

Meeting Handbook 2010

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TXC Corporation

Agenda for 2010 General Meeting of Shareholders

1. Time: 09:30am 15 June (Tuesday), 2010

2. Venue: Taipei Lin Garden Shuang - Xi hall (2F 1 Section 6, Chungshan North Road, Shilin District, Taipei City)

3. Opening

4. Reports

- (1) Report on operation in 2009 and plans for the future.
- (2) Report on Auditors' examination of 2009 final accounts.
- (3) Report on issuance of third unsecured convertible bond in Taiwan.

5. Matters of concurrence

- (1) Concurrence for 2009 final accounts.
- (2) Concurrence for 2009 surplus allocation.

6. Discussions and election

- (1) Adoption of surplus recapitalization.
- (2) Adoption of revision of certain articles of the company charter.
- (3) Amended Regulations for Guaranty.
- (4) Amended Operation Procedure for Fund Loan to Other Parties.
- (5) Proposal to elect new directors and supervisors'.
- (6) Proposal to release the restrictions to the new elected directors to operate competitive business.

7. Ad Hoc Motions

8. Dismissal

Reports

Report (1)

Subject: Report on operation in 2009 and future plans.

Explanation:

1. The company registered a sales revenue of NTD6,557,116 thousand in 2009, an increase of 0.15% over 2008. The consolidated revenue of NTD 7,727,524 thousand in 2009, an increase of 4.97% over 2008. ; The net profit after tax is NTD782,223 thousand, an decrease of 17.82% over the previous year.
2. The sales report and the related final account already published in the meeting handbook annexes 1 and 3.
3. We prudently predict that sales will continue to grow in 2010 and with improvement of yield rate, launching of high-end products, and contributions by new customers and new projects, sustained growth in sales and profits is expected.

Consolidate Operation Analysis for Jan.-Mar. 2010 Unit: Thousand NTD

Item	2010.03.31	2009.03.31	Growth Rate
Sales Revenue	2,112,528	1,393,786	51.6%
Sales Cost	1,580,933	1,120,509	41.1%
Sales Gross Profit	531,595	273,277	94.5%
Gross Profit Rate	25.2%	19.6%	28.6%
Operating Expense	257,055	177,962	44.4%
Operating income	274,540	95,315	188.0%
Non-sales Revenue (expenditure)	110	(16,196)	100.7%
Profit/loss before tax	274,650	79,119	247.1%
Income tax (expense) benefits	(61,648)	(9,899)	522.8%
Profit/loss after tax	213,002	69,220	207.7%

Report (2)

Subject: Report on Auditors' examination of final accounts for 2009.

Explanation:

1. The final account for 2009 has been certified by accountants Gōng shuāng xióng and Yang Qingzhen of Deloitte and Touche and adopted by the Board of Directors meeting and duly examined by the auditors with the examination report published in Annex 2 of the meeting handbook.
2. Auditors are invited to read out the examination report.

Report (3)

Subject: Report on third issuance of unsecured convertible bond in Taiwan.

Explanation:

1. To meet operation demand for capacity expansion and to improve financial structure through conservation of interest, the Company issued the third unsecured convertible bond on 11 November, 2010 amounting to NTD800 million only and issued a total of 8,000 shares with a par value of NTD100,000 only.

單位：新台幣仟元

Plan Item	Complete Date	Capex Total Amount	Scheduled time of funds					
			2010				2011	
			Q1	Q2	Q3	Q4	Q1	Q2
Factory	100.03.31	250,000	30,000	50,000	50,000	50,000	70,000	
Equipment	100.06.30	550,000		50,000	150,000	150,000	100,000	100,000
sum		800,000	30,000	100,000	200,000	200,000	170,000	100,000

2、The practical implementation of the case so far：

單位：新台幣仟元

Plan Item	Status of implementation		2010 Q1	2010 Up to Q1	The reason of Ahead or behind schedule And improvement plan
	Amount	Percentage			
Factory	Amount	Forecast	30,000	30,000	Contract signed for the date slightly later than the original booking due until the second quarter, after signing the contract, the company paid another related plant engineering section.
		Actual	0	0	
	Percentage	Forecast	12.00%	12.00%	
		Actual	0.00%	0.00%	
Equipment	Amount	Forecast	—	—	On schedule.
		Actual	—	—	
	Percentage	Forecast	—	—	
		Actual	—	—	
sum	Amount	Forecast	30,000	30,000	
		Actual	—	—	
	Percentage	Forecast	3.75%	3.75%	
		Actual	0.00%	0.00%	

Matters of concurrence

Matters of concurrence (1)

Presented by Board of Directors

Subject: Concurrence for final accounts of 2009.

Explanation:

- 1.Refer to Annex (1) and (3) in the meeting handbook regarding the report on operation in 2009 and the financial statement.
2. Foregoing Assets/Liabilities Statement, Profit and Loss Statement, Shareholders Equities Changes and Cash Flow Report, etc. (including the consolidated reports) have been duly examined by accountants and adopted by the second session of the board of directors meetings in 2010 with the business report submitted to the auditors for due examination (Auditors' examination report is published in Annex 2 of the meetings handbook.)
- 3.You are invited for concurrence.

Resolution:

Matters of concurrence (2)

Presented by Board of Directors

Subject: Concurrence of surplus allocation in 2009.

Explanation :

- 1.Surplus in 2009 was allocated in accordance with article 19 of the company charter.
- 2.The company's net profit after tax in 2009was NTD782,222,564 and the unallocated surplus at the beginning of the year and deduct the appropriation of legal reserve amounting, the balance available surplus for allocation was NTD1,293,237,874; we plan to allocate to shareholders bonus amounting to NTD633,395,484, leaving the year-end unallocated surplus at NTD659,842,390.
- 3.We plan to allocate the Shareholder bonus in stock at 20 shares per 1000 shares and in cash at NTD2 per share.
- 4.As of 22 April, 2010, the number of shares circulated outside was 287,907,037shares (deduct the treasure stock 3,000,000 shares); the shareholders' meeting authorized the board of directors to make changes accordingly due to change in stock allocation after conversion of convertible bonds and implementation of employee warrant.
- 5.The surplus allocation table is shown below:

TXC Corporation
Profit distribution for 2009

unit : NTS\$

Item	Amount	
	Sub-total	Sum
Beginning period undistributed profits		589,237,566
plus : Available distributed profit for current year Net profit after tax for this year	782,222,564	
minus :		
Appropriate legal reserve (10%)	(78,222,256)	
Profits available for distribution		1,293,237,874
Items of distribution :		
Shareholder bonus—transfer raising capital share appropriate (\$0.2 per share)	(57,581,410)	
Shareholder bonus—cash (\$2 per share)	(575,814,074)	
Total of distribution		(633,395,484)
End period of undistributed profits		659,842,390
Reference:		
Employee bonus—cash	71,168,032	
Directors and supervisor remuneration—cash	7,116,803	

Note 1. Calculation for issuance of stock dividend and cash dividend is based on the number of shares in circulation externally (as of April 22, 2010, the number of shares in circulation externally after deducting 3,000 thousand treasury stocks is 287,907,037 shares.)

2. Difference in the planned allocation amount from expense for employee bonus and surplus in the 2009 financial statement is due to difference in the number of shares in circulation externally and is calculated at NT\$916,785. This variation will be adjusted in 2010. In the event of further variation in amount at the resolution date of the shareholders meeting shall be handled in accordance with accounting estimation and will be adjusted in the account book in 2010.

Resolution:

Discussions and elections

Discussions and elections (1)

Presented by Board of Directors

Subject: Plans for surplus recapitalization, you are invited to concur.

Explanation:

1. Plans for surplus recapitalization with shareholder bonus of NTD57,581,410 for issuance of 5,758,141 new shares.
2. That is allocation for free 20 shares per 1000 shares. Shareholders are required to make up the decimal shares into whole shares and go to Yuanta Securities for handling within 5 days from the base day; decimal shares unable to make whole shares will be allocated in cash up to NTD1 according to the par value (less than NTD1 will be deleted) and the Chairman is authorized to have specified shareholders to buy the shares at par value.
4. The number of shares circulating outside at April 22, 2010 is 287,907,037 shares and after conversion of corporate bond and transference of treasury stocks to employees and affect circulation outside and changes happened to stock dividend, the shareholders general meeting will authorize the board of directors to handle matters of change.
5. The shareholders' meeting will authorize the board of directors with full discretion on issuance and allocation of stock and recapitalization plan if the applicable laws and decrees of the competent organ changes or the objective environment changes or if needed in reality.
6. You are invited to concur.

Resolution:

Discussions and elections (2) Directors

Presented by Board of

Subject: Plans for revision of certain articles of the company charter. You are invited to concur.

Explanation:

1. In consideration of overall operation, it is planned to revise Article 7 of Chapter 2, Article 11 of Chapter 3 , Article 14-1 of Chapter 4 , Article 19 of Chapter 6 and certain items of Article 22 of annex of Chapter 7.
2. Table of comparison for revised articles vs original articles of the company charter as follows:

Comparison of Revision for Corporate Rules

Article	Content of Revised Article	Content of Original Article	Reason for revision
Article 7	When new shares are issued, these shares are registered and should be signed and sealed by at least three directors and should be approved by the law. The company is permitted not to print shares, which is non-physical issuing, and should register in Centralized Securities Depository Enterprises.	Shares of the company are registered and should be signed and sealed by at least three directors and should be approved by the law. The company should comply with article 162-1 of corporate law to print shares with large face value or comply with article 162-2 of corporate law not to print shares.	To be revised in accordance with the need of operation
Article 11	Shareholders of the company with one share carry one voting right, except for conditions of article 179 of corporate law, including restricted shares or shares without voting rights.	Shareholders of the company with one share carry one voting right. But for those incurred in conditions of article 179 of corporate law carry no voting right.	To be revised in accordance with the need of regulation
Article 14-1	To hold the board of director, the company should indicate matters and inform all the directors and supervisors by mail, E-mail or fax prior to 7 days of the conference. But, as urgent matters are occurred, the company can hold the conference immediately.		To be revised in accordance with the need of regulation and actual requirement
Article 19	<p>If the company has surplus after the end of annual account settlement, the surplus should be used to pay tax to cover previous deficit. Then, 10% is allocated as legal reserve if accumulated legal reserve is not over amount of paid-in capital. The company should allocate certain capital as special reserve then allocate the rest for the following circumstance.</p> <p>(1) Employee bonus must not be less than 3%.</p> <p>(2) Reward for directors and supervisors must not be over 2%.</p> <p>(3) The rest of surplus consolidated with accumulated retained earning is regarded as shareholder bonus and be distributed according to resolving of shareholders' meeting after proper retention for operational purpose.</p> <p>Board of directors should set up the criteria to select proper gainer of employee bonus, which includes employees of subsidiaries who meet</p>	<p>If the company has surplus after the end of annual account settlement, the surplus should be used to pay tax to cover previous deficit. Then, 10% is allocated as legal reserve if accumulated legal reserve is not over amount of paid-in capital. The company should allocate certain capitals as special reserve then allocate the rest for the following circumstance.</p> <p>The rest of surplus consolidated with accumulated retained earning should be properly retained in terms of operational purpose.</p> <p>The residual capital allocated based on the following proportion will be drafted as distribution proposal. This proposal should be discussed in shareholders' meeting.</p> <p>(1) Employee bonus must not be less than 3%.</p> <p>(2) Reward for directors and supervisors must not be over 2%.</p> <p>(3) Shareholder bonus comes from the entire amount after deducting employee bonus and reward for directors and</p>	To be revised in accordance with the need of the policy of employees' expensed bonus

	certain criteria.	supervisors for the year. Board of directors should set up the criteria to select proper gainer of employee bonus, which includes employees of subsidiaries who meet certain criteria.	
Article 22	The article was set up on the 6 th of December in 1983. The 28 th revision was set up on the 16 th of June in 2009. The 29 th revision was set up on the 15 th of June in 2010	The article was set up on the 6 th of December in 1983. The 28 th revision was set up on the 16 th of June in 2009.	Add revision

3. Refer to Annex 4 of the meeting handbook for the company charter before the revision.
4. You are invited to concur.

Resolution:

Discussions and elections (3)

Presented by Board of Directors

Subject: Amended Regulations for Guaranty. You are invited to concur.

Explanation:

1. In response to expansion of operation and accommodate the applicable law of the competent organ, plan to revise portions of the Regulations for Guaranty.
2. Attached " Regulations for Guaranty " table amendments are as follows.
3. Refer to Annex 5 in the meeting handbook for Regulations for Guaranty before the revision.
4. You are invited to concur.

Comparison of revised article of "Regulations for Guaranty"

Article	Content of Revised Article	Content of Original Article	Reason for revision
Article 2	The company can make endorsement and guarantee for the following companies: (1) A company with which it does business (2) A company in which that the company directly or indirectly hold more than 50% of the voting rights (3) A company that directly or indirectly hold more than 50% of the voting shares The company can endorse and	The company can make endorsement and guarantee for the following companies: (1) A company with which it does business (2) A company in which that the company directly or indirectly hold more than 50% of the voting rights (3) A company that directly or indirectly hold more than 50% of the voting shares Based on the purpose of undertaking	To be revised in accordance with Regulations Regarding Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies

	<p>guarantee subsidiaries with more than 90% of direct and indirect voting shares. The amount must not exceed 10% of net value of the company. But, the preceding article is not restricted for wholly owned subsidiaries.</p> <p>Based on the purpose of undertaking a construction project, the company in the same industry or joint builder can make endorsement and guarantee for each other. Moreover, all the invested shareholders, with the mutual investment relationship, are not limited to the preceding two paragraphs and can endorse and guarantee the invested companies according to the investment ratio. The preceding word "invested" means that the company makes direct or indirect investment through wholly owned subsidiaries.</p>	<p>a construction project, the company in the same industry or joint builder can make endorsement and guarantee for each other. Moreover, all the invested shareholders, with the mutual investment relationship, are not limited to the preceding two paragraphs and can endorse and guarantee the invested companies according to the investment ratio. The preceding word "invested" means that the company makes direct or indirect investment through wholly owned subsidiaries.</p>	
Article 4	<p>The amount of Endorsement and Guarantee</p> <p>The amount of endorsement and guarantee of the company must not exceed 100% of its current net value. For a single enterprise, the amount must not exceed 5% of its current net value. For wholly owned subsidiaries of the company, the amount can be more than 50% of its current net value, but the company should explain the necessity and rationality in the shareholders' meeting. The current net value is based on data in the latest financial report audited by accountants.</p> <p>The definition of subsidiary is based on the Statements of Financial Accounting Standards No.5 and No.7 published by Accounting Research and Development Association of the Republic of China</p> <p>For those companies with which the company does business, in addition to the preceding regulation, the amount of endorsement and guarantee is limited to the mutual business transaction. The term "business transaction" means the order amount or shipment amount, whichever is higher.</p> <p>When the company needs to</p>	<p>The amount of Endorsement and Guarantee</p> <p>The amount of endorsement and guarantee for the company must not exceed 100% of its current net value. For single enterprise, the amount must not exceed 5% of its current net value. For wholly owned subsidiaries of the company, the amount can be up to 50% of its current value. The current net value is based on data in the latest financial report audited by accountants.</p> <p>The definition of subsidiary is based on the Statements of Financial Accounting Standards No.5 and No.7 published by Accounting Research and Development Association of the Republic of China</p> <p>For those companies with which the company does business, in addition to the preceding regulation, the amount of endorsement and guarantee is limited to the mutual business transaction. The term "business transaction" means the order amount or shipment amount, whichever is higher.</p>	To be revised in accordance with Regulations Regarding Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies

	<p>exceed the limits set out in the operational procedures for endorsement and guarantee to satisfy its business requirements, it should hold the board of directors and ask for attendance of two-thirds directors and have agreement of one-second of attendant directors. Then, the company can revise the operational procedures then report it to shareholders' meeting. If shareholders' meeting disagrees the revision, the company should set up a plan to eliminate the amount which goes beyond the limit.</p> <p>If an endorsed and guaranteed company, which its net value is less than one-second of its paid-up capital, is the subsidiary of the company, the company should establish related follow-up methods of management and control.</p> <p>If any matter of the company is modified so that the endorsed and guaranteed company does not meet this regulation, the company should set up improvement plan then report it to supervisors and carry it out based on schedule.</p>	<p>When the company needs to exceed the limits set out in the operational procedures for endorsement and guarantee to satisfy its business requirements, it should hold the board of directors and ask for attendance of two-thirds directors and have agreement of one-second of attendant directors. Then, the company can revise the operational procedures then report it to shareholders' meeting. If shareholders' meeting disagrees the revision, the company should set up a plan to eliminate the amount which goes beyond the limit.</p> <p>If any matter of the company is modified so that the endorsed company does not meet this regulation, the company should set up improvement plan then report it to supervisors and carry it out based on schedule.</p>	
Article 8	<p>The endorsed and guaranteed items of the fully owned subsidiary should be approved by its board of directors and the procedures should be operated before reporting to the board of directors of the company. But, for more than 90% owned subsidiary, it should report the proposal to the board of director to the company before making endorsement and guarantee.</p> <p>Subsidiaries should comply with the regulation to set up operational procedures of endorsement and guarantee and carry it out based on the procedure.</p>	<p>The endorsed and guaranteed items of the subsidiary should be approved by its board of directors and the procedures should be operated before reporting to the board of directors of the company.</p> <p>Subsidiaries should comply with the regulation to set up operational procedures of endorsement and guarantee and carry it out based on the procedure.</p>	To be revised in accordance with Regulations Regarding Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies

Resolution:

**Discussions and elections (4)
Directors**

Presented by Board of

Subject: Amended Operation Procedure for Fund Loan to Other Parties. You are invited to concur.

Explanation:

1. In response to expansion of operation and accommodate the applicable law of the competent organ, plan to revise portions of the Operation Procedure for Fund Loan to Other Parties.
2. Attached " the Operation Procedure for Fund Loan to Other Parties " table amendments are as follows.
3. Refer to Annex 6 in the meeting handbook for Operation Procedure for Fund Loan to Other Parties before the revision.
4. You are invited to concur.

Comparison of revised article of "Operational Procedures for Making Loans to Others"

Article	Content of Revised Article	Content of Original Article	Reason for revision
Article 8	<p>If the subsidiary of the company plans to loan funds to others, it should report to its board of directors to acquire approval. The subsidiary should comply with the regulation to set up operational procedures for loaning funds to others and make endorsement and guarantee according to the procedure.</p> <p>On the basis of preceding regulation, loaning between the company and parent company, loaning between the company and subsidiary or loaning between subsidiaries should be reported to the board of directors to resolve. Besides, the company can authorize chairman to loan specific limit to an identical company in sequence or employ recurrently.</p> <p>Specific limit represents empowered limit of loaning funds that the company or its subsidiaries make must not exceed 10% of net value of the company shown in the latest financial report.</p>	<p>If the subsidiary of the company plans to loan funds to others, it should report to its board of directors to acquire approval. The subsidiary should comply with the regulation to set up operational procedures for loaning funds to others and make endorsement and guarantee according to the procedure.</p>	<p>To be revised in accordance with Regulations Regarding Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies</p>

Resolution:

**Discussions and elections (5)
Directors**

Presented by Board of

Subject: Proposal to elect new directors and supervisors’.

Explanation :

1. Tenure of this year’s directors and auditors will expire on 12 June,2010 and shall be re-elected according to the law; the shareholders’ meeting will elect 9 directors (including 2 independent directors) and 3 auditors in accordance with the company charter and the tenure of the former directors and auditors will continue until new directors and auditors are elected.
2. The newly elected directors and auditors shall assume office immediately upon election

- and the tenure will be from 15 June, 2010 to 14 June, 2013 for a period of 3 years.
3. Refer to Annex 7 of the meeting handbook for the candidates list for independent directors and their education background, work experience and holdings of the number of stock.

Resolution:

Discussion (6)

Presented by Board of Directors

Subject: Plan for waiving restrictions on prohibition of competition among the newly elected directors and auditors. You are invited to concur.

Explanation :

1. In accordance with Article 209 of the company law, directors should explain to the shareholders' meeting on his/her behalf or others on conduct of competition within company business scope and obtain permission; plans to get endorsement of the board of directors to waive prohibition on competition
2. All newly elected directors of this year have the necessity of competition on his/her behalf or other persons regarding competition within the company business scope, plans to have the endorsement of the shareholders' meeting on waiving prohibition on competition by appointed representatives of directors and legal directors.
3. You are invited to concur.

Resolution:

Other proposals and motions.

Dismissal

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying balance sheets of TXC Corporation (the "Corporation") as of December 31, 2009 and 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

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

As stated in Note 3 to the financial statements, the Accounting Research and Development

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

We have also audited the consolidated financial statements of TXC Corporation and subsidiaries as of December 31, 2009 and 2008, and expressed modified unqualified opinion with explanatory paragraphs on such financial statements.

March 8, 2010

Notice to Readers

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

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

TXC CORPORATION

BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Tairwan Dollars)

	2009		2008	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,055,100	12	\$ 552,242	7
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	1,621	-	28,593	-
Available-for-sale financial assets - current (Notes 2 and 6)	-	-	120,049	1
Notes receivable, net (Notes 2 and 7)	2,279	-	39,709	1
Accounts receivable, net (Notes 2 and 7)	2,074,745	24	2,020,735	25
Accounts receivable - related parties, net (Notes 2, 7 and 25)	37,057	-	13,235	-
Other receivable	164,739	2	17,667	-
Other receivable - related party (Note 25)	124,788	2	-	-
Inventories, net (Notes 2 and 8)	709,374	8	692,037	9
Other current assets (Notes 2, 21 and 25)	110,919	1	55,537	1
Total current assets	4,278,622	49	3,539,804	44
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	3,000	-	3,000	-
Investments accounted for by the equity method (Notes 2 and 10)	2,152,212	25	1,899,741	23
Total long-term investments	2,155,212	25	1,902,741	23
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 26)				
Cost				
Land	273,496	3	273,496	3
Land improvements	593	-	593	8
Buildings	1,056,013	12	611,579	8
Machinery and equipment	2,931,750	34	2,963,491	37
Transportation equipment	2,557	-	2,557	-
Miscellaneous equipment	114,142	2	108,676	1
Land - revaluation increment	8,954	-	8,954	-
Cost and revaluation increment	4,387,505	51	3,969,346	49
Less accumulated depreciation	(2,167,140)	(25)	(1,788,760)	(22)
Construction in progress and prepayments for equipment	27,459	-	412,008	5
Total property, plant and equipment	2,247,824	26	2,592,594	32
INTANGIBLE ASSETS				
Deferred pension cost (Notes 2 and 18)	7,947	-	7,947	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 12)	7,091	-	7,215	-
Idle assets (Notes 2 and 12)	2,941	-	3,336	-
Refundable deposits	3,915	-	3,705	-
Deferred charges	7,729	-	5,923	-
Deferred income tax assets - noncurrent (Notes 2 and 21)	-	-	27,981	1
Total other assets	21,676	-	48,160	1
TOTAL	\$ 8,711,286	100	\$ 8,091,246	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 13)	\$ 416,200	5	\$ 156,543	2
Short-term bills payable (Note 14)	-	-	100,000	1
Notes payable (Note 25)	52,711	1	40,694	1
Accounts payable	660,535	7	466,243	6
Accounts payable - related parties (Note 25)	319,957	4	221,022	3
Income tax payable (Note 21)	59,504	1	64,928	1
Accrued expenses (Notes 17 and 25)	311,484	3	313,156	4
Liability component of convertible bonds - current (Notes 2 and 15)	331	-	-	-
Bonds payable - current portion (Notes 2 and 15)	3,711	-	3,711	-
Current portion of long-term loans (Note 16)	177,250	2	119,273	1
Other current liabilities	11,218	-	8,341	-
Total current liabilities	2,012,901	23	1,490,000	18
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 15)	-	-	49,685	1
Long-term debt (Note 16)	692,437	8	911,656	11
Liability component of convertible bonds - noncurrent (Notes 2 and 15)	-	-	4,556	-
Total long-term liabilities	692,437	8	965,877	12
RESERVES				
Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	8,117	-	4,494	-
Deferred income tax liabilities - noncurrent	73,128	1	2,049	-
Deferred credits - gain on inter-company transactions (Notes 2 and 10)	263	-	-	-
Total other liabilities	81,508	1	6,543	-
Total liabilities	2,790,358	32	2,465,932	30
STOCKHOLDERS' EQUITY (Note 19)				
Capital stock	2,873,409	33	2,716,981	34
Common stock	13,863	-	-	-
Advance receipts for common stock	2,887,272	33	2,716,981	34
Total capital stock	1,168,416	13	1,092,215	14
Capital surplus	447,198	5	352,016	4
Retained earnings	1,371,460	16	1,356,164	17
Legal reserve	1,818,658	21	1,708,180	21
Unappropriated earnings	-	-	-	-
Total retained earnings	168,373	2	229,680	3
Other equity (Note 2)	-	-	49	-
Combinative translation adjustments	5,442	-	5,442	-
Unrealized gains on financial instrument	(127,233)	(1)	(127,233)	(2)
Treasury stock (Notes 2 and 20)	46,582	1	107,938	1
Total other equity	5,920,928	68	5,625,314	70
Total stockholders' equity	\$ 8,711,286	100	\$ 8,091,246	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 8, 2010)

TXC CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$ 6,614,490	101	\$ 6,618,657	101
LESS: SALES RETURNS	(22,423)	-	(20,914)	-
LESS: SALES ALLOWANCES	<u>(34,951)</u>	<u>(1)</u>	<u>(50,403)</u>	<u>(1)</u>
NET OPERATING REVENUE	6,557,116	100	6,547,340	100
OPERATING COSTS	<u>5,290,904</u>	<u>81</u>	<u>5,012,786</u>	<u>76</u>
GROSS PROFIT	1,266,212	19	1,534,554	24
UNREALIZED INTER-COMPANY GAIN	(263)	-	(2,049)	-
REALIZED INTER-COMPANY GAIN	<u>2,049</u>	<u>-</u>	<u>3,691</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,267,998</u>	<u>19</u>	<u>1,536,196</u>	<u>24</u>
OPERATING EXPENSES				
Selling expenses	316,429	5	328,647	5
General and administrative expenses	140,807	2	168,610	3
Research and development expenses	<u>258,557</u>	<u>4</u>	<u>268,959</u>	<u>4</u>
Total operating expenses	<u>715,793</u>	<u>11</u>	<u>766,216</u>	<u>12</u>
OPERATING INCOME	<u>552,205</u>	<u>8</u>	<u>769,980</u>	<u>12</u>
NONOPERATING INCOME AND GAINS				
Interest income	4,288	-	11,574	-
Investment income recognized under equity method	367,076	6	312,043	5
Gain on disposal of property, plant and equipment	1,960	-	124	-
Gain on sale of investments, net	3,221	-	-	-
Exchange gain	244,414	4	421,713	7
Reversal of impairment loss	-	-	1,821	-
Valuation gain on financial assets, net	1,621	-	24,283	-
Valuation gain on financial liabilities, net	-	-	2,279	-
Miscellaneous income	<u>19,970</u>	<u>-</u>	<u>17,148</u>	<u>-</u>
Total nonoperating income and gains	<u>642,550</u>	<u>10</u>	<u>790,985</u>	<u>12</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	12,143	-	24,728	1
Loss on sale of investments, net	-	-	1,546	-

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
Loss on disposal of property, plant and equipment	5,120	-	4,222	-
Exchange losses	252,498	4	479,234	7
Impairment loss	3,249	-	-	-
Miscellaneous expenses	<u>10,195</u>	<u>-</u>	<u>759</u>	<u>-</u>
Total nonoperating expenses and losses	<u>283,205</u>	<u>4</u>	<u>510,489</u>	<u>8</u>
INCOME BEFORE INCOME TAX	911,550	14	1,050,476	16
INCOME TAX EXPENSE (Notes 2 and 21)	<u>(129,327)</u>	<u>(2)</u>	<u>(98,659)</u>	<u>(1)</u>
NET INCOME	<u>\$ 782,223</u>	<u>12</u>	<u>\$ 951,817</u>	<u>15</u>
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 3.20</u>	<u>\$ 2.75</u>	<u>\$ 3.71</u>	<u>\$ 3.36</u>
Diluted	<u>\$ 3.19</u>	<u>\$ 2.73</u>	<u>\$ 3.66</u>	<u>\$ 3.31</u>

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

(With Deloitte & Touche audit report dated March 8, 2010)

(Concluded)

TXC CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)**

	Capital Stock			Retained Earnings			Others Equity				Total
	Capital Stock	Advance Receipts for Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Unrealized Revaluation Increment	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Treasury Stock		
BALANCE, JANUARY 1, 2008	\$ 2,402,435	\$ 13,091	\$ 1,014,499	\$ 238,045	\$ 1,331,819	\$ 5,442	\$ 462	\$ 111,374	\$ -	\$ 5,117,167	
Appropriation of 2007 earnings	-	-	-	113,971	(113,971)	-	-	-	-	-	
Legal reserve	-	-	-	(238,627)	(238,627)	-	-	-	-	-	
Stock dividends	238,627	-	-	-	(477,254)	-	-	-	-	(477,254)	
Cash dividends	-	-	-	-	(16,270)	-	-	-	-	(16,270)	
Bonus to directors and supervisors	-	-	-	-	(81,350)	-	-	-	-	(81,350)	
Bonus to employees - (including \$40,675 thousand paid in stock)	40,675	-	-	-	-	-	-	-	-	(40,675)	
Conversion of convertible bonds	35,244	(13,091)	-	-	-	-	-	-	-	22,153	
Equity component of convertible bonds	-	-	77,716	-	-	-	-	-	-	77,716	
Net income for the year ended December 31, 2008	-	-	-	-	951,817	-	-	-	-	951,817	
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(413)	-	-	(413)	
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	118,306	-	118,306	
Acquisition of treasury stock - 3,000 thousand shares	-	-	-	-	-	-	-	-	(127,233)	(127,233)	
BALANCE, DECEMBER 31, 2008	2,716,981	-	1,092,215	352,016	1,356,164	5,442	49	229,680	(127,233)	5,625,314	
Appropriation of 2008 earnings	-	-	-	95,182	(95,182)	-	-	-	-	-	
Legal reserve	-	-	-	(134,349)	(134,349)	-	-	-	-	-	
Stock dividends	134,349	-	-	-	(537,396)	-	-	-	-	(537,396)	
Cash dividends	-	-	-	-	-	-	-	-	-	-	
Bonus to employees	21,795	-	38,904	-	-	-	-	-	-	60,699	
Conversion of convertible bonds	284	13,863	37,297	-	-	-	-	-	-	51,444	
Net income for the year ended December 31, 2009	-	-	-	-	782,223	-	-	-	-	782,223	
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	(49)	-	-	(49)	
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(61,307)	-	(61,307)	
BALANCE, DECEMBER 31, 2009	\$ 2,873,409	\$ 13,863	\$ 1,168,416	\$ 447,198	\$ 1,371,460	\$ 5,442	\$ -	\$ 168,373	\$ (127,233)	\$ 5,920,928	

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

(With Deloitte & Touche audit report dated March 8, 2010)

TXC CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 782,223	\$ 951,817
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	608,490	551,095
Nonoperating loss - idle assets and lease assets	9,576	519
Amortization	10,802	41,371
(Reversal of) provision for doubtful accounts	(1,833)	794
Provision for loss on inventories	34,172	23,264
Loss on physical inventory	224	565
(Gain) loss on sale of investments	(3,221)	1,546
Cash dividends received from equity method investees	53,293	80,045
Investment income recognized under equity method	(367,076)	(312,043)
Gain on disposal of property, plant and equipment	(1,960)	(124)
Loss on disposal of property, plant and equipment	5,120	4,222
Valuation gain on financial instruments, net	(1,621)	(26,562)
Impairment loss (gain)	3,249	(1,821)
Unrealized gross profit	263	2,049
Realized gross profit	(2,049)	(3,691)
Discount on bonds payable	1,245	4,746
Deferred income tax	69,729	32,630
Net changes in operating assets and liabilities		
Notes receivable	37,620	(27,118)
Accounts receivable	(76,189)	65,652
Inventories	(51,733)	(87,796)
Other receivables	(271,860)	-
Other current assets	(24,002)	16,754
Notes payable	12,217	(28,279)
Accounts payable	293,227	(242,986)
Accrued expenses	59,027	114,889
Income tax payable	(5,424)	(19,021)
Other current liabilities	2,877	(2,179)
Net cash provided by operating activities	<u>1,176,386</u>	<u>1,140,338</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments as at fair value through profit or loss	30,620	(14,624)
Acquisitions of available-for-sale financial assets	(860,000)	(210,000)
Proceeds from disposal of available-for-sale financial assets	981,194	180,906
Acquisition of investments accounted for by equity method	-	(242,985)
Acquisition of property, plant and equipment	(337,612)	(1,170,213)
Proceeds from disposal of property, plant and equipment	58,426	-
(Increase) decrease in refundable deposits	(210)	3,879
Increase in deferred charges	(12,608)	(28,875)

(Continued)

TXC CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
Net cash used in investing activities	<u>(140,190)</u>	<u>(1,481,912)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	259,657	(118,714)
(Decrease) increase in short-term bills payable	(100,000)	100,000
Redemption of convertible bonds	-	(87,900)
Proceeds from long-term debt	-	840,000
Repayment of long-term debt	(161,222)	(207,273)
Increase in guarantee deposits received	3,623	-
Cash dividends	(537,396)	(477,254)
Cash bonus to directors, supervisors and employees	-	(56,945)
Cash paid for acquisition of treasury stock	<u>-</u>	<u>(127,233)</u>
Net cash used in financing activities	<u>(535,338)</u>	<u>(135,319)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	500,858	(476,893)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>552,242</u>	<u>1,029,135</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,053,100</u>	<u>\$ 552,242</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest \$2,402 thousand and \$5,275 thousand)	<u>\$ 13,390</u>	<u>\$ 30,963</u>
Income tax paid	<u>\$ 65,023</u>	<u>\$ 85,049</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	<u>\$ 49,800</u>	<u>\$ 99,000</u>
Acquisition of long-term equity investments through payment in the form of machinery	<u>\$ -</u>	<u>\$ 15,060</u>

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

(With Deloitte & Touche audit report dated March 8, 2010)

(Concluded)

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of TXC Corporation as of and for the year ended December 31, 2009, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TXC Corporation and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TXC CORPORATION

By

PAUL LIN
Chairman

March 8, 2010

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying consolidated balance sheets of TXC Corporation and subsidiaries (the "Corporation") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

As stated in Note 3 to the consolidated financial statements, the Accounting Research and Development Foundation (ARDF) issued Interpretation 2007-052, that required companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriation from earnings.

March 8, 2010

Notice to Readers

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

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

TXC CORPORATION AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)**

ASSETS	2009		2008	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,566,608	17	\$ 842,805	10
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	1,621	-	28,878	-
Available-for-sale financial assets - current (Notes 2 and 6)	-	-	120,049	2
Notes receivable, net (Notes 2 and 7)	2,279	-	39,709	1
Accounts receivable, net (Notes 2, 7 and 24)	2,465,921	26	2,222,426	25
Other receivable	172,366	2	17,693	-
Inventories, net (Notes 2 and 8)	836,512	9	902,447	10
Other current assets (Notes 2 and 20)	129,871	1	94,400	1
Total current assets	\$ 5,175,178	55	\$ 4,268,407	49
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	3,000	-	3,000	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 25)				
Cost				
Land	273,496	3	273,496	3
Land improvements	593	-	593	-
Buildings	1,490,449	16	1,165,060	13
Machinery and equipment	4,859,927	51	4,660,747	53
Transportation equipment	13,024	-	11,647	-
Miscellaneous equipment	185,453	2	184,679	2
Land - revaluation increment	8,954	-	8,954	-
Less accumulated depreciation	6,831,896	72	6,305,176	71
Construction-in-progress and prepayments for equipment	(2,829,720)	(30)	(2,284,177)	(26)
	107,636	1	417,825	5
Property, plant and equipment, net	\$ 4,109,812	43	\$ 4,438,824	50
INTANGIBLE ASSETS				
Land right (Note 25)	16,547	-	17,395	-
Deferred pension cost (Notes 2 and 17)	7,947	-	7,947	-
Other	789	-	825	-
Total intangible assets	25,283	-	26,167	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 11)	116,818	1	7,215	-
Idle assets (Notes 2 and 11)	2,941	-	3,336	-
Refundable deposits	5,290	-	5,205	-
Deferred charges	26,392	1	21,124	-
Deferred income tax assets - noncurrent (Notes 2 and 20)	-	-	27,981	1
Total other assets	151,441	2	64,861	1
TOTAL	\$ 9,464,714	100	\$ 8,801,259	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 12)	\$ 581,154	6	\$ 612,499	7
Short-term bills payable (Note 13)	-	-	100,000	1
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	782	-	-	-
Notes payable (Note 24)	52,711	1	40,494	1
Accounts payable (Note 24)	1,211,113	13	706,742	8
Income tax payable (Note 20)	79,288	1	65,048	1
Accrued expenses (Notes 16 and 24)	392,091	4	359,724	4
Liability component of convertible bonds - current (Notes 2 and 14)	331	-	-	-
Bonds payable - current portion (Notes 2 and 14)	3,711	-	119,273	1
Current portion of long-term loans (Note 16)	225,295	2	22,908	-
Other current liabilities	19,427	-	-	-
Total current liabilities	\$ 2,565,903	27	\$ 2,026,688	23
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 14)	-	-	49,685	1
Long-term debt (Note 15)	892,625	9	1,086,472	12
Liability component of convertible bonds - noncurrent (Notes 2 and 14)	-	-	4,556	-
Total long-term liabilities	\$ 892,625	9	\$ 1,140,713	13
RESERVES				
Reserve for land value increment tax (Notes 2 and 10)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	8,618	-	5,032	-
Deferred tax liability - noncurrent (Notes 2 and 20)	73,128	1	-	-
Total other liabilities	\$ 81,746	1	\$ 5,032	-
STOCKHOLDERS' EQUITY (Note 18)				
Total liabilities	\$ 3,543,786	37	\$ 3,175,945	36
Capital stock				
Common stock	2,873,409	31	2,716,981	31
Advanced receipts for common stock	13,863	-	-	-
Total capital stock	\$ 2,887,272	31	\$ 2,716,981	31
Capital surplus	1,092,215	12	1,092,215	13
Retained earnings	447,198	5	352,016	4
Legal reserve	1,371,460	14	1,356,164	15
Unappropriated earnings	1,818,658	19	1,708,180	19
Total retained earnings	168,373	2	229,680	3
Other equity (Note 2)	-	-	5,442	-
Cumulative translation adjustments	(127,233)	(1)	(127,233)	(2)
Unrealized gains on financial instruments	46,582	1	107,938	1
Treasury stock	-	-	-	-
Total other equity	\$ 5,920,928	63	\$ 5,625,314	64
Total stockholders' equity	\$ 9,464,714	100	\$ 8,801,259	100
TOTAL	\$ 9,464,714	100	\$ 8,801,259	100

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

(With Deloitte & Touche audit report dated March 8, 2010)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$ 7,787,188	101	\$ 7,432,999	101
LESS: SALES RETURNS	(22,423)	-	(20,914)	-
LESS: SALES ALLOWANCES	<u>(37,241)</u>	<u>(1)</u>	<u>(50,434)</u>	<u>(1)</u>
NET OPERATING REVENUE	7,727,524	100	7,361,651	100
OPERATING COSTS	<u>5,823,114</u>	<u>75</u>	<u>5,345,864</u>	<u>73</u>
GROSS PROFIT	<u>1,904,410</u>	<u>25</u>	<u>2,015,787</u>	<u>27</u>
OPERATING EXPENSES				
Selling expenses	350,553	5	375,285	5
General and administrative expenses	233,871	3	220,607	3
Research and development expenses	<u>316,011</u>	<u>4</u>	<u>317,353</u>	<u>4</u>
Total operating expenses	<u>900,435</u>	<u>12</u>	<u>913,245</u>	<u>12</u>
OPERATING INCOME	<u>1,003,975</u>	<u>13</u>	<u>1,102,542</u>	<u>15</u>
NONOPERATING INCOME AND GAINS				
Interest income	5,435	-	13,648	-
Gain on disposal of property, plant and equipment	2,017	-	124	-
Gain on sale of investments	3,221	-	-	-
Exchange gain	258,297	3	459,356	6
Valuation gain on financial assets, net	1,621	-	24,552	-
Valuation gain on financial liabilities, net	-	-	2,279	-
Miscellaneous income	<u>27,415</u>	<u>1</u>	<u>30,867</u>	<u>1</u>
Total nonoperating income and gains	<u>298,006</u>	<u>4</u>	<u>530,826</u>	<u>7</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	30,539	1	38,203	1
Loss on disposal of property, plant and equipment	10,112	-	5,531	-
Loss on sale of investments, net	-	-	1,546	-
Exchange losses	260,125	4	520,500	7
Impairment loss	11,364	-	4,252	-
Valuation loss on financial liabilities	806	-	-	-
Miscellaneous expenses	<u>20,600</u>	<u>-</u>	<u>7,447</u>	<u>-</u>
Total nonoperating expenses and losses	<u>333,546</u>	<u>5</u>	<u>577,479</u>	<u>8</u>

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	968,435	12	1,055,889	14
INCOME TAX EXPENSE (Notes 2 and 20)	<u>(186,212)</u>	<u>(2)</u>	<u>(104,072)</u>	<u>(1)</u>
NET INCOME	<u>\$ 782,223</u>	<u>10</u>	<u>\$ 951,817</u>	<u>13</u>
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 3.40</u>	<u>\$ 2.75</u>	<u>\$ 3.73</u>	<u>\$ 3.36</u>
Diluted	<u>\$ 3.38</u>	<u>\$ 2.73</u>	<u>\$ 3.68</u>	<u>\$ 3.31</u>

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

(With Deloitte & Touche audit report dated March 8, 2010)

(Concluded)

TXC CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)**

	Capital Stock			Capital Surplus	Retained Earnings		Others Equity			Treasury Stock	Total
	Capital Stock	Advance Receipts for Common Stock			Legal Reserve	Unappropriated Earnings	Unrealized Revaluation Increment	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments		
BALANCE, JANUARY 1, 2008	\$ 2,402,435	\$ 13,091	\$ 1,014,499	\$ 238,045	\$ 1,331,819	\$ 5,442	\$ 462	\$ 111,374	\$ -	\$ 5,117,167	
Appropriation of 2007 earnings	-	-	-	113,971	(113,971)	-	-	-	-	-	
Legal reserve	238,627	-	-	-	(238,627)	-	-	-	-	(477,254)	
Stock dividends	-	-	-	-	(477,254)	-	-	-	-	(16,270)	
Cash dividends	-	-	-	-	(16,270)	-	-	-	-	(40,675)	
Bonus to directors and supervisors	-	-	-	-	(81,350)	-	-	-	-	-	
Bonus to employees - (including \$40,675 thousand paid in stock)	40,675	-	-	-	(81,350)	-	-	-	-	-	
Conversion of convertible bonds	35,244	(13,091)	-	-	-	-	-	-	-	22,153	
Equity component of convertible bonds	-	-	77,716	-	-	-	-	-	-	77,716	
Net income for the year ended December 31, 2008	-	-	-	-	951,817	-	(413)	-	-	951,817	
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(413)	
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	118,306	-	118,306	
Acquisition of treasury stock - 3,000 thousand shares	-	-	-	-	-	-	-	-	(127,233)	(127,233)	
BALANCE, DECEMBER 31, 2008	2,716,981	-	1,092,215	352,016	1,356,164	5,442	49	229,680	(127,233)	5,625,314	
Appropriation of 2008 earnings	-	-	-	95,182	(95,182)	-	-	-	-	-	
Legal reserve	134,349	-	-	-	(134,349)	-	-	-	-	(537,396)	
Cash dividends	-	-	-	-	(537,396)	-	-	-	-	(60,699)	
Bonus to employees	21,795	-	38,904	-	-	-	-	-	-	-	
Conversion of convertible bonds	284	13,863	37,297	-	-	-	-	-	-	51,444	
Net income for the year ended December 31, 2009	-	-	-	-	782,223	-	-	-	-	782,223	
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(49)	-	-	(49)	
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(61,307)	-	(61,307)	
BALANCE, DECEMBER 31, 2009	\$ 2,872,409	\$ 13,863	\$ 1,168,416	\$ 447,198	\$ 1,371,460	\$ 5,442	\$ -	\$ 168,373	\$ (127,233)	\$ 5,920,928	

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 8, 2010)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 782,223	\$ 951,817
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	809,844	689,908
Nonoperating loss - idle assets and lease assets	18,324	2,470
Amortization	17,079	46,663
Provision for doubtful accounts	625	2,407
Provision for loss on inventories	34,709	23,845
Loss on physical inventory	224	565
(Gain) loss on sale of investments	(3,221)	1,546
Loss on disposal of property, plant and equipment	8,095	5,407
Valuation gain on financial instruments, net	(815)	(26,831)
Impairment loss	11,364	4,252
Discount on bonds payable	1,245	4,746
Deferred income tax	69,729	32,630
Net changes in operating assets and liabilities		
Notes receivable	37,620	(27,118)
Accounts receivable	(244,310)	(23,715)
Inventories	31,002	(180,185)
Other receivable	(154,673)	-
Other current assets	(4,092)	24,868
Notes payable	12,217	(28,279)
Accounts payable	504,371	(273,359)
Accrued expenses	93,066	105,952
Income tax payable	14,240	(18,901)
Other current liabilities	(3,480)	(18,365)
Net cash provided by operating activities	<u>2,035,386</u>	<u>1,300,323</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments as at fair value through profit or loss	30,904	(14,624)
Acquisitions of available-for-sale financial assets	(860,000)	(210,000)
Proceeds from disposal of available-for-sale financial assets	981,194	180,906
Acquisitions of property, plant and equipment	(673,990)	(1,799,985)
Increase in intangible assets	(167)	-
Proceeds from disposal of property, plant and equipment	5,034	1,302
(Increase) decrease in refundable deposits	(85)	3,878
Increase in deferred charges	(21,972)	(36,871)
Net cash used in investing activities	<u>(539,082)</u>	<u>(1,875,394)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(31,345)	127,898

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	2009	2008
(Decrease) increase in short-term bill payable	(100,000)	100,000
Redemption of convertible bonds	-	(87,900)
Increase (decrease) in guarantee deposits received	3,586	(573)
(Decrease) increase in long-term loans	(87,825)	807,563
Cash bonus to directors and supervisors	-	(56,945)
Cash dividends	(537,396)	(477,254)
Cash paid for acquisition of treasury stock	<u>-</u>	<u>(127,233)</u>
Net cash (used in) provided by financing activities	<u>(752,980)</u>	<u>285,556</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(19,521)</u>	<u>(12,144)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	723,803	(301,659)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>842,805</u>	<u>1,144,464</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,566,608</u>	<u>\$ 842,805</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest \$2,402 thousand and \$15,167 thousand)	<u>\$ 32,267</u>	<u>\$ 58,241</u>
Income tax paid	<u>\$ 123,413</u>	<u>\$ 90,462</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	<u>\$ 49,800</u>	<u>\$ 99,000</u>

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

(With Deloitte & Touche audit report dated March 8, 2010)

(Concluded)