

TXC Corporation

**Financial Statements for the
Years Ended December 31, 2010 and 2009 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying balance sheets of TXC Corporation (the "Corporation") as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

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

We have also audited the consolidated financial statements of TXC Corporation and subsidiaries as of December 31, 2010 and 2009, and expressed unqualified and modified unqualified opinion with explanatory paragraphs on such financial statements.

March 9, 2011

Notice to Readers

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

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

TXC CORPORATION

BALANCE SHEETS DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,156,233	11	\$ 1,053,100	12	Short-term loans (Note 13)	\$ 379,828	4	\$ 416,200	5
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	58,168	1	1,621	-	Notes payable (Note 24)	53,701	1	52,711	1
Available-for-sale financial assets - current (Notes 2 and 6)	56,764	1	-	-	Accounts payable	636,528	6	660,535	7
Notes receivable, net (Notes 2 and 7)	1,513	-	2,279	-	Accounts payable - related parties (Note 24)	360,751	3	319,957	4
Accounts receivable, net (Notes 2 and 7)	2,311,988	22	2,074,745	24	Income tax payable (Note 20)	56,139	1	59,504	1
Accounts receivable - related parties, net (Notes 2, 7 and 24)	13,030	-	37,057	-	Accrued expenses (Notes 17 and 24)	532,695	5	311,484	3
Other receivable	80,732	1	164,739	2	Liability component of convertible bonds - current (Notes 2 and 14)	-	-	331	-
Other receivable - related party (Note 24)	22,621	-	124,788	2	Bonds payable - current portion (Notes 2 and 14)	-	-	3,711	-
Inventories, net (Notes 2, 3 and 7)	939,852	9	709,374	8	Current portion of long-term loans (Note 15)	196,500	2	177,250	2
Other current assets (Notes 2, 20 and 24)	19,306	-	110,919	1	Other current liabilities	12,900	-	11,218	-
Total current assets	4,660,207	45	4,278,622	49	Total current liabilities	2,229,042	22	2,012,901	23
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	96,678	1	3,000	-	Bonds payable (Notes 2 and 14)	780,179	8	-	-
Investments accounted for by the equity method (Notes 2 and 9)	2,542,079	25	2,152,217	25	Long-term debt (Note 15)	762,938	7	692,437	8
Other financial assets - noncurrent (Notes 2 and 14)	8,011	-	-	-	Total long-term liabilities	1,543,117	15	692,437	8
Total long-term investments	2,646,768	26	2,155,217	25	RESERVES				
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 25)					Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
Cost					OTHER LIABILITIES				
Land	597,385	6	273,496	3	Guarantee deposits received	8,117	-	8,117	-
Land improvements	593	-	593	-	Deferred income tax liabilities - noncurrent	1,169	-	73,128	1
Buildings	1,048,982	10	1,056,013	12	Deferred credits - gain on inter-company transactions (Notes 2 and 10)	-	-	263	-
Machinery and equipment	3,198,374	31	2,931,750	34	Total other liabilities	9,286	-	81,508	1
Transportation equipment	2,557	-	2,557	-	Total liabilities	3,784,957	37	2,790,358	32
Office equipment	119,873	1	114,142	2	STOCKHOLDERS' EQUITY (Note 18)				
Land - revaluation increment	8,954	-	8,954	-	Capital stock				
Cost and revaluation increment	4,976,718	48	4,387,505	51	Common stock	2,971,831	29	2,873,409	33
Less accumulated depreciation	(2,359,415)	(23)	(2,167,140)	(25)	Advance receipts for common stock	-	-	13,863	-
Construction in progress and prepayments for equipment	350,616	4	27,459	-	Total capital stock	2,971,831	29	2,887,272	33
Total property, plant and equipment	2,967,919	29	2,247,824	26	Capital surplus	1,302,853	12	1,168,416	13
OTHER ASSETS					Retained earnings				
Assets leased to others (Notes 2 and 12)	7,835	-	7,091	-	Legal reserve	525,420	5	447,198	5
Idle assets (Notes 2 and 12)	2,565	-	2,941	-	Unappropriated earnings	1,850,021	18	1,371,460	16
Refundable deposits	3,576	-	3,915	-	Total retained earnings	2,375,441	23	1,818,658	21
Other assets - other (Notes 2 and 17)	24,902	-	15,676	-	Other equity (Note 2)				
Total other assets	38,878	-	29,623	-	Cumulative translation adjustments	3,716	-	168,373	2
TOTAL	\$ 10,313,772	100	\$ 8,711,286	100	Unrealized loss on financial instrument	(3,235)	-	-	-
					Unrealized revaluation increment (Note 11)	5,442	-	5,442	-
					Treasury stock (Notes 2 and 19)	(127,233)	(1)	(127,233)	(1)
					Total other equity	(121,310)	(1)	46,582	1
					Total stockholders' equity	6,528,815	63	5,920,928	68
					TOTAL	\$ 10,313,772	100	\$ 8,711,286	100

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

(With Deloitte & Touche audit report dated March 9, 2011)

TXC CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$ 8,212,214	101	\$ 6,614,490	101
LESS: SALES RETURNS	(21,303)	-	(22,423)	-
LESS: SALES ALLOWANCES	<u>(33,978)</u>	<u>(1)</u>	<u>(34,951)</u>	<u>(1)</u>
NET OPERATING REVENUE	8,156,933	100	6,557,116	100
OPERATING COSTS	<u>(6,455,182)</u>	<u>(79)</u>	<u>(5,290,904)</u>	<u>(81)</u>
GROSS PROFIT	1,701,751	21	1,266,212	19
UNREALIZED INTER-COMPANY GAIN	-	-	(263)	-
REALIZED INTER-COMPANY GAIN	<u>263</u>	<u>-</u>	<u>2,049</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,702,014</u>	<u>21</u>	<u>1,267,998</u>	<u>19</u>
OPERATING EXPENSES				
Selling expenses	(390,459)	(5)	(316,429)	(5)
General and administrative expenses	(190,747)	(2)	(140,807)	(2)
Research and development expenses	<u>(315,287)</u>	<u>(4)</u>	<u>(258,557)</u>	<u>(4)</u>
Total operating expenses	<u>(896,493)</u>	<u>(11)</u>	<u>(715,793)</u>	<u>(11)</u>
OPERATING INCOME	<u>805,521</u>	<u>10</u>	<u>552,205</u>	<u>8</u>
NONOPERATING INCOME AND GAINS				
Interest income	3,559	-	4,288	-
Investment income recognized under equity method (Note 10)	466,582	6	367,076	6
Dividend revenue	828	-	-	-
Gain on disposal of property, plant and equipment	820	-	1,960	-
Gain on sale of investments	1,396	-	3,221	-
Exchange gains	345,815	4	244,414	4
Valuation gain on financial assets	58,168	1	1,621	-
Miscellaneous income	<u>33,872</u>	<u>-</u>	<u>19,970</u>	<u>-</u>
Total nonoperating income and gains	<u>911,040</u>	<u>11</u>	<u>642,550</u>	<u>10</u>

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense	\$ (20,316)	(1)	\$ (12,143)	-
Loss on sale of investments	(257)	-	-	-
Loss on disposal of property, plant and equipment	(178)	-	(5,120)	-
Exchange losses	(419,788)	(5)	(252,498)	(4)
Impairment loss	(10,431)	-	(3,249)	-
Valuation on financial assets	(7,573)	-	-	-
Miscellaneous expenses	(12,588)	-	(10,195)	-
Total nonoperating expenses and losses	(471,131)	(6)	(283,205)	(4)
INCOME BEFORE INCOME TAX	1,245,430	15	911,550	14
INCOME TAX EXPENSE (Notes 2 and 20)	(55,252)	-	(129,327)	(2)
NET INCOME	<u>\$ 1,190,178</u>	<u>15</u>	<u>\$ 782,223</u>	<u>12</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 4.25</u>	<u>\$ 4.06</u>	<u>\$ 3.14</u>	<u>\$ 2.70</u>
Diluted	<u>\$ 4.03</u>	<u>\$ 3.85</u>	<u>\$ 3.12</u>	<u>\$ 2.68</u>

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

(With Deloitte & Touche audit report dated March 9, 2011)

(Concluded)

TXC CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)**

	Capital Stock			Retained Earnings		Others Equity				Total
	Capital Stock	Advance Receipts for Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Unrealized Revaluation Increment	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Treasury Stock	
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										
Legal reserve	-	-	-	95,182	(95,182)	-	-	-	-	-
Stock dividends	134,349	-	-	-	(134,349)	-	-	-	-	-
Cash dividends	-	-	-	-	(537,396)	-	-	-	-	(537,396)
Bonus to employees	21,795	-	38,904	-	-	-	-	-	-	60,699
Conversion of convertible bonds	284	13,863	37,297	-	-	-	-	-	-	51,444
Net income for the year ended December 31, 2009	-	-	-	-	782,223	-	-	-	-	782,223
Changes in translation adjustments	-	-	-	-	-	-	-	(61,307)	-	(61,307)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	(49)	-	-	(49)
BALANCE, DECEMBER 31, 2009	2,873,409	13,863	1,168,416	447,198	1,371,460	5,442	-	168,373	(127,233)	5,920,928
Appropriation of 2009 earnings										
Legal reserve	-	-	-	78,222	(78,222)	-	-	-	-	-
Stock dividends	57,581	-	-	-	(57,581)	-	-	-	-	-
Cash dividends	-	-	-	-	(578,814)	-	-	-	-	(578,814)
Exercise of employee stock options	25,870	-	91,580	-	-	-	-	-	-	117,450
Conversion of convertible bonds	14,971	(13,863)	2,943	-	-	-	-	-	-	4,051
Equity component of convertible bonds	-	-	39,914	-	-	-	-	-	-	39,914
Net income for the year ended December 31, 2010	-	-	-	-	1,190,178	-	-	-	-	1,190,178
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(3,235)	-	-	(3,235)
Changes in translation adjustments	-	-	-	-	-	-	-	(164,657)	-	(164,657)
BALANCE, DECEMBER 31, 2010	\$ 2,971,831	\$ -	\$ 1,302,853	\$ 525,420	\$ 1,847,021	\$ 5,442	\$ (3,235)	\$ 3,716	\$ (127,233)	\$ 6,525,815

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

(With Deloitte & Touche audit report dated March 9, 2011)

TXC CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,190,178	\$ 782,223
Depreciation	549,040	608,490
Nonoperating loss - idle assets and lease assets	738	9,576
Amortization	15,234	10,802
Provision for (reversal of) doubtful accounts	2,620	(1,833)
Provision for loss on inventories	29,755	34,172
Loss on physical inventories	565	224
Gain on sale of investments	(1,139)	(3,221)
Cash dividends received from equity method investees	-	53,293
Investment income recognized under equity method	(466,582)	(367,076)
Gain on disposal of property, plant and equipment	(820)	(1,960)
Loss on disposal of property, plant and equipment	178	5,120
Valuation gain on financial instruments	(50,595)	(1,621)
Impairment loss	10,431	3,249
Unrealized gross profit	-	263
Realized gross profit	(263)	(2,049)
Discount on bonds payable	9,517	1,245
Pension const	(2,547)	-
Deferred income tax	(150)	69,729
Net changes in operating assets and liabilities		
Notes receivable	768	37,620
Accounts receivable	(215,838)	(76,189)
Inventories	(260,798)	(51,733)
Other receivables	186,174	(271,860)
Other current assets	19,804	(24,002)
Notes payable	990	12,217
Accounts payable	16,787	293,227
Accrued expenses	221,211	59,027
Income tax payable	(3,365)	(5,424)
Other current liabilities	<u>1,682</u>	<u>2,877</u>
Net cash provided by operating activities	<u>1,253,575</u>	<u>1,176,386</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments as at fair value through profit or loss	1,621	30,620
Acquisitions of available-for-sale financial assets	(1,230,000)	(860,000)
Proceeds from capital decrease of investment accounted for the equity method	96,750	-
Proceeds from disposal of available-for-sale financial assets	1,171,140	981,194
Acquisition of financial assets carried cost	(93,678)	-
Acquisition of investments accounted for by equity method	(184,686)	-
Acquisition of property, plant and equipment	(1,324,551)	(337,612)
Proceeds from disposal of property, plant and equipment	44,521	58,426

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TXC CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
Decrease (increase) in refundable deposits	\$ 339	\$ (210)
Increase in deferred charges	<u>(21,913)</u>	<u>(12,608)</u>
Net cash used in investing activities	<u>(1,540,457)</u>	<u>(140,190)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(36,372)	259,657
Decrease in short-term bills payable	-	(100,000)
Issuance of convertible bonds	795,000	-
Repayment of (proceeds from) long-term debt	89,751	(161,222)
Proceeds from exercise of employee stock options	117,450	-
Increase in guarantee deposits received	-	3,623
Cash dividends	<u>(575,814)</u>	<u>(537,396)</u>
Net cash provided by (used in) financing activities	<u>390,015</u>	<u>(535,338)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	103,133	500,858
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,053,100</u>	<u>552,242</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,156,233</u>	<u>\$ 1,053,100</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest \$2,402 thousand in 2009)	<u>\$ 10,502</u>	<u>\$ 13,390</u>
Income tax paid	<u>\$ 58,091</u>	<u>\$ 65,023</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	<u>\$ 3,900</u>	<u>\$ 49,800</u>

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

(With Deloitte & Touche audit report dated March 9, 2011)

(Concluded)

TXC CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

1. ORGANIZATION AND OPERATIONS

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

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

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

As of December 31, 2010 and 2009, the Corporation had 1,075 and 968 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts

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

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

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

Inventories

Inventories consist of raw materials, supplies and spare parts, work-in-process, finished goods and merchandize. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Financial Assets Carried at Cost

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

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

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

Investments Accounted for by the Equity Method

Investments in which the Corporation holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee; however, if the Corporation has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee.

Property, Plant and Equipment, Assets Leased to Others and Idle Assets

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.

Depreciation is provided on a straight-line basis over the estimated useful lives as follow: buildings - 3 to 50 years; machinery and equipment - 3 to 11 years; transportation equipment - 2 to 5 years; office equipment - 3 to 8 years; leased assets - 3 to 60 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 year of disposal.

Impairment of Assets

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

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

Stock-based Compensation

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

Pension Cost

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

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

Convertible Bonds

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

Treasury Stock

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

Income Tax

The Corporation applies the intra-year and inter-year allocations methods to 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.

If the Company can control the timing of the reversal of a temporary difference arising from the difference between the book value and the tax basis of a long-term equity investment in a foreign subsidiary or joint venture and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred tax liability or asset is not recognized.

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

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

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

Foreign Currencies

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

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

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

Reclassifications

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

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Inventories

On January 1, 2009, the Corporation adopted the newly revised SFAS No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption did not result in net income for the year ended December 31, 2009.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2010	2009
Cash on hand	\$ 1,192	\$ 1,366
Checking accounts and demand deposits	806,294	516,234
Time deposits	168,700	220,500
Cash equivalents		
Repurchase agreements collateralized bonds	<u>180,047</u>	<u>315,000</u>
	<u>\$ 1,156,233</u>	<u>\$ 1,053,100</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2010	2009
<u>Financial assets at FVTPL</u>		
Forward exchange contracts	<u>\$ 58,168</u>	<u>\$ 1,621</u>

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

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

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2010</u>			
Sell	USD/NTD	January 4, 2011 to March 21, 2011	US\$47,000/NT\$1,434,845
Sell	USD/JPY	January 26, 2011 to March 1, 2011	US\$1,750/JPY146,548
Sell	NTD/JPY	January 7, 2011 to March 22, 2011	NT\$661,614/JPY1,800,000

(Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2009</u>			
Sell	USD/NTD	January 13, 2010 to March 26, 2010	US\$48,500/NT\$1,568,248
Sell	USD/JPY	January 5, 2010 to April 28, 2010	US\$5,500/JPY498,356
Sell	NTD /JPY	January 5, 2010 to April 23, 2010	NT\$417,294/JPY1,170,000
(Concluded)			

Net gain (loss) on financial instruments held for trading for the years ended December 31, 2010 and 2009 were \$108,433 thousand and \$(3,016) thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2010	2009
Mutual funds	<u>\$ 56,764</u>	<u>\$ -</u>

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2010	2009
Notes receivable, third parties	\$ 1,521	\$ 2,289
Notes receivable, related parties	<u>-</u>	<u>-</u>
	1,521	2,289
Less: Allowance for doubtful accounts	<u>(8)</u>	<u>(10)</u>
	<u>\$ 1,513</u>	<u>\$ 2,279</u>
Accounts receivable, third parties	\$ 2,329,775	\$ 2,089,950
Accounts receivable, related parties	<u>13,070</u>	<u>37,057</u>
	2,342,845	2,127,007
Less: Allowance for doubtful accounts	<u>(17,827)</u>	<u>(15,205)</u>
	<u>\$ 2,325,018</u>	<u>\$ 2,111,802</u>

Movements of allowance for doubtful accounts were as follows:

	Years Ended December 31			
	2010		2009	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of year	\$ 10	\$ 15,205	\$ 200	\$ 16,848
Add (deduct): Provision (reversal of provision) for doubtful accounts	<u>(2)</u>	<u>2,622</u>	<u>(190)</u>	<u>(1,643)</u>
Balance, end of year	<u>\$ 8</u>	<u>\$ 17,827</u>	<u>\$ 10</u>	<u>\$ 15,205</u>

8. INVENTORIES

	December 31	
	2010	2009
Raw materials	\$ 169,410	\$ 131,744
Supplies and spare parts	54,948	56,292
Work in process	164,927	154,073
Finished goods	269,793	194,203
Merchandise	260,828	155,592
Goods in transit	<u>19,946</u>	<u>17,470</u>
	<u>\$ 939,852</u>	<u>\$ 709,374</u>

As of December 31, 2010 and 2009, the allowance for inventory devaluation was \$30,654 thousand and \$38,068 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2010 and 2009 was \$6,455,182 thousand and \$5,290,904 thousand, respectively, which included \$30,320 thousand and \$34,396 thousand, respectively, due to inventory devaluation.

9. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2010	2009
Domestic unquoted common stocks	\$ 50,200	\$ 3,000
Overseas unquoted common stocks	<u>46,478</u>	<u>-</u>
	<u>\$ 96,678</u>	<u>\$ 3,000</u>

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

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2010		2009	
	Carrying Amount	Ownership Percentage	Carrying Amount	Ownership Percentage
Unlisted companies				
Taiwan Crystal Technology International Ltd. (TCTI)	\$ 2,521,047	100	\$ 2,129,467	100
TXC Technology Inc.	10,158	100	11,297	100
TXC Japan Corporation	<u>10,874</u>	100	<u>11,453</u>	100
	<u>\$ 2,542,079</u>		<u>\$ 2,152,217</u>	

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

	Years Ended December 31	
	2010	2009
TCTI	\$ 467,640	\$ 360,839
TXC Technology Inc.	(126)	(152)
TXC Japan Corporation	<u>(932)</u>	<u>6,389</u>
	<u>\$ 466,582</u>	<u>\$ 367,076</u>

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

11. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2010			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	\$ 597,385	\$ 8,954	\$ -	\$ 606,339
Land improvements	593	-	494	99
Buildings	1,048,982	-	289,898	759,084
Machinery and equipment	3,198,374	-	1,977,754	1,220,620
Transportation equipment	2,557	-	2,533	24
Office equipment	119,873	-	88,736	31,137
Construction in progress	236,961	-	-	236,961
Prepayments for equipment	<u>113,655</u>	<u>-</u>	<u>-</u>	<u>113,655</u>
	<u>\$ 5,318,380</u>	<u>\$ 8,954</u>	<u>\$ 2,359,415</u>	<u>\$ 2,967,919</u>

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

Information about capitalized interest was as follows:

	Years Ended December 31	
	2010	2009
Capitalized interest	\$ -	\$ 2,402
Capitalization rates	-	1.45%

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

See Note 25 for collateral on loans.

12. OTHER ASSETS

Leased to Others

	December 31, 2010		
	Book Value	Accumulated Depreciation	Carrying Value
Land	\$ 2,602	\$ -	\$ 2,602
Buildings	<u>11,445</u>	<u>(6,212)</u>	<u>5,233</u>
	<u>\$ 14,047</u>	<u>\$ (6,212)</u>	<u>\$ 7,835</u>
	December 31, 2009		
	Book Value	Accumulated Depreciation	Carrying Value
Land	\$ 2,602	\$ -	\$ 2,602
Buildings	<u>7,558</u>	<u>(3,069)</u>	<u>4,489</u>
	<u>\$ 10,160</u>	<u>\$ (3,069)</u>	<u>\$ 7,091</u>

Future rental payments receivable were summarized as follows:

Year

2011 \$ 795

As of December 31, 2010, the Corporation had received deposits of \$270 thousand. The interest on these deposits of \$2 thousand and \$4 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the years ended December 31, 2010 and 2009.

Idle Assets

	December 31, 2010		
	Book Value	Accumulated Impairment	Carrying Value
Land	\$ 2,253	\$ -	\$ 2,253
Buildings	5,186	(4,874)	312
Machinery and equipment	<u>4,614</u>	<u>(4,614)</u>	<u>-</u>
	<u>\$ 12,053</u>	<u>\$ (9,488)</u>	<u>\$ 2,565</u>
	December 31, 2009		
	Book Value	Accumulated Impairment	Carrying Value
Land	\$ 2,253	\$ -	\$ 2,253
Buildings	5,562	(4,874)	688
Machinery and equipment	<u>6,203</u>	<u>(6,203)</u>	<u>-</u>
	<u>\$ 14,018</u>	<u>\$ (11,077)</u>	<u>\$ 2,941</u>

Impairment loss was as follows:

	December 31, 2010	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Impairment loss		
Machinery and equipment	<u>\$ 10,431</u>	<u>\$ -</u>
	December 31, 2009	
	Recognized in Income Statement	Recognized in Stockholders' Equity
Impairment loss		
Machinery and equipment	<u>\$ 3,249</u>	<u>\$ -</u>

The Corporation recognized an impairment loss of \$10,431 thousand and \$3,249 thousand in 2010 and 2009, because of a decrease in cash inflow from the use of the related machinery and resulted in recoverable amount of the machine being lower than its carrying amount.

13. SHORT-TERM LOANS

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Usance letters of credit	\$ 379,828	\$ 329,719
Working capital loans	<u>-</u>	<u>86,481</u>
	<u>\$ 379,828</u>	<u>\$ 416,200</u>

- a. Usance letters of credit amounted to JPY926,095 thousand and US\$1,940 thousand as of December 31, 2010 and JPY926,095 thousand and US\$244 thousand as of December 31, 2009. Interest rates ranged from 0.826% to 1.240% and from 1.031% to 1.536% at December 31, 2010 and 2009, respectively.
- b. Working capital loans amounted to US\$2,700 thousand as of December 31, 2009. Interest rates for working capital loans is 0.74% at December 31, 2009.

14. BONDS PAYABLE

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Second unsecured domestic convertible bonds	\$ -	\$ 3,900
Third unsecured domestic convertible bonds	800,000	
Less: Discount on bonds payable	(19,821)	(189)
Less: Current portion	<u>-</u>	<u>(3,711)</u>
	<u>\$ 780,179</u>	<u>\$ -</u>
Asset (liability) component of unsecured domestic convertible bonds	<u>\$ 8,011</u>	<u>\$ (331)</u>

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 18), and bonds payable, liability. Other details of the bond issuance are summarized as follows:

- a. Upon maturity the Corporation has redeemed the bonds by cash at face value.
- b. On the third anniversary of the issuance date, bonds are redeemable at face value.
- c. During the period between one month after issuance and the 40th day before maturity, the Corporation can redeem the bonds from holders at contracted price.
- d. During the period between one month after issuance and the 10th day before maturity, except for the period between the ex-dividend date and the date of record, holders can request for conversion of the bonds to the Corporation's common stock.
- e. The original conversion price per share is \$52.00. The conversion price is subject to adjustment based on a certain formula if there are changes in outstanding shares or execution of conversion below market price.

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 December 31, 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 18), and bonds payable, liability. Other details of the bond issuance are summarized as follows:

- a. Upon maturity the Corporation has redeemed the bonds by cash at face value.
- b. 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 \$54.4 on December 31, 2010.

15. LONG-TERM LOANS

Nature of Loans	Repayment Period	December 31	
		2010	2009
Secured bank loans	Maturity on July 24, 2013, repayable in 20 quarterly installment from July 2008	\$ 158,438	\$ 218,437
Secured bank loans	Maturity on August 25, 2013, repayable in 20 quarterly installment from August 2008 and advanced redemption	-	45,000
Unsecured bank loans	Repayable at maturity on September 11, 2010	-	100,000
Unsecured bank loans	Repayable at maturity on February 28, 2012	180,000	180,000
Unsecured bank loans	Repayable at maturity on June 1, 2011, advanced redemption	-	50,000
Unsecured bank loans	Repayable at maturity on September 16, 2011	100,000	100,000
Secured bank loans	Maturity on July 24, 2013, repayable in 20 quarterly installments form April 2009	21,000	26,250
Unsecured bank loans	Repayable at maturity on October 27, 2011, advanced redemption	-	50,000
Unsecured bank loans	Repayable at maturity on June 12, 2011 advanced redemption	-	100,000
Unsecured bank loans	Maturity on October 28, 2015, repayable in quarterly installments from October 2011	500,000	-
		959,438	869,687
Less current portion		<u>(196,500)</u>	<u>(177,250)</u>
		<u>\$ 762,938</u>	<u>\$ 692,437</u>
Interest rate (%)		0.89-1.06	0.95-2.55

See Notes 25 for collateral on long-term loans.

16. ACCRUED EXPENSES

	December 31	
	2010	2009
Payroll	\$ 33,703	\$ 31,201
Bonus	105,234	85,558
Bonus to employees, directors and supervisors	182,097	77,368
Commission	81,346	61,654
Others	<u>130,315</u>	<u>55,703</u>
	<u>\$ 532,695</u>	<u>\$ 311,484</u>

17. PENSION PLANS

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at not less than 6% of monthly salaries and wages. Such pension costs were \$18,392 thousand and \$18,634 thousand for the years ended December 31, 2010 and 2009, respectively.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name. The Corporation recognized pension costs of \$3,944 thousand and \$3,664 thousand for the years ended December 31, 2010 and 2009, respectively.

Information about the defined benefit plan was as follows:

a. Components of net yearic pension cost

	Years Ended December 31	
	2010	2009
Service cost	\$ 2,431	\$ 2,081
Interest cost	1,309	1,508
Projected return on plan assets	(1,009)	(1,471)
Amortization	<u>1,328</u>	<u>2,269</u>
Net yearic pension cost	<u>\$ 4,059</u>	<u>\$ 4,387</u>

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2010 and 2009

	December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation	\$ (13,751)	\$ (7,010)
Non-vested benefit obligation	(49,314)	(51,552)
Accumulated benefit obligation	(63,065)	(58,562)
Additional benefit based on future salaries	(14,110)	(17,711)
Projected benefit obligation	(77,175)	(76,273)
Fair value of plan assets	64,261	59,334
Funded status	(12,914)	(16,939)
Unrecognized net transitional obligation	-	-
Unrecognized net gain	23,408	24,886
Accrued pension cost	<u>\$ 10,494</u>	<u>\$ 7,947</u>
Vested benefit	<u>\$ (15,736)</u>	<u>\$ (7,945)</u>

c. Actuarial assumptions as of December 31, 2010 and 2009:

	December 31	
	2010	2009
Discount rate used in determining present values	2.00%	2.00%
Future salary increase rate	2.00%	2.25%
Expected rate of return on plan assets	2.00%	2.00%

	Years Ended December 31	
	2010	2009
d. Contributions to the fund	<u>\$ 3,944</u>	<u>\$ 3,664</u>
e. Payments from the fund	<u>\$ -</u>	<u>\$ 6,057</u>

18. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is \$4,000,000 thousand and \$3,500,000 thousand at December 31, 2010 and 2009 (\$10.00 par value per share). As of December 31, 2010 and 2009, the Corporation's issued capital stock were \$2,971,381 thousand and \$2,873,409 thousand, respectively, divided into 297,183 thousand shares and 287,341 thousand shares, respectively, at \$10.00 par value each.

Employee Stock Options

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

Information about employee stock option plans was as follows:

	Years Ended December 31			
	2010		2009	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance, beginning of year	7,585	\$ 45.4	8,000	\$ 50.7
Options granted	-	-	-	-
Options forfeited	(44)	-	(415)	-
Options exercised	(2,587)	45.4	-	-
Options expired	-	-	-	-
Balance, end of year	<u>4,954</u>	42.9	<u>7,585</u>	45.4
Options exercisable, end of year	<u>2,975</u>		<u>4,000</u>	

The weighted-average stock price at the date of exercise for stock options exercised during the years ended December 31, 2010 was \$45.4.

Information about outstanding options as of December 31, 2010 and 2009 was as follows:

December 31			
2010		2009	
Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
\$45.4-\$42.9	1.94	\$50.7-\$45.4	2.94

For the year ended December 31, 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 years ended December 31, 2010 and 2009 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39 is as follows:

Pricing model:	Black-Scholes pricing model		
Assumption:	Risk-free interest rate		2.42%
	Expected life (years)		3.875 years
	Expected volatility		43.5%
	Divided yield		-
		2010	2009
Net income		<u>\$ 1,190,178</u>	<u>\$ 703,939</u>
After income tax basic earnings per share (NT\$)		<u>\$4.06</u>	<u>\$2.47</u>

Capital Surplus

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

Capital surplus comprised of the following

	December 31	
	2010	2009
Arising from issuance of common shares	\$ 332,289	\$ 329,152
Arising from conversion of bonds	776,646	776,646
Arising from treasury stock transactions	4,360	4,360
Employee stock options	149,644	58,064
Conversion options	<u>39,914</u>	<u>194</u>
	<u>\$ 1,302,853</u>	<u>\$ 1,168,416</u>

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 stockholders.

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

For the years ended December 31, 2010 and 2009, the bonus to employees was \$160,674 thousand and \$70,335 thousand, respectively, and the remuneration to directors and supervisors was \$21,423 thousand and \$7,033 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 stockholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative transaction adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

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

The appropriation of earnings for 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 Fiscal Year 2009	For Fiscal Year 2008	For Fiscal Year 2009	For Fiscal Year 2008
	Legal reserve	\$ 78,222	\$ 95,182	\$ -
Cash dividends	575,814	537,396	2.0	2.0
Stock dividends	57,581	134,349	0.2	0.5

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

	Years Ended December 31			
	2009		2008	
	Cash	Stock	Cash	Stock
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 for 2008 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 shareholders' meeting.

	Years Ended December 31			
	2009		2008	
	Bonus to Employee Bonus	Remuneration to Directors and Supervisors	Bonus to Employee Bonus	Remuneration to Directors and Supervisors
Amounts approved in shareholders' meetings	\$ 71,168	\$ 7,117	\$ 121,398	\$ 16,187
Amounts recognized in respective financial statements	<u>70,335</u>	<u>7,033</u>	<u>122,755</u>	<u>16,368</u>
	<u>\$ 833</u>	<u>\$ 84</u>	<u>\$ (1,357)</u>	<u>\$ (181)</u>

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 years ended December 31, 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.

19. TREASURY STOCK

	(Shares in Thousands)			
Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
<u>Year ended December 31, 2010</u>				
For transfer to employees	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
<u>Year ended December 31, 2009</u>				
For transfer to employees	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>

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

20. INCOME TAX

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

	<u>Years Ended December 31</u>	
	<u>2010</u>	<u>2009</u>
Income tax expense at the statutory rate	\$ 211,723	\$ 227,877
Tax effect on adjusting items:		
Permanent differences	585	(1,140)
Temporary differences	(72,818)	(84,874)
Tax-exempt income for five years	(49,844)	(41,344)
Additional 10% income tax on unappropriated earnings	7,060	18,489
Investment tax credits used	<u>(40,566)</u>	<u>(59,504)</u>
Current income tax expense	<u>56,140</u>	<u>59,504</u>
Deferred income tax expenses (benefit)		
Temporary difference	(3,868)	56,766
Investment tax credits	23,553	31,499
Effect of law changes on deferred income tax	(19,834)	(18,536)
Adjustment for prior years' tax	<u>(739)</u>	<u>94</u>
	<u>\$ 55,252</u>	<u>\$ 129,327</u>

For the years ended December 31, 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws.

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%, effective January 1, 2010.

Deferred income tax assets (liabilities) were as follows:

	2010	2009
Current		
Deferred income tax assets		
Investment tax credits	\$ -	\$ 70,219
Unrealized allowance for loss on inventories	5,211	7,613
Unrealized exchange losses	25,188	5,089
Unrealized gain on transactions with investees	-	1,829
Others	<u>-</u>	<u>2,296</u>
	30,399	87,046
Less: Valuation allowance	<u>-</u>	<u>-</u>
	<u>30,399</u>	<u>87,046</u>
Deferred income tax liabilities		
Unrealized exchange gain	(10,982)	(5,385)
Unrealized valuation gain on financial instrument	<u>(9,889)</u>	<u>(324)</u>
	<u>(20,871)</u>	<u>(5,709)</u>
	<u>\$ 9,528</u>	<u>\$ 81,337</u>
Noncurrent		
Deferred income tax assets		
Accrued pension cost	\$ 225	\$ 265
Impairment loss	4,140	2,783
Investment tax credits	116,885	70,219
Other	<u>2,017</u>	<u>-</u>
	123,267	73,267
Less: Valuation allowance	<u>-</u>	<u>-</u>
	<u>123,267</u>	<u>73,267</u>
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	<u>(124,436)</u>	<u>(146,395)</u>
	<u>\$ (1,169)</u>	<u>\$ (73,128)</u>

As of December 31, 2010, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 58,511	\$ 17,945	2014
	Research and development expenditures	129,945	98,072	2014
	Personnel training expenditures	<u>868</u>	<u>868</u>	2014
		<u>\$ 189,324</u>	<u>\$ 116,885</u>	

As of December 31, 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	2005 to 2010
Acquisition of equipment in 2005	2010 to 2014
Acquisition of equipment in 2010	-

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

Information about integrated income tax was as follows:

	December 31	
	2010	2009
Balance of ICA	<u>\$ 48,831</u>	<u>\$ 32,890</u>
	2010 (Estimate)	2009 (Actual)
The creditable ratio for distribution	5.68%	7.39%
	December 31	
	2010	2009
Unappropriated earnings generated before January 1, 1998	\$ -	\$ -
Unappropriated earnings generated on and after January 1, 1998	<u>1,850,021</u>	<u>1,371,460</u>
	<u>\$ 1,850,021</u>	<u>\$ 1,371,460</u>

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

21. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Function Expense Item	Years Ended December 31					
	2010			2009		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel						
Salary	\$ 431,024	\$ 352,787	\$ 783,811	\$ 317,228	\$ 225,607	\$ 542,835
Pension	15,425	7,439	22,864	13,320	9,450	22,770
Insurance	27,685	14,553	42,238	22,485	13,189	35,674
Others	24,834	8,343	33,177	21,277	7,883	29,160
Depreciation	444,553	104,486	549,040	494,102	114,388	608,490
Amortization	49	15,185	15,234	791	10,011	10,802

22. EARNINGS PER SHARE (EPS)

	Years Ended December 31			
	2010		2009	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (dollars)				
From continuing operations	\$ 4.25	\$ 4.06	\$ 3.14	\$ 2.70
Income for the year	<u>\$ 4.25</u>	<u>\$ 4.06</u>	<u>\$ 3.14</u>	<u>\$ 2.70</u>
Diluted earnings per share (dollars)				
From continuing operations	\$ 4.03	\$ 3.85	\$ 3.12	\$ 2.68
Income for the year	<u>\$ 4.03</u>	<u>\$ 3.85</u>	<u>\$ 3.12</u>	<u>\$ 2.68</u>

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

	Amounts (Numerator)		Shares (Denominator) (In Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>Year ended December 31, 2010</u>					
Net income	\$ 1,245,430	\$ 1,190,178			
Basic EPS (NT\$)					
Income for the year attributable to common stockholders	\$ 1,245,430	\$ 1,190,178	293,214	<u>\$ 4.25</u>	<u>\$ 4.06</u>
Effect of dilutive potential common stock					
Convertible bonds	9,544	7,921	14,442		
Bonus to employees	-	-	2,885		
Employee stock option	-	-	945		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 1,254,974</u>	<u>\$ 1,198,099</u>	<u>311,486</u>	<u>\$ 4.03</u>	<u>\$ 3.85</u>
<u>Year ended December 31, 2009</u>					
Net income	<u>\$ 911,550</u>	<u>\$ 782,223</u>			
Basic EPS (NT\$)					
Income for the year attributable to common stockholders	\$ 911,550	\$ 782,223	290,169	<u>\$ 3.14</u>	<u>\$ 2.70</u>
Effect of dilutive potential common stock					
Bonus to employees	-	-	597		
Convertible bonds	<u>1,247</u>	<u>935</u>	<u>1,350</u>		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 912,797</u>	<u>\$ 783,158</u>	<u>292,116</u>	<u>\$ 3.12</u>	<u>\$ 2.68</u>

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

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses distributed out of earnings for the year ended December 31, 2009 and stock dividends. This adjustment caused the basic and diluted after income tax EPS for the year ended December 31, 2009 to decrease from NT\$2.75 to NT\$2.70 and from NT\$2.73 to NT\$2.68, respectively.

23. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	December 31			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Financial assets at FVTPL, current	\$ 58,168	\$ 58,168	\$ 1,621	\$ 1,621
Available-for-sale financial assets, current	56,764	56,764	-	-
Other financial assets, noncurrent	8,011	-	-	-
Financial assets carried at cost	96,678	-	3,000	-
<u>Financial liabilities</u>				
Bonds payable	780,179	780,179	4,042	4,042
Long-term debt (including current portion)	959,438	959,438	869,687	869,687

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

- a. The above financial instruments do not include cash and cash equivalents, notes and accounts receivable, notes and accounts payable and short-term loans. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.
- b. Fair values of financial instruments designated as at FVTPL, available-for-sale and derivatives are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.
- c. Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

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

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

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	December 31		December 31	
	2010	2009	2010	2009
<u>Assets</u>				
Financial assets at FVTPL, current	\$ -	\$ -	\$ 58,168	\$ 1,621
Available-for-sale financial assets, current	56,764	-	-	-
<u>Liabilities</u>				
Bonds payable (including current portion)	-	-	780,179	4,042
Long-term debit (including current portion)	-	-	959,438	869,687

Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were \$50,595 thousand and \$1,621 thousand for the years ended December 31, 2010 and 2009, respectively.

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 contracts. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Corporation's exposure to default by those parties to be material.
- c. Liquidity risk: The Corporation's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.
- d. Cash flow interest rate risk: The Corporation's short term and long term loans are floating-rate. When the market interest rate increases by one percentage point, the Corporation's cash outflow will increase by \$13,393 thousands a year.

24. RELATED-PARTY TRANSACTIONS

Related parties and their relationships with the Corporation:

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

Significant transactions with related parties:

Sales

Related Party	Years Ended December 31			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	\$ 67,523	1	\$ 86,099	2
Tai-Shing	34,394	-	12,431	-
TXC (HK) Limited	5,635	-	8,288	-
TXC Japan Corporation	6,618	-	3,731	-
TXC Technology Inc.	-	-	2,891	-
	<u>\$ 114,170</u>	<u>1</u>	<u>\$ 113,440</u>	<u>2</u>

Purchases

Related Party	Years Ended December 31			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	\$ 1,976,407	37	\$ 1,365,313	33
GPT	3,224	-	20,601	-
TXC Japan Corporation	19,853	-	6,638	-
TXC (H.K.) Limited	-	-	2,588	-
Tai-Shing	18	-	887	-
TSE Technology	377	-	-	-
	<u>\$ 1,998,879</u>	<u>37</u>	<u>\$ 1,396,027</u>	<u>33</u>

Consulting Fee

Related Party	Years Ended December 31			
	2010		2009	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
TXC Japan Corporation	\$ 49,294	63	\$ 49,297	47
NGB	-	-	28,584	27
TXC Technology Inc.	<u>29,318</u>	<u>37</u>	<u>27,941</u>	<u>26</u>
	<u>\$ 78,612</u>	<u>100</u>	<u>\$ 105,822</u>	<u>100</u>

Other Expenses

Related Party	Years Ended December 31			
	2010		2009	
	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Tai-Shing	\$ 723	-	\$ 704	-
TXC Japan Corporation	<u>299</u>	<u>-</u>	<u>234</u>	<u>-</u>
	<u>\$ 1,022</u>	<u>-</u>	<u>\$ 938</u>	<u>-</u>

In the years ended December 31, 2010 and 2009, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, GPT, and TXC (HK) Limited, those related parties are divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.

Receivable from and Payable to Related Parties

Item	Related Party	December 31			
		2010		2009	
		Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts receivable	NGB	\$ 7,026	-	\$ 27,138	2
	Tai-Shing	5,274	-	5,597	-
	TXC Technology Inc.	-	-	486	-
	TXC (HK) Limited	<u>770</u>	<u>-</u>	<u>3,836</u>	<u>-</u>
		<u>\$ 13,070</u>	<u>-</u>	<u>\$ 37,057</u>	<u>2</u>
Other current assets	TXC Technology Inc.	<u>\$ 1,110</u>	<u>-</u>	<u>\$ 2,878</u>	<u>1</u>
Notes payable	Tai-Shing	<u>\$ 224</u>	<u>-</u>	<u>\$ 920</u>	<u>-</u>

(Continued)

		December 31			
		2010		2009	
Item	Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts payable	NGB	\$ 355,493	36	\$ 315,932	33
	Tai-Shing	1	-	733	-
	TXC (HK) Limited	-	-	2,563	-
	TXC Japan Corporation	<u>5,257</u>	<u>1</u>	<u>729</u>	<u>-</u>
		<u>\$ 360,751</u>	<u>37</u>	<u>\$ 319,957</u>	<u>33</u>
Accrued expense	Tai-Shing	\$ 36	-	\$ 132	-
	TXC Japan Corporation	<u>59</u>	<u>-</u>	<u>66</u>	<u>-</u>
		<u>\$ 95</u>	<u>-</u>	<u>\$ 198</u>	<u>-</u>

(Concluded)

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

Other Receivables

		December 31			
		2010		2009	
Related Party		Amount	% to Total Account Balance	Amount	% to Total Account Balance
NGB		<u>\$ 22,621</u>	<u>30</u>	<u>\$ 124,788</u>	<u>43</u>

As of December 31, 2010, the Corporation purchase machinery and equipment for NGB amount to \$467,850 thousands.

Property transactions

2010

In the year ended December 31, 2010, the Corporation sold its equipment to NGB it machinery, with a net book value of \$42,753 thousand, for \$42,753 thousand.

In the year ended December 31, 2010, the Corporation purchasing machinery from NGB for \$1,729 thousand.

In the year ended December 31, 2010, the Corporation purchased the computer from Tai-Shing was about \$4,251 thousand.

2009

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

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

Other

As of December 31, 2009, the Corporation's guarantee amount for loans of TCTI was \$33,089 thousand, ending amount was \$0.

As of December 31, 2009, the Corporation's guarantee amount for loans of GPT were \$189,240 thousand, ending amount was \$0.

Compensation of Directors, Supervisors and Management Personnel

	Years Ended December 31	
	2010	2009
Salaries	\$ 11,345	\$ 7,702
Incentives and special compensation	8,875	4,245
Professional fee	1,440	1,200
Bonus	<u>26,400</u>	<u>10,000</u>
	<u>\$ 48,060</u>	<u>\$ 23,147</u>

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

25. MORTGAGED OR PLEDGED ASSETS

	December 31	
	2010	2009
Property, plant and equipment		
Land	\$ 258,076	\$ 258,076
Buildings, net	<u>756,319</u>	<u>815,939</u>
	<u>\$ 1,014,395</u>	<u>\$ 1,074,015</u>

26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Guarantee notes receivable for construction amounted to about \$4,176 thousand.

Unused letters of credit amounted to approximately JPY297,853 thousand and US\$1,747 thousand and EUR198 thousand.

As of December 31, 2010, the Corporation's commitments was as follow:

Commitment	Total Dollars Amount of Contract	Dollars Paid	Dollars Unpaid
Construction of plant	<u>\$ 192,888</u>	<u>\$ 141,862</u>	<u>\$ 51,026</u>
Mechanical and electrical engineering	<u>\$ 235,701</u>	<u>\$ 92,299</u>	<u>\$ 143,402</u>

27. SUBSEQUENT EVENTS

None.

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

Segment Information

No segment information.

Geographic Area Information

No geographic area information.

Export Sales

Area	Years Ended December 31	
	2010	2009
Americas	\$ 224,862	\$ 152,645
Europe	100,245	-
Asia	<u>6,695,426</u>	<u>5,682,187</u>
	<u>\$ 7,020,533</u>	<u>\$ 5,834,832</u>

Major Customer Information

Major customer did not exceed the sales account 10% of income statements on 2010 and 2009.

29. OTHER

Information of significant impact for foreign financial asset and debit:

	December 31					
	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 98,386	29.13	\$ 2,865,974	\$ 74,147	32.03	\$ 2,374,943
JPY	422,979	0.3582	151,511	597,443	0.3476	207,671
Investment accounted for by entity method						
USD	86,893	29.13	2,531,205	67,113	32.03	2,149,647
JPY	30,357	0.3582	10,874	32,948	0.3476	11,453
<u>Financial liabilities</u>						
Monetary items						
USD	27,291	29.13	795,034	25,156	32.03	805,751
JPY	1,764,119	0.3582	631,874	1,583,654	0.3476	550,548

30. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None.
- b. Endorsement/guarantee provided: None.
- c. Marketable securities held: Table 1 (attached).
- d. Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 2 (attached).
- e. Acquisition of individual real estate properties at costs of at least \$100 million or 20% of the paid-in capital: Table 3 (attached).
- f. Disposal of individual real estate properties at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Table 4 (attached).
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached).
- i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 6 (attached).
- j. Derivative transactions: Please refer to Note 22 for the related information and Table 7 (attached).
- k. Investment in Mainland China: Table 8 (attached).

TABLE 1

TXC CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	<u>Mutual funds</u>							
	Shin Kong Cross Strait Selective Fund	None	Available-for-sale financial assets	2,691	\$ 28,789	-	\$ 28,789	
	Shin Kong China Growth Fund	None	"	2,177	27,975	-	27,975	
							\$ 56,764	
	<u>Stock</u>							
	TCTI	Subsidiary	Investment accounted for by the equity method	40,835	\$ 2,521,047	100	None	
	TXC Technology Inc.	Subsidiary	"	300	10,158	100	None	
	TXC Japan Corporation	Subsidiary	"	2	10,874	100	None	
							\$ 2,542,079	
TXC Corporation	Marson Technology Co., Ltd.	None	Financial assets carried at cost - noncurrent	414	\$ 3,000	5	None	
	Win Win Precision Technology Co., Ltd.	None	"	1,040	47,200	3	None	
	Dongguan Failong Dong Bong Electric Co.	None	"	RMB 10,096	46,478	8	None	
							\$ 96,678	
TCTI	<u>Stock</u>							
	GPT	Subsidiary	Investment accounted for by the equity method	50	\$ 61,065	100	None	
TCTI	TXC (Ningbo) Corporation	Subsidiary	"	1,429,385	2,482,451	100	None	
				US\$ 43,835	US\$ 85,220			
NGB	TXC (HK) Limited	Subsidiary	"	HK\$ 200	11,560	100	None	
	TSE Technology Co.	Subsidiary	"	RMB 6,828	RMB 2,628	23	None	
						RMB 7,559		

TXC CORPORATION

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 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	-	-	-	\$ -	9,992	\$ 150,000	9,992	\$ 150,182	\$ 150,000	\$ 182	-	\$ -
	Fubon Feng-Yi Fund	Available-for-sale financial assets	-	-	-	-	12,000	120,000	12,000	119,743	120,000	(257)	-	-

TXC CORPORATION

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)**

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
TXC Corporation	Land and building	2010.09.17	\$ 322,698	Full payment	Note 1	-	-	-	\$ -	Note 2	Operating purpose	-	

Note 1: Owner of land and building.

Note 2: CCIS Real Estate Appraisers Firm's valuation report

TXC CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 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	Unit Price	Payment Terms	Ending Balance	% to Total	
TXC Corporation	NGB	Subsidiary	Purchase	\$ 1,976,407	37	Note	Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.	-	\$ (355,493)	(36)	

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

TXC CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amounts	Action Taken		
NGB	TXC Corporation	Ultimate parent	\$ 355,493	5.89	\$ -	-	\$ 251,617	\$ -

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2010			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2010	December 31, 2009	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN SAMOA	Investment	\$ 1,332,635 US\$ 40,835	\$ 1,244,699 US\$ 37,835	40,835	100	\$ 2,521,047	\$ 481,510	\$ 467,640	Difference from upstream transactions \$13,870 thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 US\$ 300	9,879 US\$ 300	300	100	10,158	(126)	(126)	
	TXC Japan Corporation	Japan	Marketing activities	6,172 JPY 21,000	6,172 JPY 21,000	2	100	10,874	(932)	(932)	
TCTI	GPT	B.V.I.	National trading	1,691 US\$ 50	1,691 US\$ 50	50	100	61,065 US\$ 2,096	38,198 US\$ 1,212	38,198 US\$ 1,212	
	NGB	Ningbo	Manufacture and sales of electronics products	1,429,385 US\$ 43,835	1,244,699 US\$ 37,835	US\$ 43,835	100	2,482,451 US\$ 85,220	443,348 US\$ 14,067	443,348 US\$ 14,067	
NGB	TXC (HK) Limited	Hong Kong	National trading	846 HK\$ 200	846 HK\$ 200	200	100	11,560 RMB 2,628	6,391 RMB 1,373	6,391 RMB 1,373	
	TSE Technology (Ningbo) Co., Ltd.	Ningbo	Manufacture and sales of electronics products	31,972 RMB 6,828	- -	- RMB 6,828	23	33,246 RMB 7,559	32,520 RMB 6,984	3,404 RMB 731	

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

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

Outstanding forward contracts as of December 31, 2010:

	Currency	Maturity	Contract Amount (In Thousands)
<u>December 31, 2010</u>			
Sell	USD/RMB	January 5, 2011 to April 1, 2011	US\$12,500/RMB83,199
	USD/JPY	January 28, 2011 to February 28, 2011	JPY10,000/US\$121

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
 YEAR ENDED DECEMBER 31, 2010
 (In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of December 31, 2010 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010 (US\$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
TXC (Ningbo) Corporation	Manufacturing and sales of crystal and crystal oscillator	\$ 1,429,385 US\$ 43,855	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	\$ 1,185,118 US\$ 36,000	\$ 184,686 US\$ 6,000	\$ -	\$ 1,369,804 US\$ 42,000	100	\$ 443,348 US\$ 14,067	\$ 2,482,451 US\$ 85,220	\$ 256,146 US\$ 7,897
Dongguan Failong Dong Bond Electronic Co.	Manufacturing and sale of electronic devices	RMB 126,194	Direct investment of the Corporation in Mainland China	-	46,478 RMB 10,096	-	46,478 RMB 10,096	8	-	46,478 RMB 10,096	-
TSE Technology (Ningbo) Co., Ltd.	Manufacturing and sales of electronic devices and hardware components	RMB 29,723	Other investment of the Corporation Mainland China	-	-	-	-	23	3,404 RMB 731 (Note 1)	33,246 RMB 7,559	-

Note 1: Other.

Accumulated Investment in Mainland China as of December 31, 2010 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment
\$ 1,416,282 US\$ 45,480	\$ 1,803,850 US\$ 55,560	\$ - (Note 2)

Note 2: The investment in Mainland China has no maximum limitation since TXC Corporation had acquire the approval by the Industrial Development Bureau of the Company's establishment of operating head quarters in Taiwan)

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

Company Name	Nature of Relationship	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
		Purchase/Sale	Amount	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
NGB	Subsidiary	Purchase	\$ 1,976,407	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	\$ (355,493)	36	\$ (22,752)
		Sale	67,523	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	7,026	-	-

3. Endorsements, guarantees or collateral directly or indirectly provided to the investees: None.
4. Financings directly or indirectly provided to the investees: None.
5. Other transactions that significantly impacted current year's profit or loss or financial position: None.

TXC CORPORATION**CASH AND CASH EQUIVALENTS****DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars, and Foreign Currency)**

Item		Amount
Cash		
Cash on hand	Including US\$19 thousand @29.13; JPY323 thousand @0.36; HK\$4 thousand @3.758; EUR0.5 thousand @38.92, and RMB85 thousand @4.44	\$ 1,192
Cash in banks		
Checking deposits		160,601
Foreign-currency deposits	Including US\$18,757 thousand @29.13; JPY268,243 thousand @0.36; and HK\$361 thousand @3.75, EUR45 thousand @38.92	645,693
Time deposits	Due date 2010.10.1-2011.06.01, interest rate at 0.65%-0.90%	168,700
Cash equivalents		
Repurchase agreements collateralized by bonds	Due date 2010.12.9-2011.01.27, interest rate at 0.47%-0.49%	180,047
		<hr/>
		<u>\$ 1,156,233</u>

TXC CORPORATION**ACCOUNTS RECEIVABLE****DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Amount
Related parties		
NGB		\$ 7,026
Tai-Shing		5,274
TXC Technology Inc.		-
TXC (HK) Limited		<u>770</u>
		13,070
Less allowance for doubtful accounts		<u>(40)</u>
		<u>13,030</u>
Third parties		
A		224,897
B		162,106
C		152,188
Others (Note)		<u>1,790,584</u>
		2,329,775
Less allowance for doubtful accounts		<u>(17,787)</u>
		<u>2,311,988</u>
		<u>\$ 2,325,018</u>

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

TXC CORPORATION**INVENTORIES****DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Cost	Market Value (Note)
Raw materials		\$ 170,860	\$ 169,410
Supplies and spare parts		55,465	54,948
Work in process		166,613	164,927
Finished goods		293,509	269,793
Merchandise		264,113	260,828
Goods in transit		<u>19,946</u>	<u>19,946</u>
		970,506	939,852
Less allowance for loss		<u>(30,654)</u>	<u>-</u>
		<u>\$ 939,852</u>	<u>\$ 939,852</u>

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

TXC CORPORATION

**CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2010**

(In Thousands of New Taiwan Dollars and Shares)

	<u>Beginning Balance</u>		<u>Increase</u>		<u>Decrease</u>		<u>Equity in Investees Gain (Loss)</u>	<u>Ending Balance</u>			<u>Market Price or Net Asset Value</u>		<u>Valuation Method</u>	<u>Pledge or Security</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>		<u>Shares</u>	<u>% of Ownership</u>	<u>Amount</u>	<u>Unit Price</u>	<u>Amount</u>		
Unlisted company														
Taiwan Crystal Technology International Ltd.	37,835	\$ 2,129,467	6,000	\$ 184,686	3,000	\$ 260,746	\$ 467,640	40,835	100	\$ 2,521,047	-	\$ 2,521,047	Equity method	None
TXC Technology Inc.	300	11,297	-	-	-	1,013	(126)	300	100	10,158	-	10,158	Equity method	None
TXC Japan Corporation	2	11,453	-	353	-	-	(932)	2	100	10,874	-	10,874	Equity method	None
		<u>\$ 2,152,217</u>		<u>\$ 185,039</u>		<u>\$ 261,759</u>	<u>\$ 466,582</u>			<u>\$ 2,542,079</u>		<u>\$ 2,542,079</u>		

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

TXC CORPORATION

CHANGES IN PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2010

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

Item	Beginning Balance	Changes for the Period			Ending Balance	Pledge or Security
		Increase	Decrease	Reclassification		
Cost						
Land	\$ 273,496	\$ 323,889	\$ -	\$ -	\$ 597,385	Note 25
Land improvements	593	-	-	-	593	
Buildings	1,056,013	4,430	7,574	(3,887)	1,048,982	Note 25
Machinery equipment	2,931,750	660,420	328,145	(65,651)	3,198,374	
Transportation equipment	2,557	-	-	-	2,557	
Office equipment	114,142	12,655	6,924	-	119,873	
Prepayments for equipment	27,459	86,196	-	-	113,655	
Construction in progress	-	236,961	-	-	236,961	
	<u>\$ 4,406,010</u>	<u>\$ 1,324,551</u>	<u>\$ 342,643</u>	<u>\$ (69,538)</u>	<u>\$ 5,318,380</u>	
Revaluation increment						
Land - revaluation increment	<u>\$ 8,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,954</u>	
Accumulated depreciation						
Land improvements	\$ 469	\$ 25	\$ -	\$ -	\$ 494	
Buildings	236,305	62,828	6,454	(2,781)	289,898	
Office equipment	1,846,608	471,758	285,391	(55,221)	1,977,754	
Transportation equipment	2,370	163	-	-	2,533	
Miscellaneous equipment	81,388	14,266	6,918	-	88,736	
	<u>\$ 2,167,140</u>	<u>\$ 549,040</u>	<u>\$ 298,763</u>	<u>\$ (58,002)</u>	<u>\$ 2,359,415</u>	

TXC CORPORATION**SHORT-TERM LOANS****DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Creditor	Nature of Loan	Amount	Due Date	Interest Rate %	Pledge or Security
DBS Bank	Usance letter of credit	\$ 60,331	Six months	0.900-0.970	None
Land Bank	Usance letter of credit	6,018	Six months	0.920	-
Bank of Taiwan	Usance letter of credit	116,500	Six months	0.900-1.190	None
Chinatrust Bank	Usance letter of credit	8,167	Six months	0.896	None
HSBC Bank	Usance letter of credit	47,146	Six months	1.160-1.240	None
Taipei Fubon Bank	Usance letter of credit	102,247	Six months	0.826-0.838	None
Taishin International Bank	Usance letter of credit	<u>39,419</u>	Six months	0.900	None
		<u>\$ 379,828</u>			

TXC CORPORATION**ACCOUNTS PAYABLE****DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Amount
Related parties		
NGB		\$ 355,493
TXC Japan Corporation		5,257
Tai-Shing		<u>1</u>
		<u>360,751</u>
Third parties		
Tangshan Jingyu		103,105
River Eletec		121,104
Others (Note)		<u>412,319</u>
		<u>636,528</u>
		<u>\$ 997,279</u>

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

TXC CORPORATION

**BONDS PAYABLE
DECEMBER 31, 2010**

(In Thousands of New Taiwan Dollars)

Bond Type	Trustees	Date of Issuance	Payment Terms	Interest Rate	Amount				Unamortized Premium (Discount)	Carrying Value	Repayment Method	Securities
					Issuance Amount	Conversion	Redemption	Ending Balance				
2nd unsecured domestic convertible bonds	Chinatrust	2006.11.08-2011.11.08	-	-	\$ 800,000	\$ 712,100	\$ 87,900	\$ -	\$ -	\$ -	Note 14	None
3rd unsecured domestic convertible bonds	Chinatrust	2010.01.11-2013.01.11	-	-	800,000	-	-	800,000	(19,821)	780,179		
Add (reduce): Liability (assets) component of convertible bonds - noncurrent										(8,011)		
										<u>\$ 772,168</u>		

TXC CORPORATION

LONG-TERM LOANS

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

	Repayment Period	Repayment Method	Interest Rate %	Amount		Total Amount	Pledge or Security
				Current Portion	Noncurrent Portion		
Bank of Taiwan	2008.10.26-2013.07.24	Repayable in quarterly installment	0.913%	\$ 19,000	\$ 33,250	\$ 52,250	Note 25
"	2009.04.24-2013.07.24	"	0.913%	7,000	14,000	21,000	Note 25
"	2008.07.30-2013.07.24	"	0.913%	25,500	42,875	68,375	Note 25
"	2008.08.25-2013.07.24	"	0.913%	13,750	24,063	37,813	Note 25
"	2010.10.29-2015.10.28	"	0.920%	12,500	187,500	200,000	
"	2010.12.08-2015.10.28	"	0.922%	18,750	281,250	300,000	
China Trust	2009.09.14-2011.03.16	Repayable at maturity	0.890%	-	180,000	180,000	
HUA NAN Bank	2009.11.02-2011.09.16	"	0.900%	<u>100,000</u>	<u>-</u>	<u>100,000</u>	
				<u>\$ 196,500</u>	<u>\$ 762,938</u>	<u>\$ 959,438</u>	

TXC CORPORATION

**OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)**

Item	Amount
Mirco-electronics	\$ 7,397,891
Electronic components	<u>814,323</u>
	8,212,214
Less sales returns	(21,303)
Less sales allowances	<u>(33,978)</u>
	<u>\$ 8,156,933</u>

TXC CORPORATION**COST OF SALES****YEAR ENDED DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars)**

Item	Amount
Direct materials	
Beginning materials	\$ 193,784
Add: Material purchase	1,172,919
Less: Adjustment items	(16,740)
Ending materials	<u>(226,325)</u>
	1,123,638
Direct labor	250,385
Overhead	<u>895,892</u>
Manufacturing cost	2,269,915
Beginning work in process	155,771
Add: Purchases	44,660
Add: Adjustment items	61,605
Ending work in process	<u>(166,613)</u>
	2,365,338
Finished goods cost	221,278
Beginning finished goods	(203)
Add: Adjustment items	(36,946)
Ending finished goods	<u>(293,509)</u>
Production cost	<u>2,255,958</u>
Beginning merchandise inventory	159,139
Add: Purchase	4,165,039
Add: Adjustment items	139,159
Ending merchandise inventory	<u>(264,113)</u>
	4,199,224
	<u>\$ 6,455,182</u>

TXC CORPORATION**OPERATING EXPENSES****YEAR ENDED DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Sales and Marketing	General and Administration	Research and Development
Salary		\$ 85,119	\$ 114,714	\$ 152,954
Professional service fees expenses		185	22,591	2,394
Entertainment		28,316	6,774	495
Depreciation		1,140	10,550	92,796
Research expense		-	-	36,180
Commission		88,585	-	-
Export expense		48,639	-	-
Others		<u>138,475</u>	<u>36,118</u>	<u>30,468</u>
		<u>\$ 390,459</u>	<u>\$ 190,747</u>	<u>\$ 315,287</u>