TXC Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2010 and 2009 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
TXC Corporation

We have reviewed the accompanying consolidated balance sheets of TXC Corporation and subsidiaries (collectively, the Corporation) as of June 30, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on reviews.

We conducted our reviews in accordance with statement of Auditing Standards No. 36, "Review of Financial Statements," a generally accepted auditing standard in the Republic of China. A review of financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, on January 1, 2009, the Corporation adopted the newly revised SFAS No. 10 "Accounting for Inventories"

August 12, 2010

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

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

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JUNE 30, 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)	$ 1,730,641	16	$ 1,433,273	16
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	741	-	9,988	-
Available-for-sale financial assets - current (Notes 2 and 6)	760,554	7	120,329	2
Notes receivable, net (Notes 2 and 7)	2,201	-	769	-
Accounts receivable, net (Notes 2, 7 and 23)	2,694,910	24	2,030,230	23
Inventories, net (Notes 2, 3 and 8)	1,012,237	9	810,849	9
Other current assets (Notes 2, 19 and 23)	258,663	2	106,136	1
Total current assets	6,459,947	58	4,511,574	51
INVESTMENTS				
Other financial assets - noncurrent (Notes 2 and 14)	8,912	-	-	-
Financial assets carried at cost (Notes 2 and 9)	97,478	1	3,000	-
Total investments	106,390	1	3,000	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 24)				
Cost				
Land	273,496	2	273,496	3
Land improvements	593	-	593	-
Buildings	1,507,504	14	1,507,031	17
Machinery and equipment	5,257,114	47	4,562,267	52
Transportation equipment	14,162	-	13,305	-
Office equipment	203,087	2	182,258	2
Land - revaluation increment	8,954	-	8,954	-
	7,264,910	65	6,547,904	74
Less accumulated depreciation	(3,158,878)	(28)	(2,529,754)	(28)
Construction in progress and prepayments for equipment	248,307	2	104,192	1
Total property, plant and equipment	4,354,339	39	4,122,342	47
INTANGIBLE ASSETS				
Land rights (Note 24)	16,565	-	17,213	-
Other intangible asset	1,616	-	-	-
Deferred pension cost (Notes 2 and 16)	7,947	-	7,947	-
Total intangible assets	26,128	-	25,160	-
OTHER ASSETS				
Assets leased to others (Notes 2, 11 and 24)	116,579	1	122,603	2
Idle assets (Notes 2 and 11)	2,844	-	3,139	-
Refundable deposits	6,143	-	4,761	-
Deferred charges	38,571	1	31,095	-
Deferred income tax assets (Notes 2 and 19)	7,409	-	22,361	-
Total other assets	171,546	2	183,959	2
TOTAL	$ 11,118,350	100	$ 8,846,035	100

	2010		2009	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 12)	$ 532,570	5	$ 265,489	3
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	4,708	-	477	-
Notes payable (Note 23)	45,586	-	35,321	-
Accounts payable (Note 23)	1,514,408	14	1,013,688	12
Accrued expenses (Notes 13 and 23)	517,637	5	278,182	3
Dividend payable (Note 17)	575,814	5	537,396	6
Current portion of long-term loans (Notes 15 and 24)	353,196	3	244,874	3
Other current liabilities	173,925	2	96,702	1
Total current liabilities	3,717,844	34	2,472,129	28
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 14)	775,225	7	50,388	1
Long-term loans (Notes 15 and 24)	553,812	5	920,601	10
Liability component of convertible bonds - noncurrent (Notes 2 and 14)	-	-	4,556	-
Total long-term liabilities	1,329,037	12	975,545	11
RESERVES				
Reserve for land value increment tax (Notes 2 and 10)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	8,117	-	8,979	-
Deferred income tax liabilities	-	-	150	-
Total other liabilities	8,117	-	9,129	-
Total liabilities	5,058,510	46	3,460,315	39
STOCKHOLDERS' EQUITY (Note 17)				
Capital stock				
Common stock	2,909,070	26	2,716,981	30
Stock dividend to be distributed	57,581	1	156,144	2
Total capital stock	2,966,651	27	2,873,125	32
Capital surplus	1,284,515	11	1,131,119	13
Retained earnings				
Legal reserve	525,420	4	447,198	5
Unappropriated earnings	1,203,822	11	828,207	9
Total retained earnings	1,729,242	15	1,275,405	14
Cumulative translation adjustments (Note 2)	200,669	2	227,533	3
Unrealized gains on financial instruments (Note 2)	554	-	329	-
Treasury stock (Notes 2 and 18)	(127,233)	(1)	(127,233)	(1)
Unrealized revaluation increment (Note 10)	5,442	-	5,442	-
Total stockholders' equity	6,059,840	54	5,385,720	61
TOTAL	$ 11,118,350	100	$ 8,846,035	100

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

(With Deloitte & Touche review report dated August 12, 2010)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2010		2009	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 4,469,859	100	$ 3,250,902	101
LESS: SALES RETURNS	(5,575)	-	(13,420)	-
LESS: SALES ALLOWANCES	(13,419)	-	(19,547)	(1)
NET OPERATING REVENUE	4,450,865	100	3,217,935	100
OPERATING COST	3,290,048	74	2,522,450	78
GROSS PROFIT	1,160,817	26	695,485	22
OPERATING EXPENSES				
Selling expenses	(221,439)	(5)	(148,422)	(5)
General and administration expenses	(142,927)	(3)	(101,438)	(3)
Research and development expenses	(191,262)	(4)	(136,019)	(4)
Total operating expenses	(555,628)	(12)	(385,879)	(12)
OPERATING INCOME	605,189	14	309,606	10
NONOPERATING INCOME AND GAINS				
Interest income	2,874	-	2,124	-
Gain on disposal of property, plant and equipment	4	-	2,010	-
Gain on sale of investments	33	-	735	-
Exchange gains	127,541	3	150,091	5
Reversal of impairment loss	4,519	-	-	-
Valuation gain on financial assets	729	-	6,768	-
Miscellaneous income	20,064	-	8,388	-
Total nonoperating income and gains	155,764	3	170,116	5
NONOPERATING EXPENSES AND LOSSES				
Interest expense	(12,901)	(1)	(18,148)	(1)
Loss on disposal of property, plant and equipment	(6,356)	-	(1,600)	-
Exchange losses	(116,877)	(3)	(158,143)	(5)
Impairment loss	(4,644)	-	(8,189)	-
Valuation loss on financial assets	(6,672)	-	-	-
Valuation loss on financial liabilities	(4,708)	-	(485)	-
Miscellaneous expenses	(4,202)	-	(5,855)	-
Total nonoperating expenses and losses	(156,360)	(4)	(192,420)	(6)

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	604,593	13	287,302	9
INCOME TAX EXPENSE (Notes 2 and 19)	(60,614)	(1)	(48,332)	(2)
NET INCOME	$ 543,979	12	$ 238,970	7

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE				
Basic (Note 21)	$ 2.11	$ 1.90	$ 1.01	$ 0.84
Diluted (Note 21)	$ 2.01	$ 1.81	$ 1.01	$ 0.84

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

(With Deloitte & Touche review report dated August 12, 2010) (Concluded)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Capital Stock				Retained Earnings		Other Equity				
	Common Stock	Advance Receipts for Common Stock	Stock Dividends to Be Distributed	Capital Surplus	Legal Reserve	Unappropriated Earnings	Unrealized Revaluation Increment	Unrealized Gain on Financial Instruments	Cumulative Translation Adjustments	Treasury Stock	Total
BALANCE, JANUARY 1, 2010	$ 2,873,409	$ 13,863	$ -	$ 1,168,416	$ 447,198	$ 1,371,460	$ 5,442	$ -	$ 168,373	$ (127,233)	$ 5,920,928
Appropriation of 2009 earnings											
Legal reserve	-	-	-	-	78,222	(78,222)	-	-	-	-	-
Stock dividends	-	-	57,581	-	-	(57,581)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(575,814)	-	-	-	-	(575,814)
Exercise of employee stock options	20,690	-	-	73,243	-	-	-	-	-	-	93,933
Conversion of convertible bonds	14,971	(13,863)	-	2,943	-	-	-	-	-	-	4,051
Equity component of convertible bonds	-	-	-	39,913	-	-	-	-	-	-	39,913
Net income for the six months ended June 30, 2010	-	-	-	-	-	543,979	-	-	-	-	543,979
Change in unrealized gains on available-for-sale financial assets	-	-	-	-	-	-	-	554	-	-	554
Change in translation adjustments	-	-	-	-	-	-	-	-	32,296	-	32,296
BALANCE, JUNE 30, 2010	$ 2,909,070	$ -	$ 57,581	$ 1,284,515	$ 525,420	$ 1,203,822	$ 5,442	$ 554	$ 200,669	$ (127,233)	$ 6,059,840
BALANCE, JANUARY 1, 2009	$ 2,716,981	$ -	$ -	$ 1,092,215	$ 352,016	$ 1,356,164	$ 5,442	$ 49	$ 229,680	$ (127,233)	$ 5,625,314
Appropriation of 2008 earnings (Note)											
Legal reserve	-	-	-	-	95,182	(95,182)	-	-	-	-	-
Stock dividends	-	-	134,349	-	-	(134,349)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(537,396)	-	-	-	-	(537,396)
Bonus to employees	-	-	21,795	38,904	-	-	-	-	-	-	60,699
Net income for the six months ended June 30, 2009	-	-	-	-	-	238,970	-	-	-	-	238,970
Change in unrealized gains on available-for-sale financial assets	-	-	-	-	-	-	-	280	-	-	280
Change in translation adjustments	-	-	-	-	-	-	-	-	(2,147)	-	(2,147)
BALANCE, JUNE 30, 2009	$ 2,716,981	$ -	$ 156,144	$ 1,131,119	$ 447,198	$ 828,207	$ 5,442	$ 329	$ 227,533	$ (127,233)	$ 5,385,720

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

(With Deloitte & Touche review report dated August 12, 2010)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 543,979	$ 238,970
Depreciation	409,283	407,172
Nonoperating loss - idle assets and lease assets	2,855	4,168
Amortization	9,231	6,706
provision for (reversal of) doubtful accounts	2,337	(1,987)
Provision for loss on inventories	8,581	16,102
Loss on physical inventories	511	119
Gain on sale of investments	(33)	(735)
Loss (gain) on disposal of property, plant and equipment	6,352	(410)
Valuation loss (gain) on financial instruments, net	10,651	(6,283)
Impairment loss	125	8,189
Discount on bonds payable	4,563	703
Deferred income tax	(8,665)	8,401
Net changes in operating assets and liabilities		
Notes receivable	77	39,136
Accounts receivable	(231,326)	193,987
Inventories	(184,817)	75,377
Other current assets	(28,298)	3,177
Notes payable	(7,125)	(5,173)
Accounts payable	303,295	306,946
Accrued expenses	125,546	(20,843)
Other current liabilities	75,210	8,745
Other liabilities	-	150
Net cash provided by operating activities	1,042,332	1,282,617
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments at fair value through profit or loss	839	25,729
Acquisition of available-for-sale financial assets	(960,000)	(650,000)
Proceeds from disposal of available-for-sale financial assets	200,033	650,664
Acquisition of financial assets carried at cost	(94,478)	-
Acquisition of property, plant and equipment	(657,907)	(219,092)
Proceeds from disposal of property, plant and equipment	19,071	2,659
Increase in intangible assets	(933)	(16)
(Increase) decrease in refundable deposits paid	(853)	444
Increase in deferred charges	(20,735)	(15,707)
Net cash used in investing activities	(1,514,963)	(205,319)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(48,584)	(347,010)
Decrease in short-term bills payable	-	(100,000)

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TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2010	2009
Issuance of convertible bonds	795,000	-
Decrease in long-term loans	(210,912)	(40,270)
(Decrease) increase in guarantee deposits received	(501)	3,947
Exercise of employee stock options	93,933	-
Net cash provided by (used in) financing activities	628,936	(483,333)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	7,728	(3,497)
NET INCREASE IN CASH AND CASH EQUIVALENTS	164,033	590,468
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,566,608	842,805
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,730,641	$ 1,433,273
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 13,672	$ 19,935
Income tax paid	$ 100,149	$ 68,855

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

(With Deloitte & Touche review report dated August 12, 2010) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

TXC 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, TXC Corporation's shares began to be traded on the Taiwan Stock Exchange.

As of June 30, 2010 and 2009, TXC and its consolidated subsidiaries had 2,431 and 1,979 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

Investor	Investee	Business Nature	Percentage of Ownership at June 30 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%
TXC (NGB) Corporation	TXC (HK) Limited	International trading	100%	100%

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

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

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

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

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

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

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

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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

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

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Available-for-sale Financial Assets

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

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

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

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

Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts

Revenue from sales of goods is recognized when the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or 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.

Property, Plant and Equipment

Property, plant and equipment and assets leased to others 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.

TXC (NGB) Corporation’s depreciation of part equipment is provided on a double declining balance method since June, 2010. Depreciation is provided on a straight-line basis over the estimated useful lives as follow: buildings - 3 to 51 years; machinery and equipment - 3 to 10 years; transportation equipment - 2 to 6 years; office equipment - 2 to 9 years; Assets leased to others – 4 to 61 years.

Property, plant and equipment and assets leased to others 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.

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

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

Foreign Currencies

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

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

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

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

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

Reclassifications

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2009 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the six months ended June 30, 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 six months ended June 30, 2009.

4. CASH AND CASH EQUIVALENTS

	June 30 2010	June 30 2009
Cash on hand	$ 1,252	$ 1,889
Checking accounts and demand deposits	656,675	834,084
Time deposits	320,100	312,300
Cash in transit	52,614	-
Cash equivalents		
Repurchase agreement collateralized bonds	700,000	285,000
	$ 1,730,641	$ 1,433,273

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30 2010	June 30 2009
Financial assets at FVTPL		
Forward exchange contracts	$ 741	$ 6,168
Convertible bonds	-	3,820
	$ 741	$ 9,988
Financial liabilities at FVTPL		
Option	$ 305	$ -
Forward exchange contracts	4,403	477
	$ 4,708	$ 477

The Corporation entered into derivative contracts during the six months ended June 30, 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 contracts as of June 30, 2010 and 2009:

	Currency	Maturity Date	Contract Amount (In Thousands)
June 30, 2010			
Sell	USD/NTD	July 6, 2010 - September 23, 2010	US$40,500/NT$1,307,259
Sell	NTD/JPY	July 6, 2010 - October 5, 2010	NT$273,080/JPY750,000
Sell	USD/RMB	July 2, 2010 - September 3, 2010	US$7,500/RMB51,080
Sell USD/BUY NTD		July 28, 2010 - September 3, 2010	USD3,000/NTD96,834
June 30, 2009			
Sell	USD/NTD	July 3, 2009 - October 8, 2009	US$28,500/NT$937,449
Sell	NTD/JPY	July 3, 2009 - October 23, 2009	NT$223,287/JPY660,000
Sell	USD/RMB	July 3, 2009 - November 4, 2009	US$8,500/RMB58,018

Net losses on financial instruments held for trading for the six months ended June 30, 2010 and 2009 were $6,380 thousand and $32,760 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2010	2009
Mutual funds	$ 510,554	$ 120,329
Government bond	250,000	-
	$ 760,554	$ 120,329

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	June 30	
	2010	2009
Notes receivable,third parties	$ 2,212	$ 773
Less: Allowance for doubtful accounts	(11)	(4)
	$ 2,201	$ 769
Accounts receivable, third parties	$ 2,703,205	$ 2,045,830
Accounts receivable, related parties	14,805	2,626
	2,718,010	2,048,456
Less: Allowance for doubtful accounts	(23,100)	(18,226)
	$ 2,694,910	$ 2,030,230

8. INVENTORIES

	June 30	
	2010	2009
Raw materials	$ 220,663	$ 174,340
Supplies and spare parts	72,047	56,078
Work in-process	194,311	192,698
Finished goods	273,216	221,825
Merchandis	227,738	155,237
Goods in transit	24,262	10,671
	$ 1,012,237	$ 810,849

As of June 30, 2010 and 2009, the allowance for inventory devaluation was $37,726 thousand and $43,074 thousand, respectively.

The cost of inventories recognized as cost of goods sold in the six months ended June 30, 2010 and 2009 was $3,290,048 thousand and $2,552,450 thousand, respectively, which included $8,581 thousand and $16,102 thousand due to inventory devaluation and $511 thousand and $119 thousand due to loss on physical inventory.

9. FINANCIAL ASSETS CARRIED AT COST

	June 30 2010	June 30 2009
Domestic unquoted common stocks	$ 51,000	$ 3,000
Overseas unquoted common stocks	46,478	-
	$ 97,478	$ 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. PROPERTY, PLANT AND EQUIPMENT

	Six Months Ended June 30, 2010			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	482	111
Buildings	1,507,504	-	335,294	1,172,210
Machinery and equipment	5,257,114	-	2,685,174	2,571,940
Transportation equipment	14,162	-	7,383	6,779
Office equipment	203,087	-	130,545	72,542
Prepayments for equipment	182,361	-	-	182,361
Construction in progress	65,946	-	-	65,946
	$ 7,504,263	$ 8,954	$ 3,158,878	$ 4,354,339

	Six Months Ended June 30, 2009			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	457	136
Buildings	1,507,031	-	274,703	1,232,328
Machinery and equipment	4,562,267	-	2,138,727	2,423,540
Transportation equipment	13,305	-	5,242	8,063
Office equipment	182,258	-	110,625	71,633
Prepayments for equipment	103,776	-	-	103,776
Construction in progress	416	-	-	416
	$ 6,643,142	$ 8,954	$ 2,529,754	$ 4,122,342

Information about capitalized interest was as follows:

	Six Months Ended June 30 2010	Six Months Ended June 30 2009
Interest expense (including capitalized interest)	$ 12,901	$ 20,550
Capitalized interest	-	2,402
Capitalization rates	-	1.45%

See Note 24 for collaterals on loans.

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.

11. OTHER ASSETS

Leased to Others

	June 30, 2010		
	Book Value	**Accumulated Depreciation**	**Carrying Value**
Land	$ 2,602	$ -	$ 2,602
Buildings	127,868	(13,891)	113,977
	$ 130,470	$ (13,891)	$ 116,579

	June 30, 2009		
	Book Value	**Accumulated Depreciation**	**Carrying Value**
Land	$ 2,602	$ -	$ 2,602
Buildings	125,665	(5,664)	120,001
	$ 128,267	$ (5,664)	$ 122,603

Future rental payments receivable were summarized as follows:

Period	**Amount**
2010	$ 2,189
2011	3,552
2012	230

As of June 30, 2010, the Corporation had received deposits of NT$270 thousand. The interest on these deposits of $1 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the six months ended June 30, 2010 and 2009, respectively.

See Note 24 for collaterals on loans.

Idle Assets

	June 30, 2010		
	Book Value	**Accumulated Impairment**	**Carrying Value**
Land	$ 2,253	$ -	$ 2,253
Buildings	5,465	(4,874)	591
Machinery and equipment	22,700	(22,700)	-
	$ 30,418	$ (27,574)	$ 2,844

	June 30, 2009		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,253	$ -	$ 2,253
Buildings	5,760	(4,874)	886
Machinery and equipment	25,887	(25,887)	-
	$ 33,900	$(30,761)	$ 3,139

Impairment loss was as follows:

	Six Months Ended June 30, 2010	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Reversal of impairment loss - machinery and equipment	$ 4,519	$ -
Impairment loss - machinery and equipment	$ 4,644	$ -

	Six Months Ended June 30, 2009	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Impairment loss - machinery and equipment	$ 8,189	$ -

12. SHORT-TERM LOANS

	June 30	
	2010	2009
Usance letters of credit	$ 338,902	$ 116,820
Working capital loans	193,668	148,669
	$ 532,570	$ 265,489

Usance letters of credit amounted to JPY910,549 thousand as of June 30, 2010, and JPY340,980 thousand as of June 30, 2009. Interest rates ranged from 0.875% to 1.400% and from 1.133% to 1.500% at June 30, 2010 and 2009, respectively.

Working capital loans amounted to US$6,000 thousand as of June 30, 2010, and US$1,000 thousand and RMB16,000 thousand as of June 30, 2009. Interest rates ranged from 1.82% to 2.07% and from 2.94% to 5.31% at June 30, 2010 and 2009, respectively.

13. ACCRUED EXPENSES

	June 30	
	2010	2009
Payroll	$ 50,907	$ 50,622
Bonus	53,932	33,158
Bonus to employees, directors and supervisors	162,062	83,630
Commission	80,665	40,490
Others	170,071	70,282
	$ 517,637	$ 278,182

14. BONDS PAYABLE

	June 30	
	2010	2009
Second unsecured domestic convertible bonds	$ -	$ 53,700
Third unsecured domestic convertible bonds	800,000	
Less: Discount on bonds payable	(24,775)	(3,312)
Less: Current portion	-	-
	$ 775,225	$ 50,388
Assets (liability) component of unsecured domestic convertible bonds	$ 8,912	$ (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 17), 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 June 30, 2010, the 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 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 June 30, 2010.

15. LONG-TERM LOANS

		June 30	
Nature of Loans	**Repayment Period**	**2010**	**2009**
Secured bank loans	Maturity on May 4, 2021, repayable in 55 quarterly installments from November 2007	$ -	$ 87,273
Unsecured bank loans	Repayable at maturity on August 14, 2009	-	100,000
Secured bank loans	Maturity on July 24, 2013, repayable in 20 quarterly installments from July 2008	189,312	233,000
Unsecured bank loans	Maturity on July 24, 2013, repayable in 20 quarterly installments from April 2009	22,750	28,000
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	Maturity on August 25, 2013, repayable in 20 quarterly installments from August 2008	39,000	51,000
Unsecured bank loans	Repayable at maturity on October 1, 2012	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	-
Mortgage loans	Repayable at maturity on January 18, 2010	-	76,187
Unsecured bank loans	Repayable at maturity on March 31, 2011	80,695	82,357
Unsecured bank loans	Repayable at maturity on February 27, 2011	64,556	65,886
Unsecured bank loans	Maturity on June 9, 2011, repayable in 8 quarterly installments from September 2009	48,417	98,829
Unsecured bank loans	Repayable at maturity on February 27, 2011	32,278	32,943
Less current portion		(353,196)	(244,874)
		$ 553,812	$ 920,601
Interest rate (%)		0.88%-2.86%	1.02%-5.04%

See Notes 23 and 24 for collateral on long-term loans.

16. 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 $10,329 thousand and $8,790 thousand for the six months ended June 30, 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 $1,993 thousand and $1,716 thousand for the six months ended June 30, 2010 and 2009, respectively.

17. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $4,000,000 thousand and $3,500,000 thousand at June 30, 2010 and 2009 ($10.00 par value per share, respectively). As of June 30, 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 and 271,698 thousand shares, respectively, at NT$10.00 par value each.

Employee Stock Options

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

Information about employee stock option plans was as follows:

	Six Months Ended June 30			
	2010		2009	
Employee Stock Options	**Number of Options (In Thousands)**	**Weighted Average Exercise Price**	**Number of Options (In Thousands)**	**Weighted Average Exercise Price**
Balance, beginning of period	7,585	$ 45.4	8,000	$ 50.7
Options granted	-	-	-	-
Option renounce	(44)	-	-	-
Options exercised	(2,069)	45.4	-	-
Options expired	-	-	-	-
Balance, end of period	5,472	45.4	8,000	$ 50.7
Options exercisable, end of period	1,614		-	-

The weighted-average stock price at the date of exercise for stock options exercised during the six months ended June 30, 2010 was NT$45.4.

Information about outstanding options as of June 30, 2010 and 2009 was as follows:

Six Months Ended June 30			
2010		2009	
Range of Exercise Price (NT$)	**Weighted Average Remaining Contractual Life (In Years)**	**Range of Exercise Price (NT$)**	**Weighted Average Remaining Contractual Life (In Years)**
$45.4	2.45	$50.7	3.45

For the six months ended June 30, 2010, termination of employment resulted in forfeiture of stock options which were granted during the year ended December 31, 2010 at 1%.

The pro forma information for the six months ended June 30, 2010 and 2009 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39 was as follows:

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

	Six Months Ended June 30	
	2010	**2009**
Net income	$ 547,556	$ 196,270
After income tax earnings per share (NT$)	$1.91	$0.73

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

	June 30	
	2010	**2009**
Arising from issuance of common shares	$ 332,289	$ 329,152
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	$ 1,131,119

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%; and

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

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

For the six months ended June 30, 2010 and 2009, the bonus to employees was $73,921 thousand and $21,507 thousand a, respectively, the remuneration to directors and supervisors was $9,856 thousand and $2,151 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 10% and 15%; 1% and 2%, respectively, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (including unrealized gain or loss on financial instruments,, cumulative transaction adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

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

The appropriation of earnings for 2009 and 2008 had been approved in the stockholders' meeting on June 15, 2010 and June 13, 2009, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2009	**For Year 2008**	**For Year 2009**	**For Year 2008**
Legal reserve	$ 78,222	$ 95,182	$	$ -
Cash dividends	575,814	537,396		2.0
Stock dividends	57,581	134,349		0.5

The bonus to employees and the remuneration to directors and supervisors for 2009 and 2008 approved in the stockholders' meetings on June 15, 2010 and June 13, 2009, respectively, were as follows:

	For Fiscal Year 2009		For Fiscal Year 2008	
	Cash Bonus	**Stock Bonus**	**Cash Bonus**	**Stock Bonus**
Bonus to employees	$ 71,168	$ -	$ 60,699	$ 60,699
Remuneration to directors and supervisors	7,117	-	16,187	-

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) of the day immediately preceding the stockholders' meeting.

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Bonus to Employee Bonus	**Remuneration to Directors and Supervisors**	**Bonus to Employee Bonus**	**Remuneration to Directors and Supervisors**
Amounts approved in stockholders' meetings	$ 71,168	$ 7,117	$ 121,398	$ 16,187
Amounts recongnized in respective financial statements	70,334	7,033	122,755	16,368
	$ 834	$ 84	$ (1,357)	$ (181)

The differences between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts reflected in the financial statements for the years ended December 31, 2009 and 2008 were primarily due to changes in estimates had been adjusted in profit and loss for the six months ended June 30, 2010 and 2009, respectively.

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

18. 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
Six months ended June 30, 2010				
For transfer to employees	3,000	-	-	3,000
Six months ended June 30, 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.

19. 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:

	Six Months Ended June 30	
	2010	**2009**
Income tax expense at statutory rate	$ 95,352	$ 67,632
Tax effect on adjusting items:		
Permanent differences	1,129	(184)
Temporary differences	(37,824)	(27,763)
Tax-exempt income for five years	(19,591)	(11,968)
Additional 10% income tax on unappropriated earnings	7,060	18,489
Investment tax credits used	(19,811)	(23,103)
Current income tax expense	26,315	23,103
Subsidiary's income tax	43,703	16,734
Deferred tax expenses (benefits)		
Temporary differences	(14)	11,799
Investment tax credits	11,185	15,138
Effect of tax law changes on deferred income tax	(19,836)	(18,536)
Adjustments for prior years' tax	(739)	94
	$ 60,614	$ 48,332

For the six months ended June 30, 2010 and 2009, the Legislative Yuan in suasion revised and passed the following Article:

a. In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20% and revised the income tax rate from 20% to 17% in May 2010, effective January 1, 2010.

b. 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.

Deferred income tax assets (liabilities) were as follows:

	June 30	
	2010	2009
Current		
Deferred income tax assets		
Investment tax credit	$ -	$ 39,200
Unrealized allowance for loss on inventories	7,587	7,435
Unrealized exchange losses	5,897	3,863
Unrealized gain on transactions with investees	27	1,426
Unrealized valuation loss on financial instruments	800	75
Others	1,969	1,563
	16,280	53,562
Less: Valuation allowance	-	(1,563)
	16,280	51,999
Deferred income tax liabilities		
Unrealized exchange gains	(6,815)	(3,586)
Unrealized valuation gain on financial instrument	-	(1,234)
	(6,815)	(4,820)
	$ 9,465	$ 47,179
Noncurrent		
Deferred income tax assets		
Investment tax credits	$ 129,253	$ 117,600
Impairment loss	2,367	2,899
Accrued pension cost	225	265
Others	-	2,440
	131,845	123,204
Less: Valuation allowance	-	(2,440)
	131,845	120,764
Deferred income tax liabilities		
Investment income recognized on equity-method investments	(124,436)	(98,403)
	$ 7,409	$ 22,361

As of June 30, 2010, investment tax credit comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 49,108	$ 30,313	2011-2013
	Research and development expenditures	129,945	98,072	2011-2013
	Personnel training expenditures	868	868	2011-2013
		$ 179,921	$ 129,253	

As of June 30, 2010, profits attributable to the following expansion and construction projects were exempted from income tax for five-year.

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

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

Information about integrated income tax was as follows:

	June 30	
	2010	**2009**
Balance of ICA	$ 101,348	$ 32,890
	2009 (Estimate)	**2008 (Actual)**
The creditable ratio for distribution	7.38%	7.26%

	June 30	
	2010	**2009**
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	1,203,822	828,207
	$ 1,203,822	$ 828,207

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.

20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Function / Expense Item	Six Months Ended June 30					
	2010			2009		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel						
Salary	$ 278,605	$ 227,065	$ 505,670	$ 177,218	$ 146,316	$ 323,534
Insurance	16,847	10,692	27,539	14,870	8,863	23,733
Pension	7,431	5,507	12,938	6,531	5,431	11,962
Others	613	748	1,361	-	-	-
Depreciation	345,535	63,748	409,283	343,612	63,560	407,172
Amortization	2,376	6,855	9,231	1,490	5,216	6,706

21. EARNINGS PER SHARE

	Six Months Ended June 30			
	2010		2009	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (NT$)				
From continuing operations	$ 2.11	$ 1.90	$ 1.01	$ 0.84
Net income	$ 2.11	$ 1.90	$ 1.01	$ 0.84
Diluted earnings per share (NT$)				
From continuing operations	$ 2.01	$ 1.81	$ 1.01	$ 0.84
Net income	$ 2.01	$ 1.81	$ 1.01	$ 0.84

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

	Amounts (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Six months ended June 30, 2010					
Net income	$ 604,593	$ 543,979			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 604,593	$ 543,979	286,823	$ 2.11	$ 1.90
Effect of dilutive potential common stock					
Employee stock option	-	-	1,086		
Convertible bonds	4,589	3,808	13,944		
Bonus to employee	-	-	1,475		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 609,182	$ 547,787	303,328	$ 2.01	$ 1.81
Six months ended June 30, 2009					
Net income	$ 287,302	$ 238,970			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 287,302	$ 238,970	284,312	$ 1.01	$ 0.84
Effect of dilutive potential common stock					
Convertible bonds	704	528	1,366		
Bonus to employee	-	-	339		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 288,006	$ 239,498	286,017	$ 1.01	$ 0.84

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings.

If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presumes 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 of the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of employee stock bonuses distributed out of earnings for the six month ended June 30, 2009 and stock dividends. This adjustment caused the basic and diluted after income tax EPS for the six months ended June 30, 2009 to decrease from $0.89 to $0.84.

22. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	June 30			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at FVTPL - current	$ 741	$ 741	$ 9,988	$ 9,988
Available-for-sale financial assets, current	760,554	760,554	120,329	120,329
Other financial assets - noncurrent	8,912	8,912	-	-
Financial assets carried at cost	97,478	-	3,000	-
Financial liabilities				
Financial liabilities at FVTPL - current	4,708	4,708	477	477
Bonds payable (including current portion)	775,225	775,225	54,944	54,944
Long-term debt (including current portion)	907,008	907,008	1,165,475	1,165,475

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

a. The above financial instruments do not include cash and cash equivalents, notes and accounts receivables, payables 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 value of long-term loans and bonds payable are estimated using the present value of future cash flows discounted by the interest rates.

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

	Quoted Market Price June 30		Valuation Techniques June 30	
	2010	**2009**	**2010**	**2009**
Assets				
Available-for-sale financial assets, current	$ 760,554	$ 120,329	$ -	$ -
Financial assets at FVTPL	-	3,820	741	6,168
Other financial assets - noncurrent	-	-	8,912	-
Liabilities				
Financial liabilities at FVTPL	-	-	4,708	477
Bonds payable	-	-	775,225	54,944
Long-term debt (including current portion)	-	-	907,008	1,165,475

Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were $10,652 thousand and $5,691 thousand for the six months ended June 30, 2010 and 2009, respectively.

I Information about financial risks was as follows:

a. Market risk: The Corporation's market risk refers to the uncertainties due to exchange rate fluctuations. Gains or losses on forward exchange contracts are likely to offset the gains or losses on foreign-currency assets or liabilities. 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 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 $14,396 thousand a year.

23. RELATED-PARTY TRANSACTIONS

The related parties and their relationships with the Corporation are as follows:

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

Major transactions with related parties were summarized below:

Sales

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 18,854	-	$ 4,568	-

Purchases

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 8	-	$ 419	-
TSE Technology	694	-	-	-
	$ 702	-	$ 419	-

Other Expense

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 394	-	$ 822	-
TSE Technology	-	-	1,040	-
	$ 394	-	$ 1,862	-

Rent Income

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TSE Technology	$ 1,379	7	$ 1,207	-

Consultant Revenue

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TSE Technology	$ 864	4	$ 1,035	-

Terms of transaction with related parties were not significantly different from third parties.

Receivables from and Payables to Related Parties

		June 30			
		2010		2009	
Item	Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts receivable	Tai-Shing	$ 14,805	1	$ 2,626	-
Other receivable	TSE Technology	$ 1,085	1	$ 453	-
Notes payable	Tai-Shing	$ 992	2	$ 417	-
Accounts payable	Tai-Shing	$ 496	-	$ 705	-
Accrued expenses	Tai-Shing	$ 67	-	$ 6	-
	TSE Technology	275	-	-	-
		$ 342	-	$ 6	-

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

Property Transactions

In the six months ended June 30, 2010, the Corporation purposed the computers from Tai-Shing was abut $2,703 thousand.

Endorsement/Guarantee Provided

As of June 30, 2010, Wan-Shing Lin was a Joint guarantor for parts loans of NGB.

24. MORTGAGED OR PLEDGED ASSETS

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

	June 30	
	2010	2009
Property, plant and equipment		
Land	$ 258,076	$ 258,076
Buildings, net	1,078,185	997,928
Assets leased to others	108,564	-
Machinery and equipment, net	-	336,052
Intangible asset - land rights	16,565	17,213
	$ 1,461,390	$ 1,609,269

25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Unit: In Thousands

Commitment	Contract Price	Paid Up	Not Yet Paid
Construction of building	$ 192,888	$ 63,064	$ 129,824
Prepayments for building	RMB 19,318	RMB 14,489	RMB 4,829
Prepayments for equipment	RMB 5,565	RMB 197	RMB 5,368
Prepayments for equipment	US$ 7,905	US$ 44	US$ 7,861

Unused letters of credit was about JPY885,961 thousand.

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

26. SUBSEQUENT EVENTS

None.

27. 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: Note 5 (attached).

k. Investment in Mainland China: Table 6 (attached).

l. Intercompany relationships and significant intercompany transactions: Table 7 (attached).

TABLE 1

TXC CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 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	June 30, 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	-	$ 250,000	-	$ 250,000	
	Mutual fund							
	Prudential Financial Bond Fund	None	Available-for-sale financial assets	3,962	$ 60,032	-	60,032	
	Prudential Financial Return Fund	None	〃	2,025	30,029	-	30,029	
	TLAM B. B. Bond Fund	None	〃	2,564	30,027	-	30,027	
	SinoPac Bond Fund	None	〃	4,498	60,069	-	60,069	
	Cathay Bond Bund	None	〃	5,018	60,055	-	60,055	
	Hua Nan Phoenix Bond Fund	None	〃	1,926	30,034	-	30,034	
	Fubon Chi-Hsiang Fund	None	〃	7,997	120,131	-	120,131	
	Mega Diamong Bond Fund	None	〃	2,514	30,050	-	30,050	
	IBT Tai-Chong Bond Fund	None	〃	4,428	60,086	-	60,086	
	Fuh Hwa Bond Fund	None	〃	2,171	30,041	-	30,041	
					$ 510,554			
	Stock							
	TCTI	Subsidiary	Investment accounted for by the equity method	34,835	$ 2,297,269	100	None	
	TXC Technology Inc.	Subsidiary	〃	300	11,336	100	None	
	TXC Japan Corporation	Subsidiary	〃	2	10,620	100	None	
					$ 2,319,225			
	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	
	Dongguan Failong Dong Bong Electronic Co., Ltd.	-	〃	RMB 10,096	46,478	8	None	
					$ 97,478			
TCTI	Stock							
	GPT	Subsidiary	Investment accounted for by the equity method	50	$ 32,345 US$ 1,002	100	None	
	TXC (Ningbo) Corporation	Subsidiary	〃	US$ 37,835	2,285,612 US$ 70,810	100	None	
NGB	TXC (HK) Limited	Subsidiary	〃	HK$ 200	6,135 RMB 1,291	100	None	

TXC CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 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	-	-	-	$ -	7,997	$ 120,000	-	$ -	$ -	$ -	7,997	$ 120,131 (Note)

Note: The amount involved unrealized gain on financial instruments $131 thousand.

TABLE 3

TXC CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 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	$ 967,592	38	Note	Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.	-	$ (500,152)	(37)	

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

TABLE 4

TXC CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 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	$ 500,152	4.74	$ -	-	$ 239,396	$ -

TXC CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
JUNE 30, 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 June 30, 2010			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				June 30, 2010	December 31, 2009	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN SAMOA	Investment holding	$ 1,147,949 (US$ 34,835)	$ 1,244,699 (US$ 37,835)	34,835	100	$ 2,297,269	$ 244,986	$ 232,830	Difference from upstream transactions $12,156 thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 (US$ 300)	9,879 (US$ 300)	300	100	11,336	(48)	(48)	
	TXC Japan Corporation	Japan	Marketing activities	6,172 (JPY 21,000)	6,172 (JPY 21,000)	2	100	10,620	(1,320)	(1,320)	
TCTI	GPT	B.V.I.	National trading	1,691 (US$ 50)	1,691 (US$ 50)	50	100	32,345 (US$ 1,002)	3,756 (US$ 118)	3,756 (US$ 118)	
	NGB	Ningbo	Manufacture and sales of electronics products	1,244,699 (US$ 37,835)	1,244,699 (US$ 37,835)	US$ 37,835	100	2,285,612 (US$ 70,810)	241,230 (US$ 7,562)	241,230 (US$ 7,562)	
NGB	TXC (HK) Limited	Hong Kong	National trading	846 (HK$ 200)	846 (HK$ 200)	HK$ 200	100	6,135 (RMB 1,291)	17 (RMB 3)	17 (RMB 3)	

TXC CORPORATION AND SUBSIDIARIES

INFORMATION OF INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 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 June 30, 2010 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2010 (US$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized (Note)	Carrying Amount as of June 30, 2010	Accumulated Inward Remittance of Earnings as of June 30, 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	$ 241,230 (US$ 7,562)	$ 2,285,612 (US$ 70,810)	$ 256,146 (US$ 7,897)
Dongguan Failong Dong Bong Electronic Co., Ltd.	Manufacturing and sales of new electronic components	RMB 126,194	Direct investment of the srporation in Mainland China	-	46,478 (RMB 10,096)	-	46,478 (RMB 10,096)	8	-	46,478 (RMB 10,096)	-

Note: Calculation was based on audited financial statements.

Accumulated Investment in Mainland China as of June 30, 2010 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment
$ 1,231,596 (US$ 37.480)	$ 1,292,004 (US$ 39,315)	$ -

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	$967,592	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	$ (500,152)	37	$ (21,039)
		Sale	64,343	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	39,625	2	(161)

(Continued)

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

(Concluded)

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
SIX MONTHS ENDED JUNE 30, 2009
(In Thousands of New Taiwan Dollars)

Six months ended June 30, 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	$ 434	-	-
				Other expense - consulting expense	13,311	-	-
				Accounts receivable	43	-	-
				Other current assets	226	-	-
		TXC Japan Corporation	1	Sales	3,149	-	-
				Purchase	7,519	-	-
				Other expense - consulting expense	23,512	-	-
				Other expense	82	-	-
				Accounts payable	2,331	-	-
				Accrued expense	61	-	-
		TXC (NGB) Corporation	1	Sales	64,343	-	1
				Purchase	967,592	-	22
				Accounts receivable	39,625	-	-
				Accounts payable	500,152	-	5
				Other receivable	124,858	-	1
		TXC (H.K.) Limited		Sales	2,846	-	-
				Accounts receivable	2,304	-	-
2	TXC (NGB) Corporation	TXC (H.K.) Limited	3	Sales	25,288	-	-
				Accounts receivable	10,936	-	-

(Continued)

Six months ended June 30, 2009

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC Technology, Inc.	1	Sales	$ 1,155	-	-
				Other expense - consulting expense	14,171	-	-
				Accounts receivable	303	-	-
				Other current assets	206	-	-
		TXC Japan Corporation	1	Sales	642	-	-
				Purchase	1,384	-	-
				Other expense - consulting expense	24,543	-	1
				Other expense	178	-	-
				Accounts receivable	552	-	-
				Accounts payable	1,129	-	-
				Accrued expense	38	-	-
		TXC (NGB) Corporation		Sales	35,850	-	1
				Purchase	555,047	-	17
				Other expense - consulting expense	14,537	-	-
				Accounts receivable	24,074	-	-
				Accounts payable	344,969	-	4
				Accrued expense	7,116	-	-
				Other accounts receivable	99,630	-	1
		TXC (HK) Limited		Sales	1,232	-	-
				Accounts receivable	852	-	-
		GPT	1	Purchases	13,643	-	-
				Accounts payable	13,482	-	-
1	Growing Profits Trading Ltd.	TXC (NGB) Corporation	3	Sales	64,581	-	2
				Consulting expense	604	-	-
				Accounts receivable	43,241	-	-
				Accrued expenses	296	-	-
2	TXC (NGB) Corporation	TXC (HK) Limited	3	Sales	2,559	-	-
				Accounts receivable	1,922	-	-

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

Note 2: In the three months ended June 30, 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)