TXC Corporation and Subsidiaries

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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 (Note 3)	$ 1,458,684	14	$ 744,736	9
Financial assets at fair value through profit or loss - current (Note 4)	-	-	4,410	-
Available-for-sale financial assets - current (Note 5)	720,230	7	620,568	7
Notes receivable, net (Note 6)	3,311	-	22,504	-
Accounts receivable, net (Notes 6 and 20)	2,443,386	24	1,710,298	20
Inventories, net (Notes 2 and 7)	868,600	8	824,244	10
Other current assets	359,919	4	109,692	1
Total current assets	5,854,130	57	4,036,452	47
LONG-TERM INVESTMENTS				
Other financial assets - noncurrent (Note 13)	14,224	-	-	-
Financial assets carried at cost (Note 8)	51,000	1	3,000	-
Total long-term investments	65,224	1	3,000	-
PROPERTY, PLANT AND EQUIPMENT(Notes 9 and 21)				
Cost				
Land	273,496	3	273,496	4
Land improvements	593	-	593	-
Buildings	1,497,967	15	1,195,478	14
Machinery and equipment	4,864,897	47	4,775,267	56
Transportation equipment	12,969	-	11,964	-
Miscellaneous equipment	204,590	2	175,187	2
Land - revaluation increment	8,954	-	8,954	-
	6,863,466	67	6,440,939	76
Less: Accumulated depreciation	(2,955,149)	(29)	(2,500,137)	(29)
Construction in progress and prepayments for equipment	194,605	2	451,173	5
Total property, plant and equipment	4,102,922	40	4,391,975	52
INTANGIBLE ASSETS				
Land rights (Note 21)	16,344	-	17,897	-
Deferred pension cost	7,947	-	7,947	-
Others	1,426	-	813	-
Total intangible assets	25,717	-	26,657	-
OTHER ASSETS				
Assets leased to others (Note 10)	115,854	1	7,184	-
Idle assets (Note 10)	2,843	-	3,238	-
Refundable deposits	5,172	-	5,127	-
Deferred charges	33,484	1	29,004	1
Deferred income tax assets - noncurrent	-	-	25,907	-
Total other assets	157,353	2	70,460	1
TOTAL	$ 10,205,346	100	$ 8,528,544	100

	2010		2009	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 11)	$ 472,354	5	$ 327,356	4
Financial liabilities at fair value through profit or loss (Note 4)	1,842	-	1,203	-
Short-term bills payable (Note 12)	-	-	100,000	1
Notes payable (Note 20)	35,172	-	19,427	-
Accounts payable (Note 20)	1,180,454	12	677,303	8
Income tax payable	87,942	1	67,907	1
Accrued expenses (Notes 15 and 20)	389,374	4	296,448	3
Current portion of long-term loans (Note 14)	252,255	2	198,025	2
Other current liabilities	27,768	-	60,171	1
Total current liabilities	2,447,161	24	1,747,840	20
LONG-TERM LIABILITIES				
Bonds payable (Note 13)	772,787	7	50,036	1
Long-term debt (Note 14)	682,785	7	956,431	11
Liability component of convertible bonds - noncurrent (Note 13)	-	-	4,556	-
Total long-term liabilities	1,455,572	14	1,011,023	12
RESERVES				
Reserve for land value increment tax	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	8,486	-	4,741	-
Deferred income tax liability - noncurrent	32,709	1	-	-
Total other liabilities	41,195	1	4,741	-
Total liabilities	3,947,440	39	2,767,116	32
STOCKHOLDERS' EQUITY (Note 16)				
Capital stock				
Common stock	2,909,070	28	2,716,981	32
Capital surplus	1,284,515	13	1,092,215	13
Retained earnings				
Legal reserve	447,198	4	352,016	4
Unappropriated earnings	1,584,462	16	1,425,384	17
Total retained earnings	2,031,660	20	1,777,400	21
Other equity				
Cumulative translation adjustments	154,222	1	296,055	3
Unrealized gains on financial instruments	230	-	568	-
Unrealized revaluation increment	5,442	-	5,442	-
Treasury stock (Note 17)	(127,233)	(1)	(127,233)	(1)
Total other equity	32,661	-	174,832	2
Total stockholders' equity	6,257,906	61	5,761,428	68
TOTAL	$ 10,205,346	100	$ 8,528,544	100

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	$ 2,120,922	100	$ 1,405,220	101
LESS: SALES RETURNS	1,595	-	1,984	-
LESS: SALES ALLOWANCES	6,799	-	9,450	1
NET OPERATING REVENUE	2,112,528	100	1,393,786	100
OPERATING COSTS	1,580,933	75	1,120,509	80
GROSS PROFIT	531,595	25	273,277	20
OPERATING EXPENSES				
Selling expense	101,041	5	70,536	5
General and administrative expense	65,009	3	46,814	4
Research and development expense	91,005	4	60,612	4
Total operating expenses	257,055	12	177,962	13
OPERATING INCOME	274,540	13	95,315	7
NONOPERATING INCOME AND GAINS				
Interest income	1,170	-	1,097	-
Gain on disposal of property, plant and equipment	4	-	781	-
Gain on sale of investments, net	-	-	46	-
Exchange gains	40,572	2	83,794	6
Reversal of doubtful accounts	87	-	4,092	1
Valuation gain on financial assets	-	-	485	-
Miscellaneous income	8,726	-	3,243	-
Total nonoperating income and gains	50,559	2	93,538	7
NONOPERATING EXPENSES AND LOSSES				
Interest expense	6,385	-	11,853	1
Valuation loss on financial liabilities	3,202	-	1,203	-
Loss on disposal of property, plant and equipment	261	-	247	-
Exchange loss	33,733	2	96,117	7
Miscellaneous expenses	6,868	-	314	-
Total nonoperating expenses and losses	50,449	2	109,734	8
INCOME BEFORE INCOME TAX	274,650	13	79,119	6

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	%
INCOME TAX EXPENSE	61,648	3	9,899	1
NET INCOME	$ 213,002	10	$ 69,220	5

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 18)				
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 consolidated financial statements. (Concluded)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	205,885	207,324
Nonoperating loss - idle assets and lease assets	1,481	129
Amortization	8,672	3,057
Reversal of doubtful accounts	(87)	(4,092)
Provision for loss on inventories	1,249	7,410
Discount on bonds payable	2,125	351
Gain on sale of investments	-	(46)
Loss (gain) on disposal of property, plant and equipment	257	(534)
Valuation loss on financial instruments	3,202	718
Deferred income tax	29,876	2,789
Net changes in operating assets and liabilities		
Notes receivable	(1,039)	17,205
Accounts receivable	22,629	516,220
Inventories	(33,337)	70,793
Other current assets	(127,977)	1,686
Notes payable	(17,539)	(21,067)
Accounts payable	(30,659)	(29,439)
Income tax payable	8,654	2,859
Accrued expenses	(2,717)	(63,276)
Other current liabilities	8,341	37,264
Net cash provided by operating activities	292,018	818,571
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	839	24,936
Acquisition of available-for-sale financial assets	(720,000)	(590,000)
Proceeds of the disposal of available-for-sale financial assets	-	90,063
Acquisition of financial assets carried at cost	(48,000)	-
Acquisition of property, plant and equipment	(228,990)	(106,488)
Proceeds of the disposal of property, plant and equipment	16,871	781
Decrease in refundable deposits	118	77
Increase in deferred charges	(15,721)	(10,227)
Increase in other assets	(706)	-
Net cash used in investing activities	(995,589)	(590,858)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(108,800)	(285,143)
Decrease in guarantee deposits received	(132)	(291)
Issuance of convertible bonds	795,000	-
Increase in long-term loans	-	193,528

(Continued)

TXC CORPORATION AND SUBSIDIARIES

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

	2010	2009
Repayment of long-term debt	(182,880)	(244,817)
Proceeds from the exercise of employee stock options	93,933	-
Net cash provided by (used in) financing activities	597,121	(336,723)
EFFECT OF EXCHANGE RATE CHANGES	(1,474)	10,941
NET DECREASE IN CASH AND CASH EQUIVALENTS	(107,924)	(98,069)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,566,608	842,805
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,458,684	$ 744,736
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 7,369	$ 13,010
Income tax paid	$ 18,384	$ -

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Except for changes in accounting principles as described in Note 2 and details of significant accounting policies summarized below, all the other accounting policies are the same as consolidated financial statements in 2009 and 2008, respectively.

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

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

			Percentage of Ownership at March 31	
Investor	**Investee**	**Business Nature**	**2010**	**2009**
TXC Corporation	Taiwan Crystal Technology International Limited (TCTI)	Investment holding	100%	100%
	TXC Technology, Inc.	Marketing activities	100%	100%
	TXC Japan Corporation	Marketing activities	100%	100%
TCTI	Growing Profits Trading Ltd. (GPT)	International trading	100%	100%
	TXC (NGB) Corporation (NGB)	Manufacture and sales of electronic products	100%	100%
NGB	TXC (HK) Limited	International trading	100%	100%

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

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

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

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

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

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

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

2. 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.

3. CASH AND CASH EQUIVALENTS

	March 31	
	2010	**2009**
Cash on hand	$ 1,392	$ 1,962
Checking accounts and demand deposits	717,388	568,372
Time deposits	249,904	174,402
Cash equivalents		
Repurchase agreements collateralized by bonds	490,000	-
	$ 1,458,684	$ 744,736

4. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31	
	2010	**2009**
Financial assets at FVTPL		
Forward exchange contracts	$ -	$ 4,410
Financial liabilities at FVTPL		
Options	$ 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 minimized risks due to change in fair value or cash flows.

Outstanding forward exchange contracts as of March 31, 2010 and 2009:
Buildings 2 to 40 years

	Currency	Maturity Date	Contract Amount (In Thousands)
March 31, 2010			
Sell	USD/NTD	April 6, 2010 to June 24, 2010	US$45,500/NT$1,453,324
Sell	USD/JPY	April 14, 2010 to June 23, 2010	US$2,750/JPY252,342
Sell	NTD/JPY	April 23, 2010 to June 24, 2010	NT$261,309/JPY750,000
Sell	USD/RMB	April 6, 2010 to June 9, 2010	US$9,000/RMB61,401
Sell	USD/JPY	April 22, 2010	US$325/JPY30,000
Sell USD/Buy NTD		April 13, 2010 to April 22, 2010	US$4,000/NT$127,710
Sell USD/Buy JPY		April 6, 2010 to June 16, 2010	US$1,250/JPY112,900
March 31, 2009			
Sell	USD/NTD	April 8, 2009 to May 4, 2009	US$16,500/NT$559,177
Sell	USD/JPY	May 7, 2009 to May 19, 2009	US$1,750/JPY172,071
Sell	NTD/JPY	June 8, 2009 to July 3, 2009	NT$73,335/JPY210,000
Sell	USD/RMB	April 7, 2009 to May 5, 2009	US$1,500/RMB 10,261

Net gain (loss) on financial instruments held for trading for the three months ended March 31, 2010 and 2009 were $9,769 and $(48,517).

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

6 NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31 2010	March 31 2009
Notes receivable - third parties	$ 3,328	$ 22,704
Less: Allowance for doubtful accounts	(17)	(200)
	$ 3,311	$ 22,504
Accounts receivable - third parties	$ 2,457,753	$ 1,723,926
Accounts receivable - related parties	6,190	2,420
	2,463,943	1,726,346
Less: Allowance for doubtful accounts	(20,557)	(16,048)
	$ 2,443,386	$ 1,710,298

7. INVENTORIES

	March 31 2010	March 31 2009
Raw materials	$ 211,495	$ 219,795
Supplies and spare parts	70,664	43,262
Work in-process	198,112	186,415
Finished goods	209,224	219,303
Merchandise	158,206	155,469
Goods in transit	20,899	-
	$ 868,600	$ 824,244

As of March 31, 2010 and 2009 the allowance for inventory devaluation was $37,622 thousand and $41,446 thousand.

The cost of inventories recognized as cost of goods sold during the three months ended March 31, 2010 and 2009 was $1,580,933 thousand and $1,120,509 thousand, respectively, which included $1,249 thousand and $7,410 thousand, respectively, due to inventory devaluation.

8. FINANCIAL ASSETS CARRIED AT COST

	March 31 2010	March 31 2009
Domestic unquoted commons stock	$ 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.

9. 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	1,497,967	-	313,112	1,184,855
Machinery and equipment	4,864,897	-	2,510,883	2,354,014
Transportation equipment	12,969	-	6,751	6,218
Miscellaneous equipment	204,590	-	123,927	80,663
Prepayments for equipment	194,524	-	-	194,524
Construction in progress	81	-	-	81
	$ 7,049,117	$ 8,954	$ 2,955,149	$ 4,102,922

	Three Months Ended March 31, 2009			
	Cost	**Revaluation Increment**	**Accumulated Depreciation**	**Carrying Value**
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	451	142
Buildings	1,195,478	-	260,334	935,144
Machinery and equipment	4,775,267	-	2,127,599	2,647,668
Transportation equipment	11,964	-	5,252	6,712
Miscellaneous equipment	175,187	-	106,501	68,686
Prepayments for equipment	55,494	-	-	55,494
Construction in progress	395,679	-	-	395,679
	$ 6,883,158	$ 8,954	$ 2,500,137	$ 4,391,975

See Note 21 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.

10. OTHER ASSETS

Leased to Others

	March 31, 2010		
	Book Value	**Accumulated Impairment**	**Carrying Value**
Land	$ 2,602	$ -	$ 2,602
Buildings	125,616	(12,364)	113,252
	$ 128,218	$ (12,364)	$ 115,854

	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	$ 3,278
2011	3,545
2012	229

As of March 31, 2010, 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.

See Note 21 for collaterals on loans.

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	20,803	(20,803)	-
	$ 28,519	$ (25,676)	$ 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

11. SHORT-TERM LOANS

	March 31	
	2010	2009
Usance letters of credit	$ 345,077	$ 143,755
Working capital loans	127,277	183,601
	$ 472,354	$ 327,356

Usance letters of credit amounted to JPY990,359 thousand and US$228 thousand as of March 31, 2010, and JPY420,090 thousand as of March 31, 2009. Interest rates ranged from 1.000% to 1.089% and from 1.202% to 1.70% at March 31, 2010 and 2009, respectively.

Working capital loans amounted to US$4,000 thousand as of March 31, 2010, and US$11,000 thousand and RMB18,000 thousand as of March 31, 2009. Interest rates for the working capital loans ranged from 1.40% to 1.6726% and 2.62% to 5.40% March 31, 2010 and 2009, respectively.

12. 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

13. BONDS PAYABLE

	March 31	
	2010	2009
Domestic		
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 40th day before maturity, the Corporation can redeem the bonds from holders at contracted price.

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

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

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, none of bonds had been converted into common shares. 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 40th 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.

14. LONG-TERM DEBT

		March 31	
Nature of Loan	**Repayment Period**	**2010**	**2009**
Secured bank loans	Maturity in 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 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
Secured bank loans	Repayable at maturity on August 25, 2013	42,000	-
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	-
Unsecured bank loans	Repayable at maturity on March 30, 2011	79,548	-
Unsecured bank loans	Repayable at maturity on March 31, 2011	31,819	-
Unsecured bank loans	Repayable at maturity on February 27, 2011	63,638	-
Mortgage loans	Repayable at maturity on January 8, 2010, interest paid monthly	-	78,752
Unsecured bank loans	Repayable at maturity on June 9, 2011, interest paid seasonally	59,660	289,613

(Continued)

Less current portion		$ (252,255)	$ (198,025)
		$ 682,785	$ 956,431

Nature of Loan	Repayment Period	March 31 2010	2009
Interest rate (%)		0.90%-2.66%	0.967%-5.40%

(Concluded)

See Note 21 for collateral on long-term debt.

15. ACCRUED EXPENSES

	March 31 2010	2009
Payroll	$ 46,301	$ 39,915
Bonus	39,781	16,093
Bonus to employees, directors and supervisors	109,958	145,975
Commission	65,561	37,443
Others	127,773	57,022
	$ 389,374	$ 296,448

16. 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

17. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
Three months ended March 31, 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.

18. 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 and from NT$0.26 to NT$0.24, respectively.

19. 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 loans (including current portion)	935,040	935,040	1,154,456	1,154,456
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 organization. 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 $14,074 thousand a year.

20. RELATED-PARTY TRANSACTIONS

Related parties and their relationship with the Corporation:

Related Party	Relationship with the Corporation
Tai-Shing Electronic Components Corporation (Tai-Shing)	Chairman is the TXC's general manager
TSE Technology (Ningbo) Co., Ltd. (TSE Technology)	Chairman is the NGB's general manager

Significant transactions with related parties:

Revenue, Cost and Expense to Related Parties

		March 31			
		2010		2009	
Item	**Related Party**	**Amount**	**% to Total**	**Amount**	**% to Total**
Purchase	Tai-Shing	$ 3	-	$ -	-
Sales	Tai-Shing	$ 5,659	-	$ 2,305	-
Other expense	Tai-Shing	$ 228	-	$ 166	-
Rental income	TSE Technology	$ 752	-	$ -	-
Consulting revenue	TSE Technology	$ 370	-	$ -	-

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

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	-
Notes payable	Tai-Shing	$ 783	-	$ 81	-
Accounts payable	Tai-Shing	$ 772	-	$ 60	-
Accrued expenses	Tai-Shing	$ 151	-	$ 34	-
Other receivable	TSE Technology	$ 746	-	$ -	-

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

Property Transactions

In the three months ended March 31, 2010, the Corporation purchased the computer from Tai-Shing was about $1,393 thousand.

21. MORTGAGED OR PLEDGED ASSETS

	March 31	
	2010	2009
Property, plant and equipment		
Land	$ 258,076	$ 258,076
Buildings, net	1,107,934	569,432
Leased	107,749	-
Machinery and equipment, net	-	364,905
Intangible assets - land right	16,344	17,897
	$ 1,490,103	$ 1,210,310

22. 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:

Commitment	Contract Price	Paid Up	Not Yet Paid
Construction in progress	RMB 19,318	RMB 14,489	RMB 4,829

Unused letters of credit was about JPY514,045 thousand.

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

23. SUBSEQUENT EVENTS

None.

24. INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSITIONS

See Table 1 (attached).

TABLE 1

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEARS ENDED MARCH 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

Three months ended March 31, 2010

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC Technology, Inc.	1	Sales	$ 369	-	-
				Other expense - consulting expense	6,705	-	-
				Accounts receivable	86	-	-
				Other current assets	1,598	-	-
		TXC Japan Corporation	1	Purchase	4,798	-	-
				Sales	1,516	-	-
				Other expense - consulting expense	11,761	-	1
				Other expense	9	-	-
				Accounts receivable	1,462	-	-
				Accounts payable	4,647	-	-
				Accrued expense	9	-	-
		TXC (NGB) Corporation	1	Purchase	410,696	-	20
				Sales	20,540	-	1
				Accounts receivable	23,381	-	-
				Accounts payable	354,215	-	3
				Other receivable	67,703	-	1
		TXC (H.K.) Limited	1	Sales	1,266	-	-
				Accounts receivable	1,380	-	-
1	TXC (NGB) Corporation	TXC (H.K.) Limited	3	Sales	11,773	-	1
				Accounts receivable	11,773	-	-

(Continued)

Three months ended March 31, 2009

No.	Company Name	Counter Party	Flow of Transaction (Note 1)	Intercompany Transactions			
				Accounts	**Amount**	**Terms (Note 2)**	**Percentage of Consolidated Total Gross Sales or Total Assets (%)**
0	TXC Corporation	TXC Technology, Inc.	1	Sales	906	-	-
				Other expense - consulting expense	6,054	-	-
				Account receivable	1,367	-	-
				Other current assets	1,087	-	-
		TXC Japan Corporation	1	Purchase	275	-	-
				Sales	93	-	-
				Other expense - consulting expense	12,938	-	1
				Other expense	140	-	-
				Account payable	267	-	-
				Accrued expense	31	-	-
		TXC (NGB) Corporation		Sales	11,203	-	-
				Purchase	228,812	-	16
				Other expense - consulting expense	7,390	-	1
				Account receivable	13,977	-	1
				Account payable	260,470	-	3
				Accrued expense	7,390	-	-
		TXC (HK) Limited		Sales	657	-	-
				Account receivable	931	-	-
1	Growing Profits Trading Ltd.	TXC (NGB) Corporation	3	Sales	15,117	-	1
				Account receivable	7,184	-	-
2	TXC (NGB) Corporation	TXC (HK) Limited	3	Sales	609	-	-
				Account receivable	890	-	-

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

Note 2: In the three months 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.

(Concluded)