

TXC Corporation

**Financial Statements for the
Nine Months Ended September 30, 2012 and 2011**

TXC CORPORATION

BALANCE SHEETS

SEPTEMBER 30, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Par Value)

(Reviewed, Not Audited)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 812,658	7	\$ 1,297,970	11	Short-term loans (Note 13)	\$ 151,803	1	\$ 606,608	5
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	29,325	-	4,118	-	Notes payable (Note 24)	-	-	80,100	1
Available-for-sale financial assets - current (Notes 2 and 6)	73,097	1	131,612	1	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	-	-	59,041	1
Notes receivable, net (Notes 2 and 7)	1,196	-	6,646	-	Accounts payable	799,445	6	866,156	7
Accounts receivable, net (Notes 2, 7 and 24)	2,753,893	22	2,658,380	22	Accounts payable - related parties (Note 24)	823,406	7	771,309	6
Accounts receivable - related parties, net (Notes 2, 7 and 24)	98,973	1	61,360	1	Income tax payable (Notes 2 and 20)	54,320	1	47,387	-
Other receivables (Note 26)	90,067	1	31,037	-	Accrued expenses (Notes 16 and 24)	498,530	4	434,630	4
Other receivables - related parties, net (Note 24)	89,887	1	406	-	Other payables - related parties (Notes 2 and 24)	17	-	155	-
Inventories, net (Notes 2 and 8)	1,182,541	9	1,080,282	9	Current portion of long-term bonds (Note 14)	796,840	6	-	-
Deferred income tax assets - current (Notes 2 and 20)	4,524	-	10,470	-	Current portion of long-term loans (Notes 15 and 25)	434,000	4	220,250	2
Other current assets (Notes 2 and 20)	26,127	-	41,841	-	Other current liabilities (Notes 2 and 20)	21,686	-	50,229	-
Total current assets	5,162,288	42	5,324,122	44	Total current liabilities	3,580,047	29	3,135,865	26
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Investments accounted for the equity method (Notes 2 and 10)	3,601,891	29	3,256,236	27	Bonds payable (Notes 2 and 14)	-	-	786,896	6
Other financial assets - noncurrent (Notes 2, 5 and 14)	-	-	1,119	-	Long-term loans (Notes 15 and 25)	1,537,500	12	1,290,250	11
Financial assets carried at cost - noncurrent (Notes 2 and 9)	253,242	2	245,445	2	Total long-term liabilities	1,537,500	12	2,077,146	17
Total long-term investments	3,855,133	31	3,502,800	29	RESERVES				
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 25)					Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
Cost					OTHER LIABILITIES				
Land	598,145	5	599,057	5	Accrued pension cost (Note 17)	9,349	-	-	-
Land improvements	151	-	593	-	Guarantee deposits received	15,484	-	11,664	-
Buildings	1,475,304	12	1,600,664	13	Deferred income tax liabilities - noncurrent (Notes 2 and 20)	86,091	1	43,342	-
Machinery and equipment	2,070,433	16	3,435,835	28	Total other liabilities	110,924	1	55,006	-
Transportation equipment	-	-	2,557	-	Total liabilities	5,231,983	42	5,271,529	43
Office equipment	87,727	1	141,104	1	STOCKHOLDERS' EQUITY (Note 18)				
Land - revaluation increment	8,954	-	8,954	-	Capital stock				
Cost and revaluation increment	4,240,714	34	5,788,764	47	Common stock	3,022,423	24	3,022,423	25
Less: Accumulated depreciation	(1,093,539)	(9)	(2,662,941)	(22)	Capital surplus	1,356,078	11	1,356,078	11
Construction-in-progress and prepayments for equipment	230,378	2	191,131	2	Retained earnings				
Property, plant and equipment, net	3,377,553	27	3,316,954	27	Legal reserve	749,460	6	644,438	5
OTHER ASSETS					Unappropriated earnings	1,953,589	16	1,640,850	14
Assets leased to others (Notes 2 and 12)	7,326	-	7,739	-	Total retained earnings	2,703,049	22	2,285,288	19
Refundable deposits	908	-	935	-	Other equity				
Deferred charges	17,548	-	22,847	-	Cumulative translation adjustments (Note 2)	134,321	1	263,520	2
Other	-	-	10,495	-	Net loss no recognized as pension cost	(15,637)	-	-	-
Total other assets	25,782	-	42,016	-	Unrealized gains on financial instruments (Note 2)	(16,903)	-	(18,388)	-
					Unrealized revaluation increment (Note 2)	5,442	-	5,442	-
					Total other equity	107,223	1	250,574	2
					Total stockholders' equity	7,188,773	58	6,914,363	57
TOTAL	\$ 12,420,756	100	\$ 12,185,892	100	TOTAL	\$ 12,420,756	100	\$ 12,185,892	100

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

TXC CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

(Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 7,022,640	101	\$ 6,654,498	101
Less: Sales returns	(13,262)	-	(13,841)	-
Less: Sales allowances	<u>(83,238)</u>	<u>(1)</u>	<u>(33,300)</u>	<u>(1)</u>
Net operating revenue	6,926,140	100	6,607,357	100
OPERATING COSTS	<u>(5,687,922)</u>	<u>(82)</u>	<u>(5,367,047)</u>	<u>(81)</u>
GROSS PROFIT	<u>1,238,218</u>	<u>18</u>	<u>1,240,310</u>	<u>19</u>
OPERATING EXPENSES				
Selling expenses	(264,839)	(4)	(286,188)	(5)
General and administration expenses	(141,206)	(2)	(146,899)	(2)
Research and development expenses	<u>(215,904)</u>	<u>(3)</u>	<u>(257,049)</u>	<u>(4)</u>
Total operating expenses	<u>(621,949)</u>	<u>(9)</u>	<u>(690,136)</u>	<u>(11)</u>
OPERATING INCOME	<u>616,269</u>	<u>9</u>	<u>550,174</u>	<u>8</u>
NONOPERATING INCOME AND GAINS				
Interest income	3,441	-	3,717	-
Investment income recognized under equity method (Notes 2 and 10)	274,581	4	291,660	4
Dividend income	704	-	-	-
Gain on disposal of property, plant and equipment	231	-	8,039	-
Gain on sale of investments	34	-	-	-
Exchange gains	-	-	72,369	1
Reversal of impairment loss	-	-	4,873	-
Valuation gain on financial assets, net	29,487	1	672	-
Miscellaneous income	<u>23,805</u>	<u>-</u>	<u>30,273</u>	<u>1</u>
Total nonoperating income and gains	<u>332,283</u>	<u>5</u>	<u>411,603</u>	<u>6</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	(20,801)	(1)	(16,571)	-
Exchange losses	(15,349)	-	-	-
Valuation loss on financial liabilities, net	-	-	(65,931)	(1)
Miscellaneous expenses	<u>(513)</u>	<u>-</u>	<u>(2,311)</u>	<u>-</u>
Total nonoperating expenses and losses	<u>(36,663)</u>	<u>(1)</u>	<u>(84,813)</u>	<u>(1)</u>

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

(Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 911,889	13	\$ 876,964	13
INCOME TAX EXPENSE (Notes 2 and 20)	<u>(89,372)</u>	<u>(1)</u>	<u>(86,925)</u>	<u>(1)</u>
NET INCOME	<u>\$ 822,517</u>	<u>12</u>	<u>\$ 790,039</u>	<u>12</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 3.02</u>	<u>\$ 2.72</u>	<u>\$ 2.91</u>	<u>\$ 2.62</u>
Diluted	<u>\$ 2.86</u>	<u>\$ 2.58</u>	<u>\$ 2.77</u>	<u>\$ 2.49</u>

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

(Concluded)

TXC CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 822,517	\$ 790,039
Depreciation	379,116	414,494
Nonoperating loss - idle assets and lease assets	310	283
Amortization	11,986	15,723
Gain on sale of investments	(34)	-
Investment income recognized under equity method	(274,581)	(291,660)
Gain on disposal of property, plant and equipment	(231)	(8,039)
Valuation (gain) loss on financial instruments	(29,487)	65,259
Reversal of impairment loss	-	(4,873)
Deferred income tax	36,667	41,230
Discount on bonds payable	7,473	7,306
Net changes in operating assets and liabilities		
Notes receivable	(869)	(5,157)
Accounts receivable (related parties included)	(39,327)	(394,697)
Other receivables (related parties included)	(37,072)	99,494
Inventories	(275,016)	(140,430)
Other current assets	8,195	(61,304)
Notes payable	(73,999)	26,399
Accounts payable (related parties included)	358,203	640,186
Accrued expenses	19,180	(98,067)
Income tax payable	(3,084)	(8,752)
Other payables (related parties included)	(2,242)	155
Other current liabilities	<u>11,448</u>	<u>38,987</u>
Net cash provided by operating activities	<u>919,153</u>	<u>1,126,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	-	(10,500)
Proceeds from disposal of financial instruments at fair value through profit or loss	(3,674)	65,221
Acquisition of available-for-sale financial assets	(30,000)	(90,000)
Acquisition of investments accounted for by equity method	(130,284)	(162,693)
Proceeds from disposal of available-for-sale financial - assets	30,034	-
Acquisition of financial assets carried cost	(7,797)	(148,767)
Decrease in refundable deposits	17	2,641
Increase in deferred charges	(13,123)	(24,162)
Acquisition of property, plant and equipment	(336,834)	(764,063)
Proceeds from disposal of property, plant and equipment	<u>4,628</u>	<u>15,824</u>
Net cash used in investing activities	<u>(487,033)</u>	<u>(1,116,499)</u>

(Continued)

TXC CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	\$ (153,255)	\$ 226,780
Increase in long-term loans	657,312	551,062
Proceeds from exercise of employee stock options	-	91,034
Increase in guarantee deposits received	3,820	3,547
Cash dividends	<u>(664,933)</u>	<u>(740,763)</u>
Net cash (used in) provided by financing activities	<u>(157,056)</u>	<u>131,660</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	275,064	141,737
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>537,594</u>	<u>1,156,233</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 812,658</u>	<u>\$ 1,297,970</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 13,452</u>	<u>\$ 16,039</u>
Income tax paid	<u>\$ 55,789</u>	<u>\$ 52,227</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term debt	<u>\$ 1,230,840</u>	<u>\$ 220,250</u>
Conversion of convertible bonds	<u>\$ -</u>	<u>\$ 600</u>
Reclassification of property, plant and equipment and inventory into other receivables	<u>\$ 53,331</u>	<u>\$ -</u>

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

(Concluded)

TXC CORPORATION

NOTES TO FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

TXC Corporation (the Corporation) was incorporated on December 28, 1983 under the Company Law and 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 for a complete solution of frequency devices and modules, design in service to fully satisfy various needs of the customers.

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

As of September 30, 2012 and 2011, the Corporation had 1,044 and 1,053 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

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

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

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

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

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

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

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: 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. Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. 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

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 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 merchandize 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 - 2 to 51 years; machinery and equipment - 4 to 14 years; transportation equipment - 3 to 6 years; office equipment - 2 to 6 years; Assets leased to others - 4 to 61 years.

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

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

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.

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 allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

If the 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 stockholders 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.

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.

Reclassifications

Certain accounts in the financial statements as of and for the nine months ended September 30, 2011 have been reclassified to conform to the presentation of the financial statements as of and for the nine months ended September 30, 2012.

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 includes (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 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 nine months ended September 30, 2012.

4. CASH AND CASH EQUIVALENTS

	September 30	
	2012	2011
Cash on hand	\$ 719	\$ 760
Checking accounts and demand deposits	481,939	464,210

(Continued)

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Time deposits	\$ -	\$ 200,000
Cash equivalents		
Repurchase agreement collateralized bonds	<u>330,000</u>	<u>633,000</u>
	<u>\$ 812,658</u>	<u>\$ 1,297,970</u>
		(Concluded)

The rate of repurchase agreement collateralized bonds were 0.83% - 0.85% and 0.69% - 0.76% for the nine months ended September 30, 2012 and 2011, respectively.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments classified as held for trading were as follows:

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
<u>Financial assets at held for trading</u>		
Forward exchange contracts	\$ 29,325	\$ -
Convertible bonds	-	4,118
Asset component of unsecured domestic convertible bonds	-	1,119
Less: Non-current portion	<u>-</u>	<u>(1,119)</u>
	<u>\$ 29,325</u>	<u>\$ 4,118</u>
<u>Financial liabilities at held for trading</u>		
Forward exchange contracts	<u>\$ -</u>	<u>\$ 59,041</u>

The Corporation entered into derivative contracts during the nine months ended September 30, 2012 and 2011 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Corporation is to minimize risks due to changes in fair value or cash flows.

Outstanding forward exchange contracts as of September 30, 2012 and 2011 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2012</u>			
Sell	USD/NTD	October 2, 2012-December 12, 2012	USD46,000/NTD1,375,000
Sell	USD/JPY	October 1, 2012-November 13, 2012	USD7,000/JPY553,246
Sell	NTD/JPY	November 22, 2012	NTD29,872/JPY80,000
<u>September 30, 2011</u>			
Sell	USD/NTD	October 4, 2011-January 17, 2012	USD64,000/NTD1,866,944
Sell	USD/JPY	October 3, 2011-November 14, 2011	USD7,750/JPY599,955
Sell	NTD/JPY	October 5, 2011-December 12, 2011	NTD252,516/JPY690,000

Net gain (loss) on financial instrument held for trading for the nine months ended September 30, 2012 and 2011 were \$29,487 thousand and \$(65,259) thousand, respectively. Note 14 has more information.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Mutual funds	\$ <u>73,097</u>	\$ <u>131,612</u>

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Notes receivable, third parties	\$ 1,229	\$ 6,679
Less: Allowance for doubtful accounts	<u>(33)</u>	<u>(33)</u>
	<u>\$ 1,196</u>	<u>\$ 6,646</u>
Accounts receivable, third parties	\$ 2,771,541	\$ 2,676,207
Accounts receivable, related parties	<u>99,074</u>	<u>61,360</u>
	2,870,615	2,737,567
Less: Allowance for doubtful accounts, third parties	(17,648)	(17,827)
Allowance for doubtful accounts, related parties	<u>(101)</u>	<u>-</u>
	<u>\$ 2,852,866</u>	<u>\$ 2,719,740</u>

Movements of the allowance for doubtful accounts were as follows:

	<u>Nine Months Ended September 30</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>
Balance, beginning of period	\$ 33	\$ 17,827	\$ 8	\$ 17,827
Add: Allowance for doubtful accounts	-	115	25	-
Deduct: Amounts written off	<u>-</u>	<u>(193)</u>	<u>-</u>	<u>-</u>
Balance, end of period	<u>\$ 33</u>	<u>\$ 17,749</u>	<u>\$ 33</u>	<u>\$ 17,827</u>

8. INVENTORIES

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Raw materials	\$ 119,470	\$ 160,683
Supplies and spare parts	40,603	47,034
Work in-process	259,729	180,732
Finished goods	291,695	300,557
Merchandise inventories	465,293	332,589
Goods in transit	<u>5,751</u>	<u>58,687</u>
	<u>\$ 1,182,541</u>	<u>\$ 1,080,282</u>

As of September 30, 2012 and 2011, the allowance for inventory devaluation was \$35,868 thousand and \$33,815 thousand, respectively.

The cost of inventories recognized as cost of goods sold in the nine months ended September 30, 2012 and 2011 was \$5,687,922 thousand and \$5,367,047 thousand, respectively, which included \$9,047 thousand and \$25,500 thousand, respectively, due to write downs of inventories and loss on physical inventory.

9. FINANCIAL ASSETS CARRIED AT COST

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Domestic unquoted common stocks	<u>\$ 253,242</u>	<u>\$ 245,445</u>

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

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<u>September 30</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Carrying Value</u>	<u>Ownership Percentage</u>	<u>Carrying Value</u>	<u>Ownership Percentage</u>
Unlisted companies				
Taiwan Crystal Technology International Ltd. (TCTI)	\$ 3,344,554	100	\$ 3,118,410	100
TXC Technology Inc.	12,055	100	12,775	100
TXC Japan Corporation	13,658	100	12,921	100
Taiwan Crystal Technology International (HK) Limited	<u>231,624</u>	100	<u>112,130</u>	100
	<u>\$ 3,601,891</u>		<u>\$ 3,256,236</u>	

The Corporation invested in Taiwan Crystal Technology International (HK) Limited in the nine months ended September 30, 2012 and 2011. The purpose of investment is reinvestment TXC (Chongqing) Corporation, which is in constructing at end of September 30, 2012.

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

	<u>Nine Months Ended September 30</u>	
	<u>2012</u>	<u>2011</u>
TCTI	\$ 279,686	\$ 288,850
TXC Technology Inc.	(491)	2,039
TXC Japan Corporation	(740)	771
Taiwan Crystal Technology International (HK) Limited	<u>(3,874)</u>	<u>-</u>
	<u>\$ 274,581</u>	<u>\$ 291,660</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Nine Months Ended September 30, 2012			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	\$ 598,145	\$ 8,954	\$ -	\$ 607,099
Land improvements	151	-	96	55
Buildings	1,475,304	-	279,975	1,195,329
Machinery and equipment	2,070,433	-	762,369	1,308,064
Office equipment	87,727	-	51,099	36,628
Prepayments for equipment	<u>230,378</u>	<u>-</u>	<u>-</u>	<u>230,378</u>
	<u>\$ 4,462,138</u>	<u>\$ 8,954</u>	<u>\$ 1,093,539</u>	<u>\$ 3,377,553</u>

	Nine Months Ended September 30, 2011			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	\$ 599,057	\$ 8,954	\$ -	\$ 608,011
Land improvements	593	-	513	80
Buildings	1,600,664	-	342,709	1,257,955
Machinery and equipment	3,435,835	-	2,216,968	1,218,867
Transportation equipment	2,557	-	2,557	-
Office equipment	141,104	-	100,194	40,910
Prepayments for equipment	<u>191,131</u>	<u>-</u>	<u>-</u>	<u>191,131</u>
	<u>\$ 5,970,941</u>	<u>\$ 8,954</u>	<u>\$ 2,662,941</u>	<u>\$ 3,316,954</u>

See Note 25 for collaterals on loans.

There was no interest capitalized in the nine months ended September 30, 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.

12. OTHER ASSETS

Leased to Others

	September 30, 2012		
	Cost	Accumulated Depreciation	Carrying Value
Land	\$ 2,602	\$ -	\$ 2,602
Buildings	<u>9,705</u>	<u>(4,981)</u>	<u>4,724</u>
	<u>\$ 12,307</u>	<u>\$ (4,981)</u>	<u>\$ 7,326</u>

	September 30, 2011		
	Cost	Accumulated Depreciation	Carrying Value
Land	\$ 2,602	\$ -	\$ 2,602
Buildings	<u>11,632</u>	<u>(6,495)</u>	<u>5,137</u>
	<u>\$ 14,234</u>	<u>\$ (6,495)</u>	<u>\$ 7,739</u>

Idle Assets

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

	Nine Months Ended September 30	
	2012	2011
Book value	\$ 283	\$ 4,038
Accumulated impairment	<u>(283)</u>	<u>(4,038)</u>
	<u>\$ -</u>	<u>\$ -</u>

13. SHORT-TERM LOANS

	September 30			
	2012		2011	
	Interest Rate%	Amounts	Interest Rate%	Amounts
Usance letters of credit	0.85-1.0	<u>\$ 151,803</u>	0.78-1.18	<u>\$ 606,608</u>

14. BONDS PAYABLE

	September 30	
	2012	2011
Third unsecured domestic convertible bonds	\$ 799,400	\$ 799,400
Deduct: Discount on bonds payable	(2,560)	(12,504)
Deduct: Current portion	<u>(796,840)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 786,896</u>
Assets component of unsecured domestic corporate bonds	<u>\$ -</u>	<u>\$ 1,119</u>

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. 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. Total issue date: January 11, 2010.

- b. Total issue amount: \$800,000 thousand.
- c. Issue price: At par value of \$100 thousand bond.
- d. Coupon rate: 0%.
- e. Repayment term: The bonds are repayable on January 11, 2013 upon the maturity of the bonds.
- f. Convertible right: Holder can request for conversion of the bonds to the Corporation's common stock.
- g. Period: From February 12, 2010 to January 21, 2013.
- h. Convertible price: 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 \$48 on September 30, 2012.
- i. Redeem bonds
 - 1) Redemption on the maturity date: On the maturity date, the Corporation will redeem the bonds of the principal amounts.
 - 2) Early redemption on the maturity date:
 - a) During the period of time between one month after issuance and the 40th day before maturity, if the closing price of the Corporation's shares reaches 30% of the conversion price of 30 consecutive trading days, the Corporation may redeem the remaining bonds at a price of their book value.
 - b) During the period of time between one month after issuance and the 40th day before maturity, when over 90% of the bonds had been redeemed, bought back or converted, the Corporation may redeem the remaining bonds at a price of their book value.
- j. Convertible condition: As of September 30, 2012, bonds with a book value of \$600 thousand had been converted into 11 thousand common shares.

15. LONG-TERM LOANS

Nature of Loans	Repayment Period	September 30	
		2012	2011
Secured bank loans	Maturity on July 24, 2013, repayable in 20 quarterly installments from July 2008	\$ 58,250	\$ 116,500
Secured bank loans	Maturity on July 24, 2013, repayable in 16 quarterly installments from April 2009	7,000	14,000
Secured bank loans	Maturity on August 17, 2016, repayable in 20 quarterly installments from August 2012	600,000	600,000
Unsecured bank loans	Repayable at maturing on February 28, 2013	-	180,000
Unsecured bank loans	Maturity on October 28, 2015, repayable in 16 quarterly installments from October 2011	406,250	500,000
Unsecured bank loans	Maturity on October 13, 2016, repayable in 16 quarterly installments from January 2013	500,000	-

(Continued)

Nature of Loans	Repayment Period	September 30	
		2012	2011
Unsecured bank loans	Repayable at maturing on July 26, 2014	\$ 200,000	\$ -
Unsecured bank loans	Repayable at maturing on June 15, 2014	100,000	100,000
Unsecured bank loans	Repayable at maturing on August 20, 2014	100,000	-
Less current portion		<u>(434,000)</u>	<u>(220,250)</u>
		<u>\$ 1,537,500</u>	<u>\$ 1,290,250</u>
Interest rate		1.10%-1.255%	0.930%-1.15% (Concluded)

See Notes 25 for collateral on long-term loans.

16. ACCRUED EXPENSES

	September 30	
	2012	2011
Payroll	\$ 38,751	\$ 36,928
Bonus	86,432	105,405
Bonus to employees, directors and supervisors	103,637	99,529
Commission	57,534	65,411
Others	<u>212,176</u>	<u>127,357</u>
	<u>\$ 498,530</u>	<u>\$ 434,630</u>

17. PENSION PLANS

The pension plan under the Labor Pension Act (the LPA) is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at not less than 6% of monthly salaries and wages. Such pension costs were \$16,795 thousand and \$17,884 thousand for the nine months ended September 30, 2012 and 2011, 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 \$4,748 thousand and \$2,980 thousand for the nine months ended September 30, 2012 and 2011, respectively.

The Corporation set up employee's pension fund and contributes monthly an amount of not less than 8% of the appointed manager's monthly salaries and wages to the Bank of Taiwan. The Corporation recognized pension costs of \$748 thousand and \$519 thousand for the nine months ended September 30, 2012 and 2011, respectively.

18. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital are \$5,000,000 thousand and \$4,000,000 thousand at September 30, 2012 and 2011 (\$10.00 par value per share). As of September 30, 2012 and 2011, the Corporation's issued capital stock is \$3,022,423 thousand divided into 302,242 thousand shares, 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:

	Nine Months Ended September 30			
	2012		2011	
Employee Stock Options	Number of Options (In Thousand)	Weighted Average Exercise Price	Number of Options (In Thousand)	Weighted Average Exercise Price
Balance, beginning of period	2,627	\$39.7	4,954	\$42.9
Options granted	-		-	
Options forfeited	-		-	
Options exercised	-		(2,122)	42.9
Options expired	<u>(20)</u>		<u>(187)</u>	
Balance, end of period	<u>2,607</u>	37.8	<u>2,645</u>	39.7
Options exercisable, end of period	<u>2,607</u>		<u>893</u>	

Information about outstanding options as of September 30, 2012 and 2011 was as follows:

	September 30			
	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-\$37.8	0.19	\$42.9-\$39.7	1.19	

Options granted during the year ended December 31, 2012 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 nine months ended September 30, 2012 and 2011 assuming employee stock options granted before January 1, 2007 were accounted for under SFAS No. 39 is as follows:

	Nine Months Ended September 30	
	2012	2011
Net income	\$ 822,517	\$ 790,039
After income tax earnings per share (NT\$)	2.72	2.62

In their meeting on June 13, 2012, the shareholders approved a restricted stock plan for employees with a total amount of \$20,000 thousand, consisting of 2,000 thousand shares, and authorize the board of directors to determine the issue prices of the restricted shares when they are issued. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vested conditions are as follows:

- a. The employees should not sell, pledge, transfer, donate or in any other way dispose of these shares.
- b. The employees holding these shares are not entitled to receive cash and stock dividends.
- c. The employees holding these shares have no voting right.

If an employee fails to meet the vesting conditions, the Corporation will recall or buy back his/her restricted shares and have them canceled.

As of September 30, 2012, the Corporation had not yet issued any restricted shares employees.

Capital Surplus

Capital surplus comprised of the following

	September 30	
	2012	2011
From issuance of common shares	\$ 325,830	\$ 325,830
From conversion of bonds	772,417	772,417
From employee stock options	217,947	217,947
From conversion options	<u>39,884</u>	<u>39,884</u>
	<u>\$ 1,356,078</u>	<u>\$ 1,356,078</u>

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 used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's paid-in capital and once a year).

The capital surplus from long-term investments, employee stock options and conversion options may not be used for any purpose.

Appropriation of Earnings and Dividend Policy

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

- a. Employee bonus - not less than 3%;

- b. Directors and supervisors' remuneration - not more than 2%; and
- c. Stock bonuses to employees include subsidiary employees who meet certain criteria set by the board of directors.

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

For the nine months ended September 30, 2012 and 2011, the bonus to employees was \$88,832 thousand and \$85,311 thousand, respectively, the remuneration to directors and supervisors was \$14,805 thousand and \$14,218 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 12% and 2%, respectively, of net income (net of the bonus and remuneration).

Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

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

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and 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 equals to their proportionate share of the income tax paid by the Corporation.

The appropriation of earnings for 2011 and 2010 had been approved in the stockholders' meeting on June 13, 2012 and June 10, 2011, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u> <u>(NT\$)</u>	
	<u>For Fiscal</u> <u>Year 2011</u>	<u>For Fiscal</u> <u>Year 2010</u>	<u>For Fiscal</u> <u>Year 2011</u>	<u>For Fiscal</u> <u>Year 2010</u>
Legal reserve	\$ 105,022	\$ 119,018	\$-	\$-
Cash dividends	664,933	740,763	2.2	2.5
Stock dividends	-	59,261	-	0.2

The bonus to employees and the remuneration to directors and supervisors for 2011 and 2010 approved in the stockholders' meetings on June 13, 2012 and June 10, 2011, respectively, were as follows:

	Year Ended December 31			
	2011		2010	
	Cash	Stock	Cash	Stock
Bonus to employees	\$ 113,317	\$ -	\$ 160,674	\$ -
Remuneration to directors and supervisors	18,886	-	21,423	-

	Year Ended December 31			
	2011		2010	
	Bonus to Employee	Remuneration to Directors and Supervisors	Bonus to Employee	Remuneration to Directors and Supervisors
Amounts approved in stockholders' meetings	\$ 113,317	\$ 18,886	\$ 160,674	\$ 21,423
Amounts recognized in respective financial statements	<u>113,317</u>	<u>18,886</u>	<u>160,674</u>	<u>21,423</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There are no 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, 2011 and 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 Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
<u>Nine months ended September 30, 2012:</u> None				
<u>Nine months ended September 30, 2011</u>				
For transfer to employees	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>

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

20. INCOME TAX

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

	Nine Months Ended September 30	
	2012	2011
Income tax expense at statutory rate	\$ 155,021	\$ 149,084
Tax effect on adjusting items:		
Permanent differences	(46,832)	(49,210)
Temporary differences	2,909	943
Tax-exempt income for five years	(30,484)	(33,157)
Additional 10% income tax on unappropriated earnings	28,026	27,114
Investment tax credits used	<u>(54,320)</u>	<u>(47,387)</u>
Current income tax expense	<u>54,320</u>	<u>47,387</u>
Deferred tax expenses (benefits)		
Temporary differences	(17,653)	(943)
Investment tax credits	54,320	42,173
Adjustments for prior years' tax	<u>(1,615)</u>	<u>(1,692)</u>
	<u>\$ 89,372</u>	<u>\$ 86,925</u>

Deferred income tax assets (liabilities) were as follows:

	Nine Months Ended September 30	
	2012	2011
Current		
Deferred income tax assets		
Unrealized allowance for loss on inventories	\$ 6,098	\$ 6,809
Unrealized exchange losses	3,469	18,632
Unrealized valuation loss on financial instrument	<u>-</u>	<u>10,016</u>
	9,567	35,457
Less: Valuation allowance	<u>-</u>	<u>-</u>
	<u>9,567</u>	<u>35,457</u>
Deferred income tax liabilities		
Unrealized exchange gains	-	(24,987)
Unrealized valuation gain on financial instrument	<u>(5,043)</u>	<u>-</u>
	<u>(5,043)</u>	<u>(24,987)</u>
	<u>\$ 4,524</u>	<u>\$ 10,470</u>
Noncurrent		
Deferred income tax assets		
Investment tax credits	\$ 33,881	\$ 74,712
Impairment loss	3,311	4,140
Accrued pension cost	940	225
Others	<u>213</u>	<u>2,017</u>
	38,345	81,094
Less: Valuation allowance	<u>-</u>	<u>-</u>
	<u>38,345</u>	<u>81,094</u>
Deferred income tax liabilities		
Investment income recognized on equity-method investments	<u>(124,436)</u>	<u>(124,436)</u>
	<u>\$ (86,091)</u>	<u>\$ (43,342)</u>

As of September 30, 2012, investment tax credit comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 60,003	\$ 33,881	2012-2015
	Research and development expenditures	40,300	-	-
		<u>\$ 100,303</u>	<u>\$ 33,881</u>	

Expansion of Construction Project	Tax-exemption Period
Acquisition of equipment in 2005	2012-2014
Acquisition of equipment in 2009	2014-2018

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:

	September 30	
	2012	2011
Balance of ICA	<u>\$ 67,622</u>	<u>\$ 51,720</u>
	2011 (Estimate)	2010 (Actual)
The creditable ratio for distribution	<u>5.97%</u>	<u>5.54%</u>
	September 30	
	2012	2011
Undistributed earnings		
Unappropriated earnings generated before January 1, 1998	\$ -	\$ -
Unappropriated earnings generated on and after January 1, 1998	<u>1,953,589</u>	<u>1,640,850</u>
	<u>\$ 1,953,589</u>	<u>\$ 1,640,850</u>

21. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Expense Item	Function	Nine Months Ended September 30					
		2012			2011		
		Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Personnel							
Salary		\$312,226	\$218,439	\$530,665	\$327,872	\$249,023	\$576,895
Pension		13,201	9,090	22,291	12,631	8,752	21,383
Insurance		24,246	12,206	36,452	24,277	13,009	37,286
Others		-	-	-	-	-	-
Depreciation		313,271	65,845	379,116	338,410	76,084	414,494
Amortization		599	11,387	11,986	-	15,723	15,723

22. EARNINGS PER SHARE

	Nine Months Ended September 30			
	2012		2011	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (NT\$)				
From continuing operations	\$ 3.02	\$ 2.72	\$ 2.91	\$ 2.62
Income for the period	<u>\$ 3.02</u>	<u>\$ 2.72</u>	<u>\$ 2.91</u>	<u>\$ 2.62</u>
Diluted earnings per share (NT\$)				
From continuing operations	\$ 2.86	\$ 2.58	\$ 2.77	\$ 2.49
Income for the period	<u>\$ 2.86</u>	<u>\$ 2.58</u>	<u>\$ 2.77</u>	<u>\$ 2.49</u>

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

	Amount (Numerator)		Shares (Denominator) (In Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>Nine months ended September 30, 2012</u>					
Net income	\$ 911,889	\$ 822,517			
Basic EPS (NT\$)	\$ 911,889	\$ 822,517	302,242	<u>\$ 3.02</u>	<u>\$ 2.72</u>
Income for the period attributable to common stockholders					
Effect of dilutive potential common stock					
Employee stock option	-	-	398		
Convertible bonds	7,473	6,203	16,654		
Bonus to employees	<u>-</u>	<u>-</u>	<u>1,811</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 919,362</u>	<u>\$ 828,720</u>	<u>321,105</u>	<u>\$ 2.86</u>	<u>\$ 2.58</u>
<u>Nine months ended September 30, 2011</u>					
Net income	\$ 876,964	\$ 790,039			
Basic EPS (NT\$)	\$ 876,964	\$ 790,039	301,528	<u>\$ 2.91</u>	<u>\$ 2.62</u>
Income for the period attributable to common stockholders					
Effect of dilutive potential common stock					
Employee stock option	-	-	523		
Convertible bonds	7,306	6,209	14,703		
Bonus to employees	<u>-</u>	<u>-</u>	<u>2,385</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 884,270</u>	<u>\$ 796,248</u>	<u>319,139</u>	<u>\$ 2.77</u>	<u>\$ 2.49</u>

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

If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares of 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.

23. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	Nine Months Ended September 30			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Financial assets</u>				
Financial assets at FVTPL, current	\$ 29,325	\$ 29,325	\$ 4,118	\$ 4,118
Available-for-sale financial assets, current	73,097	73,097	131,612	131,612
Financial assets at FVTPL, noncurrent	-	-	1,119	1,119
Financial assets carried at cost	253,242	-	245,445	-
<u>Financial liabilities</u>				
Financial liabilities at FVTPL, current	-	-	59,041	59,041
Bonds payable (including current portion)	796,840	796,840	786,896	786,896
Long-term loans (including current portion)	1,971,500	1,971,500	1,510,500	1,510,500

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

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

- e. The fair value of domestic convertible bonds is estimated using the present value of cash flows, discounted by risk-free interest rate after issuing bonds and prevailing interest rate after taking into account risk premiums.

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

	<u>Quoted Market Price</u>		<u>Valuation Techniques</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss, current	\$ -	\$ 4,118	\$ 29,325	\$ -
Available-for-sale financial assets, current	73,097	131,612	-	-
Financial assets at fair value through profit or loss, noncurrent	-	-	-	1,119
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss, current	-	-	-	59,041
Bonds payable (including current portion)	-	-	796,840	786,896
Long-term debt (including current portion)	-	-	1,971,500	1,510,000

Valuation gains and (losses) arising from changes in fair value of financial instruments determined using valuation techniques were \$29,487 thousand and \$(65,259) thousand for the nine months ended September 30, 2012 and 2011, respectively.

Information about financial risks was as follows:

- 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.
- Credit risk: Credit risk represents the potential loss that would be incurred by the Corporation if the counter-parties breached the contracts. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Corporation's exposure to default by those parties be material
- 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.
- 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 \$21,233 thousand a year.

24. RELATED-PARTY TRANSACTIONS

The related parties and their relationship with the Corporation

Related Party	Relationship with the Corporation
Tai Shing Electronic 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 (NGB) Corporation (NGB)	Subsidiary's equity-method investee
TXC (HK) Limited (TXC HK)	Subsidiary's equity-method sub-investee
TSC Technology (Ningbo) Co., Ltd. (TSE Technology)	Subsidiary's equity-method sub-investee
Ningbo Jingyu Company Limited (Ningbo Jingyu)	Subsidiary's equity-method sub-investee
TXC Europe Corporation	Subsidiary's equity-method sub-investee

Significant transactions with related parties:

Sales

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	\$ 23,861	-	\$ 21,408	-
NGB	147,795	2	75,804	1
TXC Technology Inc.	1,753	-	966	-
TXC Japan Corporation	1,260	-	6,859	-
TXC (HK)	<u>-</u>	<u>-</u>	<u>120</u>	<u>-</u>
	<u>\$ 174,669</u>	<u>2</u>	<u>\$ 105,157</u>	<u>1</u>

Purchases

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
GPT	\$ 84,427	2	\$ 16,163	-
NGB	1,827,943	34	1,783,422	34
TXC Japan Corporation	10,572	-	11,720	-
Tai-Shing	20	-	8	-
TSE Technology	248	-	182	-
Ningbo Jingyu	<u>23,017</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,946,227</u>	<u>36</u>	<u>\$ 1,811,495</u>	<u>34</u>

Consulting Fee

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TXC Technology Inc.	\$ 37,420	43	\$ 33,515	48
TXC Japan Corporation	<u>39,023</u>	<u>44</u>	<u>36,170</u>	<u>52</u>
	<u>\$ 76,443</u>	<u>87</u>	<u>\$ 69,685</u>	<u>100</u>

Other Expense

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	\$ 180	-	\$ 948	-
NGB	-	-	104	-
TXC Technology Inc.	194	-	-	-
TXC Japan Corporation	<u>79</u>	<u>-</u>	<u>133</u>	<u>-</u>
	<u>\$ 453</u>	<u>-</u>	<u>\$ 1,185</u>	<u>-</u>

In the nine months ended September 30, 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 and TXC (HK) Limited, those related parties are divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.

Receivables from and Payables to Related Parties

		September 30			
		2012		2011	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts receivable	Tai-Shing	\$ 12,464	-	\$ 5,851	-
	TXC Technology Inc.	742	-	493	-
	NGB	<u>85,767</u>	<u>3</u>	<u>55,016</u>	<u>2</u>
		<u>\$ 98,973</u>	<u>3</u>	<u>\$ 61,360</u>	<u>2</u>
Notes payable	Tai-Shing	<u>\$ -</u>	<u>-</u>	<u>\$ 275</u>	<u>-</u>

		September 30			
		2012		2011	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Accounts payable	Tai-Shing	\$ 257	-	\$ -	-
	NGB	775,452	48	751,483	46
	TXC Japan Corporation	2,861	-	2,977	-
	GPT	43,817	3	16,657	1
	Ningbo Jingyu	1,019	-	-	-
	TSE Technology	<u>-</u>	<u>-</u>	<u>192</u>	<u>-</u>
		<u>\$ 823,406</u>	<u>51</u>	<u>\$ 771,309</u>	<u>47</u>
Accrued expenses	Tai-Shing	\$ 4	-	\$ 78	-
	TXC Japan Corporation	-	-	77	-
	TXC Technology Inc.	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 17</u>	<u>-</u>	<u>\$ 155</u>	<u>-</u>

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

		September 30			
		2012		2011	
Item	Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Other receivable	NGB	<u>\$ 89,887</u>	<u>50</u>	<u>\$ 406</u>	<u>-</u>

As of September 30, 2012 and 2011, other receivables were that the Corporation purchase machinery and equipment for NGB.

Property Transactions

In the nine months ended September 30, 2012

The Corporation sold to NGB machinery with a net book value of \$4,283 thousand for \$4,283 thousand. The Corporation purchased computer from Tai-Shing for \$383 thousand.

In the nine months ended September 30, 2011

The Corporation purchased equipment from Tai-Shing and NGB for \$346 thousand and \$727 thousand, respectively.

25. MORTGAGED OR PLEDGED ASSETS

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

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Property, plant and equipment		
Land	\$ 573,770	\$ 258,076
Buildings, net	<u>1,192,658</u>	<u>713,814</u>
	<u>\$ 1,766,428</u>	<u>\$ 971,890</u>

26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- a. As of September 30, 2012, the unused letters of credit amounted to approximately JPY400,498 thousand and US\$244 thousand and EUR99 thousand.
- b. As of September 30, 2012, the Corporation's commitments were as follows:

Commitment	Total Dollars Amount of Contract	Dollars Paid	Dollars Unpaid
Purchase mechanical and electrical engineering	<u>\$ 172,241</u>	<u>\$ 85,644</u>	<u>\$ 86,597</u>

- c. On July 19, 2012, the Corporation experienced a fire at the manufacturing facility located in Pingzhen, causing a part of destruction of its equipment and inventory. Because of the compensation by the insurance company, it reasonably recovers the value of destroyed equipment and inventory. As of September 30, 2012, the value of destroyed equipment and inventory were reclassified to other receivables balance account.

27. SUBSEQUENT EVENTS

None.

28. OPERATING SEGMENT FINANCIAL INFORMATION

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

29. OTHER

The significant foreign-currency financial assets and liabilities were as follows:

	September 30					
	2012			2011		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
<u>Financial assets</u>						
Monetary items						
USD	\$ 111,466	29.342	\$ 3,270,630	\$ 95,588	30.506	\$ 2,916,003
JPY	292,819	0.3783	110,773	386,417	0.3977	153,678
Investment accounted for by entity method						
USD	122,290	29.342	3,588,233	106,317	30.506	3,243,315
JPY	36,105	0.3783	13,658	32,489	0.3977	12,921
<u>Financial liabilities</u>						
Monetary items						
USD	44,876	29.342	1,316,738	42,499	30.506	1,296,488
JPY	1,190,399	0.3783	450,328	1,851,471	0.3977	736,330

30. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Corporation:

- a. Financing provided: None.
- b. Endorsement/guarantee provided: None.
- c. Marketable securities held: Table 1 (attached).
- d. Marketable securities acquired or disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 2 (attached).
- e. Acquisition of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Table 3 (attached).
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- i. Derivative transactions: None.

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

- a. Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 4 (attached).
- b. Financing provided: None.

- c. Endorsement/guarantee provided: None.
- d. Marketable securities held: Table 5 (attached).
- e. Marketable securities acquired or disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 6 (attached).
- f. Acquisition of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- h. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Table 7 (attached).
- i. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 8 (attached).
- j. Derivative transactions: Table 9 (attached).
- k. Investment in Mainland China: Table 10 (attached).

TXC CORPORATION

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2012

(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	September 30, 2012				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	<u>Mutual fund</u>							
	Shin Kong Cross Strait Selective Fund	None	Available-for-sale financial assets	2,691	\$ 23,650	-	\$ 23,650	
	Shin Kong China Growth Fund	None	"	2,177	19,028	-	19,028	
	Cathay Bond Bund	None	"	3,000	30,419	-	30,419	
					<u>\$ 73,097</u>			
	<u>Stock</u>							
	TCTI	Subsidiary	Investment accounted for by the equity method	42,835	\$ 3,344,554	100	None	
	TXC Technology Inc.	"	"	300	12,055	100	"	
	TXC Japan Corporation	"	"	2	13,658	100	"	
	Taiwan Crystal Technology International (HK) Limited	"	"	8,014	231,624	100	"	
					<u>\$ 3,601,891</u>			
	Marson Technology Co., Ltd.	None	Financial assets carried at cost - noncurrent	414	\$ 3,000	5	"	
	Win Win Precision Technology Co., Ltd.	"	"	1,300	54,997	3	"	
	Dongguan Failong Dong Bong Electronic Co., Ltd.	"	"	RMB 10,096	46,478	8	"	
Power Intellect Co., Ltd.	The chairman of our corporation is the directors of this corporation	"	2,000	98,000	2	"		
Si-Time Corporation	None	"	1,750	50,767	1	"		
				<u>\$ 253,242</u>				

TXC CORPORATION

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

NINE MONTHS ENDED SEPTEMBER 30, 2012

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Equity in Net Gain (Loss) (Note)	Ending Balance	
					Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Carrying Value (Foreign Currencies in Thousands)	Gain (Loss) on Disposal (Foreign Currencies in Thousands)		Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)
TXC Corporation	Taiwan Crystal Technology International (HK) Limited	Investments accounted for using equity method	Related parties	Subsidiary	3,614	\$ 111,473	4,400	\$ 130,284	-	\$ -	\$ -	\$ -	\$ (10,133)	8,014	\$ 231,624

Note: The investment loss recognized under equity method and charge in translation adjustments included in equity in net gain (loss).

TXC CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2012
(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	\$ 1,827,943	34	Note	Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.	-	\$ (775,452)	(48)	
	NGB	Subsidiary	Sales	147,795	2	Note		-	85,767	3	

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

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 SEPTEMBER 30, 2012
 (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 September 30, 2012			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				September 30, 2012	December 31, 2011	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN SAMOA	Investment	\$ 1,390,461 (US\$ 42,835)	\$ 1,390,461 (US\$ 42,835)	42,835	100	\$ 3,344,554	\$ 282,441	\$ 279,686	Difference from upstream transactions \$2,755 thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 (US\$ 300)	9,879 (US\$ 300)	300	100	12,055	(491)	(491)	
	TXC Japan Corporation	Japan	Marketing activities	6,172 (JPY 21,000)	6,172 (JPY 21,000)	2	100	13,658	(740)	(740)	
	Taiwan Crystal Technology International (HK) Limited	Hong Kong	Investment	238,258 (US\$ 8,014)	107,974 (US\$ 3,614)	8,014	100	231,624	(3,874)	(3,874)	
TCTI	GPT	B.V.I.	International trading	1,691 (US\$ 50)	1,691 (US\$ 50)	US\$ 50	100	171,482 (US\$ 5,844)	52,789 (US\$ 1,775)	52,789 (US\$ 1,775)	
	NGB	Ningbo	Manufacture and sales of electronics products	1,487,211 (US\$ 45,835)	1,487,211 (US\$ 45,835)	US\$ 45,835	100	3,205,073 (US\$ 109,232)	229,652 (US\$ 7,725)	229,652 (US\$ 7,725)	
NGB	TXC (HK) Limited	Hong Kong	International trading	846 (HK\$ 200)	846 (HK\$ 200)	HK\$ 200	100	11,743 (RMB 2,520)	(65) (RMB 14)	(65) (RMB 14)	
	TXC (Chongqing) Corporation	Chongqing	Manufacture and sales of electronics products	156,355 (RMB 33,000)	48,072 (RMB 10,000)	RMB 33,000	40	150,868 (RMB 32,375)	(6,040) (RMB 1,288)	(2,417) (RMB 515)	
	Chongqing All Sun Company Limited	Chongqing	Market activities	312,644 (RMB 66,000)	38,458 (RMB 8,000)	RMB 66,000	100	306,634 (RMB 65,801)	(384) (RMB 82)	(384) (RMB 82)	
	Ningbo Jingyu Company Limited	Ningbo	International trading	4,807 (RMB 1,000)	4,807 (RMB 1,000)	RMB 1,000	100	5,820 (RMB 1,249)	1,206 (RMB 257)	1,206 (RMB 257)	
Taiwan Crystal Technology International (HK) Limited	TXC (Chongqing) Limited	Chongqing	Manufacture and sales of electronics products	237,844 (US\$ 8,000)	107,560 (US\$ 3,600)	US\$ 8,000	60	231,479 (US\$ 7,889)	(6,040) (RMB 1,288)	(3,623) (RMB 773)	
	TSC Europe SRL	Europe	Market activities	414 (EUR 10)	414 (EUR 10)	EUR 10	100	146 (US\$ 5)	(237) (US\$ 8)	(237) (US\$ 8)	

TXC CORPORATION

MARKETABLE SECURITIES HELD FOR ITS INVESTEES

SEPTEMBER 30, 2012

(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	September 30, 2012				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TCTI	<u>Stock</u> GPT	Subsidiary	Investment accounted for by the equity method	US\$ 50	\$ 171,482 (US\$ 5,844)	100	None	
	TXC (Ningbo) Corporation	"	"	US\$ 45,835	3,205,073 (US\$ 109,232)	100	"	
NGB	TXC (HK) Limited	"	"	HK\$ 200	11,743 (RMB 2,520)	100	"	
	TSE Technology (Ninbo) Co., Ltd.	"	"	RMB 6,828	41,149 (RMB 8,893)	23	"	
	TXC (Chongqing) Corporation	"	"	RMB 33,000	150,868 (RMB 32,375)	40	"	
	Chongqing All Sun Co., Ltd.	"	"	RMB 66,000	306,634 (RMB 65,801)	100	"	
	Ningbo Jingyu Company Limited	"	"	RMB 1,000	5,820 (RMB 1,249)	100	"	
Taiwan Crystal Technology International (HK) Limited	TXC (Chongqing) Corporation	"	"	US\$ 8,000	231,479 (US\$ 7,889)	60	"	
	TXC Europe SRL	"	"	EUR 10	146 (US\$ 5)	100	"	

TXC CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR ITS INVESTEEES
 NINE MONTHS ENDED SEPTEMBER 30, 2012
 (In Thousands of New Taiwan Dollars or U.S. Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Equity in Net Gain (Loss) (Note)	Ending Balance	
					Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Carrying Value (Foreign Currencies in Thousands)	Gain (Loss) on Disposal (Foreign Currencies in Thousands)		Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)
NGB	TXC (Chongqing) Corporation	Investments accounted for using equity method	Related parties	Subsidiary	-	\$ 47,545	-	\$ 108,283	-	\$ -	\$ -	\$ -	\$ (4,960)	-	\$ 150,868
Taiwan Crystal Technology International (HK) Limited	TXC (Chongqing) Corporation	Investments accounted for using equity method	"	Subsidiary	-	111,056	-	130,284	-	-	-	-	(9,861)	-	231,479
NGB	Chongqing All Sun Company Limited	Investments accounted for using equity method	"	Subsidiary	-	37,896	-	274,186	-	-	-	-	(5,448)	-	306,634

Note: The investment loss recognized under equity method and charge in translation adjustments included in equity in net gain (loss).

TXC CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR ITS INVESTEEES
NINE MONTHS ENDED SEPTEMBER 30, 2012
(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	
NGB	Growing Profits Trading Ltd.	Subsidiary	Purchase	\$ 338,720	29	Note	Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.	-	\$ (25,525)	(4)	

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

TXC CORPORATION

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

SEPTEMBER 30, 2012

(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	\$ 775,452	3.61	\$ -	-	\$ 215,477 (US\$ 7,366)	\$ -

TXC CORPORATION**DERIVATIVE TRANSACTIONS OF INVESTEEES OVER WHICH THE CORPORATION HAS A CONTROLLING INTEREST****SEPTEMBER 30, 2012****(In Thousands of New Taiwan Dollars or U.S. Dollars)**

NGB entered into derivative transactions during the year ended September 30, 2012 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of September 30, 2012:

	Currency	Maturity	Contract Amount (In Thousands)
<u>September 30, 2012</u>			
Sell	USD/RMB	2012.10.30-2013.01.30	USD13,000/RMB82,826

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
NINE MONTHS ENDED SEPTEMBER 30, 2012
(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, 2012 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2012 (US\$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized (Note)	Carrying Amount as of September 30, 2012	Accumulated Inward Remittance of Earnings as of September 30, 2012
					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	\$ 1,427,630 (US\$ 44,000)	\$ -	\$ -	\$ 1,427,630 (US\$ 44,000)	100	\$ 229,652 (US\$ 7,725)	\$ 3,205,073 (US\$ 109,232)	\$ 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	4,990 (RMB 1,061)	41,149 (RMB 8,893)	-
TXC (Chongqing) Corporation	Manufacturing and sales of electronic devices and hardware components	394,199 (RMB 84,053)	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	107,560 (US\$ 3,600)	130,284 (US\$ 4,400)	-	237,844 (US\$ 8,000)	100	(6,040) (RMB 1,288)	382,347 (RMB 82,399)	-
Chongqing All Suns Company Limited	Real estate intermediary service, real estate management and electronic product wholesale	312,644 (RMB 66,000)	Other investment of the Corporation Mainland China	-	-	-	-	100	(384) (RMB 82)	306,634 (RMB 65,801)	-
Ningbo Jingyu Company Limited	Purchasing and selling electronic component	4,807 (RMB 1,000)	Other investment of the Corporation Mainland China	-	-	-	-	100	1,206 (RMB 257)	5,820 (RMB 1,249)	-

Note 1: Other.

(Continued)

Accumulated Investment in Mainland China as of September 30, 2012 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment
\$ 1,711,952 (US\$ 53,480)	\$ 1,833,391 (US\$ 57,395)	\$ - (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	\$1,827,943	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	\$ (775,452)	(48)	\$ 32,247
		Sale	147,795	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	85,767	3	-

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

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2012

(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	September 30, 2012				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TXC Corporation	<u>Mutual fund</u>							
	Shin Kong Cross Strait Selective Fund	None	Available-for-sale financial assets	2,691	\$ 23,650	-	\$ 23,650	
	Shin Kong China Growth Fund	None	"	2,177	19,028	-	19,028	
	Cathay Bond Bund	None	"	3,000	30,419	-	30,419	
					<u>\$ 73,097</u>			
	<u>Stock</u>							
	TCTI	Subsidiary	Investment accounted for by the equity method	42,835	\$ 3,344,554	100	None	
	TXC Technology Inc.	"	"	300	12,055	100	"	
	TXC Japan Corporation	"	"	2	13,658	100	"	
	Taiwan Crystal Technology International (HK) Limited	"	"	8,014	<u>231,624</u>	100	"	
					<u>\$ 3,601,891</u>			
	Marson Technology Co., Ltd.	None	Financial assets carried at cost - noncurrent	414	\$ 3,000	5	"	
	Win Win Precision Technology Co., Ltd.	"	"	1,300	54,997	3	"	
	Dongguan Failong Dong Bong Electronic Co., Ltd.	"	"	RMB 10,096	46,478	8	"	
Power Intellect Co., Ltd.	The chairman of our corporation is the directors of this corporation	"	2,000	98,000	2	"		
Si-Time Corporation	None	"	1,750	<u>50,767</u>	1	"		
				<u>\$ 253,242</u>				

TXC CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 NINE MONTHS ENDED SEPTEMBER 30, 2012
 (In Thousands of New Taiwan Dollars or U.S. Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Equity in Net Gain (Loss) (Note)	Ending Balance	
					Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Carrying Value (Foreign Currencies in Thousands)	Gain (Loss) on Disposal (Foreign Currencies in Thousands)		Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)
TXC Corporation	Taiwan Crystal Technology International (HK) Limited	Investments accounted for using equity method	Related parties	Subsidiary	3,614	\$ 111,473	4,400	\$ 130,284	-	\$ -	\$ -	\$ -	\$ (10,133)	8,014	\$ 231,624

Note: The investment loss recognized under equity method and charge in translation adjustments included in equity in net gain (loss).

TXC CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2012
(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	\$ 1,827,943	34	Note	Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.	-	\$ (775,452)	(48)	
	NGB	Subsidiary	Sales	147,795	2	Note		-	85,767	3	

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

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 SEPTEMBER 30, 2012
 (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 September 30, 2012			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				September 30, 2012	December 31, 2011	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN SAMOA	Investment	\$ 1,390,461 (US\$ 42,835)	\$ 1,390,461 (US\$ 42,835)	42,835	100	\$ 3,344,554	\$ 282,441	\$ 279,686	Difference from upstream transactions \$2,755 thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 (US\$ 300)	9,879 (US\$ 300)	300	100	12,055	(491)	(491)	
	TXC Japan Corporation	Japan	Marketing activities	6,172 (JPY 21,000)	6,172 (JPY 21,000)	2	100	13,658	(740)	(740)	
	Taiwan Crystal Technology International (HK) Limited	Hong Kong	Investment	238,258 (US\$ 8,014)	107,974 (US\$ 3,614)	8,014	100	231,624	(3,874)	(3,874)	
TCTI	GPT	B.V.I.	International trading	1,691 (US\$ 50)	1,691 (US\$ 50)	US\$ 50	100	171,482 (US\$ 5,844)	52,789 (US\$ 1,775)	52,789 (US\$ 1,775)	
	NGB	Ningbo	Manufacture and sales of electronics products	1,487,211 (US\$ 45,835)	1,487,211 (US\$ 45,835)	US\$ 45,835	100	3,205,073 (US\$ 109,232)	229,652 (US\$ 7,725)	229,652 (US\$ 7,725)	
NGB	TXC (HK) Limited	Hong Kong	International trading	846 (HK\$ 200)	846 (HK\$ 200)	HK\$ 200	100	11,743 (RMB 2,520)	(65) (RMB 14)	(65) (RMB 14)	
	TXC (Chongqing) Corporation	Chongqing	Manufacture and sales of electronics products	156,355 (RMB 33,000)	48,072 (RMB 10,000)	RMB 33,000	40	150,868 (RMB 32,375)	(6,040) (RMB 1,288)	(2,417) (RMB 515)	
	Chongqing All Sun Company Limited	Chongqing	Market activities	312,644 (RMB 66,000)	38,458 (RMB 8,000)	RMB 66,000	100	306,634 (RMB 65,801)	(384) (RMB 82)	(384) (RMB 82)	
	Ningbo Jingyu Company Limited	Ningbo	International trading	4,807 (RMB 1,000)	4,807 (RMB 1,000)	RMB 1,000	100	5,820 (RMB 1,249)	1,206 (RMB 257)	1,206 (RMB 257)	
Taiwan Crystal Technology International (HK) Limited	TXC (Chongqing) Limited	Chongqing	Manufacture and sales of electronics products	237,844 (US\$ 8,000)	107,560 (US\$ 3,600)	US\$ 8,000	60	231,479 (US\$ 7,889)	(6,040) (RMB 1,288)	(3,623) (RMB 773)	
	TSC Europe SRL	Europe	Market activities	414 (EUR 10)	414 (EUR 10)	EUR 10	100	146 (US\$ 5)	(237) (US\$ 8)	(237) (US\$ 8)	

TXC CORPORATION

MARKETABLE SECURITIES HELD FOR ITS INVESTEES

SEPTEMBER 30, 2012

(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	September 30, 2012				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
TCTI	<u>Stock</u> GPT	Subsidiary	Investment accounted for by the equity method	US\$ 50	\$ 171,482 (US\$ 5,844)	100	None	
	TXC (Ningbo) Corporation	"	"	US\$ 45,835	3,205,073 (US\$ 109,232)	100	"	
NGB	TXC (HK) Limited	"	"	HK\$ 200	11,743 (RMB 2,520)	100	"	
	TSE Technology (Ninbo) Co., Ltd.	"	"	RMB 6,828	41,149 (RMB 8,893)	23	"	
	TXC (Chongqing) Corporation	"	"	RMB 33,000	150,868 (RMB 32,375)	40	"	
	Chongqing All Sun Co., Ltd.	"	"	RMB 66,000	306,634 (RMB 65,801)	100	"	
	Ningbo Jingyu Company Limited	"	"	RMB 1,000	5,820 (RMB 1,249)	100	"	
Taiwan Crystal Technology International (HK) Limited	TXC (Chongqing) Corporation	"	"	US\$ 8,000	231,479 (US\$ 7,889)	60	"	
	TXC Europe SRL	"	"	EUR 10	146 (US\$ 5)	100	"	

TXC CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR ITS INVESTEEES
 NINE MONTHS ENDED SEPTEMBER 30, 2012
 (In Thousands of New Taiwan Dollars or U.S. Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Equity in Net Gain (Loss) (Note)	Ending Balance	
					Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Carrying Value (Foreign Currencies in Thousands)	Gain (Loss) on Disposal (Foreign Currencies in Thousands)		Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)
NGB	TXC (Chongqing) Corporation	Investments accounted for using equity method	Related parties	Subsidiary	-	\$ 47,545	-	\$ 108,283	-	\$ -	\$ -	\$ -	\$ (4,960)	-	\$ 150,868
Taiwan Crystal Technology International (HK)Limited	TXC (Chongqing) Corporation	Investments accounted for using equity method	"	Subsidiary	-	111,056	-	130,284	-	-	-	-	(9,861)	-	231,479
NGB	Chongqing All Sun Company Limited	Investments accounted for using equity method	"	Subsidiary	-	37,896	-	274,186	-	-	-	-	(5,448)	-	306,634

Note: The investment loss recognized under equity method and charge in translation adjustments included in equity in net gain (loss).

TXC CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR ITS INVESTEEES
NINE MONTHS ENDED SEPTEMBER 30, 2012
(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	
NGB	Growing Profits Trading Ltd.	Subsidiary	Purchase	\$ 338,720	29	Note	Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.	-	\$ (25,525)	(4)	

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

TXC CORPORATION

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

SEPTEMBER 30, 2012

(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	\$ 775,452	3.61	\$ -	-	\$ 215,477 (US\$ 7,366)	\$ -

TXC CORPORATION**DERIVATIVE TRANSACTIONS OF INVESTEEES OVER WHICH THE CORPORATION HAS A CONTROLLING INTEREST****SEPTEMBER 30, 2012****(In Thousands of New Taiwan Dollars or U.S. Dollars)**

NGB entered into derivative transactions during the year ended September 30, 2012 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of September 30, 2012:

	Currency	Maturity	Contract Amount (In Thousands)
<u>September 30, 2012</u>			
Sell	USD/RMB	2012.10.30-2013.01.30	USD13,000/RMB82,826

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
NINE MONTHS ENDED SEPTEMBER 30, 2012
(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, 2012 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2012 (US\$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized (Note)	Carrying Amount as of September 30, 2012	Accumulated Inward Remittance of Earnings as of September 30, 2012
					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	\$ 1,427,630 (US\$ 44,000)	\$ -	\$ -	\$ 1,427,630 (US\$ 44,000)	100	\$ 229,652 (US\$ 7,725)	\$ 3,205,073 (US\$ 109,232)	\$ 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	4,990 (RMB 1,061)	41,149 (RMB 8,893)	-
TXC (Chongqing) Corporation	Manufacturing and sales of electronic devices and hardware components	394,199 (RMB 84,053)	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	107,560 (US\$ 3,600)	130,284 (US\$ 4,400)	-	237,844 (US\$ 8,000)	100	(6,040) (RMB 1,288)	382,347 (RMB 82,399)	-
Chongqing All Suns Company Limited	Real estate intermediary service, real estate management and electronic product wholesale	312,644 (RMB 66,000)	Other investment of the Corporation Mainland China	-	-	-	-	100	(384) (RMB 82)	306,634 (RMB 65,801)	-
Ningbo Jingyu Company Limited	Purchasing and selling electronic component	4,807 (RMB 1,000)	Other investment of the Corporation Mainland China	-	-	-	-	100	1,206 (RMB 257)	5,820 (RMB 1,249)	-

Note 1: Other.

(Continued)

Accumulated Investment in Mainland China as of September 30, 2012 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment
\$ 1,711,952 (US\$ 53,480)	\$ 1,833,391 (US\$ 57,395)	\$ - (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	\$1,827,943	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	\$ (775,452)	(48)	\$ 32,247
		Sale	147,795	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	85,767	3	-

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)