# TXC Corporation

**Financial Statements for the**
**Years Ended December 31, 2011 and 2010 and**
**Independent Auditors' Report**

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying balance sheets of TXC Corporation (the "Corporation") as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

We have also audited the consolidated financial statements of TXC Corporation and subsidiaries as of and for the years ended December 31, 2011 and 2010, and expressed unqualified opinion on such financial statements.

March 21, 2012

Notice to Readers

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

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

## TXC CORPORATION

**BALANCE SHEETS**
**DECEMBER 31, 2011 AND 2010**
**(In Thousands of New Taiwan Dollars)**

| ASSETS | 2011 Amount | % | 2010 Amount | % |
|---|---|---|---|---|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | $ 537,594 | 5 | $ 1,156,233 | 11 |
| Financial assets at fair value through profit or loss - current (Notes 2 and 5) | 3,922 | - | 58,168 | 1 |
| Available-for-sale financial assets - current (Notes 2 and 6) | 71,867 | 1 | 56,764 | 1 |
| Notes receivable, net (Notes 2 and 7) | 327 | - | 1,513 | - |
| Accounts receivable, net (Notes 2, 3 and 7) | 2,765,693 | 24 | 2,311,988 | 22 |
| Accounts receivable - related parties, net (Notes 2, 3, 7 and 24) | 47,846 | - | 13,030 | - |
| Other receivable | 38,682 | - | 80,732 | 1 |
| Other receivable - related party (Note 24) | 50,869 | 1 | 22,621 | - |
| Inventories, net (Notes 2, 3 and 7) | 923,476 | 8 | 939,852 | 9 |
| Other current assets (Notes 2, 20 and 24) | 35,936 | - | 19,306 | - |
| Total current assets | 4,476,212 | 39 | 4,660,207 | 45 |
| LONG-TERM INVESTMENTS | | | | |
| Financial assets carried at cost - noncurrent (Notes 2 and 9) | 245,445 | 2 | 96,678 | 1 |
| Investments accounted for by the equity method (Notes 2 and 10) | 3,327,467 | 29 | 2,542,079 | 25 |
| Other financial assets - noncurrent (Notes 2 and 14) | - | - | 8,011 | - |
| Total long-term investments | 3,572,912 | 31 | 2,646,768 | 26 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 25) | | | | |
| Cost | | | | |
| Land | 598,145 | 5 | 597,385 | 6 |
| Land improvements | 593 | - | 593 | - |
| Buildings | 1,598,916 | 14 | 1,048,982 | 10 |
| Machinery and equipment | 3,732,866 | 33 | 3,198,374 | 31 |
| Transportation equipment | 2,557 | - | 2,557 | - |
| Office equipment | 141,243 | 1 | 119,873 | 1 |
| Land - revaluation increment | 8,954 | - | 8,954 | - |
| Cost and revaluation increment | 6,083,274 | 53 | 4,976,718 | 48 |
| Less accumulated depreciation | (2,752,299) | (24) | (2,359,415) | (23) |
| Construction in progress and prepayments for equipment | 119,998 | 1 | 350,616 | 4 |
| Total property, plant and equipment | 3,450,973 | 30 | 2,967,919 | 29 |
| OTHER ASSETS | | | | |
| Assets leased to others (Notes 2 and 12) | 7,636 | - | 7,835 | - |
| Idle assets (Notes 2 and 12) | - | - | 2,565 | - |
| Refundable deposits | 925 | - | 3,576 | - |
| Other assets - others (Notes 2 and 17) | 16,411 | - | 24,902 | - |
| Total other assets | 24,972 | - | 38,878 | - |
| TOTAL | $ 11,525,069 | 100 | $ 10,313,772 | 100 |

| LIABILITIES AND STOCKHOLDERS' EQUITY | 2011 Amount | % | 2010 Amount | % |
|---|---|---|---|---|
| CURRENT LIABILITIES | | | | |
| Short-term loans (Note 13) | $ 294,419 | 3 | $ 379,828 | 4 |
| Financial liabilities at fair value through profit or loss - current (Notes 2 and 5) | 7,758 | - | - | - |
| Notes payable (Note 24) | 73,999 | 1 | 53,701 | 1 |
| Accounts payable | 668,794 | 6 | 636,528 | 6 |
| Accounts payable - related parties (Note 24) | 595,854 | 5 | 360,751 | 3 |
| Income tax payable (Note 20) | 57,404 | - | 56,139 | 1 |
| Accrued expenses (Notes 17 and 24) | 479,350 | 4 | 532,695 | 5 |
| Current portion of long-term loans (Note 15) | 227,750 | 2 | 196,500 | 2 |
| Other current liabilities | 12,497 | - | 12,900 | - |
| Total current liabilities | 2,417,825 | 21 | 2,229,042 | 22 |
| LONG-TERM LIABILITIES | | | | |
| Bonds payable (Notes 2 and 14) | 789,367 | 7 | 780,179 | 8 |
| Long-term loans (Note 15) | 1,086,438 | 9 | 762,938 | 7 |
| Total long-term liabilities | 1,875,805 | 16 | 1,543,117 | 15 |
| RESERVES | | | | |
| Reserve for land value increment tax (Notes 2 and 11) | 3,512 | - | 3,512 | - |
| OTHER LIABILITIES | | | | |
| Accrued pension cost | 9,349 | - | - | - |
| Guarantee deposits received | 11,664 | - | 8,117 | - |
| Deferred income tax liabilities - noncurrent (Notes 2 and 20) | 46,514 | 1 | 1,169 | - |
| Total other liabilities | 67,527 | 1 | 9,286 | - |
| Total liabilities | 4,364,669 | 38 | 3,784,957 | 37 |
| STOCKHOLDERS' EQUITY (Note 18) | | | | |
| Capital stock | | | | |
| Common stock | 3,022,423 | 26 | 2,971,831 | 29 |
| Capital surplus | 1,356,078 | 12 | 1,302,853 | 12 |
| Retained earnings | | | | |
| Legal reserve | 644,438 | 6 | 525,420 | 5 |
| Unappropriated earnings | 1,901,027 | 16 | 1,850,021 | 18 |
| Total retained earnings | 2,545,465 | 22 | 2,375,441 | 23 |
| Other equity (Note 2) | | | | |
| Cumulative translation adjustments | 264,762 | 2 | 3,716 | - |
| Net loss not recognized as pension cost (Notes 2 and 17) | (15,637) | - | - | - |
| Unrealized loss on financial instrument | (18,133) | - | (3,235) | - |
| Unrealized revaluation increment (Note 11) | 5,442 | - | 5,442 | - |
| Treasury stock (Notes 2 and 19) | - | - | (127,233) | (1) |
| Total other equity | 236,434 | 2 | (121,310) | (1) |
| Total stockholders' equity | 7,160,400 | 62 | 6,528,815 | 63 |
| TOTAL | $ 11,525,069 | 100 | $ 10,313,772 | 100 |

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

## TXC CORPORATION

**STATEMENTS OF INCOME**
**YEARS ENDED DECEMBER 31, 2011 AND 2010**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OPERATING REVENUE (Note 2) | $ 8,981,786 | 101 | $ 8,212,214 | 101 |
| LESS: SALES RETURNS | (15,639) | - | (21,303) | - |
| LESS: SALES ALLOWANCES | (48,124) | (1) | (33,978) | (1) |
| NET OPERATING REVENUE | 8,918,023 | 100 | 8,156,933 | 100 |
| OPERATING COSTS | (7,259,694) | (82) | (6,455,182) | (79) |
| GROSS PROFIT | 1,658,329 | 18 | 1,701,751 | 21 |
| REALIZED INTER-COMPANY GAIN | - | - | 263 | - |
| REALIZED GROSS PROFIT | 1,658,329 | 18 | 1,702,014 | 21 |
| OPERATING EXPENSES | | | | |
| Selling expenses | (377,574) | (4) | (390,459) | (5) |
| General and administrative expenses | (192,075) | (2) | (190,747) | (2) |
| Research and development expenses | (344,468) | (4) | (315,287) | (4) |
| Total operating expenses | (914,117) | (10) | (896,493) | (11) |
| OPERATING INCOME | 744,212 | 8 | 805,521 | 10 |
| NONOPERATING INCOME AND GAINS | | | | |
| Interest income | 4,734 | - | 3,559 | - |
| Investment income recognized under equity method (Note 10) | 358,541 | 4 | 466,582 | 6 |
| Dividend revenue | 4,031 | - | 828 | - |
| Gain on disposal of property, plant and equipment | 10,617 | - | 820 | - |
| Gain on sale of investments | 822 | - | 1,396 | - |
| Exchange gains | 356,643 | 4 | 345,815 | 4 |
| Reversal of impairment loss | 4,873 | - | - | - |
| Valuation gain on financial assets | - | - | 58,168 | 1 |
| Miscellaneous income | 31,272 | 1 | 33,872 | - |
| Total nonoperating income and gains | 771,533 | 9 | 911,040 | 11 |
| NONOPERATING EXPENSES AND LOSSES | | | | |
| Interest expense | (23,595) | - | (20,316) | (1) |
| Loss on sale of investments | - | - | (257) | - |
| Loss on disposal of property, plant and equipment | - | - | (178) | - |

(Continued)

# TXC CORPORATION

**STATEMENTS OF INCOME**
**YEARS ENDED DECEMBER 31, 2011 AND 2010**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| Exchange losses | (313,907) | (4) | (419,788) | (5) |
| Impairment loss | - | - | (10,431) | - |
| Valuation loss on financial assets | (78) | - | (7,573) | - |
| Valuation loss on financial liabilities | (15,767) | - | - | - |
| Miscellaneous expenses | (3,210) | - | (12,588) | - |
| Total nonoperating expenses and losses | (356,557) | (4) | (471,131) | (6) |
| INCOME BEFORE INCOME TAX | 1,159,188 | 13 | 1,245,430 | 15 |
| INCOME TAX EXPENSE (Notes 2 and 20) | (108,972) | (1) | (55,252) | - |
| NET INCOME | $ 1,050,216 | 12 | $ 1,190,178 | 15 |

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Before Income Tax** | **After Income Tax** | **Before Income Tax** | **After Income Tax** |
| EARNINGS PER SHARE (Note 22) | | | | |
| Basic | $ 3.84 | $ 3.48 | $ 4.16 | $ 3.98 |
| Diluted | $ 3.64 | $ 3.29 | $ 3.95 | $ 3.78 |

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

## TXC CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**YEARS ENDED DECEMBER 31, 2011 AND 2010**
**(In Thousands of New Taiwan Dollars)**

| | Capital Stock | | | Retained Earnings | | Others Equity | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | Advance Receipts for Common Stock | Capital Surplus | Legal Reserve | Unappropriated Earnings | Unrealized Revaluation Increment | Net Loss Not Recognized as Pension Cost | Unrealized Gain (Loss) on Financial Instruments | Cumulative Translation Adjustments | Treasury Stock | Total |
| BALANCE, JANUARY 1, 2010 | $ 2,873,409 | $ 13,863 | $ 1,168,416 | $ 447,198 | $ 1,371,460 | $ 5,442 | $ - | $ - | $ 168,373 | $ (127,233) | $ 5,920,928 |
| Appropriation of 2009 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | 78,222 | (78,222) | - | - | - | - | - | - |
| Stock dividends | 57,581 | - | - | - | (57,581) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (575,814) | - | - | - | - | - | (575,814) |
| Exercise of employee stock options | 25,870 | - | 91,580 | - | - | - | - | - | - | - | 117,450 |
| Conversion of convertible bonds | 14,971 | (13,863) | 2,943 | - | - | - | - | - | - | - | 4,051 |
| Equity component of convertible bonds | - | - | 39,914 | - | - | - | - | - | - | - | 39,914 |
| Net income for the year ended December 31, 2010 | - | - | - | - | 1,190,178 | - | - | - | - | - | 1,190,178 |
| Changes in unrealized loss on available-for-sale financial assets | - | - | - | - | - | - | - | (3,235) | - | - | (3,235) |
| Changes in translation adjustments | - | - | - | - | - | - | - | - | (164,657) | - | (164,657) |
| BALANCE, DECEMBER 31, 2010 | 2,971,831 | - | 1,302,853 | 525,420 | 1,850,021 | 5,442 | - | (3,235) | 3,716 | (127,233) | 6,528,815 |
| Appropriation of 2010 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | 119,018 | (119,018) | - | - | - | - | - | - |
| Stock dividends | 59,261 | - | - | - | (59,261) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (740,763) | - | - | - | - | - | (740,763) |
| Retirement of treasury stock | (30,000) | - | (17,065) | - | (80,168) | - | - | - | - | 127,233 | - |
| Exercise of employee stock options | 21,220 | - | 69,814 | - | - | - | - | - | - | - | 91,034 |
| Conversion of convertible bonds | 111 | - | 476 | - | - | - | - | - | - | - | 587 |
| Change in net loss not recognized as pension cost | - | - | - | - | - | - | (15,637) | - | - | - | (15,637) |
| Net income for the year ended December 31, 2011 | - | - | - | - | 1,050,216 | - | - | - | - | - | 1,050,216 |
| Changes in unrealized gain on available-for-sale financial assets | - | - | - | - | - | - | - | (14,898) | - | - | (14,898) |
| Changes in translation adjustments | - | - | - | - | - | - | - | - | 261,046 | - | 261,046 |
| BALANCE, DECEMBER 31, 2011 | $ 3,022,423 | $ - | $ 1,356,078 | $ 644,438 | $ 1,901,027 | $ 5,442 | $ (15,637) | $ (18,133) | $ 264,762 | $ - | $ 7,160,400 |

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

# TXC CORPORATION

**STATEMENTS OF CASH FLOWS**
**YEARS ENDED DECEMBER 31, 2011 AND 2010**
**(In Thousands of New Taiwan Dollars)**

| | 2011 | 2010 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 1,050,216 | $ 1,190,178 |
| Depreciation | 561,221 | 549,040 |
| Nonoperating loss - idle assets and lease assets | 386 | 738 |
| Amortization | 22,819 | 15,234 |
| Provision for doubtful accounts | 25 | 2,620 |
| Provision for loss on inventory | 33,000 | 29,755 |
| Loss on physical inventories | 97 | 565 |
| Gain on sale of investments | (822) | (1,139) |
| Investment income recognized under equity method | (358,541) | (466,582) |
| Gain on disposal of property, plant and equipment | (10,617) | (820) |
| Loss on disposal of property, plant and equipment | - | 178 |
| Valuation loss (gain) on financial instruments | 15,845 | (50,595) |
| Provision for (reversal of) impairment loss | (4,873) | 10,431 |
| Realized gross profit | - | (263) |
| Discount on bonds payable | 9,777 | 9,517 |
| Pension cost | 4,206 | (2,547) |
| Deferred income tax | 53,259 | (150) |
| Net changes in operating assets and liabilities | | |
| Notes receivable | 1,161 | 768 |
| Accounts receivable | (488,521) | (215,838) |
| Inventories | (16,721) | (260,798) |
| Other receivables | 13,802 | 186,174 |
| Other current assets | (24,544) | 19,804 |
| Notes payable | 20,298 | 990 |
| Accounts payable | 267,369 | 16,787 |
| Accrued expenses | (53,345) | 221,211 |
| Income tax payable | 1,265 | (3,365) |
| Other current liabilities | (403) | 1,682 |
| Net cash provided by operating activities | 1,096,359 | 1,253,575 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial instruments at fair value through profit or loss | (10,500) | - |
| Proceeds from disposal of financial instruments at fair value through profit or loss | 65,221 | 1,621 |
| Acquisitions of available-for-sale financial assets | (90,000) | (1,230,000) |
| Proceeds from disposal of available-for-sale financial assets | 60,268 | 1,171,140 |
| Acquisition of financial assets carried cost | (148,767) | (93,678) |
| Acquisition of investments accounted for by equity method | (157,727) | (184,686) |
| Proceeds from capital decrease of investment accounted for by equity method | - | 96,750 |
| Acquisition of property, plant and equipment | (1,058,015) | (1,324,551) |
| Proceeds from disposal of property, plant and equipment | 23,721 | 44,521 |
| Purchase of assets leased to others | (187) | - |

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# TXC CORPORATION

**STATEMENTS OF CASH FLOWS**
**YEARS ENDED DECEMBER 31, 2011 AND 2010**
**(In Thousands of New Taiwan Dollars)**

| | 2011 | 2010 |
|---|---|---|
| Decrease in refundable deposits | 2,651 | 339 |
| Increase in deferred charges | (24,822) | (21,913) |
| Net cash used in investing activities | (1,338,157) | (1,540,457) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in short-term loans | (85,409) | (36,372) |
| Issuance of convertible bonds | - | 795,000 |
| Increase in long-term loans | 354,750 | 89,751 |
| Proceeds from exercise of employee stock options | 91,034 | 117,450 |
| Increase in guarantee deposits received | 3,547 | - |
| Cash dividends | (740,763) | (575,814) |
| Net cash (used in) provided by financing activities | (376,841) | 390,015 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (618,639) | 103,133 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,156,233 | 1,053,100 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 537,594 | $ 1,156,233 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Interest paid | $ 13,939 | $ 10,502 |
| Income tax paid | $ 54,447 | $ 58,091 |
| NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Conversion of convertible bonds | $ 600 | $ 3,900 |
| Investment for machinery and equipment | $ 8,074 | $ - |

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

## 1. ORGANIZATION AND OPERATIONS

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

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

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

As of December 31, 2011 and 2010, the Corporation had 1,025 and 1,075 employees, respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC.

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

Significant accounting policies are summarized as follows:

### Foreign Currencies

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

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

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

### Accounting Estimates

Under above 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, etc. Actual results may differ from these estimates.

### 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 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: Bonds - at prices quoted by the Taiwan GreTai Securities Market, and 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 asset values.

**Financial Assets Carried at Cost**

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

**Impairment of Accounts Receivable**

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 and assessing the value of the collateral provided by customers.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Corporation adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Corporation should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Corporation's past experience in the collection of payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

**Impairment of Assets**

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

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

**Inventories**

Inventories consist of raw materials, supplies and spare parts, work-in-process, finished goods and merchandise and 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.

**Investments Accounted for by the Equity Method**

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

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

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

Property, plant and equipment and assets leased to others are stated at cost plus revaluation increment less accumulated depreciation. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over the estimated useful lives as follows: buildings - 4 to 51 years; machinery and equipment - 4 to 15 years; transportation equipment - 3 to 6 years; office equipment - 3 to 9 years; assets leased to others - 4 to 61 years.

Property, plant and equipment and assets leased to others still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives. Depreciation of revaluated assets is provided on a straight-line basis over their remaining estimated useful lives determined at the time of revaluation.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the period of disposal.

**Convertible Bonds**

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

Pursuant to SFAS No. 34, transaction costs of bonds issued on or after January 1, 2006, net of related income tax benefit, are allocated in proportion to the liability and equity components of the bonds.

**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.

**Income Tax**

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

If the Corporation can control the timing of the reversal of a temporary 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.

**Stock-based Compensation**

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

**Treasury Stock**

Treasury stock is stated at cost and shown as a deduction in shareholders' equity.

**Revenue Recognition**

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.

## 3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

**Financial Instruments**

On January 1, 2011, the Corporation adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Corporation are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. The adoption did not have effect on the net income for the year ended December 31, 2011.

**Operating Segments**

On January 1, 2011, the Corporation adopted the newly issued SFAS No. 41 - "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Corporation that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Corporation's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." For this accounting change, the Corporation restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

## 4. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Cash on hand | $ 1,098 | $ 1,192 |
| Checking accounts and demand deposits | 353,496 | 806,294 |
| Time deposits | 140,000 | 168,700 |
| Cash equivalents | | |
| Repurchase agreements collateralized bonds | 43,000 | 180,047 |
| | $ 537,594 | $1,156,233 |

## 5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 2011 | December 31 2010 |
|---|---|---|
| Financial assets at FVTPL | | |
| Forward exchange contracts | $ - | $ 58,168 |
| Convertible bonds | $ 3,922 | $ - |
| Financial liabilities at FVTPL | | |
| Forward exchange contracts | $ 7,758 | $ - |

The Corporation entered into derivative contracts during the years ended December 31, 2011 and 2010 to manage exposures related to exchange rate and interest 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, 2011 and 2010 were as follows:

| | Currency | Maturity Date | Contract Amount (In Thousands) |
|---|---|---|---|
| December 31, 2011 | | | |
| Sell | USD/NTD | January 3, 2012 to April 9, 2012 | USD55,000/NTD1,656,290 |
| Sell | USD/JPY | January 4, 2012 to March 9, 2012 | USD21,000/JPY1,629,455 |
| Sell | NTD/JPY | January 4, 2012 to February 6, 2012 | NTD141,889/JPY360,000 |
| December 31, 2010 | | | |
| Sell | USD/NTD | January 4, 2011 to March 21, 2011 | USD47,000/NTD1,434,845 |
| Sell | USD/JPY | January 26, 2011 to March 1, 2011 | USD1,750/JPY146,548 |
| Sell | NTD/JPY | January 7, 2011 to March 22, 2011 | NTD661,614/JPY1,800,000 |

Net gain on financial instruments held for trading for the years ended December 31, 2011 and 2010 was $11,690 thousand and $108,433 thousand, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | December 31 2011 | December 31 2010 |
|---|---|---|
| Mutual funds | $ 71,867 | $ 56,764 |

## 7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

| | December 31 2011 | December 31 2010 |
|---|---|---|
| Notes receivable, third parties | $ 360 | $ 1,521 |
| Less: Allowance for doubtful accounts | (33) | (8) |
| | $ 327 | $ 1,513 |
| Accounts receivable, third parties | $ 2,783,280 | $ 2,329,775 |
| Accounts receivable, related parties | 48,086 | 13,070 |
| | 2,831,366 | 2,342,845 |
| Less: Allowance for doubtful accounts | (17,827) | (17,827) |
| | $ 2,813,539 | $ 2,325,018 |

Movements of allowance for doubtful accounts were as follows:

| | Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Notes Receivable | Accounts Receivable | Notes Receivable | Accounts Receivable |
| Balance, beginning of year | $ 8 | $ 17,827 | $ 10 | $ 15,205 |
| Add (deduct): Provision (reversal of provision) for doubtful accounts | 25 | - | (2) | 2,622 |
| Balance, end of year | $ 33 | $ 17,827 | $ 8 | $ 17,827 |

## 8. INVENTORIES

| | December 31 2011 | December 31 2010 |
|---|---|---|
| Raw materials | $ 116,924 | $ 169,410 |
| Supplies and spare parts | 45,789 | 54,948 |
| Work in process | 162,837 | 164,927 |
| Finished goods | 294,333 | 269,793 |
| Merchandise | 302,721 | 260,828 |
| Goods in transit | 872 | 19,946 |
| | $ 923,476 | $ 939,852 |

As of December 31, 2011 and 2010, the allowance for inventory devaluation was $31,949 thousand and $30,654 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2011 and 2010 included $33,097 thousand and $30,320 thousand, respectively, write-downs of inventories and loss on physical inventory.

## 9. FINANCIAL ASSETS CARRIED AT COST

| | December 31 2011 | December 31 2010 |
|---|---|---|
| Domestic emerging market stocks | $ 47,200 | $ - |
| Domestic unquoted common stocks | 101,000 | 50,200 |
| Overseas unquoted common stocks | 97,245 | 46,478 |
| | $ 245,445 | $ 96,678 |

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

## 10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

| | December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Carrying Amount | % of Ownership | Carrying Amount | % of Ownership |
| Unlisted companies | | | | |
| Taiwan Crystal Technology International Ltd. (TCTI) | $ 3,188,189 | 100 | $ 2,521,047 | 100 |
| TXC Technology Inc. | 12,942 | 100 | 10,158 | 100 |
| TXC Japan Corporation | 14,863 | 100 | 10,874 | 100 |
| Taiwan Crystal Technology International (HK) Limited | 111,473 | 100 | - | - |
| | $ 3,327,467 | | $ 2,542,079 | |

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

| | Years Ended December 31 2011 | Years Ended December 31 2010 |
|---|---|---|
| TCTI | $ 354,557 | $ 467,640 |
| TXC Technology Inc. | 2,308 | (126) |
| TXC Japan Corporation | 2,843 | (932) |
| Taiwan Crystal Technology International (HK) Limited | (1,167) | - |
| | $ 358,541 | $ 466,582 |

## 11. PROPERTY, PLANT AND EQUIPMENT

| | December 31, 2011 | | | |
|---|---|---|---|---|
| | Cost | Revaluation Increment | Accumulated Depreciation | Carrying Value |
| Land | $ 598,145 | $ 8,954 | $ - | $ 607,099 |
| Land improvements | 593 | - | 520 | 73 |
| Buildings | 1,598,916 | - | 359,937 | 1,238,979 |
| Machinery and equipment | 3,732,866 | - | 2,286,686 | 1,446,180 |
| Transportation equipment | 2,557 | - | 2,557 | - |
| Office equipment | 141,243 | - | 102,599 | 38,644 |
| Prepayments for equipment | 119,998 | - | - | 119,998 |
| | $ 6,194,318 | $ 8,954 | $ 2,752,299 | $ 3,450,973 |

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

There was no interest capitalized in 2011 and 2010.

The Corporation revalued its land in 1996, which resulted in total revaluation increments of $8,954 thousand. The net 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, 2011 | | |
|---|---|---|---|
| | Book Value | Accumulated Depreciation | Carrying Value |
| Land | $ 2,602 | $ - | $ 2,602 |
| Buildings | 11,632 | (6,598) | 5,034 |
| | $ 14,234 | $ (6,598) | $ 7,636 |

| | December 31, 2010 | | |
|---|---|---|---|
| | Book Value | Accumulated Depreciation | Carrying Value |
| Land | $ 2,602 | $ - | $ 2,602 |
| Buildings | 11,445 | (6,212) | 5,233 |
| | $ 14,047 | $ (6,212) | $ 7,835 |

**Idle Assets**

Idle assets are land, building and equipment retired from active use.

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Book value | $ 4,038 | $ 12,053 |
| Accumulated impairment | (4,038) | (9,488) |
| | $ - | $ 2,565 |

## 13. SHORT-TERM LOANS

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Usance letters of credit | $ 294,419 | $ 379,828 |

Usance letters of credit amounted to JPY753,953 thousand as of December 31, 2011 and JPY902,610 thousand and US$1,940 thousand as of December 31, 2010. Interest rates ranged from 0.6% to 1.25% and from 0.826% to 1.240% at December 31, 2011 and 2010, respectively.

## 14. BONDS PAYABLE

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Third unsecured domestic convertible bonds | $ 799,400 | $ 800,000 |
| Less: Discount on bonds payable | (10,033) | (19,821) |
| Less: Current portion | - | - |
| | $ 789,367 | $ 780,179 |
| Asset (liability) component of unsecured domestic convertible bonds | $ - | $ 8,011 |

### 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 zero percent (0%). As of December 31, 2011, bonds with a face value of $600 thousand had been converted into 11 thousand common shares; the new shares will be issued in accordance with laws, and the change in capital stock will be registered accordingly. 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 will redeem the bonds by cash at face value.

b. During the period between one month after issuance and the $40^{th}$ day before maturity, the Corporation can redeem the bonds from holders at contracted price.

c. During the period between one month after issuance and the $10^{th}$ 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.

d. The original conversion price per share is $57.6. The conversion price is subject to adjustment based on a certain formula if there are changes in outstanding shares or execution of conversion below market price. The conversion price per share is $50.4 on December 31, 2011.

## 15. LONG-TERM LOANS

| | | December 31 | |
|---|---|---|---|
| **Nature of Loans** | **Repayment Period** | **2011** | **2010** |
| Secured bank loans | Maturity on July 24, 2013, repayable from July 2008 in quarterly installments | $ 101,938 | $ 158,438 |
| Secured bank loans | Maturity on July 24, 2013, repayable from April 2009 in quarterly installments | 12,250 | 21,000 |
| Secured bank loans | Maturity on August 17, 2016, repayable from November 2012 in quarterly installments | 600,000 | - |
| Unsecured bank loans | Repayable at maturity on September 16, 2011 | - | 100,000 |
| Unsecured bank loans | Repayable at maturity on February 28, 2012 | - | 180,000 |
| Unsecured bank loans | Repayable at maturity on June 27, 2013 | 100,000 | - |
| Unsecured bank loans | Maturity on October 28, 2015, repayable from October 2011 in quarterly installment | 500,000 | 500,000 |
| | | 1,314,188 | 959,438 |
| Less current portion | | (227,750) | (196,500) |
| | | $ 1,086,438 | $ 762,938 |
| Interest rate (%) | | 0.9%-1.107% | 0.89-1.06 |

See Note 25 for collaterals on long-term loans.

## 16. ACCRUED EXPENSES

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Payroll | $ 32,229 | $ 33,703 |
| Bonus | 125,811 | 105,234 |
| Bonus to employees, directors and supervisors | 132,203 | 182,097 |
| Commission | 65,249 | 81,346 |
| Others | 123,858 | 130,315 |
| | $ 479,350 | $ 532,695 |

## 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 $23,626 thousand and $18,392 thousand for the years ended December 31, 2011 and 2010, 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 $8,146 thousand and $3,944 thousand for the years ended December 31, 2011 and 2010, respectively.

Information about the defined benefit plan was as follows:

a. Components of net pension cost

| | Years Ended December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Service cost | $ 2,379 | $ 2,431 |
| Interest cost | 1,544 | 1,309 |
| Projected return on plan assets | (1,325) | (1,009) |
| Amortization | 5,548 | 1,328 |
| Net pension cost | $ 8,146 | $ 4,059 |

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2011 and 2010

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Benefit obligation | | |
| Vested benefit obligation | $ (5,171) | $ (13,751) |
| Non-vested benefit obligation | (50,116) | (49,314) |
| Accumulated benefit obligation | (55,287) | (63,065) |
| Additional benefit based on future salaries | (12,461) | (14,110) |
| Projected benefit obligation | (67,748) | (77,175) |
| Fair value of plan assets | 45,938 | 64,261 |
| Funded status | (21,810) | (12,914) |

(Continued)

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Unrecognized net transitional obligation | $ - | $ - |
| Unrecognized net gain | 28,098 | 23,408 |
| Additional liability | (15,637) | - |
| Accrued pension cost | $ (9,349) | $ 10,494 |
| Vested benefit | $ (5,863) | $ (15,736) |

(Concluded)

c. Actuarial assumptions as of December 31, 2011 and 2010:

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Discount rate used in determining present values | 2.00% | 2.00% |
| Future salary increase rate | 2.00% | 2.00% |
| Expected rate of return on plan assets | 2.00% | 2.00% |

| | Years Ended December 31 | |
|---|---|---|
| | 2011 | 2010 |
| d. Contributions to the fund | $ 3,940 | $ 3,944 |
| e. Payments from the fund | $ 22,970 | $ - |

## 18. STOCKHOLDERS' EQUITY

### Capital Stock

The Corporation's authorized capital is $4,000,000 thousand at December 31, 2011 and 2010 ($10.00 par value per share). As of December 31, 2011 and 2010, the Corporation's issued capital stock was $3,022,423 thousand and $2,971,831 thousand divided into 302,242 thousand shares and 297,183 thousand shares, respectively, at NT$10.00 par value each.

### Employee Stock Options

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

Information about employee stock option plans was as follows:

| | Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Number of Options (In Thousands) | Weighted-average Exercise Price (NT$) | Number of Options (In Thousands) | Weighted-average Exercise Price (NT$) |
| Balance, beginning of year | 4,954 | $ 42.9 | 7,585 | $ 45.4 |
| Options granted | - | - | - | - |
| Options forfeited | - | - | (44) | - |
| Options exercised | (2,122) | 42.9 | (2,587) | 45.4 |
| Options expired | (205) | - | - | - |
| Balance, end of year | 2,627 | 39.7 | 4,954 | 42.9 |
| Options exercisable, end of year | 2,627 | | 2,975 | |

Information about outstanding options as of December 31, 2011 and 2010 was as follows:

| December 31 | | | |
|---|---|---|---|
| 2011 | | 2010 | |
| Range of Exercise Price (NT$) | Weighted-average Remaining Contractual Life (Years) | Range of Exercise Price (NT$) | Weighted-average Remaining Contractual Life (Years) |
| $42.9-$39.7 | 0.94 | $45.4-$42.9 | 1.94 |

Options granted during the years ended December 31, 2011 and 2010 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

| | |
|---|---|
| Grant-date share price (NT$) | 58.8 |
| Exercise price (NT$) | 58.8 |
| Expected volatility | 43.5% |
| Expected life (years) | 3.875 years |
| Risk-free interest rate | 2.42% |
| Expected dividend yield | - |

The pro forma information for the years ended December 31, 2011 and 2010 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39 is as follows:

| | 2011 | 2010 |
|---|---|---|
| Net income | $ 1,050,216 | $ 1,190,178 |
| After income tax basic earnings per share (NT$) | $3.48 | $4.06 |

**Capital Surplus**

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from shares 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. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term investments may not be used for any purpose.

Capital surplus comprised of the following:

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Issuance of common shares | $ 325,830 | $ 332,289 |
| Conversion of bonds | 772,417 | 776,646 |
| Exercise of employee stock options | 217,947 | 149,644 |
| Treasury stock transactions | - | 4,360 |
| Conversion options | 39,884 | 39,914 |
| | $ 1,356,078 | $ 1,302,853 |

**Appropriation of Earnings and Dividend Policy**

Under the Corporation's Articles of Incorporation, the Corporation should appropriate 10% of its net income less any prior years' deficit as legal reserve. The remaining amount may be fully retained 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 subsidiaries' employees who meet certain criteria set by the stockholders' meetings.

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, 2011 and 2010, the bonus to employees was $113,317 thousand and $160,674 thousand, respectively, and the remuneration to directors and supervisors was $18,886 thousand and $21,423 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 12% and 2%; 15% and 2%, respectively, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative transaction adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve shall be appropriated until it has reached the Corporation's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2010 and 2009 had been approved in the stockholders' meetings on June 10, 2011 and June 15, 2010, respectively. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT$) | |
|---|---|---|---|---|
| | For Fiscal Year 2010 | For Fiscal Year 2009 | For Fiscal Year 2010 | For Fiscal Year 2009 |
| Legal reserve | $ 119,018 | $ 78,222 | $ - | $ - |
| Cash dividends | 740,763 | 575,814 | 2.5 | 2.0 |
| Stock dividends | 59,261 | 57,581 | 0.2 | 0.2 |

The bonus to employees and the remuneration to directors and supervisors for 2010 and 2009 approved in the shareholders' meetings on June 10, 2011 and June 15, 2010, respectively, were as follows:

| | Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | Cash | Stock | Cash | Stock |
| Bonus to employees | $ 160,674 | $ - | $ 71,168 | $ - |
| Remuneration to directors and supervisors | 21,423 | - | 7,117 | - |

| | Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | Bonus to Employees | Remuneration to Directors and Supervisors | Bonus to Employees | Remuneration to Directors and Supervisors |
| Amounts approved in shareholders' meetings | $ 160,674 | $ 21,423 | $ 71,168 | $ 7,117 |
| Amounts recognized in respective financial statements | 160,674 | 21,423 | 70,335 | 7,033 |
| | $ - | $ - | $ 833 | $ 84 |

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 year ended December 31, 2009 which were primarily due to changes in estimates had been adjusted in profit and loss for the year ended December 31, 2010.

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, 2011 | | | | |
| For transfer to employees | 3,000 | - | (3,000) | - |
| Year ended December 31, 2010 | | | | |
| 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 | |
|---|---|---|
| | 2011 | 2010 |
| Income tax expense at the statutory rate | $ 197,045 | $ 211,723 |
| Tax effect on adjusting items: | | |
| Permanent differences | (60,361) | 585 |
| Temporary differences | (7,400) | (72,818) |
| Tax-exempt income for five years | (41,590) | (49,844) |
| Additional 10% income tax on unappropriated earnings | 27,114 | 7,060 |
| Investment tax credits used | (57,404) | (40,566) |
| Current income tax expense | 57,404 | 56,140 |
| Deferred income tax expenses (benefit) | | |
| Temporary difference | 9,831 | (3,868) |
| Investment tax credits | 43,428 | 23,553 |
| Effect of law changes on deferred income tax | - | (19,834) |
| Adjustment for prior years' tax | (1,691) | (739) |
| | $ 108,972 | $ 55,252 |

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

Deferred income tax assets (liabilities) were as follows:

| | 2011 | 2010 |
|---|---|---|
| Current | | |
| Deferred income tax assets | | |
| Unrealized allowance for loss on inventories | $ 5,431 | $ 5,211 |
| Unrealized exchange losses | 250 | 25,188 |
| Unrealized valuation loss on financial instrument | 1,319 | - |
| | 7,000 | 30,399 |
| Less: Valuation allowance | - | - |
| | 7,000 | 30,399 |
| Deferred income tax liabilities | | |
| Unrealized exchange gain | (5,386) | (10,982) |
| Unrealized valuation gain on financial instrument | - | (9,889) |
| | (5,386) | (20,871) |
| | $ 1,614 | $ 9,528 |
| Noncurrent | | |
| Deferred income tax assets | | |
| Accrued pension cost | $ 940 | $ 225 |
| Impairment loss | 3,312 | 4,140 |
| Investment tax credits | 73,457 | 116,885 |
| Others | 213 | 2,017 |
| | 77,922 | 123,267 |
| Less: Valuation allowance | - | - |
| | 77,922 | 123,267 |
| Deferred income tax liabilities | | |
| Investment income recognized on overseas equity-method investments | (124,436) | (124,436) |
| | $ (46,514) | $ (1,169) |

As of December 31, 2011, 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 | $ 60,003 | $ 60,003 | 2015 |
| | Research and development expenditures | 81,884 | 13,454 | 2014 |
| | Personnel training expenditures | 269 | - | - |
| | | $ 142,156 | $ 73,457 | |

As of December 31, 2011, profits attributable to the following expansion and construction projects were exempted from income tax for five years:

| Expansion and Construction Project | Tax-exempt Year |
|---|---|
| Acquisition of equipment in 2005 | 2010 to 2014 |
| Acquisition of equipment in 2009 | 2014 to 2018 |

The Corporation's income tax returns through 2007 have been examined and approved by the tax authorities.

Information about integrated income tax was as follows:

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Balance of ICA | $ 55,067 | $ 48,831 |

| | 2011 (Estimate) | 2010 (Actual) |
|---|---|---|
| The creditable ratio for distribution | 5.92% | 5.55% |

| | December 31 | |
|---|---|---|
| | 2011 | 2010 |
| Unappropriated earnings generated before January 1, 1998 | $ - | $ - |
| Unappropriated earnings generated on and after January 1, 1998 | 1,901,027 | 1,850,021 |
| | $ 1,901,027 | $ 1,850,021 |

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to stockholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2011 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Personnel | | | | | | |
| Salary | $ 419,954 | $ 320,276 | $ 740,230 | $ 431,024 | $ 352,787 | $ 783,811 |
| Pension | 16,664 | 15,809 | 32,473 | 15,425 | 7,439 | 22,864 |
| Insurance | 32,094 | 17,318 | 49,412 | 27,685 | 14,553 | 42,238 |
| Others | - | - | - | - | - | - |
| Depreciation | 458,917 | 102,304 | 561,221 | 444,554 | 104,486 | 549,040 |
| Amortization | 238 | 22,581 | 22,819 | 49 | 15,185 | 15,234 |

## 22. EARNINGS PER SHARE (EPS)

| | Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Before Tax | After Tax | Before Tax | After Tax |
| Basic earnings per share (NT$) | | | | |
| From continuing operations | $ 3.84 | $ 3.48 | $ 4.16 | $ 3.98 |
| Income for the year | $ 3.84 | $ 3.48 | $ 4.16 | $ 3.98 |

(Continued)

| | Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Before Tax | After Tax | Before Tax | After Tax |
| Diluted earnings per share (NT$) | | | | |
| From continuing operations | $ 3.64 | $ 3.29 | $ 3.95 | $ 3.78 |
| Income for the year | $ 3.64 | $ 3.29 | $ 3.95 | $ 3.78 |

(Concluded)

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, 2011 | | | | | |
| Net income | $ 1,159,188 | $ 1,050,216 | | | |
| Basic EPS (NT$) | | | | | |
| Income for the year attributable to common stockholders | $ 1,159,188 | $ 1,050,216 | 301,703 | $ 3.84 | $ 3.48 |
| Effect of dilutive potential common stock | | | | | |
| Employee stock option | - | - | 489 | | |
| Convertible bonds | 9,784 | 8,221 | 15,867 | | |
| Bonus to employees | - | - | 3,266 | | |
| Diluted EPS | | | | | |
| Income for the year attributable to common stockholders plus effect of potential dilutive common stock | $ 1,168,972 | $ 1,058,437 | 321,325 | $ 3.64 | $ 3.29 |
| 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 | 299,078 | $ 4.16 | $ 3.98 |
| Effect of dilutive potential common stock | | | | | |
| Employee stock option | - | - | 945 | | |
| Convertible bonds | 9,544 | 7,921 | 14,442 | | |
| Bonus to employees | - | - | 2,885 | | |
| Diluted EPS | | | | | |
| Income for the year attributable to common stockholders plus effect of potential dilutive common stock | $ 1,254,974 | $ 1,198,099 | 317,350 | $ 3.95 | $ 3.78 |

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 should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends distributed out of earnings for the year ended December 31, 2010. This adjustment caused the basic and diluted after income tax EPS for the year ended December 31, 2010 to decrease from NT$4.06 to NT$3.98 and from NT$3.85 to NT$3.78, respectively.

## 23. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

| | December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets | | | | |
| Financial assets at FVTPL, current | $ 3,922 | $ 3,922 | $ 58,168 | $ 58,168 |
| Available-for-sale financial assets, current | 71,867 | 71,867 | 56,764 | 56,764 |
| Other financial assets, noncurrent | - | - | 8,011 | - |
| Financial assets carried at cost | 245,445 | - | 96,678 | - |
| Financial liabilities | | | | |
| Financial liabilities at FVTPL, current | 7,758 | 7,758 | - | - |
| Bonds payable | 789,367 | 789,367 | 780,179 | 780,179 |
| Long-term debt (including current portion) | 1,314,188 | 1,314,188 | 959,438 | 959,438 |

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

a. The above financial instruments do not include cash and cash equivalents, notes and accounts receivable, notes and accounts payable and short-term loans. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

b. Fair values of financial instruments designated as at FVTPL, available-for-sale and derivatives are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

c. Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

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

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

| | Quoted Market Price | | Valuation Techniques Incorporating Estimates and Assumptions | |
|---|---|---|---|---|
| | December 31 | | December 31 | |
| | 2011 | 2010 | 2011 | 2010 |
| Assets | | | | |
| Financial assets at FVTPL, current | $ 3,922 | $ - | $ - | $ 58,168 |
| Available-for-sale financial assets, current | 71,867 | 56,764 | - | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL, current | - | - | 7,758 | - |
| Bonds payable (including current portion) | - | - | 789,367 | 780,179 |
| Long-term debt (including current portion) | - | - | 1,314,188 | 959,438 |

Valuation (losses) gains brought by changes in fair value of financial instruments determined using valuation techniques were $(15,845) thousand and $50,595 thousand for the years ended December 31, 2011 and 2010, 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 counterparties breached contracts. The counterparties 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 $16,086 thousand a year.

## 24. RELATED-PARTY TRANSACTIONS

Related parties and their relationships with the Corporation:

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

Significant transactions with related parties:

**Sales**

| | Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| Related Party | Amount | % to Total Account Balance | Amount | % to Total Account Balance |
| NGB | $ 130,241 | 1 | $ 67,523 | 1 |
| Tai-Shing | 25,474 | - | 34,394 | - |
| TXC Technology Inc. | 1,080 | - | - | - |
| TXC Japan Corporation | 7,721 | - | 6,618 | - |
| TXC (HK) Limited | 120 | - | 5,635 | - |
| | $ 164,636 | 1 | $ 114,170 | 1 |

**Purchases**

| | Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| Related Party | Amount | % to Total Account Balance | Amount | % to Total Account Balance |
| NGB | $ 2,309,451 | 39 | $ 1,976,407 | 37 |
| GPT | 35,809 | 1 | 3,224 | - |
| TXC Japan Corporation | 12,973 | - | 19,853 | - |
| Tai-Shing | 9 | - | 18 | - |
| TSE Technology | 183 | - | 377 | - |
| | $ 2,358,425 | 40 | $ 1,999,879 | 37 |

**Consulting Fee**

| Related Party | 2011 Amount | 2011 % to Total Account Balance | 2010 Amount | 2010 % to Total Account Balance |
|---|---|---|---|---|
| | Years Ended December 31 | | | |
| TXC Japan Corporation | $ 50,523 | 53 | $ 49,294 | 63 |
| TXC Technology Inc. | 45,307 | 47 | 29,318 | 37 |
| | $ 95,830 | 100 | $ 78,612 | 100 |

**Other Expenses**

| Related Party | 2011 Amount | 2011 % to Total Account Balance | 2010 Amount | 2010 % to Total Account Balance |
|---|---|---|---|---|
| | Years Ended December 31 | | | |
| Tai-Shing | $ 1,972 | - | $ 723 | - |
| TXC Technology Inc. | 64 | - | - | - |
| TXC Japan Corporation | 155 | - | 299 | - |
| | $ 2,191 | - | $ 1,022 | - |

In 2011 and 2010, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, GPT, and TXC (HK) Limited which use cost-adjusted price according to the agreed terms.

**Receivable from and Payable to Related Parties**

| Item | Related Party | 2011 Amount | 2011 % to Total Account Balance | 2010 Amount | 2010 % to Total Account Balance |
|---|---|---|---|---|---|
| | | December 31 | | | |
| Accounts receivable | NGB | $ 41,314 | 2 | $ 7,026 | - |
| | Tai-Shing | 6,183 | - | 5,274 | - |
| | TXC Technology Inc. | 115 | - | - | - |
| | TXC (HK) Limited | - | - | 770 | - |
| | TXC Japan Corporation | 474 | - | - | - |
| | | $ 48,086 | 2 | $ 13,070 | - |
| Other current assets | TXC Technology Inc. | $ - | - | $ 1,110 | - |
| Notes payable | Tai-Shing | $ 285 | - | $ 224 | - |

| Item | Related Party | December 31 2011 Amount | December 31 2011 % to Total Account Balance | December 31 2010 Amount | December 31 2010 % to Total Account Balance |
|---|---|---|---|---|---|
| Accounts payable | NGB | $ 576,326 | 46 | $ 355,493 | 36 |
| | Tai-Shing | - | - | 1 | - |
| | TXC Japan Corporation | - | - | 5,257 | 1 |
| | Growing Profits Trading Ltd. | 19,528 | 1 | - | - |
| | | $ 595,854 | 47 | $ 360,751 | 37 |
| Accrued expense | Tai-Shing | $ - | - | $ 36 | - |
| | TXC Japan Corporation | - | - | 59 | - |
| | | $ - | - | $ 95 | - |

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

**Other Receivables**

| Related Party | December 31 2011 Amount | December 31 2011 % to Total Account Balance | December 31 2010 Amount | December 31 2010 % to Total Account Balance |
|---|---|---|---|---|
| NGB | $ 50,869 | 57 | $ 22,621 | 22 |

The Corporation purchased machinery and equipment for NGB in the amounts of $163,756 thousand and $467,850 thousand for the years ended December 31, 2011 and 2010, respectively.

**Property Transactions**

Year ended December 31, 2011

The Corporation sold to NGB machinery with a net book value of $3,166 thousand for $3,166 thousand.

The Corporation purchased machinery from NGB for $727 thousand.

The Corporation purchased computer from Tai-Shing for $564 thousand.

Year ended December 31, 2010

The Corporation sold to NGB machinery with a net book value of $42,753 thousand for $42,753 thousand.

The Corporation purchased machinery from NGB for $1,729 thousand.

The Corporation purchased computer from Tai-Shing for $4,251 thousand.

**Compensation of Directors, Supervisors and Management Personnel**

| | Years Ended December 31 | |
|---|---|---|
| | **2011** | **2010** |
| Salaries | $ 10,507 | $ 11,345 |
| Incentives and special compensation | 2,150 | 8,875 |
| Professional fee | 1,440 | 1,440 |
| Bonus | 26,886 | 26,400 |
| | $ 40,983 | $ 48,060 |

## 25. MORTGAGED OR PLEDGED ASSETS

| | December 31 | |
|---|---|---|
| | **2011** | **2010** |
| Property, plant and equipment | | |
| Land | $ 573,770 | $ 258,076 |
| Buildings, net | 1,236,306 | 756,319 |
| | $ 1,810,076 | $ 1,014,395 |

## 26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Unused letters of credit amounted to approximately JPY358,459 thousand.

As of December 31, 2011, the Corporation’s commitments were as follows:

| Commitment | Total Dollars Amount of Contract | Dollars Paid | Dollars Unpaid |
|---|---|---|---|
| Mechanical and electrical engineering | $ 24,251 | $ 11,378 | $ 12,873 |

## 27. SUBSEQUENT EVENTS

None.

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

The Corporation has provided the operating segment financial information in consolidated financial statements.

## 29. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

Significant foreign-currency financial asset and liabilities were as follows:

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 99,906 | 30.29 | $ 3,024,885 | $ 98,386 | 29.13 | $ 2,865,974 |
| JPY | 287,359 | 0.3905 | 112,214 | 422,979 | 0.3582 | 151,511 |
| Investment accounted for by entity method | | | | | | |
| USD | 110,337 | 30.29 | 3,342,096 | 86,893 | 29.13 | 2,531,205 |
| JPY | 38,062 | 0.3905 | 14,863 | 30,357 | 0.3582 | 10,874 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 35,481 | 30.29 | 1,074,712 | 27,291 | 29.13 | 795,034 |
| JPY | 1,395,595 | 0.3905 | 544,980 | 1,764,119 | 0.3582 | 631,874 |

## 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: None.

e. Acquisition of individual real estate at costs of at least $100 million or 20% of the paid-in capital: Table 2 (attached).

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

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

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

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

j. Derivative transactions: Please refer to Note 5 and Table 6 (attached).

k. Information on investment in Mainland China: Table 7 (attached).

TABLE 1

# TXC CORPORATION

**MARKETABLE SECURITIES HELD**
**DECEMBER 31, 2011**
**(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, 2011 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Carrying Amount | Percentage of Ownership | Market Value or Net Asset Value | |
| TXC Corporation | Bond | | | | | | | |
| | SPTI Corporate Bond III | None | Financial assets at FVTPL | 40 | $ 3,922 | - | $ 3,922 | |
| | Mutual fund | | | | | | | |
| | Shin Kong Cross Strait Selective Fund | None | Available-for-sale financial assets | 2,691 | $ 21,686 | - | 21,686 | |
| | Shin Kong China Growth Fund | None | 〃 | 2,177 | 20,486 | - | 20,486 | |
| | Cathay Bond Bund | None | 〃 | 3,000 | 29,695 | - | 29,695 | |
| | | | | | $ 71,867 | | | |
| | Stock | | | | | | | |
| | TCTI | Subsidiary | Investment accounted for by the equity method | 42,835 | $ 3,188,189 | 100 | None | |
| | TXC Technology Inc. | 〃 | 〃 | 300 | 12,942 | 100 | 〃 | |
| | TXC Japan Corporation | 〃 | 〃 | 2 | 14,863 | 100 | 〃 | |
| | Taiwan Crystal Technology International (HK) Limited | 〃 | 〃 | 3,614 | 111,473 | 100 | 〃 | |
| | | | | | $ 3,327,467 | | | |
| | Marson Technology Co., Ltd. | None | Financial assets carried at cost - noncurrent | 414 | $ 3,000 | 5 | 〃 | |
| | Win Win Precision Technology Co., Ltd. | 〃 | 〃 | 1,144 | 47,200 | 3 | 〃 | |
| | Dongguan Failong Dong Bong Electronic Co., Ltd. | 〃 | 〃 | RMB 10,096 | 46,478 | 8 | 〃 | |
| | Power Intellect Co., Ltd. | 〃 | 〃 | 2,000 | 98,000 | 4 | 〃 | |
| | Si-Time Corporation | 〃 | 〃 | 1,750 | 50,767 | 1 | 〃 | |
| | | | | | $ 245,445 | | | |
| TCTI | Stock | | | | | | | |
| | GPT | Subsidiary | Investment accounted for by the equity method | 50 | $ 123,245 (US$ 4,069) | 100 | 〃 | |
| | TXC (Ningbo) Corporation | 〃 | 〃 | US$ 45,835 | 3,094,184 (US$ 102,152) | 100 | 〃 | |
| Taiwan Crystal Technology International (HK) Limited | TXC (Chongqing) Corporation | 〃 | 〃 | US$ 3,600 | 111,056 (US$ 3,666) | 70 | 〃 | |
| | TXC Europe SRL | 〃 | 〃 | EUR 10 | 417 (US$ 14) | 100 | 〃 | |

(Continued)

| Holding Company | Marketable Securities Type and Issuer/Name | Security Issuer's Relationship with the Holding Company | Financial Statement Account | December 31, 2011 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Carrying Amount | Percentage of Ownership | Market Value or Net Asset Value | |
| NGB | TXC (HK) Limited | 〃 | 〃 | HK$ 200 | $ 12,076 (RMB 2,512) | 100 | 〃 | |
| | TSE Technology co. | 〃 | 〃 | RMB 6,828 | 48,657 (RMB 10,121) | 23 | 〃 | |
| | TXC (Chongqing) Corporation | 〃 | 〃 | RMB 10,000 | 47,545 (RMB 9,890) | 30 | 〃 | |
| | Chongqing All Sun Co., Ltd. | 〃 | 〃 | RMB 8,000 | 37,896 (RMB 7,883) | 100 | 〃 | |
| | Ningbo Jingyu Co., Ltd. | 〃 | 〃 | RMB 1,000 | 4,767 (RMB 992) | 100 | 〃 | |

(Concluded)

TABLE 2

## TXC CORPORATION

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**YEAR ENDED DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Types of Property | Transaction Date | Transaction Amount | Payment Term | Counterparty | Nature of Relationship | Prior transaction of Related Counterparty | | | | Price Reference | Purpose of Acquisition | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relationship | Transfer Date | Amount | | | |
| TXC Corporation | Land and building | June 2011 - September 2011 | $ 545,123 | Normal | Note | None 1 | - | - | - | $ - | Note 2 | Operating purpose | - |

Note 1: Owner of land and building.

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

# TXC CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**YEAR ENDED DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars or U.S. Dollars)**

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Payable or Receivable | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | % to Total | Payment Terms (Note) | Unit Price | Payment Terms | Ending Balance | % to Total | |
| TXC Corporation | NGB | Subsidiary | Purchase | $ 2,309,451 | 39 | Note | Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms. | - | $ (576,326) | (46) | |
| | | | Sales | 130,241 | 1 | 〃 | | - | 41,314 | 2 | |

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

TABLE 4

## TXC CORPORATION

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2011**
**(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 | $ 576,326 | 4.97 | $ - | - | $ 348,407 | $ - |

**TABLE 5**

# TXC CORPORATION

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**
**DECEMBER 31, 2011**
**(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, 2011 | | | Net Income (Losses) of the Investee | Equity in the Earnings (Losses) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2011 | December 31, 2010 | Shares (In Thousands) | Percentage of Ownership | Carrying Value | | | |
| TXC Corporation | TCTI | WESTERN SAMOA | Investment | $ 1,390,461<br>(US$ 42,835) | $ 1,332,635<br>(US$ 40,835) | 42,835 | 100 | $ 3,188,189 | $ 361,297 | $ 354,557 | Difference from upstream transactions $6,740 thousand |
| | TXC Technology Inc. | U.S.A. | Marketing activities | 9,879<br>(US$ 300) | 9,879<br>(US$ 300) | 300 | 100 | 12,942 | 2,308 | 2,308 | |
| | TXC Japan Corporation | Japan | Marketing activities | 6,172<br>(JPY 21,000) | 6,172<br>(JPY 21,000) | 2 | 100 | 14,863 | 2,843 | 2,843 | |
| | Taiwan Crystal Technology International (HK) Limited | Hong Kong | Investment | 107,974<br>(US$ 3,614) | -<br>- | 3,614 | 100 | 111,473 | (1,167) | (1,167) | |
| Taiwan Crystal Technology International (HK) Limited | TXC (Chongqing) Limited | Chongqing | Manufacture and sales of electronics products | 107,560<br>(US$ 3,600) | -<br>- | US$ 3,600 | 70 | 111,056<br>(US$ 3,666) | (1,667)<br>(RMB -366) | (1,167)<br>(US$ -40) | |
| | TXC Europe SRL | Europe | Market activities | 414<br>(EUR 10) | -<br>- | EUR 10 | 100 | 417<br>(US$ 14) | -<br>- | -<br>- | |
| TCTI | GPT | B.V.I. | International trading | 1,691<br>(US$ 50) | 1,691<br>(US$ 50) | 50 | 100 | 123,245<br>(US$ 4,069) | 57,975<br>(US$ 1,973) | 57,975<br>(US$ 1,973) | |
| | NGB | Ningbo | Manufacture and sales of electronics products | 1,487,211<br>(US$ 45,835) | 1,429,385<br>(US$ 43,835) | US$ 45,835 | 100 | 3,094,184<br>(US$ 102,152) | 303,362<br>(US$ 10,322) | 303,362<br>(US$ 10,322) | |
| NGB | TXC (HK) Limited | Hong Kong | International trading | 846<br>(HK$ 200) | 846<br>(HK$ 200) | HK$ 200 | 100 | 12,076<br>(RMB 2,512) | 37<br>(RMB 8) | 37<br>(RMB 8) | |
| | TXC (Chongqing) Corporation | Chongqing | Manufacture and sales of electronics products | 48,072<br>(RMB 10,000) | -<br>- | RMB 10,000 | 30 | 47,545<br>(RMB 9,890) | (1,667)<br>(RMB -366) | (500)<br>(RMB -110) | |
| | Chongqing All Sun Company Limited | Chongqing | Market activities | 38,458<br>(RMB 8,000) | -<br>- | RMB 8,000 | 100 | 37,896<br>(RMB 7,883) | (532)<br>(RMB -117) | (532)<br>(RMB -117) | |
| | Ningbo Jingyu Company Limited | Ningbo | International trading | 4,807<br>(RMB 1,000) | -<br>- | RMB 1,000 | 100 | 4,767<br>(RMB 992) | (38)<br>(RMB -8) | (38)<br>(RMB -8) | |

**TABLE 6**

# TXC CORPORATION

**DERIVATIVE TRANSACTIONS OF INVESTEES OVER WHICH THE CORPORATION HAS A CONTROLLING INTEREST**
**DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars or U.S. Dollars)**

NGB entered into derivative transactions during the year ended December 31, 2011 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of December 31, 2011:

| | Currency | Maturity | Contract Amount (In Thousands) |
|---|---|---|---|
| December 31, 2011 | | | |
| Sell | USD/RMB | 2012.01.05-2012.05.29 | US$23,000/RMB146,059 |

# TXC CORPORATION

**INFORMATION ON INVESTMENT IN MAINLAND CHINA**
**YEAR ENDED DECEMBER 31, 2011**
**(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 | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2011 (US$ in Thousand) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2011 (US$ in Thousand) | Percentage of Ownership | Investment Income (Loss) Recognized (Note) | Carrying Amount as of December 31, 2011 | Accumulated Inward Remittance of Earnings as of December 31, 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | |
| TXC (Ningbo) Corporation | Manufacturing and sales of crystal and crystal oscillator | $ 1,487,211 (US$ 45,835) | Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region | $ 1,369,804 (US$ 42,000) | $ 57,826 (US$ 2,000) | $ - | $ 1,427,630 (US$ 44,000) | 100 | $ 303,362 (US$ 10,322) | $ 3,094,184 (US$ 102,152) | $ 256,146 (US$ 7,897) |
| Dongguan Failong Dong Bong Electronic Co., Ltd. | Manufacturing and sales of new electronic components | 580,947 (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 | 139,177 (RMB 29,723) | Other investment of the Corporation Mainland China | - | - | - | - | 23 | 11,658 (RMB 2,563) | 48,657 (RMB 10,121) | - |
| TXC (Chongqing) Corporation | Manufacturing and sales of electronic devices and hardware components | 155,632 (RMB 33,358) | Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region | - | 107,560 (US$ 3,600) | - | 107,560 (US$ 3,600) | 100 | (1,667) (RMB -366) | 158,601 (RMB 32,992) | |
| Chongqing All Suns Company Limited | Real estate intermediary service, real estate management and electronic product wholesale | 38,458 (RMB 8,000) | Other investment of the Corporation Mainland China | - | - | - | - | 100 | (532) (RMB -117) | 37,896 (RMB 7,883) | |
| Ningbo Jingyu Company Limited | Purchasing and selling electronic component | 4,807 (RMB 1,000) | Other investment of the Corporation Mainland China | - | - | - | - | 100 | (38) (RMB -8) | 4,767 (RMB 992) | |

(Continued)

| Accumulated Investment in Mainland China as of December 31, 2011 (US$ in Thousand) | Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand) | Upper Limit on Investment |
|---|---|---|
| $ 1,578,975<br>(US$47,510 + RMB10,096) | $ 1,620,713<br>(US$ 55,316) | $ -<br>(Note 2) |

Note 2: The investment in Mainland China has no maximum limitation since TXC Corporation has acquired the approval by the Industrial Development Bureau of the Company's establishment of operating headquarters 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 | | Price | Payment Term | Compared with Terms of Third Parties | Balance | % | |
| NGB | Subsidiary | Purchase | $2,309,451 | Cost-adjusted price | Similar with third parties | Cost-adjusted price | $ (576,326) | (46) | $ (29,492) |
| | | Sale | 130,241 | Cost-adjusted price | Similar with third parties | Cost-adjusted price | 41,314 | 2 | - |

3. Endorsements guarantees or collateral directly or indirectly provided to the investees: None

4. Financings directly or indirectly provided to the investees: None

5. Other transactions that significantly impacted current year's profit or loss or financial position: None

(Concluded)

# TXC CORPORATION

**CASH AND CASH EQUIVALENTS**
**DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars, and Foreign Currency)**

| Item | | Amount |
|---|---|---|
| Cash | | |
| Cash on hand | Including US$10 thousand @30.29; JPY392 thousand @0.3905; HK$4 thousand @3.8985; and RMB104 thousand @4.8125 | $ 1,098 |
| Cash in banks | | |
| Checking deposits | | 118,150 |
| Foreign-currency deposits | Including US$6,928 thousand @30.29; JPY62,404 thousand @0.3905; and HK$55 thousand @3.8985; and EUR23 thousand @39.2013 | 235,346 |
| Time deposits | Due date 2011.11.17-2012.2.29, interest rate at 0.87%-0.94% | 140,000 |
| Cash equivalents | | |
| Repurchase agreements collateralized by bonds | Due date 2011.12.23-2012.1.4, interest rate at 0.76% | 43,000 |
| | | $ 537,594 |

**SCHEDULE 2**

# TXC CORPORATION

**ACCOUNTS RECEIVABLE**
**DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| Item | Explanation | Amount |
|---|---|---|
| Related parties | | |
| NGB | | $ 41,314 |
| Tai-Shing | | 6,183 |
| TXC Technology Inc. | | 115 |
| TXC Japan Corporation | | 474 |
| | | 48,086 |
| Less: Allowance for doubtful accounts | | (240) |
| | | 47,846 |
| Third parties | | |
| A Company | | 202,181 |
| B Company | | 162,508 |
| C Company | | 142,215 |
| D Company | | 139,370 |
| Others (Note) | | 2,137,006 |
| | | 2,783,280 |
| Less: Allowance for doubtful accounts | | (17,587) |
| | | 2,765,693 |
| | | $ 2,813,539 |

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

<u>**SCHEDULE 3**</u>

# TXC CORPORATION

**INVENTORIES**
**DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| Item | Explanation | Cost | Market Value (Note) |
|---|---|---|---|
| Raw materials | | $ 117,654 | $ 116,924 |
| Supplies and spare parts | | 52,779 | 45,789 |
| Work in process | | 164,319 | 162,837 |
| Finished goods | | 313,389 | 294,333 |
| Merchandise | | 306,412 | 302,721 |
| Goods in transit | | 872 | 872 |
| | | 955,425 | $ 923,476 |
| Less allowance for loss | | (31,949) | |
| | | $ 923,476 | |

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

# TXC CORPORATION

**CHANGES IN FINANCIAL ASSETS AT COST - NONCURRENT**
**YEAR ENDED DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars and Shares)**

| | Beginning Balance | | Increase | | Decrease | | Ending Balance | | | Market Price or Net Asset Value | | Valuation | Pledge or |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | % of Ownership | Amount | Unit Price | Amount | Method | Security |
| Cost method | | | | | | | | | | | | | |
| Emerging market company | | | | | | | | | | | | | |
| Win Win Precision Technology Co., Ltd. | 1,040 | $ 47,200 | 104 | $ - | - | $ - | 1,144 | 3 | $ 47,200 | - | $ - | Cost method | None |
| Unlisted company | | | | | | | | | | | | | |
| Marson Technology Ltd. | 414 | 3,000 | - | - | - | - | 414 | 5 | 3,000 | - | - | Cost method | None |
| Dongguan Failong Dong Bond Electronic Co., Ltd. | - | 46,478 | - | - | - | - | - | 8 | 46,478 | - | - | Cost method | None |
| Power Intellect Co., Ltd. | - | - | 2,000 | 98,000 | - | - | 2,000 | 4 | 98,000 | - | - | Cost method | None |
| Si-Time | - | - | 1,750 | 50,767 | - | - | 1,750 | 1 | 50,767 | - | - | Cost method | None |
| | | $ 96,678 | | $ 148,767 | | $ - | | | $ 245,445 | | | | |

# TXC CORPORATION

**CHANGES IN INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD**
**YEAR ENDED DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars and Shares)**

| | Beginning Balance | | Increase | | Decrease | | Equity in Investees Gain (Loss) | Ending Balance | | | Market Price or Net Asset Value | | Valuation Method | Pledge or Security |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | Shares | % of Ownership | Amount | Unit Price | Amount | | |
| Not listed company | | | | | | | | | | | | | | |
| Taiwan Crystal Technology International Ltd. | 40,835 | $ 2,521,047 | 2,000 | $ 312,585 | - | $ - | $ 354,557 | 42,835 | 100 | $ 3,188,189 | - | $ 3,217,681 | Equity method | None |
| TXC Technology Inc. | 300 | 10,158 | - | 476 | - | - | 2,308 | 300 | 100 | 12,942 | - | 12,942 | Equity method | None |
| TXC Japan Corporation | 2 | 10,874 | - | 1,146 | - | - | 2,843 | 2 | 100 | 14,863 | - | 14,863 | Equity method | None |
| Taiwan Crystal Technology International (HK) Limited | - | - | 3,614 | 112,640 | - | - | (1,167) | 3,614 | 100 | 111,473 | - | 111,473 | Equity method | None |
| | | $ 2,542,079 | | $ 426,847 | | $ - | $ 358,541 | | | $ 3,327,467 | | $ 3,356,959 | | |

**SCHEDULE 6**

# TXC CORPORATION

**CHANGES IN PROPERTY, PLANT AND EQUIPMENT**
**YEAR ENDED DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| Item | Beginning Balance | Changes for the Period | | | Ending Balance | Pledge or Security |
|---|---|---|---|---|---|---|
| | | Increase | Decrease | Reclassification | | |
| Cost | | | | | | |
| Land | $ 597,385 | $ 2,141 | $ 3,634 | $ 2,253 | $ 598,145 | Note 25 |
| Land improvements | 593 | - | - | - | 593 | |
| Buildings | 1,048,982 | 314,705 | 17,174 | 252,403 | 1,598,916 | Note 25 |
| Machinery and equipment | 3,198,374 | 652,606 | 185,556 | 67,442 | 3,732,866 | |
| Transportation equipment | 2,557 | - | - | - | 2,557 | |
| Office equipment | 119,873 | 25,566 | 4,236 | 40 | 141,243 | |
| Prepayments for equipment | 113,655 | 62,997 | - | (56,654) | 119,998 | |
| Construction in progress | 236,961 | - | - | (236,961) | - | |
| | $ 5,318,380 | $ 1,058,015 | $ 210,600 | $ 28,523 | $ 6,194,318 | |
| Revaluation increment | | | | | | |
| Land - revaluation increment | $ 8,954 | $ - | $ - | $ - | $ 8,954 | |
| Accumulated depreciation | | | | | | |
| Land improvements | $ 494 | $ 26 | $ - | $ - | $ 520 | |
| Buildings | 289,898 | 72,005 | 12,223 | 10,257 | 359,937 | |
| Machinery and equipment | 1,977,754 | 471,067 | 172,963 | 10,828 | 2,286,686 | |
| Transportation equipment | 2,533 | 24 | - | - | 2,557 | |
| Office equipment | 88,736 | 18,099 | 4,236 | - | 102,599 | |
| | $ 2,359,415 | $ 561,221 | $ 189,422 | $ 21,085 | $ 2,752,299 | |

# TXC CORPORATION

**SHORT-TERM LOANS**
**DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| Creditor | Nature of Loan | Amount | Due Date | Interest Rate % | Pledge or Security |
|---|---|---|---|---|---|
| DBS Bank | Usance letter of credit | $ 79,272 | Six months | 0.782%-1.154% | - |
| Bank of Taiwan | 〃 | 97,942 | 〃 | 0.89435%-1.0783% | - |
| TFC Bank | 〃 | 32,497 | 〃 | 0.7%-0.849% | - |
| Taishin Bank | 〃 | 32,594 | 〃 | 0.6%-1.25% | - |
| ANZ Bank | 〃 | 52,114 | 〃 | 0.78%-1.08% | - |
| | | $ 294,419 | | | |

# TXC CORPORATION

**NOTES PAYABLE**
**DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| Item | Explanation | Amount |
|---|---|---|
| Related parties | | |
| Tai-Shing | | $ 285 |
| Third parties | | |
| Solar Applied Materials | | 5,929 |
| Prov Technology Co. | | 5,891 |
| Others (Note) | | 61,894 |
| | | 73,714 |
| | | $ 73,999 |

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

**SCHEDULE 9**

# TXC CORPORATION

**ACCOUNTS PAYABLE**
**DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| Item | Explanation | Amount |
|---|---|---|
| Related parties | | |
| NGB | Payment | $ 576,326 |
| Growing Profits Limited | Payment | 19,528 |
| | | 595,854 |
| Third parties | | |
| Zhejiang Eas | Payment | 118,568 |
| River Eletec Co | Payment | 113,986 |
| Tangshan Jingyu | Payment | 77,405 |
| Huilong Electronic | Payment | 46,830 |
| Panasonic Industrial | Payment | 40,776 |
| Zenitron Co. | Payment | 40,156 |
| Others (Note) | Payment | 231,073 |
| | | 668,794 |
| | | $ 1,264,648 |

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

# TXC CORPORATION

**BONDS PAYABLE**
**DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| Bond Type | Trustees | Date of Issuance | Payment Terms | Interest Rate | Amount: Issuance Amount | Amount: Conversion | Amount: Redemption | Amount: Ending Balance | Amount: Unamortized Premium (Discount) | Amount: Carrying Value | Repayment Method | Securities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3rd unsecured domestic convertible bonds | Chinatrust | 2010.1.11-2013.1.11 | - | - | $ 800,000 | $ 600 | $ - | $ 799,400 | $ (10,033) | $ 789,367 | Note 14 | None |
| Add: (Asset) liability component of convertible bonds - noncurrent | | | | | | | | | | - | | |
| | | | | | | | | | | $ 789,367 | | |

# TXC CORPORATION

**LONG-TERM LOANS**
**DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| | Repayment Period | Repayment Method | Interest Rate % | Amount: Current Portion | Amount: Noncurrent Portion | Amount: Total Amount | Pledge or Security |
|---|---|---|---|---|---|---|---|
| Bank of Taiwan | 2008.07.30-2013.07.24 | Repayable in quarterly installment | 1.107 | $ 25,500 | $ 19,125 | $ 44,625 | Note 25 |
| 〃 | 2009.04.24-2013.07.24 | 〃 | 1.107 | 7,000 | 5,250 | 12,250 | Note 25 |
| 〃 | 2008.08.25-2013.07.24 | 〃 | 1.107 | 13,750 | 10,313 | 24,063 | Note 25 |
| 〃 | 2008.10.26-2013.07.24 | 〃 | 1.107 | 19,000 | 14,250 | 33,250 | Note 25 |
| 〃 | 2010.12.08-2012.10.28 | 〃 | 1.161 | 50,000 | 150,000 | 200,000 | Note 25 |
| 〃 | 2010.10.29-2015.10.28 | 〃 | 1.161 | 75,000 | 225,000 | 300,000 | Note 25 |
| Hua Nan Bank | 2011.08.17-2016.08.17 | Repayable at maturity | 0.950 | 37,500 | 562,500 | 600,000 | Note 25 |
| 〃 | 2009.11.02-2013.06.27 | 〃 | 0.980 | - | 100,000 | 100,000 | Note 25 |
| | | | | $ 227,750 | $ 1,086,438 | $ 1,314,188 | |

SCHEDULE 12

# TXC CORPORATION

**OPERATING REVENUES**
**YEAR ENDED DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|---|
| Quartz Crystal Products | $ 8,975,458 |
| New Energy Products | 6,328 |
| | 8,981,786 |
| Less sales returns | (15,639) |
| Less sales allowances | (48,124) |
| | $ 8,918,023 |

# TXC CORPORATION

**COST OF SALES**
**YEAR ENDED DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|---|
| Direct materials | |
| Beginning materials | $ 226,325 |
| Add: Material purchase | 1,352,807 |
| Add: Adjustment items | 40,336 |
| Ending materials | (170,433) |
| | 1,449,035 |
| Direct labor | 296,182 |
| Overhead | 891,874 |
| Manufacturing cost | 2,637,091 |
| Beginning work in process | 166,613 |
| Add: Purchases | 43,890 |
| Add: Adjustment items | (22,375) |
| Ending work in process | (164,319) |
| Finished goods cost | 2,660,900 |
| Beginning finished goods | 293,509 |
| Add: Purchases | 31 |
| Less: Adjustment items | (149,041) |
| Ending finished goods | (313,389) |
| Production cost | 2,492,010 |
| Beginning merchandise inventory | 264,113 |
| Add: Purchase | 4,565,446 |
| Add: Adjustment items | 211,440 |
| Ending merchandise inventory | (306,412) |
| | 4,734,587 |
| Loss on inventory valuation and physical inventory | 33,097 |
| | $ 7,259,694 |

# TXC CORPORATION

**OPERATING EXPENSES**
**YEAR ENDED DECEMBER 31, 2011**
**(In Thousands of New Taiwan Dollars)**

| Item | Explanation | Sales and Marketing | General and Administration | Research and Development |
|---|---|---|---|---|
| Salary | | $ 67,568 | $ 96,675 | $ 156,033 |
| Entertainment expense | | 24,014 | 7,969 | 722 |
| Depreciation | | 988 | 17,226 | 84,090 |
| Research expense | | - | - | 43,828 |
| Commission | | 84,294 | - | - |
| Export expense | | 45,171 | - | - |
| Others | | 155,539 | 70,205 | 59,795 |
| | | $ 377,574 | $ 192,075 | $ 344,468 |