

# **TXC Corporation**

## **2013 Annual Shareholders' Meeting Procedure**

- I. Call Meeting to Order**
- II. Chairman's Address**
- III. Report Items**
- IV. Proposed Resolutions**
- V. Discussion and Election Matters**
- VI. Special Motions**
- VII. Meeting Adjourned**

# **TXC Corporation**

## **2013 Shareholders' Meeting Agenda**

**1. Time: 9:30 a.m., June 19, 2013 (Wednesday)**

**2. Place: No. 4 Pingzhen Industrial Park 6th Rd., Pingzhen City, Taoyuan County  
(Meeting Room)**

**3. Call meeting to order**

**4. Chairman's Address**

**5. Report Items:**

- (1) Report on 2012 business status
- (2) Report on supervisor review of 2012 financial report
- (3) Report on fourth domestic issuance of unsecured corporate bond related matters
- (4) Report on amendments to Code of Ethical Business Management
- (5) Report on amendments to Code of Conduct

**6. Proposed Resolutions:**

- (1) 2012 business report and financial statements
- (2) Proposal for distribution of 2012 profits

**7. Discussion and Election Matters**

- (1) Amendments to certain articles of the Company Articles of Incorporation
- (2) Amendments to Procedures for Acquisition or Disposal of Assets
- (3) Amendments to Procedures for Endorsement and Guarantee
- (4) Amendments to Procedures for Lending Funds to Other Parties
- (5) Amendments to Policies and Procedures for Financial Derivatives Transactions
- (6) Amendments to Procedures for Election of Directors and Supervisors
- (7) Election of directors and supervisors
- (8) Release the prohibition on newly-elected directors from participation in competing business

**8. Special Motions**

**9. Meeting Adjourned**

## Report Items

### Report item (1)

Subject: 2012 Business update report

Description:

1. The company's 2012 revenue was NT\$9,477,481 thousand, an increase of 6.3% over the previous year, consolidated revenue was NT\$10,928,495 thousand, an increase of 10.5% over the previous year. Net income was NT\$1,148,886 thousand, an increase of 9.4% over the previous year.
2. Business report and related financial statements are in Attachments (1) and (3) of this Agenda.
3. The Company has cautiously estimated 2013 revenues, set clear performance targets and hopes that sales, growth and profits performance surpass industry benchmarks.

### Report item (2)

Subject: Supervisor review of 2012 financial reports

Description:

1. Matters regarding the board of director passage and supervisor audit of the Company's 2012 financial report and audit report submission of which the financial reports were audited by independent auditors Mr. Gong Shuang-xiong and Mr. Wong Bo-ren of Deloitte Taiwan.
2. Request supervisors to read audit report, see Attachment (2) in Agenda.

### Report Item (3)

Subject: Report on fourth domestic issuance of unsecured corporate bond related matters

Description:

1. The Board of Directors of the Company passed resolution for the fourth domestic issuance of NT\$800 million in unsecured convertible bonds for the purchase of machinery and equipment and repayment of bank loans on November 5, 2012. The fund raising and listed was completed on January 25, 2013. Related information is provided below:

Item	Fourth domestic issuance of unsecured convertible bonds
Total amount of offering	NT\$800 million
Quantity	8000 sheets
Term	3 years
Coupon (%)	0%
Conversion price at time of offering	NT\$49.20
Conversion period	From Feb. 26, 2013 to Jan. 15, 2016
Repayment method	Cash repayment in one lump sum according to bond face value at end of term.

2. Fund Utilization Plan Items and Scheduled Progress:

(1) Scheduled progress

Unit: NT\$ thousand

Plan item	Scheduled Date completed	Required Total funds	Capital utilization progress schedule				
			2013			2014	
			Q2	Q3	Q4	Q1	Q2
Purchase of machinery and equipment	Q2 2014	439,500	100,000	100,000	50,000	50,000	139,500
Repayment of bank loans	Q2 2013	400,000	400,000	-	-	-	-
Total		839,500	500,000	100,000	50,000	50,000	139,500

(2) Actual current progress:

NT\$: Thousand \$

Plan item	Implementation status		2013 Q1 Current	As of 2013 As of Q1	Reason for being ahead or behind schedule and improvement plan
Purchase of machinery and equipment	Allocated amount	Scheduled	-	-	Implemented ahead of time of original progress schedule
		Actual	14,514	14,514	
	Implementation progress (%)	Scheduled			
		Actual	3.30%	3.30%	
Repayment of bank loans	Allocated amount	Scheduled	-	-	Implementation completed ahead of time of original progress schedule
		Actual	400,000	400,000	
	Implementation progress (%)	Scheduled	-	-	
		Actual	100.00%	100.00%	
Total	Allocated amount	Scheduled	-	-	Implemented ahead of time of original progress schedule
		Actual	414,514	414,514	
	Implementation progress (%)	Scheduled	-	-	
		Actual	49.38%	49.38%	

**Report Item (4)**

Subject: Report on amendment to the Code of Ethical Business Management.

Description:

1. Amend certain articles of the Code of Ethical Business Management to reflect Audit Committee establishment.
2. See Attachment (4) of the Agenda for the comparison chart of the amended articles of the Code of Ethical Business Management.
3. See Attachment (11) of the Agenda for the unamended Code of Ethical Business Management.

## **Report Item (5)**

Subject: Report on the amendment to the Code of Conduct.

Description:

1. Amend certain articles of the Code of Conduct to reflect the establishment of the Audit Committee.
2. See Attachment (5) of the Agenda for the comparison chart of the amended articles of the Code of Conduct.
3. See Attachment (12) of the Agenda for the unamended Code of Conduct.

## **Proposed Resolutions**

### **Proposed Resolution (1)**

**Proposed by Board of Directors**

Subject: Please accept the 2012 Business Report and Financial Statements

Description:

1. See Attachments (2) and (3) of the Agenda for the prepared 2012 business report and financial statements.
2. The above financial statements (consolidated financial statements) including balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and business report passed by resolution of the board of directions and submitted for supervisor review. See Attachment (2) of the Agenda for the Supervisor Report. The financial statements were audited by independent auditors Mr. Gong Shuang-xiong and Mr. Wong Bo-ren of Deloitte Taiwan.
3. Please accept the aforementioned.

Resolution:

### **Proposed Resolution (2)**

**Proposed by Board of Directors**

Subject: To approve the distribution of 2012 profits

Description:

1. Net profits for 2012 were NT\$1,148,885,866. After the legal reserve was allocated according to law and the undistributed profit at the beginning of the year was added, the profit available for distribution is NT\$2,165,069,575. In consideration of capital utilization and to avoid capital inflation, a shareholder dividend issue of NT\$681,465,488 is proposed. After distribution, the undistributed profit will be NT\$1,483,604,087.
2. Allocation of a NT\$2.2 cash dividend is proposed for the shareholder dividend.
3. If there is a change in the payout ratio due to the number of outstanding shares being affected by subsequent convertible bond conversion into common shares, restricted stock awards, buyback of company shares or transfer, cancellation of treasury stock or capital increase by cash, a proposal shall be made at the shareholders' meeting to authorize the board of directors to handle related matters.
4. First time adoption of International Financial Reporting Standards (hereinafter abbreviated as IFRSs) by the Company affected retained earnings and allocated special reserve:
  - (1) According to regulations in statement 3 of Jin-Guan-Zheng-Fa letter no. 1010012865 announced by the Financial Supervisory Commission on April 6, 2012, the Company shall allocate a first time adoption special reserve for the year in which the IFRSs is first adopted and report the adjustments to the distributable profits and allocated special reserve amount at the shareholders' meeting to notify shareholders of these effects.
  - (2) According the provisions in statement 2 (1) of the abovementioned letter, a NT\$264,762 thousand cumulative translation amount listed on the transition date for first-time adoption of IFRSs by the Company was transferred to retained earnings due to a waiver item in IFRS 1 First-time Adoption of International Financial Reporting Standards but when there is insufficient allowance of retained earnings on the transition date from first time adoption of IFRS, only the increased retained earnings amount due to transition to IFRSs is entered so there was a increase in net retained earnings of NT\$222,793 thousand on January 1, 2012

(transition date) and allocated special reserve was NT\$222,793 on January 1, 2013 (billing date).

(3) Net retained earnings as of January 1, 2012 (transition date) increased by NT\$222,793 thousand due to adoption of IFRSs for the preparation of the financial report and accumulated retained earnings increased NT\$213,415 thousand as of January 1, 2013 (transition date).

5. The profit distribution table is listed below. Please approve.

**TXC Corporation  
Profit Distribution  
2012**

Unit: NTD

Item	Amount	
	Subtotal	Total
Undistributed profit at the beginning of the period:		1,131,072,296
Add:		
Current net income	1,148,885,866	
Less:		
Allocation of legal reserve (10%):	(114,888,587)	
Total profit available for distribution		2,165,069,575
Distribution items:		
Shareholder dividend - Cash dividend (NT\$2.2 per share)	681,465,488	
Distribution item subtotal		(681,465,488)
Undistributed profit at the end of the period		1,483,604,087
Attachments:		
Employee bonus - Cash	124,078,878	
Director and supervisor remuneration - Cash	20,679,813	

Note: (1) Allocation of 2012 undistributed profit shall be given priority for the above profit distribution. The payout ratio per share was calculated based on the 309,757,040 outstanding shares on April 21, 2013. If there is a change in the payout ratio due to the number of outstanding shares being affected by subsequent convertible bond conversion into common shares, restricted stock awards, buyback of company shares or transfer, cancellation of treasury stock or capital increase by cash, a proposal shall be made at the shareholders' meeting to authorize the board of directors to handle related matters.

(2) There was no difference in the proposed amount allocated as employee bonus expenses and director remuneration in the 2012 financial accounts so there is no need for profit / loss adjustment.

Chairman: **Paul Lin**      Manager: **Peter Lin**      Accounting Supervisor: **Hong Guan-wen**

Resolution:

## Discussion and Election Matters

### Discussion and Election Matters (1)

### Proposed by Board of Directors

Subject: Amendment of certain articles of the Articles of Incorporation

Description:

1. Certain articles of the Company's Articles of Incorporation were amended to comply with the establishment of the audit committee.
2. Comparison chart of the amended articles of the Company's Articles of Incorporation attached.

#### Company Articles of Incorporation Amendment Comparison Chart

Article No.	Amended Article	Original Article	Reason for Amendment
Article 4	Board of directors	Directors <u>and supervisors</u>	Text amended to comply with establishment of audit committee to replace supervisor position.
Article 11	<del>Except when stipulated otherwise</del> under the law, the shareholders of the Company shall be entitled to one vote per share.	Except when <del>the shares are restricted or have no voting rights</del> under Article 179 of the Company Act, the shareholders of the Company shall be entitled to one vote per share.	Amendment to the text.
Article 13	The Company shall have <del>11</del> <u>directors</u> . The Board of Directors is authorized to determine the number of directors. Directors shall serve a term of three years, shall be elected from persons of capacity at the shareholders' meeting and may serve consecutive terms. The total shareholding percentage of the entire board of directors shall conform to competent securities authorities.	The Company shall have <del>9 to 12</del> <u>directors and 3 supervisors</u> . The Board of Directors is authorized to determine the number of directors. Directors shall serve a term of three years, shall be elected from persons of capacity at the shareholders' meeting and may serve consecutive terms. The total shareholding percentage of the entire board of directors shall conform to competent securities authorities.	Text amended to comply with establishment of audit committee to replace supervisor position.



Article No.	Amended Article	Original Article	Reason for Amendment
Article 13-1	In Accordance with <u>Article 14-2</u> of the Securities and Exchange Act, <u>at least 3 independent directors shall be selected from the Company's above director list. A candidate nomination system is used and candidates are selected from the independent director candidate list at the shareholder's meeting. Regulations governing professional qualifications, shareholdings, concurrent position restrictions, nomination method, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority.</u>	In accordance with <u>Article 14-2</u> of the Securities and Exchange Act, <u>2 to 3 independent directors shall be selected from the Company's above director list. A candidate nomination system is used and candidates are selected from the independent director candidate list at the shareholder's meeting. Regulations governing professional qualifications, shareholdings, concurrent position restrictions, nomination method, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority.</u>	Number of independent directors amended to comply with the establishment of audit committee.
Article 13-2	<u>The Company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall be composed of the entire number of independent directors and be responsible for implementing the provisions regarding supervisors in the Company Act, Securities and Exchange Act and other laws and regulations.</u>		Article added to comply with establishment of audit committee to replace supervisor position.
Article 14-1	The reason for the convening of the Board of Directors shall be stated and the directors shall be notified 7 days prior to the meeting. If a board of directors meeting is convened at once in the event of an emergency, notification may be conducted in writing, by e-mail or by facsimile.	The reason for the convening of the Board of Directors shall be stated and the directors <u>and supervisors</u> shall be notified 7 days prior to the meeting. If a board of directors meeting is convened at once in the event of an emergency, notification may be conducted in writing, by e-mail or by facsimile.	The word supervisor deleted to comply with establishment of audit committee to replace supervisor position.
Article 16	The Company may purchase liability insurance for the entire board of directors to guarantee shareholder rights and reduce Company operation risk. The board of directors is authorized to set differing and reasonable compensation for directors depending on the role, function and level of contribution and with reference to domestic and international industry standards.	The Company may purchase liability insurance for the all directors <u>and supervisors</u> to guarantee shareholder rights and reduce Company operation risk. The board of directors is authorized to set differing and reasonable compensation for directors and <u>supervisors</u> depending on the role, function and level of contribution and with reference to domestic and international industry standards.	The word supervisor deleted to comply with establishment of audit committee to replace supervisor position.

Article No.	Amended Article	Original Article	Reason for Amendment
Article 18	At the end of each accounting year, the Company's board of directors shall prepare (1) business report (2) financial statements (3) profit distribution or loss offsetting proposal for submission to the shareholders' meeting for adoption in accordance with the law.	At the end of each accounting year, the Company's board of directors shall prepare (1) business report (2) financial statements (3) profit distribution or loss offsetting proposal <u>for provision to the supervisors for review thirty days prior to the convening of the shareholders' meeting and then</u> submission to the shareholders' meeting for adoption in accordance with the law.	The word supervisor deleted to comply with establishment of audit committee to replace supervisor position.
Article 19	If there is a profit at the final settling of accounts after paying all taxes and offsetting of losses from previous years, the Company shall first set aside ten percent of the profits as legal reserve. This shall not apply when the legal reserve amounts to the total authorized capital. Director remuneration shall be no more than 2% and employee bonus shall be no lower than 3% of the special reserve allocated from the profits in accordance with the law or after reversal. The remainder together with undistributed earnings from previous periods after an appropriate amount is reserved depending on operating conditions is distributed as shareholder dividends as resolved by the shareholders' meeting. The board of directors is authorized to determine the counterparts for employee stock dividend distribution which include those company employees that conform to certain conditions.	If there is a profit at the final settling of accounts after paying all taxes and offsetting of losses from previous years, the Company shall first set aside ten percent of the profits as legal reserve. This shall not apply when the legal reserve amounts to the total authorized capital. Director <u>and supervisor</u> remuneration shall be no more than 2% and employee bonus shall be no lower than 3% of the special reserve allocated from the profits in accordance with the law or after reversal. The remainder together with undistributed earnings from previous periods after an appropriate amount is reserved depending on operating conditions is distributed as shareholder dividends as resolved by the shareholders' meeting. The board of directors is authorized to determine the counterparts for employee stock dividend distribution which include those company employees that conform to certain conditions.	The word supervisor deleted to comply with establishment of audit committee to replace supervisor position.
Article 22	These articles were established on December 6, 1983. ... <u>The 30th amendment was made on June 13, 2012.</u> <u>The 31st amendment was made on June 19, 2013.</u>	These articles were established on December 6, 1983. ... <u>The 30th amendment was made on June 13, 2012.</u>	Most recent amendment date added.

3. See Attachment (13) in Agency for the Articles of Incorporation prior to amendment.

4. Please approve.

Resolution:

**Discussion and Election Matters (2)**

**Proposed by Board of Directors**

Subject: To approve the amendments to the Procedures for Acquisition or Disposal of Assets

Description:

1. It is proposed that certain articles of the Procedures for Acquisition or Disposal of Assets be amended to comply with the establishment of the audit committee.
2. See Attachment (6) of the Agenda for the comparison chart of the amended articles of the Procedures for Acquisition or Disposal of Assets.
3. See Attachment (14) of the Agenda for the articles of the Procedures for Acquisition or Disposal of Assets prior to amendment.
4. Please approve.

Resolution:

**Discussion and Election Matters (3)**

**Proposed by Board of Directors**

Subject: To approve the amendments to the Procedures for Endorsement and Guarantee

Description:

1. It is proposed that certain articles of the Procedures for Endorsement and Guarantee be amended to comply with amendments to competent authority regulations and the establishment of the audit committee.
2. See Attachment (7) of the Agenda for the comparison chart of the amended articles of the Procedures for Endorsement and Guarantee.
3. See Attachment (15) of the Agenda for the articles of the Procedures for Endorsement and Guarantee prior to amendment.
4. Please approve.

Resolution:

**Discussion and Election Matters (4)**

**Proposed by Board of Directors**

Subject: To approve the amendments to the Procedures for Lending Funds to Other Parties

Description:

1. It is proposed that certain articles of the Procedures for Lending Funds to Other Parties be amended to comply with amendments to competent authority regulations and the establishment of the audit committee.
2. See Attachment (8) of the Agenda for the comparison chart of the amended articles of the Procedures for Lending Funds to Other Parties.
3. See Attachment (16) of the Agenda for the articles of the Procedures for Lending Funds to Other Parties prior to amendment.
4. Please approve.

Resolution:

**Discussion and Election Matters (5)**

**Proposed by Board of Directors**

Subject: To approve the amendments to the Policies and Procedures for Financial Derivatives Transactions

Description:

1. It is proposed that certain articles of the Policies and Procedures for Financial Derivatives Transactions be amended to comply with the establishment of the audit committee.
2. See Attachment (9) of the Agenda for the comparison chart of the amended articles of the Policies and Procedures for Financial Derivatives Transactions
3. See Attachment (17) of the Agenda for articles of the Procedures for Lending Funds to Other Parties prior to amendment.
4. Please approve.

Resolution:

**Discussion and Election Matters (6)**

**Proposed by Board of Directors**

Subject: To approval the amendments to the Procedures for Election of Directors and Supervisors

Description:

1. It is proposed that certain articles of the Procedures for Election of Directors and Supervisors be amended to comply with the establishment of the audit committee to substitute for the supervisor positions and amend the name of the procedure to Procedure for Election of Directors. .
2. See Attachment (10) of the Agenda for the comparison chart of the amended articles of the Procedures for Election of Directors and Supervisors.
3. See Attachment (18) of the Agenda for articles of the Procedures for Election of Directors and Supervisors prior to amendment.
4. Please approve.

Resolution:

**Discussion and Election Matters (7)**

**Proposed by Board of Directors**

Subject: Election of directors.

Description:

1. The term of the Company's directors and supervisors will expire on June 14, 2013. It is proposed that the election be held at this year's shareholders meeting.
2. The Company has established an audit committee in accordance with the Securities and Exchange Act. Supervisors will no longer be elected as allowed by law. The audit committee shall be comprised of all of the Company's independent directors and their number may be no less than three. After the Company's Articles of Incorporation are amended, the audit committee comprised of all independent directors shall take the place of the supervisors.
3. The Company's amended Articles of Incorporation states the Company shall have 11 directors. The Board of Directors is authorized to determine the number of directors. Directors shall serve a term of three years and may serve consecutive terms. At least 3 independent directors shall be

selected from the Company's above director list. A candidate nomination system is used. Eleven directors shall be chosen at this election (including three independent directors). The term of the new directors shall be three years from June 19, 2013 to June 18, 2016. The new directors shall take office immediately upon election.

4. See Attachment (19) of the Agenda for the list of independent directors, their academic background and shareholdings.
5. Please vote.

Election result:

**Discussion and Election Matters (8)**

**Proposed by Board of Directors**

Subject: To approve the release of the prohibition on newly-elected directors from participation in competitive business

Description:

1. Pursuant to Article 209 of the Company Act, “a director engaging, either for himself or on behalf of another person that are within the scope of the company's business, shall explain to the meeting of shareholders the essential details of such activities and secure its approval.”
2. It is proposed the shareholders' meeting release the prohibition on newly-elected directors and representatives from participation in competitive business lift in accordance with the law.
3. Please approve.

Resolution:

**Special Motions**

**Meeting Adjourned**

## 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, 2012 and 2011, 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, 2012 and 2011, 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 and for the years ended December 31, 2012 and 2011, and expressed unqualified opinion on such financial statements.

### 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, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,012,212	8	\$ 537,594	5	Short-term loans (Note 13)	\$ 135,332	1	\$ 294,419	3
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	-	-	3,922	-	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	26,019	-	7,758	-
Available-for-sale financial assets - current (Notes 2 and 6)	46,895	-	71,867	1	Notes payable (Note 2)	-	-	73,714	1
Notes receivable, net (Notes 2 and 7)	515	-	327	-	Notes payable - related parties (Notes 2 and 24)	-	-	285	-
Accounts receivable, net (Notes 2, 3 and 7)	2,969,463	24	2,765,484	24	Accounts payable (Note 2)	726,007	6	668,794	6
Accounts receivable - related parties, net (Notes 2, 3, 7 and 24)	54,710	1	48,055	-	Accounts payable - related parties (Notes 2 and 24)	727,470	6	595,854	5
Other receivable	28,066	-	38,682	-	Income tax payable (Notes 2 and 20)	63,155	-	57,404	-
Other receivable - related party, net (Note 24)	33,069	-	50,869	1	Accrued expenses (Notes 16)	471,434	4	479,350	4
Inventories, net (Notes 2 and 8)	1,022,967	8	923,476	8	Other payables - related parties (Note 24)	86	-	-	-
Deferred income tax assets - current (Notes 2 and 20)	5,697	-	1,614	-	Current portion of long-term bonds (Notes 2 and 14)	556,079	4	-	-
Other current assets	14,730	-	34,322	-	Current portion of long-term loans (Note 15)	448,938	4	227,750	2
					Other current liabilities	19,259	-	12,497	-
Total current assets	5,188,324	41	4,476,212	39	Total current liabilities	3,173,779	25	2,417,825	21
<b>LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	253,242	2	245,445	2	Bonds payable (Notes 2 and 14)	-	-	789,367	7
Investments accounted for by the equity method (Notes 2 and 10)	3,780,330	30	3,327,467	29	Long-term loans (Note 15)	1,437,500	12	1,086,438	9
Total long-term investments	4,033,572	32	3,572,912	31	Total long-term liabilities	1,437,500	12	1,875,805	16
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 25)</b>					<b>RESERVES</b>				
Cost					Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
Land	598,145	5	598,145	5	<b>OTHER LIABILITIES</b>				
Land improvements	151	-	593	-	Accrued pension cost (Notes 2 and 17)	14,028	-	9,349	-
Buildings	1,469,923	11	1,598,916	14	Guarantee deposits received	26,829	-	11,664	-
Machinery and equipment	2,241,611	18	3,732,866	33	Deferred income tax liabilities - noncurrent (Notes 2 and 20)	98,874	1	46,514	1
Transportation equipment	-	-	2,557	-	Total other liabilities	139,731	1	67,527	1
Office equipment	90,318	1	141,243	1	Total liabilities	4,754,522	38	4,364,669	38
Land - revaluation increment	8,954	-	8,954	-	<b>STOCKHOLDERS' EQUITY (Note 18)</b>				
Cost and revaluation increment	4,409,102	35	6,083,274	53	Capital stock				
Less accumulated depreciation	(1,156,252)	(9)	(2,752,299)	(24)	Common stock	3,022,423	24	3,022,423	26
Construction in progress and prepayments for equipment	141,848	1	119,998	1	Advance receipts for common stock	75,147	-	-	-
Property, plant and equipment, net	3,394,698	27	3,450,973	30	Capital surplus	1,616,549	13	1,356,078	12
<b>OTHER ASSETS</b>					Retained earnings				
Assets leased to others (Notes 2 and 12)	6,807	-	7,636	-	Legal reserve	749,459	6	644,438	6
Refundable deposits	910	-	925	-	Unappropriated earnings	2,279,958	18	1,901,027	16
Deferred charges (Notes 2)	10,707	-	16,411	-	Total retained earnings	3,029,417	24	2,545,465	22
Total other assets	18,424	-	24,972	-	Other equity (Note 2)				
					Cumulative translation adjustments	167,431	1	264,762	2
<b>TOTAL</b>	<b>\$ 12,635,018</b>	<b>100</b>	<b>\$ 11,525,069</b>	<b>100</b>	Net loss not recognized as pension cost (Note 17)	(22,808)	-	(15,637)	-
					Unrealized loss on financial instrument	(13,105)	-	(18,133)	-
					Unrealized revaluation increment (Note 11)	5,442	-	5,442	-
					Total other equity	136,960	1	236,434	2
					Total stockholders' equity	7,880,496	62	7,160,400	62
					<b>TOTAL</b>	<b>\$ 12,635,018</b>	<b>100</b>	<b>\$ 11,525,069</b>	<b>100</b>

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

# TXC CORPORATION

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$ 9,607,721	101	\$ 8,981,786	101
LESS: SALES RETURNS	(23,147)	-	(15,639)	-
LESS: SALES ALLOWANCES	<u>(107,093)</u>	<u>(1)</u>	<u>(48,124)</u>	<u>(1)</u>
NET OPERATING REVENUE	9,477,481	100	8,918,023	100
OPERATING COSTS	<u>(7,769,177)</u>	<u>(82)</u>	<u>(7,259,694)</u>	<u>(82)</u>
GROSS PROFIT	1,708,304	18	1,658,329	18
REALIZED INTER-COMPANY GAIN	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,708,304</u>	<u>18</u>	<u>1,658,329</u>	<u>18</u>
OPERATING EXPENSES				
Selling expenses	(350,801)	(4)	(377,574)	(4)
General and administrative expenses	(193,155)	(2)	(192,075)	(2)
Research and development expenses	<u>(297,829)</u>	<u>(3)</u>	<u>(344,468)</u>	<u>(4)</u>
Total operating expenses	<u>(841,785)</u>	<u>(9)</u>	<u>(914,117)</u>	<u>(10)</u>
OPERATING INCOME	<u>866,519</u>	<u>9</u>	<u>744,212</u>	<u>8</u>
NONOPERATING INCOME AND GAINS				
Interest income	4,697	-	4,734	-
Investment income recognized under equity method (Note 10)	359,392	4	358,541	4
Dividend income	3,954	-	4,031	-
Gain on disposal of property, plant and equipment	231	-	10,617	-
Gain on sale of investments	1,094	-	822	-
Exchange gains	42,004	1	42,736	1
Reversal of impairment loss	-	-	4,873	-
Miscellaneous income	<u>38,139</u>	<u>-</u>	<u>31,272</u>	<u>-</u>
Total nonoperating income and gains	<u>449,511</u>	<u>5</u>	<u>457,626</u>	<u>5</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	(29,213)	(1)	(23,595)	-
Valuation loss on financial assets	-	-	(78)	-
Valuation loss on financial liabilities, net	(25,857)	-	(15,767)	-
Miscellaneous expenses	<u>(2,257)</u>	<u>-</u>	<u>(3,210)</u>	<u>-</u>

(Continued)



# TXC CORPORATION

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
Total nonoperating expenses and losses	<u>(57,327)</u>	<u>(1)</u>	<u>(42,650)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	1,258,703	13	1,159,188	13
INCOME TAX EXPENSE (Notes 2 and 20)	<u>(109,817)</u>	<u>(1)</u>	<u>(108,972)</u>	<u>(1)</u>
NET INCOME	<u>\$ 1,148,886</u>	<u>12</u>	<u>\$ 1,050,216</u>	<u>12</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 4.15</u>	<u>\$ 3.79</u>	<u>\$ 3.84</u>	<u>\$ 3.48</u>
Diluted	<u>\$ 3.93</u>	<u>\$ 3.58</u>	<u>\$ 3.64</u>	<u>\$ 3.29</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, 2012 AND 2011  
(In Thousands of New Taiwan Dollars)**

	Capital Stock		Capital Surplus	Retained Earnings		Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Others Equity		Treasury Stock	Total
	Common Stock	Advance Receipts for Common Stock		Legal Reserve	Unappropriated Earnings			Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increment		
BALANCE, JANUARY 1, 2011	\$ 2,971,831	\$ -	\$ 1,302,853	\$ 525,420	\$ 1,850,021	\$ 3,716	\$ -	\$ (3,235)	\$ 5,442	\$ (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	3,022,423	-	1,356,078	644,438	1,901,027	264,762	(15,637)	(18,133)	5,442	-	7,160,400
Appropriation of 2011 earnings											
Legal reserve	-	-	-	105,021	(105,021)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(664,934)	-	-	-	-	-	(664,934)
Exercise of employee stock options	-	24,460	67,999	-	-	-	-	-	-	-	92,459
Conversion of convertible bonds	-	50,687	192,472	-	-	-	-	-	-	-	243,159
Net loss not recognized as pension cost	-	-	-	-	-	-	(7,171)	-	-	-	(7,171)
Net income for the year ended December 31, 2012	-	-	-	-	1,148,886	-	-	-	-	-	1,148,886
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	5,028	-	-	5,028
Changes in translation adjustments	-	-	-	-	-	(97,331)	-	-	-	-	(97,331)
BALANCE, DECEMBER 31, 2012	<u>\$ 3,022,423</u>	<u>\$ 75,147</u>	<u>\$ 1,616,549</u>	<u>\$ 749,459</u>	<u>\$ 2,279,958</u>	<u>\$ 167,431</u>	<u>\$ (22,808)</u>	<u>\$ (13,105)</u>	<u>\$ 5,442</u>	<u>\$ -</u>	<u>\$ 7,880,496</u>

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

# TXC CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,148,886	\$ 1,050,216
Depreciation	488,708	561,221
Nonoperating loss - idle assets and lease assets	205	386
Amortization	12,697	22,819
Gain on sale of investments	(1,094)	(822)
Investment income recognized under equity method	(359,392)	(358,541)
Gain on disposal of property, plant and equipment	(231)	(10,617)
Valuation loss on financial instruments	25,857	15,845
Reversal of impairment loss	-	(4,873)
Loss on fire damage	625	-
Discount on bonds payable	9,871	9,777
Net changes in net loss not recognized as pension cost	(7,171)	(15,637)
Net changes in deferred income tax	48,277	53,259
Net changes in operating assets and liabilities		
Notes receivable	(188)	1,161
Accounts receivable (related parties included)	(210,634)	(488,496)
Inventories	(116,746)	16,376
Other receivables (related parties included)	79,842	13,802
Other current assets	19,592	(24,544)
Notes payable (related parties included)	(73,999)	20,298
Accounts payable (related parties included)	188,829	267,369
Accrued expenses	(7,916)	(53,345)
Income tax payable	5,751	1,265
Other payables (related parties included)	(2,173)	-
Other current liabilities	9,021	(403)
Accrued pension cost	4,679	19,843
	<u>1,263,296</u>	<u>1,096,359</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial instruments at fair value through profit or loss	-	(10,500)
Proceeds from disposal of financial instruments at fair value through profit or loss	(3,674)	65,221
Acquisitions of available-for-sale financial assets	(30,000)	(90,000)
Proceeds from disposal of available-for-sale financial assets	61,094	60,268
Acquisition of financial assets carried cost	(7,797)	(148,767)
Acquisition of investments accounted for by equity method	(190,802)	(157,727)
Acquisition of property, plant and equipment	(494,351)	(1,058,015)
Proceeds from disposal of property, plant and equipment	26,847	23,721
Purchase of assets leased to others	-	(187)
Decrease in refundable deposits	15	2,651
Increase in deferred charges	(5,863)	(24,822)
	<u>(644,531)</u>	<u>(1,338,157)</u>
Net cash used in investing activities		

(Continued)

# TXC CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(159,087)	(85,409)
Increase in long-term loans	572,250	354,750
Proceeds from exercise of employee stock options	92,459	91,034
Increase in guarantee deposits received	15,165	3,547
Cash dividends	<u>(664,934)</u>	<u>(740,763)</u>
Net cash used in financing activities	<u>(144,147)</u>	<u>(376,841)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	474,618	(618,639)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>537,594</u>	<u>1,156,233</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,012,212</u>	<u>\$ 537,594</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 19,511</u>	<u>\$ 13,939</u>
Income tax paid	<u>\$ 55,789</u>	<u>\$ 54,447</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Current portion of long-term debt	<u>\$ 448,938</u>	<u>\$ 227,750</u>
Conversion of convertible bonds	<u>\$ 243,159</u>	<u>\$ 587</u>
Investment for machinery and equipment	<u>\$ -</u>	<u>\$ 8,074</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, 2012 and 2011, 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, 2012 and 2011, and the consolidated 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.

### 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, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,570,747	12	\$ 1,211,234	10	Short-term loans (Note 13)	\$ 290,749	2	\$ 360,623	3
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	-	-	7,240	-	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	26,907	-	7,758	-
Available-for-sale financial assets - current (Notes 2 and 6)	46,895	-	71,867	1	Notes payable (Note 2)	-	-	73,714	1
Notes receivable, net (Notes 2, 3 and 7)	17,220	-	30,945	-	Notes payable - related parties (Notes 2 and 24)	-	-	285	-
Accounts receivable, net (Notes 2, 3 and 7)	3,453,853	27	3,096,920	26	Accounts payable (Note 2)	1,415,403	11	1,197,496	10
Accounts receivable - related parties, net (Notes 2, 3, 7 and 24)	10,466	-	6,152	-	Accounts payable - related parties (Notes 2 and 24)	2,295	-	-	-
Other receivable	69,397	1	53,070	-	Income tax payable (Notes 2 and 20)	71,726	1	59,290	1
Other receivables - related parties, net (Note 24)	582	-	577	-	Accrued expenses (Note 16)	519,358	4	612,877	5
Inventories, net (Notes 2 and 8)	1,476,562	11	1,160,036	10	Other payable - related parties (Note 24)	12	-	-	-
Deferred income tax assets - current (Notes 2 and 20)	7,741	-	3,542	-	Current portion of bonds payable (Notes 2 and 14)	556,079	4	-	-
Other current assets	83,805	1	85,503	1	Current portion of long-term loans (Note 15)	493,006	4	273,185	2
					Other current liabilities	70,229	-	38,143	-
Total current assets	6,737,268	52	5,727,086	48	Total current liabilities	3,445,764	26	2,623,371	22
<b>LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>				
Investments accounted for by the equity method (Notes 2 and 9)	45,950	-	48,657	-	Bonds payable (Notes 2 and 14)	-	-	789,367	6
Financial assets carried at cost - noncurrent (Notes 2 and 10)	253,242	2	245,445	2	Long-term loans (Note 15)	1,525,637	12	1,298,468	11
Total long-term investments	299,192	2	294,102	2	Total long-term liabilities	1,525,637	12	2,087,835	17
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 25)</b>					<b>RESERVES</b>				
Cost					Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
Land	598,145	5	598,145	5	<b>OTHER LIABILITIES</b>				
Land improvements	151	-	593	-	Accrued pension cost (Notes 2 and 17)	14,028	-	9,349	-
Buildings	2,068,029	16	2,221,785	19	Deferred tax liability - noncurrent (Notes 2 and 20)	98,874	1	46,514	1
Machinery and equipment	4,954,393	38	6,448,849	54	Guarantee deposits received	27,891	-	12,340	-
Transportation equipment	13,778	-	16,172	-	Total other liabilities	140,793	1	68,203	1
Office equipment	188,643	1	225,429	2	Total liabilities	5,115,706	39	4,782,921	40
Land - revaluation increment	8,954	-	8,954	-	<b>STOCKHOLDERS' EQUITY (Note 18)</b>				
Cost and revaluation increment	7,832,093	60	9,519,927	80	Capital stock				
Less accumulated depreciation	(2,582,559)	(20)	(3,956,880)	(33)	Common stock	3,022,423	23	3,022,423	25
Construction in progress and prepayments for equipment	484,963	4	126,599	1	Advance receipts for common stock	75,147	1	-	-
Total property, plant and equipment	5,734,497	44	5,689,646	48	Total capital stock	3,097,570	24	3,022,423	25
<b>INTANGIBLE ASSETS</b>					Capital surplus	1,616,549	13	1,356,078	12
Land right (Note 25)	115,024	1	117,530	1	Retained earnings				
<b>OTHER ASSETS</b>					Legal reserve	749,459	6	644,438	5
Assets leased to others (Notes 2, 12 and 25)	58,553	1	56,926	1	Unappropriated earnings	2,279,958	17	1,901,027	16
Refundable deposits	4,205	-	2,462	-	Total retained earnings	3,029,417	23	2,545,465	21
Deferred income tax assets - noncurrent (Notes 2 and 20)	3,256	-	1,659	-	Other equity (Note 2)				
Other (Note 2)	44,207	-	53,910	-	Cumulative translation adjustments	167,431	1	264,762	2
Total other assets	110,221	1	114,957	1	Net loss not recognized as pension cost	(22,808)	-	(15,637)	-
					Unrealized loss on financial instruments	(13,105)	-	(18,133)	-
					Unrealized revaluation increment	5,442	-	5,442	-
					Total other equity	136,960	1	236,434	2
					Total stockholders' equity	7,880,496	61	7,160,400	60
<b>TOTAL</b>	<b>\$ 12,996,202</b>	<b>100</b>	<b>\$ 11,943,321</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 12,996,202</b>	<b>100</b>	<b>\$ 11,943,321</b>	<b>100</b>

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

## TXC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$ 11,069,155	101	\$ 9,961,104	101
LESS: SALES RETURNS	(33,567)	-	(15,639)	-
LESS: SALES ALLOWANCES	<u>(107,093)</u>	<u>(1)</u>	<u>(48,124)</u>	<u>(1)</u>
NET OPERATING REVENUE	10,928,495	100	9,897,341	100
OPERATING COSTS	<u>(8,420,200)</u>	<u>(77)</u>	<u>(7,496,695)</u>	<u>(76)</u>
GROSS PROFIT	<u>2,508,295</u>	<u>23</u>	<u>2,400,646</u>	<u>24</u>
OPERATING EXPENSES				
Selling expenses	(449,277)	(4)	(460,181)	(4)
General and administrative expenses	(378,749)	(3)	(325,641)	(3)
Research and development expenses	<u>(422,614)</u>	<u>(4)</u>	<u>(463,303)</u>	<u>(5)</u>
Total operating expenses	<u>(1,250,640)</u>	<u>(11)</u>	<u>(1,249,125)</u>	<u>(12)</u>
OPERATING INCOME	<u>1,257,655</u>	<u>12</u>	<u>1,151,521</u>	<u>12</u>
NONOPERATING INCOME AND GAINS				
Interest income	14,195	-	14,612	-
Investment income recognized under equity method (Note 9)	9,365	-	11,658	-
Dividend revenue	3,954	-	4,031	-
Gain on disposal of property, plant and equipment	2,953	-	10,784	-
Gain on sale of investments	1,094	-	822	-
Exchange gain	51,912	-	43,675	-
Miscellaneous income	<u>75,715</u>	<u>1</u>	<u>59,437</u>	<u>1</u>
Total nonoperating income and gains	<u>159,188</u>	<u>1</u>	<u>145,019</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	(35,555)	(1)	(31,154)	(1)
Loss on disposal of property, plant and equipment	(3,802)	-	(3,265)	-
Impairment loss	(22,430)	-	(19,942)	-
Valuation loss on financial assets	-	-	(78)	-
Valuation loss on financial liabilities	(26,747)	-	(12,627)	-
Miscellaneous expenses	<u>(25,690)</u>	<u>-</u>	<u>(16,264)</u>	<u>-</u>
Total nonoperating expenses and losses	<u>(114,224)</u>	<u>(1)</u>	<u>(83,330)</u>	<u>(1)</u>

(Continued)

## TXC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	1,302,619	12	1,213,210	12
INCOME TAX EXPENSE (Notes 2 and 20)	<u>(153,733)</u>	<u>(1)</u>	<u>(162,994)</u>	<u>(1)</u>
NET INCOME	<u>\$ 1,148,886</u>	<u>11</u>	<u>\$ 1,050,216</u>	<u>11</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 4.15</u>	<u>\$ 3.79</u>	<u>\$ 3.84</u>	<u>\$ 3.48</u>
Diluted	<u>\$ 3.93</u>	<u>\$ 3.58</u>	<u>\$ 3.64</u>	<u>\$ 3.29</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, 2012 AND 2011  
(In Thousands of New Taiwan Dollars)**

	Capital Stock			Retained Earnings		Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Others Equity			Total
	Common Stock	Advance Receipts for Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings			Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increment	Treasury Stock	
BALANCE, JANUARY 1, 2011	\$ 2,971,831	\$ -	\$ 1,302,853	\$ 525,420	\$ 1,850,021	\$ 3,716	\$ -	\$ (3,235)	\$ 5,442	\$ (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	3,022,423	-	1,356,078	644,438	1,901,027	264,762	(15,637)	(18,133)	5,442	-	7,160,400
Appropriation of 2011 earnings											
Legal reserve	-	-	-	105,021	(105,021)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(664,934)	-	-	-	-	-	(664,934)
Exercise of employee stock options	-	24,460	67,999	-	-	-	-	-	-	-	92,459
Conversion of convertible bonds	-	50,687	192,472	-	-	-	-	-	-	-	243,159
Net loss not recognized as pension cost	-	-	-	-	-	-	(7,171)	-	-	-	(7,171)
Net income for the year ended December 31, 2012	-	-	-	-	1,148,886	-	-	-	-	-	1,148,886
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	5,028	-	-	5,028
Changes in translation adjustments	-	-	-	-	-	(97,331)	-	-	-	-	(97,331)
BALANCE, DECEMBER 31, 2012	<u>\$ 3,022,423</u>	<u>\$ 75,147</u>	<u>\$ 1,616,549</u>	<u>\$ 749,459</u>	<u>\$ 2,279,958</u>	<u>\$ 167,431</u>	<u>\$ (22,808)</u>	<u>\$ (13,105)</u>	<u>\$ 5,442</u>	<u>\$ -</u>	<u>\$ 7,880,496</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, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,148,886	\$ 1,050,216
Depreciation	838,549	881,607
Nonoperating loss - idle assets and lease assets	13,669	9,319
Amortization	26,075	31,541
Investment income recognized under equity method	(9,365)	(11,658)
Cash dividends received from equity method investees	10,767	-
Gain on sale of investments	(1,094)	(822)
Loss (gain) on disposal of property, plant and equipment	849	(7,519)
Valuation loss on financial instruments	26,747	12,705
Impairment loss	22,430	19,942
Loss on fire damage	625	-
Discount on bonds payable	9,871	9,777
Net changes in net loss not recognized as pension cost	(7,171)	(15,637)
Net changes in deferred income tax	46,564	49,672
Net changes in operating assets and liabilities		
Notes receivable (related parties included)	13,725	(25,278)
Accounts receivable (related parties included)	(361,247)	(321,545)
Inventories	(333,781)	(32,336)
Other receivables (related parties included)	35,094	38,437
Other current assets	1,698	(47,295)
Notes payable (related parties included)	(73,999)	20,298
Accounts payable (related parties included)	220,202	(59,017)
Accrued expenses	(5,952)	(24,864)
Income tax payable	12,436	(10,835)
Other payables (related parties included)	12	-
Other current liabilities	32,086	(23,061)
Accrued pension cost	4,679	19,843
	<u>1,672,355</u>	<u>1,563,490</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial instruments at fair value through profit or loss	-	(10,500)
Proceeds from disposal of financial instruments at fair value through profit or loss	(440)	67,238
Acquisitions of available-for-sale financial assets	(30,000)	(90,000)
Proceeds from disposal of available-for-sale financial assets	61,094	60,268
Acquisition of financial assets carried at cost	(7,797)	(148,767)
Acquisitions of property, plant and equipment	(1,135,305)	(1,308,083)
Proceeds from disposal of property, plant and equipment	27,943	25,642
(Increase) Decrease in refundable deposits	(1,743)	2,525
Purchase of assets leased to others	-	(187)
Acquisition of land right	(18,963)	(101,385)
Increase in deferred charges	(14,036)	(42,827)

(Continued)

# TXC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
Net cash used in investing activities	<u>(1,119,247)</u>	<u>(1,546,076)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(69,874)	(77,465)
Increase in guarantee deposits received	15,551	3,624
Increase in long-term loans	446,990	342,763
Proceeds from exercise of employee stock options	92,459	91,034
Cash dividends	<u>(664,934)</u>	<u>(740,763)</u>
Net cash used in financing activities	<u>(179,808)</u>	<u>(380,807)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(13,787)</u>	<u>56,064</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	359,513	(307,329)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,211,234</u>	<u>1,518,563</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,570,747</u>	<u>\$ 1,211,234</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 25,418</u>	<u>\$ 21,313</u>
Income tax paid	<u>\$ 100,674</u>	<u>\$ 123,200</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Conversion of convertible bonds	<u>\$ 243,159</u>	<u>\$ 587</u>
Current portion of long-term debt	<u>\$ 493,006</u>	<u>\$ 273,185</u>

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

(Conclude)