

Meeting Handbook 2011

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TXC Corporation

Agenda for 2011 General Meeting of Shareholders

1. Time: 09:30am 10 June (Friday), 2011

2. Location: No.4, Kung Yeh 6th Rd., Ping Cheng Industrial District, Ping Cheng City 324, Tao Yuan Hsien

3. Opening

4. Statement by the President

5. Reports

- (1) Report on operation in 2010 and plans for the future.
- (2) Report on Auditors' examination of 2010 final accounts.
- (3) Report on capital use of third unsecured convertible bond in Taiwan.
- (4) Stipulating the "Ethical Corporate Management Best Practice Principles"

6. Matters of concurrence

- (1) Concurrence for 2010 final accounts.
- (2) Concurrence for 2010 surplus allocation.

7. Discussions

- (1) Proposal of surplus recapitalization
- (2) Proposal for release of the non-competition restrictions on Institutional Directors

8. Ad Hoc Motions

9. Dismissal

Reports

Report (1)

Subject: Report on operation in 2010 and future plans.

Explanation:

1. The company registered a sales revenue of NTD8,156,933 thousand in 2010, an increase of 24.4% over 2009. The consolidated revenue of NTD 9,650,594 thousand in 2010, an increase of 24.9% over 2009. ; The net profit after tax is NTD1,190,178 thousand, an increase of 52.2% 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 2011 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. 2011 Unit: Thousand NTD

Item	2011.03.31	2010.03.31	Growth Rate
Sales Revenue	2,321,729	2,112,528	9.9%
Sales Cost	1,746,124	1,580,933	10.4%
Sales Gross Profit	575,605	531,595	8.3%
Gross Profit Rate	24.8%	25.2%	-1.6%
Operating Expense	301,490	257,055	17.3%
Operating income	274,115	274,540	-0.2%
Non-sales Revenue (expenditure)	(1,410)	110	-1,181.82%
Profit/loss before tax	272,705	274,650	-0.7%
Income tax (expense) benefits	(35,277)	(61,648)	42.8%
Profit/loss after tax	237,428	213,002	11.5%

Report (2)

Subject: Report on Auditors' examination of final accounts for 2010.

Explanation:

1. The final account for 2010 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 Appendix 2 of the meeting handbook.
2. Auditors are invited to read out the examination report.

Report (3)

Subject: Report on capital use 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 January, 2010 amounting to NTD800 million only and issued a total of 8,000 shares with a par value of NTD100,000 only.

Unit: Thousand NTD

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 :

Unit: Thousand NTD

Plan Item	Status of implementation		2011 Up to Q1	The reason of Ahead or behind schedule And improvement plan
	Amount	Forecast		
Factory	Amount	Forecast	250,000	The plan has been executed on schedule
		Actual	257,222	
	Percentage	Forecast	100.00	
		Actual	102.89	
Equipment	Amount	Forecast	450,000	Due to excellent acceptance of equipments, accumulated accounts are faster than expectation and therefore the plan has been executed completely.
		Actual	545,121	
	Percentage	Forecast	81.82	
		Actual	99.11	
sum	Amount	Forecast	700,000	The plan has been completed in advanced in the first quarter of 2011, and it has been approved by the authorities.
		Actual	802,343	
	Percentage	Forecast	87.5	
		Actual	100.29	

Report (4)

Subject: Stipulating the “Ethical Corporate Management Best Practice Principles”

Explanation:

1. To meet corporate governance and business needs, the Company stipulated the “Ethical Corporate Management Best Practice Principles”.
2. Attached the “Ethical Corporate Management Best Practice Principles”, for details, please view Appendix (4)

Matters of concurrence

Matters of concurrence (1)

Presented by Board of Directors

Subject: Concurrence for final accounts of 2010.

Explanation:

1. Refer to Appendix (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 2011 with the business report submitted to the auditors for due examination (Auditors’ examination report is published in Appendix 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 2010.

Explanation :

1. The company’s net profit after tax in 2010 was NTD1,190,178,481 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 NTD1,731,003,023; we plan to allocate to shareholders bonus amounting to NTD800,023,975, leaving the year-end unallocated surplus at NTD930,979,048.
2. We plan to allocate the Shareholder bonus in stock at 20 shares per 1000 shares and in cash at NTD2.5 per share.
3. Afterwards, if the convertible bond is converted into common stocks or the company purchases back the treasury stocks so that stock dividend ratio and cash dividend ratio is changed, it is supposed to propose shareholders' meeting to authorize the chairman to handle relative matters.
4. The surplus allocation table is shown below:

TXC Corporation
Profit distribution for 2010

unit : NTD

Item	Amount	
	Sub-total	Sum
Beginning period undistributed profits		659,842,390
plus : Available distributed profit for current year Net profit after tax for this yea	1,190,178,481	
minus :		
Appropriate legal reserve (10%)	(119,017,848)	
Profits available for distribution		1,731,003,023
Items of distribution :		
Shareholder bonus—transfer raising capital share appropriate (\$0.2 per share)	(59,261,030)	
Shareholder bonus—cash (\$2 per share)	(740,762,945)	
Total of distribution		(800,023,975)
End period of undistributed profits		930,979,048
Reference:		
Employee bonus—cash	160,674,099	
Directors and supervisor remuneration—cash	21,423,213	

Note 1. Calculation for issuance of stock dividend and cash dividend is based on the number of shares in circulation externally (as of April 11, 2011, the number of shares in circulation externally after transferring employee stock option and deducting 3,000 thousand treasury stocks is 296,305,178 shares; In the end of 2010, the number of shares is 297,183,178 shares) Afterwards, if the convertible bond is converted into common stocks or the company purchases back the treasury stocks so that stock dividend ratio and cash dividend ratio is changed, it is supposed to propose shareholders' meeting to authorize the chairman to handle relative matters.

2. There is no difference between the planned allocation amount from expense for employee bonus and surplus in the 2010 financial statement. So, no adjustment for income and loss is required.

Resolution:

Discussions and elections

Discussions (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 NTD59,261,030 for issuance of 5,926,103 new shares (NTD 10 per share).
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.
3. Afterwards, if the convertible bond is converted into common stocks or the company purchases back the treasury stocks so that stock dividend ratio and cash dividend ratio is changed, it is supposed to propose shareholders' meeting to authorize the chairman to handle relative matters.
4. New issuance of shares brings the same rights and obligations with original shares.
5. After the plan is recognized by shareholders' meeting and approved by the authorities, the board of directors is authorized to amend the base day for dividend.
6. 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.
7. You are invited to concur.

Resolution:

Discussions and elections (2)

Presented by Board of Directors

Subject: Proposal for release of the non-competition restrictions on Institutional Directors. You are invited to concur.

Explanation:

1. According to Article 209 of Corporate Law, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. The reason a director of the company who does anything for himself or on behalf of another person that is within the scope of the company's business is due to investment relationship of the company and participation of important business decision within invested companies. According to relative law, it is presented in shareholders' meeting to resolve for release of non-competition restrictions on institutional directors. For details regarding post of the directors, please view Appendix (5).
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, 2010 and 2009, 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, 2010 and 2009, 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. 10 "Accounting for Inventories".

We have also audited the consolidated financial statements of TXC Corporation and subsidiaries as of December 31, 2010 and 2009, and expressed unqualified and modified unqualified opinion with explanatory paragraphs on such financial statements.

March 9, 2011

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, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,156,233	11	\$ 1,053,100	12	Short-term loans (Note 13)	\$ 379,828	4	\$ 416,200	5
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	58,168	1	1,621	-	Notes payable (Note 24)	53,701	1	52,711	1
Available-for-sale financial assets - current (Notes 2 and 6)	56,764	1	-	-	Accounts payable	636,528	6	660,535	7
Notes receivable, net (Notes 2 and 7)	1,513	-	2,279	-	Accounts payable - related parties (Note 24)	360,751	3	319,957	4
Accounts receivable, net (Notes 2 and 7)	2,311,988	22	2,074,745	24	Income tax payable (Note 20)	56,139	1	59,504	1
Accounts receivable - related parties, net (Notes 2, 7 and 24)	13,030	-	37,057	-	Accrued expenses (Notes 17 and 24)	532,695	5	311,484	3
Other receivable	80,732	1	164,739	2	Liability component of convertible bonds - current (Notes 2 and 14)	-	-	331	-
Other receivable - related party (Note 24)	22,621	-	124,788	2	Bonds payable - current portion (Notes 2 and 14)	-	-	3,711	-
Inventories, net (Notes 2, 3 and 7)	939,852	9	709,374	8	Current portion of long-term loans (Note 15)	196,500	2	177,250	2
Other current assets (Notes 2, 20 and 24)	19,306	-	110,919	1	Other current liabilities	12,900	-	11,218	-
Total current assets	<u>4,660,207</u>	<u>45</u>	<u>4,278,622</u>	<u>49</u>	Total current liabilities	<u>2,229,042</u>	<u>22</u>	<u>2,012,901</u>	<u>23</u>
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	96,678	1	3,000	-	Bonds payable (Notes 2 and 14)	780,179	8	-	-
Investments accounted for by the equity method (Notes 2 and 9)	2,542,079	25	2,152,217	25	Long-term debt (Note 15)	762,938	7	692,437	8
Other financial assets - noncurrent (Notes 2 and 14)	8,011	-	-	-	Total long-term liabilities	<u>1,543,117</u>	<u>15</u>	<u>692,437</u>	<u>8</u>
Total long-term investments	<u>2,646,768</u>	<u>26</u>	<u>2,155,217</u>	<u>25</u>	RESERVES				
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 25)					Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
Cost					OTHER LIABILITIES				
Land	597,385	6	273,496	3	Guarantee deposits received	8,117	-	8,117	-
Land improvements	593	-	593	-	Deferred income tax liabilities - noncurrent	1,169	-	73,128	1
Buildings	1,048,982	10	1,056,013	12	Deferred credits - gain on inter-company transactions (Notes 2 and 10)	-	-	263	-
Machinery and equipment	3,198,374	31	2,931,750	34	Total other liabilities	<u>9,286</u>	<u>-</u>	<u>81,508</u>	<u>1</u>
Transportation equipment	2,557	-	2,557	-	Total liabilities	<u>3,784,957</u>	<u>37</u>	<u>2,790,358</u>	<u>32</u>
Office equipment	119,873	1	114,142	2	STOCKHOLDERS' EQUITY (Note 18)				
Land - revaluation increment	8,954	-	8,954	-	Capital stock				
Cost and revaluation increment	4,976,718	48	4,387,505	51	Common stock	2,971,831	29	2,873,409	33
Less accumulated depreciation	(2,359,415)	(23)	(2,167,140)	(25)	Advance receipts for common stock	-	-	13,863	-
Construction in progress and prepayments for equipment	350,616	4	27,459	-	Total capital stock	<u>2,971,831</u>	<u>29</u>	<u>2,887,272</u>	<u>33</u>
Total property, plant and equipment	<u>2,967,919</u>	<u>29</u>	<u>2,247,824</u>	<u>26</u>	Capital surplus	<u>1,302,853</u>	<u>12</u>	<u>1,168,416</u>	<u>13</u>
OTHER ASSETS					Retained earnings				
Assets leased to others (Notes 2 and 12)	7,835	-	7,091	-	Legal reserve	525,420	5	447,198	5
Idle assets (Notes 2 and 12)	2,565	-	2,941	-	Unappropriated earnings	1,850,021	18	1,371,460	16
Refundable deposits	3,576	-	3,915	-	Total retained earnings	<u>2,375,441</u>	<u>23</u>	<u>1,818,658</u>	<u>21</u>
Other assets - other (Notes 2 and 17)	24,902	-	15,676	-	Other equity (Note 2)				
Total other assets	<u>38,878</u>	<u>-</u>	<u>29,623</u>	<u>-</u>	Cumulative translation adjustments	3,716	-	168,373	2
TOTAL	\$ 10,313,772	100	\$ 8,711,286	100	Unrealized loss on financial instrument	(3,235)	-	-	-
					Unrealized revaluation increment (Note 11)	5,442	-	5,442	-
					Treasury stock (Notes 2 and 19)	(127,233)	(1)	(127,233)	(1)
					Total other equity	<u>(121,310)</u>	<u>(1)</u>	<u>46,582</u>	<u>1</u>
					Total stockholders' equity	<u>6,528,815</u>	<u>63</u>	<u>5,920,928</u>	<u>68</u>
					TOTAL	\$ 10,313,772	100	\$ 8,711,286	100

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

(With Deloitte & Touche audit report dated March 9, 2011)

TXC CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$ 8,212,214	101	\$ 6,614,490	101
LESS: SALES RETURNS	(21,303)	-	(22,423)	-
LESS: SALES ALLOWANCES	<u>(33,978)</u>	<u>(1)</u>	<u>(34,951)</u>	<u>(1)</u>
NET OPERATING REVENUE	8,156,933	100	6,557,116	100
OPERATING COSTS	<u>(6,455,182)</u>	<u>(79)</u>	<u>(5,290,904)</u>	<u>(81)</u>
GROSS PROFIT	1,701,751	21	1,266,212	19
UNREALIZED INTER-COMPANY GAIN	-	-	(263)	-
REALIZED INTER-COMPANY GAIN	<u>263</u>	<u>-</u>	<u>2,049</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,702,014</u>	<u>21</u>	<u>1,267,998</u>	<u>19</u>
OPERATING EXPENSES				
Selling expenses	(390,459)	(5)	(316,429)	(5)
General and administrative expenses	(190,747)	(2)	(140,807)	(2)
Research and development expenses	<u>(315,287)</u>	<u>(4)</u>	<u>(258,557)</u>	<u>(4)</u>
Total operating expenses	<u>(896,493)</u>	<u>(11)</u>	<u>(715,793)</u>	<u>(11)</u>
OPERATING INCOME	<u>805,521</u>	<u>10</u>	<u>552,205</u>	<u>8</u>
NONOPERATING INCOME AND GAINS				
Interest income	3,559	-	4,288	-
Investment income recognized under equity method (Note 10)	466,582	6	367,076	6
Dividend revenue	828	-	-	-
Gain on disposal of property, plant and equipment	820	-	1,960	-
Gain on sale of investments	1,396	-	3,221	-
Exchange gains	345,815	4	244,414	4
Valuation gain on financial assets	58,168	1	1,621	-
Miscellaneous income	<u>33,872</u>	<u>-</u>	<u>19,970</u>	<u>-</u>
Total nonoperating income and gains	<u>911,040</u>	<u>11</u>	<u>642,550</u>	<u>10</u>

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense	\$ (20,316)	(1)	\$ (12,143)	-
Loss on sale of investments	(257)	-	-	-
Loss on disposal of property, plant and equipment	(178)	-	(5,120)	-
Exchange losses	(419,788)	(5)	(252,498)	(4)
Impairment loss	(10,431)	-	(3,249)	-
Valuation on financial assets	(7,573)	-	-	-
Miscellaneous expenses	<u>(12,588)</u>	<u>-</u>	<u>(10,195)</u>	<u>-</u>
Total nonoperating expenses and losses	<u>(471,131)</u>	<u>(6)</u>	<u>(283,205)</u>	<u>(4)</u>
INCOME BEFORE INCOME TAX	1,245,430	15	911,550	14
INCOME TAX EXPENSE (Notes 2 and 20)	<u>(55,252)</u>	<u>-</u>	<u>(129,327)</u>	<u>(2)</u>
NET INCOME	<u>\$ 1,190,178</u>	<u>15</u>	<u>\$ 782,223</u>	<u>12</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 4.25</u>	<u>\$ 4.06</u>	<u>\$ 3.14</u>	<u>\$ 2.70</u>
Diluted	<u>\$ 4.03</u>	<u>\$ 3.85</u>	<u>\$ 3.12</u>	<u>\$ 2.68</u>

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

(With Deloitte & Touche audit report dated March 9, 2011)

(Concluded)

TXC CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(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, 2009	\$ 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										
Legal reserve	-	-	-	95,182	(95,182)	-	-	-	-	-
Stock dividends	134,349	-	-	-	(134,349)	-	-	-	-	-
Cash dividends	-	-	-	-	(537,396)	-	-	-	-	(537,396)
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 translation adjustments	-	-	-	-	-	-	-	(61,307)	-	(61,307)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	(49)	-	-	(49)
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
Appropriation of 2009 earnings										
Legal reserve	-	-	-	78,222	(78,222)	-	-	-	-	-
Stock dividends	57,581	-	-	-	(57,581)	-	-	-	-	-
Cash dividends	-	-	-	-	(578,814)	-	-	-	-	(578,814)
Exercise of employee stock options	25,870	-	91,580	-	-	-	-	-	-	117,450
Conversion of convertible bonds	14,971	(13,863)	2,943	-	-	-	-	-	-	4,051
Equity component of convertible bonds	-	-	39,914	-	-	-	-	-	-	39,914
Net income for the year ended December 31, 2010	-	-	-	-	1,190,178	-	-	-	-	1,190,178
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(3,235)	-	-	(3,235)
Changes in translation adjustments	-	-	-	-	-	-	-	(164,657)	-	(164,657)
BALANCE, DECEMBER 31, 2010	<u>\$ 2,971,831</u>	<u>\$ -</u>	<u>\$ 1,302,853</u>	<u>\$ 525,420</u>	<u>\$ 1,847,021</u>	<u>\$ 5,442</u>	<u>\$ (3,235)</u>	<u>\$ 3,716</u>	<u>\$ (127,233)</u>	<u>\$ 6,525,815</u>

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

(With Deloitte & Touche audit report dated March 9, 2011)

TXC CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,190,178	\$ 782,223
Depreciation	549,040	608,490
Nonoperating loss - idle assets and lease assets	738	9,576
Amortization	15,234	10,802
Provision for (reversal of) doubtful accounts	2,620	(1,833)
Provision for loss on inventories	29,755	34,172
Loss on physical inventories	565	224
Gain on sale of investments	(1,139)	(3,221)
Cash dividends received from equity method investees	-	53,293
Investment income recognized under equity method	(466,582)	(367,076)
Gain on disposal of property, plant and equipment	(820)	(1,960)
Loss on disposal of property, plant and equipment	178	5,120
Valuation gain on financial instruments	(50,595)	(1,621)
Impairment loss	10,431	3,249
Unrealized gross profit	-	263
Realized gross profit	(263)	(2,049)
Discount on bonds payable	9,517	1,245
Pension const	(2,547)	-
Deferred income tax	(150)	69,729
Net changes in operating assets and liabilities		
Notes receivable	768	37,620
Accounts receivable	(215,838)	(76,189)
Inventories	(260,798)	(51,733)
Other receivables	186,174	(271,860)
Other current assets	19,804	(24,002)
Notes payable	990	12,217
Accounts payable	16,787	293,227
Accrued expenses	221,211	59,027
Income tax payable	(3,365)	(5,424)
Other current liabilities	<u>1,682</u>	<u>2,877</u>
Net cash provided by operating activities	<u>1,253,575</u>	<u>1,176,386</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments as at fair value through profit or loss	1,621	30,620
Acquisitions of available-for-sale financial assets	(1,230,000)	(860,000)
Proceeds from capital decrease of investment accounted for the equity method	96,750	-
Proceeds from disposal of available-for-sale financial assets	1,171,140	981,194
Acquisition of financial assets carried cost	(93,678)	-
Acquisition of investments accounted for by equity method	(184,686)	-
Acquisition of property, plant and equipment	(1,324,551)	(337,612)
Proceeds from disposal of property, plant and equipment	44,521	58,426

TXC CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
Decrease (increase) in refundable deposits	\$ 339	\$ (210)
Increase in deferred charges	<u>(21,913)</u>	<u>(12,608)</u>
Net cash used in investing activities	<u>(1,540,457)</u>	<u>(140,190)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(36,372)	259,657
Decrease in short-term bills payable	-	(100,000)
Issuance of convertible bonds	795,000	-
Repayment of (proceeds from) long-term debt	89,751	(161,222)
Proceeds from exercise of employee stock options	117,450	-
Increase in guarantee deposits received	-	3,623
Cash dividends	<u>(575,814)</u>	<u>(537,396)</u>
Net cash provided by (used in) financing activities	<u>390,015</u>	<u>(535,338)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	103,133	500,858
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,053,100</u>	<u>552,242</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,156,233</u>	<u>\$ 1,053,100</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest \$2,402 thousand in 2009)	<u>\$ 10,502</u>	<u>\$ 13,390</u>
Income tax paid	<u>\$ 58,091</u>	<u>\$ 65,023</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	<u>\$ 3,900</u>	<u>\$ 49,800</u>

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

(With Deloitte & Touche audit report dated March 9, 2011)

(Concluded)

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, 2010 and 2009, 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, 2010 and 2009, 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".

March 9, 2011

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, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,518,563	14	\$ 1,566,608	17	Short-term loans (Note 13)	\$ 438,088	4	\$ 581,154	6
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	60,118	1	1,621	-	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	-	-	782	-
Available-for-sale financial assets - current (Notes 2 and 6)	56,764	-	-	-	Notes payable (Note 24)	53,701	-	52,711	1
Notes receivable, net (Notes 2 and 7)	5,692	-	2,279	-	Accounts payable (Note 24)	1,256,513	11	1,211,113	13
Accounts receivable, net (Notes 2, 7 and 24)	2,781,988	25	2,465,921	26	Income tax payable (Note 20)	70,125	1	79,288	1
Other receivable	92,084	1	172,366	2	Accrued expenses (Notes 16 and 24)	637,741	6	392,091	4
Inventories, net (Notes 2 and 8)	1,127,700	10	836,512	9	Liability component of convertible bonds - current (Notes 2 and 14)	-	-	331	-
Other current assets (Notes 2 and 20)	47,736	-	129,871	1	Bonds payable - current portion (Notes 2 and 14)	-	-	3,711	-
Total current assets	5,690,645	51	5,175,178	55	Current portion of long-term loans (Note 15)	291,172	3	225,295	2
					Other current liabilities	61,204	-	19,427	-
LONG-TERM INVESTMENTS					Total current liabilities	2,808,544	25	2,565,903	27
Investments accounted for by the equity method (Notes 2 and 9)	33,246	-	-	-	LONG-TERM LIABILITIES				
Financial assets carried at cost - noncurrent (Notes 2 and 10)	96,678	1	3,000	-	Bonds payable (Notes 2 and 14)	780,179	7	-	-
Other financial assets (Note 14)	8,011	-	-	-	Long-term debt (Note 15)	937,718	9	892,625	9
Total long-term investments	137,935	1	3,000	-	Total long-term liabilities	1,717,897	16	892,625	9
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 25)					RESERVES				
Cost					Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
Land	597,385	6	273,496	3	OTHER LIABILITIES				
Land improvements	593	-	593	-	Guarantee deposits received	8,716	-	8,618	-
Buildings	1,476,538	13	1,490,449	16	Deferred tax liability - noncurrent (Notes 2 and 20)	1,169	-	73,128	1
Machinery and equipment	5,528,897	50	4,859,927	51	Total other liabilities	9,885	-	81,746	1
Transportation equipment	13,277	-	13,024	-	Total liabilities	4,539,838	41	3,543,786	37
Office equipment	193,974	2	185,453	2	STOCKHOLDERS' EQUITY (Note 18)				
Land - revaluation increment	8,954	-	8,954	-	Capital stock				
Cost and revaluation increment	7,819,618	71	6,831,896	72	Common stock	2,971,831	27	2,873,409	31
Less accumulated depreciation	(3,210,014)	(29)	(2,829,720)	(30)	Advance receipts for common stock	-	-	13,863	-
Construction-in-progress and prepayments for equipment	452,032	4	107,636	1	Total capital stock	2,971,831	27	2,887,272	31
Total property, plant and equipment	5,061,636	46	4,109,812	43	Capital surplus	1,302,853	12	1,168,416	12
INTANGIBLE ASSETS					Retained earnings				
Land right (Note 25)	15,144	-	16,547	-	Legal reserve	525,420	5	447,198	5
OTHER ASSETS					Unappropriated earnings	1,850,021	16	1,371,460	14
Assets leased to others (Notes 2, 12 and 25)	105,876	1	116,818	1	Total retained earnings	2,375,441	21	1,818,658	19
Idle assets (Notes 2 and 12)	2,565	-	2,941	-	Other equity (Note 2)				
Refundable deposits	4,987	-	5,290	-	Cumulative translation adjustments	3,716	-	168,373	2
Other assets - other (Notes 2 and 17)	49,865	1	35,128	1	Unrealized gains on financial instruments	(3,235)	-	-	-
Total other assets	163,293	2	160,177	2	Unrealized revaluation increment	5,442	-	5,442	-
TOTAL	\$ 11,068,653	100	\$ 9,464,714	100	Treasury stock	(127,233)	(1)	(127,233)	(1)
					Total other equity	(121,310)	(1)	46,582	1
					Total stockholders' equity	6,528,815	59	5,920,928	63
					TOTAL	\$ 11,068,653	100	\$ 9,464,714	100

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

(With Deloitte & Touche audit report dated March 9, 2011)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$ 9,710,287	101	\$ 7,787,188	101
LESS: SALES RETURNS	(21,303)	-	(22,423)	-
LESS: SALES ALLOWANCES	<u>(38,390)</u>	<u>(1)</u>	<u>(37,241)</u>	<u>(1)</u>
NET OPERATING REVENUE	9,650,594	100	7,727,524	100
OPERATING COSTS	<u>(7,114,498)</u>	<u>(74)</u>	<u>(5,823,114)</u>	<u>(75)</u>
GROSS PROFIT	<u>2,536,096</u>	<u>26</u>	<u>1,904,410</u>	<u>25</u>
OPERATING EXPENSES				
Selling expenses	(473,856)	(5)	(350,553)	(5)
General and administrative expenses	(306,905)	(3)	(233,871)	(3)
Research and development expenses	<u>(408,495)</u>	<u>(4)</u>	<u>(316,011)</u>	<u>(4)</u>
Total operating expenses	<u>(1,189,256)</u>	<u>(12)</u>	<u>(900,435)</u>	<u>(12)</u>
OPERATING INCOME	<u>1,346,840</u>	<u>14</u>	<u>1,003,975</u>	<u>13</u>
NONOPERATING INCOME AND GAINS				
Interest income	5,200	-	5,435	-
Investment income recognized under equity method (Note 9)	3,404	-	-	-
Dividend revenue	828	-	-	-
Gain on disposal of property, plant and equipment	896	-	2,017	-
Gain on sale of investments	1,396	-	3,221	-
Exchange gain	372,095	4	258,297	3
Valuation gain on financial assets	60,232	-	1,621	-
Miscellaneous income	<u>62,854</u>	<u>1</u>	<u>27,415</u>	<u>1</u>
Total nonoperating income and gains	<u>506,905</u>	<u>5</u>	<u>298,006</u>	<u>4</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	(27,520)	-	(30,539)	(1)
Loss on disposal of property, plant and equipment	(10,951)	-	(10,112)	-
Loss on sale of investments	(257)	-	-	-
Exchange losses	(445,393)	(5)	(260,125)	(4)
Impairment loss	(15,037)	-	(11,364)	-
Valuation loss on financial liabilities	(7,573)	-	(806)	-
Miscellaneous expenses	<u>(22,200)</u>	<u>-</u>	<u>(20,600)</u>	<u>-</u>
Total nonoperating expenses and losses	<u>(528,931)</u>	<u>(5)</u>	<u>(333,546)</u>	<u>(5)</u>

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,324,814	14	\$ 968,435	12
INCOME TAX EXPENSE (Notes 2 and 20)	<u>(134,636)</u>	<u>(2)</u>	<u>(186,212)</u>	<u>(2)</u>
NET INCOME	<u>\$ 1,190,178</u>	<u>12</u>	<u>\$ 782,223</u>	<u>10</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 4.25</u>	<u>\$ 4.06</u>	<u>\$ 3.14</u>	<u>\$ 2.70</u>
Diluted	<u>\$ 4.03</u>	<u>\$ 3.85</u>	<u>\$ 3.12</u>	<u>\$ 2.68</u>

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

(With Deloitte & Touche audit report dated March 9, 2011)

(Concluded)

TXC CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(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, 2009	\$ 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										
Legal reserve	-	-	-	95,182	(95,182)	-	-	-	-	-
Stock dividends	134,349	-	-	-	(134,349)	-	-	-	-	-
Cash dividends	-	-	-	-	(537,396)	-	-	-	-	(537,396)
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 translation adjustments	-	-	-	-	-	-	-	(61,307)	-	(61,307)
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(49)	-	-	(49)
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
Appropriation of 2009 earnings										
Legal reserve	-	-	-	78,222	(78,222)	-	-	-	-	-
Stock dividends	57,581	-	-	-	(57,581)	-	-	-	-	-
Cash dividends	-	-	-	-	(578,814)	-	-	-	-	(578,814)
Conversion of employee stock options	25,870	-	91,580	-	-	-	-	-	-	117,450
Conversion of convertible bonds	14,971	(13,863)	2,943	-	-	-	-	-	-	4,051
Equity component of convertible bonds	-	-	39,914	-	-	-	-	-	-	39,914
Net income for the year ended December 31, 2010	-	-	-	-	1,190,178	-	-	-	-	1,190,178
Changes in translation adjustments	-	-	-	-	-	-	(3,235)	-	-	(3,235)
Acquisition of treasury stock - 3,000 thousand shares	-	-	-	-	-	-	-	(164,657)	-	(164,657)
BALANCE, DECEMBER 31, 2010	<u>\$ 2,971,831</u>	<u>\$ -</u>	<u>\$ 1,302,853</u>	<u>\$ 525,420</u>	<u>\$ 1,847,021</u>	<u>\$ 5,442</u>	<u>\$ (3,235)</u>	<u>\$ 3,716</u>	<u>\$ (127,233)</u>	<u>\$ 6,525,815</u>

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

(With Deloitte & Touche audit report dated March 9, 2011)

TXC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,190,178	\$ 782,223
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	825,163	809,844
Nonoperating loss - idle assets and lease assets	3,304	18,324
Amortization	23,958	17,079
Provision for doubtful accounts	6,954	625
Provision for loss on inventories	29,516	34,709
Loss on physical inventory	565	224
Investment gain recognized under equity method	(3,404)	-
Gain on sale of investments	(1,139)	(3,221)
Loss on disposal of property, plant and equipment	10,055	8,095
Valuation gain on financial instruments, net	(52,659)	(815)
Impairment loss	15,037	11,364
Discount on bonds payable	9,517	1,245
Pension cost	(2,547)	-
Deferred income tax	(150)	69,729
Net changes in operating assets and liabilities		
Notes receivable	(3,411)	37,620
Accounts receivable	(323,023)	(244,310)
Inventories	(321,269)	31,002
Other receivable	80,282	(154,673)
Other current assets	10,326	(4,092)
Notes payable	990	12,217
Accounts payable	45,400	504,371
Accrued expenses	245,650	93,066
Income tax payable	(9,163)	14,240
Other current liabilities	<u>41,777</u>	<u>(3,480)</u>
Net cash provided by operating activities	<u>1,821,907</u>	<u>2,035,386</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments as at fair value through profit or loss	839	30,904
Acquisitions of available-for-sale financial assets	(1,230,000)	(860,000)
Proceeds from disposal of available-for-sale financial assets	1,171,140	981,194
Acquisition of financial assets carried at cost	(93,678)	-
Acquisition of investment accounted for by the equity method	(31,971)	-
Acquisitions of property, plant and equipment	(1,988,644)	(673,990)
Proceeds from disposal of property, plant and equipment	51,060	5,034
Decrease (increase) in refundable deposits	303	(85)
Increase in deferred charges	<u>(37,360)</u>	<u>(22,139)</u>
Net cash used in investing activities	<u>(2,158,311)</u>	<u>(539,082)</u>

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	\$ (143,066)	\$ (31,345)
Decrease in short-term bill payable	-	(100,000)
Issuance of convertible bonds	795,000	-
Increase in guarantee deposits received	98	3,586
Increase (decrease) in long-term loans	110,970	(87,825)
Proceeds from exercise of employee stock options	117,450	-
Cash dividends	<u>(575,814)</u>	<u>(537,396)</u>
Net cash provided by (used in) financing activities	<u>304,638</u>	<u>(752,980)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(16,279)</u>	<u>(19,521)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(48,045)	723,803
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,566,608</u>	<u>842,805</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,518,563</u>	<u>\$ 1,566,608</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest \$2,402 thousand in 2009)	<u>\$ 18,401</u>	<u>\$ 32,267</u>
Income tax paid	<u>\$ 139,920</u>	<u>\$ 123,413</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	<u>\$ 3,900</u>	<u>\$ 49,800</u>

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

(With Deloitte & Touche audit report dated March 9, 2011) (Concluded)