

TXC Corporation

2017 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

2017 Annual Shareholders' Meeting Agenda

Time: 9:30 a.m., June 8th, 2017 (Thursday)

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) Report on 2016 business report
- (2) Report on Audit Committee's review of 2016 financial report
- (3) Report on distributions of remunerations for directors and employees

4. Recognition Matters

- (1) 2016 Business Report and Financial Statements
- (2) Proposal for distribution of 2016 profits

5. Discussion Matters

- (1) Amendments to Procedures for Acquisition or Disposal of Assets

6. Special Motion

7. Meeting Adjourned

Report Matters

Report matter (1)

Subject: 2016 business updated report

Description:

1. The company's 2016 consolidated revenue was NT\$9,637,101 thousand, an increase of 4.0% over the last year. Net income was NT\$ 1,016,164 thousand, an increase of 8.3% over the last year.
2. Business report and related financial statements please refer to Attachment (1) and (3).
3. Looking towards 2017 performance, spreading our corporate spirit of 'compete or perish, work hard or drop out ' will inject the company with the willpower to accomplish our goals. As TXC rolls out the new products, we will expect business operation and profits can be further growing and outperform than the peers.

Report matter (2)

Subject: Audit Committee's review of 2016 financial reports

Description:

1. Matters regarding the board of director passage and audit committee review of the Company's 2016 financial report and audit report submission of which the financial reports were 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: 2016 distributions of remunerations for directors and employees

Description:

1. The 2016 pretax profit before deducting remuneration to directors and to employees is NT\$1,264,685,525 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\$18,970,283 and the remuneration to employee is 9% and the amount is NT\$113,821,697 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 2016.

Recognition Matters

Recognition matter (1)

Proposed by the Board of Directors

Subject: To accept 2016 Business Report and Financial Statements

Description:

1. Please refer to Attachment (1) and (3) for the prepared 2016 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 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 for distribution of 2016 profits

Description:

1. Net profits for 2016 were NT\$1,016,164,758. 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\$2,687,489,873. In consideration of capital utilization and to avoid capital inflation, a shareholder dividend issue of NT\$867,319,712 (a cash dividend of NT\$ 2.8 per share) is proposed. After distribution, the undistributed profit will be NT\$1,820,170,161.
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:

Profit Distribution of 2016

Unit : NT\$

Item	Amount	
	Sub-total	Sum
Beginning period undistributed profits		1,791,721,469
Adjusted retained earnings from investments accounted for using equity method		(99,646)
Remeasurement of defined employee benefit plans to retained earnings		(18,680,232)
Adjusted undistributed profits		1,772,941,591
Net profit after tax for this year		1,016,164,758
Appropriate legal reserve (10%)		(101,616,476)
Profits available for distribution		2,687,489,873
Distribution Item:		
Cash Dividends (NT\$2.8 per share)	(867,319,712)	(867,319,712)
End period of undistributed profits		1,820,170,161

Note: (1) Allocation of 2016 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 1

Proposed by the Board of Directors

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

Description:

1. It is proposed that certain articles of TXC’s “Procedures for Acquisition or Disposal of Assets” should be amended to comply with rule No.10600012965 issued by the Financial Supervisory Commission R.O.C (Taiwan) Securities and Futures Bureau on February 9th, 2017.
2. The comparison tables for the aforementioned are attached hereto as Attachment (4).
3. Please refer to Attachment (7) for TXC’s “Procedures for Acquisition or Disposal of Assets” prior to amendments.
4. Please approve.

Resolution:

Special Motions

Meeting Adjourned

TXC Corp.

Business Report

Major shifts in the international political situation occurred in the blink of an eye in 2016. The UK voted to leave the EU and America has adopted protectionist policies. As for Taiwan, the most important development is the freeze in cross-strait relations. With regard to the economy, the global outlook still looks turbulent. Exchange rate fluctuation risks have increased. The prices of raw materials and crude oil appear to have bottomed out. In society, a new age of individualism is arising. Changes in labor laws are placing additional pressure on companies. Other factors including technology, resources, policy and population are rapidly shifting about along with overall environment, all of which have the potential to threaten the existence and development capabilities of a company. Fortunately, with the continued dedication of our employees and support from upstream and downstream companies, we have been able overcome these challenges and can say without compunction to our shareholders that we are ready to meet the next challenge arising from the business environment.

一、2016 Operation Results

1. Consolidated revenues and after-tax profit

The results of operation of 2016 have consolidated total operation revenue of NT\$9.637 billion, a 4.0% more than NT\$9.266 billion of 2015, and the budget accomplishing rate is 99.8%. After tax net profit is NT\$1,016 million, a 8.3% more than the NT\$938 million net after tax profit of last year and over our internal budgeted target. The basic EPS is NT\$3.28, increased from EPS NT\$3.03, a 8.3% yoy of previous year.

2. Product Development

2016 we launched 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、Miniature Constant Temperature Control Quartz Crystal Oscillator (OCXO)、Miniature ACAP Crystal、Miniature ACAP CXO、Miniature mobile device Crystals. Besides, in accordance with R&D schedule, we continuously roll out various products to meet different customers' application demand.

二、2017 Management Directions and Major Policy

1. Continued upgrading to industry 4.0

In response to the low birth rate and rising pressing from stricter labor conditions, upgrading to industry 4.0 automation and informatization is definitely a major business strategy of TXC. Therefore, while continuing to invest in automated production equipment, our company will also continue to enter into cooperation with various companies. By upgrading to industry 4.0, TXC will further increase productivity and reduce the difficulties caused by manpower supply shortage.

2. Boosting R&D results

Simultaneously upgrading R&D capacity and product competitiveness is the key to ensuring sustainable operations. Therefore, our R&D department will focus on new product development in 2017 to swiftly enter the market, earn customer trust and opportunities for cooperation.

3. Continued capacity expansion

As market demand increases, TXC will continue to expand capacity at our three plants. Total production capacity is forecast to be increased by 20% or more to satisfy customer demand for TXC products. As a result, company sales will see a certain level of growth.

4. Corporate Governance

In order to allow further execution of board functions, each of the company's newly appointed independent directors have their own dedicated area of expertise which will strengthen board operations in the future and maintain our excellent corporate governance rating. A philanthropic foundation has also been established to help fulfill our CSR commitments.

Looking towards 2017, spreading our corporate spirit of ‘compete or perish, work hard or drop out ’ will inject the company with the willpower to accomplish our goals. As TXC rolls out the new products which were developed to meet the forecast growth in network communications and automotive markets, we will take a prudent and cautious approach towards the future, moving forward one step at a time.

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 2016, 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.

2017 shareholder meeting of the company

Convener of Audit Committee

Yu Shang Wu

2017. 04.24

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016. 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, 2016 was NT\$927,345 thousands, accounted for 7% 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, 2016 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 30, 2017

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 936,594	7	\$ 1,309,639	9
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)	62,853	-	-	-
Held-to-maturity financial assets - current (Notes 4, 5 and 9)	-	-	47,840	1
Notes receivable (Notes 4, 5 and 12)	2,358	-	2,919	-
Trade receivables (Notes 4, 5 and 12)	2,422,041	17	2,335,359	16
Trade receivables from related parties (Notes 4, 5, 12 and 29)	95,382	1	97,431	1
Other receivables (Note 4)	31,577	-	37,655	-
Other receivables from related parties (Notes 4 and 29)	1,017	-	1,122	-
Inventories (Notes 4 and 13)	927,345	7	912,022	6
Other financial assets - current (Note 11)	-	-	32,825	-
Other current assets	57,954	-	35,381	-
Total current assets	<u>4,650,756</u>	<u>33</u>	<u>4,812,193</u>	<u>33</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 8)	1,215,050	9	1,870,976	13
Held-to-maturity financial assets - non-current (Notes 4, 5 and 9)	46,532	-	50,280	-
Financial assets measured at cost - non-current (Notes 4 and 10)	85,520	1	115,520	1
Investments accounted for using equity method (Notes 4, 14 and 25)	5,566,535	40	5,648,430	38
Property, plant and equipment (Notes 4 and 15)	2,055,749	15	1,968,448	13
Investment properties (Notes 4 and 16)	163,757	1	186,156	1
Other intangible assets (Note 4)	2,638	-	3,832	-
Deferred tax assets (Notes 4, 5 and 23)	25,056	-	19,795	-
Prepayment for equipment	90,383	1	81,647	1
Refundable deposits (Note 4)	2,739	-	2,767	-
Total non-current assets	<u>9,253,959</u>	<u>67</u>	<u>9,947,851</u>	<u>67</u>
TOTAL	<u>\$ 13,904,715</u>	<u>100</u>	<u>\$ 14,760,044</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 17)	\$ 20,280	-	\$ 51,940	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	13,445	-	909	-
Notes payable	756	-	-	-
Trade payables	605,175	4	477,056	3
Trade payables to related parties (Note 29)	697,253	5	631,533	4
Other payables (Note 19)	580,206	4	414,006	3
Other payables to related parties (Note 29)	263	-	1,325	-
Current tax liabilities (Notes 4 and 23)	56,378	1	50,994	-
Current portion of long-term borrowings and bonds payable (Notes 17 and 18)	562,500	4	1,005,191	7
Other current liabilities (Note 19)	25,391	-	16,549	-
Total current liabilities	<u>2,561,647</u>	<u>18</u>	<u>2,649,503</u>	<u>18</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	1,209,375	9	1,165,625	8
Deferred tax liabilities (Notes 4 and 23)	331,423	2	129,110	1
Net defined benefit liabilities - non-current (Notes 4 and 20)	56,311	1	46,607	-
Guarantee deposits received (Notes 4, 19 and 26)	26,307	-	29,953	-
Total non-current liabilities	<u>1,623,416</u>	<u>12</u>	<u>1,371,295</u>	<u>9</u>
Total liabilities	<u>4,185,063</u>	<u>30</u>	<u>4,020,798</u>	<u>27</u>
EQUITY (Note 21)				
Share capital				
Ordinary shares	3,097,570	22	3,097,570	21
Capital surplus	1,665,224	12	1,662,181	11
Retained earnings				
Legal reserve	1,151,202	8	1,057,381	7
Special reserve	222,793	2	222,793	2
Unappropriated earnings	2,789,106	20	2,659,935	18
Total retained earnings	4,163,101	30	3,940,109	27
Other equity				
Exchange differences on translating foreign operations	(161,346)	(1)	249,121	2
Unrealized gain or loss on available-for-sale financial assets	955,103	7	1,790,265	12
Total other equity	793,757	6	2,039,386	14
Total equity	<u>9,719,652</u>	<u>70</u>	<u>10,739,246</u>	<u>73</u>
TOTAL	<u>\$ 13,904,715</u>	<u>100</u>	<u>\$ 14,760,044</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, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 2 and 29)				
Sales	\$ 7,984,017	101	\$ 7,973,106	101
Less: Sales returns	21,886	-	18,691	-
Less: Sales allowances	<u>74,362</u>	<u>1</u>	<u>55,720</u>	<u>1</u>
Net operating revenue	7,887,769	100	7,898,695	100
COST OF GOODS SOLD (Notes 22 and 29)	<u>6,251,634</u>	<u>79</u>	<u>6,531,490</u>	<u>83</u>
GROSS PROFIT	1,636,135	21	1,367,205	17
UNREALIZED INTER-COMPANY GAIN	(4,718)	-	(1,598)	-
REALIZED GAIN ON INTER AFFILIATE ACCOUNTS	<u>1,598</u>	<u>-</u>	<u>2,110</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,633,015</u>	<u>21</u>	<u>1,367,717</u>	<u>17</u>
OPERATING EXPENSES (Notes 4 and 29)				
Selling and marketing expenses	316,622	4	318,930	4
General and administrative expenses	177,374	2	171,892	2
Research and development expenses	<u>371,269</u>	<u>5</u>	<u>317,371</u>	<u>4</u>
Total operating expenses	<u>865,265</u>	<u>11</u>	<u>808,193</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>767,750</u>	<u>10</u>	<u>559,524</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 22)	56,862	-	34,048	-
Other gains and losses (Note 22)	(59,102)	(1)	83,568	1
Finance costs (Notes 4 and 22)	(17,333)	-	(31,587)	-
Share of profit of associates and joint ventures	<u>383,716</u>	<u>5</u>	<u>389,604</u>	<u>5</u>
Total non-operating income and expenses	<u>364,143</u>	<u>4</u>	<u>475,633</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	1,131,893	14	1,035,157	13
INCOME TAX EXPENSE (Note 23)	<u>115,729</u>	<u>1</u>	<u>96,954</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,016,164</u>	<u>13</u>	<u>938,203</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS)				

(Continued)

TXC CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(18,680)	-	(15,645)	-
Share of the other comprehensive income of associates accounted for using the equity method	(99)	-	-	-
	<u>(18,779)</u>	<u>-</u>	<u>(15,645)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(407,529)	(5)	(93,862)	(1)
Share of the other comprehensive income of associates accounted for using the equity method	(2,892)	-	1,060	-
Unrealized (loss) gain on available-for-sale financial assets	(835,208)	(11)	1,789,392	22
	<u>(1,245,629)</u>	<u>(16)</u>	<u>1,696,590</u>	<u>21</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(1,264,408)</u>	<u>(16)</u>	<u>1,680,945</u>	<u>21</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (248,244)</u>	<u>(3)</u>	<u>\$ 2,619,148</u>	<u>33</u>
EARNINGS PER SHARE (Note 24)				
From continuing and discontinued operations	-		-	
Basic	<u>\$ 3.28</u>		<u>\$ 3.03</u>	
Diluted	<u>\$ 3.23</u>		<u>\$ 2.86</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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Others		Total Equity
				Legal Reserve	Special Reserve	Unappropriate d Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	
BALANCE AT JANUARY 1, 2015	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 the Company	-	-	-	-	-	(774,393)	-	-	(774,393)
Net profit for the year ended December 31, 2015	-	-	-	-	-	938,203	-	-	938,203
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(15,645)	(92,875)	1,789,465	1,680,945
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	922,558	(92,875)	1,789,465	2,619,148
Reissuance of treasury shares	-	-	-	-	-	(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
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

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

TXC CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,131,893	\$ 1,035,157
Adjustments for:		
Depreciation expenses	405,643	490,799
Depreciation expenses of investment properties	22,399	7,595
Amortization expenses	2,200	2,354
Impairment loss recognized on accounts receivables	336	6,818
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	11,487	909
Finance costs	17,333	31,587
Interest income	(5,849)	(13,222)
Dividend income	(4,132)	(1,118)
Share of profit of associates and joint ventures	(383,716)	(389,604)
Gain on disposal of property, plant and equipment	(819)	-
Gain on disposal of investment	(13,010)	(3,286)
Gain on disposal of investments accounted for using equity method	(1,350)	(1,628)
Impairment loss recognized on financial assets	47,152	10,210
Write-down of inventories	23,693	9,192
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	4,718	1,598
Realized gain on the transactions with subsidiaries, associates and joint ventures	(1,598)	(2,110)
Changes in operating assets and liabilities:		
Notes receivable	564	13,523
Trade receivables	(86,973)	26,937
Trade receivables from related parties	2,001	27,886
Other receivables	3,059	(15,256)
Other receivables from related parties	105	32,009
Inventories	(39,016)	85,775
Other current assets	(22,319)	(17,479)
Financial liabilities held or trading	(909)	(12,488)
Notes payable	756	-
Trade payables	128,119	(21,014)
Trade payables to related parties	65,720	(76,797)
Other payables	166,241	(28,524)
Other payables to related parties	(1,062)	203
Other current liabilities	8,842	3,203
Accrued pension costs	(12,802)	(12,133)
Cash generated from operations	1,468,706	1,191,096
Interest paid	(16,315)	(14,732)
Income taxes paid	(105,209)	(109,296)
Net cash generated by operating activities	<u>1,347,182</u>	<u>1,067,068</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds on sale of held -to-maturity financial assets	(115,449)	-
Purchase of available-for-sale financial assets	(63,545)	(130,819)
Proceeds from sale of available-for-sale financial assets	-	154,104
Purchase of held-to-maturity financial assets	-	(50,280)
Proceeds from sale of held-to-maturity financial assets	50,300	-
Purchase of financial assets measured at cost	-	(50,000)
Proceeds from sale of financial assets measured at cost	13,010	-
Acquisition of investment accounted for using equity method	(17,081)	(100)
Net cash inflow on disposal of associates	5,185	6,101
Payments for property, plant and equipment	(493,949)	(152,859)
Proceeds from disposal of property, plant and equipment	1,824	372
Increase in refundable deposits	-	(1,706)
Decrease in refundable deposits	28	-
Payments for intangible assets	(1,260)	-
Decrease in other financial assets	32,825	20,419
Increase in other non-current assets	-	(3,764)
Increase in prepayment for equipment	(8,736)	(34,089)
Interest received	8,868	11,508
Dividend received from associates	72,392	6,618
Cash outflow due to corporate division	<u>-</u>	<u>(20,000)</u>
Net cash used in investing activities	<u>(515,588)</u>	<u>(244,495)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in short-term borrowings	(31,660)	(99,837)
Repayments of bond payables	(800,000)	-
Proceeds from long-term borrowings	950,000	1,150,000
Repayments of long-term borrowings	(550,000)	(928,125)
Proceeds from guarantee deposits received	(3,646)	-
Dividends paid to owners of the Company	<u>(774,393)</u>	<u>(774,393)</u>
Payments for transaction costs attributable to buy-back of ordinary shares	-	(806)
Proceeds from reissue of treasury shares	<u>-</u>	<u>721</u>
Net cash used in financing activities	<u>(1,209,699)</u>	<u>(652,440)</u>

EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

<u>5,060</u>	<u>-</u>
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NET(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS

(373,045)	170,133
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CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR

<u>1,309,639</u>	<u>1,139,506</u>
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CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

<u>\$ 936,594</u>	<u>\$ 1,309,639</u>
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The accompanying notes are an integral part of the financial statements. (Concluded)

CONSOLIDATION AUDITORS' REPORT

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016. 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, 2016 are stated as follows:

Key Audit Matter

Inventory of the Group as of December 31, 2016 was NT\$1,520,049 thousands, accounted for 10% 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, 2016 and 2015 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, 2016 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 30, 2017

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 2,092,897	14	\$ 2,727,944	18
Financial assets at fair value through profit or loss - current (Note 7)	1,890,100	13	1,122,680	7
Available-for-sale financial assets - current (Note 8)	62,853	1	-	-
Held-to-maturity financial assets - current (Note 9)	-	-	47,840	-
Notes receivable (Note 12)	51,236	-	46,422	-
Trade receivables (Note 12)	3,023,659	20	2,873,093	18
Trade receivables from related parties (Notes 12 and 30)	9,612	-	4,910	-
Other receivables	48,761	-	96,159	1
Other receivables from related parties (Note 30)	709	-	646	-
Inventories (Note 13)	1,520,049	10	1,534,026	10
Prepayment for lease (Note 18)	2,416	-	2,637	-
Other financial assets - current (Note 11)	-	-	32,825	-
Other current assets	115,838	1	84,625	1
Total current assets	<u>8,818,130</u>	<u>59</u>	<u>8,573,807</u>	<u>55</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 8)	1,215,050	8	1,870,976	12
Held-to-maturity financial assets - non-current (Note 9)	46,532	-	50,280	-
Financial assets measured at cost - non-current (Note 10)	85,520	1	115,520	1
Investments accounted for using equity method (Note 15)	65,228	1	65,032	-
Property, plant and equipment (Note 16)	4,277,905	29	4,570,352	29
Investment properties (Note 17)	61,723	-	67,412	1
Other intangible assets	10,798	-	11,921	-
Deferred tax assets (Note 25)	31,136	-	25,718	-
Prepayment for equipment	107,596	1	83,859	1
Long-term prepayment for lease (Note 18)	102,431	1	113,887	1
Other noncurrent assets	19,919	-	31,651	-
Total noncurrent assets	<u>6,023,838</u>	<u>41</u>	<u>7,006,608</u>	<u>45</u>
TOTAL	<u>\$ 14,841,968</u>	<u>100</u>	<u>\$ 15,580,415</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 19)	\$ 20,280	-	\$ 252,283	2
Financial liabilities at fair value through profit or loss - current (Note 7)	25,525	-	4,978	-
Notes payable	756	-	-	-
Trade payables	1,395,657	9	1,110,954	7
Trade payables to related parties (Note 30)	1,602	-	1,503	-
Other payables (Note 21)	875,356	6	635,512	4
Other payables to related parties (Note 30)	972	-	1,364	-
Current tax liabilities (Note 25)	67,061	1	57,983	-
Current portion of long-term borrowings and bonds payable (Notes 19 and 20)	723,896	5	1,349,855	9
Other current liabilities	45,000	-	30,122	-
Total current liabilities	<u>3,156,105</u>	<u>21</u>	<u>3,444,554</u>	<u>22</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	1,483,749	10	1,165,625	8
Deferred income tax liabilities (Note 25)	331,428	2	129,115	1
Net defined benefit liabilities - non-current (Note 22)	56,311	1	46,607	-
Guarantee deposits received	41,193	-	55,268	-
Total non-current liabilities	<u>1,912,681</u>	<u>13</u>	<u>1,396,615</u>	<u>9</u>
Total liabilities	<u>5,068,786</u>	<u>34</u>	<u>4,841,169</u>	<u>31</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 23)				
Share capital				
Ordinary shares	3,097,570	21	3,097,570	20
Capital surplus	1,665,224	11	1,662,181	11
Retained earnings				
Legal reserve	1,151,202	8	1,057,381	7
Special reserve	222,793	1	222,793	1
Unappropriated earnings	2,789,106	19	2,659,935	17
Total retained earnings	4,163,101	28	3,940,109	25
Other equity				
Exchange differences on translating foreign operations	(161,346)	(1)	249,121	2
Unrealized loss on available-for-sale financial assets	955,103	7	1,790,265	11
Total other equity	793,757	6	2,039,386	13
Total equity attributable to owners of the company	9,719,652	66	10,739,246	69
NON-CONTROLLING INTERESTS	53,530	-	-	-
Total equity	<u>9,773,182</u>	<u>66</u>	<u>10,739,246</u>	<u>69</u>
TOTAL	<u>\$ 14,841,968</u>	<u>100</u>	<u>\$ 15,580,415</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, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
SALES	\$ 9,637,101	100	\$ 9,265,656	100
COST OF GOODS SOLD (Note 24)	<u>(7,083,032)</u>	<u>(74)</u>	<u>(7,030,481)</u>	<u>(76)</u>
GROSS PROFIT	<u>2,554,069</u>	<u>26</u>	<u>2,235,175</u>	<u>24</u>
OPERATING EXPENSES (Note 24)				
Selling and marketing expenses	509,182	5	497,711	5
General and administrative expenses	391,987	4	373,594	4
Research and development expenses	<u>538,506</u>	<u>6</u>	<u>455,535</u>	<u>5</u>
Total operating expenses	<u>1,439,675</u>	<u>15</u>	<u>1,326,840</u>	<u>14</u>
PROFIT FROM OPERATIONS	<u>1,114,394</u>	<u>11</u>	<u>908,335</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	99,083	1	79,237	1
Other gains and losses (Note 24)	252	-	133,547	1
Finance costs (Note 24)	(28,062)	-	(43,324)	-
Share of profits of associates and joint venture (Note 15)	<u>6,605</u>	<u>-</u>	<u>9,815</u>	<u>-</u>
Total non-operating income and expenses	<u>77,878</u>	<u>1</u>	<u>179,275</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	1,192,272	12	1,087,610	12
INCOME TAX EXPENSE (Note 25)	<u>(178,580)</u>	<u>(2)</u>	<u>(149,407)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>1,013,692</u>	<u>10</u>	<u>938,203</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(18,680)	-	(15,645)	-
Share of the other comprehensive income of associates accounted for using the equity method	<u>(99)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(18,779)</u>	<u>-</u>	<u>(15,645)</u>	<u>-</u>
Item that maybe reclassified subsequently to profit or loss:				

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
Exchange differences on translating foreign operations	(407,529)	(4)	(93,862)	(1)
Unrealized (loss) gain on available-for-sale financial assets	(835,208)	(9)	1,789,392	19
Share of the other comprehensive income of associates accounted for using the equity method	<u>(2,892)</u>	<u>-</u>	<u>1,060</u>	<u>-</u>
	<u>(1,245,629)</u>	<u>(13)</u>	<u>1,696,590</u>	<u>18</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(1,264,408)</u>	<u>(13)</u>	<u>1,680,945</u>	<u>18</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (250,716)</u>	<u>(3)</u>	<u>\$ 2,619,148</u>	<u>28</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,016,164	11	\$ 938,203	10
Non-controlling interests	<u>(2,472)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,013,692</u>	<u>11</u>	<u>\$ 938,203</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (248,244)	(3)	\$ 2,619,148	28
Non-controlling interests	<u>(2,472)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (250,716)</u>	<u>(3)</u>	<u>\$ 2,619,148</u>	<u>28</u>
EARNINGS PER SHARE (Note 26)				
From continuing and discounted operations				
Basic	<u>\$3.28</u>		<u>\$3.03</u>	
Diluted	<u>\$3.23</u>		<u>\$2.86</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, 2016 AND 2015
(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, 2015	309,757	\$ 3,097,570	\$ 1,662,181	\$ 957,864	\$ 222,793	\$ 2,611,372	\$ 341,996	\$ 800	\$ 8,894,576	\$ -	\$ 8,894,576
Appropriation of 2014 earnings											
Legal reserve	-	-	-	99,517	-	(99,517)	-	-	-	-	-
Cash dividends distributed by the company	-	-	-	-	-	(774,393)	-	-	(774,393)	-	(774,393)
Net profit for the year ended December 31, 2015	-	-	-	-	-	938,203	-	-	938,203	-	938,203
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(15,645)	(92,875)	1,789,465	1,680,945	-	1,680,945
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	922,558	(92,875)	1,789,465	2,619,148	-	2,619,148
Reissuance of treasury stock	-	-	-	-	-	(85)	-	-	(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	-	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

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,192,272	\$ 1,087,610
Adjustments for:		
Depreciation expenses	911,332	974,009
Depreciation expenses of investment properties	4,403	3,467
Amortization expenses	3,686	3,163
Amortization of prepayments for lease	2,523	2,637
Recognition (reversal) of provisions	(320)	8,723
Finance costs	28,062	43,324
Interest income	(14,411)	(33,527)
Dividend income	(4,132)	(1,118)
Share of profit of associates and joint ventures	(6,605)	(9,815)
Loss on disposal of property, plant and equipment	9,080	12,245
Gain on disposal of investment	(13,010)	(3,286)
Gain on disposal of investments accounted for using equity method	(1,350)	(1,628)
Impairment loss recognized on financial assets	47,152	10,210
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(33,609)	(52,314)
Write-down of inventories	28,658	12,125
Impairment loss recognized on property, plant and equipment	1,414	440
Changes in operating assets and liabilities		
Financial asset held for trading	158,048	213,877
Notes receivable	(4,811)	(3,357)
Trade receivables	(149,954)	36,461
Trade receivables from related parties	(4,750)	1,971
Other receivables	44,379	(35,323)
Other receivables from related parties	(63)	(18)
Inventories	(14,006)	111,567
Other current assets	(30,958)	44,911
Financial liabilities held or trading	(4,821)	(15,300)
Notes payable	756	-
Trade payables	284,703	42,823
Trade payables to related parties	99	1,182
Other payables	239,887	28,354
Other payables to related parties	(392)	225
Other current liabilities	14,878	(32,327)
Net defined benefit liabilities	(12,802)	(12,133)
Cash generated from operations	2,675,338	2,439,178
Interest paid	(27,046)	(26,285)
Income tax paid	(164,523)	(172,192)
Net cash generated from operating activities	<u>2,483,769</u>	<u>2,240,701</u>

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(2,905,352)	(1,272,720)
Proceeds from sale of financial assets at fair value through profit or loss	1,913,560	1,116,410
Purchase of available-for-sale financial assets	(63,545)	(130,819)
Proceeds from sale of available-for-sale financial assets	-	154,104
Purchase of held-to-maturity financial assets	-	(50,280)
Proceeds from sale of held-to-maturity financial assets	50,300	-
Purchase of financial assets measured at cost	-	(50,000)
Proceeds from sale of financial assets measured at cost	13,010	-
Purchase of investment accounted for using equity method	(2,364)	-
Proceeds from sale of investment accounted for using equity method	5,185	6,101
Payments for property, plant and equipment	(825,686)	(388,953)
Proceeds from disposal of property, plant and equipment	24,312	3,462
Payments for intangible assets	(3,104)	(7,561)
Decrease in other financial assets	32,825	20,419
Decrease in other noncurrent assets	11,732	4,410
Increase in prepayment for equipment	(23,737)	(33,224)
Interest received	17,430	31,813
Dividend received	8,792	6,618
Net cash used in investing activities	<u>(1,746,642)</u>	<u>(590,220)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(129,596)	(173,302)
Repayments of bond payables	(800,000)	-
Proceeds from long-term borrowings	950,000	1,150,000
Repayments of long-term borrowings	(550,000)	(928,125)
Proceeds from guarantee deposits received	-	24,402
Refund of guarantee deposits received	(14,075)	-
Dividends paid to owners of the Company	(774,393)	(774,393)
Payments for transaction costs attributable to buy-back of ordinary shares	-	(806)
Proceeds from reissue of treasury shares	-	721
Increase in non-controlling	56,333	-
Net cash used in financing activities	<u>(1,261,731)</u>	<u>(701,503)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(110,443)</u>	<u>10,562</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(635,047)	959,540

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,727,944</u>	<u>1,768,404</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,092,897</u>	<u>\$ 2,727,944</u>

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