

# **TXC Corporation**

## **2016 Annual Shareholders' Meeting Procedure**

- I. Call Meeting to Order**
- II. Chairman's Address**
- III. Discussion Matters (1)**
- IV. Report Matters**
- V. Recognition Matters**
- VI. Election Matters**
- VII. Discussion Matters (2)**
- VIII. Special Motions**
- IX. Meeting Adjourned**

# **TXC Corporation**

## **2016 Shareholders' Meeting Agenda**

**1. Time: 9:30 a.m., June 7, 2016 (Tuesday)**

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

**3. Call meeting to order**

**4. Chairman's Address**

**5. Discussion Matters(1)**

(1) Amendments to Constitution of the Company

**6. Report Matters:**

(1) Report on 2015 business report

(2) Report on audit committee's review of 2015 financial report

(3) Report on distributions of remunerations for directors and employees

**7. Recognition Matters:**

(1) 2015 business report and financial statements

(2) Proposal for distribution of 2015 profits

**8. Election Matters**

(1) Proposal of re-election of directors

**9. Discussion Matters(2)**

(1) Removing the restriction of non-compete agreement of directors

**10. Special Motions**

**11. Meeting Adjourned**

## **Discussion Matters(1)**

### **Discussion Matter 1**

**Proposed by Board of Directors**

Subject: Proposing amendment to the Constitution of the Company

Description:

1. Amending part of the Constitution of the Company for provisions of related to the remuneration for employees and the distribution of remuneration for directors pursuant to Clause 235, Clause 235 – 1 and Clause 240 of Company Act
2. Appended is the Contrast between the existing and amended Constitution
3. Kindly approve the proposal.

Resolution:

## **Report Matters**

### **Report matter (1)**

Subject: 2015 Business updated report

Description:

1. The company's 2014 consolidated revenue was NT\$9,265,656 thousand, an decrease of 2.74% over the last year. Net income was NT\$ 938,203 thousand, an decrease of 5.72% over the last year.
2. Business report and related financial statements are in Attachments (2) and (4) of this Agenda.
3. It is forecast that the 2016 performance, after adjustment of strategy and rolling out of new product, will see breakthrough in revenue and profit.

### **Report matter (2)**

Subject: audit committee's review of 2015 financial reports

Description:

1. Matters regarding the board of director passage and audit committee review of the Company's 2015 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 & Touche CPA firm Taiwan.
2. Request audit committee to read audit report and see Attachment (3) in Agenda.

### **Report matter (3)**

Subject: 2015 distributions of remunerations for directors and employees

Description:

1. The 2015 before tax profit after deducting remuneration to directors and to employees is NT\$1,156,600,326 and remuneration to directors is 1.5%, pursuant to Article 19 of Articles of Association and the Ration as specified in Annual Plan and the amount is NT\$17,349,005 and the remuneration to employee is 9% and the amount is NT\$104,094,029 and they are distributed in cash. The employees eligible to the employee's remuneration include the full time employees of parent company and subsidiary.
2. They are no different from the expenses acknowledge in 2015.

## **Recognition Matters**

### **Recognition matter (1)**

**Proposed by Board of Directors**

Subject: Please accept the 2015 Business Report and Financial Statements

Description:

1. See Attachments (2) and (4) of the Agenda for the prepared 2015 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. 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:

### **Recognition matter (2)**

**Proposed by Board of Directors**

Subject: To approve the distribution of 2015 profits

Description:

1. Net profits for 2015 were NT\$938,203,082. 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\$2,566,114,069. In consideration of capital utilization and to avoid capital inflation, a shareholder dividend issue of NT\$774,392,600 (NT\$2.5 cash dividend) is proposed. After distribution, the undistributed profit will be NT\$1,791,721,469.
2. According to distribution ratio, cash dividend was calculated up to dollar. Total amount of undistributed fractional shares would be accounted as other non-operating revenue.
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.

Resolution:

Profit distribution for 2015

unit : NTD

Item	Amount	
	Sub-total	Sum
Beginning period undistributed profits		1,737,461,556
Disposal or cancellation for debit retained earning		(58,203)
Actuarial gains and losses for retained earnings.		(15,645,058)
Adjusted undistributed profits		1,721,731,295
Net profit after tax for this year		938,203,082
Appropriate legal reserve (10%)		(93,820,308)
Profits available for distribution	(774,392,600)	2,566,114,069
Shareholder bonus—cash (\$2.5per share)		(774,392,600)
End period of undistributed profits		1,791,721,469

Note: (1) Allocation of 2015 undistributed profit shall be given priority for the above profit distribution.

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

Resolution:

## Election Matter

### Election Matter (1)

### Proposed by Board of Directors

Subject: Re-election of directors

Description:

1. The term of directors of the Company is expiring on June 18, 2016 and it is required to re-elect totally pursuant to Clause 195 of Company Act.
2. Following the provision of Articles of Association of the Company, there shall be 11 directors elected in this election (incl. 4 independent directors). The election system is Candidates Nomination System and shareholders shall elect directors from the list of candidates and they are for a term of 3 years, between June 7 2016 and June 6, 2019. List of Candidate for Director Election (including independent directors) has been reviewed by and passed resolution in Board Meeting of the Company, and shareholders shall elect the directors for next term from the list of candidates.
3. List of Candidates for Directors (including Independent Directors) is given below.
4. Please elect director from the list.

Candidate Type	Candidate Name	Educational background	Experience	Holding (Unit : shares)
Director	Lin, Jin Bao	MBA, West Texas A&M University, USA	Chairman of TXC Corporation	6,056,263
Director	Hsu, Der-Jun	Kei-Nan Institute of Technology and Business	Vice Chairman of TXC Corporation	4,535,448
Director	Lin, Wan-Shing	Master in Management, Taipei Science and Technological University	Director and President of TXC Corporation	5,097,722
Director	Chen Chueh, Shang-Hsin	Master in Management, Zhejiang University	Director and Vice President of TXC Corporation	282,212
Director	Go, Tien-Chong	Electronics Dept, Taipei Institute	Director of TXC Corporation	838,608
Director	TLC Capital Co.,LTD	None	Director of TXC Corporation	1,977,991
Director	Golden Talent Investment Holding co., Limited	None	None	240,000
Independent Director	Yu, Shang-Wu	Ph.D.,Birmingham University	Independent Director of TXC Corporation Director of business and management college of Jinwen University of Science and Technology	0
Independent Director	Cai, Song-Qi	Finance and Accounting Department of Shanghai University	Independent Director of TXC Corporation Certified accountant and Executive Director of KMPG Taiwan	0
Independent Director	Su Yan-Syue	Master in Industrial Management of Carnegie Mellon University, USA	CIO of Pegatron corporation	0
Independent Director	Wang Chuan -Fen	Master in Law of Columbia University, USA	Partner of Chen & Lin law firm	0

(Note: holding till 04/09/2016)

Result of Election:

## **Discussion Matters(2)**

### **Discussion Matter 1**

**Proposed by Board of Directors**

Subject: Removing the restriction of non-compete agreement of directors

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 remove the restriction of non-compete agreement of new directors.
3. For concurrent post of new director, please refer to handbook of shareholders’ meeting (Attachment 8).
4. Please approve.

Resolution:

### **Special Motions**

### **Meeting Adjourned**

## Attachment 1

### Articles Contrast of Constitution before and after proposed amendment

Article #	Articles after amendment	Existing articles	Cause of Amendment
Article 19	<p><u>When profit exists in a year, the Company shall appropriate 3% of the profit as remuneration to employees which shall be distributed in stocks or in cash under resolution of Board Meeting and the employees eligible for the distribution shall include employees of subsidiaries meeting certain conditions. Board Meeting shall appropriate 2% or less of the above profit as remuneration to the directors. Proposal of Distribution of Remuneration to employees and to directors shall be submitted to Shareholders meeting, however, when the company is with accumulated loss, an amount shall be reserved firstly before distributing in the percentage as stated above.</u></p>	<p><u>When earning exists in the General Closing of the Company, tax shall be appropriated and previous loss shall be made up and ten % of the balance shall be appropriated as Legal Earning Surplus; however, when the accumulated legal earning surplus reached total paid up capital of the Company, this shall not apply. Also appropriate or reverse as special earning surplus. Then no more than 2% of the balance shall be appropriated as remuneration to directors and no less than 3% of the balance shall be appropriated as remuneration to employees. And the balance, together with previous accumulated undistributed earnings shall be distributed as dividend for shareholders with the resolution of Shareholders Meeting, after providing proper amount, subject to business operation. Employees eligible for distribution of stock dividend may include employees of subsidiary meeting certain conditions, which Board of Directors is authorized to establish the conditions.</u></p>	<p>Following amendment of Clause 235, Clause 235-1 and Clause 240, part of the content of original Article 19 of Articles of Association is amended to be part of Article 20.</p>
Article	<p><u>When earning exists in annual general closing of the Company, other than</u></p>	<p><u>The Company is presently in an</u></p>	<p>Following</p>



Article #	Articles after amendment	Existing articles	Cause of Amendment
20	<p><u>appropriating tax and dues as required under law, shall make up loss firstly, then appropriate 10% of the balance as legal earning surplus. However, when the legal earnings surplus reached amount paid up capital, such appropriation may be exempted. Thereafter, following the requirements under law or business needs, shall appropriate or reverse special earnings surplus. When there is still existed with earnings, , together with accumulated undistributed earnings, the Board of Director shall come up with earnings distribution proposal and submit to Shareholders Meeting for resolution of dividend distribution. The policy of dividend distribution shall consider the present and future investment environment, funds needed, domestic and local competition conditions and capital budget and other factors, and shall also consider the interests of shareholders and long term financial planning of the Company. From the distributable earnings, the Company shall distribute each year stock interests and / or dividend. The shareholder interests and dividend may be distributed in cash and stock. The cash dividend shall not be less than 20% of total dividend.</u></p>	<p><u>industry at growing stage. Considering the long term financial planning of the Company and satisfying the needs of cash inflow of shareholders, so the distribution of earnings shall be distributed as provided under Article 19 of the Articles of Association, after appropriating legal earning surplus, special earnings surplus, the distributable earnings. For them, the cash dividend to shareholders shall not be less than 20% of the total sum of cash and stock dividends.</u></p>	<p>amendment of Clause 235, Clause 235-1 and Clause 240, part of the content of original Article 19 of Articles of Association is amended to be part of Article 20.</p>
Article 22	<p>This Articles of Association is established on Dec. 6, 1983.</p> <p>...</p> <p>The 32<sup>nd</sup> amendment was made on June 16, 2015</p> <p><u>The 33<sup>rd</sup> amendment was made on June 7, 2016</u></p>	<p>This Articles of Association is established on Dec. 6, 1983.</p> <p>...</p> <p>The 32<sup>nd</sup> amendment was made on June 16, 2015</p>	<p>Listing the date of amendment.</p>

## TXC Corp.

### Annual Business Report for 2015

The results of operation of 2015 have consolidated total operation revenue of NT\$9.266 billion, or is 2.74% less than the same of 2014, and the budget accomplishing rate is 95.29%. After tax net profit is NT\$938 million, or 5.72% less than the NT\$995 million net after tax profit of last year and the budget accomplishing rate is 96.61%. The basic EPS is NT\$3.03, slightly decreased from NT\$3.21 EPS of previous year, or 5.61%. It is expected, with the strategy and organization adjustment, please rolling out of new products, there will be breakthrough in revenue and in net profit. As far as TXC Corp. is concerned, with our continuous innovation, effective distribution of resources and re-screening of targets, as well as change in concept, we are confident in our future growth. Driven by determination to grow and challenge by competition, we would explain the operation results of 2015 and operation plan of 2016 briefly as the following:

#### I. 2015 Operation Results

##### 1. Combined revenue and after-tax profit

Unit: NT\$1,000

Items \ Year	2015	2014	Growth amount	Growth rate
Net revenue	9,265,656	9,526,243	(260,587)	(2.74%)
Gross Profit	2,235,175	2,331,149	(95,974)	(4.12%)
After-tax profit (loss)	938,203	995,174	(56,971)	(5.72%)

##### Combined statement of income and Profitability

	Year	2015	2014
Financial structure (%)	Debt/assets ratio	31.07%	34.71%
	Long-term capital/fixed asset ratio	265.53%	210.14%
Debt-paying ability (%)	Current ratio	248.91%	279.63%
	Quick ratio	201.84%	215.62%
Profitability (%)	Return on assets	6.67%	7.77%
	Return on equity	9.56%	11.56%
	Earnings per share (NT\$)	3.03	3.21

##### 2. Budget Execution:

In 2015, we set up internal budgeted target only without make public of the financial estimates. The overall turnover and profit were affected by changes in industries and market competition, and they resulted to achieving the operation target of more than 95%.

##### 3. Research and Development

In R & D, other than existing continuous improvement in technology of quartz products, we

are also rolling out new products in accordance with Technical Map. The following are the major ones: Anti-Magnetic Interference Tri-Axis Electronic Compass, Vehicle Mounted Temperature Compensating Control Quartz Oscillator (ACAP TCXO) Vehicle Mounted Temperature Sensing Quartz Crystal (ACAP TSX) New Generation Micro 3-in-1 Photo Sensor (Sensor), Miniature Constant Temperature Control Quartz Crystal Oscillator (ACAP CXO). With the market effectiveness of the above new products, the growth and profit of the Company will be greatly contributed.

#### 4. Results of execution of other Projects

##### (1) Green Enterprise

In addition to continuous proceeding of ISO 14001 Environment Management System, Greenhouse Gas Inventory (ISO 14064-1), product Carbon Foot-Print (PAS 2050), the Company has won Excellent Governance Model Award in “Forum for Building Green Enterprise with Standards” as held by BSI in 2015. The Company has also involved in various low carbon activities, such as participating in garden party of Child Welfare Alliance and Spring Beach cleaning Activity of Taoyuan City, Shimenshan Hiking and Shihtoushan Hiking to dedicate in our corporate social responsibility

##### (2) Occupation Safety and Health

In order to protect safety of labor, under the guidance of Occupation Safety & health Committee and Labor Agreement, in addition to promoting OHSAS 18001 Occupation Health and Safety Management System Certification and passed CNS 15506 Taiwan Occupation Safety & Health Management System Certification, TXC Corp. received 3 years approval of Business Unit Occupation Safety and Health Management System Performance Approval of Department of Labor in 2015. In the Company, we have held many sessions if No-Smoking Activities, Parenthood Education, and Stress Release Seminar of Tradition Chinese Medicine. The Company has banned smoking in 2015 totally, which is an effort to protect the health of employees. By applying the subsidy of Department of Labor, we helped employees in Works and Living Balancing Plan and held Sunshine Seed Learner Training Program to promote the ability of detecting and caring skills. For the traffic injury events outside of the plant, the Company provides also timely assistance and practical care. In future, this kind of safe working environment will be established to provide employees with the best possible safety protection.

##### (3) System Certification

In respect of maintenance of various operation system, in 2015, TXC continued in seeking certification of ISO 9001 Quality Management System, Automotive Industry Quality Management System (ISO/TS 16949) Environment Management System (ISO 14001), Taiwan Occupation Health Management System (CNS 15506) Information Safety Management System (ISO/IEC27001), Supply Chain Safety Management System (ISO 28000), Hazardous Substance Process Management System (IECQ QC 080000:2012), Occupational Safety & Health Management System (OHSAS 18001:2007) and Occupation Safety & Health Performance Approval. Together with ISO 14064-1: 2006 Greenhouse Gas Verification, Product Carbon Footprint Verification (PAS 2050: 2011) and Product Carbon Neutralization (PAS 2060:2000, BB series). Overall, through effort of many years, we have reached international level in most of the management systems. We will endeavor to ensure the effective operation of all the systems to satisfy and exceed the requirements of customers.

##### (4) Corporate Governance and Enterprise Responsibility

Staying firm with the concept of Footing in Education, we continuous provide environmental supplies and equipments as well as funds in environmental protection and in physical educations, and total 13 elementary schools have been benefitted from our programs. Our effort has won the award of No. 8 of Commonwealth Citizen Award Excellent Enterprise,

A++ in 12<sup>th</sup> Information Disclosure Assessment, 1<sup>st</sup> Company Governance Assessment of Taiwan Securities Exchange and won top 20% honor. Apparently, TXC has been very good in corporate governance and in performing corporate social responsibility.

## II. Brief of the 2016 Operation Plan

### 1. Management Directions and Major Policy

(1) Actively promoting Industry 4.0 Upgrade Plan: Through the guidance and support of IBM, TXC will continue in promoting many projects to be data based and target in intellectual upgrading and keeping on promoting the production effectiveness of production line, control the heartbeat of the market and the requirements of customers.

#### (2) Expansion of Production Line

In order to increase production efficiency and competition edge, TXC will expand production line of TCXO and Sensor in Pingzhen Plant to satisfy the increased market demand. Also, from Sept. 2015, the LED Division was divided to form TXC Optec, and it will continue to expand Paternized Substrate production scale and upgrade process capacity. It is expected, through independent operation, it will gain scale economy effectiveness and therefore market competition capacity.

#### (3) Plunging into Sensing Element Market

Following marching into 3-in-1 Sensing Element, the Company will continue in development of more sensing element, including e-compass, accelerometer, gyro-sensor, magnetometer and similar anti-magnetic sensing element, and will commence in the R&D of gas sensing element that can detect PM 2.5 to cut into intelligent phone set, tablet device, wearing devices and intelligent appliance market.

#### (4) Organization Engineering of R & D and Sales Units

In order to control the market and deep cultivation of technology in added path, the Company has employed newly CTO and Market Superintendent to brome the Company to further bring the company to cultivate the market and speed up internationalization of the Company with the experience in development and in marketing.

#### (5) Corporate Governance

To echo with the Corporate Governance Assessment System of Taiwan Securities Exchange, the Company will continue to improve and optimize the governance level of the Company to shape the corporate governance culture so that the Company can meet and exceed the expectation of competent agency on public listed company. In the meantime, the Company will continue to comply with the requirements of CR14.0 and AA 1000 and disclose the activities of the company in the Enterprise Social Responsibility Report and fully disclose operation information and the results of fulfilling social responsibility.

### 2. Expected Sales and Basis

In the attitude of prudent and conservative, the Company will still plan for increase capacity for new product and optimize product process, in addition to maintain supply and services for existing customers. Furthermore, since the Company has gradually win the certification and acknowledgement of customers in the part of automotive industry products and high end precision products, it is expected that the contribution to revenue of vehicle and high end precision and new products will maintain growing. The Company also emphasizes on miniature, high frequency, low power consuming precision products, and the quality of products in this field is generally gaining the reliance of customers. Under efficient management of customer relationship and product diversification, it is expected that the consolidated sales volume will be more than 3 billion units in 2016 and taking global market share of 10%. We should be staying as one of top 5 manufacturers in global quartz industry.

2015 is already the past and in meeting the challenges and competition of future, we will be more practical in inspecting our management and operation actions and the same will be applied on the organization to be rapid and active echoing the industry and the economy. We will be more proactive in presenting our applied products to serve our customers. The opportunity of growth is rooted in our attitude and we cannot afford to accept the change of the circumstances. We believe that through adjustment of organization, re-combining of products and upgrade of services, we will be achieving the reemergence of manufacturing directing to Industry 4.0. We are faithful on our future growth. What we need to do is to do instead of talk. We will present the result to show our resolution to demonstrate to all equity concerned.

## 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, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, 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.

March 29, 2016

### 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 independent 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, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 4)	\$ 2,727,944	18	\$ 1,768,404	13
Financial assets at fair value through profit or loss - current (Note 7)	1,122,680	7	1,149,004	9
Available-for-sale financial assets - current (Note 8)	-	-	20,800	-
Held-to-maturity financial assets - current (Note 9)	47,840	-	-	-
Notes receivable (Note 12)	46,422	-	42,961	-
Accounts receivable (Note 12)	2,873,093	19	2,918,461	21
Receivables from related parties (Notes 12 and 32)	4,910	-	6,870	-
Other receivables (Note 12)	96,159	1	59,122	1
Other receivables from related parties (Notes 12 and 32)	646	-	628	-
Inventories (Note 13)	1,534,026	10	1,657,491	12
Prepayments	21,926	-	17,057	-
Prepaid rental (Note 18)	2,637	-	2,564	-
Other financial assets - current (Note 11)	32,825	-	53,244	-
Other current assets - other (Note 19)	62,699	-	109,962	1
Total current assets	<u>8,573,807</u>	<u>55</u>	<u>7,806,568</u>	<u>57</u>
<b>NONCURRENT ASSETS</b>				
Available-for-sale financial assets - noncurrent (Note 8)	1,870,976	12	44,510	-
Held-to-maturity financial assets (Note 9)	50,280	-	47,840	-
Financial assets carried at cost (Note 10)	115,520	1	111,998	1
Investments accounted for using equity method (Note 14)	65,032	-	64,335	1
Property, plant and equipment (Note 16)	4,570,352	29	5,153,830	38
Investment properties (Note 17)	67,412	1	55,173	1
Deferred income tax assets (Note 27)	25,718	-	29,489	-
Prepayment for equipment	83,859	1	50,635	-
Refundable deposits (Note 29)	6,020	-	11,961	-
Long-term prepaid rent (Note 18)	113,887	1	119,352	1
Other noncurrent assets (Note 19)	37,552	-	126,556	1
Total noncurrent assets	<u>7,006,608</u>	<u>45</u>	<u>5,815,679</u>	<u>43</u>
<b>TOTAL</b>	<u>\$ 15,580,415</u>	<u>100</u>	<u>\$ 13,622,247</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 20)	\$ 252,283	2	\$ 425,585	3
Financial liabilities at fair value through profit or loss - current (Note 7)	4,978	-	15,352	-
Accounts payable (Note 22)	1,110,954	7	1,068,131	8
Accounts payables to related parties (Notes 22 and 32)	1,503	-	321	-
Other payables (Note 23)	624,052	4	606,921	4
Other payables to related parties (Note 32)	1,364	-	1,139	-
Current tax liabilities (Note 27)	57,983	-	73,576	1
Current portion of bonds payable and long-term bank loans (Notes 20 and 21)	1,349,855	9	538,300	4
Other current liabilities (Note 23)	41,582	-	62,449	1
Total current liabilities	<u>3,444,554</u>	<u>22</u>	<u>2,791,774</u>	<u>21</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable (Note 21)	-	-	782,139	6
Long-term bank loans (Note 20)	1,165,625	8	944,025	7
Deferred income tax liabilities (Note 27)	129,115	1	138,976	1
Accrued pension cost (Note 24)	46,607	-	39,891	-
Guarantee deposits received (Note 23)	55,268	-	30,866	-
Total noncurrent liabilities	<u>1,396,615</u>	<u>9</u>	<u>1,935,897</u>	<u>14</u>
Total liabilities	<u>4,841,169</u>	<u>31</u>	<u>4,727,671</u>	<u>35</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>				
Capital stock (Note 25)				
Common stock	<u>3,097,570</u>	<u>20</u>	<u>3,097,570</u>	<u>23</u>
Capital surplus	<u>1,662,181</u>	<u>11</u>	<u>1,662,181</u>	<u>12</u>
Retained earnings				
Appropriated as legal capital reserve	1,057,381	7	957,864	7
Appropriated as special capital reserve	222,793	1	222,793	2
Unappropriated earnings	2,659,935	17	2,611,372	19
Total retained earnings	<u>3,940,109</u>	<u>25</u>	<u>3,792,029</u>	<u>28</u>
Other equity				
Exchange differences on translating foreign operations	249,121	2	341,996	2
Unrealized loss on available-for-sale financial assets	1,790,265	11	800	-
Total other equity	<u>2,039,386</u>	<u>13</u>	<u>342,796</u>	<u>2</u>
Total equity attributable to owners of the parent	<u>10,739,246</u>	<u>69</u>	<u>8,894,576</u>	<u>65</u>
Total equity	<u>10,739,246</u>	<u>69</u>	<u>8,894,576</u>	<u>65</u>
<b>TOTAL</b>	<u>\$ 15,580,415</u>	<u>100</u>	<u>\$ 13,622,247</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 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
SALES	\$ 9,265,656	100	\$ 9,526,243	100
COST OF GOODS SOLD (Note 26)	<u>(7,030,481)</u>	<u>(76)</u>	<u>(7,195,094)</u>	<u>(75)</u>
GROSS PROFIT	<u>2,235,175</u>	<u>24</u>	<u>2,331,149</u>	<u>25</u>
OPERATING EXPENSES (Note 26)				
Selling and marketing expenses	497,711	5	517,442	5
General and administrative expenses	373,594	4	374,002	4
Research and development expenses	<u>455,535</u>	<u>5</u>	<u>435,683</u>	<u>5</u>
Total operating expenses	<u>1,326,840</u>	<u>14</u>	<u>1,327,127</u>	<u>14</u>
INCOME FROM OPERATIONS	<u>908,335</u>	<u>10</u>	<u>1,004,022</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 26)	79,237	1	95,433	1
Other gains and losses (Note 26)	133,547	1	73,985	1
Finance costs (Note 26)	(43,324)	-	(46,989)	(1)
Share of profits of associates and joint venture (Note 14)	<u>9,815</u>	<u>-</u>	<u>19,304</u>	<u>-</u>
Total non-operating income and expenses	<u>179,275</u>	<u>2</u>	<u>141,733</u>	<u>1</u>
INCOME BEFORE INCOME TAX	1,087,610	12	1,145,755	12
INCOME TAX EXPENSE (Note 27)	<u>(149,407)</u>	<u>(2)</u>	<u>(150,581)</u>	<u>(2)</u>
NET INCOME	<u>938,203</u>	<u>10</u>	<u>995,174</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(18,849)	-	(13,826)	-
Income tax related to actuarial defined benefits	<u>3,204</u>	<u>-</u>	<u>2,350</u>	<u>-</u>
	<u>(15,645)</u>	<u>-</u>	<u>(11,476)</u>	<u>-</u>

(Continued)



## TXC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
Item that maybe reclassified subsequently to profit or loss:				
Share of the other comprehensive income of associates accounted for using the equity method	\$ 1,060	-	\$ -	-
Exchange differences arising on translation of foreign operations	(93,862)	(1)	266,660	3
Unrealized loss on available-for-sale financial assets	<u>1,789,392</u>	<u>19</u>	<u>800</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>1,680,945</u>	<u>18</u>	<u>255,984</u>	<u>3</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>\$ 2,619,148</u></u>	<u><u>28</u></u>	<u><u>\$ 1,251,158</u></u>	<u><u>13</u></u>
<b>EARNINGS PER SHARE (Note 28)</b>				
Basic	<u>\$ 3.03</u>		<u>\$ 3.21</u>	
Diluted	<u>\$ 2.86</u>		<u>\$ 3.04</u>	

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

**TXC CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Parent						Others		Total Equity
	Shares (In Thousands)	Common Stock	Capital Surplus	Retained Earnings			Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available- for-sale Financial Assets	
				Legal Capital Reserve	Special Capital Reserve	Unappropriate d Earnings			
BALANCE, JANUARY 1, 2014	309,757	\$ 3,097,570	\$ 1,662,181	\$ 864,348	\$ 222,793	\$ 2,402,655	\$ 75,336	\$ -	\$ 8,324,883
Appropriation of 2013 earnings									
Legal reserve	-	-	-	93,516	-	(93,516)	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	(681,465)	-	-	(681,465)
Net income for the for the year ended December 31, 2014	-	-	-	-	-	995,174	-	-	995,174
Other comprehensive income for the for the year ended December 31, 2014, net of income tax	-	-	-	-	-	(11,476)	266,660	800	255,984
Total comprehensive income for the for the year ended December 31, 2014	-	-	-	-	-	983,698	266,660	800	1,251,158
BALANCE AT DECEMBER 31, 2014	309,757	3,097,570	1,662,181	957,864	222,793	2,611,372	341,996	800	8,894,576
Appropriation of 2014 earnings									
Legal reserve	-	-	-	99,517	-	(99,517)	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	(774,393)	-	-	(774,393)
Net income for the year ended December 31, 2015	-	-	-	-	-	938,203	-	-	938,203
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(15,645)	(92,875)	1,789,465	1,680,945
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	922,558	(92,875)	1,789,465	2,619,148
Acquisition of disposal treasury stock	-	-	-	-	-	(85)	-	-	(85)
BALANCE AT DECEMBER 31, 2015	<u>309,757</u>	<u>\$ 3,097,570</u>	<u>\$ 1,662,181</u>	<u>\$ 1,057,381</u>	<u>\$ 222,793</u>	<u>\$ 2,659,935</u>	<u>\$ 249,121</u>	<u>\$ 1,790,265</u>	<u>\$ 10,739,246</u>

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

## TXC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,087,610	\$ 1,145,755
Adjustments for:		
Bad debt expense	8,723	1,306
Depreciation expense	977,476	926,535
Amortization expense	18,684	21,874
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(52,314)	(37,489)
Finance costs	43,324	46,989
Share of profits of associates and joint venture	(9,815)	(19,304)
Interest income	(33,527)	(21,850)
Impairment loss of financial assets	10,210	47,569
Loss on valuation of inventories	12,125	20,528
Impairment loss of property, plant and equipment	440	10,219
Gain on disposal of investments accounted for using equity method	(1,628)	(6,621)
Gain on disposal of property, plant and equipment	12,245	(3,611)
Dividend income	(1,118)	(1,118)
(Gain) loss on disposal of investment	(3,286)	27,324
Changes in operating assets and liabilities:		
Financial asset held for trading	213,877	(334,988)
Notes receivable	(3,357)	(22,552)
Accounts receivables	36,461	(283,424)
Receivables from related parties	1,971	2,561
Other receivables	(35,323)	23,535
Other receivables from related parties	(18)	76
Inventories	111,567	(24,521)
Prepayments	(4,869)	(8,750)
Other current assets	47,263	(12,587)
Accounts payable	42,823	181,504
Accounts payable to related parties	1,182	144
Other payables	16,894	11,023
Other payables to related parties	225	112
Other current liabilities	(20,867)	15,481
Financial liabilities held or trading	(15,300)	-
Accrued pension costs	(12,133)	(8,098)
Cash generated from operations	2,449,545	1,697,622
Interest paid	(26,285)	(29,248)
Income taxes paid	(172,192)	(134,111)
Net cash generated from operating activities	<u>2,251,068</u>	<u>1,534,263</u>

(Continued)

## TXC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of net gain or loss arising on financial assets classified as held for trading recognized originally	\$(1,272,720)	\$(4,366,187)
Disposal of net loss arising on financial assets classified as held for trading recognized originally	1,116,410	4,089,723
Purchase of investment accounted for using equity method	-	(65,000)
Purchase of available-for-sale financial assets	(130,819)	(89,617)
Disposal of available-for-sale financial assets	154,104	122,468
Purchase of financial assets carried at cost	(50,000)	-
Financial assets carried at cost	-	7,917
Purchase of held-to-maturity financial assets	(50,280)	-
Disposal of investment accounted for using equity method	6,101	70,824
Payments for property, plant and equipment	(388,953)	(474,248)
Disposal of property, plant and equipment	3,462	34,967
Increase in refundable deposits	-	(7,577)
Decrease in refundable deposits	5,941	-
Increase in other financial assets	-	(28,801)
Decrease in other financial assets	20,419	-
Increase in other noncurrent assets	(19,663)	(97,338)
Increase in prepayment for equipment	(33,224)	(38,621)
Interest received	31,813	20,456
Dividend received	<u>6,618</u>	<u>18,160</u>
Net cash used in investing activities	<u>(600,791)</u>	<u>(802,874)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(173,302)	(80,006)
Proceeds from long-term borrowings	1,150,000	450,000
Repayments of long-term borrowings	(928,125)	(576,773)
Guarantee deposits received	24,402	1,448
Payments of cash dividend	<u>(774,393)</u>	<u>(681,465)</u>
Payments for transaction costs attributable to buy-back of ordinary shares	(806)	-
Proceeds from reissuance of treasury stock	<u>721</u>	<u>-</u>
Net cash used in financing activities	<u>(701,503)</u>	<u>(886,796)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>10,766</u>	<u>94,275</u>

(Continued)

## TXC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

---

	2015	2014
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 959,540	\$ (61,132)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,768,404</u>	<u>1,829,536</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,727,944</u>	<u>\$ 1,768,404</u>

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

## 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, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, 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, 2015 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 29, 2016

### 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, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,309,639	9	\$ 1,139,506	9
Available-for-sale financial assets - current (Notes 4 and 8)	-	-	20,800	-
Held-to-maturity financial assets - current (Notes 4, 5 and 9)	47,840	1	-	-
Notes receivable (Notes 4, 5 and 12)	2,919	-	23,533	-
Accounts receivable (Notes 4, 5 and 12)	2,335,359	16	2,517,663	19
Receivables from related parties (Notes 4, 5, 12 and 29)	97,431	1	125,317	1
Other receivables (Notes 4 and 12)	37,655	-	20,685	-
Other receivables from related parties (Notes 4 and 29)	1,122	-	33,131	-
Inventories (Notes 4 and 13)	912,022	6	1,092,321	9
Other financial assets - current (Note 11)	32,825	-	53,244	1
Other current assets - other	35,381	-	16,563	-
Total current assets	4,812,193	33	5,042,763	39
<b>NONCURRENT ASSETS</b>				
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	1,870,976	13	44,510	-
Held-to-maturity financial assets (Notes 4, 5 and 9)	50,280	-	47,840	1
Financial assets carried at cost (Notes 4 and 10)	115,520	1	111,998	1
Investments accounted for using equity method (Notes 4, 14 and 25)	5,648,430	38	4,931,094	38
Property, plant and equipment (Notes 4 and 15)	1,968,448	13	2,739,181	21
Investment properties (Notes 4 and 16)	186,156	1	6,472	-
Deferred income tax assets (Notes 4, 5 and 23)	19,795	-	20,681	-
Prepayment for equipment	81,647	1	47,558	-
Refundable deposits (Notes 4 and 26)	2,767	-	1,061	-
Other noncurrent assets	3,832	-	4,939	-
Total noncurrent assets	9,947,851	67	7,955,334	61
<b>TOTAL</b>	<b>\$ 14,760,044</b>	<b>100</b>	<b>\$ 12,998,097</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 17)	\$ 51,940	1	\$ 151,777	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	909	-	12,488	-
Accounts payable	477,056	3	555,849	4
Accounts payables to related parties (Note 29)	631,533	4	708,330	6
Other payables (Note 19)	414,006	3	462,073	4
Other payables to related parties (Note 29)	1,325	-	1,139	-
Current tax liabilities (Notes 4 and 23)	50,994	-	57,560	-
Current portion of bonds payable and long-term bank loans (Notes 17 and 18)	1,005,191	7	475,000	4
Other current liabilities (Note 19)	16,549	-	13,346	-
Total current liabilities	2,649,503	18	2,437,562	19
<b>NONCURRENT LIABILITIES</b>				
Bonds payable (Note 18)	-	-	782,139	6
Long-term bank loans (Note 17)	1,165,625	8	675,000	5
Deferred income tax liabilities (Notes 4 and 23)	129,110	1	138,976	1
Accrued pension cost (Notes 4 and 20)	46,607	-	39,891	1
Guarantee deposits received (Notes 4, 19 and 26)	29,953	-	29,953	-
Total noncurrent liabilities	1,371,295	9	1,665,959	13
Total liabilities	4,020,798	27	4,103,521	32
<b>EQUITY</b>				
Capital stock (Note 21)				
Common stock	3,097,570	21	3,097,570	24
Capital surplus	1,662,181	11	1,662,181	13
Retained earnings				
Appropriated as legal capital reserve	1,057,381	7	957,864	7
Appropriated as special capital reserve	222,793	2	222,793	2
Unappropriated earnings	2,659,935	18	2,611,372	20
Total retained earnings	3,940,109	27	3,792,029	29
Other equity				
Exchange differences on translating foreign operations	249,121	2	341,996	2
Unrealized loss on available-for-sale financial assets	1,790,265	12	800	-
Total other equity	2,039,386	14	342,796	2
Total equity	10,739,246	73	8,894,576	68
<b>TOTAL</b>	<b>\$ 14,760,044</b>	<b>100</b>	<b>\$ 12,998,097</b>	<b>100</b>

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

# TXC CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 2 and 29)				
Sales	\$ 7,973,106	101	\$ 8,248,029	101
Less: Sales returns	18,691	-	14,704	-
Less: Sales allowances	<u>55,720</u>	<u>1</u>	<u>54,746</u>	<u>1</u>
Net operating revenue	7,898,695	100	8,178,579	100
COST OF GOODS SOLD (Notes 22 and 29)	<u>6,531,490</u>	<u>83</u>	<u>6,701,406</u>	<u>82</u>
GROSS PROFIT	1,367,205	17	1,477,173	18
UNREALIZED INTER-COMPANY GAIN	(1,598)	-	(2,110)	-
UNREALIZED GAIN ON INTER AFFILIATE ACCOUNTS	<u>2,110</u>	<u>-</u>	<u>1,546</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,367,717</u>	<u>17</u>	<u>1,476,609</u>	<u>18</u>
OPERATING EXPENSES (Notes 4 and 29)				
Selling and marketing expenses	318,930	4	347,661	4
General and administrative expenses	171,892	2	185,016	2
Research and development expenses	<u>317,371</u>	<u>4</u>	<u>304,974</u>	<u>4</u>
Total operating expenses	<u>808,193</u>	<u>10</u>	<u>837,651</u>	<u>10</u>
INCOME FROM OPERATIONS	<u>559,524</u>	<u>7</u>	<u>638,958</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 22)	34,048	-	43,334	-
Other gains and losses (Note 22)	83,568	1	32,029	-
Finance costs (Notes 4 and 22)	(31,587)	-	(30,699)	-
Share of profits of associates and joint venture	<u>389,604</u>	<u>5</u>	<u>400,095</u>	<u>5</u>
Total non-operating income and expenses	<u>475,633</u>	<u>6</u>	<u>444,759</u>	<u>5</u>
INCOME BEFORE INCOME TAX	1,035,157	13	1,083,717	13
INCOME TAX EXPENSE (Note 23)	<u>96,954</u>	<u>1</u>	<u>88,543</u>	<u>1</u>
NET INCOME	<u>938,203</u>	<u>12</u>	<u>995,174</u>	<u>12</u>

(Continued)



# TXC CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (18,849)	-	\$ (13,826)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>3,204</u>	<u>-</u>	<u>2,350</u>	<u>-</u>
	<u>(15,645)</u>	<u>-</u>	<u>(11,476)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(93,862)	(1)	266,660	3
Share of the other comprehensive income of associates accounted for using the equity method	1,060	-	-	-
Unrealized loss on available-for-sale financial assets	<u>1,789,392</u>	<u>22</u>	<u>800</u>	<u>-</u>
	<u>1,696,590</u>	<u>21</u>	<u>267,460</u>	<u>3</u>
Other comprehensive income (loss) for the year, net of income tax	<u>1,680,945</u>	<u>21</u>	<u>255,984</u>	<u>3</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 2,619,148</u>	<u>33</u>	<u>\$ 1,251,158</u>	<u>15</u>
<b>EARNINGS PER SHARE (Note 24)</b>				
Basic	<u>\$ 3.03</u>		<u>\$ 3.21</u>	
Diluted	<u>\$ 2.86</u>		<u>\$ 3.04</u>	

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

(Concluded)

# TXC CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	Shares (In Thousands)	Common Stock	Capital Surplus	Retained Earnings			Others		Total Equity
				Legal Capital Reserve	Special Capital Reserve	Unappropriated	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for-sale Financial Assets	
BALANCE, JANUARY 1, 2014	309,757	\$ 3,097,570	\$ 1,662,181	\$ 864,348	\$ 222,793	\$ 2,402,655	\$ 75,336	\$ -	\$ 8,324,883
Appropriation of 2013 earnings									
Legal reserve	-	-	-	93,516	-	(93,516)	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	(681,465)	-	-	(681,465)
Net income for the for the year ended December 31, 2014	-	-	-	-	-	995,174	-	-	995,174
Other comprehensive income for the for the year ended December 31, 2014, net of income tax	-	-	-	-	-	(11,476)	266,660	800	255,984
Total comprehensive income for the for the year ended December 31, 2014	-	-	-	-	-	983,698	266,660	800	1,251,158
BALANCE AT DECEMBER 31, 2014	309,757	3,097,570	1,662,181	957,864	222,793	2,611,372	341,996	800	8,894,576
Appropriation of 2014 earnings									
Legal capital reserve	-	-	-	99,517	-	(99,517)	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	(774,393)	-	-	(774,393)
Net income for the year ended December 31, 2015	-	-	-	-	-	938,203	-	-	938,203
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(15,645)	(92,875)	1,789,465	1,680,945
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	922,558	(92,875)	1,789,465	2,619,148
Convertible bonds converted to ordinary shares	-	-	-	-	-	-	-	-	-
Acquisition and disposal of treasury stock	-	-	-	-	-	(85)	-	-	(85)
BALANCE AT DECEMBER 31, 2015	309,757	\$ 3,097,570	\$ 1,662,181	\$ 1,057,381	\$ 222,793	\$ 2,659,935	\$ 249,121	\$ 1,790,265	\$ 10,739,246

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

# TXC CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,035,157	\$ 1,083,717
Adjustments for:		
Bad debt expense	6,818	1,133
Depreciation expense	498,394	494,967
Amortization expense	2,354	4,562
Net loss on fair value change of financial liabilities at fair value through profit or loss	909	12,488
Finance costs	31,587	30,699
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	1,598	2,110
Realized gain on the transactions with subsidiaries, associates and joint ventures	(2,110)	(1,546)
Share of profit of subsidiaries, associates and joint ventures	(389,604)	(400,095)
Interest income	(13,222)	(11,844)
Impairment loss of financial assets	10,210	47,569
Loss on valuation of inventories	9,192	17,819
Dividend income	(1,118)	(1,118)
Gain (loss) on disposal of investment	(3,286)	27,324
Gain on disposal of investments accounted for using equity method	(1,628)	-
Changes in operating assets and liabilities:		
Notes receivable	13,523	(22,461)
Accounts receivables	26,937	(185,439)
Receivables from related parties	27,886	(12,101)
Other receivables	(15,256)	31,479
Other receivables from related parties	32,009	65,472
Inventories	85,775	72,222
Other current assets	(17,479)	(6,895)
Available-for-sale financial liabilities	(12,488)	(17,329)
Accounts payable	(21,014)	151,821
Accounts payable to related parties	(76,797)	(146,930)
Other payables	(28,524)	(68,062)
Other payables to related parties	203	112
Other current liabilities	3,203	(339)
Accrued pension costs	(12,133)	(8,098)
Cash generated from operations	<u>1,191,096</u>	<u>1,161,237</u>
Interest paid	(14,732)	(13,583)
Income taxes paid	<u>(109,296)</u>	<u>(76,557)</u>
Net cash generated by operating activities	<u>1,067,068</u>	<u>1,071,097</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment accounted for using equity method	(100)	(65,000)
Disposal of investment accounted for using equity method	6,101	-
Purchase of available-for-sale financial assets	(130,819)	(89,617)

(Continued)

# TXC CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Disposal of available-for-sale financial assets	\$ 154,104	\$ 122,468
Disposal of held-to-maturity financial assets	-	7,917
Purchase of held-to-maturity financial assets	(50,280)	-
Purchase of held-to-maturity financial assets	(50,000)	-
Payments for property, plant and equipment	(152,859)	(235,562)
Disposal of property, plant and equipment	372	15,435
Increase in refundable deposits	(1,706)	(5)
Increase in other financial assets	-	(28,801)
Decrease in other financial assets	20,419	-
Increase in other noncurrent assets	(3,764)	(1,648)
Increase in prepayment for equipment	(34,089)	(42,088)
Interest received	11,508	10,450
Dividend received from subsidiaries associates and joint ventures	6,618	64,718
Cash outflow due to corporate division	<u>(20,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(244,495)</u>	<u>(241,733)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Decrease) increase in short-term loans	(99,837)	59,279
Proceeds from reissuance of treasury stock	721	-
Payments for transaction costs attributable to buy-back of ordinary shares	(806)	-
Proceeds from long-term borrowings	1,150,000	450,000
Repayments of long-term borrowings	(928,125)	(587,500)
Guarantee deposits received	-	1,625
Payments of cash dividend	<u>(774,393)</u>	<u>(681,465)</u>
Net cash used in financing activities	<u>(652,440)</u>	<u>(758,061)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	170,133	71,303
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,139,506</u>	<u>1,068,203</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,309,639</u>	<u>\$ 1,139,506</u>

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

(Concluded)