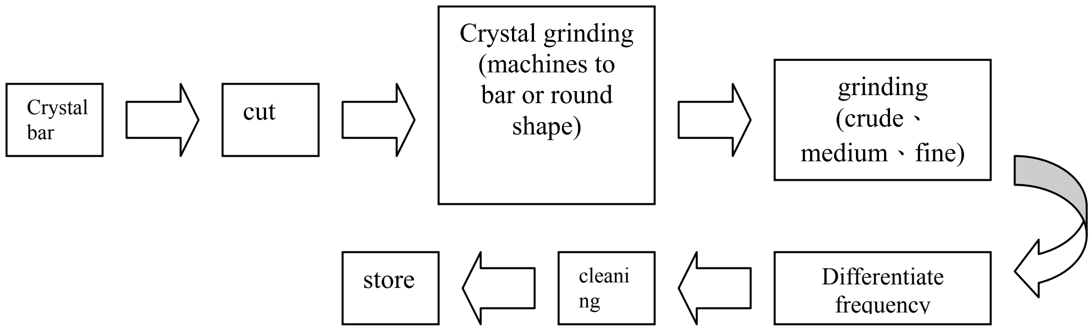
(1). Major products' important applications

Crystal components product		**Major Applications**
Crystals		Mobile phone、 wireless equipment、、W-LAN、wireless telephone、bluetooth、telephone terminal equipment、intelligent transport(ITS)、car accessories、LCDprojector、coping machine、computer、printer、scanner、audio-visual equipments、camera、games、beeper
Crystal Oscillators	CXO	base、wireless equipments、W-LAN、coxial cable communication、fiber optics communication、telphony terminal equipments、counter/sythesizers、intelligent transport(ITS)、computer、storage device、printer、audio-isual device、camera、games
	VC-TCXO、TCXO	Mobile phone、base、wireless equipment、satellitecommunication、W-LAN、bluetooth、global positioning systems、coaxial cable communication、fiber optics communication
	VCXO	base、wireless equipments、satellite communication、W-LAN、coaxial cable communication、fiber optics communication、phony terminal equipment、counter/synthesizer
	OCXO	base、wireless equipments、satellite communication、global positioning systems、coaxial cable communication、fiber optics communication、counter/synthesizer
Filters	Crystal Filters	Mobile phone、base、wireless equipments、beeper
	SAW Filters	Mobile phone、wireless equipments、W-LAN、wireless telephone、global positioning systems

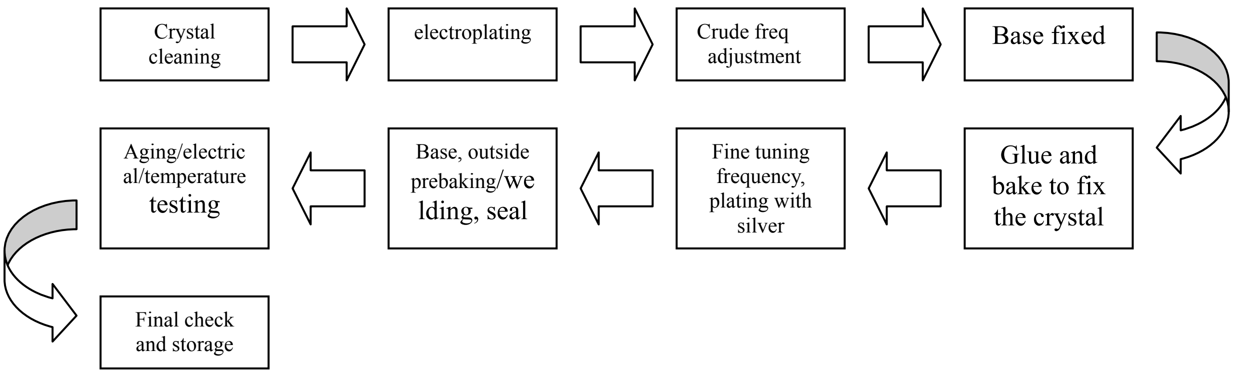
(2). Manufacturing Process

Steps for crystal components manufacturing are: first we need to manufacture the quartz crysal needed for the electrical material. It involves the cutting, polish, cleaning of the wafer form. Then with the mechanical arms to place the wafer on the base and fixed with the silver based glue. Then package it under vaccum. For oscillators it is necessary to add one more unit of oscillating circuit IC with golden line conduction via amplified output of crystal chip oscillation. It requires more IC placement and wire bonding process compared to the quartz crystal.

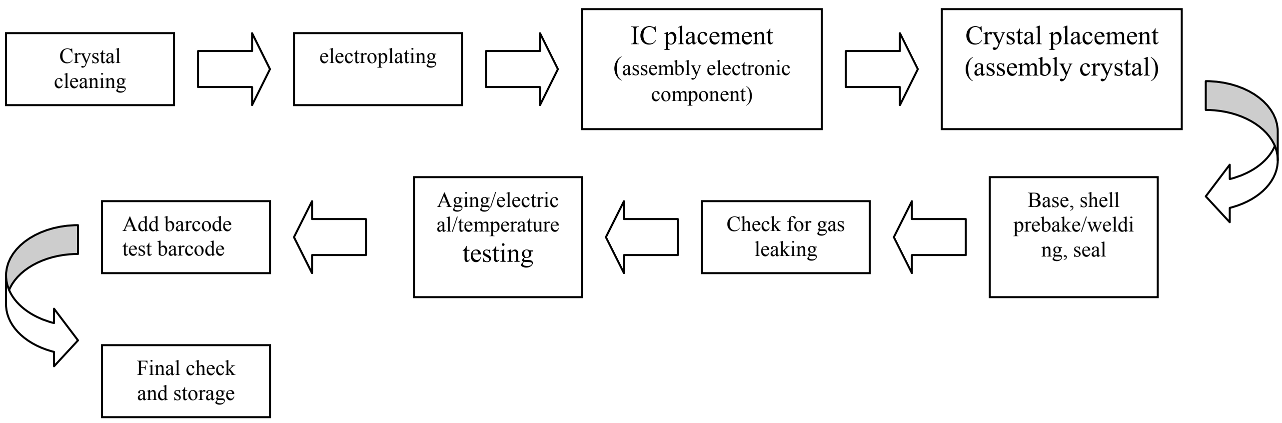
(a). Pre-manufacturing process－quartz crystal.



(b). Post-manufacturing process－quartz crystal (use silver, gold, nickel for electroplating, and the process would reduce crystal frequency. Fine tuning the electroplating that would reduce frequency error to 3~10ppm)



(c). Post manufacturing process－crystal oscillator (use silver, gold, nickel for electroplating, and the process would reduce crystal frequency.)



(3)、State of the major materials suppliers

The major materials for crystal and crystal oscillators include the base, wire bond, IC package, crystal slice and crystal bars。

(a). All the materials come from the at least three suppliers, and this would minimize the risk of all materials coming from a single supplier. Our company's procurement depends on the buying terms, state of supply, and specifications; before the materials to be ordered. And, it also depends on some special conditions that we would adjust the ratio of buying materials and this approach would help us not too concentrated the ordering from a single supplier, or running the risks of the orders being interrupted。

(b). All the suppliers have long term relationship with us. And, our friendship is good. With our company is growing strongly, these suppliers would also take highest priority to satisfy our company needs。Annually, we also meet with our suppliers on regular or irregular base to review our purchasing terms and any room for the improvement. This also helps a stable and continuous relationship in the materials supply。

(c). In considering the steady material supply, our company will provide the Rolling Forecast，to the suppliers and the production preparations. This can shorten the delivery time and an assurance of on time delivery. If there is any unusual situation, these suppliers will accommodate our needs to assure a stable supply.

(4)、The suppliers and customers over than 10% of the past two years:

(a). Ten largest suppliers

unit：NT$1,000

2008			2009		
Company	amount	The Percentage of annual procurement (%)	Company	amount	The Percentage of annual procurement (%)
TXC(NINGB0)CORPORATION	1,189,948	30.92%	TXC(NINGB0)CORPORATION	1,365,313	33.02%
F Company	568,696	14.78%	Z Company	595,521	14.40%
K Company	442,656	11.50%	F Company	467,219	11.30%
Other	1,647,682	42.81%	Other	1,706,520	41.27%
Total	3,848,982	100.00%	Total	4,134,573	100.00%

(b). Ten largest clients

unit：NT$ 1,000's

2007			2008		
Name of client	amount	Percentage of annual sale (%)	Name of Client	amount	percentage of annual sale (%)
H Group	1,630,736	24.91%	H Group	1,651,614	25.19%
Other	4,916,604	75.09%	Other	4,905,502	74.81%
Total	6,547,340	100.00%	Total	6,557,116	100.00%

(5)、Production and monetary values for the past two years

unit: 1000's，$1000's

Year / Major products	2008			2009		
	capacity	Production	value	capacity	production	value
DIP Crystal product	460,000	438,096	701,443	400,000	367,858	600,565
SM Crystal products	920,000	870,636	4,263,373	1,200,000	1,088,970	4,569,144
Others		53,967	88,571		42,074	67,462
Total	1,380,000	1,362,699	5,053,387	1,600,000	1,498,902	5,237,171

(6)、Volumes of sales and monetary values of the past two years

unit1000's， $1000's

year / Major products	2008				2009			
	Domestic sales		export		Domestic sales		Export	
	quantity	value	quantity	value	quantity	value	quantity	value
DIP Crystal product	88,925	233,347	344,062	770,097	20,036	61,320	345,187	697,354
SM Crystal products	96,308	661,687	775,597	4,792,089	110,448	656,347	949,631	5,033,045
Others			44,081	90,119	1,964	4,617	38,974	104,433
total	185,233	895,034	1,163,740	5,652,306	132,448	722,284	1,333,792	5,834,832

C、Employees' average years in service, age, and educational background distribution of the past two years

Year		2008	2009	2010/03/31
Total number employees	engineer	154	154	180
	administrative	215	215	229
	Sales	71	71	77
	Technicians/operators	424	424	497
	total	864	864	983
Average age		33.14	33.52	33.25
Average years in service		4.63	4.92	4.87
Distribution of educational background	Ph.D.	1.01%	1.04%	1.01%
	M.S.	7.54%	7.25%	8.81%
	B.S.	56.02%	56.14%	51.52%
	High School	31.95%	31.83%	35.12%
	Below High School	3.48%	3.47%	3.54%

D、Data on our environmental protection expense

1.Total loss of the past two years from the environmental pollution, penalty; and the future response and its possible expenses ： no

2. The environmental protection regulatory requires the permit for pollution control equipments, or the permission to discharge, or a fee charged for the pollution prevention, or designated personnel for the environment protection affairs. To illustrate the filing, pay fee or implementation as follows:

Item	Description
Permit for air pollution equipment	has applied to Taoyun county, environ protection agency
Paid fee for pollution prevention	monthly pollution treatment fee is about NT$150,000
Designated environment protection personnel	According to law, our company doesn't need to designate personnel for environment protection affair

We have transferred the testing and packaging manufacture from Peitou plant to Pinzhen plant. Our Pinzhen plant is responsible for the manufacturing of crystal and microelectronics products. We have already paid attention to the noise level; and have taken precautious in dealing with the possible pollution from the dust from grinding, and waste. We have implemented the water treatment plant to deal with the waste water from the grinding operations. The treatment plant is certified and we also receive certificate to release the treated water.

Our green product policy:

The Company has already established the labor safety and health committee with 11 current members elected by various units. A labor safety and health conference will be regularly held for each season for handling various environmental and safety problems. We'll continue to promote the environment, safety and health handbook among the suppliers and demand countersignature by latter.

The protection of our planet is a common topic in the 21 century for all the mankind. To believe in the protection of our planet and the creation of a well living environment for our future generations, and it is the corporate responsibility to protect the environment as well as maintaining a health living environment for all living life. TXC also carries the social duty, and we are actively engaging the environment management activities.

■Pursue the most restrict environmental regulations or, follow our clients' green standard, and then we will take them as TXC green product standard. It will make TXC the best partner with our clients。

■You need to document the environment guidelines. We will drive training sessions on the environmental protection topics, and our employees must have a good understanding and knowledge on the environmental protection issues。

■ With the help of company activities we will assure that our green products meet the quality requirements, or even exceed the green products' quality requirements。

■Regularly auditing, managing review; and continuously improve the environment management system。

■We need to design the green products. And the long lasting of any company operations will depend on the environmental protection focusing and customer satisfaction focusing。

Moreover, to comply with EU directive on RoHS our company has placed special emphasis on green products. Aside from update of ISO14001, Pingzhen plant has already passed Sony's Green Partner (GP) audit and become its Green Product Partner. We have completed publication of the Green Product Propaganda Handbook and actively counseled suppliers with improvement of environmental management substances.

TXC Company has passed certification of QC080000 and actively prepared for conformance audit of OHSAS. At the same time, we have also prepared the new version environment, safety and health management handbook for propaganda among relevant suppliers for concerted promotion of the environmental protection work. Relevant environmental protection promotion and tracking will be recorded in detail in the company website. Please refer to the company website: http://www.txc.com.tw/tw/h_csr/06.html.

E、Employer/Employee Relation

1. The Company has maintained harmonious employer/employee relation since its establishment. In recent years and since the closing date for publication of the annual report, there are no losses due to employer/employee disputes and there have never been any major employer/employee disputes since its establishment. Aside from holding employor/employee meetings and discussion meetings for new employees and for foreign nationals, and conducting employee satisfaction investigation, we have also set up an employee opinions mailbox and other channels for reflecting their opinions. We have spared no efforts toward employee benefits. We have often stressed the importance of employees and have provided

employee bonus in stock allotment, stock options, and cash for wedding／funeral／other festive occasions, emergency relief fund, group insurance／medical checkup, subsidies for tour at home or abroad, as well as discounts for books, magazines and special convenience stores; and sponsor birthday celebrations, sports competition, year-end party and luck draw, various recreational activities and commendation of senior and outstanding employees; also provide canteen, hostel and parking lots, table tennis table, pool table and other facilities. It is hoped that through coordination of the employee welfare committee with the Company to promote employer/employee harmony and guarantee employee benefits and health in a bid for win-win for both the employer and the employees.

Insurance and retirement	Labor, health, group insurance (occupation injury), pension reserve fund
Profit sharing	Stock dividends, stock options, convertible corporate bonds, treasury stock systems
Gifts	Cash gifts for three major holidays, birthdays, weddings, births, hospitalization and white card consolation gifts (cash or gift items)
Medical insurance	Group insurance: Major disease insurance, accident injury insurance, emergency medical treatment, group hospitalization treatment and occupational injury insurance. Regular health exams: Physical exam, complete blood count (CBC), vision exam, hearing exam, liver function exam, blood fat exam, urine examination, chest X-rays, seasonal flu vaccine inoculation subsidy.
Activities	Domestic and international travel activities, birthday parties, employee athletic meets, year-end banquet and employee drawing, ball sport competitions, painting contests, photography contests, contracted merchant discounts, book reading club and a variety of employee social club activities.
Emergency relief	Grants allocated based on real-life conditions experienced by employees
Book reading	Regularly purchase books, magazines and newspapers for the reading enjoyment of company personnel.
Other welfare	Solid promotion channels, overseas assignment development opportunities for outstanding employees, performance bonuses issued based on operation status, recognition of veteran and exceptional personnel, top ten outstanding project commendations and incentives for employee project proposals.
Facilities	Employee cafeteria, employee dormitory, car and motorcycle parking spaces, table tennis room, billiards room, badminton court, fitness room, breast-feeding room, medical service office, employee welfare association, lounge bar
Legal consulting	The Labor Standards Act and related enforcement rules announced by the Executive Yuan are followed with regard to employee welfare items and systems. Government amendments and revisions of the Labor Standards Act and related enforcement rules are announced to everyone so personnel know their welfare entitlements and personnel receive excellent welfare.

2. Employee education and training:

The Company provides employees a multiple learning environment. Colleagues can continually challenge their growth limit through internal／external training, OJT, KM（knowledge management system）, reading clubs, online／physical library, and supervisor／peer instruction. At the same time, through the new employees／professional technology／supervisor coaching／general knowledge course／self-development education and training system to bring maximun satisfaction for employees! On the other hand, through planning of job category／job level, work rotation, project allocation and overseas assignments to integrate their lives with their careers and enable them enjoy the happiness of growth in knowledge and skills and develop a bright future.

The Company has formulated management regulations for employee education and training and mapped out relevant training courses in view of job function and professional requirements in order to enhance the knowledge and raise the quality of employees for better operation performance. The relevant education and training results are as follows:

Item	No. of Class	Total No. of Trainees	Total No. of Hours	Total Expense
1. New employees training	30	277	2,458.1	0
2. Job Function Training	478	5,002	9,465.8	866,974
3. Management Level Training	12	326	1,404	412,380
4. General Knowledge Training	83	4,150	5,609.5	27,400
5. Self Heuristic Growth Training Course	16	363	468.5	17,900
Total	619	10,118	19,405.9	1324,654

3. Finance personnel acquired relevant certificates specified by the competent government organ:

(1)The Company's finance supervisor qualified for Professional Certification of Finance and Accounting Supervisor of Publicly-listed Companies sponsored by the R.O.C. Accounting Research Development Fund.

(2)One finance personnel of the Company acquired the Internal Auditor Certificate issued by the Internal Auditing Association.

(3)One finance personnel of the Company acquired the Certified Public Accountant issued by the Ministry of Examination.

(4)One finance personnel of the Company acquired the Stock Professional Services certification test issued by the Securities and Futures Bureau , Financial Supervisory Commission.

(5)One finance personnel of the Company acquired the Certified Accountant issued by the Ministry of Examination.

4. The Company has formulated employment retirement regulations in accordance with the Labor Standards Law, and regularly appropriated retirement contributions for deposit into the Central Trust of China according to the law. The employee retirement contribution supervisory committee will be responsible for management and use of the retirement fund. The pension costs recognized in 2009 and 2008 by the Company were respectively NT$3,664 thousand and NT$4,186 thousand. The Legislative Yuan passed the third reading on June 11, 2004 and started from July 1, 2005, in accordance with the labor retirement regulations, and in collaboration with the new system of monthly appropriation of retirement pension for depositing into the personal labor pension account set up at the Bureau of Labor Insurance, the Company recognized retirement pension costs in 2008 and 2007 respectively at NT$18,634 thousand and NT$18,761 thousand. And in January 2007 the director employee retirement fund was set up to guarantee retirement planning of professional directors.

5. To protect employees with work safety the Company has formulated the following control methods regarding the work environment and employee body safety protection and call on employees for thorough implementation: Aside from purchasing yearly group insurance, sponsoring regular work safety seminars, and dispatched employees to attend relevant industrial safety courses, it has revised the TXC Contingency Plan in July 2006 to ensure employee life security and handling of contingency incidents. Please go to website: www.txccorp.com. To achieve the zero disaster goal, the company regularly revised the annual contingency plan and formulated detailed implementation operation according to contents of the plan. The business units shall implement the schedule and contents of the plan, and find out shortcomings via the auditing system to formulate the contingency plan for the coming year, and review and revise the implementation processes and auditing operation from time to time and lower risk of disasters by the business units to achieve the final goal of zero disaster.

6. Loss from employer/employee disputes in recent years and disclosure of present and future losses in anticipation of employer/employee disputes and countermeasures: None

7. Formulation of guidelines for employee conduct or morality: The Company already formulated the TXC Conduct Guideline in August 2005 to govern the conduct and morality of employees. For details, go to the company website: www.txccorp.com。

8. Fulfillment of Social Responsibility:

In line with humanitarian conviction of care for the disadvantaged, the Company would compile budget every year for feeding back to society. In performing our corporate social responsibility, every year the Company will continue to donate to basic education and education business for the disadvantaged and contribute to public charity. Our company was listed by the Global Views Monthly among the top 50 enterprises for corporate social responsibility. Moreover, TXC published its corporate social accountability report in January 2009 http://www.txc.com.tw/download/other/Social%20Responsibility.pdf and has strived to fulfill its corporate social accountability by making contributions to society. Please refer to information in the Company website: http://www.txc.com.tw/tw/h_csr/02.html.

VI. An Overview of the Company's Financial Status

A. Abbreviated Balance Sheets and P/L Statements for the Past 5 Years

1、Abbreviated Balance Sheets

Unit：NT$ 1,000

Item \ Year		Financial information for the post 5 years					
		2005	2006	2007	2008	2009	Up to 2010.03.31
current assets		2,212,806	3,351,817	3,959,392	3,539,804	4,278,622	4,997,170
long-term equity investments		856,082	1,146,443	1,294,267	1,902,741	2,155,217	2,305,321
Property, plant and equipment		1,274,863	1,669,862	1,998,276	2,592,594	2,247,824	2,214,394
Intangible assets		7,947	7,947	7,947	7,947	7,947	7,947
Other assets		86,849	70,989	90,896	48,160	21,676	25,183
Total assets		4,438,547	6,247,058	7,350,778	8,091,246	8,711,286	9,550,015
current liabilities	Before distribution	1,022,552	1,296,358	1,780,896	1,490,000	2,012,901	1,851,802
	After distribution	1,022,552	1,296,358	1,780,896	1,490,000	註 2	-
Long-term liabilities		410,499	1,142,255	441,018	965,877	692,437	1,395,912
Other liabilities		4,201	3,752	11,697	10,055	85,020	44,395
Total liabilities	Before distribution	1,437,252	2,442,365	2,233,611	2,465,932	2,790,358	3,292,109
	After distribution	1,437,252	2,442,365	2,233,611	2,465,932	註 2	-
Common stock		1,861,987	2,056,983	2,415,526	2,716,981	2,887,272	2,909,070
Capital surplus		496,842	573,156	1,014,499	1,092,215	1,168,416	1,284,515
Retained earnings	Before distribution	633,770	1,132,541	1,569,864	1,708,180	1,818,658	2,031,660
	After distribution	290,300	430,158	756,363	1,036,435	註 2	-
Unrealized gains on financial instruments		0	183	462	49	-	230
Cumulative translation adjustments		8,696	36,388	111,374	229,680	168,373	154,222
Asset revaluation increment(note 3)		0	5,442	5,442	5,442	5,442	5,442
Treasure Stock					(127,233)	(127,233)	(127,233)
Total stockholders' equity	Before a distribution	3,001,295	3,804,693	5,117,167	5,625,314	5,920,928	6,257,906
	After distribution	2,805,517	3,343,461	4,582,968	5,087,918	註 2	-

Note 1：The financial statements of TXC Corporation were audited or viewed or certified by CPA.

Note 2：Up to 2010.03.31，The retain earnings of 2009 has not yet admitted by the stockholders' meeting.

Note 3：Capital surplus includes asset revaluation increment NT$5,442(仟) of 2005.

2、Abbreviated P/L Statements

Unit：NT$ 1,000

Item \ Year	Financial information for the post 5 years (Note 1)					
	2005	2006	2007	2008	2009	Up to 2010.03.31
Net operating revenue	3,438,735	4,839,693	5,961,970	6,547,340	6,557,116	1,760,847
Gross profit	868,411	1,289,101	1,627,419	1,560,025	1,267,998	347,136
Operating income	512,868	845,784	1,052,406	793,809	552,205	146,527
Nonoperating income and gains	183,415	262,555	309,973	790,985	642,550	148,295
Nonoperating expenses and losses	166,316	149,890	157,735	534,318	283,205	41,526
Income before income tax	529,967	958,449	1,204,644	1,050,476	911,550	253,296
Net income before cumulative effect of change in accounting principles	480,468	859,508	1,139,706	951,817	782,223	213,002
Cumulative effect of change in accounting principles	0	17,267	0	0		
Net income	480,468	842,241	1,139,706	951,817	782,223	213,002
Earnings per share	2.73	4.13	4.88	3.56	2.75	0.75

Note 1：The financial statements of TXC Corporation were audited or viewed or certified by CPA.

B、Financial Analysis for the past 5 Years

Item		Year	Financial Analysis for the past 5 Years					
			2005	2006	2007	2008	2009	Up to 2010.03.31
Capital StructureAnalysis	Debt ratio (%)		32.38	39.10	30.39	30.48	32.03	34.47
	Long-term fund to fixed asstes ratio (%)		267.62	296.25	278.15	254.23	294.21	345.64
Liquidity Analysis	Current Ratio (%)		216.40	258.56	222.33	237.57	212.56	269.85
	Quick Ration (%)		151.32	206.14	182.04	186.21	171.81	227.13
	Times interest earned (%)		1,220.56	3,891.00	3,649.00	3,584.00	4,497.01	5468.00
Operating performace Analysis	Average collection turnover(times)		2.88	3.23	3.08	3.10	3.11	3.36
	Days sales outstanding		127	113	119	117.74	117.45	108.73
	Average inventory turnover(times)		4.45	5.98	6.73	7.22	7.38	7.81
	Average payment turnover(times)		4.17	4.19	4.02	4.46	4.44	4.68
	Average inventory turnover(days)		82	61	54	50.55	49.45	46.71
	Fixed assets turnover(times)		2.70	2.9	2.98	2.53	2.92	3.18
	Total assets turnover(times)		0.77	0.77	0.81	0.81	0.75	0.74
Profitability Analysis	Turn on total assets (%)		12.51	16.08	17.11	12.57	9.42	9.49
	Turn on total equity (%)		18.18	24.75	25.55	17.72	13.55	13.99
	Paid-in capital ratio (%)	Operating income	41.12	43.81	41.12	29.22	19.22	20.15
		Pre-tax income	46.59	50.14	46.59	38.66	31.72	34.83
	Net margin (%)		13.97	17.40	19.12	14.54	11.93	12.10
	Earnings per share(Basic) Note I		2.73	4.13	4.88	3.56	2.75	0.75
	Earnings per share(Diluted) Note I		2.64	3.83	4.69	3.50	2.73	0.71
Cash Flow	Cash flow ratio (%)		67.21	67.48	76.15	76.05	58.44	16.74
	Cash flow adequacy ratio (%)		99.76	89.90	100.46	92.07	108.40	94.48
	Cash flow reinvestment ration (%)		14.72	11.65	13.81	7.83	7.21	3.12
Leverage	Operating leverage		1.45	1.36	1.40	1.75	2.12	2.06
	Financial Leverage		1.10	1.03	1.03	1.03	1.02	1.03

Note I：The financial statements of TXC Corporation were audited and certified by CPA. EPS is before retroactively adjust.

NoteII：Glossary：

1. Capital StructureAnalysis
   (1) Debt ratio＝Total liabilities／Total assets
   (2) Long-term fund to fixed asstes ratio＝（Total stockholders' equity＋Long-term liabilities）／Net Fixed Assets

2. Liquidity Analysis
   (1) Current Ratio＝current assets／current liabilities
   (2) Quick Ration＝（current assets－Inventories－Prepaid expenses）／current liabilities
   (3) Times interest earned＝Earnings before interest and taxs／Interest expenses
3. Operating performace Analysis
   (1) Average collection turnover＝
       Net sales／Average trade Receivables
   (2) Days sales outstanding＝365／Average collection turnover
   (3) Average inventory turnover＝Cost of good sold／Average inventory。
   (4) Average payment turnover＝Cost of good sold／Average trade Payables
   (5) Average inventory turnover(Days)＝365／Average inventory turnover
   (6) Fixed assets turnover＝Net sales／Net Fixed Assets
   (7) Total assets turnover＝Net sales／Total assets
4. Profitability Analysis
   (1) Turn on total assets＝〔Net income＋Interest expenses×(1－Effective tax rate)〕／Average total assets。
   (2) Turn on total equit＝Net income／Average stockholders' equit。
   (3) Net margin＝Net income／net sales。
   (4) Earnings per share＝（Net income－Perferred stock dividend）／ Weighted average number of shares outstanding
5. Cash Flow
   (1) Cash flow ratio＝Net cash provided by operating activities／current liabilities
   (2) Cash flow adequacy ratio＝Five-year sum of cash from operations／Five-year sum of capital expenditures, inventory additions, and cash dividend.
   (3) Cash flow reinvestment ration＝(Cash provided from operating activities – Cash dividend) ／（Grosss fixed assets + investment + Other assets + Working capital）
6. Leverage
   (1) Operating leverage＝（Net sales – Variable cost）／Income from operations
   (2) Financial Leverage＝Income from operations ／（Income from operations－Interest expenses）

C. Financial Statements for the most Recent years, including an auditor's Report Prepared by a CPA

TXC Corporation

Financial Statements for the
Years Ended December 31, 2009 and 2008 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying balance sheets of TXC Corporation (the "Corporation") as of December 31, 2009 and 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the accompanying schedules of significant accounts, provided for supplementary analysis, by applying the same procedures described above. In our opinion, such schedules are consistent, in all material respects, with the financial statements referred to above.

As stated in Note 3 to the financial statements, on January 1, 2009, the Corporation adopted the newly revised SFAS No. 1 "Accounting for Inventories".

As stated in Note 3 to the financial statements, the Accounting Research and Development Foundation (ARDF) issued Interpretation 2007-052 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriation from earnings.

We have also audited the consolidated financial statements of TXC Corporation and subsidiaries as of December 31, 2009 and 2008, and expressed modified unqualified opinion with explanatory paragraphs on such financial statements.

March 8, 2010

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

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

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

TXC CORPORATION

BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

ASSETS	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,053,100	12	$ 552,242	7
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	1,621	-	28,593	-
Available-for-sale financial assets - current (Notes 2 and 6)	-	-	120,049	1
Notes receivable, net (Notes 2 and 7)	2,279	-	39,709	1
Accounts receivable, net (Notes 2 and 7)	2,074,745	24	2,020,735	25
Accounts receivable - related parties, net (Notes 2, 7 and 25)	37,057	-	13,235	-
Other receivable	164,739	2	17,667	-
Other receivable - related party (Note 25)	124,788	2	-	-
Inventories, net (Notes 2 and 8)	709,374	8	692,037	9
Other current assets (Notes 2, 21 and 25)	110,919	1	55,537	1
Total current assets	4,278,622	49	3,539,804	44
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	3,000	-	3,000	-
Investments accounted for by the equity method (Notes 2 and 10)	2,152,217	25	1,899,741	23
Total long-term investments	2,155,217	25	1,902,741	23
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 26)				
Cost				
Land	273,496	3	273,496	3
Land improvements	593	-	593	-
Buildings	1,056,013	12	611,579	8
Machinery and equipment	2,931,750	34	2,963,491	37
Transportation equipment	2,557	-	2,557	-
Miscellaneous equipment	114,142	2	108,676	1
Land - revaluation increment	8,954	-	8,954	-
Cost and revaluation increment	4,387,505	51	3,969,346	49
Less accumulated depreciation	(2,167,140)	(25)	(1,788,760)	(22)
Construction in progress and prepayments for equipment	27,459	-	412,008	5
Total property, plant and equipment	2,247,824	26	2,592,594	32
INTANGIBLE ASSETS				
Deferred pension cost (Notes 2 and 18)	7,947	-	7,947	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 12)	7,091	-	7,215	-
Idle assets (Notes 2 and 12)	2,941	-	3,336	-
Refundable deposits	3,915	-	3,705	-
Deferred charges	7,729	-	5,923	-
Deferred income tax assets - noncurrent (Notes 2 and 21)	-	-	27,981	1
Total other assets	21,676	-	48,160	1
TOTAL	$ 8,711,286	100	$ 8,091,246	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ 416,200	5	$ 156,543	2
Short-term bills payable (Note 14)	-	-	100,000	1
Notes payable (Note 25)	52,711	1	40,494	-
Accounts payable	660,535	7	466,243	6
Accounts payable - related parties (Note 25)	319,957	4	221,022	3
Income tax payable (Note 21)	59,504	1	64,928	1
Accrued expenses (Notes 17 and 25)	311,484	3	313,156	4
Liability component of convertible bonds - current (Notes 2 and 15)	331	-	-	-
Bonds payable - current portion (Notes 2 and 15)	3,711	-	-	-
Current portion of long-term loans (Note 16)	177,250	2	119,273	1
Other current liabilities	11,218	-	8,341	-
Total current liabilities	2,012,901	23	1,490,000	18
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 15)	-	-	49,685	1
Long-term debt (Note 16)	692,437	8	911,636	11
Liability component of convertible bonds - noncurrent (Notes 2 and 15)	-	-	4,556	-
Total long-term liabilities	692,437	8	965,877	12
RESERVES				
Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	8,117	-	4,494	-
Deferred income tax liabilities - noncurrent	73,128	1	-	-
Deferred credits - gain on inter-company transactions (Notes 2 and 10)	263	-	2,049	-
Total other liabilities	81,508	1	6,543	-
Total liabilities	2,790,358	32	2,465,932	30
STOCKHOLDERS' EQUITY (Note 19)				
Capital stock				
Common stock	2,873,409	33	2,716,981	34
Advance receipts for common stock	13,863	-	-	-
Total capital stock	2,887,272	33	2,716,981	34
Capital surplus	1,168,416	13	1,092,215	14
Retained earnings				
Legal reserve	447,198	5	352,016	4
Unappropriated earnings	1,371,460	16	1,356,164	17
Total retained earnings	1,818,658	21	1,708,180	21
Other equity (Note 2)				
Cumulative translation adjustments	168,373	2	229,680	3
Unrealized gains on financial instrument	-	-	49	-
Unrealized revaluation increment (Note 11)	5,442	-	5,442	-
Treasury stock (Notes 2 and 20)	(127,233)	(1)	(127,233)	(2)
Total other equity	46,582	1	107,938	1
Total stockholders' equity	5,920,928	68	5,625,314	70
TOTAL	$ 8,711,286	100	$ 8,091,246	100

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

(With Deloitte & Touche audit report dated March 8, 2010)

TXC CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 2)	$ 6,614,490	101	$ 6,618,657	101
LESS: SALES RETURNS	(22,423)	-	(20,914)	-
LESS: SALES ALLOWANCES	(34,951)	(1)	(50,403)	(1)
NET OPERATING REVENUE	6,557,116	100	6,547,340	100
OPERATING COSTS	5,290,904	81	5,012,786	76
GROSS PROFIT	1,266,212	19	1,534,554	24
UNREALIZED INTER-COMPANY GAIN	(263)	-	(2,049)	-
REALIZED INTER-COMPANY GAIN	2,049	-	3,691	-
REALIZED GROSS PROFIT	1,267,998	19	1,536,196	24
OPERATING EXPENSES				
Selling expenses	316,429	5	328,647	5
General and administrative expenses	140,807	2	168,610	3
Research and development expenses	258,557	4	268,959	4
Total operating expenses	715,793	11	766,216	12
OPERATING INCOME	552,205	8	769,980	12
NONOPERATING INCOME AND GAINS				
Interest income	4,288	-	11,574	-
Investment income recognized under equity method	367,076	6	312,043	5
Gain on disposal of property, plant and equipment	1,960	-	124	-
Gain on sale of investments, net	3,221	-	-	-
Exchange gain	244,414	4	421,713	7
Reversal of impairment loss	-	-	1,821	-
Valuation gain on financial assets, net	1,621	-	24,283	-
Valuation gain on financial liabilities, net	-	-	2,279	-
Miscellaneous income	19,970	-	17,148	-
Total nonoperating income and gains	642,550	10	790,985	12

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Interest expense	$ 12,143	-	$ 24,728	1
Loss on sale of investments, net	-	-	1,546	-
Loss on disposal of property, plant and equipment	5,120	-	4,222	-
Exchange losses	252,498	4	479,234	7
Impairment loss	3,249	-	-	-
Miscellaneous expenses	10,195	-	759	-
Total nonoperating expenses and losses	283,205	4	510,489	8
INCOME BEFORE INCOME TAX	911,550	14	1,050,476	16
INCOME TAX EXPENSE (Notes 2 and 21)	(129,327)	(2)	(98,659)	(1)
NET INCOME	$ 782,223	12	$ 951,817	15

	2009		2008	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 23)				
Basic	$ 3.20	$ 2.75	$ 3.71	$ 3.36
Diluted	$ 3.19	$ 2.73	$ 3.66	$ 3.31

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

(With Deloitte & Touche audit report dated March 8, 2010) (Concluded)

TXC CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings		Others Equity				
	Capital Stock	Advance Receipts for Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Unrealized Revaluation Increment	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Treasury Stock	Total
BALANCE, JANUARY 1, 2008	$ 2,402,435	$ 13,091	$ 1,014,499	$ 238,045	$ 1,331,819	$ 5,442	$ 462	$ 111,374	$ -	$ 5,117,167
Appropriation of 2007 earnings										
Legal reserve	-	-	-	113,971	(113,971)	-	-	-	-	-
Stock dividends	238,627	-	-	-	(238,627)	-	-	-	-	-
Cash dividends	-	-	-	-	(477,254)	-	-	-	-	(477,254)
Bonus to directors and supervisors	-	-	-	-	(16,270)	-	-	-	-	(16,270)
Bonus to employees - (including $40,675 thousand paid in stock)	40,675	-	-	-	(81,350)	-	-	-	-	(40,675)
Conversion of convertible bonds	35,244	(13,091)	-	-	-	-	-	-	-	22,153
Equity component of convertible bonds	-	-	77,716	-	-	-	-	-	-	77,716
Net income for the year ended December 31, 2008	-	-	-	-	951,817	-	-	-	-	951,817
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(413)	-	-	(413)
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	118,306	-	118,306
Acquisition of treasury stock - 3,000 thousand shares	-	-	-	-	-	-	-	-	(127,233)	(127,233)
BALANCE, DECEMBER 31, 2008	2,716,981	-	1,092,215	352,016	1,356,164	5,442	49	229,680	(127,233)	5,625,314
Appropriation of 2008 earnings										
Legal reserve	-	-	-	95,182	(95,182)	-	-	-	-	-
Stock dividends	134,349	-	-	-	(134,349)	-	-	-	-	-
Cash dividends	-	-	-	-	(537,396)	-	-	-	-	(537,396)
Bonus to employees	21,795	-	38,904	-	-	-	-	-	-	60,699
Conversion of convertible bonds	284	13,863	37,297	-	-	-	-	-	-	51,444
Net income for the year ended December 31, 2009	-	-	-	-	782,223	-	-	-	-	782,223
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	(49)	-	-	(49)
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(61,307)	-	(61,307)
BALANCE, DECEMBER 31, 2009	$ 2,873,409	$ 13,863	$ 1,168,416	$ 447,198	$ 1,371,460	$ 5,442	$ -	$ 168,373	$ (127,233)	$ 5,920,928

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

(With Deloitte & Touche audit report dated March 8, 2010)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 782,223	$ 951,817
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	608,490	551,095
Nonoperating loss - idle assets and lease assets	9,576	519
Amortization	10,802	41,371
(Reversal of) provision for doubtful accounts	(1,833)	794
Provision for loss on inventories	34,172	23,264
Loss on physical inventory	224	565
(Gain) loss on sale of investments	(3,221)	1,546
Cash dividends received from equity method investees	53,293	80,045
Investment income recognized under equity method	(367,076)	(312,043)
Gain on disposal of property, plant and equipment	(1,960)	(124)
Loss on disposal of property, plant and equipment	5,120	4,222
Valuation gain on financial instruments, net	(1,621)	(26,562)
Impairment loss (gain)	3,249	(1,821)
Unrealized gross profit	263	2,049
Realized gross profit	(2,049)	(3,691)
Discount on bonds payable	1,245	4,746
Deferred income tax	69,729	32,630
Net changes in operating assets and liabilities		
Notes receivable	37,620	(27,118)
Accounts receivable	(76,189)	65,652
Inventories	(51,733)	(87,796)
Other receivables	(271,860)	-
Other current assets	(24,002)	16,754
Notes payable	12,217	(28,279)
Accounts payable	293,227	(242,986)
Accrued expenses	59,027	114,889
Income tax payable	(5,424)	(19,021)
Other current liabilities	2,877	(2,179)
Net cash provided by operating activities	1,176,386	1,140,338
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments as at fair value through profit or loss	30,620	(14,624)
Acquisitions of available-for-sale financial assets	(860,000)	(210,000)
Proceeds from disposal of available-for-sale financial assets	981,194	180,906
Acquisition of investments accounted for by equity method	-	(242,985)
Acquisition of property, plant and equipment	(337,612)	(1,170,213)
Proceeds from disposal of property, plant and equipment	58,426	-
(Increase) decrease in refundable deposits	(210)	3,879
Increase in deferred charges	(12,608)	(28,875)
Net cash used in investing activities	(140,190)	(1,481,912)

(Continued)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	$ 259,657	$ (118,714)
(Decrease) increase in short-term bills payable	(100,000)	100,000
Redemption of convertible bonds	-	(87,900)
Proceeds from long-term debt	-	840,000
Repayment of long-term debt	(161,222)	(207,273)
Increase in guarantee deposits received	3,623	-
Cash dividends	(537,396)	(477,254)
Cash bonus to directors, supervisors and employees	-	(56,945)
Cash paid for acquisition of treasury stock	-	(127,233)
Net cash used in financing activities	(535,338)	(135,319)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	500,858	(476,893)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	552,242	1,029,135
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,053,100	$ 552,242
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest $2,402 thousand and $5,275 thousand)	$ 13,390	$ 30,963
Income tax paid	$ 65,023	$ 85,049
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	$ 49,800	$ 99,000
Acquisition of long-term equity investments through payment in the form of machinery	$ -	$ 15,060

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

(With Deloitte & Touche audit report dated March 8, 2010) (Concluded)

TXC CORPORATION

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

TXC Corporation (the Corporation) was incorporated on December 28, 1983 under the Company Law and other 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 December 31, 2009 and 2008, the Corporation had 968 and 889 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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, bonuses 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 year 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: 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 year. 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 the same with 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 are 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.

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 on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

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 year of disposal.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, idle assets, leased assets 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 to earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is first recognized as gains to the extent that an impairment loss on the same revalued asset was previously charged to 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 year 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 year.

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 embedded 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-year and inter-year 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 year'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 stockholders 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 stockholders' equity.

Reclassifications

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

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 $23,829 thousand to cost of goods sold for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2009	**2008**
Cash on hand	$ 1,366	$ 1,270
Checking accounts and demand deposits	516,234	391,672
Time deposits	220,500	69,300
Cash equivalents		
Repurchase agreements collateralized by bonds	315,000	90,000
	$ 1,053,100	$ 552,242

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2009	**2008**
Financial assets at FVTPL		
Convertible bonds	$ -	$ 4,025
Forward exchange contracts	$ 1,621	$ 24,568

The Corporation entered into derivative contracts during the years ended December 31, 2009 and 2008 to manage exposures related to exchange rate. The financial risk management objective of the Corporation is to minimize risks due to change in fair value or cash flows.

Outstanding forward contracts as of December 31, 2009 and 2008 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2009			
Sell	USD/NTD	March 26, 2010	US$48,500/NT$1,568,248
Sell	USD/JPY	April 28, 2010	US$5,500/JPY498,356
Sell	NTD /JPY	April 23, 2010	NT$417,294/JPY1,170,000
December 31, 2008			
Sell	USD/NTD	March 17, 2009	US$27,500/NT$902,742
Sell	USD/JPY	March 11, 2009	US$10,750/JPY1,038,055

Net losses on financial instruments held for treading for the years ended December 31, 2009 and 2008 were $3,016 thousand and $485 thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2009	2008
Mutual funds	$ -	$ 120,049

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2009	2008
Notes receivable, third parties	$ 2,289	$ 39,909
Notes receivable, related parties	-	-
	2,289	39,909
Less: Allowance for doubtful accounts	(10)	(200)
	$ 2,279	$ 39,709
Accounts receivable, third parties	$ 2,089,950	$ 2,037,583
Accounts receivable, related parties	37,057	13,235
	2,127,007	2,050,818
Less: Allowance for doubtful accounts	(15,205)	(16,848)
	$ 2,111,802	$ 2,033,970

Movements of allowance for doubtful accounts were as follows:

	Years Ended December 31			
	2009		2008	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of year	$ 200	$ 16,848	$ 64	$ 16,190
Add (deduct): Provision (reversal of provision) for doubtful accounts	(190)	(1,643)	136	658
Balance, end of year	$ 10	$ 15,205	$ 200	$ 16,848

8. INVENTORIES

	December 31	
	2009	2008
Raw materials	$ 131,744	$ 156,492
Supplies and spare parts	56,292	31,094
Work in process	154,073	152,710
Finished goods	194,203	205,115
Merchandise	155,592	134,797
Goods in transit	17,470	11,829
	$ 709,374	$ 692,037

As of December 31, 2009 and 2008, the allowance for inventory devaluation was $38,068 thousand and $32,181 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2009 and 2008 was $5,290,904 thousand and $5,012,786 thousand, respectively, which included $34,396 thousand and $23,829 thousand, respectively, due to write-downs of inventories.

9. FINANCIAL ASSETS CARRIED AT COST

	December 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 value could not be reliably measured were carried at cost.

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2009		2008	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Unlisted companies				
Taiwan Crystal Technology International Ltd. ("TCTI")	$ 2,129,467	100	$ 1,882,582	100
TXC Technology Inc.	11,297	100	11,761	100
TXC Japan Corporation	11,453	100	5,398	100
	$ 2,152,217		$ 1,899,741	

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

	Years Ended December 31	
	2009	2008
TCTI	$ 360,839	$ 307,803
TXC Technology Inc.	(152)	4,368
TXC Japan Corporation	6,389	(128)
	$ 367,076	$ 312,043

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Corporation's investments, had been audited, except those of TXC Technology Inc. and TXC Japan Corporation. The Corporation believes that, had TXC Technology Inc. and TXC Japan Corporation's financial statements been audit, any adjustments arising would have no material effect on the Corporation's financial statements.

11. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2009			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	469	124
Buildings	1,056,013	-	236,305	819,708
Machinery and equipment	2,931,750	-	1,846,608	1,085,142
Transportation equipment	2,557	-	2,370	187
Miscellaneous equipment	114,142	-	81,388	32,754
Prepayments for equipment	27,459	-	-	27,459
	$ 4,406,010	$ 8,954	$ 2,167,140	$ 2,247,824

	December 31, 2008			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	444	149
Buildings	611,579	-	193,683	417,896
Machinery and equipment	2,963,491	-	1,522,794	1,440,697
Transportation equipment	2,557	-	2,199	358
Miscellaneous equipment	108,676	-	69,640	39,036
Construction in progress	384,386	-	-	384,386
Prepayments for equipment	27,622	-	-	27,622
	$ 4,372,400	$ 8,954	$ 1,788,760	$ 2,592,594

Information about capitalized interest was as follows:

	Years Ended December 31	
	2009	2008
Capitalized interest	$ 2,402	$ 5,275
Capitalization rates	1.45%	2.51%

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

See Note 26 for collateral on loans.

12. OTHER ASSETS

Leased to Others

	December 31, 2009			
	Book Value	Accumulated Impairment	Accumulated Impairment Losses	Carrying Value
Land	$ 2,602	$ -	$ -	$ 2,602
Buildings	7,558	(3,069)	-	4,489
	$ 10,160	$ (3,069)	$ -	$ 7,091

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

Future rental payments receivable were summarized as follows:

Year	
2010	$ 1,620
2011	795

As of December 31, 2009, the Corporation had received deposits of $270 thousand. The interest on these deposits of $4 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the year ended December 31, 2009.

Idle Assets

	December 31, 2009		
	Book Value	**Accumulated Impairment**	**Carrying Value**
Land	$ 2,253	$ -	$ 2,253
Buildings	5,562	4,874	688
Machinery and equipment	6,203	6,203	-
	$ 14,018	$ 11,077	$ 2,941

	December 31, 2008		
	Book Value	**Accumulated Impairment**	**Carrying Value**
Land	$ 2,253	$ -	$ 2,253
Buildings	5,957	4,874	1,083
Machinery and equipment	5,702	5,702	-
	$ 13,912	$ 10,576	$ 3,336

Impairment loss was as follows:

	December 31, 2009	
	Recognized in Income Statement	**Recognized in Stockholders' Equity**
Impairment loss		
Machinery and equipment	$ 3,249	$ -

	December 31, 2008	
	Recognized in Income Statement	**Recognized in Stockholders' Equity**
Gain on reversal of impairment loss		
Machinery and equipment	$ 1,821	$ -

The Corporation recognized an impairment loss of $3,249 thousand in 2009, because of a decrease in cash inflow from the use of the related machinery and resulted in recoverable amount of the machine being lower than its carrying amount.

13. SHORT-TERM LOANS

	December 31	
	2009	2008
Usance letters of credit	$ 329,719	$ 156,543
Working capital loans	86,481	-
	$ 416,200	$ 156,543

a. Usance letters of credit amounted to JPY926,095 thousand and US$244 thousand as of December 31, 2009 and JPY431,366 thousand as of December 31, 2008. Interest rates ranged from 1.031% to 1.536% and from 1.303% to 2.11% at December 31, 2009 and 2008, respectively.

b. Working capital loans amounted to US$2,700 thousand as of December 31, 2009. Interest rates for working capital loans is 0.74% at December 31, 2009.

14. SHORT-TERM BILLS PAYABLE

	December 31			
	2009		2008	
	Interest Rate	Amount	Interest Rate	Amount
Commercial paper	-	$ -	2.50	$ 100,000
Less: Unamortized discount on bills payable	-	-	-	-
		$ -		$ 100,000

15. BONDS PAYABLE

	December 31	
	2009	2008
Second unsecured domestic convertible bonds	$ 3,900	$ 53,700
Less: Discount on bonds payable	(189)	(4,015)
Less: Current portion	(3,711)	-
	$ -	$ 49,685
Liability component of unsecured domestic convertible bonds	$ 331	$ 4,556

Second Unsecured Domestic Convertible Bonds

On November 8, 2006, the Corporation issued second unsecured domestic convertible bonds with an aggregate value of $800,000 thousand and maturity on November 8, 2011. Nominal interest is 0%. As of December 31, 2008, bonds with a face value of $708,200 thousand had been converted into 15,035 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 $35.2 on December 31, 2009.

16. LONG-TERM LOANS

Nature of Loans	Repayment Period	December 31 2009	December 31 2008
Secured bank loans	Maturity on May 4, 2021, repayable in 55 quarterly installments from November 2007	$ -	$ 90,909
Unsecured bank loans	Repayable at maturity on August 14, 2009	-	100,000
Secured bank loans	Maturity on July 24, 2013, repayable in 20 quarterly installment from November 2008	244,687	233,000
Secured bank loans	Maturity on August 25, 2013, repayable in 20 quarterly installment from November 2008	45,000	57,000
Unsecured bank loans	Repayable at maturity on September 11, 2010	100,000	100,000
Unsecured bank loans	Repayable at maturity on September 12, 2010	-	150,000
Unsecured bank loans	Repayable at maturity on November 20, 2010	-	100,000
Unsecured bank loans	Repayable at maturity on November 28, 2010	-	200,000
Unsecured bank loans	Repayable at maturity on March 16, 2011	180,000	-
Unsecured bank loans	Repayable at maturity on June 1, 2011	50,000	-
Unsecured bank loans	Repayable at maturity on September 16, 2011	100,000	-

(Continued)

Nature of Loans	Repayment Period	December 31 2009	December 31 2008
Unsecured bank loans	Repayable at maturity on October 27, 2011	$ 50,000	$ -
Unsecured bank loans	Repayable at maturity on June 12, 2011	100,000	-
		869,687	1,030,909
Less current portion		(177,250)	(119,273)
		$ 692,437	$ 911,636
Interest rate (%)		0.9-1.03	1.835-2.76

(Concluded)

See Notes 26 for collateral on long-term loans.

17. ACCRUED EXPENSES

	December 31 2009	December 31 2008
Payroll	$ 31,201	$ 23,840
Bonus	85,558	72,501
Bonus to employees, directors and supervisors	77,368	139,123
Commission	61,654	44,291
Others	55,703	33,401
	$ 311,484	$ 313,156

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 $18,634 thousand and $18,761 thousand for the Year ended December 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 in the committee’s name. The Corporation recognized pension costs of $3,664 thousand and $4,186 thousand for the Year ended December 31, 2009 and 2008, respectively.

Information about the defined benefit plan was as follows:

a. Components of net yearic pension cost

	Years Ended December 31	
	2009	2008
Service cost	$ 2,081	$ 2,208
Interest cost	1,508	1,569
Projected return on plan assets	(1,471)	(1,470)
Amortization	2,269	1,924
Net yearic pension cost	$ 4,387	$ 4,231

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2009 and 2008

	December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation	$ (7,010)	$ (2,705)
Non-vested benefit obligation	(51,552)	(43,421)
Accumulated benefit obligation	(58,562)	(46,126)
Additional benefit based on future salaries	(17,711)	(18,588)
Projected benefit obligation	(76,273)	(64,714)
Fair value of plan assets	59,334	61,343
Funded status	(16,939)	(3,371)
Unrecognized net transitional obligation	-	41
Unrecognized net loss	27,549	14,663
Accrued pension cost	$ 10,610	$ 11,333
Vested benefit	$ (7,945)	$ (3,082)

c. Actuarial assumptions as of December 31, 2009 and 2008:

	December 31	
	2009	2008
Discount rate used in determining present values	2.00%	2.75%
Future salary increase rate	2.25%	2.50%
Expected rate of return on plan assets	2.00%	2.75%

	Years Ended December 31	
	2009	2008
d. Contributions to the fund	$ 3,664	$ 4,186
e. Payments from the fund	$ 6,057	$ 4,185

19. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $4,000,000 thousand and $3,500,000 thousand at December 31, 2009 and 2008 ($10.00 par value per share). As of December 31, 2009 and 2008, the Corporation's issued capital stock were $2,873,409 thousand and $2,716,981 thousand, respectively, divided into 287,341 thousand shares and 271,698 thousand shares, respectively, 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:

	Years Ended December 31			
	2009		2008	
	Number of Options	Weighted-average Exercise Price (NT$)	Number of Options	Weighted-average Exercise Price (NT$)
Balance, beginning of year	8,000	$ 50.7	8,000	$ 58.8
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited	(415)	-	-	-
Balance, end of year	7,585	45.4	8,000	50.7
Options exercisable, end of year	4,000	45.4	-	

Information about outstanding and exercisable options as of December 31, 2009 was as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Price (NT$)	Number of Options	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price (NT$)	Number of Options	Weighted Average Exercise Price (NT$)
$58.80-45.4	8,000	2.94	$ 45.4	4,000	$ 45.4

The pro forma information for the years ended December 31, 2009 and 2008 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39 is as follows:

	2009	2008
Net income	$ 703,939	$ 866,418
After income tax basic earnings per share (NT$)	$2.47	$3.24

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

Capital surplus comprised of the following

	December 31	
	2009	2008
Arising from issuance of common shares	$ 329,152	$ 290,248
Arising from conversion of bonds	776,646	736,879
Arising from treasury stock transactions	4,360	4,360
Employee stock options	58,064	58,064
Conversion options	194	2,664
	$ 1,168,416	$ 1,092,215

Appropriation of Earnings and Dividend Policy

Under and the Corporation's Articles of Incorporation, the Corporation should make appropriation from its 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.

For the years ended December 31, 2009 and 2008, the bonus to employees was $70,335 thousand and $122,755 thousand, respectively, and the remuneration to directors and supervisors was $7,033 thousand and $16,368 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 10% and 15%; 1% and 2%, respectively, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative transaction adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve shall be appropriated until it has reached the Corporation's paid-in capital. This reserve 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 stockholders, all stockholders receiving the dividends are allowed a tax credit equals to their proportionate share of the income tax paid by the Corporation.

The appropriation of earnings for 2008 and 2007 had been approved in the stockholders' meeting on June 16, 2009 and June 13, 2008, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Fiscal Year 2008	**For Fiscal Year 2007**	**For Fiscal Year 2008**	**For Fiscal Year 2007**
Legal reserve	$ 95,182	$ 113,971	$ -	$ -
Cash dividends	537,396	477,254	2.0	2.0
Stock dividends	134,349	238,627	0.5	1.0
Bonus to employees - stock	-	40,675	-	-
Bonus to employee - cash	-	40,675	-	-
Bonus to directors and supervisors - cash	-	16,270	-	-

The bonus to employees of $121,398 thousand and the remuneration to directors and supervisors of $16,187 thousand for 2008 were approved in the stockholders' meeting on June 16, 2009. The bonus to employees included a cash bonus of $60,699 thousand and a share bonus of $60,699. The number of shares of 2,180 thousand was determined by dividing the amount of share bonus by the closing price (after considering the effect of cash and stock dividends). The approved amounts of the bonus to employees and the remuneration to directors and supervisors were different from the accrual amounts of $122,755 thousand and $16,368 thousand, respectively, reflected in the financial statements for the year ended December 31, 2008, and the differences of $(1,357) thousand and $(181) thousand, respectively, resulted from the weighted average number of shares outstaning and had been adjusted in profit and loss for the year ended December 31, 2009.

The Board of Directors set August 30, 2009 as the ex-dividend date.

Information about bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

20. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
Year ended December 31, 2009				
For transfer to employees	3,000	-	-	3,000
Year ended December 31, 2008				
For transfer to employees	-	3,000	-	3,000

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

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:

	Years Ended December 31	
	2009	2008
Income tax expense at the 25% statutory rate	$ 227,877	$ 262,609
Tax effect on adjusting items:		
Permanent differences	(1,140)	(683)
Temporary differences	(84,874)	(83,964)
Tax-exempt income for five years	(41,344)	(69,329)
Additional 10% income tax on unappropriated earnings	18,489	21,223
Investment tax credits used	(59,504)	(64,928)
Current income tax expense	59,504	64,928
Deferred income tax expenses (benefit)		
Temporary difference	56,766	70,479
Investment tax credits	31,499	(37,849)
Effect of law changes on deferred income tax	(18,536)	-
Adjustment for prior years' tax	94	1,101
	$ 129,327	$ 98,659

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Corporation recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.

Deferred income tax assets (liabilities) were as follows:

	2009	2008
Current		
Deferred income tax assets		
Investment tax credits	$ 70,219	$ 42,984
Unrealized allowance for loss on inventories	7,613	8,045
Unrealized exchange losses	5,089	10,992
Unrealized valuation loss on financial instruments	-	244
Unrealized gain on transactions with investees	1,829	2,132
Others	2,296	-
	87,046	64,397
Less: Valuation allowance	-	-
	87,046	64,397
Deferred income tax liabilities		
Unrealized exchange gain	(5,385)	(8,296)
Unrealized valuation gain on financial instrument	(324)	(6,142)
	(5,709)	(14,438)
	$ 81,337	$ 49,959
Noncurrent		
Deferred income tax assets		
Accrued pension cost	$ 265	$ 331
Impairment loss	2,783	2,644
Investment tax credits	70,219	128,953
	73,267	131,928
Less: Valuation allowance	-	-
	73,267	131,928
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(146,395)	(103,947)
	$ (73,128)	$ 27,981

As of December 31, 2009, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 102,462	$ 63,757	2013
	Research and development expenditures	134,857	75,354	2013
	Personnel training expenditures	1,327	1,327	2013
		$ 238,646	$ 140,438	

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

Expansion of Construction Project	**Tax-Exemption Year**
Acquisition of equipment in 2004	2005 to 2009
Acquisition of equipment in 2005	2010 to 2014
Acquisition of equipment in 2009	-

The Corporation's income tax returns through 2005 have been examined and approved by the tax authorities.

Information about integrated income tax was as follows:

	December 31	
	2009	**2008**
Balance of ICA	$ 32,890	$ 32,474

	2009 (Estimate)	**2008 (Actual)**
The creditable ratio for distribution	6.74%	7.26%

	December 31	
	2009	**2008**
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	1,371,460	1,356,164
	$ 1,371,460	$ 1,356,164

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to stockholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2009 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Years Ended December 31					
	2009			**2008**		
Function / Expense Item	**Classified as Operating Costs**	**Classified as Operating Expenses**	**Total**	**Classified as Operating Costs**	**Classified as Operating Expenses**	**Total**
Personnel						
Salary	$ 317,228	$ 225,607	$ 542,835	$ 362,147	$ 282,069	$ 644,216
Pension	13,320	9,450	22,770	13,462	10,085	23,547
Meals	14,101	5,479	19,580	15,787	5,362	21,149
Welfare	7,176	2,404	9,580	8,011	1,987	9,998
Insurance	22,485	13,189	35,674	21,087	12,640	33,727
Others	-	-	-	-	-	-
Depreciation	494,102	114,388	608,490	461,762	89,333	551,095
Amortization	791	10,011	10,802	15,256	26,115	41,371

23. EARNINGS PER SHARE (EPS)

	Year Ended December 31			
	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (dollars)				
From continuing operations	$ 3.20	$ 2.75	$ 3.71	$ 3.36
Income for the year	$ 3.20	$ 2.75	$ 3.71	$ 3.36
Diluted earnings per share (dollars)				
From continuing operations	$ 3.19	$ 2.73	$ 3.66	$ 3.31
Income for the year	$ 3.19	$ 2.73	$ 3.66	$ 3.31

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

	Amounts (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
Year ended December 31, 2009					
Net income	$ 911,550	$ 782,223			
Basic EPS (NT$)					
Income for the year attributable to common stockholders	$ 911,550	$ 782,223	284,489	$ 3.20	$ 2.75
Effect of dilutive potential common stock					
Bonus to employees	-	-	597		
Convertible bonds	1,247	935	1,350		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 912,747	$ 783,158	286,436	$ 3.19	$ 2.73
Year ended December 31, 2008					
Net income	$ 1,050,476	$ 951,817			
Basic EPS (NT$)					
Income for the year attributable to common stockholders	$ 1,050,476	$ 951,817	283,293	$ 3.71	$ 3.36
Effect of dilutive potential common stock					
Convertible bonds	6,166	4,625	2,583		
Bonus to employees	-	-	2,937		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 1,056,642	$ 956,442	288,813	$ 3.66	$ 3.31

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 stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses distributed out of earnings for the year ended December 31, 2008 and stock dividends. This adjustment caused the basic and diluted after income tax EPS for the year ended December 31, 2008 to decrease from NT$3.56 to NT$3.36 and from NT$3.50 to NT$3.31, respectively.

24. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	December 31			
	2009		2008	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Financial assets at FVTPL	$ 1,621	$ 1,621	$ 28,593	$ 28,593
Available-for-sale financial assets, current	-	-	120,049	120,049
Financial assets carried at cost	3,000	-	3,000	-
Financial liabilities				
Bonds payable	4,042	4,042	54,241	54,241
Long-term debt (including current portion)	869,687	869,687	1,030,909	1,030,909

Methods and assumptions used to estimate the fair values of financial instruments were as follows:

a. The above financial instruments do not include cash and cash equivalents, notes and accounts receivable, notes and accounts payable and short-term 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 using based on quoted market prices or valuation techniques were as follows:

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	December 31		December 31	
	2009	2008	2009	2008
Assets				
Financial assets at FVTPL, current	$ -	$ 4,025	$ 1,621	$ 24,568
Available-for-sale financial assets, current	-	120,049	-	-
Liabilities				
Bonds payable	-	-	4,042	54,241

Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were $1,621 thousand and $24,568 thousand for the years ended December 31, 2009 and 2008, respectively.

Financial risks:

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

b. Credit risk: Credit risk represents the potential loss that would be incurred by the Corporation if the counter-parties breached contracts. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Corporation's exposure to default by those parties to be material.

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

d. Cash flow interest rate risk: The Corporation's short 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 $12,859 a year.

25. RELATED-PARTY TRANSACTIONS

Related parties and their relationships with the Corporation:

Related Party	Relationship with the Corporation
Tai-Shing Electronics 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
Growing Profits Trading Ltd. (GPT)	Subsidiary's equity-method investee
TXC (Ningbo) Corporation (NGB)	Subsidiary's equity-method investee
TXC (HK) Limited	Subsidiary's equity-method investee

Significant transactions with related parties:

Sales

	Years Ended December 31			
	2009		2008	
Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	$ 86,099	2	$ 105,938	2
Tai-Shing	12,431	-	15,255	-
TXC (HK) Limited	8,288	-	444	-
TXC Japan Corporation	3,731	-	1,583	-
TXC Technology Inc.	2,891	-	3,530	-
	$ 113,440	2	$ 126,750	2

Purchases

	Years Ended December 31			
	2009		2008	
Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	$ 1,365,313	33	$ 1,189,948	31
GPT	20,601	-	-	-
TXC Japan Corporation	6,638	-	107	-
TXC (H.K.) Limited	2,588	-	-	-
Tai-Shing	887	-	2,627	-
	$ 1,396,027	33	$ 1,192,682	31

Consulting Fee

	Years Ended December 31			
	2009		2008	
Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
TXC Japan Corporation	$ 49,297	47	$ 36,306	34
NGB	28,584	27	32,160	31
TXC Technology Inc.	27,941	26	37,619	35
	$ 105,822	100	$ 106,085	100

Other Expenses

	Years Ended December 31			
	2009		2008	
Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Tai-Shing	$ 704	-	$ 6,106	1
TXC Japan Corporation	234	-	-	-
	$ 938	-	$ 6,106	1

In the year ended December 31, 2009, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, GPT, and TXC (HK) Limited, those related parties are divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.

In the year ended December 31, 2008, the selling price and purchasing price were not significantly different from those with third parties.

Receivable from and Payable to Related Parties

		December 31			
		2009		2008	
Item	Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts receivable	NGB	$ 27,138	2	$ 8,631	1
	Tai-Shing	5,597	-	3,299	-
	TXC Technology Inc.	486	-	845	-
	TXC Japan Corporation	-	-	13	-
	TXC (HK) Limited	3,836	-	447	-
		$ 37,057	2	$ 13,235	1
Other current assets	TXC Technology Inc.	$ 2,878	1	$ 973	1
Notes payable	Tai-Shing	$ 920		$ 3,357	1

Item	Related Party	December 31			
		2009		2008	
		Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts payable	NGB	$ 315,932	33	$ 220,777	32
	Tai-Shing	733	-	245	-
	TXC (HK) Limited	2,563	-	-	-
	TXC Japan Corporation	729	-	-	-
		$ 319,957	33	$ 221,022	32
Accrued expense	Tai-Shing	$ 132	-	$ 11	-
	TXC Japan Corporation	66	-	-	-
		$ 198	-	$ 11	-

The collection term and payment term to related parties were not significantly different from third parties.

Other Receivables

Related Party	December 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
NGB	$124,788	43	$ -	-

Other receivable is the amount that prepayment for others, and payable to contractors.

Property transactions

In the year ended December 31, 2009, the Corporation sold its equipment to NGB it machinery, with a net book value of $53,799 thousand, for $53,799 thousand.

In the year ended December 31, 2009, the Corporation purchased the computer from Tai-Shing was about 2,096 thousand.

Other

As of December 31, 2008, the Corporation’s guarantee for loans of its subsidiaries was described in Table 1.

Compensation of Directors, Supervisors and Management Personnel

	Years Ended December 31	
	2009	**2008**
Salaries	$ 7,702	$ 7,453
Incentives and special compensation	4,245	5,295
Professional fee	1,200	1,320
Bonus	10,000	19,968
	$ 23,147	$ 34,036

The compensation of directors, supervisors and management personnel for the year ended December 31, 2009 and 2008 included the bonuses appropriated from earnings for 2009 and 2008 which had been approved by stockholders in their annual meeting held in 2010 and 2009.

26. MORTGAGED OR PLEDGED ASSETS

	December 31	
	2009	**2008**
Property, plant and equipment		
Land	$ 258,076	$ 258,076
Buildings, net	815,939	415,129
	$ 1,074,015	$ 673,205

27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Guarantee notes payable for short-term loan and long-term loan amount to about $440,000 thousand.

Unused letters of credit was about JPY339,404 thousand and US$228 thousand.

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

28. SUBSEQUENT EVENTS

On January 11, 2010 the Corporation issued third unsecured domestic convertible bonds with an aggregate value $800,000 thousand and maturity on January 11, 2013. Nominal interest is 0%. The original conversion price per share is NT$57.6.

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

Segment Information

No segment information.

Geographic Area Information

No geographic area information.

Export Sales

Area	Years Ended December 31	
	2009	2008
Americas	$ 152,645	$ 124,893
Europe	-	113,244
Asia	5,682,187	5,414,169
	$ 5,834,832	$ 5,652,306

Major Customer Information

Major customer did not exceed the sales account 10% of income statements on 2009 and 2008.

30. ADDITIONAL DISCLOSURES

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

a. Financing provided: None.

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

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

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

e. Acquisition of individual real estate properties at costs of at least $100 million or 20% of the paid-in capital: Table 4 (attached).

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

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 5 (attached).

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6 (attached).

i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 7 (attached).

j. Derivative transactions: Please refer to Note 24 for the related information and Table 8 (attached).

k. Investment in Mainland China: Table 9 (attached).

TABLE 1

TXC CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 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 Year	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	$ 2,960,464	$ 33,089	$ -	$ -	-	$ 5,920,928
		GPT	Subsidiary	2,960,464	189,240	-	-	-	5,920,928

Note 1: Issuing corporation

Note 2: Not to exceed 50% of the Corporation's net equity. ($5,920,928 thousand × 50% = $2,960,464 thousand)
Not to exceed the net value of the Corporation.

TXC CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	Stock							
	TCTI	Subsidiary	Investment accounted for by the equity method	37,835	$ 2,129,467	100	None	
	TXC Technology Inc.	Subsidiary	〃	300	11,297	100	None	
	TXC Japan Corporation	Subsidiary	〃	2	11,453	100	None	
					$ 2,152,217		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	124,065 US$ 3,884	100	None	
	TXC (Ningbo) Corporation	Subsidiary	〃	1,244,699 US$ 37,835	2,007,929 US$ 62,866	100	None	
NGB	TXC (HK) Limited	Subsidiary	〃	846 HK$ 200	6,079 RMB 1,299	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
YEAR ENDED DECEMBER 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	$ 130,248	$ 130,000	$ 248	-	$ -
	Hua Nan Kirin Fund	Available-for-sale financial assets	-	-	-	-	9,610	110,000	9,610	110,120	110,000	120	-	-
	Capital Income Fund	Available-for-sale financial assets	-	-	1,951	30,000	9,097	140,000	11,048	170,179	170,000	179	-	-

TABLE 4

TXC CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
TXC Corporation	Land	2009.05.31	$ 449,281	Full payment	Zhi Qin Company	-	-	-	-	$ -	Market value	Operating purpose	-

TABLE 5

TXC CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms (Note)	Unit Price	Payment Terms	Ending Balance	% to Total	
TXC Corporation	NGB	Subsidiary	Purchase	$ 1,365,313	33		Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.	-	$ (315,932)	(33)	

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

TABLE 6

TXC CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 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 Year	Allowance for Bad Debts
					Amounts	Action Taken		
NGB	TXC Corporation	Ultimate parent	$ 315,932	5.09	$ -	-	$ 301,242	$ -

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2009	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	$ 2,129,467	$ 363,243	$ 360,839	Difference from upstream transactions $2,404 thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 US$ 300	9,879 US$ 300	300	100	11,297	(152)	(152)	
	TXC Japan Corporation	Japan	Marketing activities	6,172 JPY 21,000	6,172 JPY 21,000	2	100	11,453	6,389	6,389	
TCTI	GPT	B.V.I.	National trading	1,691 US$ 50	1,691 US$ 50	50	100	124,065 US$ 3,884	21,896 US$ 663	21,896 US$ 663	
	NGB	Ningbo	Manufacture and sales of electronics products	1,244,699 US$ 37,835	1,244,699 US$ 37,835	US$ 37,835	100	2,007,929 US$ 62,866	332,212 US$ 10,055	332,212 US$ 10,055	
NGB	TXC (HK) Limited	Hong Kong	National trading	846 HK$ 200	846 HK$ 200	HK$ 200	100	6,079 RMB 1,299	5,310 RMB 1,098	5,310 RMB 1,098	

TABLE 8

TXC CORPORATION

DERIVATIVE TRANSACTIONS OF INVESTEES OVER WHICH THE CORPORATION HAS A CONTROLLING INTEREST
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars or U.S. Dollars)

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

Outstanding forward contracts as of December 31, 2009:

	Currency	Maturity	Contract Amount (In Thousands)
December 31, 2009			
Sell	USD/RMB	May 5, 2010	US$12,500/RMB85,247
	USD/JPY	April 22, 2010	JPY100,000/US$1,098

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars or 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, 2009 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2009 (US$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized (Note)	Carrying Amount as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 31, 2009
					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	$ 332,212 US$ 10,055	$ 2,007,929 US$ 62,866	$ 256,146 US$ 7,897

Note: Calculation was based on audited financial statements.

Accumulated Investment in Mainland China as of December 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	$ 1,365,313	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	$ (315,932)	33	$ (8,882)
		Sale	86,099	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	27,138	2	(263)

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.

SCHEDULE 1

TXC CORPORATION

CASH AND CASH EQUIVALENTS
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars, and Foreign Currency)

Item		Amount
Cash		
Petty cash		$ 100
Cash on hand	Including US$22 thousand @32.03; JPY1,225 thousand @0.3476; HK$14 thousand @4.1302; EUR€0.7 thousand @46.1488, and RMB14 thousand @4.6918 and SGD$0.3 thousand @22.8753, KRW150 thousand @0.0275	1,266
Cash in banks		
Checking deposits		274,400
Foreign-currency deposits	Including US$5,575 thousand @32.03; JPY178,883 thousand @0.3476; and HK$265 thousand @4.1302	241,834
Time deposits	Due date 2009.10.14-2010.06.14, interest rate at 0.555%-0.78%	220,500
Cash equivalents		
Repurchase agreements collateralized by bonds	Due date 2009.12.23-2010.01.12, interest rate at 0.32%-0.38%	315,000
		$ 1,053,100

SCHEDULE 2

TXC CORPORATION

ACCOUNTS RECEIVABLE
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Related parties		
NGB		$ 27,138
Tai-Shing		5,597
TXC Technology Inc.		486
TXC (HK) Limited		3,836
		37,057
Less allowance for doubtful accounts		(45)
		37,012
Third parties		
C		
A		190,969
E		116,597
D		113,382
Others (Note)		112,403
		1,556,599
Less allowance for doubtful accounts		2,089,950
		(15,160)
		2,074,790
		$ 2,111,802

Note: Each of the accounts was less than 5% of the total account balance.

SCHEDULE 3

TXC CORPORATION

INVENTORIES
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Explanation	Cost	Market Value (Note)
Raw materials		$ 135,328	$ 131,744
Supplies and spare parts		58,456	56,292
Work in process		155,771	154,073
Finished goods		221,278	194,203
Merchandise		159,139	155,592
Goods in transit		17,470	17,470
		747,442	709,374
Less allowance for loss		(38,068)	-
		$ 709,374	$ 709,374

Note: The market value is based on net realizable value.

TXC CORPORATION

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars and Shares)

	Beginning Balance		Increase		Decrease		Equity in Investees	Ending Balance			Market Price or Net Asset Value		Valuation	Pledge or
	Shares	Amount	Shares	Amount	Shares	Amount	Gain (Loss)	Shares	% of Ownership	Amount	Unit Price	Amount	Method	Security
Not listed company														
Taiwan Crystal Technology International Ltd.	37,835	$ 1,882,582	-	$ -	-	$ 113,954	$ 360,839	37,835	100	$ 2,129,467	-	$ 2,138,350	Equity method	None
TXC Technology Inc.	300	11,761	-	-	-	312	(152)	300	100	11,297	-	11,297	Equity method	None
TXC Japan Corporation	2.1	5,398	-	-	-	334	6,389	2.1	100	11,453	-	11,453	Equity method	None
		$ 1,899,741		$ -		$ 114,600	$ 367,076			$ 2,152,217		$ 2,161,100		

Note: The financial statements used as basis for calculating the above equity-method investments were audited, except for TXC Technology Inc. and TXC Japan Corporation.

SCHEDULE 5

TXC CORPORATION

CHANGES IN PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Beginning Balance	Changes for the Period			Ending Balance	Pledge or Security
		Increase	Decrease	Reclassification		
Cost						
Land	$ 273,496	$ -	$ -	$ -	$ 273,496	Note 26
Land improvements	593	-	-	-	593	
Buildings	611,579	75,634	15,586	384,386	1,056,013	Note 26
Machinery equipment	2,963,491	252,562	226,952	(57,351)	2,931,750	
Transportation equipment	2,557	-	-	-	2,557	
Miscellaneous equipment	108,676	9,416	4,073	123	114,142	
Prepayments for equipment	27,622	-	-	(163)	27,459	
Construction in progress	384,386	-	-	(384,386)	-	
	$ 4,372,400	$ 337,612	$ 246,611	$ (57,391)	$ 4,406,010	
Revaluation increment						
Land - revaluation increment	$ 8,954	$ -	$ -	$ -	$ 8,954	
Accumulated depreciation						
Land improvements	$ 444	$ 25	$ -	$ -	$ 469	
Buildings	193,683	56,057	13,435	-	236,305	
Machinery equipment	1,522,794	536,728	167,705	(45,209)	1,846,608	
Transportation equipment	2,199	171	-	-	2,370	
Miscellaneous equipment	69,640	15,509	3,884	123	81,388	
	$ 1,788,760	$ 608,490	$ 185,024	$ (45,086)	$ 2,167,140	

SCHEDULE 6

TXC CORPORATION

SHORT-TERM LOANS
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Creditor	Nature of Loan	Amount	Due Date	Interest Rate %	Pledge or Security
DBS Bank	Usance letter of credit	$ 30,973	Six months	1.10-1.22	
Land Bank	Usance letter of credit	15,990	Six months	1.15	
Bank of Taiwan	Usance letter of credit	282,756	Six months	1.031-1.536	Note 26
RBS Bank	Working capital loans	86,481	Six months	0.74	
		$ 416,200			

SCHEDULE 7

TXC CORPORATION

ACCOUNTS PAYABLE
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Related parties		
NGB		$ 315,932
TXC (HK) Ltd.		2,563
TXC Japan Corporation		729
Tai-Shing		733
		319,957
Third parties		
Tangshan Jingyu		
ZHEJIANG EAST		123,807
KYOCERA		122,637
Others (Note)		83,521
		330,570
		660,535
		$ 980,492

Note: Each of the accounts was less than 5% of the total account balance.

SCHEDULE 8

TXC CORPORATION

BONDS PAYABLE
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Bond Type	Trustees	Date of Issuance	Payment Terms	Interest Rate	Amount: Issuance Amount	Amount: Conversion	Amount: Redemption	Amount: Ending Balance	Amount: Unamortized Premium (Discount)	Amount: Carrying Value	Repayment Method	Securities
2nd unsecured domestic convertible bonds	Chinatrust	2006.11.08	-	-	$ 800,000	$ 708,200	$ 87,900	$ 3,900	$ 189	$ 3,711	Note 15	None
Add: Liability component of convertible bonds - noncurrent										331		
										$ 4,042		

SCHEDULE 9

TXC CORPORATION

LONG-TERM LOANS
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

	Repayment Period	Repayment Method	Interest Rate %	Amount Current Portion	Amount Noncurrent Portion	Amount Total Amount	Pledge or Security
Bank of Taiwan	2008.08.25-2013.08.25	Repayable in quarterly installment	0.994	$ 12,000	$ 33,000	$ 45,000	Note 26
〃	2009.04.24-2013.07.24	〃	0.994	7,000	19,250	26,250	Note 26
〃	2008.07.30-2013.07.24	〃	0.994	25,500	70,125	95,625	Note 26
〃	2008.08.25-2013.07.24	〃	0.994	13,750	37,812	51,562	
〃	2008.10.02-2013.07.24	〃	0.994	19,000	52,250	71,250	
China Trust	2009.09.14-2011.03.16	Repayable at maturity	0.998	-	180,000	180,000	
Taishin Bank	2009.08.11-2011.06.12	Repayable at maturity	0.970	-	100,000	100,000	
	2008.09.11-2010.09.11	〃	0.950	100,000	-	100,000	
Taipei Fubon Bank	2009.12.15-2011.10.27	〃	0.900	-	50,000	50,000	
Land Bank	2009.09.25-2011.06.01	〃	1.030	-	50,000	50,000	
HUA NAN Bank	2009.11.02-2011.09.16	〃	0.900	-	100,000	100,000	
				$ 177,250	$ 692,437	$ 869,687	

SCHEDULE 10

TXC CORPORATION

OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Amount
Mirco-electronics	$ 5,854,722
Electronic components	759,768
	6,614,490
Less sales returns	(22,423)
Less sales allowances	(34,951)
	$ 6,557,116

SCHEDULE 11

TXC CORPORATION

COST OF SALES
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Amount
Direct materials	
Beginning materials	$ 194,286
Add: Material purchase	778,238
Less: Adjustment items	(4,582)
Ending materials	(193,784)
	774,158
Direct labor	185,195
Overhead	823,098
Manufacturing cost	1,782,451
Beginning work in process	156,810
Add: Purchases	37,075
Add: Adjustment items	59,291
Ending work in process	(155,771)
	1,879,856
Finished goods cost	220,783
Beginning finished goods	1,907
Add: Adjustment items	30,658
Ending finished goods	(221,278)
Production cost	1,911,926
Beginning merchandise inventory	140,510
Add: Purchase	3,317,353
Add: Adjustment items	80,254
Ending merchandise inventory	(159,139)
	3,378,978
	$ 5,290,904

TXC CORPORATION

OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Explanation	Sales and Marketing	General and Administration	Research and Development
Salary		$ 56,306	$ 70,562	$ 98,739
Labor expense		382	19,770	1,668
Allowance for entertainment		22,122	5,269	422
Depreciation		972	13,294	100,122
Research expense		-	-	33,693
Commission		52,573	-	-
Export expense		41,511	-	-
Others		142,563	31,912	23,913
		$ 316,429	$ 140,807	$ 258,557

D. Consolidated Financial Statement for the Parent Company and its Subsidiaries for the most recent year, Certified by a CPA

TXC Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors' Report

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of TXC Corporation as of and for the year ended December 31, 2009, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TXC Corporation and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TXC CORPORATION

By

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PAUL LIN
Chairman

March 8, 2010

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying consolidated balance sheets of TXC Corporation and subsidiaries (the "Corporation") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the consolidated financial statements, on January 1, 2009, the Corporation adopted the newly revised SFAS No. 1 "Accounting for Inventories".

As stated in Note 3 to the consolidated financial statements, the Accounting Research and Development Foundation (ARDF) issued Interpretation 2007-052, that required companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriation from earnings.

March 8, 2010

Notice to Readers

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

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009		2008	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,566,608	17	$ 842,805	10
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	1,621	-	28,878	-
Available-for-sale financial assets - current (Notes 2 and 6)	-	-	120,049	2
Notes receivable, net (Notes 2 and 7)	2,279	-	39,709	1
Accounts receivable, net (Notes 2, 7 and 24)	2,465,921	26	2,222,426	25
Other receivable	172,366	2	17,693	-
Inventories, net (Notes 2 and 8)	836,512	9	902,447	10
Other current assets (Notes 2 and 20)	129,871	1	94,400	1
Total current assets	5,175,178	55	4,268,407	49
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	3,000	-	3,000	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 25)				
Cost				
Land	273,496	3	273,496	3
Land improvements	593	-	593	-
Buildings	1,490,449	16	1,165,060	13
Machinery and equipment	4,859,927	51	4,660,747	53
Transportation equipment	13,024	-	11,647	-
Miscellaneous equipment	185,453	2	184,679	2
Land - revaluation increment	8,954	-	8,954	-
	6,831,896	72	6,305,176	71
Less accumulated depreciation	(2,829,720)	(30)	(2,284,177)	(26)
Construction-in-progress and prepayments for equipment	107,636	1	417,825	5
Property, plant and equipment, net	4,109,812	43	4,438,824	50
INTANGIBLE ASSETS				
Land right (Note 25)	16,547	-	17,395	-
Deferred pension cost (Notes 2 and 17)	7,947	-	7,947	-
Other	789	-	825	-
Total intangible assets	25,283	-	26,167	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 11)	116,818	1	7,215	-
Idle assets (Notes 2 and 11)	2,941	-	3,336	-
Refundable deposits	5,290	-	5,205	-
Deferred charges	26,392	1	21,124	-
Deferred income tax assets - noncurrent (Notes 2 and 20)	-	-	27,981	1
Total other assets	151,441	2	64,861	1
TOTAL	$ 9,464,714	100	$ 8,801,259	100

	2009		2008	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 12)	$ 581,154	6	$ 612,499	7
Short-term bills payable (Note 13)	-	-	100,000	1
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	782	-	-	-
Notes payable (Note 24)	52,711	1	40,494	1
Accounts payable (Note 24)	1,211,113	13	706,742	8
Income tax payable (Note 20)	79,288	1	65,048	1
Accrued expenses (Notes 16 and 24)	392,091	4	359,724	4
Liability component of convertible bonds - current (Notes 2 and 14)	331	-	-	-
Bonds payable - current portion (Notes 2 and 14)	3,711	-	-	-
Current portion of long-term loans (Note 16)	225,295	2	119,273	1
Other current liabilities	19,427	-	22,908	-
Total current liabilities	2,565,903	27	2,026,688	23
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 14)	-	-	49,685	1
Long-term debt (Note 15)	892,625	9	1,086,472	12
Liability component of convertible bonds - noncurrent (Notes 2 and 14)	-	-	4,556	-
Total long-term liabilities	892,625	9	1,140,713	13
RESERVES				
Reserve for land value increment tax (Notes 2 and 10)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	8,618	-	5,032	-
Deferred tax liability - noncurrent (Notes 2 and 20)	73,128	1	-	-
Total other liabilities	81,746	1	5,032	-
Total liabilities	3,543,786	37	3,175,945	36
STOCKHOLDERS' EQUITY (Note 18)				
Capital stock				
Common stock	2,873,409	31	2,716,981	31
Advance receipts for common stock	13,863	-	-	-
Total capital stock	2,887,272	31	2,716,981	31
Capital surplus	1,168,416	12	1,092,215	13
Retained earnings				
Legal reserve	447,198	5	352,016	4
Unappropriated earnings	1,371,460	14	1,356,164	15
Total retained earnings	1,818,658	19	1,708,180	19
Other equity (Note 2)				
Cumulative translation adjustments	168,373	2	229,680	3
Unrealized gains on financial instruments	-	-	49	-
Unrealized revaluation increment	5,442	-	5,442	-
Treasury stock	(127,233)	(1)	(127,233)	(2)
Total other equity	46,582	1	107,938	1
Total stockholders' equity	5,920,928	63	5,625,314	64
TOTAL	$ 9,464,714	100	$ 8,801,259	100

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

(With Deloitte & Touche audit report dated March 8, 2010)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 2)	$ 7,787,188	101	$ 7,432,999	101
LESS: SALES RETURNS	(22,423)	-	(20,914)	-
LESS: SALES ALLOWANCES	(37,241)	(1)	(50,434)	(1)
NET OPERATING REVENUE	7,727,524	100	7,361,651	100
OPERATING COSTS	5,823,114	75	5,345,864	73
GROSS PROFIT	1,904,410	25	2,015,787	27
OPERATING EXPENSES				
Selling expenses	350,553	5	375,285	5
General and administrative expenses	233,871	3	220,607	3
Research and development expenses	316,011	4	317,353	4
Total operating expenses	900,435	12	913,245	12
OPERATING INCOME	1,003,975	13	1,102,542	15
NONOPERATING INCOME AND GAINS				
Interest income	5,435	-	13,648	-
Gain on disposal of property, plant and equipment	2,017	-	124	-
Gain on sale of investments	3,221	-	-	-
Exchange gain	258,297	3	459,356	6
Valuation gain on financial assets, net	1,621	-	24,552	-
Valuation gain on financial liabilities, net	-	-	2,279	-
Miscellaneous income	27,415	1	30,867	1
Total nonoperating income and gains	298,006	4	530,826	7
NONOPERATING EXPENSES AND LOSSES				
Interest expense	30,539	1	38,203	1
Loss on disposal of property, plant and equipment	10,112	-	5,531	-
Loss on sale of investments, net	-	-	1,546	-
Exchange losses	260,125	4	520,500	7
Impairment loss	11,364	-	4,252	-
Valuation loss on financial liabilities	806	-	-	-
Miscellaneous expenses	20,600	-	7,447	-
Total nonoperating expenses and losses	333,546	5	577,479	8

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 968,435	12	$ 1,055,889	14
INCOME TAX EXPENSE (Notes 2 and 20)	(186,212)	(2)	(104,072)	(1)
NET INCOME	$ 782,223	10	$ 951,817	13

	2009		2008	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
CONSOLIDATED EARNINGS PER SHARE (Note 21)				
Basic	$ 3.40	$ 2.75	$ 3.73	$ 3.36
Diluted	$ 3.38	$ 2.73	$ 3.68	$ 3.31

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

(With Deloitte & Touche audit report dated March 8, 2010) (Concluded)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings		Others Equity				
						Unrealized	Unrealized Gain	Cumulative		
	Capital Stock	Advance Receipts for Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Revaluation Increment	(Loss) on Financial Instruments	Translation Adjustments	Treasury Stock	Total
BALANCE, JANUARY 1, 2008	$ 2,402,435	$ 13,091	$ 1,014,499	$ 238,045	$ 1,331,819	$ 5,442	$ 462	$ 111,374	$ -	$ 5,117,167
Appropriation of 2007 earnings										
Legal reserve	-	-	-	113,971	(113,971)	-	-	-	-	-
Stock dividends	238,627	-	-	-	(238,627)	-	-	-	-	-
Cash dividends	-	-	-	-	(477,254)	-	-	-	-	(477,254)
Bonus to directors and supervisors	-	-	-	-	(16,270)	-	-	-	-	(16,270)
Bonus to employees - (including $40,675 thousand paid in stock)	40,675	-	-	-	(81,350)	-	-	-	-	(40,675)
Conversion of convertible bonds	35,244	(13,091)	-	-	-	-	-	-	-	22,153
Equity component of convertible bonds	-	-	77,716	-	-	-	-	-	-	77,716
Net income for the year ended December 31, 2008	-	-	-	-	951,817	-	-	-	-	951,817
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(413)	-	-	(413)
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	118,306	-	118,306
Acquisition of treasury stock - 3,000 thousand shares	-	-	-	-	-	-	-	-	(127,233)	(127,233)
BALANCE, DECEMBER 31, 2008	2,716,981	-	1,092,215	352,016	1,356,164	5,442	49	229,680	(127,233)	5,625,314
Appropriation of 2008 earnings										
Legal reserve	-	-	-	95,182	(95,182)	-	-	-	-	-
Stock dividends	134,349	-	-	-	(134,349)	-	-	-	-	-
Cash dividends	-	-	-	-	(537,396)	-	-	-	-	(537,396)
Bonus to employees	21,795	-	38,904	-	-	-	-	-	-	60,699
Conversion of convertible bonds	284	13,863	37,297	-	-	-	-	-	-	51,444
Net income for the year ended December 31, 2009	-	-	-	-	782,223	-	-	-	-	782,223
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(49)	-	-	(49)
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(61,307)	-	(61,307)
BALANCE, DECEMBER 31, 2009	$ 2,873,409	$ 13,863	$ 1,168,416	$ 447,198	$ 1,371,460	$ 5,442	$ -	$ 168,373	$ (127,233)	$ 5,920,928

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

(With Deloitte & Touche audit report dated March 8, 2010)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 782,223	$ 951,817
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	809,844	689,908
Nonoperating loss - idle assets and lease assets	18,324	2,470
Amortization	17,079	46,663
Provision for doubtful accounts	625	2,407
Provision for loss on inventories	34,709	23,845
Loss on physical inventory	224	565
(Gain) loss on sale of investments	(3,221)	1,546
Loss on disposal of property, plant and equipment	8,095	5,407
Valuation gain on financial instruments, net	(815)	(26,831)
Impairment loss	11,364	4,252
Discount on bonds payable	1,245	4,746
Deferred income tax	69,729	32,630
Net changes in operating assets and liabilities		
Notes receivable	37,620	(27,118)
Accounts receivable	(244,310)	(23,715)
Inventories	31,002	(180,185)
Other receivable	(154,673)	-
Other current assets	(4,092)	24,868
Notes payable	12,217	(28,279)
Accounts payable	504,371	(273,359)
Accrued expenses	93,066	105,952
Income tax payable	14,240	(18,901)
Other current liabilities	(3,480)	(18,365)
Net cash provided by operating activities	2,035,386	1,300,323
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments as at fair value through profit or loss	30,904	(14,624)
Acquisitions of available-for-sale financial assets	(860,000)	(210,000)
Proceeds from disposal of available-for-sale financial assets	981,194	180,906
Acquisitions of property, plant and equipment	(673,990)	(1,799,985)
Increase in intangible assets	(167)	-
Proceeds from disposal of property, plant and equipment	5,034	1,302
(Increase) decrease in refundable deposits	(85)	3,878
Increase in deferred charges	(21,972)	(36,871)
Net cash used in investing activities	(539,082)	(1,875,394)

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	$ (31,345)	$ 127,898
(Decrease) increase in short-term bill payable	(100,000)	100,000
Redemption of convertible bonds	-	(87,900)
Increase (decrease) in guarantee deposits received	3,586	(573)
(Decrease) increase in long-term loans	(87,825)	807,563
Cash bonus to directors and supervisors	-	(56,945)
Cash dividends	(537,396)	(477,254)
Cash paid for acquisition of treasury stock	-	(127,233)
Net cash (used in) provided by financing activities	(752,980)	285,556
EFFECT OF EXCHANGE RATE CHANGES	(19,521)	(12,144)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	723,803	(301,659)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	842,805	1,144,464
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,566,608	$ 842,805
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest $2,402 thousand and $15,167 thousand)	$ 32,267	$ 58,241
Income tax paid	$ 123,413	$ 90,462
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	$ 49,800	$ 99,000

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

(With Deloitte & Touche audit report dated March 8, 2010) (Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

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

As of December 31, 2009 and 2008, the Corporation had 2,115 and 1,718 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

Investor	Investee	Business Nature	Percentage of Ownership at December 31 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%
TXC (NGB) Corporation	TXC (HK) Limited	International trading	100%	100%

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

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

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

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

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

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

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

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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

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

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: 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 the same with 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 are 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.

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 instrument with no quoted price in an active market and with fair value 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 on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Property, Plant and Equipment

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

Depreciation is provided on a straight-line basis over the estimated useful lives as follow: buildings - 3 to 60 years; machinery and equipment - 3 to 10 years; transportation equipment - 2 to 5 years; miscellaneous equipment - 2 to 8 years.

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

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

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, idle assets, leased assets 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 remaining loss is charged to earning.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is first recognized as gains to the extent that an impairment loss on the same revalued asset was previously charged to earnings.

Stock-based Compensation

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

Pension Cost

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

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

Convertible Bonds

For convertible bonds issued on or after January 1, 2006, the Corporation first determines the carrying amount of the liability component by measuring the fair value of a similar liability 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 embedded derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, the Corporation uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.

Treasury Stock

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

Income Tax

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

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

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

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

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

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

Foreign Currencies

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

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

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

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

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

Reclassifications

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

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 $24,410 thousand to cost of goods sold for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2009	**2008**
Cash on hand	$ 1,682	$ 2,097
Checking accounts and demand deposits	1,029,426	681,309
Time deposits	220,500	69,399
Cash equivalents		
Repurchase agreements collateralized by bonds	315,000	90,000
	$ 1,566,608	$ 842,805

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2009	**2008**
Financial assets at FVTPL		
Convertible bonds	$ -	$ 4,025
Forward exchange contracts	$ 1,621	$ 24,853
Financial liabilities at FVTPL		
Forward exchange contracts	$ 782	$ -

The Corporation entered into derivative contracts during the years ended December 31, 2009 and 2008 to manage exposures due to exchange rate. The financial risk management objective of the Corporation is to minimize risks due to change in fair value or cash flows.

Outstanding forward contracts as of December 31, 2009 and 2008 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2009			
Sell	USD/NTD	March 26, 2010	US$48,500/NT$1,568,248
Sell	USD/JPY	April 28, 2010	US$5,500/JPY498,356
Sell	NTD/JPY	April 23, 2010	NTD417,294/JPY1,170,000
Sell	USD/RMB	May 5, 2010	US$12,500/RMB85,247
Sell	JPY/USD	April 22, 2010	JPY100,000/US$1,098
December 31, 2008			
Sell	USD/NTD	March 17, 2009	US$27,500/NT$902,742
Sell	USD/JPY	March 11, 2009	US$10,750/JPY1,038,055
Sell	USD/RMB	March 26, 2009	US$5,000/RMB34,233

Net gains on financial instrument held for trading for the year ended December 31, 2009 was $1,129 thousand. Net loss on financial instrument held for trading for the years ended December 31, 2008 was $3,677 thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2009	2008
Mutual funds	$ -	$ 120,049

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2009	2008
Notes receivable, third parties	$ 2,289	$ 39,909
Notes receivable, related parties	-	-
	2,289	39,909
Less: Allowance for doubtful accounts	(10)	(200)
	$ 2,279	$ 39,709
Accounts receivable, third parties	$ 2,481,010	$ 2,239,156
Accounts receivable, related parties	5,597	3,299
	2,486,607	2,242,455
Less: Allowance for doubtful accounts	(20,686)	(20,029)
	$ 2,465,921	$ 2,222,426

Movements of allowance for doubtful accounts were as follows:

	Years Ended December 31			
	2009		2008	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of year	$ 200	$ 20,029	$ 64	$ 17,544
Add (deduct): Effect of exchange rate changes	-	(158)	-	214
Add (deduct): Provision (reversal of provision) for doubtful accounts	(190)	815	136	2,271
Balance, end of year	$ 10	$ 20,686	$ 200	$ 20,029

8. INVENTORIES

	December 31	
	2009	2008
Raw materials	$ 188,972	$ 259,533
Supplies and spare parts	64,951	43,305
Work in process	192,280	199,664
Finished goods	220,844	244,054
Merchandise	153,668	131,315
Goods in transit	15,797	24,576
	$ 836,512	$ 902,447

As of December 31, 2009 and 2008, the allowance for inventory devaluation was $44,444 thousand and $38,193 thousand, respectively.

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2009 and 2008 was $5,823,114 thousand and $5,345,864 thousand, respectively, which included $34,933 thousand and $24,410 thousand, respectively, due to write-downs of inventories.

9. FINANCIAL ASSETS CARRIED AT COST

	December 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 value could not be reliably measured, were carried at cost.

10. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2009			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	469	124
Buildings	1,490,449	-	301,803	1,188,646
Machinery and equipment	4,859,927	-	2,401,134	2,458,793
Transportation equipment	13,024	-	6,239	6,785
Miscellaneous equipment	185,453	-	120,075	65,378
Prepayments for equipment	102,360	-	-	102,360
Construction in progress	5,276	-	-	5,276
	$ 6,930,578	$ 8,954	$ 2,829,720	$ 4,109,812

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

Information about capitalized interest was as follows:

	Years Ended December 31	
	2009	2008
Capitalized interest	$ 2,402	$ 15,169
Capitalization rates	1.45%	2.51%-6.02%

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

See Note 25 for collateral on loans.

11. OTHER ASSETS

Leased to Others

	December 31, 2009		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	122,455	(8,239)	114,216
	$ 125,057	$ (8,239)	$ 116,818

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

Future rental payments receivable were summarized as follows:

Year	Amount
2010	$ 4,475
2011	3,650
2012	238

As of December 31, 2009, the Corporation had received deposits of $270 thousand. The interest on these deposits of $4 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the year ended December 31, 2009.

Idle Assets

	December 31, 2009		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	5,562	4,874	688
Machinery and equipment	25,811	25,811	-
	$ 33,626	$ 30,685	$ 2,941

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

Impairment loss was as follows:

	December 31, 2009	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Impairment loss		
Machinery and equipment	$ 11,364	$ -

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

The Corporation recognized an impairment loss of $11,364 thousand and $4,252 thousand in 2009 and 2008, respectively, because of a decrease in cash inflow from the use of the related machinery and resulted in recoverable amount of the machine being lower than its carrying amount.

12. SHORT-TERM LOANS

	December 31	
	2009	2008
Usance letters of credit	$ 329,719	$ 156,543
Working capital loans	251,435	455,956
	$ 581,154	$ 612,499

a. Usance letters of credit amounted to JPY926,095 thousand and US$244 thousand as of December 31, 2009 and JPY431,366 thousand as of December 31, 2008. Interest rates ranged from 1.031% to 1.536% and from 1.303% to 2.11% at December 31, 2009 and 2008, respectively.

b. Working capital loans amounted to US$7,850 thousand as of December 31, 2009 and US$8,000 thousand and RMB40,000 thousand as of December 31, 2008. Interest rates for working capital loans ranged from 0.74% to 2.8% and from 3.79% to 6.44% at December 31, 2009 and 2008, respectively.

See Note 25 for collateral on short-term loans.

13. SHORT-TERM BILLS PAYABLE

	December 31			
	2009		2008	
	Interest Rate	Amount	Interest Rate	Amount
Commercial paper	-	$ -	2.50	$ 100,000
Less: Unamortized discount on bills payable		-	-	-
		$ -		$ 100,000

14. BONDS PAYABLE

	December 31	
	2009	2008
Second unsecured domestic convertible bonds	$ 3,900	$ 53,700
Less: Discount on bonds payable	(189)	(4,015)
Less: Current portion	(3,711)	-
	$ -	$ 49,685
Liability component of unsecured domestic convertible bonds	$ 331	$ 4,556

Second Unsecured Domestic Convertible Bonds

On November 8, 2006, the Corporation issued second unsecured domestic convertible bonds with an aggregate value of $800,000 thousand and maturity on November 8, 2011. Nominal interest is 0%. As of December 31, 2009, bonds with a face value of $708,200 thousand had been converted into 15,035 thousand common shares. Before the third anniversary of the issuance date, the Corporation redeem the bonds from holders at contracted price of $87,900 thousand. According to Statement of Financial Accounting Standards No. 36, “Disclosure and Presentation of Financial Instruments,” these unsecured domestic convertible bonds were separated into convertible options, equity (Note 18), and bonds payable, liability. Other details of the bond issuance are summarized as follows:

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

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

c. During the period between one month after issuance and the 40th day before maturity, the Corporation can redeem the bonds from holders at contracted price.

d. During the period between one month after issuance and the 10th day before maturity, except for the period between the ex-dividend date and the date of record, holders can request for conversion of the bonds to the Corporation’s common stock.

e. The original conversion price per share is $52.00. The conversion price is subject to adjustment based on a certain formula if there are changes in outstanding shares or execution of conversion below market price. The conversion price per share is $35.2 on December 31, 2009.

15. LONG-TERM LOANS

Nature of Loans	Repayment Period	December 31 2009	December 31 2008
Secured bank loans	Maturity on May 4, 2021, repayable in 55 quarterly installments from November 2007	$ -	$ 90,909
Unsecured bank loans	Repayable at maturity on August 14, 2009	-	100,000
Secured bank loans	Maturity on July 24, 2013, repayable in 20 quarterly installments from November 2008	244,687	233,000
Secured bank loans	Maturity on August 25, 2013, repayable in quarterly installments from November 2008	45,000	57,000

(Continued)

Nature of Loans	Repayment Period	December 31 2009	December 31 2008
Unsecured bank loans	Repayable at maturity on September 11, 2010	$ 100,000	$ 100,000
Unsecured bank loans	Repayable at maturity on September 12, 2010	-	150,000
Unsecured bank loans	Repayable at maturity on November 20, 2010	-	100,000
Unsecured bank loans	Repayable at maturity on November 28, 2010	-	200,000
Unsecured bank loans	Repayable at maturity on March 16, 2011	180,000	-
Unsecured bank loans	Repayable at maturity on June 1, 2011	50,000	-
Unsecured bank loans	Repayable at maturity on September 16, 2011	100,000	-
Unsecured bank loans	Repayable at maturity on October 27, 2011	50,000	-
Unsecured bank loans	Repayable at maturity on June 12, 2011	100,000	-
Unsecured bank loans	Maturity on June 9, 2011, repayable in three monthly installments	72,068	98,744
Unsecured bank loans	Repayable at maturity on February 27, 2011	64,060	-
Unsecured bank loans	Repayable at maturity on March 30, 2011	80,075	-
Unsecured bank loans	Repayable at maturity on February 27, 2011	32,030	-
Mortgage loans	Repayable at maturity on January 18, 2010	-	76,092
Less current portion		(225,295)	(119,273)
		$ 892,625	$ 1,086,472
Interest rate (%)		0.9-2.66	1.835-5.40

(Concluded)

See Notes 25 for collateral on long-term loans.

16. ACCRUED EXPENSES

	December 31 2009	December 31 2008
Payroll	$ 43,985	$ 36,160
Bonus	114,470	79,525
Bonus to employees, directors and supervisors	77,368	139,123
Commission	65,095	44,291
Others	91,173	60,625
	$ 392,091	$ 359,724

17. PENSION PLANS

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at not less than 6% of monthly salaries and wages. Such pension costs were $18,634 thousand and $18,761 thousand for the years ended December 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 in the committee's name. The Corporation recognized pension costs of $3,664 thousand and $4,186 thousand for the years ended December 31, 2009 and 2008, respectively.

Information about the defined benefit plan was as follows:

a. Components of net yearic pension cost

	Years Ended December 31	
	2009	2008
Service cost	$ 2,081	$ 2,208
Interest cost	1,508	1,569
Projected return on plan assets	(1,471)	(1,470)
Amortization	2,269	1,924
Net yearic pension cost	$ 4,387	$ 4,231

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2009 and 2008

	December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation	$ (7,010)	$ (2,705)
Non-vested benefit obligation	(51,552)	(43,421)
Accumulated benefit obligation	(58,562)	(46,126)
Additional benefit based on future salaries	(17,711)	(18,588)
Projected benefit obligation	(76,273)	(64,714)
Fair value of plan assets	59,334	61,343
Funded status	(16,939)	(3,371)
Unrecognized net transitional obligation	-	41
Unrecognized net loss	27,549	14,663
Accrued pension cost	$ 10,610	$ 11,333
Vested benefit	$ (7,945)	$ (3,082)

c. Actuarial assumptions as of December 31, 2009 and 2008:

	December 31	
	2009	2008
Discount rate used in determining present values	2.00%	2.75%
Future salary increase rate	2.25%	2.50%
Expected rate of return on plan assets	2.00%	2.75%

	Years Ended December 31	
	2009	2008
d. Contributions to the fund	$ 3,664	$ 4,186
e. Payments from the fund	$ 6,057	$ 4,185

18. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $4,000,000 thousand and $3,500,000 thousand at December 31, 2009 and 2008 ($10.00 par value per share). As of December 31, 2009 and 2008, the Corporation's issued capital stock were $2,873,409 thousand and $2,716,981 thousand, respectively, divided into 287,341 thousand shares and 271,698 thousand shares, respectively, 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:

	Years Ended December 31			
	2009		2008	
Employee Stock Options	Number of Options	Weighted Average Exercise Price (NT$)	Number of Options	Weighted Average Exercise Price (NT$)
Balance, beginning of year	8,000	$50.7	8,000	$58.8
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited	(415)	-	-	-
Balance, end of year	7,585	45.4	8,000	50.7
Options exercisable, end of year	4,000	45.4	-	

Information about outstanding and exercisable options as of December 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$)
$58.8-$45.4	8,000	2.94	$ 45.4	4,000	$ 45.4

The pro forma information for the years ended December 31, 2009 and 2008 assuming employee stock options granted before January 1, 2007 were accounted for under SFAS No. 39 was as follows:

	2009	2008
Net income	$ 703,939	$ 866,417
After income tax basic earnings per share (NT$)	$2.47	$3.24

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

Capital surplus comprised of the following

	December 31	
	2009	2008
Arising from issuance of common shares	$ 329,152	$ 290,248
Arising from conversion of bonds	776,646	736,879
Arising from treasury stock transactions	4,360	4,360
Employee stock options	58,064	58,064
Conversion options	194	2,664
	$ 1,168,416	$ 1,092,215

Appropriation of Earnings and Dividend Policy

Under and the Corporation's Articles of Incorporation, the Corporation should make appropriation from 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.

For the years ended December 31, 2009 and 2008, the bonus to employees was $70,335 thousand and $122,755 thousand, respectively, and the remuneration to directors and supervisors was $7,033 thousand and $16,368 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 10% and 15%; 1% and 2%, respectively, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative transaction adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve shall be appropriated until it has reached the Corporation's paid-in capital. This reserve may be used to offset a deficit. When legal reserve has reaches 50% of the Corporation's paid-in capital, up to 50% thereof may be transferred to paid in capital.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equals to their proportionate share of the income tax paid by the Corporation.

The appropriation of earnings for 2008 and 2007 had been approved in the stockholders' meeting on June 16, 2009 and June 13, 2008, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Fiscal Year 2008	**For Fiscal Year 2007**	**For Fiscal Year 2008**	**For Fiscal Year 2007**
Legal reserve	$ 95,182	$ 113,971	$ -	$ -
Cash dividends	537,396	477,254	2.0	2.0
Stock dividends	134,349	238,627	0.5	1.0
Bonus to employees - stock	-	40,675	-	-
Bonus to employee - cash	-	40,675	-	-
Bonus to directors and supervisors - cash	-	16,270	-	-

The bonus to employees of $121,398 thousand and the remuneration to directors and supervisors of $16,187 thousand for 2008 were approved in the stockholder's meeting on June 16, 2009. The bonus to employees included a cash bonus of $60,699 thousand and a share bonus of $60,699 thousand. The number of shares of 2,180 thousand was determined by dividing the amount of share bonus by the closing price. (after considering the effect of cash and stock dividends) The approved amounts of the bonus to employees and the remuneration to directors and supervisors were different from the accrual amount of $122,755 thousand and $16,368 thousand, respectively, reflected in the financial statements for the year ended December 31, 2008, and the differences of $(1,357) thousand and $(181) thousand, respectively, resulted from the weighted average number of shares outstanding and had been adjusted in profit for the year ended December 31, 2009.

The Board of Directors set August 30, 2009 as the ex-dividend date.

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

19. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
Year ended December 31, 2009				
For transfer to employees	3,000	-	-	3,000
Year ended December 31, 2008				
For transfer to employees	-	3,000	-	3,000

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

20. INCOME TAX

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

	Years Ended December 31	
	2009	2008
Income tax expense at the 25% statutory rate	$ 227,877	$ 262,609
Tax effect on adjusting items:		
Permanent differences	(1,140)	(683)
Temporary differences	(84,874)	(83,964)
Tax-exempt income for five years	(41,344)	(69,329)
Additional 10% income tax on unappropriated earnings	18,489	21,223
Investment tax credits used	(59,504)	(64,928)
Current income tax expense	59,504	64,928
Subsidiary's income tax	56,885	5,413
Deferred income tax expenses (benefit)		
Temporary difference	56,766	70,479
Investment tax credits	31,499	(37,849)
Adjustment in valuation allowance due to changes in tax laws	(18,536)	
Adjustment for prior years' tax	94	1,101
	$ 186,212	$ 104,072

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Corporation recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.

Deferred income tax assets (liabilities) were as follows:

	2009	2008
Current		
Deferred income tax assets		
Investment tax credits	$ 70,219	$ 42,984
Unrealized allowance for loss on inventories	7,613	8,045
Unrealized exchange losses	5,089	10,992
Unrealized valuation loss on financial instruments	-	244
Unrealized gain on transactions with investees	1,829	2,132
Others	2,296	1,427
	87,046	65,824
Less: Valuation allowance	-	(1,427)
	87,046	64,397
Deferred income tax liabilities		
Unrealized exchange gain	(5,385)	(8,296)
Unrealized valuation gain on financial instrument	(324)	(6,142)
	(5,709)	(14,438)
	$ 81,337	$ 49,959
Noncurrent		
Deferred income tax assets		
Accrued pension cost	$ 265	$ 331
Investment tax credits	70,219	128,953
Impairment loss	2,783	2,644
Others	-	-
	73,267	131,928
Less: Valuation allowance	-	-
	73,267	131,928
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(146,395)	(103,947)
	$ (73,128)	$ 27,981

As of December 31, 2009, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 102,462	$ 63,757	2011-2013
	Research and development expenditures	134,857	75,354	2011-2013
	Personnel training expenditures	1,327	1,327	2011-2013
		$ 238,646	$ 140,438	

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

Expansion of Construction Project	**Tax-Exemption Year**
Acquisition of equipment in 2004	2005 to 2009
Acquisition of equipment in 2005	2010 to 2014
Acquisition of equipment in 2009	Not complete yet

The Corporation's income tax returns through 2005 have been examined and approved by the tax authorities.

Information about integrated income tax was as follows:

	December 31	
	2009	**2008**
Balance of ICA	$ 32,980	$ 32,474

	2009 (Estimate)	**2008 (Actual)**
The creditable ratio for distribution	6.74%	7.26%

	December 31	
	2009	**2008**
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	1,371,460	1,356,164
	$ 1,371,460	$ 1,356,164

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 2009 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

21. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Function / Expense Item	Years Ended December 31					
	2009			2008		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost						
Salary	$422,534	$344,768	$767,302	$457,509	$384,765	$842,273
Insurance	32,366	18,212	50,578	30,046	16,762	46,808
Pension	14,377	11,475	25,852	14,010	11,267	25,277
Meals	14,101	9,932	24,033	15,787	10,181	25,968
Welfare	7,207	9,095	16,302	8,495	10,040	18,535
Others	-	-	-	-	-	-
Depreciation	681,333	128,511	809,844	587,337	102,571	689,908
Amortization	3,473	13,606	17,079	16,397	30,266	46,663

22. EARNINGS PER SHARE (EPS)

	Years Ended December 31			
	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (dollars)				
From continuing operations	$ 3.40	$ 2.75	$ 3.73	$ 3.36
Income for the year	$ 3.40	$ 2.75	$ 3.73	$ 3.36
Diluted earnings per share (dollars)				
From continuing operations	$ 3.38	$ 2.73	$ 3.68	$ 3.31
Income for the year	$ 3.38	$ 2.73	$ 3.68	$ 3.31

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

	Amounts (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Year ended December 31, 2009					
Net income	$ 968,435	$ 782,223			
Basic EPS (NT$)					
Income for the year attributable to common stockholders	$ 968,435	$ 782,223	284,489	$ 3.40	$ 2.75
Effect of dilutive potential common stock					
Bonus to employees	-	-	597		
Convertible bonds	1,247	935	1,350		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 969,682	$ 783,158	286,436	$ 3.38	$ 2.73
Year ended December 31, 2008					
Net income	$ 1,055,889	$ 951,817			
Basic EPS (NT$)					
Income for the year attributable to common stockholders	$ 1,055,889	$ 951,817	283,293	$ 3.73	$ 3.36
Effect of dilutive potential common stock					
Convertible bonds	6,166	4,625	2,583		
Bonus to employees	-	-	2,937		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 1,062,055	$ 956,442	288,813	$ 3.68	$ 3.31

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

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses distributed out of earnings for the year ended December 31, 208 and stock dividends. This adjustment caused the basic and diluted after income tax EPS for the year ended December 31, 2008 to decrease from NT$3.56 to NT$3.36 and from NT$3.50 to NT$3.31, respectively.

23. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	December 31			
	2009		2008	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets				
Financial assets at FVTPL	$ 1,621	$ 1,621	$ 28,878	$ 28,878
Available-for-sale financial assets, current	-	-	120,049	120,049
Financial assets carried at cost	3,000	-	3,000	-
Liabilities				
Financial liabilities at FVTPL	782	782	-	-
Bonds payable	4,042	4,042	54,241	54,241
Long-term debt (including current portion	1,117,920	1,117,920	1,205,745	1,205,745

Methods and assumptions used to estimate the fair values of financial instruments were as follows:

a. The above financial instruments do not include cash and cash equivalents, notes and accounts receivable, notes and accounts payable and short-term loans. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

b. Fair values of financial instruments designated as at FVTPL, available-for-sale and derivates are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

c. Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

d. Fair value of long-term loans and bonds payable are estimated using the present value of future cash flows discounted by the interest rates.

Fair value of financial assets and liabilities using based on quoted market prices or valuation techniques were as follows:

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	December 31		December 31	
	2009	2008	2009	2008
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ 4,025	$ 1,621	$ 24,853
Available-for-sale financial assets, current	-	120,049	-	-
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	782	-
Bonds payable	-	-	4,042	54,241

Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were $815 thousand and $24,836 thousand for the years ended December 31, 2009 and 2008, respectively.

Financial risks:

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

b. Credit risk: Credit risk represents the potential loss that would be incurred by the Corporation if the counter-parties breached contracts. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Corporation's exposure to default by those parties to be material.

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

d. Cash flow interest rate risk: The Corporation's short term and long term loans are floating-rate loans. When the market interest rate increases by one percentage point, the Corporation's cash outflow will increase by $16,991 a year.

24. RELATED-PARTY TRANSACTIONS

The related parties were as follows:

Related Party	Relationship with the Corporation
Tai-Shing Electronics Components Corporation (Tai-Shing)	Chairman is the Corporation's general manager
TSE Technology (Ningbo) Co., Ltd. (TSE Technology)	Chairman is the Corporation's general manager
Jia-Qing Lin	TXC (HK) Limited's chairman
Jian-Tong Chang	NGB's vice general manager
Fang-Ming Yu	Departmental heads reporting to NGB's general manager

Significant transactions with related parties:

Sales

	Years Ended December 31			
	2009		2008	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 12,431	-	$ 15,255	-

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

Purchases

	Years Ended December 31			
	2009		2008	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 887	-	$ 2,627	-

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

Other Expenses

	Years Ended December 31			
	2009		2008	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 704	-	$ 6,106	1

Rental Income

	Years Ended December 31			
	2009		2008	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TES Technology	$ 2,855	-	$ -	-

Consulting Revenue

	Years Ended December 31			
	2009		2008	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TSE Technology	$ 1,403	-	$ -	-

Receivable from and Payable to Related Parties

		December 31			
		2009		2008	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts receivable	Tai-Shing	$ 5,597	-	$ 3,299	-
Notes payable	Tai-Shing	$ 920	-	$ 3,357	1
Accounts payable	Tai-Shing	$ 733	-	$ 245	-
Accrued expense	Tai-Shing	$ 132	-	$ 11	-
Other receivable	TSE Technology	$ 751	-	$ -	-

Property Transaction

In the year ended December 31, 2009, the Corporation purchased the computer equipment from Tai-Shing was about $2,096 thousand.

In the year ended December 31, 2009, the Corporation purchased the land and building from Jia-Qing Lin, Jian-Tong Chang and Fang-Ming Yu was about RMB2,653 thousand.

Compensation of Directors, Supervisors and Management Personnel

	Years Ended December 31	
	2009	2008
Salaries	$ 10,741	$ 11,232
Incentives and special compensation	6,779	6,366
Professional fee	1,200	1,320
Bonus	10,000	19,968
	$ 28,720	$ 38,886

The compensation of directors, supervisors and management personnel for the year ended December 31, 2009 and 2008 included the bonuses appropriated from earnings for 2009 and 2008 which had been approved by stockholders in their annual meeting held in 2010 and 2009.

25. MORTGAGED OR PLEDGED ASSETS

	2009	2008
Property, plant and equipment		
Land	$ 258,076	$ 258,076
Buildings, net	1,131,006	577,220
Machinery and equipment, net	-	365,260
Intangible assets - land right	16,547	17,395
Leased assets	109,725	-
	$ 1,515,354	$ 1,217,951

26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

(Unit: In Thousands)

Commitment	Contract Price	Paid Up	Not Yet Paid
Construction in progress	RMB 19,318	RMB 9,659	RMB 9,659
Prepayments for equipment	RMB 506	RMB 204	RMB 302
Prepayments for equipment	US$ 604	US$ -	US$ 604

Guarantee notes payable for short-term loan and long-term loan amount to about $440,000 thousand.

Unused letters of credit was about JPY339,404 thousand and US$228 thousand.

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

27. SUBSEQUENT EVENTS

On January 11, 2010 the Corporation issued third unsecured domestic convertible bonds with an aggregate value $800,000 thousand and maturity on January 11, 2013. Nominal interest is 0%. The original conversion price per share is NT$57.6.

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

Segment Information

No segment information.

Geographic Area Information

	Year Ended December 31, 2009			
	China and Others	Taiwan	Adjustments and Elimination	Consolidated
Revenues from sales to other than consolidated entities	$ 1,256,944	$ 6,470,580	$ -	$ 7,727,524
Sales among consolidated entities	1,472,378	101,009	(1,573,387)	-
Total sales	$ 2,729,322	$ 6,571,589	$ (1,573,387)	$ 7,727,524
Operating income	$ 425,357	$ 550,419	$ 28,199	$ 1,003,975
Non-operating income and gains				298,006
Non-operating expenses and losses				(333,546)
Income before income tax				$ 968,435
Identifiable assets	$ 3,393,208	$ 6,556,069	$ (487,563)	$ 9,461,714
Long-term investments				3,000
Total assets				$ 9,464,714

	Year Ended December 31, 2008			
	China and Others	Taiwan	Adjustments and Elimination	Consolidated
Sales to other than consolidated entities	$ 906,856	$ 6,454,795	$ -	$ 7,361,651
Sales among consolidated entities	1,263,980	111,495	(1,375,475)	-
Total sales	$ 2,170,836	$ 6,566,290	$ (1,375,475)	$ 7,361,651
Operating income	$ 336,427	$ 792,167	$ (1,642)	$ 1,126,952
Non-operating income and gains				530,826
Non-operating expenses and losses				(601,889)
Income before income tax				$ 1,055,889
Identifiable assets	$ 2,849,968	$ 6,188,505	$ (240,214)	8,798,259
Long-term investments				3,000
Total assets				$ 8,801,259

Export Sales

	Years Ended December 31	
Area	**2009**	**2008**
America	$ 152,645	$ 131,101
Europe	-	113,311
Asia	6,632,368	6,200,605
	$ 6,785,013	$ 6,445,017

Major Customer Information

Major customer did not exceed the sales account 10% of income statements in 2009 and 2008.

29. ADDITIONAL DISCLOSURES

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

a. Financing provided: None.

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

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

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

e. Acquisition of individual real estate properties at costs of at least $100 million or 20% of the paid-in capital: Table 4 (attached).

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

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 5 (attached).

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6 (attached).

i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 7 (attached).

j. Derivative transactions: Please refer to Notes 5 and 23.

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

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

TABLE 1

TXC CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 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 Year	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	$ 2,960,464	$ 33,089	$ -	$ -	-	$ 5,920,928
		GPT	Subsidiary	2,960,464	189,240	-	-	-	5,920,928

Note 1: Issuing corporation

Note 2: Not to exceed 50% of the Corporation's net equity. ($5,920,928 thousand × 50% = $2,960,464 thousand)
Not to exceed the net value of the Corporation.

TABLE 2

TXC CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 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	December 31, 2009				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	Stock							
	TCTI	Subsidiary	Investment accounted for by the equity method	37,835	$ 2,129,467	100	None	
	TXC Technology Inc.	Subsidiary	〃	300	11,297	100	None	
	TXC Japan Corporation	Subsidiary	〃	2	11,453	100	None	
					$ 2,152,217		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	124,065 US$ 3,884	100	None	
	TXC (Ningbo) Corporation	Subsidiary	〃	1,244,699 US$ 37,835	2,007,929 US$ 62,866	100	None	
NGB	TXC (HK) Limited	Subsidiary	〃	846 HK$ 200	6,079 RMB 1,299	100	None	

TABLE 3

TXC CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 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	$ 130,248	$ 130,000	$ 248	-	$ -
	Hua Nan Kirin Fund	Available-for-sale financial assets	-	-	-	-	9,610	110,000	9,610	110,120	110,000	120	-	-
	Capital Income Fund	Available-for-sale financial assets	-	-	1,951	30,000	9,097	140,000	11,048	170,179	170,000	179	-	-

TABLE 4

TXC CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
TXC Corporation	Land	2009.05.31	$ 449,281	Full payment	Zhi Qin Company	-	-	-	-	$ -	Market value	Operating purpose	-

TABLE 5

TXC CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 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	$ 1,365,313	33	-	Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.	-	$ (315,932)	(33)	

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

TABLE 6

TXC CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 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	$ 315,932	5.09	$ -	-	$ 301,242	$ -

TABLE 7

TXC CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 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, 2009			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2009	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	$ 2,129,467	$ 363,243	$ 360,839	Difference from upstream transactions $2,404 thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 US$ 300	9,879 US$ 300	300	100	11,297	(152)	(152)	
	TXC Japan Corporation	Japan	Marketing activities	6,172 JPY 21,000	6,172 JPY 21,000	2	100	11,453	6,389	6,389	
TCTI	GPT	B.V.I.	National trading	1,691 US$ 50	1,691 US$ 50	50	100	124,065 US$ 3,884	21,896 US$ 663	21,896 US$ 663	
	NGB	Ningbo	Manufacture and sales of electronics products	1,244,699 US$ 37,835	1,244,699 US$ 37,835	US$ 37,835	100	2,007,929 US$ 62,866	332,212 US$ 10,055	332,212 US$ 10,055	
NGB	TXC (HK) Limited	Hong Kong	National trading	846 HK$ 200	846 HK$ 200	HK$ 200	100	6,079 RMB 1,299	5,310 RMB 1,098	5,310 RMB 1,098	

TXC CORPORATION AND SUBSIDIARIES

INFORMATION OF INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 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, 2009 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2009 (US$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized (Note)	Carrying Amount as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 31, 2009
					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	$ 332,212 US$ 10,055	$ 2,007,929 US$ 62,866	$ 256,146 US$ 7,897

Note: Calculation was based on audited financial statements.

Accumulated Investment in Mainland China as of December 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	$ 1,365,313	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	$ (315,932)	33	$ (8,882)
		Sale	86,099	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	27,138	2	(263)

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

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

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

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

Year ended December 31, 2009

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC Technology, Inc.	1	Sales	$ 2,891	-	-
				Other expense - consulting expense	27,941	-	-
				Accounts receivable	486	-	-
				Other current assets	2,878	-	-
		TXC Japan Corporation	1	Sales	3,731	-	-
				Other expense - consulting expense	49,297	-	1
				Other expense	234	-	
				Purchase	6,638	-	-
				Accounts payable	729	-	-
				Accrued expense	66	-	-
		TXC (NGB) Corporation	1	Sales	86,099	-	1
				Purchase	1,365,313	-	18
				Other expense - consulting expense	28,584	-	-
				Accounts receivable	27,138	-	-
				Accounts payable	315,932	-	3
				Other receivable	124,788	-	1
		TXC (H.K.) Limited	1	Sales	8,288	-	-
				Accounts receivable	3,836	-	-
				Purchase	2,588	-	-
				Accounts payable	2,563	-	-
		Growing Profits Trading Ltd.		Purchase	20,601	-	-
1	Growing Profits Trading Ltd.	TXC (NGB) Corporation	3	Sales	85,980	-	1
				Accounts receivable	3,768	-	-
			3	Other expense - consulting expense	1,189	-	-
		TXC (H.K.) Limited	3	Consulting revenue	1,652	-	-
				Accounts receivable	1,602	-	-
2	TXC (NGB) Corporation	TXC (H.K.) Limited	3	Sales	52,793	-	1
				Accounts receivable	20,826	-	-

(Continued)

Year ended December 31, 2008

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC Technology, Inc.	1	Sales	$ 3,530	-	-
				Other expense - consulting expense	37,619	-	-
				Accounts receivable	845	-	-
				Other current assets	973	-	-
		TXC Japan Corporation	1	Sales	1,583	-	-
				Other expense - consulting expense	36,306	-	-
				Accounts receivable	13	-	-
				Purchase	107	-	-
		TXC (NGB) Corporation	1	Sales	105,938	-	1
				Purchase	1,189,948	-	16
				Other expense - consulting expense	32,160	-	-
				Accounts receivable	8,631	-	-
				Accounts payable	220,777	-	3
		TXC (HK) Limited	1	Sale	444	-	-
				Accounts receivable	447	-	-
1	Growing Profits Trading Ltd.	TXC (NGB) Corporation	3	Sales	44,930	-	1
				Account receivable	14,261	-	-
2	TXC (NGB) Corporation	TXC (HK) Limited	3	Sales	5,900	-	-
				Account receivable	5,900	-	-

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

Note 2: In the year ended December 31, 2009, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, GPT, and TXC (HK) Limited, those related parties are divisions of the Group strategy, its trading price to cost - adjust according to the agreed terms.

(Concluded)