TXC Corporation and Subsidiaries

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2012		2011	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 3)	$ 1,505,747	12	$ 2,093,719	17
Financial assets at fair value through profit or loss - current (Notes 4 and 19)	31,028	-	10,535	-
Available-for-sale financial assets - current (Note 5)	73,097	-	131,612	1
Notes receivable, net (Note 6)	15,156	-	27,417	-
Accounts receivable, net (Note 6)	3,274,908	25	2,964,336	23
Net accounts receivable - related parties (Notes 6 and 20)	12,464	-	5,851	-
Other receivables (Note 22)	107,555	1	31,443	-
Other receivables - related parties, net (Note 20)	615	-	617	-
Inventories, net (Note 7)	1,678,686	13	1,311,504	11
Deferred income tax assets - current	6,379	-	10,472	-
Other current assets	89,806	1	124,065	1
Total current assets	6,795,441	52	6,711,571	53
INVESTMENTS				
Investments accounted for by the equity method (Notes 1 and 9)	41,149	-	44,044	-
Other financial assets - noncurrent (Note 19)	-	-	1,119	-
Financial assets carried at cost - noncurrent (Note 8)	253,242	2	245,445	2
Total investments	294,391	2	290,608	2
PROPERTY, PLANT AND EQUIPMENT (Notes 10 and 21)				
Cost				
Land	598,145	5	599,057	5
Land improvements	151	-	593	-
Buildings	2,074,863	16	2,163,153	17
Machinery and equipment	4,891,046	38	6,140,036	48
Transportation equipment	12,466	-	16,153	-
Office equipment	183,865	1	223,576	2
Land - revaluation increment	8,954	-	8,954	-
	7,769,490	60	9,151,522	72
Less: Accumulated depreciation	(2,510,724)	(19)	(3,817,448)	(30)
Construction-in-progress and prepayments for equipment	414,181	3	196,157	2
Total property, plant and equipment, net	5,672,947	44	5,530,231	44
INTANGIBLE ASSETS				
Land rights (Note 21)	67,375	1	16,223	-
Other intangible assets	-	-	1,419	-
Total intangible assets	67,375	1	17,642	-
OTHER ASSETS				
Assets leased to others (Notes 11 and 21)	52,799	1	110,768	1
Refundable deposits	11,795	-	2,499	-
Deferred charges	46,439	-	55,921	-
Deferred income tax assets - noncurrent	1,597	-	-	-
Other	1,189	-	10,495	-
Total other assets	113,819	1	179,683	1
TOTAL	$ 12,943,973	100	$ 12,729,735	100

	2012		2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 12)	$ 393,085	3	$ 850,656	7
Financial liabilities at fair value through profit or loss - current (Notes 4 and 19)	-	-	59,041	-
Notes payable	-	-	79,825	1
Notes payable - related parties (Note 20)	-	-	275	-
Accounts payable	1,611,436	12	1,459,947	11
Accounts payable - related parties (Note 20)	496	-	192	-
Income tax payable	69,904	1	63,267	1
Other payable - related parties (Note 20)	4	-	-	-
Accrued expenses (Note 15)	593,423	5	533,759	4
Current portion of long-term bonds (Note 13)	796,840	6	-	-
Current portion of long-term loans (Note 14)	566,039	4	266,009	2
Other current liabilities	60,663	-	153,036	1
Total current liabilities	4,091,890	31	3,466,007	27
LONG-TERM LIABILITIES				
Bonds payable (Note 13)	-	-	786,896	6
Long-term loans, net of current portion (Note 14)	1,548,503	12	1,503,792	12
Total long-term liabilities	1,548,503	12	2,290,688	18
RESERVES				
Reserve for land value increment tax (Note 10)	3,512	-	3,512	-
OTHER LIABILITIES				
Accrued pension cost	9,349	-	-	-
Deferred income tax - noncurrent	86,091	1	43,342	1
Guarantee deposits received	15,855	-	11,823	-
Total other liabilities	111,295	1	55,165	1
Total liabilities	5,755,200	44	5,815,372	46
STOCKHOLDERS' EQUITY (Note 16)				
Capital stock				
Common stock	3,022,423	23	3,022,423	24
Capital surplus	1,356,078	11	1,356,078	10
Retained earnings				
Legal reserve	749,460	6	644,438	5
Unappropriated earnings	1,953,589	15	1,640,850	13
Total retained earnings	2,703,049	21	2,285,288	18
Other equity				
Cumulative translation adjustments	134,321	1	263,520	2
Net loss no recognized at pension cost	(15,637)	-	-	-
Unrealized gains on financial instruments	(16,903)	-	(18,388)	-
Unrealized revaluation increment	5,442	-	5,442	-
Total other equity	107,223	1	250,574	2
Total stockholders' equity	7,188,773	56	6,914,363	54
TOTAL	$ 12,943,973	100	$ 12,729,735	100

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	$ 8,045,886	101	$ 7,339,908	101
Less: Sales returns	(15,434)	-	(13,841)	-
Less: Sales allowances	(83,238)	(1)	(33,300)	(1)
Net operating revenue	7,947,214	100	7,292,767	100
OPERATING COSTS	(6,122,672)	(77)	(5,477,578)	(75)
GROSS PROFIT	1,824,542	23	1,815,189	25
OPERATING EXPENSES				
Selling expenses	(337,908)	(4)	(346,631)	(5)
General and administration expenses	(270,444)	(4)	(240,635)	(3)
Research and development expenses	(310,257)	(4)	(341,332)	(5)
Total operating expenses	(918,609)	(12)	(928,598)	(13)
OPERATING INCOME	905,933	11	886,591	12
NONOPERATING INCOME AND GAINS				
Interest income	10,455	-	8,412	-
Investment income recognized under equity method (Notes 1 and 9)	4,990	-	7,235	-
Dividend income	704	-	-	-
Valuation gain on financial assets, net	31,219	-	6,657	-
Gain on disposal of property, plant and equipment	577	-	8,133	-
Gain on sale of investments	34	-	-	-
Reversal of impairment loss	-	-	4,873	-
Exchange gains	-	-	69,085	1
Miscellaneous income	39,623	1	50,060	1
Total nonoperating income and gains	87,602	1	154,455	2
NONOPERATING EXPENSES AND LOSSES				
Interest expense	(25,637)	-	(21,460)	-
Valuation loss on financial liabilities, net	-	-	(65,931)	(1)
Loss on disposal of property, plant and equipment	(354)	-	(8,597)	-
Exchange losses	(10,700)	-	-	-
Miscellaneous expenses	(5,007)	-	(13,944)	-
Total nonoperating expenses and losses	(41,698)	-	(109,932)	(1)

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	$ 951,837	12	$ 931,114	13
INCOME TAX EXPENSE	(129,320)	(2)	(141,075)	(2)
NET INCOME	$ 822,517	10	$ 790,039	11

	2012		2011	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 18)				
Basic	$ 3.02	$ 2.72	$ 2.91	$ 2.62
Diluted	$ 2.86	$ 2.58	$ 2.77	$ 2.49

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	644,807	652,291
Nonoperating loss - idle assets and lease assets	2,282	3,984
Amortization	19,395	21,732
Gain on sale of investments	(34)	-
Investment income recognized under equity method	(4,990)	(7,235)
Cash dividends received from equity method investees	10,767	-
(Gain) Loss on disposal of property, plant and equipment	(223)	464
Valuation (gain) loss on financial instruments	(31,219)	59,274
Reversal of Impairment loss	-	(4,873)
Discount on bonds payable	7,473	7,306
Deferred income tax	36,802	41,230
Net changes in operating assets and liabilities		
Notes receivable (related parties included)	15,789	(21,751)
Accounts receivable (related parties included)	(184,300)	(188,649)
Other receivable (related parties included)	(17,143)	60,024
Inventories	(518,650)	(184,331)
Other current assets	(4,303)	(182,554)
Notes payable	(73,999)	26,399
Accounts payable (related parties included)	414,436	203,626
Accrued expenses	(19,454)	(104,018)
Other payables (related parties included)	4	36
Income tax payable	10,614	(6,858)
Other current liabilities	22,520	188,526
Net cash provided by operating activities	1,153,091	1,354,662
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments at fair value through profit or loss	(426)	67,172
Acquisition of financial assets designated as at fair value through profit or loss	-	(10,500)
Acquisition of available-for-sale financial assets	(30,000)	(90,000)
Proceeds from disposal of available-for-sale financial assets	30,034	-
Acquisition of financial assets carried at cost	(7,797)	(148,767)
Acquisition of property, plant and equipment	(756,861)	(944,696)
Proceeds from disposal of property, plant and equipment	5,475	16,940
Decrease in refundable deposits	(9,333)	2,488
Increase in deferred charges	(14,558)	(36,648)
Decrease in intangible assets	50,155	-
Net cash used in investing activities	(733,311)	(1,144,011)

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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		
Increase in short-term loans	$ 32,462	$ 412,568
Increase in long-term loans	542,889	540,911
Increase in guarantee deposits received	3,515	3,107
Cash dividends	(664,933)	(740,763)
Proceeds from exercise of employee stock options	-	91,034
Net cash (used in) provided by financing activities	(86,067)	306,857
EXCHANGE INFLUENCE	(39,200)	57,648
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	294,513	575,156
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,211,234	1,518,563
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,505,747	$ 2,093,719
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 18,075	$ 20,574
Income tax paid	$ 84,564	$ 105,775
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	$ -	$ 600
Current portion of long-term debt	$ 1,362,879	$ 266,009
Reclassification of property, plant and equipment and inventory into other receivable	$ 53,331	$ -

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

			Percentage of Ownership at September 30	
Investor	**Investee**	**Business Nature**	**2012**	**2011**
TXC Corporation	Taiwan Crystal Technology International Limited (TCTI)	Investment holding	100%	100%
	TXC Technology, Inc.	Marketing activities	100%	100%
	TXC Japan Corporation	Marketing activities	100%	100%
	Taiwan Crystal Technology International (HK) Limited (TCTI-HK)	Investment holding	100%	100%
TCTI	Growing Profits Trading Ltd. (GPT)	International trading	100%	100%
	TXC (NGB) Corporation (NGB)	Manufacture and sales of electronic products	100%	100%
NGB	TXC (HK) Limited	International trading	100%	100%
	TXC (Chongqing) Corporation (Chongqing)	Manufacture and sales of electronic products	40%	30%
	Chongqing All Sun Company Limited (Chongqing All Sun)	Marketing activities	100%	100%

(Continued)

Investor	Investee	Business Nature	2012	2011
	Ningbo Jingyu Company Limited (Ningbo Jingyu)	Purchasing and selling electronic component	100%	100%
TCTI-HK	TXC (Chongqing) Corporation (Chongqing)	Manufacture and sales of electronic products	60%	70%
	TXC Europe SRL	Marketing activities	100%	-

(Concluded)

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

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

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

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

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

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

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

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

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

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

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

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

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.

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.

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.

2. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Corporation adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions 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, 2011.

3. CASH AND CASH EQUIVALENTS

	September 30 2012	September 30 2011
Cash on hand	$ 909	$ 1,375
Checking accounts and demand deposits	1,081,461	1,259,344
Time deposits	93,377	200,000
Cash equivalents		
Repurchase agreement collateralized by bonds	330,000	633,000
	$ 1,505,747	$ 2,093,719

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.

4. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments classified as held for trading were as follows:

	September 30 2012	September 30 2011
Financial assets at held for trading		
Forward exchange contracts	$ 31,028	$ 6,417
Convertible bonds	-	4,118
Asset component of unsecured domestic convertible bonds	-	1,119
Less: Non-current portion	-	(1,119)
	$ 31,028	$ 10,535
Financial liabilities at held for trading		
Forward exchange contracts	$ -	$ 59,041

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 change in fair value or cash flows.

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

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2012			
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
Sell	USD/RMB	October 30, 2012- January 30, 2013	USD13,000/RMB82,826

(Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2011			
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 22, 2011	NTD252,516/JPY690,000
Sell	USD/RMB	October 11, 2011-March 28, 2012	USD29,000/RMB185,340

(Concluded)

Net gains (loss) on financial instruments held for the nine months ended September 30, 2012 and 2011 were $31,219 thousand and $(59,274) thousand, respectively. Note 13 has more information.

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30 2012	September 30 2011
Mutual funds	$ 73,097	$ 131,612

6. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	September 30 2012	September 30 2011
Notes receivable, third parties	$ 15,189	$ 27,450
Less: Allowance for doubtful accounts	(33)	(33)
	$ 15,156	$ 27,417
Accounts receivable, third parties	$ 3,298,877	$ 2,988,720
Accounts receivable, related parties	12,565	5,851
	3,311,442	2,994,571
Less: Allowance for doubtful accounts, third parties	(23,969)	(24,384)
Allowance for doubtful accounts, related parties	(101)	-
	$ 3,287,372	$ 2,970,187

7. INVENTORIES

	September 30	
	2012	2011
Raw materials	$ 264,594	$ 259,782
Supplies and spare parts	51,726	57,274
Work in-process	319,719	242,186
Finished goods	360,656	337,874
Merchandise inventories	676,769	406,770
Goods in transit	5,222	7,618
	$ 1,678,686	$ 1,311,504

As of September 30, 2012 and 2011, the allowance for inventory devaluation was $40,791 thousand and $40,094 thousand, respectively.

The cost of inventories recognized as cost of goods sold in the nine months ended September 30, 2012 and 2011 was $6,122,672 thousand and $5,477,578 thousand, respectively, which included $9,047 thousand and $25,500 thousand due to write-downs of inventories and loss on physical inventory.

8. FINANCIAL ASSETS CARRIED AT COST

	September 30	
	2012	2011
Domestic unquoted common stocks	$ 253,242	$ 245,445

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

9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	September 30			
	2012		2011	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Unlisted companies				
TSE Technology (Ningbo) Co., Ltd.	$ 41,149	23	$ 44,044	23

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

	Nine Months Ended September 30	
	2012	2011
TSE Technology (Ningbo) Co., Ltd.	$ 4,990	$ 7,235

TSE Technology (Ningbo) Co., Ltd. distributed cash dividends in 2012. The Corporation received $10,767 thousand (RMB2,290 thousand) according to the ownership share.

10. 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	-	97	54
Buildings	2,074,863	-	414,299	1,660,564
Machinery and equipment	4,891,046	-	1,973,250	2,917,796
Transportation equipment	12,466	-	7,959	4,507
Office equipment	183,865	-	115,119	68,746
Prepayments for equipment	414,181	-	-	414,181
	$ 8,174,717	$ 8,954	$ 2,510,724	$ 5,672,947

	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	2,163,153	-	449,634	1,713,519
Machinery and equipment	6,140,036	-	3,200,507	2,939,529
Transportation equipment	16,153	-	10,071	6,082
Office equipment	223,576	-	156,723	66,853
Prepayments for equipment	192,056	-	-	192,056
Construction in progress	4,101	-	-	4,101
	$ 9,338,725	$ 8,954	$ 3,817,448	$ 5,530,231

See Note 21 for collaterals on loans.

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

11. OTHER ASSETS

Leased to Others

	September 30, 2012		
	Cost	Accumulated Depreciation	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	68,136	(17,939)	50,197
	$ 70,738	$ (17,939)	$ 52,799

	September 30, 2011		
	Cost	Accumulated Depreciation	Carrying Value
Land	$ 2,602	$ -	$ 2,602
Buildings	129,212	(21,046)	108,166
	$ 131,814	$ (21,046)	$ 110,768

Idle Assets

	Nine Months Ended September 30	
	2012	2011
Book value	$ 19,454	$ 31,012
Accumulated impairment	(19,454)	(31,012)
	$ -	$ -

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

12. SHORT-TERM LOANS

	September 30			
	2012		2011	
	Interest Rate	Amounts	Interest Rate	Amounts
Usance letters of credit	0.85-1.0	$ 151,803	0.78-1.18	$ 606,608
Working capital loans	1.03-2.23	241,282	1.26-2.16	244,048
		$ 393,085		$ 850,656

See Note 21 for details of pledged assets.

13. 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	(796,840)	-
	$ -	$ 786,896
Assets component of unsecured domestic corporate bonds	$ -	$ 1,119

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 11, 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 face value of $600 thousand had been converted into 11 thousand common shares.

14. LONG-TERM LOANS

Nature of Loans	Repayment Period	September 30 2012	September 30 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

(Continued)

Nature of Loans	Repayment Period	September 30 2012	2011
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	-
Unsecured bank loans	Repayable at maturity on July 26, 2014	200,000	-
Unsecured bank loans	Repayable at maturity on June 15, 2014	100,000	100,000
Unsecured bank loans	Repayable at maturity on August 20, 2014	100,000	-
Unsecured bank loans	Repayable at maturing on March 21, 2014	-	76,265
Unsecured bank loans	Repayable at maturity on February 27, 2013	88,026	91,518
Unsecured bank loans	Maturity on December 19, 2013, repayable in 8 quarterly installments from December 19, 2011	55,016	91,518
Less current portion		(566,039)	(266,009)
		$ 1,548,503	$ 1,503,792
Interest rate (%)		1.1%-1.8325%	0.93%-2.068%

(Concluded)

See Note 21 for collateral on long-term loans.

15. ACCRUED EXPENSES

	September 30 2012	2011
Payroll	$ 66,564	$ 60,225
Bonus	135,626	133,823
Bonus to employees, directors and supervisors	103,637	99,529
Commission	68,628	76,557
Others	218,968	163,625
	$ 593,423	$ 533,759

16. 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 an 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	(20)		(187)	
Balance, end of period	2,607	37.8	2,645	39.7
Options exercisable, end of period	2,607		893	

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 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:

	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	39,884	39,884
	$ 1,356,078	$ 1,356,078

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.

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

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

The appropriation of earnings for 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:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2011	**For Fiscal Year 2010**	**For Fiscal Year 2011**	**For Fiscal Year 2010**
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	113,317	18,886	160,674	21,423
	$ -	$ -	$ -	$ -

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.

17. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
Nine months ended September 30, 2012: None				
Nine months ended September 30, 2011				
For transfer to employees	3,000	-	(3,000)	-

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

18. EARNINGS PER SHARE

	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	$ 3.02	$ 2.72	$ 2.91	$ 2.62
Diluted earnings per share (NT$)				
From continuing operations	$ 2.86	$ 2.58	$ 2.77	$ 2.49
Income for the period	$ 2.86	$ 2.58	$ 2.77	$ 2.49

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

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

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.

19. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	September 30			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at FVTPL, current	$ 31,028	$ 31,028	$ 10,535	$ 10,535
Available-for-sale financial assets, current	73,097	73,097	131,612	131,612
Other financial asset - noncurrent	-	-	1,119	1,119
Financial assets carried at cost	253,242	-	245,445	-
Financial liabilities				
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)	2,114,542	2,114,542	1,769,801	1,769,801

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, other receivables, notes and accounts payables, accrued expenses 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 Corporation may obtain fair similar loans (eg., 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:

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	September 30		September 30	
	2012	2011	2012	2011
Assets				
Financial assets at fair value through profit or loss, current	$ -	$ 4,118	$ 31,028	$ 6,417
Available-for-sale financial assets, current	73,097	131,612	-	-
Financial assets at fair value through profit or loss, noncurrent	-	-	-	1,119
Liabilities				
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)	-	-	2,114,542	1,769,801

Valuation gains and (losses) arising from changes in fair value of financial instruments determined using valuation techniques were $31,219 thousand and $(59,274) thousand for the nine months ended September 30, 2012 and 2011, respectively.

Information about financial risks was as follows:

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

b. Credit risk: Credit risk represents the potential loss that would be incurred by the Corporation if the counter-parties breached 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.

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

d. Cash flow interest rate risk: The Corporation's short-term and long-term loans are floating-rate. When the market interest rate increases by one percentage point, the Corporation's cash outflow will increase by $25,076 thousand a year.

20. RELATED-PARTY TRANSACTIONS

The related parties and their relationships with the Corporation are as follows:

Related Party	Relationship with the Corporation
Tai-Shing Electronic Components Corporation (Tai-Shing)	Chairman is the Corporation's general manager
TSE Technology (Ningbo) Co., Ltd. (TSE Technology)	Equity-method investee
Lin, Wan Xing	The general manager of TXC

Major transactions with related parties were summarized below:

Sales

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 23,861	-	$ 21,408	-

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

Purchases

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 20	-	$ 8	-
TSE Technology	705	-	500	-
	$ 725	-	$ 508	-

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

Other Expense

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
Tai-Shing	$ 180	-	$ 948	-

Consulting Revenue

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TSE Technology	$ 1,290	3	$ 1,242	2

Rent Income

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TSE Technology	$ 2,286	6	$ 1,981	3

Commission Revenue

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total Account Balances	Amount	% to Total Account Balances
TSE Technology	$ -	-	$ 4,108	-

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

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	-
Other receivable	TSE	$ 615	-	$ 617	-
Notes payable	Tai-Shing	$ -	-	$ 275	-
Accounts payable	Tai-Shing	$ 257	-	$ -	-
	TSE	239	-	192	-
		$ 496	-	$ 192	-
Accrued expenses	Tai-Shing	$ 4	-	$ -	-

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

Property Transactions

In the nine months ended September 30, 2012 and 2011, the Corporation purchased the computer from Tai-Shing for $383 thousand and $346 thousand, respectively.

Endorsement/Guarantee Provided

As of September 30, 2012, Lin, Wan Xing was a Joint guarantor for parts loans of NGB.

21. PLEDGED ASSETS

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

	September 30	
	2012	**2011**
Land	$ 573,770	$ 258,076
Buildings, net	1,511,027	990,331
Leased to others	31,405	103,030
Intangible asset - land rights	15,248	16,223
	$ 2,131,450	$ 1,367,660

22. 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
Construction of building	RMB 1,158	RMB -	RMB 1,158
Purchase mechanical and equipment	RMB 5,878	RMB -	RMB 5,878
Purchase mechanical and electrical engineering	US$ 3,872	US$ -	US$ 3,872
Purchase machinery and equipment	JPY 71,320	JPY 57,056	JPY 14,264
Purchase machinery and equipment	NT$ 108,938	NT$ 53,366	NT$ 55,571
Purchase machinery and equipment	EUR 990	EUR 297	EUR 693

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.

23. SUBSEQUENT EVENTS

None.

24. OPERATING SEGMENT FINANCIAL INFORMATION

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

Crystal and others.

a. Segment revenues and results

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

	Segment Revenue		Segment Profit	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Crystal	$ 7,905,227	$ 7,289,061	$ 912,220	$ 890,955
Others	41,987	3,706	(6,287)	(4,364)
	$ 7,947,214	$ 7,292,767	905,933	886,591
Investment income recognized under equity method			4,990	7,235
Interest income			10,455	8,412
(Gain) loss on disposal of property, plant and equipment			223	(464)
Exchange (loss) gain			(10,700)	69,085
Valuation gain (loss) on financial instruments			31,219	(59,274)
Other nonoperating income and gains			35,354	40,989
Interest expense			(25,637)	(21,460)
Income before tax			$ 951,837	$ 931,114

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the nine months ended September 30, 2012 and 2011.

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

b. Revenue from major products and services

	2012	2011
Crystal	$ 7,905,227	$ 7,289,061
Others	41,987	3,706
	$ 7,947,214	$ 7,292,767

Due to the amounts of segment assets and liabilities not enable the chief operating decision maker for purpose of resource allocation and assessment, the information is not disclosed.

c. Geographical information

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

	Revenue from External Customers		Noncurrent Assets	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Taiwan	$ 7,439,792	$ 6,833,694	$ 3,403,335	$ 3,358,970
China	491,596	444,338	2,443,175	2,365,071
Others	15,826	14,735	6,034	3,515
	$ 7,947,214	$ 7,292,767	$ 5,852,544	$ 5,727,556

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

Major Customer Information

Major customer did not account for 10% or more of sales in the nine months ended September 30, 2012 and 2011.

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

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)
Financial assets						
Monetary items						
USD	$ 120,073	29.342	$ 3,523,184	$ 106,310	30.506	$ 3,243,106
JPY	374,779	0.3783	141,779	431,597	0.3977	171,646
RMB	128,769	4.6271	601,178	69,154	4.8004	331,966
Investment accounted for by entity method						
RMB	8,893	4.6271	41,149	9,174	4.8004	44,044
Financial liabilities						
Monetary items						
USD	35,864	29.342	1,052,318	42,905	30.506	1,308,859
JPY	1,283,112	0.3783	485,401	1,933,573	0.3977	768,982
RMB	40,718	4.6271	190,100	90,435	4.8004	434,125

26. INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS: TABLE 1 (ATTACHED).

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

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

a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidances translated by the ARDF and issued by the FSC. To comply with this framework, the Corporation has set up a project team and made a plan to adopt the IFRSs. The main contents of the plan, anticipated schedule and status of execution as of June 30, 2012 were as follows

Contents of Plan	Responsible Department	Status of Execution
1) Establish the IFRSs taskforce	Office of the chairman	Completed
2) Identify differences between the existing accounting policies and IFRSs	Finance and accounting	Completed
3) Identify consolidated entities under IFRSs	Finance and accounting	Completed
4) Evaluate potential effect to business operations	Finance and accounting	Completed
5) Complete the evaluation of resources and budget needed for IFRSs adoption	Finance and accounting	Completed
6) Internal IFRSs training for employees - First stage	Finance and accounting	Completed
7) Determine IFRSs accounting policies	Finance and accounting	Completed
8) Assessment of the impact of each exemption and option under IFRSs	Finance and accounting, office of the president	Completed
9) Assessment of changes required in the information system and internal control related to adoption of IFRSs	Finance and accounting	Completed
10) Develop financial statement template under IFRSs	Finance and accounting	Completed
11) Complete evaluation, configuration and testing of the IT systems	Finance and accounting, information technology	Completed
12) Communicate with related parties on the impact of IFRSs adoption	Office of the chairman	In progress

(Continued)

Contents of Plan	Responsible Department	Status of Execution
13) Internal IFRSs training for employees - second stage	Finance and accounting	In progress
14) Complete the preparation of the statement of financial position by opening date under IFRSs	Finance and accounting	Completed
15) Complete the manual of the IFRSs accounting policies and internal control	Finance and accounting, office of the president	In progress

(Concluded)

b. As of June 30, 2012, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs and their effects were as follows:

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

Item	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Assets				
Deferred income tax assets - current	$ 3,542	$ (3,542)	$ -	6) a)
Intangible assets	117,530	(99,745)	17,785	6) e), 6) h)
Long-term prepayments	-	126,599	126,599	6) g)
Long-term prepaid rent	-	117,530	117,530	6) h)
Deferred charges	53,910	(53,910)	-	6) e)
Property, plant and equipment	5,689,646	(99,428)	5,590,218	6) e), 6) g), 5) a)
Deferred income tax assets - noncurrent	1,659	11,728	13,387	6) a), 6) b), 6) c)
Liabilities				
Accrued expenses	612,877	18,588	631,465	6) b)
Accrued pension cost	9,349	14,412	23,761	6) c)
Reserve for land value increment tax	3,512	(3,512)	-	5) a)
Stockholders' equity				
Cumulative translation/foreign currency adjustments translation reserve	264,763	(264,763)	-	5) c)
Retained earnings	2,545,465	224,312	2,769,777	5) b), 5) c), 6) b), 6) c), 4
Unrealized revaluation increment	5,442	(5,442)	-	5) a)
Net loss not recognized as pension cost	(15,637)	15,637	-	5) b), 6) c)

2) Reconciliation of consolidated balance sheet items as of September 30, 2012

Item	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Assets				
Deferred income tax assets - current	$ 6,379	$ (6,379)	$ -	6) a)
Intangible assets	67,375	(54,306)	13,069	6) e), 6) h)
Long-term prepaid rent	-	67,375	67,375	6) h)
Long-term prepayments	-	414,181	414,181	6) g)
Deferred charges	46,439	(46,439)	-	6) e)
Property, plant and equipment	5,672,947	(389,765)	5,283,182	6) e), 6) g), 5) a)
Deferred income tax assets - noncurrent	1,597	14,522	16,119	6) a), 6) b), 6) c)
Liabilities				
Accrued expenses	593,423	18,033	611,456	6) b)
Accrued pension cost	9,349	14,412	23,761	6) c)
Reserve for land value increment tax	3,512	(3,512)	-	5) a)
Stockholders' equity				
Cumulative translation/foreign currency adjustments translation reserve	134,321	(264,763)	(130,442)	5) c)
Retained earnings	2,703,049	224,824	2,927,873	5) b), 5) c), 6) b), 6) c), 4
Unrealized revaluation increment	5,442	(5,442)	-	5) a)
Net loss not recognized as pension cost	(15,637)	15,637	-	5) b), 6) c)

3) Reconciliation of consolidated statement of comprehensive income items for the nine months ended September 30, 2012

Item	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Operating expenses	$ (918,609)	$ 778	$ (917,831)	6) b), 6) d)
Others	45,904	(223)	45,681	6) d)
Income tax expense	(129,320)	(43)	(129,363)	6) b)

4) Special reserve at the date of transition to IFRSs

In accordance with the order VI-1010012865 issued by FSC on April 6, 2012, at the first-time adoption of IFRSs, in case an entity elects to use exemption option specified in IFRS 1 and resets unrealized revaluation increment and cumulative translation differences in stockholders' equity to zero by a credit to retained earnings, the same amount from retained earnings will be transferred to special reserve provided that such amount is less than the aggregate amount of IFRS adjustments. If the amount of retained earnings brought by IFRSs adjustments at the first-time adoption of IFRS is less than the total of revaluation increment and cumulative translation differences, the amount transferred to special reserve is limited to the amount of retained earnings from IFRS adjustments. The special reserve will be reversed proportionally as the related assets are used, disposed of or reclassified to other accounts. The Corporation appropriated $224,312 thousand, the increase in retained earnings from all IFRSs adjustments at the first-time adoption of IFRSs, to special reserve.

5) Exemptions from IFRS 1

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

a) Cost recognitions

At the date of transition to IFRSs, the Group should measure property, plant and equipment and intangible properties at cost in accordance with IFRSs. The relevant regulations should be retrospectively adopted.

As of January 1, 2012 and September 30, 2012, the amounts reclassified from land - revaluation increment were $8,954 thousand to reserve for land value increment tax were $3,512 thousand and unrealized revaluation increment $5,442 thousand, respectively.

b) Employee benefits

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

c) Cumulative translation differences:

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

6) Notes to the reconciliation of the significant differences

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

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

Under ROC GAAP, a deferred tax asset and liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset and liability is classified as noncurrent asset or liability.

As of September 30, 2012 and January 1, 2012, the amounts reclassified from current deferred income tax assets to non-current assets were $6,379 thousand and $3,524 thousand, respectively.

b) Employee benefits - accumulated compensated absences

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

As of September 30, 2012 and January 1, 2012, the IFRS adjustment increased accrued expenses by $18,033 thousand and $18,588 thousand, respectively; deferred income tax assets - noncurrent increased by $3,035 thousand and $3,078 thousand, respectively. Retained earnings decreased by $14,998 thousand and $15,510 thousand, respectively. Salaries and income tax expense for the nine months ended September 30, 2012 decreased by $555 thousand and increased by $43 thousand, respectively.

c) Employee benefits-defined benefit plans

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

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

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

At the transition date, the Group performed the actuarial valuation under IAS No. 19 - "Employee Benefits," and recognized the valuation difference directly in retained earnings under the requirement of IFRS 1. As of September 30, 2012 and January 1, 2012, the IFRSs adjustment increased accrued pension cost by $14,412 thousand, decreased net loss not recognized as pension cost $15,637 thousand, increased deferred income tax assets - noncurrent $5,108 thousand, and decreased retained earnings by $24,941 thousand, respectively. Pension cost did not have effect on the nine months ended September 30, 2012.

d) The reclassification of line items in the consolidated statement of comprehensive income

Under IFRSs, based on the nature of operating transactions, gain on disposal of property, plant and equipment of $223 thousand was reclassified to operating expenses.

e) The classification of deferred charges

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

As of September 30, 2012, the amounts reclassified from deferred charges to property, plant and equipment and intangible assets were $33,370 thousand and $13,069 thousand, respectively. As of January 1, 2012, the amounts reclassified from deferred charges to property, plant and equipment and intangible assets were $36,125 thousand and $17,785 thousand, respectively.

f) The classification of investment property

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

g) Prepayments for equipment

Under IFRSs, prepayments for equipment should be classified to other assets. As of September 30, 2012 and January 1, 2012, the amounts were $414,181 thousand and $126,599 thousand, respectively.

h) Land use rights

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

As of September 30, 2012 and January 1, 2012, the amounts reclassified from land use rights to other current assets and prepayments - noncurrent were $67,375 thousand and $117,530 thousand, respectively.

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

TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Nine months ended September 30, 2012

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC Technology, Inc.	1	Sales	$ 1,753	-	-
				Consulting expense	37,420	-	-
				Accounts receivable	742	-	-
				Accrued expenses	13	-	-
				Other expense	194	-	-
		TXC Japan Corporation	1	Sales	1,260	-	-
				Purchase	10,572	-	-
				Consulting expense	39,023	-	-
				Accounts payable	2,861	-	-
				Other expense	79	-	-
		TXC (NGB) Corporation	1	Purchase	1,827,943	-	23
				Sales	147,795	-	2
				Accounts receivable	85,767	-	1
				Accounts payable	775,452	-	6
				Other receivable	89,887	-	1
		Growing Profits Trading Ltd.	1	Purchase	84,427	-	1
				Accounts payable	43,817	-	-
		Ninbo Jingyu Company Limited	1	Purchase	23,017	-	-
				Accounts payable	1,019	-	-
1	TXC (NGB) Corporation	Growing Profits Trading Ltd.	3	Purchase	338,720	-	4
				Accounts payable	25,525	-	-
		Ninbo Jingyu Company Limited	3	Sales	35,473	-	-
				Accounts receivable	15,497	-	-
				Rent revenue	42	-	-

(Continued)

Nine months ended September 30, 2011

No.	Company Name	Counter Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	TXC Corporation	TXC Technology, Inc.	1	Sales	$ 966	-	-
				Consulting expense	33,515	-	-
				Accounts receivable	493	-	-
		TXC Japan Corporation	1	Sales	6,859	-	-
				Purchase	11,720	-	-
				Consulting expenses	36,170	-	1
				Other expense	133	-	-
				Accrued expense	77	-	-
				Accounts payable	2,977	-	-
		TXC (NGB) Corporation	1	Purchase	1,783,422	-	24
				Sales	75,804	-	1
				Accounts receivable	55,016	-	-
				Accounts payable	751,483	-	6
				Other expense	104	-	-
				Other receivable	406	-	1
		TXC (H.K.) Limited	1	Sales	120	-	-
		Growing Profits Trading Ltd.	1	Purchase	16,163	-	-
				Accounts payable	16,657	-	-
1	Growing Profits Trading Ltd.	TXC (NGB) Corporation	3	Sales	117,493	-	2
				Accounts receivable	70,693	-	1
2	TXC (NGB) Corporation	TXC (H.K.) Limited	3	Sales	859	-	-
		TXC (Chongqing) Corporation	3	Other receivable	9,848	-	-
				Receipts advance	48,348	-	-

Note 1: 1. The transaction is between TXC Corporation and subsidiaries.
3. The transaction is between subsidiaries and subsidiaries.

Note 2: In the nine months ended September 30, 2010, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, GPT, and TXC (HK) Limited, those related parties are divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.

(Concluded)