TXC Corporation and Subsidiaries

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

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of TXC Corporation as of and for the year ended December 31, 2010, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TXC Corporation and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TXC CORPORATION

By

PAUL LIN
Chairman

March 9, 2011

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying consolidated balance sheets of TXC Corporation and subsidiaries (the "Corporation") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

March 9, 2011

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

T*he accompanying consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.*

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

TXC CORPORATION AND SUBSIDIARIES

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

	2010		2009	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,518,563	14	$ 1,566,608	17
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	60,118	1	1,621	-
Available-for-sale financial assets - current (Notes 2 and 6)	56,764	-	-	-
Notes receivable, net (Notes 2 and 7)	5,692	-	2,279	-
Accounts receivable, net (Notes 2, 7 and 24)	2,781,988	25	2,465,921	26
Other receivable	92,084	1	172,366	2
Inventories, net (Notes 2 and 8)	1,127,700	10	836,512	9
Other current assets (Notes 2 and 20)	47,736	-	129,871	1
Total current assets	5,690,645	51	5,175,178	55
LONG-TERM INVESTMENTS				
Investments accounted for by the equity method (Notes 2 and 9)	33,246	-	-	-
Financial assets carried at cost - noncurrent (Notes 2 and 10)	96,678	1	3,000	-
Other financial assets (Note 14)	8,011	-	-	-
Total long-term investments	137,935	1	3,000	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 25)				
Cost				
Land	597,385	6	273,496	3
Land improvements	593	-	593	-
Buildings	1,476,538	13	1,490,449	16
Machinery and equipment	5,528,897	50	4,859,927	51
Transportation equipment	13,277	-	13,024	-
Office equipment	193,974	2	185,453	2
Land - revaluation increment	8,954	-	8,954	-
Cost and revaluation increment	7,819,618	71	6,831,896	72
Less accumulated depreciation	(3,210,014)	(29)	(2,829,720)	(30)
Construction-in-progress and prepayments for equipment	452,032	4	107,636	1
Total property, plant and equipment	5,061,636	46	4,109,812	43
INTANGIBLE ASSETS				
Land right (Note 25)	15,144	-	16,547	-
OTHER ASSETS				
Assets leased to others (Notes 2, 12 and 25)	105,876	1	116,818	1
Idle assets (Notes 2 and 12)	2,565	-	2,941	-
Refundable deposits	4,987	-	5,290	-
Other assets - other (Notes 2 and 17)	49,865	1	35,128	1
Total other assets	163,293	2	160,177	2
TOTAL	$ 11,068,653	100	$ 9,464,714	100

	2010		2009	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ 438,088	4	$ 581,154	6
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	-	-	782	-
Notes payable (Note 24)	53,701	-	52,711	1
Accounts payable (Note 24)	1,256,513	11	1,211,113	13
Income tax payable (Note 20)	70,125	1	79,288	1
Accrued expenses (Notes 16 and 24)	637,741	6	392,091	4
Liability component of convertible bonds - current (Notes 2 and 14)	-	-	331	-
Bonds payable - current portion (Notes 2 and 14)	-	-	3,711	-
Current portion of long-term loans (Note 15)	291,172	3	225,295	2
Other current liabilities	61,204	-	19,427	-
Total current liabilities	2,808,544	25	2,565,903	27
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 14)	780,179	7	-	-
Long-term debt (Note 15)	937,718	9	892,625	9
Total long-term liabilities	1,717,897	16	892,625	9
RESERVES				
Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	8,716	-	8,618	-
Deferred tax liability - noncurrent (Notes 2 and 20)	1,169	-	73,128	1
Total other liabilities	9,885	-	81,746	1
Total liabilities	4,539,838	41	3,543,786	37
STOCKHOLDERS' EQUITY (Note 18)				
Capital stock				
Common stock	2,971,831	27	2,873,409	31
Advance receipts for common stock	-	-	13,863	-
Total capital stock	2,971,831	27	2,887,272	31
Capital surplus	1,302,853	12	1,168,416	12
Retained earnings				
Legal reserve	525,420	5	447,198	5
Unappropriated earnings	1,850,021	16	1,371,460	14
Total retained earnings	2,375,441	21	1,818,658	19
Other equity (Note 2)				
Cumulative translation adjustments	3,716	-	168,373	2
Unrealized gains on financial instruments	(3,235)	-	-	-
Unrealized revaluation increment	5,442	-	5,442	-
Treasury stock	(127,233)	(1)	(127,233)	(1)
Total other equity	(121,310)	(1)	46,582	1
Total stockholders' equity	6,528,815	59	5,920,928	63
TOTAL	$ 11,068,653	100	$ 9,464,714	100

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

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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)	$ 9,710,287	101	$ 7,787,188	101
LESS: SALES RETURNS	(21,303)	-	(22,423)	-
LESS: SALES ALLOWANCES	(38,390)	(1)	(37,241)	(1)
NET OPERATING REVENUE	9,650,594	100	7,727,524	100
OPERATING COSTS	(7,114,498)	(74)	(5,823,114)	(75)
GROSS PROFIT	2,536,096	26	1,904,410	25
OPERATING EXPENSES				
Selling expenses	(473,856)	(5)	(350,553)	(5)
General and administrative expenses	(306,905)	(3)	(233,871)	(3)
Research and development expenses	(408,495)	(4)	(316,011)	(4)
Total operating expenses	(1,189,256)	(12)	(900,435)	(12)
OPERATING INCOME	1,346,840	14	1,003,975	13
NONOPERATING INCOME AND GAINS				
Interest income	5,200	-	5,435	-
Investment income recognized under equity method (Note 9)	3,404	-	-	-
Dividend revenue	828	-	-	-
Gain on disposal of property, plant and equipment	896	-	2,017	-
Gain on sale of investments	1,396	-	3,221	-
Exchange gain	372,095	4	258,297	3
Valuation gain on financial assets	60,232	-	1,621	-
Miscellaneous income	62,854	1	27,415	1
Total nonoperating income and gains	506,905	5	298,006	4
NONOPERATING EXPENSES AND LOSSES				
Interest expense	(27,520)	-	(30,539)	(1)
Loss on disposal of property, plant and equipment	(10,951)	-	(10,112)	-
Loss on sale of investments	(257)	-	-	-
Exchange losses	(445,393)	(5)	(260,125)	(4)
Impairment loss	(15,037)	-	(11,364)	-
Valuation loss on financial liabilities	(7,573)	-	(806)	-
Miscellaneous expenses	(22,200)	-	(20,600)	-
Total nonoperating expenses and losses	(528,931)	(5)	(333,546)	(5)

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TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 1,324,814	14	$ 968,435	12
INCOME TAX EXPENSE (Notes 2 and 20)	(134,636)	(2)	(186,212)	(2)
NET INCOME	$ 1,190,178	12	$ 782,223	10

	2010		2009	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
CONSOLIDATED EARNINGS PER SHARE (Note 22)				
Basic	$ 4.25	$ 4.06	$ 3.14	$ 2.70
Diluted	$ 4.03	$ 3.85	$ 3.12	$ 2.68

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

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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				
	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	Total
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 loss 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)
Conversion 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 translation adjustments	-	-	-	-	-	-	(3,235)	-	-	(3,235)
Acquisition of treasury stock - 3,000 thousand shares	-	-	-	-	-	-	-	(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 consolidated financial statements.

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	825,163	809,844
Nonoperating loss - idle assets and lease assets	3,304	18,324
Amortization	23,958	17,079
Provision for doubtful accounts	6,954	625
Provision for loss on inventories	29,516	34,709
Loss on physical inventory	565	224
Investment gain recognized under equity method	(3,404)	-
Gain on sale of investments	(1,139)	(3,221)
Loss on disposal of property, plant and equipment	10,055	8,095
Valuation gain on financial instruments, net	(52,659)	(815)
Impairment loss	15,037	11,364
Discount on bonds payable	9,517	1,245
Pension cost	(2,547)	-
Deferred income tax	(150)	69,729
Net changes in operating assets and liabilities		
Notes receivable	(3,411)	37,620
Accounts receivable	(323,023)	(244,310)
Inventories	(321,269)	31,002
Other receivable	80,282	(154,673)
Other current assets	10,326	(4,092)
Notes payable	990	12,217
Accounts payable	45,400	504,371
Accrued expenses	245,650	93,066
Income tax payable	(9,163)	14,240
Other current liabilities	41,777	(3,480)
Net cash provided by operating activities	1,821,907	2,035,386
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments as at fair value through profit or loss	839	30,904
Acquisitions of available-for-sale financial assets	(1,230,000)	(860,000)
Proceeds from disposal of available-for-sale financial assets	1,171,140	981,194
Acquisition of financial assets carried at cost	(93,678)	-
Acquisition of investment accounted for by the equity method	(31,971)	-
Acquisitions of property, plant and equipment	(1,988,644)	(673,990)
Proceeds from disposal of property, plant and equipment	51,060	5,034
Decrease (increase) in refundable deposits	303	(85)
Increase in deferred charges	(37,360)	(22,139)
Net cash used in investing activities	(2,158,311)	(539,082)

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TXC CORPORATION AND SUBSIDIARIES

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

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	$ (143,066)	$ (31,345)
Decrease in short-term bill payable	-	(100,000)
Issuance of convertible bonds	795,000	-
Increase in guarantee deposits received	98	3,586
Increase (decrease) in long-term loans	110,970	(87,825)
Proceeds from exercise of employee stock options	117,450	-
Cash dividends	(575,814)	(537,396)
Net cash provided by (used in) financing activities	304,638	(752,980)
EFFECT OF EXCHANGE RATE CHANGES	(16,279)	(19,521)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(48,045)	723,803
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,566,608	842,805
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,518,563	$ 1,566,608
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest $2,402 thousand in 2009)	$ 18,401	$ 32,267
Income tax paid	$ 139,920	$ 123,413
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	$ 3,900	$ 49,800

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

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

TXC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

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

As of December 31, 2010 and 2009, the Corporation had 2,368 and 2,115 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, 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 consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if difference arises in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

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

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

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

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

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

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

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

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

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts

Revenue from sales of goods is recognized when the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or 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 instrument with no quoted price in an active market and with fair value 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.

The acquisition cost is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, and the acquisition cost is excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The fair value of the net identifiable assets acquired is excess of the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

When the Company subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

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.

TXC (NGB) Corporation's depreciation of part equipment is provided on a double declining balance method since June 2009. 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 9 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 remaining loss is charged to earning.

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

Pension Cost

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

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

Convertible Bonds

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

Treasury Stock

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

Income Tax

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

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

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

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

Foreign Currencies

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

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

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

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

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

Reclassifications

Certain accounts in the 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	$ 1,795	$ 1,682
Checking accounts and demand deposits	1,168,021	1,029,426
Time deposits	168,700	220,500
Cash equivalents		
Repurchase agreements collateralized by bonds	180,047	315,000
	$ 1,518,563	$ 1,566,608

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2010	**2009**
Financial assets at FVTPL		
Forward exchange contracts	$ 60,118	$ 1,621
Financial liabilities at FVTPL		
Forward exchange contracts	$ -	$ 782

The Corporation entered into derivative contracts during the years ended December 31, 2010 and 2009 to manage exposures due 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)
December 31, 2010			
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
Sell	USD/RMB	January 5, 2011 to April 1, 2011	US$12,500/RMB83,199
Sell	JPY/USD	January 28, 2011 to February 28, 2011	JPY10,000/US$121
December 31, 2009			
Sell	USD/NTD	March 26, 2010	US$48,500/NT$1,568,248
Sell	USD/JPY	April 28, 2010	US$5,500/JPY498,356
Sell	NTD/JPY	April 23, 2010	NTD417,294/JPY1,170,000
Sell	USD/RMB	May 5, 2010	US$12,500/RMB85,247
Sell	JPY/USD	April 22, 2010	JPY100,000/US$1,098

Net gains on financial instrument held for trading for the year ended December 31, 2010 was $118,155 thousand. Net loss on financial instrument held for trading for the years ended December 31, 2009 was $1,129 thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2010	2009
Mutual funds	$ 56,764	$ -

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2010	2009
Notes receivable, third parties	$ 5,700	$ 2,289
Notes receivable, related parties	-	-
	5,700	2,289
Less: Allowance for doubtful accounts	(8)	(10)
	$ 5,692	$ 2,279

(Continued)

	December 31	
	2010	2009
Accounts receivable, third parties	$ 2,800,622	$ 2,481,010
Accounts receivable, related parties	5,274	5,597
	2,805,896	2,486,607
Less: Allowance for doubtful accounts	(23,908)	(20,686)
	$ 2,781,988	$ 2,465,921

(Concluded)

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	$ 20,686	$ 200	$ 20,029
Add (deduct): Provision (reversal of provision) for doubtful accounts	(2)	6,956	(190)	815
Deduct: Amounts written off	-	(3,334)	-	-
Add (deduct): Effect of exchange rate changes	-	(400)	-	(158)
Balance, end of year	$ 8	$ 23,908	$ 10	$ 20,686

8. INVENTORIES

	December 31	
	2010	2009
Raw materials	$ 218,218	$ 188,972
Supplies and spare parts	64,400	64,951
Work in process	207,096	192,280
Finished goods	368,198	220,844
Merchandise	244,141	153,668
Goods in transit	25,647	15,797
	$ 1,127,700	$ 836,512

As of December 31, 2010 and 2009, the allowance for inventory devaluation was $36,407 thousand and $44,444 thousand, respectively.

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2010 and 2009 was $7,114,498 thousand and $5,823,114 thousand, respectively, which included $30,081 thousand and $34,933 thousand, respectively, due to inventory devaluation.

9. INVESTMENT ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2010		2009	
	Carrying Amount	Ownership Percentage	Carrying Amount	Ownership Percentage
Unlisted companies				
TSE Technology (Ningbo) Co., Ltd.	$ 33,246	23	$ -	-

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

	December 31	
	2010	2009
TSE Technology (Ningbo) Co., Ltd.	$ 3,404	$ -

10. FINANCIAL ASSETS CARRIED AT COST

	Years Ended December 31	
	2010	2009
Domestic unquoted common stocks	$ 50,200	$ 3,000
Overseas unquoted common stocks	46,478	-
	$ 96,678	$ 3,000

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.

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	1,476,538	-	370,403	1,106,135
Machinery and equipment	5,528,897	-	2,696,678	2,832,219
Transportation equipment	13,277	-	8,123	5,154
Office equipment	193,974	-	134,316	59,658
Prepayments for equipment	123,384	-	-	123,384
Prepayments for building	89,153	-	-	89,153
Construction in progress	239,495	-	-	239,495
	$ 8,262,696	$ 8,954	$ 3,210,014	$ 5,061,636

	December 31, 2009			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	469	124
Buildings	1,490,449	-	301,803	1,188,646
Machinery and equipment	4,859,927	-	2,401,134	2,458,793
Transportation equipment	13,024	-	6,239	6,785
Office equipment	185,453	-	120,075	65,378
Prepayments for equipment	102,360	-	-	102,360
Construction in progress	5,276	-	-	5,276
	$ 6,930,578	$ 8,954	$ 2,829,720	$ 4,109,812

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 Impairment	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	119,182	(15,908)	103,274
	$ 121,784	$ (15,908)	$ 105,876

	December 31, 2009		
	Book Value	Accumulated Impairment	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	122,455	(8,239)	114,216
	$ 125,057	$ (8,239)	$ 116,818

Future rental payments receivable were summarized as follows:

Year	Amount
2011	$ 3,542
2012	229

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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	27,351	(27,351)	-
	$ 34,790	$ (32,225)	$ 2,565

	December 31, 2009		
	Book Value	**Accumulated Impairment**	**Carrying Value**
Land	$ 2,253	$ -	$ 2,253
Buildings	5,562	(4,874)	688
Machinery and equipment	25,811	(25,811)	-
	$ 33,626	$(30,685)	$ 2,941

Impairment loss was as follows:

	December 31, 2010	
	Recognized in Income Statement	**Recognized in Stockholders' Equity**
Impairment loss		
Machinery and equipment	$ 15,037	$ -

	December 31, 2009	
	Recognized in Income Statement	**Recognized in Stockholders' Equity**
Impairment loss		
Machinery and equipment	$ 11,364	$ -

The Corporation recognized an impairment loss of $15,037 thousand and $11,364 thousand in 2010 and 2009, respectively, 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

	December 31	
	2010	2009
Usance letters of credit	$ 379,828	$ 329,719
Working capital loans	58,260	251,435
	$ 438,088	$ 581,154

a. Usance letters of credit amounted to JPY902,610 thousand and US$41,940 thousand as of December 31, 2010 and JPY926,095 thousand and US$244 thousand as of December 31, 2009. Interest rates ranged from 9.826% to 1.240% and from 1.031% to 1.536% at December 31, 2010 and 2009, respectively.

b. Working capital loans amounted to US$2,000 thousand as of December 31, 2010 and US$7,850 thousand as of December 31, 2009. Interest rates for working capital loans ranged 2.07% and from 0.74% to 2.8% at December 31, 2010 and 2009, respectively.

14. BONDS PAYABLE

	December 31	
	2010	2009
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	-	(3,711)
	$ 780,179	$ -
Asset (liability) component of unsecured domestic convertible bonds	$ 8,011	$ (331)

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 40^{th} day before maturity, the Corporation can redeem the bonds from holders at contracted price.

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

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

Third Unsecured Domestic Convertible Bonds

On January 11, 2010, the Corporation issued third unsecured domestic convertible bonds with an aggregate value of $800,000 thousand and maturity on January 11, 2013. Nominal interest is 0%. As of 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.

15. LONG-TERM LOANS

Nature of Loans	Repayment Period	December 31 2010	December 31 2009
Unsecured bank loans	Maturity on December 19, 2011, repayable in three monthly installments	$ 87,390	$ -
Secured bank loans	Maturity on July 24, 2013, repayable in 20 quarterly installments from July 2008	158,438	218,437
Secured bank loans	Maturity on July 24, 2013, repayable in 16 quarterly installments from April 2009	21,000	26,250
Secured bank loans	Maturity on August 25, 2013, repayable in 20 quarterly installments from August 2008	-	45,000
Unsecured bank loans	Repayable at maturity on June 12, 2011, advanced redemption	-	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
Unsecured bank loans	Repayable at maturity on October 27, 2011, advanced redemption	-	50,000
Unsecured bank loans	Repayable at maturity on June 12, 2011	-	100,000
Unsecured bank loans	Maturity on June 9, 2011, repayable in three monthly installments	21,847	72,068
Unsecured bank loans	Repayable at maturity on February 27, 2011	58,260	64,060
Unsecured bank loans	Repayable at maturity on March 30, 2011	72,825	80,075
Unsecured bank loans	Repayable at maturity on February 27, 2011	29,130	32,030
Unsecured bank loans	Maturity on October 28, 2015, repayable in 16 quarterly installments from October 2011	500,000	-
Less current portion		(291,172)	(225,295)
		$ 937,718	$ 892,625
Interest rate (%)		0.89-2.07	0.90-2.66

See Notes 24 and 25 for collateral on long-term loans.

16. ACCRUED EXPENSES

	December 31	
	2010	2009
Payroll	$ 50,700	$ 43,985
Bonus	159,894	114,470
Bonus to employees, directors and supervisors	182,097	77,368
Commission	85,368	65,095
Others	159,682	91,173
	$ 637,741	$ 392,091

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	1,328	2,269
Net yearic pension cost	$ 4,059	$ 4,387

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 loss	23,408	24,886
Accrued pension cost	$ 10,494	$ 7,947
Vested benefit	$ (15,736)	$ (7,945)

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	$ 3,944	$ 3,664
e. Payments from the fund	$ -	$ 6,057

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 exercised	(2,587)	45.4	-	-
Options forfeited	(44)	-	(415)	-
Balance, end of year	4,954	42.9	7,585	45.4
Options exercisable, end of year	2,975		4,000	

The weighted-average stock price at the date of exercise for stock options exercised during the year 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	$ 1,190,178	$ 703,939
After income tax basic earnings per share (NT$)	$4.06	$2.47

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	39,914	194
	$ 1,302,853	$ 1,168,416

Appropriation of Earnings and Dividend Policy

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

a. Employee bonus - not less than 3%.

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

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

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

For the 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 shareholders' 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 pay in capital.

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

The appropriation of earnings for 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	70,335	7,033	122,755	16,368
	$ 833	$ 84	$ (1,357)	$ (181)

The differences between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts reflected in the financial statements for the years ended December 31, 2009 and 2008 were primarily due to changes in estimates had been adjusted in profit and loss for the 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
Year ended December 31, 2010				
For transfer to employees	3,000	-	-	3,000
Year ended December 31, 2009				
For transfer to employees	3,000	-	-	3,000

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

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:

	Years Ended December 31	
	2010	2009
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	(40,566)	(59,504)
Current income tax expense	56,140	59,504
Subsidiary's income tax	79,384	56,885
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	(739)	94
	$ 134,636	$ 186,212

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	-	2,296
	30,399	87,046
Less: Valuation allowance	-	-
	30,399	87,046
Deferred income tax liabilities		
Unrealized exchange gain	(10,982)	(5,385)
Unrealized valuation gain on financial instrument	(9,889)	(324)
	(20,871)	(5,709)
	$ 9,528	$ 81,337
Noncurrent		
Deferred income tax assets		
Accrued pension cost	$ 225	$ 265
Investment tax credits	116,885	70,219
Impairment loss	4,140	2,783
Others	2,017	-
	123,267	73,267
Less: Valuation allowance	-	-
	123,267	73,267
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(124,436)	(146,395)
	$ (1,169)	$ (73,128)

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	868	868	2014
		$ 189,324	$ 116,885	

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 2009
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	$ 48,831	$ 32,890

	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	1,850,021	1,371,460
	$ 1,850,021	$ 1,371,460

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 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 Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost						
Salary	$ 591,054	$ 504,935	$ 1,095,989	$ 422,534	$ 344,768	$ 767,302
Insurance	41,428	22,944	64,372	32,366	18,212	50,578
Pension	15,425	7,439	22,864	14,377	11,475	25,852
Others	27,636	25,118	52,753	21,308	19,027	40,335
Depreciation	698,071	127,092	825,163	681,333	128,511	809,844
Amortization	4,823	19,135	23,958	3,473	13,606	17,079

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	$ 4.25	$ 4.06	$ 3.14	$ 2.70
Diluted earnings per share (dollars)				
From continuing operations	$ 4.03	$ 3.85	$ 3.12	$ 2.68
Income for the year	$ 4.03	$ 3.85	$ 3.12	$ 2.68

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

	Amounts (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Year ended December 31, 2010					
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	$ 4.25	$ 4.06
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	$ 1,254,974	$ 1,198,099	311,486	$ 4.03	$ 3.85
Year ended December 31, 2009					
Net income	$ 911,550	$ 782,223			
Basic EPS (NT$)					
Income for the year attributable to common stockholders	$ 911,550	$ 782,223	290,169	$ 3.14	$ 2.70
Effect of dilutive potential common stock					
Bonus to employees	-	-	597		
Convertible bonds	1,247	935	1,350		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 912,797	$ 783,158	292,116	$ 3.12	$ 2.68

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

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses 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
Assets				
Financial assets at FVTPL, current	$ 60,118	$ 60,118	$ 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	-
Liabilities				
Financial liabilities at FVTPL, current	-	-	782	782
Bonds payable	780,179	780,179	4,042	4,042
Long-term debt (including current portion	1,228,890	1,228,890	1,117,920	1,117,920

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

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

	Quoted Market Price December 31		Valuation Techniques Incorporating Estimates and Assumptions December 31	
	2010	**2009**	**2010**	**2009**
Assets				
Financial assets at FVTPL, current	$ -	$ -	$ 60,118	$ 1,621
Available-for-sale financial assets, current	56,764	-	-	-
Liabilities				
Financial liabilities at FVTPL, current	-	-	-	782
Bonds payable (including current portion)	-	-	780,179	4,042
Long-term debt (including current portion)	-	-	1,228,890	1,117,920

Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were $52,659 thousand and $815 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 loans. When the market interest rate increases by one percentage point, the Corporation's cash outflow will increase by $16,670 thousand a year.

24. RELATED-PARTY TRANSACTIONS

The related parties were as follows:

Related Party	Relationship with the Corporation
Tai-Shing Electronics Components Corporation (Tai-Shing)	Chairman is the Corporation's general manager
TSE Technology (Ningbo) Co., Ltd. (TSE Technology)	Subsidiary's equity-method sub-investee
Jia-Qing Lin	TXC (HK) Limited's chairman
Jian-Tong Chang	NGB's vice general manager
Fang-Ming Yu	Departmental heads reporting to NGB's general manager
Wan-Shing Lin	The Corporation's general manager

Significant transactions with related parties:

Sales

	Years Ended December 31			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 34,394	-	$ 12,431	-

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

Purchases

	Years Ended December 31			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 18	-	$ 887	-
TSE Technology	1,565	-	-	-
	$ 1,583	-	$ 887	-

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

Other Expenses

	Years Ended December 31			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 723	-	$ 704	-

Rental Income

	Years Ended December 31			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TES Technology	$ 2,747	-	$ 2,855	-

Consulting Revenue

	Years Ended December 31			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TSE Technology	$ 1,723	-	$ 1,403	-

Commission Revenue

	Years Ended December 31			
	2010		2009	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TSE Technology	$ 4,268	-	$ -	-

Receivable from and Payable to Related Parties

		December 31			
		2010		2009	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts receivable	Tai-Shing	$ 5,274	-	$ 5,597	-
Notes payable	Tai-Shing	$ 224	-	$ 920	-
Accounts payable	Tai-Shing	$ 1	-	$ 733	-
Accrued expense	Tai-Shing	$ 36	-	$ 132	-
Other receivable	TSE Technology	$ 515	-	$ 751	-

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

Property Transaction

2010

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 purchased the computer equipment from Tai-Shing was about $2,096 thousand.

In the year ended December 31, 2009, the Corporation purchased the land and building from Jia-Qing Lin, Jian-Tong Chang and Fang-Ming Yu was about RMB2,653 thousand.

Other

As of December 31, 2010, Wan-Shing Lin was a Joint guarantor for parts loans of NGB.

Compensation of Directors, Supervisors and Management Personnel

	Years Ended December 31	
	2010	**2009**
Salaries	$ 14,080	$ 10,741
Incentives and special compensation	17,380	6,779
Professional fee	2,278	1,200
Bonus	26,400	10,000
	$ 60,138	$ 28,720

25. MORTGAGED OR PLEDGED ASSETS

	2010	**2009**
Property, plant and equipment		
Land	$ 258,076	$ 258,076
Buildings, net	1,020,942	1,131,006
Intangible assets - land right	15,144	16,547
Leased assets	98,041	109,725
	$ 1,392,203	$ 1,515,354

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 guarantee for loan of its subsidiary was follows:

Commitment	Total Dollars Amount of Contract	Dollars Paid	Dollars Unpaid
Construction of plant	$ 192,888	$ 141,862	$ 51,026
Mechanical and electrical engineering	$ 235,701	$ 92,299	$ 143,402
Building	RMB 19,318	RMB 14,488	RMB 4,830
Machinery and equipment	US$ 1,717	US$ -	US$ 1,717

27. SUBSEQUENT EVENTS

None.

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

Segment Information

No segment information.

Geographic Area Information

	Year Ended December 31, 2010			
	China and Others	Taiwan	Adjustments and Elimination	Consolidated
Revenues from sales to other than consolidated entities	$ 1,573,435	$ 8,077,158	$ -	$ 9,650,594
Sales among consolidated entities	2,078,395	79,776	(2,158,170)	-
Total sales	$ 3,651,830	$ 8,156,934	$ (2,158,170)	$ 9,650,594
Operating income	$ 555,189	$ 805,521	$ (13,870)	$ 1,346,840
Non-operating income and gains				506,905
Non-operating expenses and losses				(528,931)
Income before income tax				$ 1,324,814
Identifiable assets	$ 3,678,802	$ 7,675,014	$ (415,087)	$ 10,938,729
Long-term investments				129,924
Total assets				$ 11,068,653

	Year Ended December 31, 2009			
	China and Others	Taiwan	Adjustments and Elimination	Consolidated
Revenues from sales to other than consolidated entities	$ 1,256,944	$ 6,470,580	$ -	$ 7,727,524
Sales among consolidated entities	1,472,378	101,009	(1,573,387)	-
Total sales	$ 2,729,322	$ 6,571,589	$ (1,573,387)	$ 7,727,524
Operating income	$ 425,357	$ 550,419	$ 28,199	$ 1,003,975
Non-operating income and gains				298,006
Non-operating expenses and losses				(333,546)
Income before income tax				$ 968,435
Identifiable assets	$ 3,393,208	$ 6,556,069	$ (487,563)	$ 9,461,714
Long-term investments				3,000
Total assets				$ 9,464,714

Export Sales

Area	Years Ended December 31 2010	2009
America	$ 233,814	$ 152,645
Europe	100,245	-
Asia	8,259,898	6,632,368
	$ 8,593,957	$ 6,785,013

Major Customer Information

Major customer did not exceed the sales account 10% of income statements in 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
Financial assets						
Monetary items						
USD	$ 109,165	29.13	$ 3,179,970	$ 85,413	32.03	$ 2,735,773
JPY	480,125	0.3582	171,981	670,931	0.3476	233,216
RMB	668,391	4.3985	2,939,929	537,529	4.6908	2,521,463
Investment accounted for by entity method						
RMB	7,559	4.3985	33,246	-	-	-
Financial liabilities						
Monetary items						
USD	32,062	29.13	934,006	29,228	32.03	936,171
JPY	1,813,709	0.3582	649,637	1,671,225	0.3476	580,988
RMB	135,469	4.3985	595,861	121,781	4.6908	571,258

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 Notes 5 and 23.

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

l. Intercompany relationships and significant intercompany transactions: Table 8 (attached).

TXC CORPORATION AND SUBSIDIARIES

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	Mutual funds							
	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			
	Stock							
	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			
	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	Stock							
	GPT	Subsidiary	Investment accounted for by the equity method	50	$ 61,065 US$ 2,096	100	None	
	TXC (Ningbo) Corporation	Subsidiary	〃	1,429,385 US$ 43,835	2,482,451 US$ 85,220	100	None	
NGB	TXC (HK) Limited	Subsidiary	〃	HK$ 200	11,560 RMB 2,628	100	None	
	TSE Technology Co.	Subsidiary	〃	RMB 6,828	33,246 RMB 7,559	23	None	

TABLE 2

TXC CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
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 AND SUBSIDIARIES

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 AND SUBSIDIARIES

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 AND SUBSIDIARIES

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 AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES 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	HK$ 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	

TABLE 7

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 AND SUBSIDIARIES

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

Year ended December 31, 2010

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC Technology, Inc.	1	Other expense - consulting expense	$ 29,318	-	-
				Other current assets	1,110	-	-
		TXC Japan Corporation	1	Sales	6,618	-	-
				Other expense - consulting expense	49,294	-	1
				Other expense	299	-	-
				Purchase	19,853	-	-
				Accounts payable	5,257	-	-
				Accrued expense	59	-	-
		TXC (NGB) Corporation	1	Sales	67,523	-	1
				Purchase	1,976,407	-	20
				Accounts receivable	7,026	-	-
				Accounts payable	355,493	-	3
				Other receivable	22,621	-	
		TXC (H.K.) Limited	1	Sales	5,635	-	-
				Accounts receivable	770	-	-
		Growing Profits Trading Ltd.		Purchase	3,224	-	-
1	Growing Profits Trading Ltd.	TXC (NGB) Corporation	3	Sales	16,843	-	-
				Accounts receivable	15,567	-	-
2	TXC (NGB) Corporation	TXC (H.K.) Limited	3	Sales	44,481	-	-
				Accounts receivable	6,660	-	-

(Continued)

Year ended December 31, 2009

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	**Amount**	**Terms (Note 2)**	**Percentage of Consolidated Total Gross Sales or Total Assets (%)**
0	TXC Corporation	TXC Technology, Inc.	1	Sales	$ 2,891	-	-
				Other expense - consulting expense	27,941	-	-
				Accounts receivable	486	-	-
				Other current assets	2,878	-	-
		TXC Japan Corporation	1	Sales	3,731	-	-
				Other expense - consulting expense	49,297	-	1
				Other expense	234	-	
				Purchase	6,638	-	-
				Accounts payable	729	-	-
				Accrued expense	66	-	-
		TXC (NGB) Corporation	1	Sales	86,099	-	1
				Purchase	1,365,313	-	18
				Other expense - consulting expense	28,584	-	-
				Accounts receivable	27,138	-	-
				Accounts payable	315,932	-	3
				Other receivable	124,788	-	1
		TXC (H.K.) Limited	1	Sales	8,288	-	-
				Accounts receivable	3,836	-	-
				Purchase	2,588	-	-
				Accounts payable	2,563	-	-
		Growing Profits Trading Ltd.		Purchase	20,601	-	-
1	Growing Profits Trading Ltd.	TXC (NGB) Corporation	3	Sales	85,980	-	1
				Accounts receivable	3,768	-	-
			3	Other expense - consulting expense	1,189	-	-
		TXC (H.K.) Limited	3	Consulting revenue	1,652	-	-
				Accounts receivable	1,602	-	-
2	TXC (NGB) Corporation	TXC (H.K.) Limited	3	Sales	52,793	-	1
				Accounts receivable	20,826	-	-

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

Note 2: 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.

(Concluded)