TXC Corporation

Financial Statements for the
Nine Months Ended September 30, 2009 and 2008

TXC CORPORATION

BALANCE SHEETS
SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

ASSETS	2009 Amount	%	2008 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 938,291	11	$ 701,118	8
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	37,511	1	8,500	-
Available-for-sale financial assets - current (Notes 2 and 6)	90,300	1	-	-
Notes receivable, net (Notes 2 and 7)	2,771	-	17,244	-
Accounts receivable, net (Notes 2, 7 and 25)	2,010,219	24	2,252,719	26
Other receivables (Note 25)	144,065	2	35,349	1
Inventories, net (Notes 2, 3 and 8)	675,379	8	909,881	11
Other current assets (Notes 2 and 21)	54,608	1	84,553	1
Total current assets	3,953,144	48	4,009,364	47
LONG-TERM INVESTMENTS				
Investments accounted for the equity method (Notes 2 and 10)	2,054,659	25	1,857,807	22
Financial assets carried at cost - noncurrent (Notes 2 and 9)	3,000	-	3,000	-
Total long-term investments	2,057,659	25	1,860,807	22
PROPERTY, PLANT AND EQUIPMENT(Notes 2, 11 and 26)				
Cost				
Land	273,496	3	272,106	3
Land improvements	593	-	442	-
Buildings	1,061,507	13	624,045	7
Machinery and equipment	2,853,201	34	2,883,527	34
Transportation equipment	2,557	-	2,557	-
Miscellaneous equipment	114,323	2	108,930	1
Land - revaluation increment	8,954	-	8,954	-
	4,314,631	52	3,900,561	45
Less: Accumulated depreciation	(2,098,202)	(25)	(1,646,362)	(19)
Construction-in-progress and prepayments for equipment	41,879	-	350,632	4
Property, plant and equipment, net	2,258,308	27	2,604,831	30
INTANGIBLE ASSETS				
Deferred pension cost (Notes 2 and 18)	7,947	-	7,947	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 12)	7,122	-	7,246	-
Idle assets (Notes 2 and 12)	3,040	-	3,435	-
Refundable deposits	3,326	-	4,148	-
Deferred charges	10,698	-	18,247	-
Deferred income tax assets - noncurrent (Notes 2 and 21)	-	-	25,299	1
Total other assets	24,186	-	58,375	1
TOTAL	$ 8,301,244	100	$ 8,541,324	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2009 Amount	%	2008 Amount	%
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ 203,450	2	$ 491,058	6
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	-	-	10,798	-
Short-term bills payable (Note 14)	-	-	100,000	1
Notes payable (Note 25)	42,963	1	67,083	1
Accounts payable to third parties	681,791	8	756,110	9
Accounts payable to related parties (Note 25)	315,444	4	358,828	4
Accrued expenses (Notes 3, 15 and 25)	237,415	3	297,510	3
Other payables	121,376	2	2,194	-
Liability component of convertible bonds - current (Note 2)	-	-	12,172	-
Bonds payable - current portion (Notes 2 and 16)	-	-	130,084	2
Current portion of long-term loans (Notes 17 and 26)	119,273	1	207,273	2
Other current liabilities	52,456	1	76,154	1
Total current liabilities	1,774,168	22	2,509,264	29
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss - noncurrent (Notes 2 and 5)	-	-	8,466	-
Bonds payable (Notes 2 and 16)	49,796	1	-	-
Long-term loans (Notes 17 and 26)	855,182	10	652,454	8
Liability component of convertible bonds - noncurrent (Note 2)	4,470	-	-	-
Total long-term liabilities	909,448	11	660,920	8
RESERVES				
Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	8,779	-	4,494	-
Deferred income tax liabilities - noncurrent (Notes 2 and 21)	3,552	-	-	-
Deferred credits - gain on inter-company transaction (Note 2)	570	-	2,385	-
Total other liabilities	12,901	-	6,879	-
Total liabilities	2,700,029	33	3,180,575	37
STOCKHOLDERS' EQUITY (Note 18)				
Capital stock				
Common stock	2,873,125	34	2,703,951	32
Advance receipts for common stock	284	-	13,030	-
Total capital stock	2,873,409	34	2,716,981	32
Capital surplus	1,131,864	14	1,092,215	13
Retained earnings				
Legal reserve	447,198	5	352,016	4
Unappropriated earnings	1,088,535	13	1,098,992	13
Total retained earnings	1,535,733	18	1,451,008	17
Other equity				
Cumulative translation adjustments (Note 2)	181,700	2	222,336	3
Unrealized gains on financial instruments (Note 2)	300	-	-	-
Unrealized revaluation increment	5,442	-	5,442	-
Treasury stock - 2009: 3,000 thousand shares; 2008: 3,000 thousand shares (Notes 2 and 20)	(127,233)	(1)	(127,233)	(2)
Total stockholders' equity	5,601,215	67	5,360,749	63
TOTAL	$ 8,301,244	100	$ 8,541,324	100

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

(With Deloitte & Touche review report dated October 19, 2009)

TXC CORPORATION

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 2)	$ 4,692,304	101	$ 4,959,237	101
LESS: SALES RETURNS	(18,729)	-	(15,932)	-
LESS: SALES ALLOWANCES	(26,985)	(1)	(30,279)	(1)
NET OPERATING REVENUE	4,646,590	100	4,913,026	100
OPERATING COSTS (Note 3)	(3,812,029)	(82)	(3,803,177)	(77)
GROSS PROFIT	834,561	18	1,109,849	23
UNREALIZED INTER-COMPANY GAIN	(570)	-	(2,385)	-
REALIZED INTER-COMPANY GAIN	2,049	-	3,691	-
REALIZED GROSS PROFIT	836,040	18	1,111,155	23
OPERATING EXPENSES				
Selling expenses	(227,581)	(5)	(241,979)	(5)
General and administration expenses	(99,590)	(2)	(129,327)	(3)
Research and development expenses	(182,831)	(4)	(198,516)	(4)
Total operating expenses	(510,002)	(11)	(569,822)	(12)
OPERATING INCOME	326,038	7	541,333	11
NONOPERATING INCOME AND GAINS				
Interest income	3,348	-	9,348	-
Investment income recognized under equity method	256,191	5	235,178	5
Gain on disposal of property, plant and equipment	1,960	-	-	-
Gain on sale of investments	927	-	853	-
Exchange gains	175,892	4	311,309	7
Reversal of impairment loss	-	-	1,107	-
Valuation gain on financial assets, net	34,291	1	-	-
Miscellaneous income	7,746	-	13,350	-
Total nonoperating income and gains	480,355	10	571,145	12
NONOPERATING EXPENSES AND LOSSES				
Interest expense	(8,937)	-	(21,428)	(1)
Loss on disposal of property, plant and equipment	(203)	-	(1,107)	-

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TXC CORPORATION

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2009		2008	
	Amount	**%**	**Amount**	**%**
Exchange losses	(223,058)	(5)	(302,513)	(6)
Impairment loss	(2,144)	-	-	-
Valuation loss on financial assets, net	-	-	(810)	-
Valuation loss on financial liabilities, net	-	-	(7,077)	-
Miscellaneous expenses	(983)	-	(629)	-
Total nonoperating expenses and losses	(235,325)	(5)	(333,564)	(7)
INCOME BEFORE INCOME TAX	571,068	12	778,914	16
INCOME TAX EXPENSE (Notes 2 and 21)	(71,770)	(1)	(84,268)	(2)
NET INCOME	$ 499,298	11	$ 694,646	14

	2009		2008	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 23)				
Basic	$ 2.01	$ 1.76	$ 2.75	$ 2.46
Diluted	$ 2.00	$ 1.75	$ 2.71	$ 2.42

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

(With Deloitte & Touche review report dated October 19, 2009) (Concluded)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 499,298	$ 694,646
Depreciation	466,035	396,960
Nonoperating loss - idle assets and lease assets	389	389
Amortization	6,352	64,540
Reversal of provision for doubtful accounts	(2,189)	(1,187)
Provision for loss on inventories	25,971	16,552
Loss on physical inventories	119	59
Gain on sale of investments	(927)	(853)
Investment income recognized under equity method	(256,191)	(235,178)
Cash dividends received from equity method investees	53,293	-
(Gain) loss on disposal of property, plant and equipment	(1,757)	1,107
Valuation (gain) loss on financial instruments	(34,291)	7,887
Impairment loss (gain)	2,144	(1,107)
Unrealized gross profit	570	2,385
Realized gross profit	(2,049)	(3,691)
Deferred income tax	33,100	33,847
Discount on bonds payable	1,055	4,202
Net changes in operating assets and liabilities		
Notes receivable	37,124	(4,541)
Accounts receivable	25,754	(151,228)
Other receivables	(126,399)	(3,638)
Inventories	(9,432)	(298,421)
Other current assets	(637)	(24,841)
Notes payable	2,469	(1,690)
Accounts payable	309,970	184,687
Accrued expenses	(15,043)	99,243
Other payables	120,334	2,194
Other current liabilities	(19,771)	(18,316)
Net cash provided by operating activities	1,115,291	764,007
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments at fair value through profit or loss	25,444	(6,606)
Acquisition of available-for-sale financial assets	(860,000)	(30,000)
Proceeds from disposal of available-for-sale financial assets	890,856	120,853
Acquisition of investments accounted for by equity method	-	(205,340)
Acquisition of property, plant and equipment	(188,212)	(1,025,915)
Proceeds from disposal of property, plant and equipment	56,076	-
Decrease in refundable deposits	379	3,436
Increase in deferred charges	(11,127)	(64,367)
Net cash used in investing activities	(86,584)	(1,207,939)

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TXC CORPORATION

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	46,907	215,802
(Decrease) increase in short-term bills payable	(100,000)	100,000
(Decrease) increase in long-term loans	(56,454)	461,545
Increase in guarantee deposits received	4,285	-
Cash bonus to directors, supervisors and employees	-	(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	(642,658)	115,915
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	386,049	(328,017)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	552,242	1,029,135
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 938,291	$ 701,118
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 10,358	$ 21,844
Income tax paid	$ 65,023	$ 85,049
NONCASH INVESTING AND FINANCING ACTIVITIES		
Convertible bonds	$ 1,000	$ 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 review report dated October 19, 2009) (Concluded)

TXC CORPORATION

NOTES TO FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

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

As of September 30, 2009 and 2008, the Corporation had 979 and 1,056 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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

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

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

Available-for-Sale Financial Assets

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

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

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

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

Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts

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

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

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

Inventories

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

Financial Assets Carried at Cost

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

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

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

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 5 years.

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

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

Impairment of Assets

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

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.

Stock-based Compensation

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

Pension Cost

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

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

Convertible Bonds

For convertible bonds issued on or after January 1, 2006, the Corporation first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding 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 financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

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

Foreign Currencies

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

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

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

Reclassifications

Certain accounts in the financial statements as of and for the nine months ended September 30, 2008 have been reclassified to conform to the presentation of the financial statements as of and for the nine months ended September 30, 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 $106,280 thousand in net income from continuing operations, a decrease of $89,709 thousand in net income and a decrease in after income tax basic earnings per share of NT$0.33 for the nine months ended September 30, 2009.

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 $16,611 thousand to cost of goods sold for the nine months ended September 30, 2008.

4. CASH AND CASH EQUIVALENTS

	September 30	
	2009	**2008**
Cash on hand	$ 1,384	$ 975
Checking accounts and demand deposits	371,507	218,755
Time deposits	320,400	296,388
Cash equivalents		
Repurchase agreement collateralized by bonds	245,000	185,000
	$ 938,291	$ 701,118

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30	
	2009	**2008**
Financial assets at FVTPL		
Forward exchange contracts	$ 32,865	$ -
Convertible bonds	4,646	8,500
	$ 37,511	$ 8,500
Financial liabilities at FVTPL		
Forward exchange contracts	$ -	$ 10,798
Cross-currency swap contracts	$ -	$ 8,466

The Corporation entered into derivative contracts during the nine months ended September 30, 2009 and 2008 to manage exposures related to exchange rate and interest rate fluctuations. The financial risk management objective of the Corporation is to minimize risks due to change in fair value of cash flows.

Outstanding forward contracts as of September 30, 2009 and 2008:

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2009			
Sell	USD/NTD	December 23, 2009	US$34,500/NT$1,131,041
Sell	USD/JPY	December 28, 2009	US$2,500/JPY230,298
Sell	NTD/JPY	December 28, 2009	NT$269,979/JPY780,000

(Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2008			
Sell	USD/NTD	January 21, 2009	US$33,500/NT$1,044,957
Sell	USD/JPY	December 12, 2008	US$9,250/JPY994,395
Sell	NTD/JPY	December 24, 2008	NT$44,001/JPY150,000

(Concluded)

The Corporation did not enter into any cross-currency swap contracts during the nine months ended September 30, 2009.

Outstanding cross-currency swap contracts as of September 30, 2008:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
$300,000	August 12, 2010	3.68%	Rate on 90-day commercial paper

Net (loss) gain on financial instrument held for trading for the nine months ended September 30, 2009 and 2008 were $(26,621) thousand and $25,990 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30	
	2009	2008
Mutual funds	$ 90,300	$ -

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	September 30	
	2009	2008
Notes receivable, third parties	$ 2,785	$ 17,331
Notes receivable, related parties	-	-
	2,785	17,331
Less: Allowance for doubtful accounts	(14)	(87)
	$ 2,771	$ 17,244
Accounts receivable, third parties	$ 1,988,564	$ 2,243,005
Accounts receivable, related parties	36,500	24,694
	2,025,064	2,267,699
Less: Allowance for doubtful accounts	(14,845)	(14,980)
	$ 2,010,219	$ 2,252,719

Movements of allowance for doubtful accounts were as follows:

	Nine Months Ended September 30			
	2009		2008	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of period	$ 200	$ 16,848	$ 64	$ 16,190
Add (deduct): Provision (reversal of provision) for doubtful accounts	(186)	(2,003)	23	(1,210)
Balance, end of period	$ 14	$ 14,845	$ 87	$ 14,980

8. INVENTORIES

	September 30	
	2009	2008
Raw materials	$ 125,670	$ 181,050
Supplies and spare parts	51,460	28,018
Work in-process	158,876	187,445
Finished goods	163,720	227,777
Merchandise inventories	170,874	246,240
Goods in transit	4,779	39,351
	$ 675,379	$ 909,881

As of September 30, 2009 and 2008, the allowance for inventory devaluation was $38,740 thousand and $32,219 thousand, respectively.

The cost of inventories recognized as cost of goods sold in the nine months ended September 30, 2009 and 2008 was $3,812,029 thousand and $3,803,177 thousand, respectively, which included $26,090 thousand and $16,611 thousand, respectively, due to write downs of inventories.

9. FINANCIAL ASSETS CARRIED AT COST

	September 30	
	2009	2008
Domestic unquoted common stocks	$ 3,000	$ 3,000

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

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	September 30			
	2009		2008	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Unlisted companies				
Taiwan Crystal Technology International Ltd. (TCTI)	$ 2,031,172	100	$ 1,847,005	100
TXC Technology Inc.	12,510	100	6,071	100
TXC Japan Corporation	10,977	100	4,731	100
	$ 2,054,659		$ 1,857,807	

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

	Nine Months Ended September 30	
	2009	2008
TCTI	$ 249,630	$ 236,087
TXC Technology Inc.	1,038	(956)
TXC Japan Corporation	5,523	47
	$ 256,191	$ 235,178

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

11. PROPERTY, PLANT AND EQUIPMENT

	Nine Months Ended September 30, 2009			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	463	130
Buildings	1,061,507	-	232,926	828,581
Machinery and equipment	2,853,201	-	1,783,351	1,069,850
Transportation equipment	2,557	-	2,327	230
Miscellaneous equipment	114,323	-	79,135	35,188
Prepayments for equipment	41,879	-	-	41,879
	$ 4,347,556	$ 8,954	$ 2,098,202	$ 2,258,308

	Nine Months Ended September 30, 2008			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 272,106	$ 8,954	$ -	$ 281,060
Land improvements	442	-	442	-
Buildings	624,045	-	192,599	431,446
Machinery and equipment	2,883,527	-	1,384,402	1,499,125
Transportation equipment	2,557	-	2,155	402
Miscellaneous equipment	108,930	-	66,764	42,166
Prepayments for equipment	29,559	-	-	29,559
Construction in progress	321,073	-	-	321,073
	$ 4,242,239	$ 8,954	$ 1,646,362	$ 2,604,831

Information about capitalized interest was as follows:

	Nine Months Ended September 30	
	2009	2008
Capitalized interest	$ 2,402	$ -
Capitalization rates	1.45%	-

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

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

12. OTHER ASSETS

Leased to Others

	September 30, 2009		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	7,558	(3,038)	4,520
	$ 10,160	$ (3,038)	$ 7,122

	September 30, 2008		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	7,558	(2,914)	4,644
	$ 10,160	$ (2,914)	$ 7,246

Future rental payments receivable were summarized as follows:

Period	
2009	$ 315
2010	1,260
2011	525

As of September 30, 2009 and 2008, the Corporation had received deposits of $270 thousand. The interest on these deposits of $2 thousand and $5 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the nine months ended September 30, 2009 and 2008, respectively.

Idle Assets

	September 30, 2009		
	Book Value	**Accumulated Impairment**	**Carrying Value**
Land	$ 2,253	$ -	$ 2,253
Buildings	5,660	4,873	787
Machinery and equipment	7,847	7,847	-
	$ 15,760	$ 12,720	$ 3,040

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

Impairment loss was as follows:

	Nine Months Ended September 30, 2009	
	Recognized in Income Statement	**Recognized in Stockholders' Equity**
Impairment loss		
Machinery and equipment	$ 2,144	$ -

	Nine Months Ended September 30, 2008	
	Recognized in Income Statement	**Recognized in Stockholders' Equity**
Gain on reversal of impairment loss		
Machinery and equipment	$ 1,107	$ -

13. SHORT-TERM LOANS

	September 30 2009	September 30 2008
Usance letters of credit	$ 203,450	$ 258,534
Working capital loans	-	232,524
	$ 203,450	$ 491,058

Usance letters of credit amounted to JPY558,842 thousand and US$91 thousand as of September 30, 2009, and JPY844,606 thousand as of September 30, 2008. Interest rates ranged from 1.09% to 1.536% and from 1.64% to 2.002% at September 30, 2009 and 2008, respectively.

Working capital loans amounted to US$7,200 thousand as of September 30, 2008. Interest rates ranged from 3.273% to 3.69% at September 30, 2008.

14. SHORT-TERM BILLS PAYABLE

	September 30			
	2009		2008	
	Interest Rate	Amount	Interest Rate	Amount
Commercial paper	-	$ -	2.212	$ 100,000
Less: Unamortized discount on bills payable	-	-	-	-
		$ -		$ 100,000

15. ACCRUED EXPENSES

	September 30 2009	September 30 2008
Payroll	$ 31,132	$ 32,455
Bonus	50,428	54,532
Bonus to employees, directors and supervisors	49,430	106,280
Commission	49,515	42,108
Others	56,910	62,135
	$ 237,415	$ 297,510

16. BONDS PAYABLE

	September 30 2009	September 30 2008
Second unsecured domestic convertible bonds	$ 52,700	$ 141,600
Deduct: Discount on bonds payable	(2,904)	(11,516)
Deduct: Current portion	-	(130,084)
	$ 49,796	$ -
Liability component of unsecured domestic corporate bonds	$ 4,470	$ 12,172

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 September 30, 2008, bonds with a face value of $659,400 thousand had been converted into 13,648 thousand common shares. Before the third anniversary of the issuance date, the Corporation redeemed 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 NT$52.00. The conversion price is subject to adjustment based on a certain formula if there are changes in outstanding shares or execution of conversion below market price. The conversion price per share is NT$35.2 on September 30, 2009.

17. LONG-TERM LOANS

Nature of Loans	Repayment Period	September 30 2009	September 30 2008
Secured bank loans	Maturity on August 25, 2013, repayable in 20 quarterly installments from August 2008	$ 48,000	$ -
Secured bank loans	Maturity on May 4, 2021, repayable in 55 quarterly installments from November 2007	85,455	92,727
Secured bank loans	Repayable at maturing on July 24, 2013	233,000	217,000
Unsecured bank loans	Repayable at maturing on July 24, 2013	28,000	-
Unsecured bank loans	Repayable at maturing on June 12, 2011	100,000	-
Unsecured bank loans	Repayable at maturing on June 1, 2011	50,000	-
Unsecured bank loans	Repayable at maturing on August 24, 2012	50,000	-
Unsecured bank loans	Repayable at maturing on August 31, 2012	100,000	-
Unsecured bank loans	Repayable at maturing on August 14, 2009	-	100,000
Unsecured bank loans	Repayable at maturing on October 26, 2008	-	200,000
Unsecured bank loans	Repayable at maturing on March 16, 2011	180,000	-
Unsecured bank loans	Repayable at maturing on September 12, 2010	-	150,000
Unsecured bank loans	Repayable at maturing on September 11, 2010	100,000	100,000
Less current portion		(119,273)	(207,273)
		$ 855,182	$ 652,454
Interest rate (%)		0.95-2.55	2.150-2.915

See Notes 26 for collateral on long-term loans.

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 $13,518 thousand and $13,643 thousand for the nine months ended September 30, 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 $2,724 thousand and $3,196 thousand for the nine months ended September 30, 2009 and 2008, respectively.

19. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $4,000,000 thousand and $3,500,000 thousand at September 30, 2009 and 2008 ($10.00 par value per share). As of September 30, 2009 and 2008, the Corporation's issued capital stock were $2,873,125 thousand and $2,703,951 thousand divided into 287,313 thousand shares and 270,395 thousand shares, respectively, at NT$10.00 par value each.

Employee Stock Options

In December 2007, 8,000 options, were granted to qualified employees of the Corporation and its subsidiaries. Each option entitles the holder to subscribe for one thousand common shares of the Corporation when exercisable. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Corporation's common shares listed on the TSE on the grant date. For any subsequent changes in the Corporation's paid-in capital, the exercise price and the number of options are adjusted accordingly.

Information about employee stock option plans was as follows:

	Nine Months Ended September 30			
	2009		2008	
Employee Stock Options	**Number of Options (In Thousand)**	**Weighted Average Exercise Price**	**Number of Options (In Thousand)**	**Weighted Average Exercise Price**
Balance, beginning of period	8,000	$50.7	8,000	$58.8
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options expired	-	-	-	-
Balance, end of period	8,000	45.4	8,000	50.7
Options exercisable, end of period	-		-	

Information about outstanding options as of September 30, 2009 was as follows:

Range of Exercise Price (NT$)	Options Outstanding: Number of Options (In Thousand)	Options Outstanding: Weighted Average Remaining Contractual Life (In Years)	Options Outstanding: Weighted Average Exercise Price (NT$)	Options Exercisable: Number of Options (In Thousand)	Options Exercisable: Weighted Average Exercise Price (NT$)
$58.8-$45.4	8,000	3.19	$45.4	-	$ -

The pro forma information for the nine months ended September 30, 2009 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39 was as follows:

Assumptions	
Risk-free interest rate	2.42%
Expected life (years)	3.875 years
Expected volatility	43.5%
Expected dividend yield	-

	Nine Months Ended September 30	
	2009	2008
Net income		
As reported	$ 499,298	$ 694,646
Pro forma net income	435,248	630,596
Basic after income tax earnings per share (NT$)		
As reported	$1.76	$2.60
Pro forma	1.53	2.36
Diluted after income tax earnings per share (NT$)		
As reported	1.75	2.55
Pro forma	1.52	2.30

Capital Surplus

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

Capital surplus comprised of the following

	September 30	
	2009	2008
Arising from issuance of common shares	$ 329,152	$ 290,248
Arising from conversion of bonds	737,674	736,879
Arising from treasury stock transaction	4,360	-
Employee stock options	58,064	58,064
Conversion options	2,614	7,024
	$ 1,131,864	$ 1,092,215

Appropriation of Earnings and Dividend Policy

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

a. Employee bonus - not less than 3%;

b. Directors and supervisors' remuneration - not more than 2%; and

c. Stock bonuses to employees include subsidiary employees who meet certain criteria set by the board of directors.

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. In addition, cash dividends should not be less than 20% of the total dividends to be appropriated.

For the nine months ended September 30, 2009 and 2008, the bonus to employees was $44,936 thousand and $93,777 thousand, respectively, the remuneration to directors and supervisors was $4,494 thousand and $12,503 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 shareholders' meeting.

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

Legal reserve shall be appropriated until it has reached the Corporation's paid-in capital. 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 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 Year 2008	For Year 2007	For Year 2008	For 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 nine months ended September 30, 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.

Unrealized Gains or Loss on Financial Instruments

For the nine months ended September 30, 2009 and 2008, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-sale Financial Assets	Total
Nine months ended September 30, 2009		
Balance, beginning of period	$ 49	$ 49
Recognized in stockholders' equity	295	295
Transferred to profit or loss	(44)	(44)
Balance, ended of period	$ 300	$ 300
Nine months ended September 30, 2008		
Balance, beginning of period	$ -	$ -
Recognized in stockholders' equity	462	462
Transferred to profit or loss	(462)	(462)
Balance, ended of period	$ -	$ -

20. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
Nine months ended September 30, 2009				
For transfer to employees	3,000	-	-	3,000
Nine months ended September 30, 2008				
For transfer to employees	-	3,000	-	3,000

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

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:

	Nine Months Ended September 30	
	2009	**2008**
Income tax expense at 25% statutory rate	$ 142,757	$ 194,719
Tax effect on adjusting items:		
Permanent differences	(387)	(360)
Temporary differences	(58,783)	(69,180)
Tax-exempt income for five years	(24,923)	(47,762)
Additional 10% income tax on unappropriated earnings	18,489	21,223
Investment tax credits used	(38,577)	(49,320)
Current income tax expense	38,576	49,320
Deferred tax expenses (benefits)		
Temporary differences	36,105	63,611
Investment tax credits	15,531	(29,764)
Effect of tax law changes on deferred income tax	(18,536)	-
Adjustments for prior years' tax	94	1,101
	$ 71,770	$ 84,268

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:

	Nine Months Ended September 30	
	2009	**2008**
Current		
Deferred income tax assets		
Investment tax credit	$ 39,101	$ 42,355
Unrealized allowance for loss on inventories	8,337	8,239
Unrealized exchange losses	9,116	13,444
Unrealized gain on transactions with investees	1,338	4,511
Allowance for doubtful accounts	-	442
Unrealized valuation loss on financial instruments	-	5,631
	57,892	74,622
Less: Valuation allowance	-	-
	57,892	74,622
Deferred income tax liabilities		
Unrealized exchange gains	(2,837)	(23,199)
Unrealized valuation gain on financial instrument	(6,663)	-
	(9,500)	(23,199)
	$ 48,392	$ 51,423
Noncurrent		
Deferred income tax assets		
Investment tax credits	$ 117,305	$ 127,065
Impairment loss	2,544	2,823
Unrealized valuation loss on financial instrument	-	2,117
Accrued pension cost	265	331
	120,114	132,336
Less: Valuation allowance	-	-
	120,114	132,336
Deferred income tax liabilities		
Investment income recognized on equity-method investments	(123,666)	(107,037)
	$ (3,552)	$ 25,299

As of September 30, 2009, investment tax credit comprised of:

Lows and Statutes	**Tax Credit Source**	**Total Creditable Amount**	**Remaining Creditable Amount**	**Expiry Year**
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 95,646	$ 69,769	2011-2013
	Research and development expenditures	126,572	85,895	2011-2013
	Personnel training expenditures	742	742	2011-2013
		$ 222,960	$ 156,406	

As of September 30, 2009, profits attributable to the following expansion and construction projects were exempted from income tax for five-year.

	Tax-Exemption Period
Acquisition of equipment in 2004	2005 to 2009
Acquisition of equipment in 2005	2010 to 2014

The Corporation's income tax returns through 2004 have been examined and approved by the tax authorities.

Information about integrated income tax was as follows:

	September 30	
	2009	2008
Balance of ICA	$ 32,890	$ 32,474

	2008 (Estimate)	2007 (Actual)
The creditable ratio for distribution	7.26%	8.02%

	September 30	
	2009	2008
Undistributed earnings		
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	1,088,535	1,098,992
	$ 1,088,535	$ 1,098,992

22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Function / Expense Item	Nine Months Ended September 30					
	2009			2008		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Personnel						
Salary	$217,037	$153,892	$370,929	$276,736	$213,326	$490,062
Pension	9,464	7,030	16,494	9,849	7,447	17,296
Meal	10,375	4,092	14,467	11,531	4,339	15,870
Welfare	4,831	1,820	6,651	5,697	1,430	7,127
Insurance	15,992	9,855	25,847	15,470	9,381	24,851
Others	-	-	-	-	-	-
Depreciation	380,753	85,282	466,035	333,058	63,902	396,960
Amortization	1,277	5,075	6,352	11,897	52,643	64,540

23. EARNINGS PER SHARE

	Nine Months Ended September 30			
	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (NT$)				
From continuing operations	$ 2.01	$ 1.76	$ 2.75	$ 2.46
Income for the period	$ 2.01	$ 1.76	$ 2.75	$ 2.46
Diluted earnings per share (NT$)				
From continuing operations	$ 2.00	$ 1.75	$ 2.71	$ 2.42
Income for the period	$ 2.00	$ 1.75	$ 2.71	$ 2.42

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

	Amount (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Nine months ended September 30, 2009					
Income for the period	$ 571,068	$ 499,298			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 571,068	$ 499,298	284,313	$ 2.01	$ 1.76
Effect of dilutive potential common stock					
Convertible bonds	1,082	811	1,526		
Bonus to employees	-	-	528		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 572,150	$ 500,109	286,367	$ 2.00	$ 1.75
Nine months ended September 30, 2008					
Income for the period	$ 778,914	$ 694,646			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 778,914	$ 694,646	282,951	$ 2.75	$ 2.46
Effect of dilutive potential common stock					
Convertible bonds	6,096	4,572	5,226		
Bonus to employee	-	-	1,161		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 785,010	$ 699,218	289,338	$ 2.71	$ 2.42

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

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused the basic and diluted after income tax EPS for the nine months ended September 30, 2008 to decrease from NT$2.60 to NT$2.46 and from NT$2.55 to NT$2.42, respectively.

24. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	Nine Months Ended September 30			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Financial assets at FVTPL, current	$ 37,511	$ 37,511	$ 8,500	$ 8,500
Available-for-sale financial assets, current	90,300	90,300	-	-
Financial assets carried at cost	3,000	-	3,000	-
Financial liabilities				
Financial liabilities at FVTPL	-	-	19,264	19,264
Bonds payable (including current portion)	54,266	54,266	142,256	142,256
Long-term loans (including current portion)	974,455	974,455	859,727	859,727

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

a. The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash and cash equivalents, receivables, payables and short-term bank loans.

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

   Fair values of derivatives are based on their quoted prices in an active market. For those derivatives 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 technique were as follow:

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	September 30		September 30	
	2009	2008	2009	2008
Assets				
Financial assets at fair value through profit or loss, current	$ 4,646	$ 8,500	$ 32,865	$ -
Available-for-sale financial assets, current	90,300	-	-	-
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	-	10,798
Financial liabilities at fair value through profit of loss, noncurrent	-	-	-	8,466
Bonds payable(including current portion)	-	-	54,266	142,256
Long-term debt (including current portion)	-	-	974,455	859,727

Valuation gains and losses arising from changes in fair value of financial instruments determined using valuation techniques were $32,865 thousand and $7,077 thousand for the nine months ended September 30, 2009 and 2008, respectively.

As of September 30, 2008, financial liabilities exposed to fair value interest rate risk amounted to $8,466 thousand.

Information about financial risks was as follows:

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

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

   The Corporation's investments in debt instruments are traded in active markets and can be disposed of quickly at close to their fair values.

d. Cash flow interest rate risk: The Corporation's short- and long are floating-rate loans. When the market interest rate increases by one percentage point, the Corporation's cash outflow will increase by $11,779 thousand a year.

25. RELATED-PARTY TRANSACTIONS

The related parties and their relationship with the Corporation

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

Significant transactions with related parties:

Sales

	Nine Months Ended September 30			
	2009		2008	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 8,283	-	$ 12,565	-
NGB	63,179	2	97,416	2
TXC Technology Inc.	2,056	-	2,844	-
TXC Japan Corporation	1,680	-	1,456	-
TXC (HK) Limited	7,669	-	30	-
	$ 82,867	2	$ 114,311	2

Purchases

	Nine Months Ended September 30			
	2009		2008	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
GPT	$ 20,583	-	$ -	-
NGB	961,016	32	939,950	30
TXC Japan Corporation	3,835	-	19	-
Tai-Shing	419	-	271	-
	$ 985,853	32	$ 940,240	30

Consulting Fee

	Nine Months Ended September 30			
	2009		2008	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TXC Technology Inc.	$ 22,137	27	$ 27,903	35
TXC Japan Corporation	36,853	46	26,750	34
NGB	21,606	27	23,818	31
	$ 80,596	100	$ 78,471	100

Other Expense

	Nine Months Ended September 30			
	2009		2008	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 1,653	-	$ 5,282	3

In the nine months ended September 30, 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 nine months ended September 30, 2008, the selling price and purchasing price were not significantly different from those with third parties.

Receivables from and Payables to Related Parties

		September 30			
		2009		2008	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts receivable	Tai-Shing	$ 4,110	-	$ 6,082	-
	TXC Japan Corporation	1,073	-	722	-
	TXC Technology Inc.	448	-	495	-
	NGB	24,361	1	17,364	1
	TXC (HK) Limited	6,508	-	31	-
		$ 36,500	1	$ 24,694	1
Other current assets	TXC Technology Inc.	$ 965	-	$ 1,422	1
Notes payable	Tai-Shing	$ 553	-	$ 1,463	2

		September 30			
		2009		2008	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts payable	Tai-Shing	$ 290	-	$ 725	-
	NGB	301,332	30	358,103	100
	TXC Japan Corporation	2,763	-	-	-
	GPT	11,059	1	-	-
		$ 315,444	31	$ 358,828	100
Accrued expenses	NGB	$ 7,201	3	$ 8,235	
	Tai-Shing	30	-	-	2
	TXC Japan Corporation	-	-	106	-
		$ 7,231	3	$ 8,341	-
Temporary credit	GPT	$ -	-	$ 15,436	2
	NGB	-	-	10	20
	TXC Technology Inc.	-	-	857	-
		$ -	-	$ 16,303	20
Other receivable	NGB	$ 123,740	86	$ -	-

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

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

In the nine months ended September 30, 2009, the Corporation sold its equipment to NGB, at the net book value of $53,799 thousand and price of $53,799 thousand.

As of September 30, 2009, the Corporation's guarantees for loans of its subsidiaries were described in Table 1.

26. MORTGAGED OR PLEDGED ASSETS

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

	September 30	
	2009	2008
Property, plant and equipment		
Land	$ 258,076	$ 281,060
Buildings, net	824,993	431,446
Leased assets	-	2,602
Restricted deposit	-	9,205
	$ 1,083,069	$ 724,313

27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Unused letters of credit amounted to approximately JP¥306,234 thousand.

Guarantee for short-term loan and long-term loan amount to about $560,000 thousand.

As of September 30, 2009, the Corporation's guarantees for loan of its subsidiaries were described in Table 1.

28. SUBSEQUENT EVENTS

None.

29. ADDITIONAL DISCLOSURES

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

a. Financing provided: None.

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

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

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

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

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

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 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 over which the Corporation exercises significant influence: Table 7 (attached).

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

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

TABLE 1

TXC CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
NINE MONTHS ENDED SEPTEMBER 30, 2009
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Counter-Party		Limit on Each Endorsement/ Guarantee Amounts Provided to Each Counter-Party (Note 2)	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant and Equipment	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statement	Maximum Endorsement/ Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	TXC Corporation	TCTI	Subsidiary	$ 2,800,608	$ 33,089	$ -	$ -	-	$ 5,601,215
		GPT	Subsidiary	2,800,608	189,240	-	-	-	5,601,215

Note 1: Issuing corporation

Note 2: Not to exceed 50% of the Corporation's net equity. ($5,601,215 thousand × 50%＝$2,800,608 thousand)
Not to exceed the net worth of the Corporation.

TXC CORPORATION

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 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	September 30, 2008				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	Convertible bonds							
	AMTRAN	-	Financial assets at FVTPL	40	$ 4,646	-	$ 4,646	
	Mutual funds							
	Cathay Bond Fund	-	Available-for-sale financial assets	5,046	$ 60,292	-	$ 60,292	
	Fubon Chi-Hsiang Fund	-	〃	2,001	30,008	-	30,008	
					$ 90,300			
	Stock							
	TCTI	Subsidiary	Investment accounted for by the equity method	37,835	$ 2,031,172	100	None	
	TXC Technology Inc.	〃	〃	300	12,510	100	〃	
	TXC Japan Corporation	〃	〃	2	10,977	100	〃	
					$ 2,054,659			
	Marson Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	414	$ 3,000	5	〃	
TCTI	Stock							
	Growing Profits Trading Ltd.	Subsidiary	Investment accounted for by the equity method	50	126,126 US$ 3,917	100	None	
	NGB	〃	〃	1,244,699 US$ 37,835	1,910,781 US$ 59,341	100	〃	
NGB	TXC (HK) Limited	〃	〃	846 HK$ 200	5,771 RMB 1,224	100	〃	

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
NINE MONTHS ENDED SEPTEMBER 30, 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	140,175	170,179	179	-	-

TABLE 4

TXC CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 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	Buildings	2009.05.31	$ 449,281	Full payment	Zhi Qin Company	-	-	-	-	$ -	-	Operating purpose	-

TXC CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 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	$ 961,016	32		Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.	-	$ (301,332)	(30)	

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

TXC CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 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	$ 301,332	4.90	$ -	-	$ -	$ -

TABLE 7

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SEPTEMBER 30, 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 September 30, 2007			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				September 30, 2008	December 31, 2008	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN Samoa	Investment holding	$ 1,244,699	$ 1,244,699	37,835	100	$ 2,031,172	$ 249,270	$ 249,630	Difference from upstream transactions $360 thousand
				US$ 37,835	US$ 37,835						
	TXC Technology Inc.	U.S.A.	Marketing activities								
	TXC Japan Corporation	Japan	Marketing activities	9,879	9,879	300	100	12,510	1,038	1,038	
				US$ 300	US$ 300						
				6,172	6,172	2	100	10,977	5,523	5,523	
				JPY 21,000	JPY 21,000						
TCTI	GPT	B.V.I.	National trading								
	NGB	Ningbo	Manufacture and sales of electronics products	1,691	1,691	50	100	126,126	23,146	23,146	
				US$ 50	US$ 50			US$ 3,917	US$ 695	US$ 695	
				1,244,699	1,244,699		100	1,910,781	216,922	216,922	
				US$ 37,835	US$ 37,835	US$ 37,835		US$ 59,341	US$ 6,517	US$ 6,517	
NGB	TXC (HK) Limited	Hong Kong	National trading	846	846		100	5,771	4,944	4,944	
				HK$ 200	HK$ 200	HK$ 200		RMB 1,224	RMB 1,015	RMB 1,015	

TABLE 8

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

NGB entered into derivative transactions during the nine months ended September 30, 2009 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of September 30, 2009:

	Currency	Maturity	Contract Amount (In Thousands)
September 30, 2009			
Sell	USD/RMB	October 9, 2009 to January 29, 2010	US$8,500/RMB58,101
	USD/JPY	October 20, 2009	US$436/JPY40,000

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2008 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2007 (US$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized (Note 1)	Carrying Amount as of September 30, 2008	Accumulated Inward Remittance of Earnings as of September 30, 2008
					Outflow	Inflow					
TXC (Ningbo) Corporation	Manufacturing and sales of crystal and crystal oscillator	$ 1,244,699 (US$ 37,835)	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	$ 1,185,118 (US$ 36,000)	$ -	$ -	$ 1,185,118 (US$ 36,000)	100	$ 216,922 (US$ 6,517)	$ 1,910,781 (US$ 59,341)	$ 256,146 (US$ 7,897)

Note1: Calculation was based on unreviewed financial statements.

Accumulated Investment in Mainland China as of September 30, 2008 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment
$1,185,118 (US$36,000)	$1,245,526 (US$37,835)	$ -

2. Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Nature of Relationship	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
		Purchase/Sale	Amount	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
NGB	Subsidiary	Purchase	$ 961,016	Divisions of the Group strategy, its trading price to cost	Similar with third parties	Divisions of the Group strategy, its trading price to cost	$ (301,332)	30	$ (6,119)
		Sale	63,179	Divisions of the Group strategy, its trading price to cost	Similar with third parties	Divisions of the Group strategy, its trading price to cost	24,361	1	(570)

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.