TXC Corporation

Financial Statements for the
Three Months Ended March 31, 2010 and 2009

TXC CORPORATION

BALANCE SHEETS
MARCH 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2010		2009	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,119,079	12	$ 530,507	7
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	-	-	4,410	-
Available-for-sale financial assets - current (Notes 2 and 6)	720,230	8	620,568	8
Notes receivable, net (Notes 2 and 7)	3,311	-	22,504	-
Accounts receivable, net (Notes 2, 7 and 25)	2,048,501	21	1,533,464	19
Other receivables(Notes 25)	314,856	3	2,109	-
Inventories, net (Notes 2, 3 and 8)	738,036	8	659,596	8
Other current assets (Notes 2, 21 and 25)	53,157	1	66,652	1
Total current assets	4,997,170	53	3,439,810	43
LONG-TERM INVESTMENTS				
Investments accounted for by the equity method (Notes 2 and 10)	2,240,097	23	2,003,869	25
Other finacial assets - noncurrent (Notes 2 and 15)	14,224	-	-	-
Financial assets carried at cost (Notes 2 and 9)	51,000	1	3,000	-
Total long-term investments	2,305,321	24	2,006,869	25
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 26)				
Cost				
Land	273,496	3	273,496	3
Land improvements	593	-	593	-
Buildings	1,044,873	11	611,779	8
Machinery and equipment	2,880,431	30	3,016,498	38
Transportation equipment	2,557	-	2,557	-
Miscellaneous equipment	119,269	1	108,607	1
Land - revaluation increment	8,954	-	8,954	-
	4,330,173	45	4,022,484	50
Less: Accumulated depreciation	(2,240,116)	(23)	(1,939,989)	(24)
Construction in progress and prepayments for equipment	124,337	1	418,901	5
Total property, plant and equipment	2,214,394	23	2,501,396	31
INTANGIBLE ASSETS				
Deferred pension cost (Notes 2 and 18)	7,947	-	7,947	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 12)	8,105	-	7,184	-
Idle assets (Notes 2 and 12)	2,843	-	3,238	-
Refundable deposits	3,821	-	3,702	-
Deferred charges	10,414	-	6,601	-
Deferred income tax assets - noncurrent (Notes 2 and 21)	-	-	25,907	1
Total other assets	25,183	-	46,632	1
TOTAL	$ 9,550,015	100	$ 8,002,654	100

	2010		2009	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ 345,077	4	$ 143,755	2
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	1,842	-	1,203	-
Short-term bills payable (Note 14)	-	-	100,000	1
Notes payable (Note 25)	35,172	-	19,427	-
Accounts payable	630,979	6	519,583	7
Accounts payable - related parties (Note 25)	359,634	4	260,797	3
Income tax payable (Note 21)	69,598	1	67,907	1
Accrued expenses (Notes 3, 17 and 25)	322,750	3	268,165	3
Current portion of long-term loans (Note 16)	77,250	1	119,273	2
Other current liabilities	9,500	-	11,593	-
Total current liabilities	1,851,802	19	1,511,703	19
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 15)	772,787	8	50,036	1
Long-term debt (Note 16)	623,125	7	666,818	8
Liability component of convertible bonds - noncurrent (Notes 2 and 15)	-	-	4,556	-
Total long-term liabilities	1,395,912	15	721,410	9
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 liability - noncurrent (Notes 2 and 21)	32,709	-	-	-
Deferred credits - gain on inter-company transactions (Note 2)	57	-	107	-
Total other liabilities	40,883	-	4,601	-
Total liabilities	3,292,109	34	2,241,226	28
STOCKHOLDERS' EQUITY (Note 19)				
Capital stock				
Common stock	2,909,070	31	2,716,981	34
Capital surplus	1,284,515	14	1,092,215	14
Retained earnings				
Legal reserve	447,198	5	352,016	4
Unappropriated earnings	1,584,462	16	1,425,384	18
Total retained earnings	2,031,660	21	1,777,400	22
Other equity				
Cumulative translation adjustments (Note 2)	154,222	1	296,055	4
Unrealized gains on financial instruments (Note 2)	230	-	568	-
Unrealized revaluation increment (Notes 2 and 11)	5,442	-	5,442	-
Treasury stock (Notes 2 and 20)	(127,233)	(1)	(127,233)	(2)
Total other equity	32,661	-	174,832	2
Total stockholders' equity	6,257,906	66	5,761,428	72
TOTAL	$ 9,550,015	100	$ 8,002,654	100

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

(With Deloitte & Touche review report dated April 20, 2010)

TXC CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2010		2009	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 1,769,239	100	$ 1,262,208	101
LESS: SALES RETURNS	(1,595)	-	(1,984)	-
LESS: SALES ALLOWANCES	(6,797)	-	(9,123)	(1)
NET OPERATING REVENUE	1,760,847	100	1,251,101	100
OPERATING COSTS	(1,413,917)	(80)	(1,056,850)	(84)
GROSS PROFIT	346,930	20	194,251	16
UNREALIZED INTER-COMPANY GAIN	(57)	-	(107)	-
REALIZED INTER-COMPANY GAIN	263	-	2,049	-
REALIZED GROSS PROFIT	347,136	20	196,193	16
OPERATING EXPENSES				
Selling expense	83,434	5	67,921	6
General and administrative expense	45,498	3	28,300	2
Research and development expense	71,677	4	52,667	4
Total operating expenses	200,609	12	148,888	12
OPERATING INCOME	146,527	8	47,305	4
NONOPERATING INCOME AND GAINS				
Interest income	815	-	1,089	-
Investment income recognized under equity method	102,031	6	37,753	3
Gain on disposal of property, plant and equipment	-	-	781	-
Gain on sale of investments, net	-	-	46	-
Exchange gains	39,172	2	82,902	7
Reversal of doubtful accounts	87	-	4,092	-
Valuation gain on financial assets	-	-	485	-
Miscellaneous income	6,190	-	2,374	-
Total nonoperating income and gains	148,295	8	129,522	10
NONOPERATING EXPENSES AND LOSSES				
Interest expense	4,718	-	5,198	-
Loss on disposal of property, plant and equipment	178	-	-	-

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2010		2009	
	Amount	**%**	**Amount**	**%**
Exchange loss	33,237	2	95,309	8
Valuation loss on financial liabilities	3,202	-	1,203	-
Miscellaneous expenses	191	-	130	-
Total nonoperating expenses and losses	41,526	2	101,840	8
INCOME BEFORE INCOME TAX	253,296	14	74,987	6
INCOME TAX EXPENSE (Notes 2 and 21)	(40,294)	(2)	(5,767)	-
NET INCOME	$ 213,002	12	$ 69,220	6

	2010		2009	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 23)				
Basic	$ 0.89	$ 0.75	$ 0.26	$ 0.24
Diluted	$ 0.85	$ 0.71	$ 0.26	$ 0.24

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

(With Deloitte & Touche review report dated April 20, 2010) (Concluded)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 213,002	$ 69,220
Depreciation	148,890	155,604
Nonoperating loss - idle assets and lease assets	191	129
Amortization	6,878	1,432
Reversal of doubtful accounts	(87)	(4,092)
Discount on bonus payable	2,125	351
Provided for loss on inventories	1,249	7,410
Gain on sale of investments	-	(46)
Valuation loss (gain) on financial instruments	3,202	718
Investment income recognized under equity method	(102,031)	(37,753)
(Gain) loss on disposal of property, plant and equipment	178	(781)
Unrealized gross profit	57	107
Realized gross profit	(263)	(2,049)
Deferred income tax	29,876	2,789
Net changes in operating assets and liabilities		
Notes receivable	(1,039)	17,205
Accounts receivable	63,395	504,598
Inventories	(29,911)	25,031
Other receivable	(25,329)	15,558
Other current assets	(12,533)	(11,830)
Notes payable	(17,539)	(21,067)
Accounts payable	10,121	93,115
Income tax payable	10,094	2,979
Accrued expenses	11,266	(44,991)
Other current liabilities	(1,718)	3,252
Net cash provided by operating activities	310,074	776,889
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	1,621	24,651
Acquisition of available-for-sale financial assets	(720,000)	(590,000)
Acquisition of financial assets carried at cost	(48,000)	-
Proceeds from disposal of available-for-sale financial assets	-	90,063
Acquisition of property, plant and equipment	(133,606)	(64,406)
Proceeds of the disposal of property, plant and equipment	16,861	781
Decrease in refundable deposits	94	3
Increase in deferred charges	(9,563)	(2,110)
Net cash used in investing activities	(892,593)	(541,018)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(71,123)	(12,788)

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TXC CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2010	2009
Issuance of convertible bonds	795,000	-
Repayment of long-term loans	(169,312)	(244,818)
Proceeds from the exercise of employee stock options	93,933	-
Net cash (used in) provided by financing activities	648,498	(257,606)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,979	(21,735)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,053,100	552,242
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,119,079	$ 530,507
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 4,961	$ 5,608

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

(With Deloitte & Touche review report dated April 20, 2010) (Concluded)

TXC CORPORATION

NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(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 March 31, 2010 and 2009, the Corporation had 986 and 864 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 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 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 period 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 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 period in which employees render services.

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

Convertible Bonds

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

Treasury Stock

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

Income Tax

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

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

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

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

Foreign Currencies

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

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

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

Reclassifications

Certain accounts in the financial statements as of and for the three months ended March 31, 2009 have been reclassified to conform to the presentation of the financial statements as of and for the three months ended March 31, 2010.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

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 the three months ended March 31, 2009.

4. CASH AND CASH EQUIVALENTS

	March 31	
	2010	**2009**
Cash on hand	$ 1,161	$ 1,531
Checking accounts and demand deposits	378,014	354,676
Time deposits	249,904	174,300
Cash equivalents		
Repurchase agreements collateralized by bonds	490,000	-
	$ 1,119,079	$ 530,507

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31	
	2010	**2009**
Financial assets at FVTPL		
Convertible bonds	$ -	$ 4,410
Financial liabilities at FVTPL		
Optoins	$ 1,286	$ -
Forward exchange contracts	$ 556	$ 1,203

The Corporation entered into derivative contracts during the three months ended March 31, 2010 and 2009 to manage exposures related to exchange rate fluctuations. The financial risk management objective of the Corporation is to minimize risks due to change in fair value or cash flows.

Outstanding forward exchange contracts as of March 31, 2010 and 2009 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
March 31, 2010			
Sell	USD/NTD	April 6, 2010 to June 24, 2010	USD45,500/NTD1,453,324
Sell	USD/JPY	April 14, 2010 to June 23, 2010	USD2,750/JPY252,342
Sell	NTD/JPY	April 23, 2010 to June 24, 2010	NTD261,309/JPY750,000
Sell USD/Buy NTD		April 13, 2010 to April 22, 2010	USD4,000/NTD127,710
Sell USD/Buy JPY		April 6, 2010 to June 16, 2010	USD1,250/JPY112,900
March 31, 2009			
Sell	USD/NTD	April 8, 2009 to May 4, 2009	USD16,500/NTD559,177
Sell	USD/JPY	May 7, 2009 to May 19, 2009	USD1,750/JPY172,071
Sell	NTD/JPY	June 8, 2009 to July 3, 2009	NTD73,335/JPY210,000

Net gain (loss) on financial instruments held for trading for the three months ended March 31, 2010 and 2009 were $9,625 thousand and $(48,517) thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31	
	2010	2009
Mutual funds	$ 480,230	$ 620,568
Government bond	240,000	-
	$ 720,230	$ 620,568

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31	
	2010	2009
Notes receivable, third parties	$ 3,328	$ 22,704
Notes receivable, related parties	-	-
	3,328	22,704
Less: Allowance for doubtful accounts	(17)	(200)
	$ 3,311	$ 22,504
Accounts receivable, third parties	$ 2,031,113	$ 1,527,525
Accounts receivable, related parties	32,499	18,695
	2,063,612	1,546,220
Less: Allowance for doubtful accounts	(15,111)	(12,756)
	$ 2,048,501	$ 1,533,464

Movements of allowances for doubtful accounts were as follows:

	Three Months Ended March 31			
	2010		2009	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of period	$ 10	$ 15,205	$ 200	$ 16,848
Add (deduct): Provision (reversal of provision) for doubtful accounts	7	(94)	-	(4,092)
Balance, end of period	$ 17	$ 15,111	$ 200	$ 12,756

8. INVENTORIES

	March 31	
	2010	2009
Raw materials	$ 159,543	$ 135,053
Supplies and spare parts	61,145	31,291
Work in-process	162,812	141,114
Finished goods	175,249	197,626
Merchandise	160,003	154,512
Goods in transit	19,284	-
	$ 738,036	$ 659,596

As of March 31, 2010 and 2009 the allowance for inventory devaluation was $31,286 thousand and $35,224 thousand, respectively.

The cost of inventories recognized as cost of goods sold during the three months ended March 31, 2010 and 2009 was $ 1,413,917 thousand and $1,056,850 thousand, respectively, which included $1,249 thousand and $7,410 thousand, respectively, due to inventory devaluation.

9. FINANCIAL ASSETS CARRIED AT COST

	March 31	
	2010	2009
Domestic unquoted common stocks	$ 51,000	$ 3,000

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

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	March 31			
	2010		2009	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Unlisted companies				
Taiwan Crystal Technology International Ltd. ("TCTI")	$ 2,219,089	100	$ 1,983,430	100
TXC Technology Inc.	11,179	100	12,811	100
TXC Japan Corporation	9,829	100	7,628	100
	$ 2,240,097		$ 2,003,869	

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

	Three Months Ended March 31	
	2010	2009
TCTI	$ 103,531	$ 34,456
TXC Technology Inc.	(44)	617
TXC Japan Corporation	(1,456)	2,680
	$ 102,031	$ 37,753

The investment income (loss) for the three month ended March 31, 2010 and 2009 was based on the investees' financial statements unreviewed by the auditors for the same period.

11. PROPERTY, PLANT AND EQUIPMENT

	Three Months Ended March 31, 2010			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	476	117
Buildings	1,044,873	-	243,171	801,702
Machinery and equipment	2,880,431	-	1,910,764	969,667
Transportation equipment	2,557	-	2,413	144
Miscellaneous equipment	119,269	-	83,292	35,977
Prepayments for equipment	124,337	-	-	124,337
Construction in progress	-	-	-	-
	$ 4,445,556	$ 8,954	$ 2,240,116	$ 2,214,394

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

See Note 26 for collaterals on loans.

No interest for the three months ended March 31, 2010 and 2009 was capitalized.

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

12. OTHER ASSETS

Leased to Others

	March 31, 2010		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	11,445	(5,942)	5,503
	$ 14,047	$ (5,942)	$ 8,105

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

Future rental payments receivable were summarized as follows:

Period	Amount
2010	$ 1,215
2011	795

As of March 31, 2009, the Corporation had received deposits of $270 thousand. The interest on these deposits of $1 and $2 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the three months ended March 31, 2010 and 2009.

Idle Assets

	March 31, 2010		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	5,463	(4,873)	590
Machinery and equipment	6,203	(6,203)	-
	$ 13,919	$ (11,076)	$ 2,843

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

13. SHORT-TERM LOANS

	March 31	
	2010	2009
Usance letters of credit	$ 345,077	$ 143,755
Working capital loans	-	-
	$ 345,077	$ 143,755

Usance letters of credit amounted to JPY990,359 thousand and US$ 228 thousand as of March 31, 2010, and 420,090 thousand as of March 31, 2009. Interest rates ranged from 1.00% to 1.089% and from 1.202% to 1.70% at March 31, 2010 and 2009, respectively.

14. SHORT-TERM BILLS PAYABLE

	March 31			
	2010		2009	
	Interest Rate %	Amount	Interest Rate %	Amount
Commercial paper	-	$ -	1.23	$ 100,000
Less: Unamortized discount on bills payable	-	-	-	-
		$ -		$ 100,000

15. BONDS PAYABLE

	March 31	
	2010	2009
Second unsecured domestic convertible bonds	$ -	$ 53,700
Third unsecured domestic convertible bonds	800,000	-
Less: Discount on bonds payable	(27,213)	(3,664)
Less: Current portion	-	-
	$ 772,787	$ 50,036
Assets (liabilities) component of unsecured domestic corporate bonds	$ 14,224	$ (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%.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 40^{th} 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 10^{th} 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.

Third Unsecured Domestic Convertible Bonds

On January 11, 2010, the Corporation issued third unsecured domestic convertible bonds with an aggregate value of $800,000 thousand and maturity on January 11, 2013. Nominal interest is 0%. As of March 31, 2010, he Corporation’s outstanding domestic unsecured convertible corporate bonds were $800,000 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. During the period between one month after issuance and the 40^{th} day before maturity, the Corporation can redeem the bonds from holders at contracted price.

c. 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.

d. The original conversion price per share is $57.6. 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 $57.6 on March 31, 2010.

16. LONG-TERM DEBT

Nature of Loan	Repayment Period	March 31 2010	March 31 2009
Secured bank loans	Maturity on May 4,2021, repayable in 55 quarterly installments from November 2007	$ -	$ 89,091
Unsecured bank loans	Repayable at maturity on August 14, 2009	-	100,000
Secured bank loans	Repayable at maturity on August 25, 2013	42,000	-
Secured bank loans	Repayable at maturity on July 24, 2013	228,375	287,000
Unsecured bank loans	Repayable at maturity on September 11, 2010	-	100,000
Unsecured bank loans	Repayable at maturity on February 28, 2012	180,000	210,000
Unsecured bank loans	Repayable at maturity on June 12, 2011	100,000	-
Unsecured bank loans	Repayable at maturity on June 1, 2011	50,000	-
Unsecured bank loans	Repayable at maturity on September 16, 2011	100,000	-
Less current portion		(77,250)	(119,273)
		$ 623,125	$ 666,818
Interest rate (%)		0.900-0.994	0.967-1.714

See Note 26 for collateral on long-term debt.

17. ACCRUED EXPENSES

	March 31 2010	March 31 2009
Payroll	$ 31,389	$ 26,692
Bonus	28,286	13,325
Bonus to employees, directors and supervisors	109,958	145,975
Commission	65,561	37,443
Others	87,556	44,730
	$ 322,750	$ 268,165

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 $5,123 thousand and $4,349 thousand for the three months ended March 31, 2010 and 2009, 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 $1,006 thousand and $819 thousand for the three months ended March 31, 2010 and 2009, respectively.

19. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $4,000,000 thousand and $3,500,000 thousand at March 31, 2010 and 2009 ($10.00 par value per share). As of March 31, 2010 and 2009, the Corporation's issued capital stock were $2,909,070 thousand and $2,716,981 thousand, respectively, divided into 290,907 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:

	Three Months Ended March 31			
	2010		2009	
	Number of Options	Weighted Average Exercise Price (NT$)	Number of Options	Weighted Average Exercise Price (NT$)
Balance, beginning of period	7,585	$ 45.4	8,000	$ 50.7
Options granted	-	-	-	-
Options exercised	(2,069)	45.4	-	-
Options expired	-		-	-
Balance, end of period	5,516	45.4	8,000	50.7
Options exercisable, end of period	1,724		-	

Information about outstanding options as of March 31, 2010 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$)
$45.4	5,516	2.7	$ 45.4	1,724	$ 45.4

The pro forma information for the three months ended March 31, 2010 and 2009 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39 was as follows:

	Three Months Ended March 31	
	2010	2009
Net income	$ 194,068	$ 47,870
After income tax earnings per share (NT$)	$0.68	$0.18

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

	March 31	
	2010	2009
Arising from issuance of common shares	$ 332,289	$ 290,248
Arising from conversion of bonds	776,646	736,879
Arising from treasury stock transactions	4,360	4,360
Employee stock options	131,306	58,064
Conversion options	39,914	2,664
	$ 1,284,515	$ 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 three month ended March 31, 2010 and 2009, the bonus to employees was $28,755 thousand and $6,230 thousand, respectively, and the remuneration to directors and supervisors was $3,834 thousand and $623 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 15% and 10%; 2% and 1%, 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 gain or loss on financial instruments, net loss not recognized as pension cost, cumulative transaction adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

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

The appropriation of earnings for 2008 and 2007 had been approved in the stockholders' meeting on June 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 outstanding and had been adjusted in profit and loss for the year ended December 31, 2009.

Unrealized Gains on Financial Instruments

For the three months ended March 31, 2010 and 2009, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-sale Financial Assets	Total
Three months ended March 31, 2010		
Balance, beginning of period	$ -	$ -
Recognized in stockholders' equity	230	230
Transferred to profit or loss	-	-
Balance, ended of period	$ 230	$ 230
Three months ended March 31, 2009		
Balance, beginning of period	$ 49	$ 49
Recognized in stockholders' equity	528	528
Transferred to profit or loss	(9)	(9)
Balance, ended of period	$ 568	$ 568

20. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
Three months ended March 31, 2010				
For transfer to employees	3,000	-	-	3,000
Three months ended March 31, 2009				
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 statutory rate and income tax expense was as follows:

	Three Months Ended March 31	
	2010	2009
Income tax expense at statutory rate	$ 50,659	$ 18,737
Tax effect on adjusting items:		
Permanent differences	272	(16)
Temporary differences	(20,830)	(10,203)
Tax-exempt income for five years	(9,913)	(2,562)
	20,188	5,956
Investment tax credits used	(10,094)	(2,978)
Current income tax expense	10,094	2,978
Deferred tax expenses (benefits)		
Temporary differences	20,829	11,264
Investment tax credits	9,049	(8,475)
Adjustments for prior years' tax	322	-
	$ 40,294	$ 5,767

Deferred income tax assets (liabilities) were as follows:

	March 31	
	2010	2009
Current		
Deferred income tax assets		
Investment tax credit	$ -	$ 45,103
Unrealized allowance for loss on inventories	6,257	8,045
Unrealized exchange losses	4,086	3,110
Unrealized gain on transactions with investees	2,134	639
Unrealized valuation loss on financial instruments	369	123
Others	2,317	-
	15,163	57,020
Less: Valuation allowance	-	-
	15,163	57,020
Deferred income tax liabilities		
Unrealized exchange gains	(4,121)	(7,776)
	$ 11,042	$ 49,244
Deferred income tax assets		
Investment tax credits	$ 131,389	$ 135,309
Accrued pension cost	265	332
Impairment loss	2,784	2,644
Unrealized valuation loss on financial instrument	-	-
	134,438	138,285
Less: Valuation allowance	-	-
	134,438	138,285
Deferred income tax liabilities		
Investment income recognized on equity-method investments	(167,147)	(112,378)
	$ (32,709)	$ 25,907

As of March 31, 2010, investment tax credit comprised of:

Lows and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 103,507	$ 54,708	2011-2013
	Research and development expenditures	134,857	75,354	2011-2013
	Personnel training expenditures	1,327	1,327	2011-2013
		$ 239,691	$ 131,389	

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan on April 16, 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive is retroactive to January 1, 2010 and effective till December 31, 2019. Thus, the Company estimated that its income tax credits arising from the SII 1 will be recognized in the six months ended June 30, 2010.

As of March 31, 2010, profits attributable to the following expansion and construction projects were exempted from income tax for five-year.

	Tax-exemption Period
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:

	March 31 2010	March 31 2009
Balance of ICA	$ 32,890	$ 32,474

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

	March 31 2010	March 31 2009
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	1,584,462	1,425,384
	$ 1,584,462	$ 1,425,384

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

22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Function / Expense Item	Three Months Ended March 31					
	2010			2009		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel						
Salary	$ 96,030	$ 71,868	$ 167,898	$ 57,426	$ 41,616	$ 99,042
Pension	3,769	2,492	6,261	2,991	2,299	5,290
Meals	3,635	1,456	5,091	3,246	1,326	4,572
Welfare	2,098	542	2,640	1,246	489	1,735
Insurance	6,375	3,409	9,784	4,908	3,162	8,070
Depreciation	119,078	29,812	148,890	128,823	26,781	155,604
Amortization	134	6,744	6,878	112	1,320	1,432

23. EARNINGS PER SHARE (EPS)

	Three Months Ended March 31			
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic earnings per share (dollars)				
From continuing operations	$ 0.89	$ 0.75	$ 0.26	$ 0.24
Net income	$ 0.89	$ 0.75	$ 0.26	$ 0.24
Diluted earnings per share (dollars)				
From continuing operations	$ 0.85	$ 0.71	$ 0.26	$ 0.24
Net income	$ 0.85	$ 0.71	$ 0.26	$ 0.24

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

	Three Months Ended March 31, 2010				
	Amounts (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
Net income	$ 253,296	$ 213,002			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 253,296	$ 213,002	285,727	$ 0.89	$ 0.75
Effect of dilutive potential common stock					
Employee stock option	-	-	1,102		
Convertible bonds	2,125	1,700	14,000		
Bonus to employees	-	-	516		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 255,421	$ 214,702	301,345	$ 0.85	$ 0.71

	Three Months Ended March 31, 2009				
	Amounts (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
Net income	$ 74,987	$ 69,220			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 74,987	$ 69,220	284,312	$ 0.26	$ 0.24
Effect of dilutive potential common stock					
Convertible bonds	352	264	1,366		
Bonus to employees	-	-	2,224		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 75,339	$ 69,484	287,902	$ 0.26	$ 0.24

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 three months ended March 31, 2010 to decrease from NT$0.26 to NT$0.24 , respectively.

24. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	March 31			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at FVTPL	$ -	$ -	$ 4,410	$ 4,410
Available-for-sale financial assets, current	720,230	720,230	620,568	620,568
Other financial assets - noncurrent	14,224	14,224		
Financial assets carried at cost	51,000	-	3,000	-

(Continued)

	March 31			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Bonds payable (including current portion)	$ 772,787	$ 772,787	54,592	54,592
Long-term debt (including current portion)	700,375	700,375	786,091	786,091
Financial liabilities at FVTPL, current	1,842	1,842	1,203	1,203

(Concluded)

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, 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 based on quoted market prices or valuation techniques were as follows:

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	March 31		March 31	
	2010	2009	2010	2009
Assets				
Financial assets at fair value through profit or loss	$ -	$ 4,410	$ -	$ -
Other financial assets - noncurrent	-	-	14,224	-
Available-for-sale financial assets, current	720,230	620,568	-	-
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	1,842	1,203
Bonds payable	-	-	772,787	54,592

Valuation gains and losses arising from changes in fair value of financial instruments determined using valuation techniques were $3,201 thousand and $1,203 thousand for the three months ended March 31, 2010 and 2009, respectively.

Information about financial risks is as follows:

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

b. Credit risk: Credit risk represents the potential loss that would be incurred by the Corporation if the counter-parties breached the contracts. The counter-parties to the foregoing financial instruments are reputable financial institutions 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 $10,455 thousand a year.

25. RELATED-PARTY TRANSACTIONS

Related parties and their relationships with the Corporation:

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

Significant transactions with related parties:

Purchases

	Three Months Ended March 31			
	2010		2009	
	Amount	% to Total	Amount	% to Total
NGB	$ 410,696	36	$ 228,812	29
TXC Japan Corporation	4,798	-	275	-
Tai-Shing	3	-	-	-
	$ 415,497	36	$ 229,087	29

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

Sales

	Three Months Ended March 31			
	2010		2009	
	Amount	% to Total	Amount	% to Total
Tai-Shing	$ 5,659	-	$ 2,305	-
TXC Technology Inc.	369	-	906	-
NGB	20,540	1	11,203	1
TXC Japan Corporation	1,516	-	93	-
TXC HK	1,266	-	657	-
	$ 29,350	1	$ 15,164	1

Consulting Fee

	Three Months Ended March 31			
	2010		2009	
	Amount	% to Total	Amount	% to Total
TXC Japan Corporation	$ 11,761	64	$ 12,938	49
TXC Technology Inc.	6,705	36	6,054	23
NGB	-	-	7,390	28
	$ 18,466	100	$ 26,382	100

Other Expenses

	Three Months Ended March 31			
	2010		2009	
	Amount	% to Total	Amount	% to Total
Tai-Shing	$ 228	-	$ 166	-
TXC Japan Corporation	9	-	140	-
	$ 237	-	$ 306	-

In the three month ended March 31, 2010, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, and TXC (HK) Limited, those related parties are divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.

Receivables from and Payables to Related Parties

		March 31			
		2010		2009	
Item	Related Party	Amount	% to Total	Amount	% to Total
Accounts receivable	Tai-Shing	$ 6,190	-	$ 2,420	-
	TXC Technology Inc.	86	-	1,367	-
	TXC Japan Corporation	1,462	-	-	-
	NGB	23,381	1	13,977	1
	TXC HK	1,380	-	931	-
		$ 32,499	1	$ 18,695	1
Other current assets	TXC Technology Inc.	$ 1,598	1	$ 1,087	8
Notes payable	Tai-Shing	$ 783	-	$ 81	-
Accounts payable	TXC Japan Corporation	$ 4,647	1	$ 267	-
	Tai-Shing	772	-	60	-
	NGB	354,215	39	260,470	33
		$ 359,634	40	$ 260,797	33
Accrued expenses	TXC Japan Corporation	$ 9	-	$ 31	-
	Tai-Shing	151	-	34	-
	NGB	-	-	7,390	3
		$ 160	-	$ 7,455	3

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

Other Receivables

	March 31			
	2010		2009	
Related Party	Amount	% to Total	Amount	% to Total
NGB	$ 67,703	21	$ -	-

As of March 31, 2010, the Corporation brought machinery and equipment for NGB amount to $25,276 thousand.

Property transactions

In the three months ended March 31, 2009, the Corporation sold its equipment to NGB it machinery , with a net book value of $15,914 thousand, for $15,914 thousand.

In the three months ended March 31, 2009, the Corporation purchased the computer from Tai-Shing was about $1,393 thousand.

Endorsement/Guarantee Provided

As of March 31, 2009, the Corporation's guarantee amount for loans of Taiwan Crystal Technology International Ltd. (TCTI) was $33,089 thousand.

As of March 31, 2009, the Corporation's guarantee amount for loans of Growing Profits Trading Ltd. was $156,612 thousand.

26. MORTGAGED OR PLEDGED ASSETS

As of March 31, 2010 and 2009, the following assets had been pledged at their book values to secure short-term loans and long-term loans:

	2010	2009
Property, plant and equipment		
Land	$ 258,076	$ 258,076
Buildings, net	799,065	404,093
	$ 1,057,141	$ 662,169

27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Corporation's commitments and contingencies as of March 31, 2010, which were not shown in the financial statements, were as follows:

Unused letters of credit was about JPY514,045 thousand.

Guarantee notes payable for construction in progress amount to about $4,176 thousand.

The Corporation's guarantee for loan of its subsidiary was described in Note 25.

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: None.

c. Marketable securities held: Table 1 (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 2 (attached).

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

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

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 3 (attached).

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4 (attached).

i. Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 5 (attached).

j. Derivative transactions of investees over which the Corporation has a controlling interest: Table 6 (attached and Note 5).

k. Investment in Mainland China: Table 7 (attached).

TABLE 1

TXC CORPORATION

MARKETABLE SECURITIES HELD
MARCH 31, 2010
(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	March 31, 2010				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	Bond							
	Governmental bond	None	Available-for-sale financial assets	-	$ 240,000	-	$ 240,000	
	Mutual fund					-		
	UPAMC James Bond Fund	None	〃	3,753	$ 60,029		60,029	
	TLAM B. B. Bond Fund	〃	〃	2,564	30,013	-	30,013	
	SinoPac Bond Fund	〃	〃	4,498	60,029	-	60,029	
	Cathay Bond Bund	〃	〃	5,018	60,021	-	60,021	
	Hua Nan Kirin Fund	〃	〃	1,926	30,014	-	30,014	
	Fubon Chi-Hsiang Fund	〃	〃	7,997	120,051	-	120,051	
	Mega Diamong Bond Fund	〃	〃	2,514	30,020	-	30,020	
	IBT Bond	〃	〃	4,428	60,037	-	60,037	
	Fuh Hwa Global Bond	〃	〃	2,171	30,016	-	32,016	
					$ 480,230			
	Stock							
	TCTI	Subsidiary	Investment accounted for by the equity method	37,835	$ 2,219,089	100	None	
	TXC Technology Inc.	Subsidiary	〃	300	11,179	100	None	
	TXC Japan Corporation	Subsidiary	〃	2	9,829	100	None	
					$ 2,240,097		None	
	Marson Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	414	$ 3,000	5	None	
	Win Win Precision Technology Co., Ltd.	-	〃	800	$ 48,000	3	None	
TCTI	Stock							
	GPT	Subsidiary	Investment accounted for by the equity method	50	123,901 US$ 3,894	100	None	
	TXC (Ningbo) Corporation	Subsidiary	〃	US$ 37,835	2,105,453 US$ 66,170	100	None	
NGB	TXC (HK) Limited	Subsidiary	〃	HK$ 200	6,950 RMB 1,491	100	None	

TXC CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2010
(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	Fubon Chi-Hsiang Fund	Available-for-sale financial assets	-	-	-	$ -	7,976,654	$ 120,000	-	$ -	$ -	$ -	7,996,694	$ 120,051 (Note)

Note: The amount involved unrealized gain on financial instruments $51 thousand.

TABLE 3

TXC CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2010
(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	$ 410,696	36		Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.	-	$ (354,215)	39	

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

TABLE 4

TXC CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2010
(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	$ 354,215	4.90	$ -	-	$ -	$ -

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
MARCH 31, 2010
(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 March 31, 2010			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				March 31, 2010	December 31, 2009	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN SAMOA	Investment holding	$ 1,244,699	$ 1,244,699	37,835	100	$ 2,219,089	$ 105,260	$ 103,531	Difference from upstream transactions $1,729 thousand
				US$ 37,835	US$ 37,835						
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879	9,879	300	100	11,179	(44)	(44)	
				US$ 300	US$ 300						
	TXC Japan Corporation	Japan	Marketing activities	6,172	6,172	2	100	9,829	(1,456)	(1,456)	
				JPY 21,000	JPY 21,000						
TCTI	GPT	B.V.I.	National trading	1,691	1,691	50	100	123,901	307	307	
				US$ 50	US$ 50			US$ 3,894	US$ 10	US$ 10	
	NGB	Ningbo	Manufacture and sales of electronics products	1,244,699	1,244,699		100	2,105,453	104,952	104,952	
				US$ 37,835	US$ 37,835	US$ 37,835		US$ 66,170	US$ 3,286	US$ 3,286	
NGB	TXC (HK) Limited	Hong Kong	National trading	846	846		100	6,950	908	908	
				HK$ 200	HK$ 200	HK$ 200		RMB 1,491	RMB 194	RMB 194	

TABLE 6

TXC CORPORATION

DERIVATIVE TRANSACTIONS OF INVESTEES OVER WHICH THE CORPORATION HAS A CONTROLLING INTEREST
MARCH 31, 2010
(In Thousands of New Taiwan Dollars or U.S. Dollars)

NGB entered into derivative transactions during the year ended March 31, 2010 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of March 31, 2010:

March 31, 2010	Currency	Maturity	Contract Amount (In Thousands)
Sell	USD/RMB	April 6, 2010 to June 29, 2010	USD9,000/RMB61,401
Sell	USD/JPY	April 22, 2010	USD325/JPY30,000

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2010
(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 March 31, 2010 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2010 (US$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized (Note)	Carrying Amount as of March 31, 2010	Accumulated Inward Remittance of Earnings as of March 31, 2010
					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	$ 104,952 US$ 3,286	$ 2,105,453 US$ 66,170	$ 256,146 US$ 7,897

Note: Calculation was based on audited financial statements.

Accumulated Investment in Mainland China as of March 31, 2010 (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	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
NGB	Subsidiary	Purchase $410,696	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	$ (354,215)	39	$ (10,611)
		Sale 20,540	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	23,381	1	(57)

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