

Meeting Handbook 2012

Table of Contents

1、Agenda for 2012 General Meeting of Shareholders.....	1
2、Reports.....	2
3、Matters of concurrence.....	3
4、Discussions.....	5
5、Other proposals and motions	7
6、Dismissal.....	7

TXC Corporation

Agenda for 2012 General Meeting of Shareholders

1. Time: 09:30am 13 June (Wednesday), 2012

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 2011 and plans for the future.
- (2) Report on Auditors' examination of 2011 final accounts.

6. Matters of concurrence

- (1) Concurrence for 2011 final accounts.
- (2) Concurrence for 2011 surplus allocation.

7. Discussions

- (1) Revision of part of corporate regulation
- (2) Revision of "Regulations Governing the Acquisition or Disposition of Assets"
- (3) Proposal of new issuance of restricted stocks
- (4) Approval regarding the proposal for release of the non-competition restrictions on Directors.

8. Ad Hoc Motions

9. Dismissal

Reports

Report (1)

Subject: Report on operation in 2011 and future plans.

Explanation:

1. The company registered a sales revenue of NTD8,918,023 thousand in 2011, an increase of 9.3% over 2010. The consolidated revenue of NTD 9,897,341 thousand in 2011, an increase of 2.6% over 2010. ; The net profit after tax is NTD1,050,216 thousand, an decrease of 11.8% over the previous year.
2. The sales report and the related final account already published in the meeting handbook appendix (1) and (3).
3. We prudently predict that growth of sales and profits, based on clear performance index, are expected to outperform competitors in 2012 due to recovered global economy.

Consolidate Operation Analysis for Jan.-Mar. 2012 Unit: Thousand NTD

Item	101.03.31	100.03.31	Growth Rate
Sales Revenue	2,394,341	2,321,729	3.1%
Sales Cost	1,872,261	1,746,124	7.2%
Sales Gross Profit	522,080	575,605	(9.3%)
Gross Profit Rate	21.8%	24.8%	(12.1%)
Operating Expense	292,301	301,490	(3.0%)
Operating income	229,779	274,115	(16.2%)
Non-sales Revenue (expenditure)	(3,322)	(1,410)	-
Profit/loss before tax	226,457	272,705	(17.0%)
Income tax (expense) benefits	(27,808)	(35,277)	-
Profit/loss after tax	198,649	237,428	(16.3%)

Report (2)

Subject: Report on Auditors' examination of final accounts for 2011.

Explanation:

1. The final account for 2011 has been adopted by the Board of Directors and duly examined by the supervisors with the auditors' report. For financial statements of auditors' reports, it is certified by accountants Gong shuang xiong and Yang Qingzhen of Deloitte and Touche.
2. Auditors are invited to read out the examination report. For detailed information, please refer to Appendix (2) of the meeting handbook.

Matters of concurrence

Matters of concurrence (1)

Presented by Board of Directors

Subject: Concurrence for final accounts of 2011.

Explanation:

1. Refer to Appendix (1) and (3) in the meeting handbook regarding the report on operation in 2011 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 2012 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 2011.

Explanation :

1. The company's net profit after tax in 2011 minus withdrawal of treasury stock was NTD1,050,215,823 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 NTD1,796,005,378; we plan to allocate to shareholders bonus amounting to NTD664,933,082, leaving the year-end unallocated surplus at NTD1,131,072,296.
2. We plan to allocate the Shareholder bonus in cash at NTD2.2 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 2011

unit : NTD

Item	Amount	
	Sub-total	Sum
Beginning period undistributed profits		930,979,048
minus:		
Withdrawal of treasury stock	(80,167,911)	
plus : Net profit after tax for this year	1,050,215,823	
minus :		
Appropriate legal reserve (10%)	(105,021,582)	
Profits available for distribution		1,796,005,378
Items of distribution :		
Shareholder bonus—cash (\$2.2 per share)	664,933,082	
Total of distribution		(664,933,082)
End period of undistributed profits		1,131,072,296
Reference:		
Employee bonus—cash	113,316,786	
Directors and supervisor remuneration—cash	18,886,131	

Note 1. Calculation for issuance of stock dividend and cash dividend is based on the number of shares in circulation externally (In the end of 2011, the number of shares is 302,242,310 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 board of directors to handle relative matters.

2. There is no difference between the planned allocation amount from expense for employee bonus and surplus in the 2011 financial statement. So, no adjustment for income and loss is required.

Resolution:

Discussions

Discussions (1)

Presented by Board of Directors

Subject: Revision of part of corporate regulation, you are invited to concur.

Explanation:

1. To meet operational needs, the company is going to revise part of corporate regulation.
2. The following is comparison table of revised article of corporate regulation

Article	Revised Content	Original Content	Reason for Revision
Article 5	The nominal capital of the company is <u>5</u> billion NTD with <u>500</u> million share (10 NTD per share) Within nominal capital, <u>300</u> million NTD is retained for issuance of employee stock option and <u>restricted stocks</u> . Board of directors is authorized to issue unissued shares based on actual requirement.	The nominal capital of the company is 4 billion NTD with 400 million share (10 NTD per share) Within nominal capital, 200 million NTD is retained for issuance of employee stock option. Board of directors is authorized to issue unissued shares based on actual requirement.	To meet operational requirement
Article 13	The company should set up <u>9 to 12</u> directors and 3 supervisors. Board of directors is authorized to decide the number of directors with 3-year tenure. Directors are expected to be elected in the shareholders' meeting and may be eligible for re-election. Proportion of shareholding of the whole directors should obey the regulation of official authorities.	The company should set up 7 to 9 directors and 3 supervisors. Board of directors is authorized to decide the number of directors with 3-year tenure. Directors are expected to be elected in the shareholders' meeting and may be eligible for re-election. Proportion of shareholding of the whole directors should obey the regulation of official authorities.	To meet actual requirement
Article 22	The regulation is set up on 6 th of December, 1983. The 29 th revision is on 15 th of June, 2010. <u>The 30th revision is on 13th of June, 2012.</u>	The regulation is set up on 6 th of December, 1983. The 29 th revision is on 15 th of June, 2010.	Add revision

3. To revise corporate regulation; please refer appendix (7) of meeting handbook
4. You are invited to concur.

Resolution:

Discussions (2)

Presented by Board of Directors

Subject: Revision of “Regulations Governing the Acquisition or Disposition of Assets” You are invited to concur.

Explanation:

1. To meet operational requirement, the company is going to revise “Regulations Governing the Acquisition or Disposition of Assets”
2. For comparison table of revised article of “Regulations Governing the Acquisition or Disposition of Assets”, please refer appendix (4) of meeting handbook.
3. For original copy of “Regulations Governing the Acquisition or Disposition of Assets”, please refer appendix (8) of meeting handbook.
4. You are invited to concur.

Discussions (3)

Presented by Board of Directors

Subject: Proposal of new issuance of restricted stocks. You are invited to concur.

Explanation:

1. Processed according to No.8 of Article 267 of Corporate Law and “ Regulations Governing the Offering and Issuance of Securities by Securities Issuers“.
2. Total issued amounts: 2,000,000 shares
3. Determination of the terms and conditions:
 - (1). Received (subscribed) prices: stock grant by free of charge or 10 NTD as received price
 - (2). Received conditions: For employees who meet services duration and performance condition set in regulation of restricted stocks of the company
 - (3). Addressed principles while employees don't meet received conditions: Unless there is any other issued regulation of restricted stocks of the company, the company is able to withdraw and purchase back these stocks and regard thses stocks as unissued stocks then make change of registration.
4. Qualification requirements for employees:
 - (1). The requirement is limited to the whole formal employees.
 - (2) Received number of restricted shares is based on tenure, position, performance, total contribution or special achievement.
 - (3) Received number for insiders or high-level managers are supposed to discussed by compensation committee and recognized by board of directors.
 - (4) Received number of any employee is supposed not to exceed 10% of issued restricted stocks when the company issues new restricted stocks..
 - (5) Number of restricted stocks held and received by a particular employee per year is supposed not to exceed 1% of issued shares of the closing date of accounting year.
 - (6) Both new restricted shares received by any particular employee and amounts of stock options are supposed not to exceed 0.3% of issued shares of the closing date of accounting year.
5. The reason why it is necessary to issue restricted stocks for employees:
 - (1) To attract and keep professional employee the company required
 - (2) To increase coherence and the sense of belonging to create interests of the company

and shareholders

6. Calculated expense amount and dilution of EPS and other factors affecting shareholder's equity:
 - (1) Calculated expense amount
 - (a.) Stock grant by free of charge or 10 NTD per share
 - (b.) 2,000 thousand shares
 - (c.) Expansion ratio: 0.66% (Calculated since the 15th of April of 2012 and based on 302,242,310 shares)
 - (d.) On assumption of stock grant by free of charge, potential amounts of expenses for the first three years is around 37.5 million NTD, 37.5 million NTD and 15 million NTD.
 - (e.) On assumption of stock grant by 10 NTD per share of received price, potential amounts of expenses for the first three years is around 29.2 million NTD, 29.2 million NTD and 11.7 million NTD
 - (2) Dilution of EPS and other factors affecting shareholder's equity:
 - (a.) On assumption of stock grant by free of charge, potential dilution of EPS for the first three years is around 0.12 NTD, 0.12 NTD and 0.05 NTD.
 - (b.) On assumption of stock grant by 10 NTD per share of received price, potential dilution of EPS for the first three years is around 0.1 NTD, 0.1 NTD and 0.04 NTD.
 - (c.) Both assumptions are expected not to have a large impact on shareholder's equity.
7. For issued and subscribed regulation of restricted stocks, please refer appendix 5 of meeting handbook.
8. The chairman is authorized to handle the related matters as revision due to changes of regulation or requirement of official authorities is required.
9. Actual issued date of restricted stocks is going to be decided by board of directors after this discussed proposal is passed and approval of official authorities is received.
10. You are invited to concur.

Discussions (4)

Presented by Board of Directors

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

Explanation:

1. According to Article 32 of Corporate Law, a managerial personnel of a company shall not concurrently act as a managerial personnel of another company and 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. Shareholders' meeting, please remove the non-competition restrictions of Paul Lin.
3. For detailed information regarding post of the directors, please view Appendix (6) of meeting handbook.
4. 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, 2011 and 2010, 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, 2011 and 2010, 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.

We have also audited the consolidated financial statements of TXC Corporation and subsidiaries as of December 31, 2011 and 2010, and expressed unqualified opinion on such financial statements.

March 21, 2012

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, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 537,594	5	\$ 1,156,233	11	Short-term loans (Note 13)	\$ 294,419	3	\$ 379,828	4
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	3,922	-	58,168	1	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	7,758	-	-	-
Available-for-sale financial assets - current (Notes 2 and 6)	71,867	1	56,764	1	Notes payable (Note 24)	73,999	1	53,701	1
Notes receivable, net (Notes 2 and 7)	327	-	1,513	-	Accounts payable	668,794	6	636,528	6
Accounts receivable, net (Notes 2, 3 and 7)	2,765,693	24	2,311,988	22	Accounts payable - related parties (Note 24)	595,854	5	360,751	3
Accounts receivable - related parties, net (Notes 2, 3, 7 and 24)	47,846	-	13,030	-	Income tax payable (Note 20)	57,404	-	56,139	1
Other receivable	38,682	-	80,732	1	Accrued expenses (Notes 17 and 24)	479,350	4	532,695	5
Other receivable - related party (Note 24)	50,869	1	22,621	-	Current portion of long-term loans (Note 15)	227,750	2	196,500	2
Inventories, net (Notes 2, 3 and 7)	923,476	8	939,852	9	Other current liabilities	12,497	-	12,900	-
Other current assets (Notes 2, 20 and 24)	35,936	-	19,306	-					
Total current assets	4,476,212	39	4,660,207	45	Total current liabilities	2,417,825	21	2,229,042	22
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	245,445	2	96,678	1	Bonds payable (Notes 2 and 14)	789,367	7	780,179	8
Investments accounted for by the equity method (Notes 2 and 10)	3,327,467	29	2,542,079	25	Long-term loans (Note 15)	1,086,438	9	762,938	7
Other financial assets - noncurrent (Notes 2 and 14)	-	-	8,011	-					
Total long-term investments	3,572,912	31	2,646,768	26	Total long-term liabilities	1,875,805	16	1,543,117	15
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	598,145	5	597,385	6	OTHER LIABILITIES				
Land improvements	593	-	593	-	Accrued pension cost	9,349	-	-	-
Buildings	1,598,916	14	1,048,982	10	Guarantee deposits received	11,664	-	8,117	-
Machinery and equipment	3,732,866	33	3,198,374	31	Deferred income tax liabilities - noncurrent (Notes 2 and 20)	46,514	1	1,169	-
Transportation equipment	2,557	-	2,557	-					
Office equipment	141,243	1	119,873	1	Total other liabilities	67,527	1	9,286	-
Land - revaluation increment	8,954	-	8,954	-	Total liabilities	4,364,669	38	3,784,957	37
Cost and revaluation increment	6,083,274	53	4,976,718	48	STOCKHOLDERS' EQUITY (Note 18)				
Less accumulated depreciation	(2,752,299)	(24)	(2,359,415)	(23)	Capital stock				
Construction in progress and prepayments for equipment	119,998	1	350,616	4	Common stock	3,022,423	26	2,971,831	29
Total property, plant and equipment	3,450,973	30	2,967,919	29	Capital surplus	1,356,078	12	1,302,853	12
OTHER ASSETS					Retained earnings				
Assets leased to other (Notes 2 and 12)	7,636	-	7,835	-	Legal reserve	644,438	6	525,420	5
Idle assets (Notes 2 and 12)	-	-	2,565	-	Unappropriated earnings	1,901,027	16	1,850,021	18
Refundable deposits	925	-	3,576	-	Total retained earnings	2,545,465	22	2,375,441	23
Other assets - other (Notes 2 and 17)	16,411	-	24,902	-	Other equity (Note 2)				
Total other assets	24,972	-	38,878	-	Cumulative translation adjustments	264,762	2	3,716	-
					Net loss not recognized as pension cost (Notes 2 and 17)	(15,637)	-	-	-
					Unrealized loss on financial instrument	(18,133)	-	(3,235)	-
					Unrealized revaluation increment (Note 11)	5,442	-	5,442	-
					Treasury stock (Notes 2 and 19)	-	-	(127,233)	(1)
					Total other equity	236,434	2	(121,310)	(1)
					Total stockholders' equity	7,160,400	62	6,528,815	63
TOTAL	\$ 11,525,069	100	\$ 10,313,772	100	TOTAL	\$ 11,525,069	100	\$ 10,313,772	100

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

TXC CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$ 8,981,786	101	\$ 8,212,214	101
LESS: SALES RETURNS	(15,639)	-	(21,303)	-
LESS: SALES ALLOWANCES	<u>(48,124)</u>	<u>(1)</u>	<u>(33,978)</u>	<u>(1)</u>
NET OPERATING REVENUE	8,918,023	100	8,156,933	100
OPERATING COSTS	<u>(7,259,694)</u>	<u>(82)</u>	<u>(6,455,182)</u>	<u>(79)</u>
GROSS PROFIT	1,658,329	18	1,701,751	21
REALIZED INTER-COMPANY GAIN	<u>-</u>	<u>-</u>	<u>263</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,658,329</u>	<u>18</u>	<u>1,702,014</u>	<u>21</u>
OPERATING EXPENSES				
Selling expenses	(377,574)	(4)	(390,459)	(5)
General and administrative expenses	(192,075)	(2)	(190,747)	(2)
Research and development expenses	<u>(344,468)</u>	<u>(4)</u>	<u>(315,287)</u>	<u>(4)</u>
Total operating expenses	<u>(914,117)</u>	<u>(10)</u>	<u>(896,493)</u>	<u>(11)</u>
OPERATING INCOME	<u>744,212</u>	<u>8</u>	<u>805,521</u>	<u>10</u>
NONOPERATING INCOME AND GAINS				
Interest income	4,734	-	3,559	-
Investment income recognized under equity method (Note 10)	358,541	4	466,582	6
Dividend revenue	4,031	-	828	-
Gain on disposal of property, plant and equipment	10,617	-	820	-
Gain on sale of investments	822	-	1,396	-
Exchange gains	356,643	4	345,815	4
Reversal of impairment loss	4,873	-	-	-
Valuation gain on financial assets	-	-	58,168	1
Miscellaneous income	<u>31,272</u>	<u>1</u>	<u>33,872</u>	<u>-</u>
Total nonoperating income and gains	<u>771,533</u>	<u>9</u>	<u>911,040</u>	<u>11</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	(23,595)	-	(20,316)	(1)
Loss on sale of investments	-	-	(257)	-
Loss on disposal of property, plant and equipment	-	-	(178)	-

(Continued)

TXC CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
Exchange losses	(313,907)	(4)	(419,788)	(5)
Impairment loss	-	-	(10,431)	-
Valuation on financial assets	(78)	-	(7,573)	-
Valuation loss on financial liabilities	(15,767)	-	-	-
Miscellaneous expenses	(3,210)	-	(12,588)	-
Total nonoperating expenses and losses	(356,557)	(4)	(471,131)	(6)
INCOME BEFORE INCOME TAX	1,159,188	13	1,245,430	15
INCOME TAX EXPENSE (Notes 2 and 20)	(108,972)	(1)	(55,252)	-
NET INCOME	<u>\$ 1,050,216</u>	<u>12</u>	<u>\$ 1,190,178</u>	<u>15</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 3.84</u>	<u>\$ 3.48</u>	<u>\$ 4.16</u>	<u>\$ 3.98</u>
Diluted	<u>\$ 3.64</u>	<u>\$ 3.29</u>	<u>\$ 3.95</u>	<u>\$ 3.78</u>

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

(Concluded)

TXC CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(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	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Treasury Stock	
BALANCE, JANUARY 1, 2010	\$ 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	-	-	-	-	(575,814)	-	-	-	-	-	(575,814)
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	2,971,831	-	1,302,853	525,420	1,850,021	5,442	-	(3,235)	3,716	(127,233)	6,528,815
Appropriation of 2010 earnings											
Legal reserve	-	-	-	119,018	(119,018)	-	-	-	-	-	-
Stock dividends	59,261	-	-	-	(59,261)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(740,763)	-	-	-	-	-	(740,763)
Retirement of treasury stock	(30,000)	-	(17,065)	-	(80,168)	-	-	-	-	127,233	-
Exercise of employee stock options	21,220	-	69,814	-	-	-	-	-	-	-	91,034
Conversion of convertible bonds	111	-	476	-	-	-	-	-	-	-	587
Change in net loss not recognized as pension cost	-	-	-	-	-	-	(15,637)	-	-	-	(15,637)
Net income for the year ended December 31, 2011	-	-	-	-	1,050,216	-	-	-	-	-	1,050,216
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	(14,898)	-	-	(14,898)
Changes in translation adjustments	-	-	-	-	-	-	-	-	261,046	-	261,046
BALANCE, DECEMBER 31, 2011	<u>\$ 3,022,423</u>	<u>\$ -</u>	<u>\$ 1,356,078</u>	<u>\$ 644,438</u>	<u>\$ 1,901,027</u>	<u>\$ 5,442</u>	<u>\$ (15,637)</u>	<u>\$ (18,133)</u>	<u>\$ 264,762</u>	<u>\$ -</u>	<u>\$ 7,160,400</u>

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

TXC CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,050,216	\$ 1,190,178
Depreciation	561,221	549,040
Nonoperating loss - idle assets and lease assets	386	738
Amortization	22,819	15,234
Provision for doubtful accounts	25	2,620
Provision for loss on inventories	33,000	29,755
Loss on physical inventories	97	565
Gain on sale of investments	(822)	(1,139)
Investment income recognized under equity method	(358,541)	(466,582)
Gain on disposal of property, plant and equipment	(10,617)	(820)
Loss on disposal of property, plant and equipment	-	178
Valuation loss (gain) on financial instruments	15,845	(50,595)
Reversal of impairment loss	(4,873)	10,431
Realized gross profit	-	(263)
Discount on bonds payable	9,777	9,517
Pension cost	4,206	(2,547)
Deferred income tax	53,259	(150)
Net changes in operating assets and liabilities		
Notes receivable	1,161	768
Accounts receivable	(488,521)	(215,838)
Inventories	(16,721)	(260,798)
Other receivables	13,802	186,174
Other current assets	(24,544)	19,804
Notes payable	20,298	990
Accounts payable	267,369	16,787
Accrued expenses	(53,345)	221,211
Income tax payable	1,265	(3,365)
Other current liabilities	(403)	1,682
Net cash provided by operating activities	<u>1,096,359</u>	<u>1,253,575</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial instruments designated as at fair value through profit or loss	(10,500)	-
Proceeds from disposal of financial instruments as at fair value through profit or loss	65,221	1,621
Acquisitions of available-for-sale financial assets	(90,000)	(1,230,000)
Proceeds from disposal of available-for-sale financial assets	60,268	1,171,140
Acquisition of financial assets carried cost	(148,767)	(93,678)
Acquisition of investments accounted for by equity method	(157,727)	(184,686)
Proceeds from capital decrease of investment accounted for the equity method	-	96,750
Acquisition of property, plant and equipment	(1,058,015)	(1,324,551)
Proceeds from disposal of property, plant and equipment	23,721	44,521

(Continued)

TXC CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
Purchase assets leased to other	(187)	-
Decrease in refundable deposits	2,651	339
Increase in deferred charges	<u>(24,822)</u>	<u>(21,913)</u>
Net cash used in investing activities	<u>(1,338,157)</u>	<u>(1,540,457)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(85,409)	(36,372)
Issuance of convertible bonds	-	795,000
Increase long-term loans	354,750	89,751
Proceeds from exercise of employee stock options	91,034	117,450
Increase in guarantee deposits received	3,547	-
Cash dividends	<u>(740,763)</u>	<u>(575,814)</u>
Net cash (used in) provided by financing activities	<u>(376,841)</u>	<u>390,015</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(618,639)	103,133
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,156,233</u>	<u>1,053,100</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 537,594</u>	<u>\$ 1,156,233</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 13,939</u>	<u>\$ 10,502</u>
Income tax paid	<u>\$ 54,447</u>	<u>\$ 58,091</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Convertible bonds	<u>\$ 600</u>	<u>\$ 3,900</u>
Investment for machinery and equipment	<u>\$ 8,074</u>	<u>\$ -</u>

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

(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, 2011 and 2010, 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 consolidated financial position of TXC Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their consolidated 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.

March 21, 2012

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, 2011 AND 2010
(In Thousands of New Taiwan Dollars)**

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,211,234	10	\$ 1,518,563	14	Short-term loans (Note 13)	\$ 360,623	3	\$ 438,088	4
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	7,240	-	60,118	1	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	7,758	-	-	-
Available-for-sale financial assets - current (Notes 2 and 6)	71,867	1	56,764	-	Notes payable (Note 24)	73,999	1	53,701	-
Notes receivable, net (Notes 2, 3 and 7)	30,945	-	5,692	-	Accounts payable (Note 24)	1,197,496	10	1,256,513	11
Accounts receivable, net (Notes 2, 3, 7 and 24)	3,103,072	26	2,781,988	25	Income tax payable (Note 20)	59,290	1	70,125	1
Other receivable (Note 24)	53,647	-	92,084	1	Accrued expenses (Notes 16 and 24)	612,877	5	637,741	6
Inventories, net (Notes 2 and 8)	1,160,036	10	1,127,700	10	Current portion of long-term loans (Note 15)	273,185	2	291,172	3
Other current assets (Notes 2 and 20)	89,045	1	47,736	-	Other current liabilities	38,143	-	61,204	-
Total current assets	5,727,086	48	5,690,645	51	Total current liabilities	2,623,371	22	2,808,544	25
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Investments accounted for by the equity method (Notes 2 and 9)	48,657	-	33,246	-	Bonds payable (Notes 2 and 14)	789,367	6	780,179	7
Financial assets carried at cost - noncurrent (Notes 2 and 10)	245,445	2	96,678	1	Long-term loans (Note 15)	1,298,468	11	937,718	9
Other financial assets-noncurrent (Note 14)	-	-	8,011	-	Total long-term liabilities	2,087,835	17	1,717,897	16
Total long-term investments	294,102	2	137,935	1	RESERVES				
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 25)					Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
Cost					OTHER LIABILITIES				
Land	598,145	5	597,385	6	Accrued pension cost (Notes 2 and 17)	9,349	-	-	-
Land improvements	593	-	593	-	Guarantee deposits received	12,340	-	8,716	-
Buildings	2,221,785	19	1,476,538	13	Deferred tax liability - noncurrent (Notes 2 and 20)	46,514	1	1,169	-
Machinery and equipment	6,448,849	54	5,528,897	50	Total other liabilities	68,203	1	9,885	-
Transportation equipment	16,172	-	13,277	-	Total liabilities	4,782,921	40	4,539,838	41
Office equipment	225,429	2	193,974	2	STOCKHOLDERS' EQUITY (Note 18)				
Land - revaluation increment	8,954	-	8,954	-	Capital stock				
Cost and revaluation increment	9,519,927	80	7,819,618	71	Common stock	3,022,423	25	2,971,831	27
Less accumulated depreciation	(3,956,880)	(33)	(3,210,014)	(29)	Capital surplus	1,356,078	12	1,302,853	12
Construction in progress and prepayments for equipment	126,599	1	452,032	4	Retained earnings				
Total property, plant and equipment	5,689,646	48	5,061,636	46	Legal reserve	644,438	5	525,420	5
INTANGIBLE ASSETS					Unappropriated earnings	1,901,027	16	1,850,021	16
Land right (Note 25)	117,530	1	15,144	-	Total retained earnings	2,545,465	21	2,375,441	21
OTHER ASSETS					Other equity (Note 2)				
Assets leased to others (Notes 2, 12 and 25)	56,926	1	105,876	1	Cumulative translation adjustments	264,762	2	3,716	-
Idle assets (Notes 2 and 12)	-	-	2,565	-	Net loss not recognized as pension cost	(15,637)	-	-	-
Refundable deposits	2,462	-	4,987	-	Unrealized loss on financial instruments	(18,133)	-	(3,235)	-
Deferred income tax assets - noncurrent (Notes 2 and 20)	1,659	-	-	-	Unrealized revaluation increment	5,442	-	5,442	-
Other assets - other (Notes 2 and 17)	53,910	-	49,865	1	Treasury stock (Note 19)	-	-	(127,233)	(1)
Total other assets	114,957	1	163,293	2	Total other equity	236,434	2	(121,310)	(1)
TOTAL	\$ 11,943,321	100	\$ 11,068,653	100	Total stockholders' equity	7,160,400	60	6,528,815	59
					TOTAL	\$ 11,943,321	100	\$ 11,068,653	100

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$ 9,961,104	101	\$ 9,710,287	101
LESS: SALES RETURNS	(15,639)	-	(21,303)	-
LESS: SALES ALLOWANCES	<u>(48,124)</u>	<u>(1)</u>	<u>(38,390)</u>	<u>(1)</u>
NET OPERATING REVENUE	9,897,341	100	9,650,594	100
OPERATING COSTS	<u>(7,496,695)</u>	<u>(76)</u>	<u>(7,114,498)</u>	<u>(74)</u>
GROSS PROFIT	<u>2,400,646</u>	<u>24</u>	<u>2,536,096</u>	<u>26</u>
OPERATING EXPENSES				
Selling expenses	(460,181)	(4)	(473,856)	(5)
General and administrative expenses	(325,641)	(3)	(306,905)	(3)
Research and development expenses	<u>(463,303)</u>	<u>(5)</u>	<u>(408,495)</u>	<u>(4)</u>
Total operating expenses	<u>(1,249,125)</u>	<u>(12)</u>	<u>(1,189,256)</u>	<u>(12)</u>
OPERATING INCOME	<u>1,151,521</u>	<u>12</u>	<u>1,346,840</u>	<u>14</u>
NONOPERATING INCOME AND GAINS				
Interest income	14,612	-	5,200	-
Investment income recognized under equity method (Note 9)	11,658	-	3,404	-
Dividend revenue	4,031	-	828	-
Gain on disposal of property, plant and equipment	10,784	-	896	-
Gain on sale of investments	822	-	1,396	-
Exchange gain	398,992	4	372,095	4
Valuation gain on financial assets	3,140	-	60,232	-
Miscellaneous income	<u>59,437</u>	<u>1</u>	<u>62,854</u>	<u>1</u>
Total nonoperating income and gains	<u>503,476</u>	<u>5</u>	<u>506,905</u>	<u>5</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	(31,154)	(1)	(27,520)	-
Loss on disposal of property, plant and equipment	(3,265)	-	(10,951)	-
Loss on sale of investments	-	-	(257)	-
Exchange losses	(355,317)	(4)	(445,393)	(5)
Impairment loss	(19,942)	-	(15,037)	-
Valuation loss on financial assets	(78)	-	-	-
Valuation loss on financial liabilities	(15,767)	-	(7,573)	-
Miscellaneous expenses	<u>(16,264)</u>	<u>-</u>	<u>(22,200)</u>	<u>-</u>

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
Total nonoperating expenses and losses	<u>(441,787)</u>	<u>(5)</u>	<u>(528,931)</u>	<u>(5)</u>
INCOME BEFORE INCOME TAX	1,213,210	12	1,324,814	14
INCOME TAX EXPENSE (Notes 2 and 20)	<u>(162,994)</u>	<u>(1)</u>	<u>(134,636)</u>	<u>(2)</u>
NET INCOME	<u>\$ 1,050,216</u>	<u>11</u>	<u>\$ 1,190,178</u>	<u>12</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 3.84</u>	<u>\$ 3.48</u>	<u>\$ 4.16</u>	<u>\$ 3.98</u>
Diluted	<u>\$ 3.64</u>	<u>\$ 3.29</u>	<u>\$ 3.95</u>	<u>\$ 3.78</u>

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

(Concluded)

TXC CORPORATION AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)**

	Capital Stock			Retained Earnings		Unrealized Revaluation Increment	Net Loss Not Recognized as Pension Cost	Others Equity		Treasury Stock	Total
	Capital Stock	Advance Receipts for Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings			Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments		
BALANCE, JANUARY 1, 2010	\$ 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	-	-	-	-	(575,814)	-	-	-	-	-	(575,814)
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	2,971,831	-	1,302,853	525,420	1,850,021	5,442	-	(3,235)	3,716	(127,233)	6,528,815
Appropriation of 2010 earnings											
Legal reserve	-	-	-	119,018	(119,018)	-	-	-	-	-	-
Stock dividends	59,261	-	-	-	(59,261)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(740,763)	-	-	-	-	-	(740,763)
Retirement of treasury stock	(30,000)	-	(17,065)	-	(80,168)	-	-	-	-	127,233	-
Exercise of employee stock options	21,220	-	69,814	-	-	-	-	-	-	-	91,034
Conversion of convertible bonds	111	-	476	-	-	-	-	-	-	-	587
Change in net loss not recognized as pension cost	-	-	-	-	-	-	(15,637)	-	-	-	(15,637)
Net income for the year ended December 31, 2011	-	-	-	-	1,050,216	-	-	-	-	-	1,050,216
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	(14,898)	-	-	(14,898)
Changes in translation adjustments	-	-	-	-	-	-	-	-	261,046	-	261,046
BALANCE, DECEMBER 31, 2011	<u>\$ 3,022,423</u>	<u>\$ -</u>	<u>\$ 1,356,078</u>	<u>\$ 644,438</u>	<u>\$ 1,901,027</u>	<u>\$ 5,442</u>	<u>\$ (15,637)</u>	<u>\$ (18,133)</u>	<u>\$ 264,762</u>	<u>\$ -</u>	<u>\$ 7,160,400</u>

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,050,216	\$ 1,190,178
Depreciation	881,607	825,163
Nonoperating loss - idle assets and lease assets	9,319	3,304
Amortization	31,541	23,958
Reversal of (provision for) doubtful accounts	25	6,954
Provision for loss on inventories	36,417	29,516
Loss on physical inventory	97	565
Investment income recognized under equity method	(11,658)	(3,404)
Gain on sale of investments	(822)	(1,139)
(Gain) loss on disposal of property, plant and equipment	(7,519)	10,055
Valuation loss (gain) on financial instruments	12,705	(52,659)
Reversal of impairment loss	19,942	15,037
Discount on bonds payable	9,777	9,517
Pension cost	4,206	(2,547)
Deferred income tax	49,672	(150)
Net changes in operating assets and liabilities		
Notes receivable	(25,278)	(3,411)
Accounts receivable	(321,570)	(323,023)
Inventories	(68,850)	(321,269)
Other receivable	38,437	80,282
Other current assets	(47,295)	10,326
Notes payable	20,298	990
Accounts payable	(59,017)	45,400
Accrued expenses	(24,864)	245,650
Income tax payable	(10,835)	(9,163)
Other current liabilities	(23,061)	41,777
	<u>1,563,490</u>	<u>1,821,907</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial instruments designated as at fair value through profit or loss	(10,500)	-
Proceeds from disposal of financial instruments as at fair value through profit or loss	67,238	839
Acquisitions of available-for-sale financial assets	(90,000)	(1,230,000)
Proceeds from disposal of available-for-sale financial assets	60,268	1,171,140
Acquisition of financial assets carried at cost	(148,767)	(93,678)
Acquisition of investment accounted for by the equity method	-	(31,971)
Acquisitions of property, plant and equipment	(1,308,083)	(1,988,644)
Proceeds from disposal of property, plant and equipment	25,642	51,060
Decrease in refundable deposits	2,525	303
Purchase assets leased to other	(187)	-
Acquisition of land of right	(101,385)	-
Increase in deferred charges	(42,827)	(37,360)

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	2011	2010
Net cash used in investing activities	<u>(1,546,076)</u>	<u>(2,158,311)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(77,465)	(143,066)
Issuance of convertible bonds	-	795,000
Increase in guarantee deposits received	3,624	98
Increase in long-term loans	342,763	110,970
Proceeds from exercise of employee stock options	91,034	117,450
Cash dividends	<u>(740,763)</u>	<u>(575,814)</u>
Net cash (used in) provided by financing activities	<u>(380,807)</u>	<u>304,638</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>56,064</u>	<u>(16,279)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(307,329)	(48,045)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,518,563</u>	<u>1,566,608</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,211,234</u>	<u>\$ 1,518,563</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 21,313</u>	<u>\$ 18,401</u>
Income tax paid	<u>\$ 123,200</u>	<u>\$ 139,920</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	<u>\$ 600</u>	<u>\$ 3,900</u>

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

(Concluded)