

TXC Corporation

2018 Annual Shareholders' Meeting Procedure

I. Call Meeting to Order

II. Chairman's Address

III. Report Matters

IV. Recognition Matters

V. Discussion Matters

VI. Special Motions

VII. Meeting Adjourned

TXC Corporation

2018 Annual Shareholders' Meeting Agenda

Time: 9:30 a.m., June 5th, 2018 (Tuesday)

Place: No.4, KungYeh 6th Rd., Pingzhen Industrial District, Taoyuan City (Meeting Room)

1. Call meeting to order

2. Chairman's Address

3. Report Matters:

- (1) To report the business of 2017
- (2) Audit Committee's review report
- (3) To report 2017 employees' profit sharing bonus and directors' compensation

4. Recognition Matters

- (1) To accept 2017 Business Report and Financial Statements
- (2) To approve the proposal of distribution of 2017 earnings

5. Discussion Matters

- (1) To Revise the Articles of Incorporation

6. Special Motion

7. Meeting Adjourned

Report Matters

Report matter (1)

Subject: To report the business of 2017

Description:

1. The company's 2017 consolidated revenue was NT\$8,781,552 thousand, a decrease of 8.88% over last year. Net income was NT\$ 962,655 thousand, a decrease of 5.27% over last year.
2. Business report and related financial statements please refer to Attachment (1) and (3).

Report matter (2)

Subject: Audit Committee's review report

Description:

1. TXC's 2017 financial Statements were reviewed by Audit Committee and audited by independent auditors, Ms. Lin Yi Hui and Mr. Wong Bo Ren of Deloitte & Touche.
2. Request audit committee to read audit report and please refer to Attachment (2).

Report matter (3)

Subject: To report 2017 employees' profit sharing bonus and directors' compensation

Description:

1. The 2017 pretax profit before deducting employees' profit sharing bonus and directors' compensation is NT\$1,145,999,818, according to the Article 19 of Articles of Incorporation, the Board of Directors approved 2017 employees' profit sharing bonus is NT\$103,139,984 (9%) and directors' compensation is NT\$17,189,997(1.5%) which are to be 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 of 2017.

Recognition Matters

Recognition matter (1)

Proposed by the Board of Directors

Subject: To accept 2017 Business Report and Financial Statements

Description:

1. 2017 business report and financial statements please refer to Attachment (1) and (3).
2. The above business report and financial statements were approved by the board of directions and reviewed by audit committee. The financial statements were audited by independent auditors, Ms. Lin Yi Hui and Mr. Wong Bo Ren of Deloitte & Touche.
3. Please accept the aforementioned.

Resolution:

Recognition matter (2)

Proposed by the Board of Directors

Subject: To approve the proposal of distribution of 2017 earnings

Description:

1. Net profits for 2017 were NT\$962,653,917. 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\$2,671,117,885. In consideration of capital utilization and to avoid capital inflation, a shareholder dividend issue of NT\$774,392,600 (a cash dividend of NT\$ 2.5 per share) is proposed. After distribution, the undistributed profit will be NT\$1,896,725,285.
2. According to distribution ratio, cash dividend was calculated up to dollar. Total amount of undistributed fractional shares would be recognized in non-operating income.
3. The total amount of common shares outstanding is subject to change and the ultimate cash dividend to be distributed to each common share will be adjusted accordingly should TXC subsequently buyback of company shares or transfer or 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 proposal is listed as below. Please approve.

Resolution:

Distribution of 2017 Earnings

Unit : NT\$

Item	Amount	
	Sub-total	Sum
Beginning period undistributed profits		1,820,170,161
Adjusted retained earnings from investments accounted for using equity method		(186,540)
Remeasurement of defined employee benefit plans to retained earnings		(15,254,261)
Adjusted undistributed profits		1,804,729,360
Net profit after tax for this year		962,653,917
Appropriate legal reserve (10%)		(96,265,392)
Profits available for distribution		2,671,117,885
Distribution Item:		
Cash Dividends (NT\$2.5 per share)	(774,392,600)	(774,392,600)
End period of undistributed profits		1,896,725,285

Note: (1) Allocation of 2017 undistributed profit shall be given priority for the above profit distribution.

Chairman: **Paul Lin**

Manager: **Peter Lin**

Accounting Supervisor: **Hong Guan-wen**

Resolution:

Discussion Matters

Discussion Matter

Proposed by the Board of Directors

Subject: To Revise the Articles of Incorporation

Description:

1. Consideration to the company's operating needs and actual operation conditions, to revise the Articles of Incorporation.
2. The comparison tables for the Articles of Incorporation Before and After Revision is attached hereto as Attachment (4).
3. Please refer to Attachment (5) for the Articles of Incorporation.
4. Please approve.

Resolution:

Special Motions

Meeting Adjourned

TXC Corp.

Business Report

In the global economy of 2017 has, driven by the recovery in demand and the stabilization of raw material prices, extended the gradual recovery trend from the second half of 2016. The economic growth in the U.S. and the Eurozone has been quite robust under the dual impact of investment arising from the recovery in demand; net export has also become one of the drivers of economic growth in Japan under the influence of the depreciated yen; emerging countries have, both the commodity exporting countries and the commodity importing countries, benefited from stable raw material prices and gradually resumed to their original expected trend of economic growth. Although the overall economic environment shows steady growth, we have experienced another decline in revenue, profit and growth momentum since the European debt crisis due to the increase in existing product mix and the significant drop in the price as the result of changes in product applications and market competition factors, and the un-timely development of new products to meet customer needs. Our 2017 operation results and 2018 business plan summary are as follows:

I. 2017 Operation Results

1. Consolidated revenue and net profit

The company's 2017 consolidated revenue was NT\$8,781,552 thousand, a decrease of 8.88% over last year, and then resulted to achieving the operation target of 83.27%. Net income was NT\$ 962,655 thousand, a decrease of 5.27% over last year. The basic EPS is NT\$3.11, decreased from EPS NT\$3.28, -5.18% from previous year.

2. Research and development

The company continuously enhancing Temperature Compensating Control Quartz Oscillator (TCXO) 、 Temperature Sensing Quartz Crystal (TSX) 、 Miniature Constant Temperature Control Quartz Crystal Oscillator (OCXO), Miniature Quartz Crystal (XO) 、 Miniature Mobile Device Crystal(Crystal) 、 Light sensors... etc. While our miniature development schedule is behind Japanese peers; our sensor product's performance was still unable to meet customer's need.

II 2018 Business Plan Summary :

1 Business direction and major policy :

- (1) Improve market forecast analysis: : To accurately grasp the customers' product demand dynamics by the adopting TCRM (TXC Customer Relation Management)/PPTL(Project Progress Tracking List) /PLM(Product Lifecycle Management) tools, etc.
- (2) Time to market : To focus on demands of the customers and the market in response to the future industrial development and technology distribution, to continue the research and development for the next generation of high-end production processes to meet market demand(Smartphone 、 Wearable 、 IoT 、 Automotive 、 5G) and to continue optimizing the production processes and enhance product competitiveness.
- (3) Lean management : To manage operational efficiency in real time through DPR(Division Performance Report)/ QPR(Quality Performance Report)/ COPQ(Cost of Poor Quality)/ APQP(Advanced Product Quality Planning/ BI (Business Intelligence) management tools.
- (4) Talent cultivation : To screen and develop key talents, to cultivate talent transformation and skills, and to strengthen cross-department / project assessment system
- (5) Smart production : To improve production processes and efficiency by establishing smart factory platform with communication software and hardware integration

Looking forward to the year 2018, the Company expects to challenge this year's difficulties with innovative mindset and efficient execution under the spirit of "New Mindset, New Market". In the meanwhile, the Company believes that the current bottleneck will be overcome with new frontier ahead under its continued product development and the expected growth in the IoT and automobile markets.

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

TXC Corporation
Audit Committee's Review Report

Board of Directors of the company has made business report of 2017, 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 Ms. Lin Yi Hui and Mr. Wong Bo Ren of Deloitte & Touche. The 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 the Corporate Law. Pleas examine.

2018 shareholder meeting of the company

Convener of Audit Committee

Yu Shang Wu

2018. April 23rd

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

Opinion

We have audited the accompanying consolidated financial statements of TXC Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance 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 and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Key Audit Matter

Inventory of the Group as of December 31, 2017 was NT\$1,504,066 thousands, accounted for 11% of the total assets in the consolidated financial statements. The valuation of inventory is subjected to fluctuation of market demand and technology changing rapidly. It may result in the impairment of inventory. The management determines the inventory book value and the allowance for inventories at lower of cost or net realize value in accordance with IAS 2 "Inventory". Since the value of inventory is subject to management's judgement and significant in the consolidated financial statements, the inventory valuation is identified as a key audit matter.

Refer to Note 4 for a summary of the significant accounting policies and refer to Note 13 for the amount of the allowance for inventories.

Our key audit procedures performed in respects of the above area included the following:

1. Tested the net realized value of inventories on the balance sheet date. Sampled testing the price on the latest purchase order and sales order to verify whether the net realized value of inventories is reasonable.
2. Implemented computer audit in order to verify the accuracy and correctness of the net realized value by recalculation on the balance sheet date.
3. Verified the accuracy of the inventory aging report by testing the inventory's aging details. Obtained the list of inferior goods and spoilage to understand the slow moving inventory and evaluate whether the impairment for inventories is appropriate.

Other Matter

We have audited the accompanying financial statements of TXC Corporation as of December 31, 2017 and 2016 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance 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 and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 28, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 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 independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note X to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 2,331,366	18	\$ 2,092,897	14
Financial assets at fair value through profit or loss - current (Note 7)	1,007,122	8	1,890,100	13
Available-for-sale financial assets - current (Note 8)	39,657	-	62,853	1
Held-to-maturity financial assets - current (Note 9)	45,680	-	-	-
Notes receivable (Note 12)	65,656	1	51,236	-
Trade receivables (Note 12)	2,578,552	19	3,023,659	20
Trade receivables from related parties (Notes 12 and 30)	6,735	-	9,612	-
Other receivables	147,077	1	48,761	-
Other receivables from related parties (Note 30)	772	-	709	-
Inventories (Note 13)	1,504,066	11	1,520,049	10
Prepayment for lease (Note 19)	2,371	-	2,416	-
Non-current Assets Held for Sale (Note 14)	60,816	1	-	-
Other financial assets - current (Note 11)	39,200	-	-	-
Other current assets	154,122	1	115,838	1
Total current assets	<u>7,983,192</u>	<u>60</u>	<u>8,818,130</u>	<u>59</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 8)	512,967	4	1,215,050	8
Held-to-maturity financial assets - non-current (Note 9)	-	-	46,532	-
Financial assets measured at cost - non-current (Note 10)	197,202	1	85,520	1
Investments accounted for using equity method (Note 16)	96,189	1	65,228	1
Property, plant and equipment (Note 17)	4,369,810	33	4,277,905	29
Investment properties (Note 18)	49,957	-	61,723	-
Other intangible assets	8,013	-	10,798	-
Deferred tax assets (Note 25)	48,199	-	31,136	-
Prepayment for equipment	23,139	-	107,596	1
Long-term prepayment for lease (Note 19)	98,184	1	102,431	1
Other noncurrent assets	15,947	-	19,919	-
Total noncurrent assets	<u>5,419,607</u>	<u>40</u>	<u>6,023,838</u>	<u>41</u>
TOTAL	<u>\$ 13,402,799</u>	<u>100</u>	<u>\$ 14,841,968</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 20)	\$ 549	-	\$ 20,280	-
Financial liabilities at fair value through profit or loss - current (Note 7)	1,265	-	25,525	-
Notes payable	276	-	756	-
Trade payables	1,226,991	9	1,395,657	9
Trade payables to related parties (Note 30)	24	-	1,602	-
Other payables (Note 21)	700,743	6	875,356	6
Other payables to related parties (Note 30)	1,821	-	972	-
Current tax liabilities (Note 25)	30,043	-	67,061	1
Current portion of long-term borrowings and bonds payable (Notes 19 and 20)	286,362	2	723,896	5
Other current liabilities	28,728	-	45,000	-
Total current liabilities	<u>2,276,802</u>	<u>17</u>	<u>3,156,105</u>	<u>21</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 20)	1,696,875	13	1,483,749	10
Deferred income tax liabilities (Note 25)	182,393	1	331,428	2
Net defined benefit liabilities - non-current (Note 22)	62,024	1	56,311	1
Guarantee deposits received	20,114	-	41,193	-
Total non-current liabilities	<u>1,961,406</u>	<u>15</u>	<u>1,912,681</u>	<u>13</u>
Total liabilities	<u>4,238,208</u>	<u>32</u>	<u>5,068,786</u>	<u>34</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 23)				
Share capital				
Ordinary shares	3,097,570	23	3,097,570	21
Capital surplus	1,665,224	12	1,665,224	11
Retained earnings				
Legal reserve	1,252,818	9	1,151,202	8
Special reserve	222,793	2	222,793	1
Unappropriated earnings	2,767,383	21	2,789,106	19
Total retained earnings	4,242,994	32	4,163,101	28
Other equity				
Exchange differences on translating foreign operations	(264,137)	(2)	(161,346)	(1)
Unrealized loss on available-for-sale financial assets	381,048	3	955,103	7
Total other equity	116,911	1	793,757	6
Total equity attributable to owners of the company	9,122,699	68	9,719,652	66
NON-CONTROLLING INTERESTS	41,892	-	53,530	-
Total equity	<u>9,164,591</u>	<u>68</u>	<u>9,773,182</u>	<u>66</u>
TOTAL	<u>\$ 13,402,799</u>	<u>100</u>	<u>\$ 14,841,968</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, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
SALES	\$ 8,781,552	100	\$ 9,637,101	100
COST OF GOODS SOLD (Note 24)	<u>(6,595,475)</u>	<u>(75)</u>	<u>(7,083,032)</u>	<u>(74)</u>
GROSS PROFIT	<u>2,186,077</u>	<u>25</u>	<u>2,554,069</u>	<u>26</u>
OPERATING EXPENSES (Note 24)				
Selling and marketing expenses	466,267	6	509,182	5
General and administrative expenses	377,505	4	391,987	4
Research and development expenses	<u>540,249</u>	<u>6</u>	<u>538,506</u>	<u>6</u>
Total operating expenses	<u>1,384,021</u>	<u>16</u>	<u>1,439,675</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>802,056</u>	<u>9</u>	<u>1,114,394</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	109,835	1	99,083	1
Other gains and losses (Note 24)	173,361	2	252	-
Finance costs (Note 24)	(21,937)	-	(28,062)	-
Share of profits of associates and joint venture (Note 15)	<u>11,618</u>	<u>-</u>	<u>6,605</u>	<u>-</u>
Total non-operating income and expenses	<u>272,877</u>	<u>3</u>	<u>77,878</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,074,933	12	1,192,272	12
INCOME TAX EXPENSE (Note 25)	<u>(123,916)</u>	<u>(1)</u>	<u>(178,580)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>951,017</u>	<u>11</u>	<u>1,013,692</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(15,255)	-	(18,680)	-
Share of the other comprehensive income of associates accounted for using the equity method	<u>(187)</u>	<u>-</u>	<u>(99)</u>	<u>-</u>
	<u>(15,442)</u>	<u>-</u>	<u>(18,779)</u>	<u>-</u>

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
Item that maybe reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (101,905)	(1)	\$ (407,529)	(4)
Unrealized (loss) gain on available-for-sale financial assets	(573,997)	(7)	(835,208)	(9)
Share of the other comprehensive income of associates accounted for using the equity method	(944)	-	(2,892)	-
	<u>(676,846)</u>	<u>(8)</u>	<u>(1,245,629)</u>	<u>(13)</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(692,288)</u>	<u>(8)</u>	<u>(1,264,408)</u>	<u>(13)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ 258,729</u>	<u>3</u>	<u>\$ (250,716)</u>	<u>(3)</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 962,655	11	\$ 1,016,164	11
Non-controlling interests	<u>(11,638)</u>	<u>-</u>	<u>(2,472)</u>	<u>-</u>
	<u>\$ 951,017</u>	<u>11</u>	<u>\$ 1,013,692</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 270,367	3	\$ (248,244)	(3)
Non-controlling interests	<u>(11,638)</u>	<u>-</u>	<u>(2,472)</u>	<u>-</u>
	<u>\$ 258,729</u>	<u>3</u>	<u>\$ (250,716)</u>	<u>(3)</u>
EARNINGS PER SHARE (Note 26)				
From continuing and discounted operations				
Basic	<u>\$3.11</u>		<u>\$3.28</u>	
Diluted	<u>\$3.07</u>		<u>\$3.23</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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Parent						Others		Total	Non-controlling Interests	Total Equity
	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translation Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
				Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2016	309,757	\$ 3,097,570	\$ 1,662,181	\$ 1,057,381	\$ 222,793	\$ 2,659,935	\$ 249,121	\$ 1,790,265	\$ 10,739,246	\$ -	\$ 10,739,246
Appropriation of 2015 earnings											
Legal reserve	-	-	-	93,821	-	(93,821)	-	-	-	-	-
Cash dividends distributed by the company	-	-	-	-	-	(774,393)	-	-	(774,393)	-	(774,393)
Net profit for the for the year ended December 31, 2016	-	-	-	-	-	1,016,164	-	-	1,016,164	(2,472)	1,013,692
Other comprehensive loss for the for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(18,779)	(410,467)	(835,162)	(1,264,408)	-	(1,264,408)
Total comprehensive income (loss) for the for the year ended December 31, 2016	-	-	-	-	-	997,385	(410,467)	(835,162)	(248,244)	(2,472)	(250,716)
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-	-
Actual disposal or acquisition of interest in subsidiaries	-	-	331	-	-	-	-	-	331	(331)	-
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	-	2,712	-	-	-	-	-	2,712	-	2,712
Additional non-controlling interest recognized on equity	-	-	-	-	-	-	-	-	-	56,333	56,333
BALANCE AT DECEMBER 31, 2016	309,757	3,097,570	1,665,224	1,151,202	222,793	2,789,106	(161,346)	955,103	9,719,652	53,530	9,773,182
Appropriation of 2016 earnings											
Legal reserve	-	-	-	101,616	-	(101,616)	-	-	-	-	-
Cash dividends distributed by the company	-	-	-	-	-	(867,320)	-	-	(867,320)	-	(867,320)
Net profit for the year ended December 31, 2017	-	-	-	-	-	962,655	-	-	962,655	(11,638)	951,017
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(15,442)	(102,791)	(574,055)	(692,288)	-	(692,288)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	947,213	(102,791)	(574,055)	270,367	(11,638)	258,729
Reissuance of treasury stock	-	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	309,757	\$ 3,097,570	\$ 1,665,224	\$ 1,252,818	\$ 222,793	\$ 2,767,383	\$ (264,137)	\$ 381,048	\$ 9,122,699	\$ 41,892	\$ 9,164,591

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,074,933	\$ 1,192,272
Adjustments for:		
Depreciation expenses	808,352	911,332
Depreciation expenses of investment properties	3,973	4,403
Amortization expenses	2,722	3,686
Amortization of prepayments for lease	2,338	2,523
Recognition (reversal) of provisions	(2,437)	(320)
Finance costs	21,937	28,062
Interest income	(18,607)	(14,411)
Dividend income	(2,288)	(4,132)
Share of profit of associates and joint ventures	(11,618)	(6,605)
Loss on disposal of property, plant and equipment	(1,754)	9,080
Gain on disposal of investment property	(50,061)	-
Gain on disposal of investment	(228,666)	(13,010)
Gain on disposal of investments accounted for using equity method	-	(1,350)
Impairment loss recognized on financial assets	9,971	47,152
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(47,211)	(33,609)
Write-down of inventories	-	28,658
Impairment loss recognized on property, plant and equipment	(3,202)	1,414
Changes in operating assets and liabilities		
Financial asset held for trading	306,430	158,048
Notes receivable	(14,414)	(4,811)
Trade receivables	447,529	(149,954)
Trade receivables from related parties	2,914	(4,750)
Other receivables	(1,914)	44,379
Other receivables from related parties	(63)	(63)
Inventories	16,241	(14,006)
Other current assets	(37,444)	(30,958)
Financial liabilities held or trading	(13,445)	(4,821)
Notes payable	(480)	756
Trade payables	(168,666)	284,703
Trade payables to related parties	(1,578)	99
Other payables	(174,648)	239,887
Other payables to related parties	849	(392)
Other current liabilities	(16,272)	14,878
Net defined benefit liabilities	(9,542)	(12,802)
Cash generated from operations	1,893,879	2,675,338
Interest paid	(21,902)	(27,046)
Income tax paid	(208,503)	(164,523)
Net cash generated from operating activities	<u>1,663,474</u>	<u>2,483,769</u>

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	\$ (2,246,052)	\$ (2,905,352)
Proceeds from sale of financial assets at fair value through profit or loss	2,824,366	1,913,560
Purchase of available-for-sale financial assets	-	(63,545)
Proceeds from sale of available-for-sale financial assets	214,181	-
Purchase of held-to-maturity financial assets	-	-
Proceeds from sale of held-to-maturity financial assets	-	50,300
Purchase of sale of financial assets measured at cost	(161,587)	-
Proceeds from sale of financial assets measured at cost	87,237	13,010
Purchase of investment accounted for using equity method	(26,540)	(2,364)
Proceeds from sale of investment accounted for using equity method	-	5,185
Payments for property, plant and equipment	(997,727)	(825,686)
Proceeds from Investment property	56,653	-
Proceeds from disposal of property, plant and equipment	7,312	24,312
Payments for intangible assets	(1,281)	(3,104)
Increase in other financial assets	(39,200)	-
Decrease in other financial assets	-	32,825
Decrease in other noncurrent assets	3,972	11,732
Increase in prepayment for equipment	-	(23,737)
Interest received	18,685	17,430
Dividend received	8,355	8,792
	<u>(251,626)</u>	<u>(1,746,642)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(19,731)	(129,596)
Repayments of bond payables	-	(800,000)
Proceeds from long-term borrowings	500,000	950,000
Repayments of long-term borrowings	(693,535)	(550,000)
Proceeds from guarantee deposits received	-	-
Refund of guarantee deposits received	(21,079)	(14,075)
Dividends paid to owners of the Company	(867,320)	(774,393)
Increase in non-controlling	-	56,333
	<u>(1,101,665)</u>	<u>(1,261,731)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(71,714)</u>	<u>(110,443)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	238,469	(635,047)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>2,092,897</u>	<u>2,727,944</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 2,331,366</u>	<u>\$ 2,092,897</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

Opinion

We have audited the accompanying financial statements of TXC Corporation (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Inventory of the Company as of December 31, 2017 was NT\$956,153 thousands, accounted for 7.5% of the total assets in the financial statements. The valuation of inventory is subjected to fluctuation of market demand and technology changing rapidly. It may result in the impairment of inventory. The management determines the inventory book value and the allowance for inventories at lower of cost or net realize value in accordance with IAS 2 "Inventory". Since the value of inventory is subject to management's judgement and significant in the financial statements, the inventory valuation is identified as a key audit matter.

Refer to Note 4 for a summary of the significant accounting policies and refer to Note 13 for the amount of the allowance for inventories.

Our key audit procedures performed in respects of the above area included the following:

1. Tested the net realized value of inventories on the balance sheet date. Sampled testing the price on the latest purchase order and sales order to verify whether the net realized value of inventories is reasonable.
2. Implemented computer audit in order to verify the accuracy and correctness of the net realized value by recalculation on the balance sheet date.
3. Verified the accuracy of the inventory aging report by testing the inventory's aging details. Obtained the list of inferior goods and spoilage to understand the slow moving inventory and evaluate whether the impairment for inventories is appropriate.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 28, 2018

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance 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 applied in the Republic of China.

For the convenience of readers, the independent 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 independent auditors' report and financial statements shall prevail. Also, as stated in Note X to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

TXC CORPORATION

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 798,761	6	\$ 936,594	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	113,635	1
Available-for-sale financial assets - current (Notes 4 and 8)	39,657	-	62,853	-
Held-to-maturity financial assets - current (Notes 4, 5 and 9)	45,680	1	-	-
Notes receivable (Notes 4, 5 and 12)	1,083	-	2,358	-
Trade receivables (Notes 4, 5 and 12)	2,072,532	16	2,422,041	17
Trade receivables from related parties (Notes 4, 5, 12 and 27)	69,939	1	95,382	1
Other receivables (Note 4)	14,425	-	31,577	-
Other receivables from related parties (Notes 4 and 27)	19,782	-	1,017	-
Inventories (Notes 4 and 13)	956,153	8	927,345	7
Other financial assets - current (Note 11)	39,200	-	-	-
Other current assets	11,721	-	57,954	-
Total current assets	<u>4,068,933</u>	<u>32</u>	<u>4,650,756</u>	<u>33</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 8)	512,967	4	1,215,050	9
Held-to-maturity financial assets - non-current (Notes 4, 5 and 9)	-	-	46,532	-
Financial assets measured at cost - non-current (Notes 4 and 10)	37,322	-	85,520	1
Investments accounted for using equity method (Notes 4 and 14)	5,786,886	46	5,566,535	40
Property, plant and equipment (Notes 4 and 15)	2,109,112	17	2,055,749	15
Investment properties (Notes 4 and 16)	137,132	1	163,757	1
Other intangible assets (Note 4)	543	-	2,638	-
Deferred tax assets (Notes 4, 5 and 22)	42,271	-	25,056	-
Prepayment for equipment	6,940	-	90,383	1
Refundable deposits	2,728	-	2,739	-
Total non-current assets	<u>8,635,901</u>	<u>68</u>	<u>9,253,959</u>	<u>67</u>
TOTAL	<u>\$ 12,704,834</u>	<u>100</u>	<u>\$ 13,904,715</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 17)	\$ 549	-	\$ 20,280	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,265	-	13,445	-
Notes payable	276	-	756	-
Trade payables	428,413	3	605,175	4
Trade payables to related parties (Note 27)	702,531	6	697,253	5
Other payables (Note 18)	395,778	3	580,206	4
Other payables to related parties (Note 27)	2,974	-	263	-
Current tax liabilities (Notes 4 and 22)	23,239	-	56,378	1
Current portion of long-term borrowings and bonds payable (Note 17)	62,500	1	562,500	4
Other current liabilities	10,984	-	25,391	-
Total current liabilities	<u>1,628,509</u>	<u>13</u>	<u>2,561,647</u>	<u>18</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	1,696,875	13	1,209,375	9
Deferred tax liabilities (Notes 4 and 22)	182,393	1	331,423	2
Net defined benefit liabilities - non-current (Notes 4 and 19)	62,024	1	56,311	1
Guarantee deposits received	12,334	-	26,307	-
Total non-current liabilities	<u>1,953,626</u>	<u>15</u>	<u>1,623,416</u>	<u>12</u>
Total liabilities	<u>3,582,135</u>	<u>28</u>	<u>4,185,063</u>	<u>30</u>
EQUITY (Note 20)				
Share capital				
Ordinary shares	3,097,570	24	3,097,570	22
Capital surplus	1,665,224	13	1,665,224	12
Retained earnings				
Legal reserve	1,252,818	10	1,151,202	8
Special reserve	222,793	2	222,793	2
Unappropriated earnings	2,767,383	22	2,789,106	20
Total retained earnings	4,242,994	34	4,163,101	30
Other equity				
Exchange differences on translating foreign operations	(264,137)	(2)	(161,346)	(1)
Unrealized gain or loss on available-for-sale financial assets	381,048	3	955,103	7
Total other equity	116,911	1	793,757	6
Total equity	<u>9,122,699</u>	<u>72</u>	<u>9,719,652</u>	<u>70</u>
TOTAL	<u>\$ 12,704,834</u>	<u>100</u>	<u>\$ 13,904,715</u>	<u>100</u>

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

TXC CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 2 and 27)				
Sales	\$ 7,158,878	101	\$ 7,984,017	101
Less: Sales returns	20,397	-	21,886	-
Less: Sales allowances	<u>83,517</u>	<u>1</u>	<u>74,362</u>	<u>1</u>
Net operating revenue	7,054,964	100	7,887,769	100
COST OF GOODS SOLD (Notes 13, 21 and 27)	<u>5,800,259</u>	<u>82</u>	<u>6,251,634</u>	<u>79</u>
GROSS PROFIT	1,254,705	18	1,636,135	21
UNREALIZED INTER-COMPANY GAIN	(2,634)	-	(4,718)	-
REALIZED GAIN ON INTER AFFILIATE ACCOUNTS	<u>4,718</u>	<u>-</u>	<u>1,598</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,256,789</u>	<u>18</u>	<u>1,633,015</u>	<u>21</u>
OPERATING EXPENSES (Notes 4 and 27)				
Selling and marketing expenses	283,204	4	316,622	4
General and administrative expenses	152,821	2	177,374	2
Research and development expenses	<u>367,948</u>	<u>5</u>	<u>371,269</u>	<u>5</u>
Total operating expenses	<u>803,973</u>	<u>11</u>	<u>865,265</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>452,816</u>	<u>7</u>	<u>767,750</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 21)	49,977	1	56,862	-
Other gains and losses (Note 21)	176,895	2	(59,102)	(1)
Finance costs (Notes 4 and 21)	(15,267)	-	(17,333)	-
Share of profit of associates and joint ventures	<u>361,249</u>	<u>5</u>	<u>383,716</u>	<u>5</u>
Total non-operating income and expenses	<u>572,854</u>	<u>8</u>	<u>364,143</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	1,025,670	15	1,131,893	14
INCOME TAX EXPENSE (Note 22)	<u>63,015</u>	<u>1</u>	<u>115,729</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>962,655</u>	<u>14</u>	<u>1,016,164</u>	<u>13</u>

(Continued)

TXC CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (15,255)	-	\$ (18,680)	-
Share of the other comprehensive income of associates accounted for using the equity method	(187)	-	(99)	-
	<u>(15,442)</u>	<u>-</u>	<u>(18,779)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(101,905)	(2)	(407,529)	(5)
Share of the other comprehensive income of associates accounted for using the equity method	(944)	-	(2,892)	-
Unrealized (loss) gain on available-for-sale financial assets	(573,997)	(8)	(835,208)	(11)
	<u>(676,846)</u>	<u>(10)</u>	<u>(1,245,629)</u>	<u>(16)</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(692,288)</u>	<u>(10)</u>	<u>(1,264,408)</u>	<u>(16)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ 270,367</u>	<u>4</u>	<u>\$ (248,244)</u>	<u>(3)</u>
EARNINGS PER SHARE (Note 23)				
From continuing and discontinued operations				
Basic	<u>\$ 3.11</u>		<u>\$ 3.28</u>	
Diluted	<u>\$ 3.07</u>		<u>\$ 3.23</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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Others		Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2016	309,757	\$ 3,097,570	\$ 1,662,181	\$ 1,057,381	\$ 222,793	\$ 2,659,935	\$ 249,121	\$ 1,790,265	\$ 10,739,246
Appropriation of 2015 earnings									
Legal reserve	-	-	-	93,821	-	(93,821)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(774,393)	-	-	(774,393)
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	-	2,712	-	-	-	-	-	2,712
Net profit for the for the year ended December 31, 2016	-	-	-	-	-	1,016,164	-	-	1,016,164
Other comprehensive loss for the for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(18,779)	(410,467)	(835,162)	(1,264,408)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	997,385	(410,467)	(835,162)	(248,244)
Actual disposal or acquisition of interest in subsidiaries	-	-	331	-	-	-	-	-	331
BALANCE AT DECEMBER 31, 2016	309,757	3,097,570	1,665,224	1,151,202	222,793	2,789,106	(161,346)	955,103	9,719,652
Appropriation of 2016 earnings									
Legal reserve	-	-	-	101,616	-	(101,616)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(867,320)	-	-	(867,320)
Net profit for the year ended December 31, 2017	-	-	-	-	-	962,655	-	-	962,655
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(15,442)	(102,791)	(574,055)	(692,288)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	947,213	(102,791)	(574,055)	270,367
Reissuance of treasury shares	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	309,757	\$ 3,097,570	\$ 1,665,224	\$ 1,252,818	\$ 222,793	\$ 2,767,383	\$ (264,137)	\$ 381,048	\$ 9,122,699

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

TXC CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,025,670	\$ 1,131,893
Adjustments for:		
Depreciation expenses	367,396	405,643
Depreciation expenses of investment properties	22,255	22,399
Amortization expenses	1,255	2,200
Impairment loss recognized on accounts receivables	(2,223)	336
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	306	11,487
Finance costs	15,267	17,333
Interest income	(7,217)	(5,849)
Dividend income	(2,288)	(4,132)
Share of profit of associates and joint ventures	(361,249)	(383,716)
Gain on disposal of property, plant and equipment	(66)	(819)
Gain on disposal of investment property	(50,061)	-
Gain on disposal of investment	(228,666)	(13,010)
Gain on disposal of investments accounted for using equity method	-	(1,350)
Impairment loss recognized on financial assets	9,971	47,152
Write-down of inventories	-	23,693
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	2,634	4,718
Realized gain on the transactions with subsidiaries, associates and joint ventures	(4,718)	(1,598)
Changes in operating assets and liabilities:		
Notes receivable	1,281	564
Trade receivables	351,689	(86,973)
Trade receivables from related parties	25,480	2,001
Other receivables	17,074	3,059
Other receivables from related parties	(18,765)	105
Inventories	(28,808)	(39,016)
Other current assets	47,073	(22,319)
Financial liabilities held or trading	(13,445)	(909)
Notes payable	(480)	756
Trade payables	(176,762)	128,119
Trade payables to related parties	5,278	65,720
Other payables	(184,867)	166,241
Other payables to related parties	2,711	(1,062)
Other current liabilities	(14,407)	8,842
Accrued pension costs	(9,542)	(12,802)
Cash generated from operations	791,776	1,468,706
Interest paid	(14,828)	(16,315)
Income taxes paid	(143,870)	(105,209)
Net cash generated from operating activities	<u>633,078</u>	<u>1,347,182</u>

(Continued)

TXC CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of held -to-maturity financial assets	\$ 110,911	\$ (115,449)
Purchase of available-for-sale financial assets	-	(63,545)
Proceeds from sale of available-for-sale financial assets	214,181	-
Proceeds from sale of held-to-maturity financial assets	-	50,300
Purchase of financial assets measured at cost	(1,772)	-
Proceeds from sale of financial assets measured at cost	87,237	13,010
Acquisition of investment accounted for using equity method	(26,540)	(17,081)
Net cash inflow on disposal of associates	-	5,185
Payments for property, plant and equipment	(340,765)	(493,949)
Proceeds from disposal of property, plant and equipment	1,272	1,824
Proceeds from disposal of investment property	56,674	-
Decrease in refundable deposits	11	28
Payments for intangible assets	-	(1,260)
Increase in other financial assets	(39,200)	-
Decrease in other financial assets	-	32,825
Increase in prepayment for equipment	-	(8,736)
Interest received	7,295	8,868
Dividend received from associates	<u>68,775</u>	<u>72,392</u>
Net cash generated from (used in) investing activities	<u>138,079</u>	<u>(515,588)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(19,731)	(31,660)
Repayments of bond payables	-	(800,000)
Proceeds from long-term borrowings	500,000	950,000
Repayments of long-term borrowings	(512,500)	(550,000)
Proceeds from guarantee deposits received	(13,973)	(3,646)
Dividends paid to owners of the Company	<u>(867,320)</u>	<u>(774,393)</u>
Net cash used in financing activities	<u>(913,524)</u>	<u>(1,209,699)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>4,534</u>	<u>5,060</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(137,833)	(373,045)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>936,594</u>	<u>1,309,639</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 798,761</u>	<u>\$ 936,594</u>

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

(Concluded)