

TXC Corporation
Agenda for 2014 General Meeting of Shareholders

Time: 09:30am 18 June (Wednesday), 2014

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

Attend: Present number of share of stock to add up to: 208,493,744 shares, 67.31% of 309,757,040 shares.

Attendant directors: Paul Lin (Chairman) / William Hsu (Vice Chairman) / Peter Lin (Director) / Du-an Yang (Director) / Yun-Ho Peng (Member of audit committee) / Song-qi Cai (Member of audit committee)

Observer: CPA Gong Shuang Xiong at Deloitte & Touche CPA office.

Chairman: Paul Lin

Recorder: Morris Chiang

Report Items

Report item (1)

Subject: 2013 Business update report

Description:

1. The company's 2013 consolidated revenue was NT\$9,503,583 thousand, a decrease of 13.04% over the previous year. Net income was NT\$ 935,161 thousand, an decrease of 18.65% 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 2014 revenues in the case of stable order from global giants, new production lines and better manufacturing process, set clear performance targets and hopes that sales, growth and profits performance surpass industry benchmarks.

Report item (2)

Subject: audit committee's review of 2013 financial reports

Description:

1. Matters regarding the board of director passage and audit committee review of the Company's 2013 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 audit committee to read audit report, see Attachment (2) in Agenda.

Proposed Resolutions

Proposed Resolution (1)

Proposed by Board of Directors

Subject: Please accept the 2013 Business Report and Financial Statements

Description:

1. See Attachments (1) and (3) of the Agenda for the prepared 2013 business report and financial statements.
2. The above 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 audit committee review. See Attachment (2) of the Agenda for the Audit 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: This case is sought and asked the full attendance shareholders without demur by the Chairman; the case is passed.

Proposed Resolution (2)

Proposed by Board of Directors

Subject: To approve the distribution of 2013 profits

Description:

1. Initial beginning period undistributed profits is NT\$ 1,438,604,087. After adjustment of IFRS, beginning period undistributed profits decrease in NT\$ 9,379,505. Besides, actuarial loss of 2013 welfare plan to retained earnings is NT\$6,731,337. Finally, adjusted undistributed profits is NT\$1,467,493,245.
2. Net profits for 2013 were NT\$935,161,705. 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\$2,309,138,779. In consideration of capital utilization and to avoid capital inflation, a shareholder dividend issue of NT\$681,465,488 (NT\$2.2 cash dividend) is proposed. After distribution, the undistributed profit will be NT\$1,627,673,291.
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. The profit distribution table is listed below. Please approve.

**TXC Corporation
Profit Distribution
2013**

Unit: NTD

Item	Amount	
	Sub-total	Sum
Beginning period undistributed profits		1,483,604,087
Adjusted amounts by TIFRS	213,413,785	
Special Reserve of first adoption of TIFRS	(222,793,290)	(9,379,505)

Adjusted Beginning period undistributed profits		1,474,224,582
Actuarial gain (loss) to retained earning		(6,731,337)

Adjusted undistributed profits		1,467,493,245
Net profit after tax for this year		935,161,705
Appropriate legal reserve (10%)		(93,516,171)

Profits available for distribution		2,309,138,779
Shareholder bonus—cash (\$2.2 per share)	(681,465,488)	
Total of distribution		(681,465,488)

End period of undistributed profits		1,627,673,291
Reference:		
Employee bonus—cash	100,998,482	
Directors and supervisor remuneration—cash	16,832,910	

Note: (1) Allocation of 2013 undistributed profit shall be given priority for the above profit distribution.

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

Resolution: This case is sought and asked the full attendance shareholders without demur by the Chairman; the case is passed.

Discussion and Matters

Discussion Matters (1)

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 execution of the IFRS.
2. See Meeting Agenda for the comparison chart of the amended articles of the Procedures for Acquisition or Disposal of Assets.
3. Please approve.

Resolution: This case is sought and asked the full attendance shareholders without demur by the Chairman; the case is passed.

Special Motions

Meeting Adjourned at 9:43 AM

I. Business Report

TXC celebrated its 30th year in business this year. At this juncture of time, thoughts about the journey we have taken and what kind of steps forward to take in the future constantly preoccupy our minds. This was especially true in 2013 when our Japanese competitors gained an unprecedented boost in market competitiveness due to industry changes and the depreciation of the Japanese yen which caused our Company to experience its first year of negative growth in a decade. This was a strong warning to us but also an opportunity for transformation. As a result, how to seek out innovation opportunities to achieve breakthrough growth, how to integrate company resources to optimize operating efficiency and how to strengthen upstream and downstream supplier chain to rapidly respond to market changes are key questions ever present in our minds.

In 2013, we decided not to fully engage in the price competition appearing in the market which resulted from the devaluation of the Japanese yen and therefore were unable to reach the forecast growth. However, we were able to retain a certain profit margin level and continue to enjoy profitability which can be shared with shareholders. With regard to operating performance in 2013, consolidated sales were NT\$9.503 billion, 13.04% lower than the previous year's consolidated sales of NT\$10.928 billion which reached 84.57% of the forecast target. Net income after tax was NT\$935 million, representing a decrease of 18.65% compared to the previous year's net income after tax of NT\$1.15 billion which reached 85.41% of the forecast target. Basic EPS was NT\$3.02 which was 20.32% lower than the basic EPS of NT\$3.79 recorded in the previous year. Looking forward to this year, the Company, while setting clear performance indicators, expects that sales and profits will continue to maintain a certain level of performance as the economic outlook improves slightly. Growth is expected to continue and the momentum will come from market niche and competitive products. Though the Company did not continue to grow in 2013, our commitment to R&D investment and innovation never ceased or wavered. Our market-driven approach and ability to overcome competitive pressures and obstacles give us full confidence that the Company will continue to enjoy growth in the future. Having strong intent to grow and urging ourselves forward to compete and meet challenges, the 2013 Operating Results and 2014 Operating Plan Summary are provided below:

A. Operational achievements in 2013

1. Revenue and net profit after tax

Unit: NT\$1,000

	2013	2012	Increase(decrease)amount	Percentage increase
Net consolidated revenue income	9,503,583	10,928,495	(1,424,912)	-13.04%
Consolidated operational profit	2,194,030	2,508,295	(314,265)	-12.53%
Net consolidated profit (loss) after tax	935,161	1,149,534	(214,373)	-18.65%

2. Revenue income and expenditure and profitability:

Consolidated revenue income and expenditure and profitability:

	Year	2013	2012
Finance Structure (%)	Liability vs asset ratio	35.88%	39.36%
	Long term fund vs fixed asset ratio	184.67%	164.03%
Debt-paying Capability (%)	Liquidity ratio	243.93%	195.52%
	Quick ratio	180.81%	150.24%
Profitability (%)	Return on assets ratio (%)	7.48%	9.45%
	Return on shareholders equities ratio (%)	11.57%	15.28%
	Earnings per basic share (NT\$)	3.02	3.79

3. Budget Implementation Status

For 2013, the Company only set internal budget targets and did not externally disclose financial estimates or overall sales or profit information. Due to the effect of industry changes and market competition, the Company only reached 85% of the announced operating target. However, we still remain highly confident about future growth.

4. R&D Status

With regard to R&D, in addition to continuing to focus on existing quartz product technology and product improvement, the Company is working on the development of new product lines as laid out in our technology roadmap. With respect to key items, products which completed development in 2013 included the miniature 3-in-1 proximity sensor, stratum-3 high precision temperature-compensated crystal oscillator, oven controlled quartz crystal oscillators, miniaturized temperature compensated quartz crystal oscillators and temperature sensing quartz units (TSX) and inverted mesa high frequency quartz manufacturing technology which should have a positive effect on future sales growth and profitability.

5. Other Project Implementation Results

(1) Green Enterprise

The Company continues to perform greenhouse gas inventories (ISO14064-1), product carbon footprint inventories (PAS2050) as well as energy management system (ISO50001) and product carbon neutrality (PAS2060) actions. We are also engaged in various low carbon activities and have received low carbon labels and logos from the EPA in line with our expectations. Carbon label certification was also obtained from TEEMA for our AM product series. In order to jointly safeguard the Earth and create a sustainable environment in Taiwan, the Company and all employees have actively participated in the Plant a Tree for the Earth, Support Taiwan Green Belts activity launched by the Environmental

Quality Protection Foundation and the Zhuwei Fishing Harbor beach cleaning activity as part of our effort to fulfill our corporate social responsibility.

(2) Occupational Safety and Health

Under the guidance and direction of the Occupational Safety and Health Committee and Labor-Management Meeting, the Company continues to introduce OHSAS 18001 Occupational Safety and Health Management System and has passed CNS 15506 Taiwan Occupational Safety and Health Management System certification in order to guarantee worker safety and health. Furthermore, we obtained Occupational Safety and Health Performance Recognition again in March 2013 and held a number of health promotion activities such as weight reduction, stop smoking and parenting education classes. Prompt assistance and special attention is provided for personnel involved in traffic accidents outside the plant area. In the future, the Company will continue to create a safe work environment in order to offer the maximum assurance of safety to our employees.

(3) System Certification

With regard to the maintenance of various operating systems, the quality management system (ISO9001), automotive industry quality management system (ISO/TS16949), environmental management system (ISO14001), Taiwan occupational safety and health management system (CNS15506), information security management system (ISO/IEC27001), supplier chain security management system (ISO28000) and energy management system (ISO50001) were under continued review in 2013 and the hazardous substance process management system (IECQ QC 080000:2012), occupational safety and health management system (OHSAS 18001:2007) and occupational safety and health performance recognition as well as ISO 14064-1 greenhouse gas verification, PAS 2050 product carbon footprint verification (PAS2060:2010 AB series product carbon neutralization verification), and TEEMA carbon footprint logo were under review again in 2013. The management systems introduced at TXC have reached international standards. Through the active operation of these various systems, it is hoped that the Company may satisfy customer requirements not to mention set even higher benchmarks for us.

(4) Technology Upgrading

In addition to continuing rollout of the Six Sigma Improvement Project, a Design for Six Sigma course and project planning was launched in 2013. A total of six major projects for DFSS have been completed including the TSX, proximity sensor, inverted MESA, 1612XO/TCXO and 1210 crystal development projects. As of now, the financial benefits received from these projects have already reached NT\$23 million. In the future, the Company will continue to strengthen and improve our R&D standards through the introduction of Six Sigma Green Belt, Black Belt and Design for Six Sigma.

(5) Corporate Governance and Responsibility

The Company has made a strong commitment to corporate governance for a number of years and thereby have continued to promote 'setting down roots of education and fostering the shoots of learning'. We have cooperated with elementary schools located near Pingzhen and Beitou to have students tour the Company so that they can understand how hard their parents work. Roots and Shoots Awards were presented to outstanding teachers. Growth and Progress Awards were given out to students who have showed the most academic progress. In October 2013, the Company received the Excellence Award for Business Innovation from the Taoyuan County Government. In September, the Taipei City Government was presented with the three star Happiest Company Award. In August, TXC received the Inclusion Green Growth Award from BSI and was honored with seventh annual CSR Top50 award by Commonwealth Magazine. In July, TXC received an A++ rating again for information disclosure. In June, the Company completed CG6008 Advanced Corporate Governance System Assessment Certification. In May, TXC was ranked 280 out of 1000 large manufacturers by Commonwealth Magazine. In February, the company received the first Taiwan Mittelstand Award from the MOEA. These honors are ample proof of the tireless effort that the Company has invested in corporate governance and corporate social responsibility.

B. 2014 Operation Plan Summary

1. Operation Directions and Major Policies

(1) R&D Unit Organization Reengineering

As company product lines are being expanded beyond existing quartz crystal unit series and the organization following strategy is being adjusted, the Company decided totally overhaul its R&D organization in 2014 to address changes in the industry environment and conform to future product development trends. In addition to the existing quartz crystal resonators and oscillators, adequate resources were deployed to engage in light sensor component hardware and software development.

(2) Enter the light sensor component market

After successfully developing the temperature sensing crystal (TSX) and 3-in-1 light sensor (PA12) in 2013, the Company is focusing on promoting these two products in the marketplace. In addition to company sales, TXC will also top performing distributors in various countries to win more business from major international corporations. It is forecast that these two products will make a significant contribution to company sales and profits.

(3) Establish Product Lifecycle and Supplier Chain Platform System

The Company gradually introduced the Oracle Agile Product Lifetime Management module in 2013. Further optimization and strengthening

will be done this year to improve project schedules and process controls as well as enhance communication and work efficiency in order to ensure smooth logistics operations between Taiwan and group subsidiaries. TXC is also gradually introducing a supplier chain management platform system to allow full communication and unobstructed material flow between the upstream and downstream companies of each plant and reduce inventory.

(4) Water Footprint Certification

Following the introduction of carbon footprint and carbon neutrality, the Company conducted a water footprint (blue water and gray water) inventory with assistance from the Industrial Development Bureau and guidance from the NCKU Industrial Sustainable Development Center in order to be able to announce water footprint information if so requested by customers, reduce wastewater discharge amounts and reduce water use and also stay current with global environmental protection trends to fulfill our responsibility as a global citizen.

(5) Corporate Governance

The Company passed CG6008 Advanced Corporate Governance certification and received the highest A++ rating for information disclosure in 2013. In response to the first corporate governance assessment held by the Taiwan Stock Exchange in 2015, the Company will conduct a full review of the related assessment content to conform and exceed the requirements of the competent authorities towards public listed companies. Since corporate social responsibility guidelines have been upgraded from GRI 3.1 to GRI 4.0, the Company shall make disclosures in the specified order inside the CSR report. For TXC, the goal of corporate governance is to fully disclose operation information and explain CSR promotion results. For stakeholders, the above information may be used to fully understand operating results so one can make the required investment decisions.

(6) Production Line Expansion

Since the production capacity of our LED Division is currently unable to satisfy customer requirements and business and market expansion limitations, the Company decided to make further investments in the LED business and expand production lines in 2014. The pattern sapphire substrate (PSS) process production line will be expanded to build up sufficient capacity, satisfy customer requirements and reduce costs in order to achieve a greater breakthrough in our LED business efforts. The Company will continue to enhance its competitive advantage, reduce product costs, expand production capacity at the Ningbo and Chongqing plants and adjust product mix to better satisfy customer requirements.

2. Sales Quantity Forecast and Basis

One can say that 2013 was a year full of strange twists and turns for the quartz industry. Everyone in the industry was forced to take countermeasures in response to market changes. Compared to 2012, TXC sales fell below expectations but operating performance was maintained at an acceptable level. Therefore, the Company has taken a cautiously optimistic outlook when determining the sales forecasts for 2014. In addition to the orders received from major international corporations, the Company is also planning to expand production capacity for new products and optimize existing product processes to boost sales. Moreover, as automotive and high precision products receive customer certification and approval, these products will start to make a significant and increasing contribution to sales. In addition, our existing quartz technology may be carried over to LED and light sensor products. Overall, due to the results seen in the development of miniature, high frequency and low energy consumption precision products and broad customer trust in our product quality, it is forecast that consolidated sales will reach 2.5 billion dollars and market share will rise to over 10% due to efficient handling of customer relations and product diversification which will make TXC one of the top two companies in the global quartz crystal resonator industry.

Being unable to reach our sales forecasts for the first time in a decade was indisputably a significant challenge for company management. Even though we remained a relatively profitable company in the quartz industry, we not only redirected internal resources and reorganized the R&D section, but also reexamined our efforts to expand new product channels in order to rapidly respond and acclimate to changes. Being aware of the increasing profit pressures on the electronic industry, all TXC employees need to bravely face and surmount this extreme and difficult challenge. Bold innovation is an idea requiring deep thought when resources are being invested by the Company. This is the way to eliminate all habitual domains that obstruct progress and move on to future growth. How to improve human resource quality, reorganize resource allocation and optimize processes will again become issues that must be honestly faced in order to achieve meaningful and long-term sustainable operations.

After thirty years in operation as a company, we deeply believe that through the positive pressures of facing competition and breaking out of the status quo like what management guru Patrick M. Lencioni said "though reestablishment of team thinking, further improvement of internal information transparency of the organization, full understanding and raising communication efficiency" and by further strengthening of Company core values, TXC will certainly be able to spread our wings again and reward our stakeholders with growth and profits.

Appendix 2

TXC Corporation Audit Report of Audit Committee

Board of Directors of the company has made business report of 2013, consolidated financial statements, the individual financial statements and proposal of earnings distribution, of which the consolidated financial statements and the individual financial statements have been audited by independent auditors Mr. Gong Shuang-xiong and Mr. Wong Bo-ren of Deloitte Taiwan. The above business report, consolidated financial statements, the individual financial statements and proposal of earnings distribution have been recognized by audit committee according to Article 14-4 of the Securities Exchange Act and Article 219 of Corporate Law. Pleas examine.

2014 shareholder meeting of the company

Convener of Audit Committee

Yu Shang Wu

2014. 05. 05

Appendix 3

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying consolidated balance sheets of TXC Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 the Group as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of 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 (In Thousands of New Taiwan Dollar)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 1,829,536	14	\$ 1,570,747	12	\$ 1,211,234	10
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	445,807	4	-	-	7,240	-
Available-for-sale financial assets - current (Notes 4 and 8)	49,414	-	46,895	-	71,867	1
Notes receivable (Notes 4, 5 and 12)	20,521	-	17,220	-	30,945	-
Accounts receivable (Notes 4, 5 and 12)	2,636,402	20	3,453,853	27	3,096,920	26
Receivables from related parties (Notes 4, 5, 12 and 33)	9,416	-	10,466	-	6,152	-
Other receivables (Notes 4 and 12)	81,263	1	69,397	1	53,070	-
Other receivables from related parties (Notes 4, 12 and 33)	704	-	582	-	577	-
Inventories (Notes 4 and 13)	1,652,913	13	1,476,562	11	1,160,036	10
Prepayments	8,307	-	17,062	-	30,524	-
Prepaid rental (Notes 4 and 17)	2,538	-	2,427	-	406	-
Other financial assets - current (Note 11)	24,443	-	-	-	-	-
Other current assets - other (Note 18)	97,375	1	66,743	1	54,979	1
Total current assets	<u>6,858,639</u>	<u>53</u>	<u>6,731,954</u>	<u>52</u>	<u>5,723,950</u>	<u>48</u>
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	44,510	-	54,997	-	47,200	-
Held-to-maturity financial assets (Notes 4, 5 and 9)	47,840	-	-	-	-	-
Financial assets carried at cost (Notes 4 and 10)	198,245	2	198,245	2	198,245	2
Investments accounted for using equity method (Notes 4 and 14)	61,747	1	45,950	-	48,657	-
Property, plant and equipment (Notes 4 and 15)	5,508,064	42	5,546,828	43	5,560,083	46
Investment properties (Notes 4 and 16)	55,693	1	58,553	1	56,926	1
Deferred income tax assets (Notes 4, 5 and 26)	29,043	-	53,667	-	98,813	1
Prepayment for equipment	12,014	-	178,715	1	120,609	1
Refundable deposits (Notes 4 and 30)	4,384	-	4,205	-	2,462	-
Long-term prepaid rent (Note 17)	115,225	1	112,597	1	117,124	1
Other noncurrent assets (Note 18)	48,126	-	44,207	-	53,910	-
Total noncurrent assets	<u>6,124,891</u>	<u>47</u>	<u>6,297,964</u>	<u>48</u>	<u>6,304,029</u>	<u>52</u>
TOTAL	<u>\$ 12,983,530</u>	<u>100</u>	<u>\$ 13,029,918</u>	<u>100</u>	<u>\$ 12,027,979</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 19)	\$ 707,268	5	\$ 290,749	2	\$ 360,623	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	17,329	-	26,907	-	7,758	-
Notes payable (Note 21)	-	-	-	-	73,714	1
Notes payable from related parties (Notes 21 and 32)	-	-	-	-	285	-
Accounts payable (Note 21)	886,627	7	1,415,403	11	1,197,496	10
Accounts payables to related parties (Notes 21 and 32)	177	-	2,295	-	-	-
Other payables (Note 22)	594,959	5	538,893	4	631,465	5
Other payables to related parties (Note 32)	1,027	-	12	-	-	-
Current tax liabilities (Notes 4 and 26)	67,919	1	71,726	1	59,290	1
Current portion of bonds payable and long-term bank loans (Notes 19 and 20)	489,415	4	1,049,085	8	273,185	2
Other current liabilities (Note 22)	46,968	-	70,229	1	38,143	-
Total current liabilities	<u>2,811,689</u>	<u>22</u>	<u>3,465,299</u>	<u>27</u>	<u>2,641,959</u>	<u>22</u>
NONCURRENT LIABILITIES						
Bonds payable (Note 20)	765,337	6	-	-	789,367	7
Long-term bank loans (Note 19)	887,500	7	1,525,637	12	1,298,468	11
Deferred income tax liabilities (Notes 4 and 26)	130,540	1	133,154	1	131,628	1
Accrued pension cost (Notes 4 and 23)	34,163	-	31,422	-	25,591	-
Guarantee deposits received (Notes 4, 22 and 29)	29,418	-	27,891	-	12,340	-
Total noncurrent liabilities	<u>1,846,958</u>	<u>14</u>	<u>1,718,104</u>	<u>13</u>	<u>2,257,394</u>	<u>19</u>
Total liabilities	<u>4,658,647</u>	<u>36</u>	<u>5,183,403</u>	<u>40</u>	<u>4,899,353</u>	<u>41</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT						
Capital stock (Note 24)						
Common stock	3,097,570	24	3,022,423	23	3,022,423	25
Capital collected in advance	-	-	24,460	-	-	-
Certificates of bond-to-stock conversion	-	-	50,687	1	-	-
Total capital stock	<u>3,097,570</u>	<u>24</u>	<u>3,097,570</u>	<u>24</u>	<u>3,022,423</u>	<u>25</u>
Capital surplus	1,662,181	13	1,616,549	12	1,356,078	11
Retained earnings						
Appropriated as legal capital reserve	864,348	7	749,459	6	644,438	5
Appropriated as special capital reserve	222,793	2	-	-	-	-
Unappropriated earnings	2,402,655	18	2,493,373	19	2,123,820	18
Total retained earnings	<u>3,489,796</u>	<u>27</u>	<u>3,242,832</u>	<u>25</u>	<u>2,768,258</u>	<u>23</u>
Other equity						
Exchange differences on translating foreign operations	75,336	-	(97,331)	(1)	-	-
Unrealized loss on available-for-sale financial assets	-	-	(13,105)	-	(18,133)	-
Total other equity	<u>75,336</u>	<u>-</u>	<u>(110,436)</u>	<u>(1)</u>	<u>(18,133)</u>	<u>-</u>
Total equity attributable to owners of the parent	<u>8,324,883</u>	<u>64</u>	<u>7,846,515</u>	<u>60</u>	<u>7,128,626</u>	<u>59</u>
Total equity	<u>8,324,883</u>	<u>64</u>	<u>7,846,515</u>	<u>60</u>	<u>7,128,626</u>	<u>59</u>
TOTAL	<u>\$ 12,983,530</u>	<u>100</u>	<u>\$ 13,029,918</u>	<u>100</u>	<u>\$ 12,027,979</u>	<u>100</u>

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
SALES (Note 4)	\$ 9,503,583	100	\$ 10,928,495	100
COST OF GOODS SOLD (Note 25)	<u>(7,309,553)</u>	<u>(77)</u>	<u>(8,420,200)</u>	<u>(77)</u>
GROSS PROFIT	<u>2,194,030</u>	<u>23</u>	<u>2,508,295</u>	<u>23</u>
OPERATING EXPENSES (Note 25)				
Selling and marketing expenses	(441,526)	(5)	(448,520)	(4)
General and administrative expenses	(371,708)	(4)	(378,749)	(3)
Research and development expenses	<u>(429,642)</u>	<u>(4)</u>	<u>(422,614)</u>	<u>(4)</u>
Total operating expenses	<u>(1,242,876)</u>	<u>(13)</u>	<u>(1,249,883)</u>	<u>(11)</u>
INCOME FROM OPERATIONS (Note 41)	<u>951,154</u>	<u>10</u>	<u>1,258,412</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 25)	91,970	1	93,865	1
Other gains and losses (Note 25)	51,025	1	(22,710)	-
Finance costs (Notes 4 and 25)	(45,830)	(1)	(35,555)	(1)
Share of profits of associates and joint venture (Note 14)	<u>13,446</u>	<u>-</u>	<u>9,365</u>	<u>-</u>
Total non-operating income and expenses	<u>110,611</u>	<u>1</u>	<u>44,965</u>	<u>-</u>
INCOME BEFORE INCOME TAX	1,061,765	11	1,303,377	12
INCOME TAX EXPENSE (Note 26)	<u>(126,604)</u>	<u>(1)</u>	<u>(153,843)</u>	<u>(1)</u>
NET INCOME	<u>935,161</u>	<u>10</u>	<u>1,149,534</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences arising on translation of foreign operations	172,667	2	(97,331)	(1)
Unrealized loss on available-for-sale financial assets	13,105	-	5,028	-
Actuarial loss from defined benefit plans	(10,164)	-	(10,026)	-
Income tax related to actuarial defined benefits	<u>3,432</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>179,040</u>	<u>2</u>	<u>(102,329)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,114,201</u>	<u>12</u>	<u>\$ 1,047,205</u>	<u>10</u>

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31	
	<u>2013</u>	<u>2012</u>
EARNINGS PER SHARE		
Basic	<u>\$ 3.02</u>	<u>\$ 3.79</u>
Diluted	<u>\$ 2.82</u>	<u>\$ 3.57</u>

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

(Concluded)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent							Others		Total Equity
	Common Stock	Advance Receipts for Common Stock	Certificates on Bond-to-stock Conversion	Capital Surplus	Retained Earnings			Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for-sale Financial Assets	
					Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2012	\$ 3,022,423	\$ -	\$ -	\$ 1,356,078	\$ 644,438	\$ -	\$ 2,123,820	\$ -	\$ (18,133)	\$ 7,128,626
Appropriation of 2011 earnings										
Legal reserve	-	-	-	-	105,021	-	(105,021)	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	(664,934)	-	-	(664,934)
Net income for the for the year ended December 31, 2012	-	-	-	-	-	-	1,149,534	-	-	1,149,534
Other comprehensive income for the for the year ended December 31, 2012, net of income tax	-	-	-	-	-	-	(10,026)	(97,331)	5,028	(102,329)
Total comprehensive income for the for the year ended December 31, 2012	-	-	-	-	-	-	1,139,508	(97,331)	5,028	1,047,205
Convertible bonds converted to ordinary shares	-	-	50,687	192,472	-	-	-	-	-	243,159
Share-based payment transaction	-	24,460	-	67,999	-	-	-	-	-	92,459
BALANCE AT DECEMBER 31, 2012	3,022,423	24,460	50,687	1,616,549	749,459	-	2,493,373	(97,331)	(13,105)	7,846,515
Appropriation of 2012 earnings										
Legal reserve	-	-	-	-	114,889	-	(114,889)	-	-	-
Special Capital Reserve	-	-	-	-	-	222,793	(222,793)	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	(681,465)	-	-	(681,465)
Equity component of convertible bonds issued by the Company	-	-	-	45,632	-	-	-	-	-	45,632
Net income for the year ended December 31, 2013	-	-	-	-	-	-	935,161	-	-	935,161
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	-	(6,732)	172,667	13,105	179,040
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	928,429	172,667	13,105	1,114,201
Convertible bonds converted to ordinary shares	50,687	-	(50,687)	-	-	-	-	-	-	-

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent							Others		Total Equity
	Common Stock	Advance Receipts for Common Stock	Certificates on Bond-to-stock Conversion	Capital Surplus	Retained Earnings			Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for-sale Financial Assets	
					Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings			
Share-based payment transaction	<u>24,460</u>	<u>(24,460)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE AT DECEMBER 31, 2013	<u>\$ 3,097,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,662,181</u>	<u>\$ 864,348</u>	<u>\$ 222,793</u>	<u>\$ 2,402,655</u>	<u>\$ 75,336</u>	<u>\$ -</u>	<u>\$ 8,324,883</u>

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

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<u>For the Years Ended December 31</u>	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,061,765	\$ 1,303,377
Adjustments for:		
Bad debt expense (recovery gain)	706	(2,945)
Depreciation expense	886,327	852,218
Amortization expense	43,714	26,075
Net (gain) loss on fair value change of financial liabilities at fair value through profit or loss	(2,714)	26,747
Interest expense	45,830	35,555
Share of profits of associates and joint venture	(13,446)	(9,365)
Interest income	(13,887)	(14,195)
Impairment loss of financial assets	21,072	-
Impairment loss of property , plant and equipment	875	22,430
Loss on valuation of inventories	7,912	21,885
(Gain) Loss on disposal of property, plant and equipment	(1,264)	849
Dividend income	(1,035)	(3,954)
Gain on disposal of investment	(6,368)	(1,094)
Fire Loss	-	625
Changes in operating assets and liabilities:		
Notes receivable	(3,304)	13,725
Accounts receivables	816,843	(353,847)
Receivables from related parties	1,050	(4,283)
Other receivables	(10,168)	35,099
Other receivables from related parties	(122)	(5)
Inventories	(176,930)	(355,666)
Prepayments	8,755	13,462
Other current assets	(30,632)	(11,764)
Notes payable	-	(73,714)
Notes payable to related parties	-	(285)
Accounts payable	(528,776)	217,907
Accounts payable to related parties	(2,118)	2,295
Other payables	49,450	(86,899)
Other payables to related parties	1,015	12
Other current liabilities	(23,261)	32,086
Accrued pension costs	(7,423)	(4,195)
Cash generated from operations	<u>2,123,866</u>	<u>1,682,136</u>
Interest paid	(28,542)	(25,418)
Income taxes paid	<u>(104,602)</u>	<u>(100,674)</u>
Net cash generated by operating activities	<u>1,990,722</u>	<u>1,556,044</u>

CASH FLOWS FROM INVESTING ACTIVITIES

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
Acquisition of net gain or loss arising on financial assets classified as held for trading recognized originally	(2,924,571)	-
Disposal of net gain (loss) arising on financial assets classified as held for trading recognized originally	2,480,129	(440)
Purchase of available-for-sale financial assets	(179,665)	(37,797)
Disposal of available-for-sale financial assets	186,034	61,094
Purchase of held-to-maturity financial assets	(47,840)	-
Payments for property, plant and equipment	(763,200)	(990,260)
Disposal of property, plant and equipment	58,575	27,943
Increase in refundable deposits	(179)	(1,743)
Increase in other financial assets	(24,443)	-
Increase in other noncurrent assets	(45,224)	(14,035)
Increase in prepayment for equipment	-	(58,106)
Decrease in prepayment for equipment	166,701	-
Increase in other prepayment	-	(18,963)
Interest received	12,189	14,195
Dividend received	1,035	14,721
	<u>(1,080,459)</u>	<u>(1,003,391)</u>
Net cash used in investing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term loans	416,519	-
Decrease in short-term loans	-	(69,874)
Proceeds from issuance of convertible bonds	800,000	-
Repayment of bonds	(556,100)	-
Proceeds from long-term borrowings	750,000	800,000
Repayments of long-term borrowings	(1,393,471)	(353,010)
Guarantee deposits received	1,527	15,551
Payments of cash dividend	(681,465)	(664,934)
Proceeds from exercise of employee stock options	-	92,459
	<u>(662,990)</u>	<u>(179,808)</u>
Net cash used in financing activities		
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>11,516</u>	<u>(13,332)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	258,789	359,513
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,570,747</u>	<u>1,211,234</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,829,536</u>	<u>\$ 1,570,747</u>

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

(Concluded)

TXC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

TXC Corporation (TXC) was incorporated on December 28, 1983 under the Company Law and other related regulations of the Republic of China (ROC).

TXC specializes in five categories of products such as high quality Quartz Unite Crystal, Automotive Crystal, Crystal Oscillator (CXO) Surface Acoustic Wave (SAW) Filter, and Timing Module (TM), and provides complete solution in frequency devices and modules, and design service to fully satisfy various needs of the customers.

On August 26, 2002, TXC's shares began to be traded on the Taiwan Stock Exchange.

The functional currency of the Company is New Taiwan dollars. The consolidated financial statements are presented in New Taiwan dollars.

In order to ensure investors' rights and interests, the Company had applied to Taiwan Corporate Governance Association for corporate governance assessment certification. The Company has acquired (CG6005 general version of corporate governance assessment and authentication) and (CG6008 advanced version of corporate governance assessment and authentication), on March 23, 2011 and June 27, 2013, respectively. The Company will continue to strengthen corporate governance functions in order to work with international standards and to protect public interests.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Board of Directors and issued on March 24, 2014.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

a. New, amended and revised standards, and interpretations in issue but not yet effective

The Company and entities controlled by the Company (the "Group") have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. [As of the date that the consolidated financial statements were authorized for issue, the Financial Supervisory Commission (the "FSC") has not announced the effective dates for the following new, amended and revised standards and interpretations (the "New IFRSs"). / On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in

the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the “New IFRSs”) included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

	<u>Effective Date Announced by IASB (Note 1)</u>
<u>The New IFRSs included in the 2013 IFRSs version not yet endorsed by the FSC</u>	
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

Effective Date Announced by
IASB (Note 1)

The New IFRSs not included in the 2013 IFRSs version

Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Note 3
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	Note 3
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after 1 July 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after 1 July 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: IASB tentatively decided that an entity should apply IFRS 9 for annual periods beginning on or after January 1, 2018.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying balance sheets of TXC Corporation as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of TXC 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, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The accompanying schedules of major accounting items of TXC Corporation as of and for the year ended December 31, 2013 are presented for the purpose of additional analysis. Such schedules have been subjected to the auditing procedures described in the second paragraph. In our opinion, such schedules are consistent, in all material respects, with the financial statements required to in the first paragraph.

March 24, 2014

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

(In Thousands of New Taiwan Dollar)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 1,068,203	9	\$ 1,012,212	8	\$ 537,594	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	-	-	3,922	-
Available-for-sale financial assets - current (Notes 4 and 8)	49,414	-	46,895	-	71,867	1
Notes receivable (Notes 4, 5 and 12)	1,184	-	515	-	327	-
Accounts receivable (Notes 4, 5 and 12)	2,333,245	19	2,969,463	24	2,765,484	24
Receivables from related parties (Notes 4, 5, 12 and 31)	113,216	1	54,710	1	48,055	-
Other receivables (Notes 4 and 12)	50,770	-	28,066	-	38,682	-
Other receivables from related parties (Notes 4 and 21)	98,603	1	33,069	-	50,869	1
Inventories (Notes 4 and 13)	1,182,362	9	1,022,967	8	923,476	8
Other financial assets - current (Note 11)	24,443	-	-	-	-	-
Other current assets - other (Note 17)	9,668	-	14,730	-	34,322	-
Total current assets	<u>4,931,108</u>	<u>39</u>	<u>5,182,627</u>	<u>41</u>	<u>4,474,598</u>	<u>39</u>
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	44,510	-	54,997	-	47,200	-
Held-to-maturity financial assets (Notes 4, 5 and 9)	47,840	1	-	-	-	-
Financial assets carried at cost (Notes 4 and 10)	198,245	2	198,245	2	198,245	2
Investments accounted for using equity method (Notes 4 and 14)	4,263,503	34	3,776,959	30	3,323,982	29
Property, plant and equipment (Notes 4 and 15)	3,013,892	24	3,243,896	26	3,322,021	28
Investment properties (Notes 4 and 16)	6,601	-	6,807	-	7,636	-
Deferred income tax assets (Notes 4, 5 and 26)	23,692	-	45,558	-	92,805	1
Prepayment for equipment	5,470	-	141,848	1	119,998	1
Refundable deposits (Notes 4 and 30)	1,056	-	910	-	925	-
Other noncurrent assets (Note 17)	7,853	-	10,707	-	16,411	-
Total noncurrent assets	<u>7,612,662</u>	<u>61</u>	<u>7,479,927</u>	<u>59</u>	<u>7,129,223</u>	<u>61</u>
TOTAL	<u>\$ 12,543,770</u>	<u>100</u>	<u>\$ 12,662,554</u>	<u>100</u>	<u>\$ 11,603,821</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 18)	\$ 92,498	1	\$ 135,332	1	\$ 294,419	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	17,329	-	26,019	-	7,758	-
Notes payable (Note 20)	-	-	-	-	73,714	1
Notes payable from related parties (Notes 20 and 31)	-	-	-	-	285	-
Accounts payable (Note 20)	404,028	3	726,007	6	668,794	6
Accounts payables to related parties (Note 31)	855,260	7	727,470	6	595,854	5
Other payables (Note 21)	529,821	4	486,983	4	493,838	4
Other payables to related parties (Note 31)	1,027	-	86	-	-	-
Current tax liabilities (Notes 4 and 25)	59,371	1	63,155	-	57,404	-
Current portion of bonds payable and long-term bank loans (Notes 18 and 19)	400,000	3	1,005,017	8	227,750	2
Other current liabilities (Note 21)	13,685	-	19,259	-	12,497	-
Total current liabilities	<u>2,373,019</u>	<u>19</u>	<u>3,189,328</u>	<u>25</u>	<u>2,432,313</u>	<u>21</u>
NONCURRENT LIABILITIES						
Bonds payable (Note 19)	765,337	6	-	-	789,367	7
Long-term bank loans (Note 18)	887,500	7	1,437,500	12	1,086,438	10
Deferred income tax liabilities (Notes 4 and 25)	130,540	1	130,960	1	129,822	1
Accrued pension cost (Notes 4 and 22)	34,163	1	31,422	-	25,591	-
Guarantee deposits received (Notes 4, 21 and 28)	28,328	-	26,829	-	11,664	-
Total noncurrent liabilities	<u>1,845,868</u>	<u>15</u>	<u>1,626,711</u>	<u>13</u>	<u>2,042,882</u>	<u>18</u>
Total liabilities	<u>4,218,887</u>	<u>34</u>	<u>4,816,039</u>	<u>38</u>	<u>4,475,195</u>	<u>39</u>
Capital stock (Note 23)						
Common stock	3,097,570	25	3,022,423	24	3,022,423	26
Capital collected in advance	-	-	24,460	-	-	-
Certificates of bond-to-stock conversion	-	-	50,687	-	-	-
Total capital stock	<u>3,097,570</u>	<u>25</u>	<u>3,097,570</u>	<u>24</u>	<u>3,022,423</u>	<u>26</u>
Capital surplus	<u>1,662,181</u>	<u>13</u>	<u>1,616,549</u>	<u>13</u>	<u>1,356,078</u>	<u>11</u>
Retained earnings						
Appropriated as legal capital reserve	864,348	7	749,459	6	644,438	6
Appropriated as special capital reserve	222,793	2	-	-	-	-
Unappropriated earnings	2,402,655	19	2,493,373	20	2,123,820	18
Total retained earnings	<u>3,489,796</u>	<u>28</u>	<u>3,242,832</u>	<u>26</u>	<u>2,768,258</u>	<u>24</u>
Other equity						
Exchange differences on translating foreign operations	75,336	-	(97,331)	(1)	-	-
Unrealized loss on available-for-sale financial assets	-	-	(13,105)	-	(18,133)	-
Total other equity	<u>75,336</u>	<u>-</u>	<u>(110,436)</u>	<u>(1)</u>	<u>(18,133)</u>	<u>-</u>
Total equity	<u>8,324,883</u>	<u>66</u>	<u>7,846,515</u>	<u>62</u>	<u>7,128,626</u>	<u>61</u>
TOTAL	<u>\$ 12,543,770</u>	<u>100</u>	<u>\$ 12,662,554</u>	<u>100</u>	<u>\$ 11,603,821</u>	<u>100</u>

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

TXC CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 2 and 31)				
Sales	\$ 8,460,339	102	\$ 9,607,721	101
Less: Sales returns	57,405	1	23,147	-
Less: Sales allowances	<u>65,955</u>	<u>1</u>	<u>107,093</u>	<u>1</u>
Net operating revenue	8,336,979	100	9,477,481	100
COST OF GOODS SOLD (Notes 24 and 31)	<u>6,827,004</u>	<u>82</u>	<u>7,769,177</u>	<u>82</u>
GROSS PROFIT	1,509,975	18	1,708,304	18
UNREALIZED INTER-COMPANY GAIN	<u>(1,546)</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,508,429</u>	<u>18</u>	<u>1,708,304</u>	<u>18</u>
OPERATING EXPENSES (Notes 4 and 31)				
Selling and marketing expenses	342,597	4	350,801	4
General and administrative expenses	179,228	2	192,512	2
Research and development expenses	<u>308,144</u>	<u>4</u>	<u>297,829</u>	<u>3</u>
Total operating expenses	<u>829,969</u>	<u>10</u>	<u>841,142</u>	<u>9</u>
INCOME FROM OPERATIONS	<u>678,460</u>	<u>8</u>	<u>867,162</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 24)	50,904	1	46,789	-
Other gains and losses (Note 24)	14,931	-	15,215	-
Finance costs (Notes 4 and 24)	(36,139)	(1)	(29,213)	-
Share of profits of associates and joint venture	<u>315,423</u>	<u>4</u>	<u>359,506</u>	<u>4</u>
Total non-operating income and expenses	<u>345,119</u>	<u>4</u>	<u>392,297</u>	<u>4</u>
INCOME BEFORE INCOME TAX	1,023,579	12	1,259,459	13
INCOME TAX EXPENSE (Note 25)	<u>88,418</u>	<u>1</u>	<u>109,925</u>	<u>1</u>
NET INCOME	<u>935,161</u>	<u>11</u>	<u>1,149,534</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences arising on translation of foreign operations	172,667	2	(97,331)	(1)
Unrealized loss on available-for-sale financial assets	13,105	-	5,028	-
Actuarial loss from defined benefit plans	(10,164)	-	(10,026)	-

(Continued)

TXC CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Income tax related to actuarial defined benefits	<u>3,432</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>179,040</u>	<u>2</u>	<u>(102,329)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,114,201</u>	<u>13</u>	<u>\$ 1,047,205</u>	<u>11</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 3.02</u>		<u>\$ 3.79</u>	
Diluted	<u>\$ 2.82</u>		<u>\$ 3.57</u>	

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

(Concluded)

TXC CORPORATION

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent							Others		Total Equity
	Common Stock	Advance Receipts for Common Stock	Certificates on Bond-to-stock Conversion	Capital Surplus	Retained Earnings			Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for-sale Financial Assets	
					Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2012	\$ 3,022,423	\$ -	\$ -	\$ 1,356,078	\$ 644,438	\$ -	\$ 2,123,820	\$ -	\$ (18,133)	\$ 7,128,626
Appropriation of 2011 earnings										
Legal reserve	-	-	-	-	105,021	-	(105,021)	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	(664,934)	-	-	(664,934)
Net income for the for the year ended December 31, 2012	-	-	-	-	-	-	1,149,534	-	-	1,149,534
Other comprehensive income for the for the year ended December 31, 2012, net of income tax	-	-	-	-	-	-	(10,026)	(97,331)	5,028	(102,329)
Convertible bonds converted to ordinary shares	-	-	50,687	192,472	-	-	-	-	-	243,159
Share-based payment transaction	-	24,460	-	67,999	-	-	-	-	-	92,459
Total comprehensive income for the for the year ended December 31, 2012	-	24,460	50,687	260,471	-	-	1,139,508	(97,331)	5,028	1,382,823
BALANCE AT DECEMBER 31, 2012	3,022,423	24,460	50,687	1,616,549	749,459	-	2,493,373	(97,331)	(13,105)	7,846,515
Appropriation of 2012 earnings										
Legal capital reserve	-	-	-	-	114,889	-	(114,889)	-	-	-
Special capital reserve	-	-	-	-	-	222,793	(222,793)	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	(681,465)	-	-	(681,465)
Equity component of convertible bonds issued by the Company	-	-	-	45,632	-	-	-	-	-	45,632
Net income for the year ended December 31, 2013	-	-	-	-	-	-	935,161	-	-	935,161
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	-	(6,732)	172,667	13,105	179,040
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	928,429	172,667	13,105	1,114,201
Convertible bonds converted to ordinary shares	50,687	-	(50,687)	-	-	-	-	-	-	-
Share-based payment transaction	24,460	(24,460)	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2013	\$ 3,097,570	\$ -	\$ -	\$ 1,662,181	\$ 864,348	\$ 222,793	\$ 2,402,655	\$ 75,336	\$ -	\$ 8,324,883

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

TXC CORPORATION

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,023,579	\$ 1,259,459
Adjustments for:		
Bad debt expense	54	1,647
Depreciation expense	469,315	488,913
Amortization expense	27,775	12,697
Net loss on fair value change of financial liabilities at fair value through profit or loss	17,647	25,857
Interest expense	36,139	29,213
Gain on unrealized inter-company	1,546	-
Share of profits of associates and joint venture	(315,423)	(359,506)
Interest income	(7,211)	(4,697)
Impairment loss of financial assets	21,072	-
Loss on valuation of inventories	10,069	18,366
Gain on disposal of property, plant and equipment	-	(231)
Dividend income	(1,035)	(3,954)
Gain on disposal of investment	(6,368)	(1,094)
Fire Loss	-	625
Changes in operating assets and liabilities:		
Notes receivable	(669)	(188)
Accounts receivables	636,164	(205,626)
Receivables from related parties	(58,506)	(6,655)
Other receivables	(21,006)	62,042
Other receivables from related parties	(65,534)	17,800
Inventories	(169,464)	(135,112)
Other current assets	6,684	19,592
Notes payable	-	(73,714)
Notes payable to related parties	-	(285)
Accounts payable	(321,979)	57,213
Accounts payable to related parties	127,790	131,616
Other payables	37,984	(6,686)
Other payables to related parties	941	86
Other current liabilities	(5,574)	6,762
Accrued pension costs	(7,423)	(4,195)
Cash generated from operations	1,436,567	1,329,945
Interest paid	(20,613)	(19,511)
Income taxes paid	(67,324)	(55,789)
Net cash generated by operating activities	<u>1,348,630</u>	<u>1,254,645</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment accounted for using equity method	-	(190,802)
Disposal of net loss arising on financial liabilities classified as held for trading recognized originally	(26,019)	(3,674)

(Continued)

TXC CORPORATION

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
Purchase of available-for-sale financial assets	(179,665)	(37,797)
Disposal of available-for-sale financial assets	186,034	61,094
Purchase of held-to-maturity financial assets	(47,840)	-
Payments for property, plant and equipment	(273,253)	(472,501)
Disposal of property , plant and equipment	34,148	26,847
Increase in refundable deposits	(146)	-
Decrease in refundable deposits	-	15
Increase in other financial assets	(24,443)	-
Increase in other noncurrent assets	(26,543)	(5,863)
Increase in prepayment for equipment	-	(21,850)
Decrease in prepayment for equipment	136,378	-
Interest received	5,513	4,697
Dividend received	<u>1,035</u>	<u>3,954</u>
Net cash used in investing activities	<u>(214,801)</u>	<u>(635,880)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term loans	(42,834)	(159,087)
Proceeds from issuance of convertible bonds	800,000	-
Repayment of bonds	(556,100)	-
Proceeds from long-term borrowings	750,000	800,000
Repayments of long-term borrowings	(1,348,938)	(227,750)
Guarantee deposits received	1,499	15,165
Payments of cash dividend	(681,465)	(664,934)
Proceeds from exercise of employee stock options	<u>-</u>	<u>92,459</u>
Net cash used in financing activities	<u>(1,077,838)</u>	<u>(144,147)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	55,991	474,618
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,012,212</u>	<u>537,594</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,068,203</u>	<u>\$ 1,012,212</u>

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

(Concluded)