TXC Corporation and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2012 and 2011

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

ASSETS	2012 Amount	2012 %	2011 Amount	2011 %
CURRENT ASSETS				
Cash and cash equivalents (Note 3)	$ 1,368,784	12	$ 1,484,439	13
Financial assets at fair value through profit or loss - current	862	-	-	-
Available-for-sale financial assets - current (Note 5)	75,558	1	67,930	1
Notes receivable, net (Note 6)	33,413	-	12,897	-
Accounts receivable, net (Notes 2, 6 and 20)	2,812,346	24	2,969,307	26
Inventories, net (Note 7)	1,318,382	11	1,187,690	10
Other current assets	175,974	1	85,775	1
Total current assets	5,785,319	49	5,808,038	51
LONG-TERM INVESTMENTS				
Investment accounted for by the equity method (Note 9)	48,902	-	35,765	1
Other financial assets - noncurrent (Note 13)	-	-	4,123	-
Financial assets carried at cost - noncurrent (Note 8)	245,445	2	132,573	1
Total long-term investments	294,347	2	172,461	2
PROPERTY, PLANT AND EQUIPMENT (Notes 10 and 21)				
Cost				
Land	598,145	5	597,385	5
Land improvements	593	-	593	-
Buildings	2,207,415	19	1,577,304	14
Machinery and equipment	6,495,087	55	5,614,085	50
Transportation equipment	16,300	-	14,919	-
Office equipment	231,837	2	197,823	2
Land - revaluation increment	8,954	-	8,954	-
	9,558,331	81	8,011,063	71
Less: Accumulated depreciation	(4,121,736)	(35)	(3,435,268)	(30)
Construction in progress and prepayments for equipment	173,494	1	571,098	5
Total property, plant and equipment	5,610,089	47	5,146,893	46
INTANGIBLE ASSETS				
Land rights (Note 21)	68,145	1	15,353	-
OTHER ASSETS				
Assets leased to others (Notes 11 and 21)	54,969	1	106,519	1
Idle assets (Note 11)	-	-	2,475	-
Refundable deposits	2,452	-	4,971	-
Deferred charges	49,284	-	41,680	-
Deferred income tax assets - noncurrent	1,619	-	-	-
Other assets - other	-	-	10,495	-
Total other assets	108,324	1	166,140	1
TOTAL	$ 11,866,224	100	$ 11,308,885	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2012 Amount	2012 %	2011 Amount	2011 %
CURRENT LIABILITIES				
Short-term loans (Note 12)	$ 143,013	1	$ 410,644	4
Financial liabilities at fair value through profit or loss - current (Note 4)	154	-	1,104	-
Notes payable (Note 20)	1,139	-	51,138	-
Accounts payable (Note 20)	1,278,476	11	1,260,806	11
Income tax payable	72,019	1	80,791	1
Accrued expenses (Notes 15 and 20)	533,774	4	539,154	5
Current portion of bonds payable (Note 13)	791,858	7	-	-
Current portion of long-term loans (Note 14)	398,135	3	238,782	2
Other current liabilities	78,545	1	45,201	-
Total current liabilities	3,297,113	28	2,627,620	23
LONG-TERM LIABILITIES				
Bonds payable (Note 13)	-	-	782,670	7
Long-term loans (Note 14)	1,208,421	10	965,428	9
Total long-term liabilities	1,208,421	10	1,748,098	16
RESERVES				
Reserve for land value increment tax	3,512	-	3,512	-
OTHER LIABILITIES				
Accrued pension cost	9,349	-	-	-
Guarantee deposits received	12,021	-	12,231	-
Deferred income tax liability - noncurrent	54,711	1	7,507	-
Total other liabilities	76,081	1	19,738	-
Total liabilities	4,585,127	39	4,398,968	39
STOCKHOLDERS' EQUITY (Note 16)				
Capital stock				
Common stock	3,022,423	26	2,963,051	26
Capital surplus	1,356,078	11	1,355,601	12
Retained earnings				
Legal reserve	644,438	5	525,420	4
Unappropriated earnings	2,099,675	18	2,007,281	18
Total retained earnings	2,744,113	23	2,532,701	22
Other equity				
Cumulative translation adjustments	183,120	1	54,191	1
Net loss not recognized as pension cost	(15,637)	-	-	-
Unrealized loss on financial instruments	(14,442)	-	(1,069)	-
Unrealized revaluation increment	5,442	-	5,442	-
Total other equity	158,483	1	58,564	1
Total stockholders' equity	7,281,097	61	6,909,917	61
TOTAL	$ 11,866,224	100	$ 11,308,885	100

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2012		2011	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 2,421,356	101	$ 2,338,961	101
LESS: SALES RETURNS	(3,445)	-	(4,280)	-
LESS: SALES ALLOWANCES	(23,570)	(1)	(12,952)	(1)
NET OPERATING REVENUE	2,394,341	100	2,321,729	100
OPERATING COSTS	(1,872,261)	(78)	(1,746,124)	(75)
GROSS PROFIT	522,080	22	575,605	25
OPERATING EXPENSES				
Selling expense	(118,520)	(5)	(116,170)	(5)
General and administrative expense	(78,588)	(3)	(78,973)	(3)
Research and development expense	(95,193)	(4)	(106,347)	(5)
Total operating expenses	(292,301)	(12)	(301,490)	(13)
OPERATING INCOME	229,779	10	274,115	12
NONOPERATING INCOME AND GAINS				
Interest income	2,621	-	840	-
Investment income recognized under equity method	1,421	-	1,836	-
Gain on disposal of property, plant and equipment	231	-	91	-
Gain on sale of investments	162	-	-	-
Exchange gains	119,991	5	14,484	1
Valuation gain on financial assets, net	865	-	-	-
Miscellaneous income	5,451	-	8,219	-
Total nonoperating income and gains	130,742	5	25,470	1
NONOPERATING EXPENSES AND LOSSES				
Interest expense	(7,672)	(1)	(5,731)	-
Valuation loss on financial liabilities	(154)	-	(4,992)	-
Loss on disposal of property, plant and equipment	(80)	-	(2,207)	-
Exchange loss	(121,860)	(5)	(8,543)	(1)
Miscellaneous expenses	(4,298)	-	(5,407)	-
Total nonoperating expenses and losses	(134,064)	(6)	(26,880)	(1)

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	$ 226,457	9	$ 272,705	12
INCOME TAX EXPENSE	(27,808)	(1)	(35,277)	(2)
NET INCOME	$ 198,649	8	$ 237,428	10

	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 18)				
Basic	$ 0.71	$ 0.66	$ 0.85	$ 0.79
Diluted	$ 0.68	$ 0.63	$ 0.82	$ 0.76

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 198,649	$ 237,428
Depreciation	230,337	216,774
Nonoperating loss - idle assets and lease assets	772	1,407
Amortization	5,769	5,913
Provision for loss on inventories	-	10,492
Discount on bonds payable	2,491	2,491
Investment income and recognized under equity method	(1,421)	(1,836)
Gain on sale of investments	(162)	-
(Gain) loss on disposal of property, plant and equipment	(151)	2,116
Valuation (gain) loss on financial instruments	(711)	4,992
Deferred income tax	4,420	9,495
Net changes in operating assets and liabilities		
Notes receivable	(2,468)	(7,205)
Accounts receivable	290,726	(187,319)
Inventories	(158,345)	(70,482)
Other current assets	(29,551)	50,888
Notes payable	(72,860)	(2,563)
Accounts payable	80,981	4,293
Income tax payable	12,728	10,666
Accrued expenses	(79,104)	(98,587)
Other current liabilities	40,640	(16,003)
Net cash provided by operating activities	522,740	172,960
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments at fair value through profit or loss	(356)	60,118
Acquisition of available-for-sale financial assets	-	(9,000)
Acquisition of financial assets carried at cost	-	(35,895)
Acquisition of property, plant and equipment	(208,026)	(263,261)
Proceeds from the disposal of property, plant and equipment	4,026	731
Decrease in refundable deposits	9	16
Increase in deferred charges	(3,231)	(7,292)
Increase in other assets	47,919	-
Net cash used in investing activities	(159,659)	(254,583)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(217,659)	(27,444)
(Decrease) increase in guarantee deposits received	(319)	3,515
Proceeds from long-term loans	100,000	-

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2012	2011
Repayment of long-term loans	$ (65,286)	$ (24,680)
Proceeds from the exercise of employee stock options	-	91,033
Net cash (used in) provided by financing activities	(183,264)	42,424
EFFECT OF EXCHANGE RATE CHANGES	(22,267)	5,075
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	157,550	(34,124)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,211,234	1,518,563
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,368,784	$ 1,484,439
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 5,854	$ 6,325
Income tax paid	$ 8,129	$ 15,925

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Except for changes in accounting principles as described in Note 2 and details of significant accounting policies summarized below, all the other accounting policies are the same as consolidated financial statements in 2011 and 2010, respectively.

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

Significant accounting policies are summarized as follows:

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 7 “Consolidated Financial Statements” and include the financial statements of TXC, its direct and indirect subsidiaries with at least 50% shareholding, and other investees in which it has controlling interest.

The consolidated entities were as follows:

Investor	Investee	Business Nature	Percentage of Ownership at March 31 2012	2011
TXC Corporation	Taiwan Crystal Technology International Limited (TCTI)	Investment holding	100%	100%
	TXC Technology, Inc.	Marketing activities	100%	100%
	TXC Japan Corporation	Marketing activities	100%	100%
	Taiwan Crystal Technology International (HK) Limited (TCTI-HK)	Investment holding	100%	-
TCTI	Growing Profits Trading Ltd. (GPT)	International trading	100%	100%
	TXC (NGB) Corporation (NGB)	Manufacture and sales of electronic products	100%	100%
NGB	TXC (HK) Limited	International trading	100%	100%
	TXC (Chongqing) Corporation (Chongqing)	Manufacture and sales of electronic products	40%	-
	Chongqing All Sun Company Limited (Chongqing All sun)	Marketing activities	100%	-
	Ningbo Jingyu Company Limited	Purchasing and selling electronic component	100%	-
TCTI-HK	TXC (Chongqing) Corporation (Chongqing)	Manufacture and sales of electronic products	60%	-
	TXC Europe SRL	Marketing activities	100%	-

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

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

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

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

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

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

g. Taiwan Crystal Technology International (HK) Limited was incorporated on July 16, 2010 in Hong Kong Special Administrative Region, China.

h. TXC (Chongqing) Corporation was incorporated October 11, 2010 in Chongqing, China.

i. Chongqing All Sun Corporation was incorporated February 10, 2011 in Chongqing, China.

j. Ningbo Jingyu Company Limited was incorporated in September 7, 2011 in Ningbo, China.

k. TXC Europe SRL was incorporated November 14, 2011 in Europe.

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

2. 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 result in net income for the three months ended March 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."

3. CASH AND CASH EQUIVALENTS

	March 31	
	2012	2011
Cash on hand	$ 1,359	$ 1,436
Checking accounts and demand deposits	1,157,425	934,740
Time deposits	100,000	234,200
Cash equivalents		
Repurchase agreements collateralized bonds	110,000	314,063
	$ 1,368,784	$ 1,484,439

4. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31	
	2012	2011
Financial liabilities at FVTPL		
Forward exchange contracts	$ 154	$ 1,104
Financial assets at FVTPL		
Forward exchange contracts	$ 862	$ -

The Corporation entered into derivative contracts during the three months ended March 31, 2012 and 2011 to manage exposures related to exchange rate and interest rate fluctuations. The financial risk management objective of the Corporation is minimized risks due to change in fair value or cash flows.

Outstanding forward exchange contracts as of March 31, 2012 and 2011 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
March 31, 2012			
Sell	USD/NTD	April 12, 2012 to June 26, 2012	USD44,000/NTD1,308,834
Sell	USD/JPY	May 14, 2012 to June 25, 2012	USD10,500/JPY851,285
Sell	NTD/JPY	April 5, 2012 to May 4, 2012	NTD173,427/JPY450,000
Sell	USD/RMB	April 27, 2012 to June 28, 2012	USD14,000/RMB88,442
March 31, 2011			
Sell	USD/NTD	April 12, 2011 to June 28, 2011	USD58,000/NTD1,702,524
Sell	USD/JPY	May 6, 2011 to June 3, 2011	USD2,000/JPY165,038
Sell	NTD/JPY	April 6, 2011 to June 24, 2011	NTD369,816/JPY1,050,000
Sell	USD/RMB	April 1, 2011 to August 29, 2011	USD18,500/RMB121,142
Sell	USD/JPY	April 28, 2011 to May 27, 2011	USD243/JPY20,000

Net loss and gain on financial instruments held for trading for the three months ended March 31, 2012 and 2011 were $2,197 thousand and $25,755 thousand, respectively.

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31	
	2012	2011
Mutual funds	$ 75,558	$ 58,093
Corporate bond	-	9,837
	$ 75,558	$ 67,930

6. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31	
	2012	2011
Notes receivable - third parties	$ 33,446	$ 12,905
Less: Allowance for doubtful accounts	(33)	(8)
	$ 33,413	$ 12,897
Accounts receivable - third parties	$ 2,827,981	$ 2,986,978
Accounts receivable - related parties	8,408	6,359
	2,836,389	2,993,337
Less: Allowance for doubtful accounts	(24,043)	(24,030)
	$ 2,812,346	$ 2,969,307

7. INVENTORIES

	March 31	
	2012	2011
Raw materials	$ 192,875	$ 235,882
Supplies and spare parts	59,315	60,699
Work in process	267,945	208,609
Finished goods	319,082	308,347
Merchandise	479,165	321,968
Goods in transit	-	52,185
	$ 1,318,382	$ 1,187,690

As of March 31, 2012 and 2011 the allowance for inventory devaluation was $40,211 thousand and $40,609 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2012 and 2011 included $0 thousand and $10,492 thousand, respectively, write-downs of inventories.

8. FINANCIAL ASSETS CARRIED AT COST

	March 31	
	2012	2011
Domestic emerging market stocks	$ 47,200	$ -
Domestic unquoted commons stocks	101,000	50,200
Overseas unquoted common stocks	97,245	82,373
	$ 245,445	$ 132,573

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

9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	March 31			
	2012		2011	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Unlisted companies				
TSE Technology (Ningbo) Co., Ltd.	$ 48,902	23	$ 35,765	23

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

	Three Months Ended March 31	
	2012	2011
TSE Technology (Ningbo) Co., Ltd.	$ 1,421	$ 1,836

The investment income for the three month ended March 31, 2012 and 2011 was based on the investees' financial statements unreviewed by the auditors for the same period.

10. PROPERTY, PLANT AND EQUIPMENT

	Three Months Ended March 31, 2012			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 598,145	$ 8,954	$ -	$ 607,099
Land improvements	593	-	526	67
Buildings	2,207,415	-	502,765	1,704,650
Machinery and equipment	6,495,087	-	3,440,201	3,054,886
Transportation equipment	16,300	-	11,026	5,274
Office equipment	231,837	-	167,218	64,619
Prepayments for equipment	98,720	-	-	98,720
Construction in progress	74,774	-	-	74,774
	$ 9,722,871	$ 8,954	$ 4,121,736	$ 5,610,089

	Three Months Ended March 31, 2011			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 597,385	$ 8,954	$ -	$ 606,339
Land improvements	593	-	501	92
Buildings	1,577,304	-	393,448	1,183,856
Machinery and equipment	5,614,085	-	2,892,383	2,721,702
Transportation equipment	14,919	-	8,787	6,132
Office equipment	197,823	-	140,149	57,674
Prepayments for equipment	182,190	-	-	182,190
Construction in progress	388,908	-	-	388,908
	$ 8,573,207	$ 8,954	$ 3,435,268	$ 5,146,893

See Note 21 for collaterals on loans.

There was no interest capitalized in the three months ended March 31, 2012 and 2011.

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

11. OTHER ASSETS

Leased to Others

	March 31, 2012		
	Book Value	Accumulated Depreciation	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	70,873	(18,506)	52,367
	$ 73,475	$ (18,506)	$ 54,969

	March 31, 2011		
	Book Value	Accumulated Depreciation	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	121,346	(17,429)	103,917
	$ 123,948	$ (17,429)	$ 106,519

Idle Assets

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

	March 31	
	2012	2011
Book value	$ 35,516	$ 34,581
Accumulated impairment	(35,516)	(32,106)
	$ -	$ 2,475

12. SHORT-TERM LOANS

	March 31	
	2012	2011
Usance letters of credit	$ 83,953	$ 178,830
Working capital loans	59,060	231,814
	$ 143,013	$ 410,644

Usance letters of credit amounted to JPY168,469 thousand and US$793 thousand as of March 31, 2012, and JPY503,747 thousand as of March 31, 2011. Interest rates ranged from 0.89% to 1.27% and from 0.72% to 0.95% at March 31, 2012 and 2011, respectively.

Working capital loans amounted to US$2,000 thousand as of March 31, 2012, and US$7,880 thousand as of March 31, 2011. Interest rates for the working capital loans ranged from 1.83% to 2.22% and 0.82% to 2.07% March 31, 2012 and 2011, respectively.

13. BONDS PAYABLE

	March 31	
	2012	2011
Domestic		
Third unsecured domestic convertible bonds	$ 799,400	$ 800,000
Less: Discount on bonds payable	(7,542)	(17,330)
Less: Current portion	(791,858)	-
	$ -	$ 782,670
Assets component of unsecured domestic convertible bonds	$ -	$ 4,123

Third Unsecured Domestic Convertible Bonds

On January 11, 2010, the Corporation issued third unsecured domestic convertible bonds with an aggregate value of $800,000 thousand and maturity on January 11, 2013. Nominal interest is 0%. As of March 31, 2012, 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 16), 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 March 31, 2012.

14. LONG-TERM LOANS

Nature of Loan	Repayment Period	March 31 2012	March 31 2011
Secured bank loans	Maturity on August 17, 2016, repayable from November 2012 in quarterly installments	$ 600,000	$ -
Secured bank loans	Maturity on July 24, 2013, repayable from July 2008 in quarterly installments	87,375	143,875
Secured bank loans	Maturity on July 24, 2013, repayable from April 2009 in quarterly installments	10,500	19,250
Unsecured bank loans	Repayable at maturity on June 27, 2013	100,000	-
Unsecured bank loans	Repayable at maturity on February 20, 2014	100,000	-
Unsecured bank loans	Repayable at maturity on September 16, 2011	-	100,000
Unsecured bank loans	Repayable at maturity on February 28, 2013	-	180,000
Unsecured bank loans	Maturity on October 28, 2015, repayable from October 2011 in quarterly installment	468,750	500,000
Unsecured bank loans	Repayable at maturity on March 27, 2013	29,530	73,545
Unsecured bank loans	Repayable at maturity on March 27, 2013	59,060	88,254
Unsecured bank loans	Maturity at June 9, 2011, repayable in 8 quarterly installment	-	11,032
Unsecured bank loans	Repayable at maturity on March 31, 2014	73,825	-
Unsecured bank loans	Repayable at maturity on December 19, 2013	77,516	-
Unsecured bank loans	Repayable at maturity on December 19, 2013	-	88,254
Less current portion		(398,135)	(238,782)
		$ 1,208,421	$ 965,428
Interest rate (%)		0.98%-2.6019%	0.89%-2.07%

See Note 21 for collateral on long-term loans.

15. ACCRUED EXPENSES

	March 31 2012	March 31 2011
Payroll	$ 59,561	$ 53,529
Bonus	43,108	66,284
Bonus to employees, directors and supervisors	157,233	218,423
Commission	62,385	50,479
Others	211,487	150,439
	$ 533,774	$ 539,154

16. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $4,000,000 thousand at March 31, 2012 and 2011, respectively ($10.00 par value per share). As of March 31, 2012, the Corporation's issued capital stock were $3,022,423 thousand, divided into 302,242 thousand shares, at $10.00 par value each.

Employee Stock Options

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

Information about employee stock option plans was as follows:

	Three Months Ended March 31			
	2012		2011	
	Number of Options	Weighted Average Exercise Price (NT$)	Number of Options	Weighted Average Exercise Price (NT$)
Balance, beginning of period	2,627	$ 39.7	4,954	$ 42.9
Options granted	-	-	-	-
Options exercised	-	-	(2,122)	42.9
Options expired	-	-	(76)	-
Balance, end of period	2,627	39.7	2,756	42.9
Options exercisable, end of period	2,627		924	

Information about outstanding options as of March 31, 2012 and 2011 was as follows:

March 31			
2012		2011	
Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
$39.7	0.70	$42.9	1.70

Options granted during the three months ended March 31, 2012 and 2011 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 three months ended March 31, 2012 and 2011 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39 is as follows:

	Three Months Ended March 31	
	2012	2011
Net income (in thousands of NT$)	$ 198,649	$ 237,428
After income tax earnings per share (NT$)	$0.66	$0.81

Capital Surplus

Under the Company Law capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Corporation's paid-in capital. 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

	March 31	
	2012	2011
Issuance of common shares	$ 325,830	$ 328,935
Conversion of bonds	772,417	768,805
Exercise of employee stock options	217,947	217,947
Conversion options	39,884	39,914
	$ 1,356,078	$ 1,355,601

Appropriation of Earnings and Dividend Policy

Under and 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 three month ended March 31, 2012 and 2011, the bonus to employees was $21,454 thousand and $32,053 thousand, respectively, and the remuneration to directors and supervisors was $3,576 thousand and $4,273 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 shareholders' equity accounts (including unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative transaction adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve shall be appropriated until it has reached the Corporation's paid-in capital. 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 shareholders, all shareholders receiving the dividends are allowed a tax credit equals to their proportionate share of the income tax paid by the Corporation.

The appropriation of earnings for 2010 and 2009 had been approved in the stockholders' meeting 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 Employee	**Remuneration to Directors and Supervisors**	**Bonus to Employee**	**Remuneration to Directors and Supervisors**
Amounts approved in stockholders' 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 years ended December 31, 2010 which were primarily due to changes in estimates had been adjusted in profit and loss for the years ended December 31, 2010.

The appropriations of earnings for 2011 had been proposed by the board of directors on April 25, 2012. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 105,021	$ -
Cash dividends	664,933	2.2

The 2011 appropriations of earnings, bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting scheduled for June 13, 2012.

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

Unrealized Gains on Financial Instruments

For the three months ended March 31, 2012 and 2011, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-sale Financial Assets	**Total**
Three months ended March 31, 2012		
Balance, beginning of period	$ (18,133)	$ (18,133)
Recognized in stockholders' equity	3,691	3,691
Transferred to profit or loss	-	-
Balance, ended of period	$ (14,442)	$ (14,442)
Three months ended March 31, 2011		
Balance, beginning of period	$ (3,235)	$ (3,235)
Recognized in stockholders' equity	2,166	2,166
Transferred to profit or loss	-	-
Balance, ended of period	$ (1,069)	$ (1,069)

17. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
Three months ended March 31, 2012				
None.				
Three months ended March 31, 2011				
For transfer to employees	3,000	-	3,000	-

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

18. EARNINGS PER SHARE (EPS)

	Three Months Ended March 31			
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic earnings per share (NT$)				
From continuing operations	$ 0.71	$ 0.66	$ 0.85	$ 0.79
Income for the period	$ 0.71	$ 0.66	$ 0.85	$ 0.79
Diluted earnings per share (NT$)				
From continuing operations	$ 0.68	$ 0.63	$ 0.82	$ 0.76
Income for the period	$ 0.68	$ 0.63	$ 0.82	$ 0.76

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

	Amounts (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
Three months ended March 31, 2012					
Net income from TXC Corporation	$ 214,333	$ 198,649			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 214,333	$ 198,649	302,242	$ 0.71	$ 0.66
Effect of dilutive potential common stock					
Employee stock option	-	-	207		
Convertible bonds	2,491	2,068	15,861		
Bonus to employees	-	-	462		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 216,824	$ 200,717	318,772	$ 0.68	$ 0.63

(Continued)

Three months ended March 31, 2011	Amounts (Numerator) Before Income Tax	Amounts (Numerator) After Income Tax	Shares (Denominator) (In Thousands)	EPS (NT$) Before Income Tax	EPS (NT$) After Income Tax
Net income from TXC Corporation	$ 255,513	$ 237,428			
Basic EPS (NT$)					
Income for the period attributable to common stockholders	$ 255,513	$ 237,428	300,067	$ 0.85	$ 0.79
Effect of dilutive potential common stock					
Employee stock option	-	-	1,093		
Convertible bonds	2,491	2,067	14,706		
Bonus to employees	-	-	587		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 258,004	$ 239,495	316,453	$ 0.82	$ 0.76

(Concluded)

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

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends distributed out of earnings for the three months ended March 31, 2011. This adjustment caused the basic and diluted after income tax EPS for the three months ended March 31, 2011 to decrease from NT$0.81 to NT$0.79 and from NT$0.77 to NT$0.76, respectively.

19. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	March 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Available-for-sale financial assets, current	$ 75,558	$ 75,558	$ 67,930	$ 67,930
Other financial assets - noncurrent	-	-	4,123	4,123
Financial assets carried at cost	245,445	-	132,573	-
Financial assets at FVTPL, current	862	862	-	-

(Continued)

	March 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Financial liabilities at FVTPL, current	$ 154	$ 154	$ 1,104	$ 1,104
Bonds payable (including current portion)	791,858	791,858	782,670	782,670
Long-term loans (including current portion)	1,606,556	1,606,556	1,204,210	1,204,210

(Concluded)

Methods and assumptions used to estimate the fair values of financial instruments were as follows:

a. The above financial instruments do not include cash and cash equivalents, notes and accounts receivable, 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	
	March 31		March 31	
	2012	2011	2012	2011
Assets				
Available-for-sale financial assets, current	$ 75,558	$ 67,930	$ -	$ -
Other financial assets - noncurrent	-	-	-	4,123
Financial assets at FVTPL - current	-	-	862	-
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	154	1,104
Bonds payable (including current portion)	-	-	791,858	782,670
Long-term loans (including current portion)	-	-	1,606,556	1,204,210

Valuation gains and losses brought by changes in fair value of financial instruments determined using valuation techniques were $711 thousand and $4,992 thousand for the three months ended March 31, 2012 and 2011, respectively.

Information about financial risks is as follows:

a. Market risk: The Corporation’s market risk refers to the uncertainties due to exchange rate fluctuations. Gains or losses on forward exchange contracts are likely to offset the gains or losses on foreign-currency assets or liabilities. The Corporation does not have significant price risk.

b. Credit risk: Credit risk represents the potential loss that would be incurred by the Corporation if the counterparties breached the contracts. The counterparties to the foregoing financial instruments are reputable financial institutions and business organization. Management does not expect the Corporation’s exposure to default by those parties to be material.

c. Liquidity risk: The Corporation’s operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

d. Cash flow interest rate risk: The Corporation’s short-term and long-term loans are floating-rate. When the market interest rate increases by one percentage point, the Corporation’s cash outflow will increase by $17,496 thousand a year.

20. RELATED-PARTY TRANSACTIONS

Related parties and their relationship with the Corporation:

Related Party	Relationship with the Corporation
Tai-Shing Electronic Components Corporation (Tai-Shing)	Chairman is the TXC’s general manager
TSE Technology (Ningbo) Co., Ltd. (TSE Technology)	Subsidiary’s equity-method sub-investee

Significant transactions with related parties:

Revenue, Cost and Expense to Related Parties

		Three Months Ended March 31			
		2012		2011	
Item	**Related Party**	**Amount**	**% to Total Account Balance**	**Amount**	**% to Total Account Balance**
Purchase	Tai-Shing	$ 3	-	$ 2	-
	TSE Technology	354	-	-	-
		$ 357	-	$ 2	-
Sales	Tai-Shing	$ 5,927	-	$ 5,956	-
Rental income and consulting revenue	TSE Technology	$ 1,130	-	$ 1,069	-
Commission revenue	TSE Technology	$ 2,228		$ 1,579	-

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

Receivables from and Payables to Related Parties

		March 31			
		2012		2011	
Item	**Related Party**	**Amount**	**% to Total Account Balance**	**Amount**	**% to Total Account Balance**
Accounts receivable	Tai-Shing	$ 8,028	-	$ 6,359	-
	TSE Technology	380	-	-	-
		$ 8,408	-	$ 6,359	-
Notes payable	Tai-Shing	$ -	-	$ 64	-
Accounts payable	Tai-Shing	$ 3	-	$ 1	-
	TSE Technology	291	-	-	-
		$ 294	-	$ 1	-
Accrued expenses	Tai-Shing	$ 151	-	$ 66	-
Other receivable	TSE Technology	$ 577	-	$ 882	1

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

Property Transactions

In the three months ended March 31, 2012

The Corporation purchased computer from Tai-Shing for $80 thousand.

In the three months ended March 31, 2011

The Corporation purchased computer from Tai-Shing for $3 thousand.

21. MORTGAGED OR PLEDGED ASSETS

	March 31	
	2012	**2011**
Property, plant and equipment		
Land	$ 573,770	$ 258,076
Buildings, net	1,543,991	1,532,527
Leased	32,698	98,774
Intangible assets - land right	15,657	15,353
	$ 2,166,116	$ 1,904,730

22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Corporation's commitments and contingencies as of March 31, 2012, which were not shown in the financial statements, were as follows:

Commitment	Total Dollars Amount of Contract	Dollars Paid	Dollars Unpaid
Construction of plant	RMB 8,230	RMB 3,510	RMB 4,720
Machinery and equipment	RMB 5,180	RMB 113	RMB 5,067
Machinery and equipment	JPY 1,050	JPY -	JPY 1,050

Unused letters of credit was about JPY659,898 thousand.

23. SUBSEQUENT EVENTS

None.

24. OPERATING SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or service delivered or provided. The Corporation's reportable segment under SFAS No. 41 are therefore as follows:

Crystal and others

The Corporation uses the income before tax as the measurement for segment profit and the basis of performance assessment. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 2.

a. Segment revenues and results

The analysis of the Corporation's revenue from continuing operations by reportable segment was as follows:

	Segment Revenue		Segment Profit	
	Three Months Ended March 31		Three Months Ended March 31	
	2012	2011	2012	2011
Crystal	$ 2,385,902	$ 2,321,729	$ 233,279	$ 274,115
Others	8,439	-	(3,500)	-
	$ 2,394,341	$ 2,321,729	229,779	274,115
Investment income recognized under equity method			1,421	1,836
Interest income			2,621	840
Gain (loss) on disposal of property, plant and equipment			151	(2,116)
Gain on sale of investments			162	-
Exchange (loss) gain			(1,869)	5,941
Valuation gain (loss) on financial liabilities			711	(4,992)

(Continued)

	Segment Revenue		Segment Profit	
	Three Months Ended March 31		Three Months Ended March 31	
	2012	2011	2012	2011
Other nonoperating income and gains			$ 1,153	$ 2,812
Interest expense			(7,672)	(5,731)
Income before tax			$ 226,457	$ 272,705

(Concluded)

Segment revenue reported above represents revenue generated from extra customers. There were no inter-segment sales during the three months ended March 31, 2012 and 2011.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' compensation, investment income or loss recognized under the equity method, gain or loss on disposal of investments accounted for by the equity method, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on sale of investments, exchange gain or loss, valuation gain or loss on financial instruments, interest expense and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Revenue from major products and services

	March 31	
	2012	2011
Crystal	$ 2,385,902	$ 2,321,729
Others	8,439	-
	$ 2,394,341	$ 2,321,729

c. Geographical information

The Corporation's revenue from continuing operations from external customers and information about its noncurrent assets by geographical location are detailed below:

	Revenue from External Customers		Noncurrent Assets	
	Three Months Ended March 31		Three Months Ended March 31	
	2012	2011	2012	2011
Taiwan	$ 2,173,780	$ 2,159,010	$ 3,417,881	$ 3,120,815
China	197,899	158,471	2,362,599	2,204,757
Others	22,662	4,248	4,459	2,814
	$ 2,394,341	$ 2,321,729	$ 5,784,939	$ 5,328,386

Noncurrent assets included property, plant and equipment, intangible assets and other assets but excluded deferred tax assets.

Major Customer Information

Major customer did not account for 10% or more of sales in the three months ended March 31, 2012 and 2011.

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

	March 31					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 124,367	29.53	$ 3,672,554	$ 106,452	29.418	$ 3,131,594
JPY	410,008	0.3594	147,349	380,497	0.355	135,076
RMB	154,508	4.6915	724,884	82,108	4.4869	368,411
Investment accounted for by entity method						
RMB	10,423	4.6915	48,902	7,971	4.4869	35,765
Financial liabilities						
Monetary items						
USD	39,117	29.53	1,155,135	32,953	29.418	969,418
JPY	1,124,167	0.3594	404,000	1,711,668	0.355	607,642
RMB	69,307	4.6915	325,158	98,530	4.4869	442,094

26. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Corporation's pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) was as follows:

a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidances translated by the ARDF and issued by the FSC. To comply with this framework, the Corporation has set up a project team and made a plan to adopt the IFRSs. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2011 were as follows

Contents of Plan	Responsible Department	Status of Execution
1) Establish the IFRSs taskforce	Office of the chairman	Completed
2) Identify differences between the existing accounting policies and IFRSs	Finance and accounting	Completed
3) Identify consolidated entities under IFRSs	Finance and accounting	Completed
4) Evaluate potential effect to business operations	Finance and accounting	Completed

(Continued)

Contents of Plan	Responsible Department	Status of Execution
5) Complete the evaluation of resources and budget needed for IFRSs adoption	Finance and accounting	Completed
6) Internal IFRSs training for employees - First stage	Finance and accounting	Completed
7) Determine IFRSs accounting policies	Finance and accounting	Completed
8) Assessment of the impact of each exemption and option under IFRSs	Finance and accounting, office of the president	Completed
9) Assessment of changes required in the information system and internal control related to adoption of IFRSs	Finance and accounting	Completed
10) Develop financial statement template under IFRSs	Finance and accounting	Completed
11) Complete evaluation, configuration and testing of the IT systems	Finance and accounting, information technology	Completed
12) Communicate with related parties on the impact of IFRSs adoption	Office of the chairman	In progress
13) Internal IFRSs training for employees - second stage	Finance and accounting	In progress
14) Complete the preparation of the statement of financial position by opening date under IFRSs	Finance and accounting	Completed
15) Complete the manual of the IFRSs accounting policies and internal control	Finance and accounting, office of the president	In progress

(Concluded)

b. As of March 31, 2012, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs and their effects were as follows:

1) Reconciliation of consolidated balance sheet items as of January 1, 2012

Item	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Assets				
Deferred income tax assets - current	$ 1,614	$ (1,614)	$ -	5) a)
Financial assets carried at cost - noncurrent	245,445	(245,445)	-	5) h)
Available-for-sale financial assets - current	-	245,445	245,445	5) h)
Prepayments for equipment	-	126,598	126,598	5) f)
Intangible assets	117,530	(99,745)	17,785	5) g), 5) d)
Prepaid rent - noncurrent	-	117,530	117,530	5) g)

(Continued)

Item	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Deferred charges	$ 53,910	$ (53,910)	$ -	5) g)
Property, plant and equipment	5,689,646	(99,427)	5,590,219	5) d), 5) f)
Liabilities				
Provisions	-	18,588	18,588	5) b)
Accrued pension cost	9,349	14,412	23,761	5) c)
Reserve for land value increment tax	3,512	(3,512)	-	
Deferred income tax liability - noncurrent	46,514	(9,800)	36,714	5) a), 5) b), 5) c)
Stockholders' equity				
Cumulative translation/foreign currency adjustments translation reserve	264,763	(264,763)	-	4) b)
Unappropriated earnings	1,901,027	-	1,907,027	5) b), 5) c), 4) a), 4) b)
Appropriated as special capital reserve	-	224,312	224,312	c.
Unrealized revaluation increment	5,442	(5,442)	-	
Net loss not recognized as pension cost	(15,637)	15,637	-	4) a), 5) c)

(Concluded)

2) Reconciliation of consolidated balance sheet items as of March 31, 2012

Item	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Assets				
Deferred income tax assets - current	$ 5,391	$ (5,391)	$ -	5) a)
Financial assets carried at cost - noncurrent	245,445	(245,445)	-	5) h)
Available-for-sale financial assets - current	-	245,445	245,445	5) h)
Prepayments for equipment	-	173,494	173,494	5) f)
Intangible assets	68,145	(50,355)	17,790	5) g), 5) d)
Prepaid rent-noncurrent	-	66,849	66,849	5) g)
Deferred charges	49,284	49,284	-	5) d)
Property, plant and equipment	5,610,089	(149,659)	5,460,430	5) d), 5) f)
Liabilities				
Provisions	-	19,190	19,190	5) b)
Accrued pension cost	9,349	14,412	23,760	5) c)
Reserve for land value increment tax	3,512	(3,512)	-	
Deferred income tax liability - noncurrent	54,711	(13,662)	40,049	5) a), 5) b), 5) c)
Stockholders' equity				
Unappropriated earnings	2,099,677	(265,280)	1,834,397	5) b), 5) c), 4) a), 4) b)
Appropriated as special capital reserve	-	224,312	224,312	c.
Unrealized revaluation increment	5,442	(5,442)	-	
Net loss not recognized as pension cost	(15,637)	15,637	-	4) a), 5) c)

3) Reconciliation of consolidated statement of comprehensive income items for the three months ended March 31, 2012

Item	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Operating expenses	$ 292,301	$ 451	$ 292,752	5) b)
Others	151	(151)	-	
Income tax expense	27,808	(102)	27,706	5) b)

4) Exemptions from IFRS 1

IFRS 1, "First-time Adoption of International Financial Reporting Standards," establishes the procedures for the Group's first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply to those accounting policies in its opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date); except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The main optional exemptions the Group adopted are summarized as follows:

a) Employee benefits:

The Group elected to recognize all cumulative actuarial gains and losses relating to employee benefits in unappropriated earnings at the date of transition to IFRSs.

b) Cumulative translation differences:

The Group elected to reset the cumulative translation differences to zero at the date of transition to IFRSs, and the reversal has been used to offset accumulated earnings as of December 31, 2011 were 264,763 thousand.

5) Notes to the reconciliation of the significant differences

The Group had assessed the material differences and the effects, shown below, between the existing accounting policies and the accounting policies to be adopted under IFRSs:

a) Classifications of deferred income tax asset/liability and valuation allowance

Under ROC GAAP, a deferred tax asset and 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, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset and liability is classified as noncurrent asset or liability.

As of March 31, 2012 and January 1, 2012, the amounts reclassified from current deferred income tax assets to non-current assets were $5,391 thousand and $1,614 thousand, respectively.

b) Employee benefits - accumulated compensated absences

Accumulated compensated absences account is not addressed in existing ROC GAAP; thus, the Group has not recognized the expected cost of employee benefits in the form of accumulated compensated absences at the end of reporting periods. However, under IFRSs, when the employees render services that increase their entitlement to future compensated absences, an entity should recognize the expected cost of employee benefits at the end of reporting periods.

As of March 31, 2012 and January 1, 2012, the IFRS adjustment increased accrued expenses by $19,190 thousand and $18,588 thousand, respectively; deferred income tax liability decreased by $3,163 thousand and $3,078 thousand, respectively. Salaries and income tax expense for the three months ended March 31, 2012 increased by $602 thousand and decreased by $85 thousand, respectively.

c) Employee benefits-defined benefit plans

The Group had previously applied an actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation in conformity with ROC GAAP. Under IFRSs, the Group should carry out actuarial valuation on defined benefit obligation in accordance with IAS No. 19, "Employee Benefits."

In addition, under ROC GAAP, it is not allowed to recognize actuarial gains and losses from defined benefit plans directly to equity; instead, actuarial gains and losses should be accounted for under the corridor approach which requires in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees.

Under IAS No. 19, "Employee Benefits," the Group elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

At the transition date, the Group performed the actuarial valuation under IAS No. 19 - "Employee Benefits," and recognized the valuation difference directly in retained earnings under the requirement of IFRS 1. As of March 31, 2012 and January 1, 2012, the IFRSs adjustment decreased net loss not recognized as pension cost $15,637 thousand and increased accrued pension cost by $14,412 thousand, respectively. Pension cost did not have effect on the three months ended March 31, 2012.

d) The classification of deferred charges

Under ROC GAAP, deferred charges are classified under other assets. Under IFRSs, the items in deferred charges are classified as property, plant and equipment, intangible assets and prepayments - noncurrent (recorded under other assets) according to their nature.

As of March 31, 2012 and January 1, 2012, the amounts reclassified from deferred charges to property, plant and equipment and intangible assets were $49,284 thousand and $53,910 thousand, respectively.

e) The classification of investment property

Under ROC GAAP, the property that is held by a lessor under an operating lease is classified under property, plant and equipment. Under IFRSs, the property held to earn rentals or for capital appreciation or both should be classified as investment property.

f) Prepayments for equipment

Under IFRSs, prepayments for equipment should be classified to other assets. As of March 31, 2012 and January 1, 2012, the amounts were $173,494 thousand and $126,598 thousand, respectively.

g) Land use rights

Under ROC GAAP, land use rights are classified under intangible assets. Under IAS No 17 - "Leases," land use rights are classified as prepaid rent - noncurrent.

As of March 31, 2012 and January 1, 2012, the amounts reclassified from land use rights to other current assets and prepayments - noncurrent were $66,849 thousand and $117,530 thousand, respectively.

h) Financial assets carried at cost - noncurrent

Under the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, 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 classified as financial assets carried at cost. Under IFRSs, non-derivative financial assets that are designated as available-for-sale financial assets, or are not designated as at financial assets and liabilities at fair value through profit or loss on initial recognition are classified as available-for-sale financial assets and are initially measured at fair value.

c. Special reserve at the date of transition to IFRSs

In accordance with the order VI-1010012865 issued by FSC on April 6, 2012, at the first-time adoption of IFRSs, in case an entity elects to use exemption option specified in IFRS 1 and resets unrealized revaluation increment and cumulative translation differences in stockholders' equity to zero by a credit to retained earnings, the same amount from retained earnings will be transferred to special reserve provided that such amount is less than the aggregate amount of IFRS adjustments. If the amount of retained earnings brought by IFRSs adjustments at the first-time adoption of IFRS is less than the total of revaluation increment and cumulative translation differences, the amount transferred to special reserve is limited to the amount of retained earnings from IFRS adjustments. The special reserve will be reversed proportionally as the related assets are used, disposed of or reclassified to other accounts.

d. The Group has prepared the above assessments in accordance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

27. INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSITIONS

See Table 1 (attached).

TABLE 1

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

Three months ended March 31, 2012

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC Technology Inc.	1	Sales	$ 143	-	-
				Consulting expense	8,298	-	-
				Accounts receivable	85	-	-
		TXC Japan Corporation	1	Sales	474	-	-
				Purchase	3,228	-	-
				Consulting expense	8,970	-	-
				Accounts payable	2,599	-	-
		TXC (NGB) Corporation	1	Sales	32,681	-	1
				Purchase	624,964	-	26
				Accounts receivable	41,065	-	-
				Accounts payable	655,307	-	6
				Other receivable	92,079	-	1
		Growing Profits Trading Ltd.	1	Purchase	14,244	-	1
				Accounts payable	14,239	-	-
		Ningbo Jingyu Company Limited	1	Purchase	15,805	-	1
				Accounts payable	15,534	-	-
1	TXC (NGB) Corporation	TXC (Chongqing) Corporation	3	Other receivable	29	-	-
		Growing Profits Trading Ltd.	3	Purchase	100,599	-	4
				Accounts payable	104,808	-	1
		Ningbo Jingyu Company Limited	3	Sales	15,489	-	1
				Accounts receivable	18,059	-	-
				Other revenue	14	-	-
				Other receivable	14	-	-

(Continued)

Three months ended March 31, 2011

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC Technology, Inc.	1	Sales	$ 111	-	-
				Consulting expense	10,735	-	-
				Accounts receivable	13	-	-
				Other current assets	1,509	-	-
				Other current liabilities	11	-	-
		TXC Japan Corporation	1	Sales	2,967	-	-
				Purchase	1,687	-	-
				Consulting expense	12,161	-	1
				Other expense	59	-	-
				Accounts receivable	356	-	-
		TXC (NGB) Corporation	1	Sales	11,800	-	1
				Purchase	589,055	-	25
				Other expense	104	-	-
				Accounts receivable	7,867	-	-
				Accounts payable	523,724	-	5
				Other current liabilities	8,661	-	-
		TXC (H.K.) Limited	1	Sales	120	-	-
				Accounts receivable	331	-	-
1	TXC (NGB) Corporation	TXC (H.K.) Limited	3	Receipts in advance	3,553	-	-
				Sales	851	-	-
		TXC (Chongqing) Corporation	3	Other receivable	1,293	-	-
		Growing Profits Trading Ltd.	3	Purchase	22,518	-	1
				Accounts payable	26,515	-	1

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

Note 2: In the three months ended March 31, 2012 and 2011, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, GPT, Ningbo Jingyu Company Ltd. and TXC (HK) Limited which use cost-adjusted price according to the agreed terms.

(Concluded)