

TXC Corporation

2020 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

2020 Annual Shareholders' Meeting Agenda

Time: 9:30 a.m., June 9, 2020 (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 2019
- (2) Audit Committee's review report
- (3) To report 2019 employees' profit sharing bonus and directors' compensation

4. Recognition Matters

- (1) To accept 2019 Business Report and Financial Statements
- (2) To approve the proposal of distribution of 2019 earnings

5. Discussion Matters

- (1) To remove the restriction of non-compete agreement of directors
- (2) To reformulate the "Rules and Procedures of Shareholders Meeting" and to repeal the original

6. Special Motions

7. Meeting Adjourned

Report Matters

Report matter (1)

Subject : To report the business of 2019

Description :

1. The company's 2019 consolidated revenue was NT\$8,430,970 thousand, an increase of 3.37% over last year. Net income was NT\$ 671,782 thousand, an increase of 4.26% 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 2019 financial Statements were reviewed by Audit Committee and audited by independent auditors, Mr. Hsieh, Ming-Chung and Ms. Su, Yu-Hsiu of Deloitte & Touche.
2. Request audit committee to read audit report and please refer to Attachment (2).

Report matter (3)

Subject : To report 2019 employees' profit sharing bonus and directors' compensation

Description :

1. The 2019 pretax profit before deducting employees' profit sharing bonus and directors' compensation is NT\$795,023,904 according to the Article 19 of Articles of Incorporation, the Board of Directors approved 2019 employees' profit sharing bonus is NT\$71,552,151 (9%) and directors' compensation is NT\$11,925,359 (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 2019.

Recognition Matters

Recognition matter (1)

Proposed by the Board of Directors

Subject : To accept 2019 Business Report and Financial Statements

Description :

1. 2019 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 Mr. Hsieh, Ming-Chung and Ms. Su, Yu-Shiou 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 2019 earnings

Description :

1. Net profits for 2019 were NT\$671,782,753. After the legal reserve and special reserve were allocated according to law and the undistributed profit at the beginning of the year was added, the profit available for distribution is NT\$2,452,794,050. 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\$1,678,401,450.
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 2019 Earnings

Unit : NT\$

Item	Amount	
	Sub-total	Sum
Beginning period undistributed profits		1,955,120,458
Disposal of equity instruments at fair value through other comprehensive income. Total gain of disposal transferred from other equity to retained earnings.		174,805,391
Adjusted retained earnings from investments accounted for using equity method		60,883
Remeasurement of defined employee benefit plans to retained earnings		(12,331,894)
Adjusted undistributed profits		2,117,654,838
Net profit after tax for this year		671,782,753
Setting aside 10% legal reserve		(67,178,275)
Setting aside special reserve		(269,465,266)
Profits available for distribution		2,452,794,050
Distribution Item:		
Cash Dividends (NT\$2.5 per share)	(774,392,600)	(774,392,600)
End period of undistributed profits		1,678,401,450

Note: (1) Allocation of 2019 undistributed profit shall be given priority for the above profit distribution.

Chairman: **Peter Lin**

Manager: **Kevin Kuo**

Accounting Supervisor: **Hong Guan-wen**

Resolution:

Discussion Matters

Discussion Matter (1)

Proposed by the Board of Directors

Subject : To remove the restriction of non-compete agreement of newly elected directors

Description :

1. Pursuant to Article 209 of the Company Act, “a director engaging, either for himself or on behalf of another person that are within the scope of the company's business, shall explain to the meeting of shareholders the essential details of such activities and secure its approval.”
2. According to Article 209 of Company Act, TXC is going to remove the restriction of non-compete agreement of directors: Peng, Chih-Chiang, Tsai, Song-Qi, Su, Yan-Syue due to an investment relationship or appointed by a legal person who holds the position of a company with the same or similar business scope as the company, and participates in the company's important business decision-making. For related information please refer Attachment (4).
3. Please approve.

Discussion Matter (2)

Proposed by the Board of Directors

Subject : To reformulate the ”Rules and Procedures of Shareholders Meeting” and to repeal the original

Description :

1. To strengthen corporate governance and comply with the requirements of the " Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", refer to the " Sample Template for Company Rules of Procedure for Shareholders Meetings " issued by the authority, and to consider the magnitude of this amendment, the comparison of the provisions is not easy. Reorganize and formulate the Company's "Rules and Procedures of Shareholders Meeting" and repeal the original in accordance with the regulations of the competent authority
2. The new formulation of the ”Rules and Procedures of Shareholders Meeting” is attached hereto as Attachment (5)-Chinese version.
3. Please refer to Attachment (6)-Chinese version for the " Rules and Procedures of Shareholders Meeting” prior to amendments.
4. Please approve.

Special Motions

Meeting Adjourned

TXC Corporation Business Report

The global economy was generally severely affected by the impact of the US-China trade war in 2019. Only the United States still had a strong economic performance; the deflation situation in Japan has not improved significantly; Partial emerging countries are forced to come under pressure due to the strong appreciation of the US dollar; the impacts of Britain's successful Brexit and the confrontation between Italy and the EU in the euro zone, the crisis has slowly emerged. In 2020, although the US-China trade war tends to ease and the central bank's monetary policy in major countries continues to be easing, the global economy has been affected by the spread of the coronavirus pneumonia epidemic and had lowered their GDP targets. Even though the current economic situation still has many unfavorable factors and impacts that are causing relative danger, we continue to strive to break through the industry competition situation and finally return to the starting point of growth in 2019. For the company, the dormancy of the past few years will have a good turnaround and growth this year.

I. 2019 Operation Results

1. Consolidated revenue and net income

The company's 2019 consolidated revenue was NT\$8,430,970 thousand, an increase of 3.37% over last year. Net income was NT\$ 671,782 thousand, an increase of 4.26% over last year. The basic EPS is NT\$2.17 increased 4.33% from EPS NT\$2.08 previous year.

2. Product and market 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. to accelerate the deployment and introduction of Tier 1 customers in the three major industries of 5G / automotive / IoT.

II 2020 Business Plan Summary (Objective)

1 Strengthening industrial deployment and increasing market share:

- (1) Consolidate existing markets to enhance competitiveness and maintain market share
- (2) Actively develop new markets, new industries, new applications, and new products, deepen China and strengthen the European, American and Japanese markets.
- (3) Accelerate new product development, take root in high-end technology, and develop a blueprint for complete product technology
- (4) Embrace future application products, actively deploy industries such as automobiles, IoT, 5G, etc. to grasp business opportunities

2 Optimize product mix and increase profitability:

- (1) Improve product mix: combine production cost advantages to provide the best product mix and drive high-end, high-margin product sales
- (2) Strengthen the advantages of each plant: through the integration of MES (Manufacturing Execution System) to improve production efficiency, cross-factory cooperation, leverage the advantages of each plant and keep flexibility.
- (3) Smart production and management: Through intelligent technology and big data analysis to integrate the information of each plant in real time to improve production yield and reduce COPQ (Cost of Poor Quality)
- (4) Reduce manufacturing costs: Value chain resource integration, optimized cost analysis, and improved process improvement capabilities

3 Strategic alliances and integration:

In the future competitive environment, the market and product life cycle are shortened, the transfer and learning speed of technology is increasingly fast. With strategic alliances and integration, we can accelerate the transfer of key technologies or capabilities and speed up the development of new

products and processes to effectively enter new markets and actively seek potential cooperation opportunities. To strengthen the company's competitive advantage and expand the use of existing technologies or products to further create synergy.

Uncertainty has impacted the global economy, and the industrial competition environment is still severe. At the moment of the 5G commercial timing, we are faced with rapid response and grasping opportunities, but only rooted in technology, breakthrough innovation, and accelerated construction of intelligent platforms to improve business effectiveness to return to the growth track. We keep strengthening the competitiveness to achieve the goal of continuous growth and profit improvement and gain growth momentum to create new results.

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

**TXC Corporation
Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2019 business report, consolidated financial statements, the individual financial statements and proposal of earnings distribution, of which the consolidated financial statements and the individual financial statements have been audited by independent auditors Mr. Hsieh, Ming-Chung and Ms. Su, Yu-Hsiu 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 Act. Please examine.

2020 shareholder meeting of the company

Convener of the Audit Committee : **Yu, Shang-Wu**

March 23, 2020

TXC Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards 10 “Consolidated and Separate Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

TXC CORPORATION

By

PETER LIN
Chairman

March 23, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
TXC Corporation

Opinion

We have audited the accompanying consolidated financial statements of TXC Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 (collectively referred to as the “consolidated financial statements”).

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, 2019 and 2018, 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, 2019. 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.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Sales from Hub Warehouses

Sales from Hub Warehouses To meet the needs of major customers, TXC Corporation and its subsidiaries stock finished goods in the hub warehouses. Sales from hub warehouses are recognized when finished goods are already picked up by customers, and customers have the right to use the finished goods and bear the risk of finished goods. Since recognition of sales from hub warehouses requires more control mechanisms, we considered sales from hub warehouses as a key audit matter.

The key audit procedures that we performed in respect of sales from hub warehouses included the following:

1. We evaluated the appropriateness of the design of relevant procedures for the sales revenue recognition of TXC Corporation and its subsidiaries.
2. We selected samples to test the effectiveness of its key control operations and verified the consistency of the implementation of the control during the year.
3. For revenue details from warehouse sales generated from major customers in the current year, we selected samples and checked the orders and pick-up related documents which correspond to the sales revenue to confirm the occurrence of the sales revenue.

Other Matter

We have audited the accompanying financial statements of TXC Corporation as of December 31, 2019 and 2018 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, 2019 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.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Chung Hsieh and Yu-shiou Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

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.

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,986,235	15	\$ 1,305,402	10
Financial assets at fair value through profit or loss - current (Note 7)	758,940	6	902,869	7
Financial assets at amortized cost - current (Note 9)	73,083	-	189,588	2
Notes receivable (Note 10)	107,142	1	85,661	1
Trade receivables (Note 10)	2,778,155	21	2,631,163	21
Trade receivables from related parties (Notes 10 and 28)	4,038	-	8,995	-
Other receivables	40,587	-	112,451	1
Other receivables from related parties (Note 28)	79	-	796	-
Current tax assets (Note 24)	8,176	-	5,245	-
Inventories (Note 11)	2,039,498	15	1,816,896	15
Prepayment for lease (Note 17)	-	-	2,323	-
Other current assets	149,103	1	55,900	-
Total current assets	7,945,036	59	7,117,289	57
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 7)	9,255	-	30,975	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	422,422	3	494,242	4
Financial assets measured at cost - non-current (Note 9)	86,983	1	-	-
Investments accounted for using equity method (Note 13)	477,290	4	396,390	3
Property, plant and equipment (Note 14)	4,054,149	30	4,110,722	33
Right-of-use assets (Note 15)	96,162	1	-	-
Investment properties (Note 16)	54,565	1	160,088	1
Other intangible assets	27,816	-	21,831	-
Deferred tax assets (Note 24)	39,349	-	36,574	-
Prepayment for equipment	169,470	1	87,174	1
Long-term prepayment for lease (Note 17)	-	-	93,868	1
Other non-current assets	16,273	-	12,573	-
Total non-current assets	5,453,734	41	5,444,437	43
TOTAL	\$ 13,398,770	100	\$ 12,561,726	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 18)	\$ 63,485	1	\$ 30,715	-
Financial liabilities at fair value through profit or loss - current (Note 7)	3,963	-	-	-
Trade payables	1,659,086	12	1,326,822	11
Trade payables to related parties (Note 28)	78	-	97	-
Other payables (Note 19)	724,671	5	563,676	4
Other payables to related parties (Note 28)	2,850	-	3,117	-
Current tax liabilities (Note 24)	48,135	-	3,647	-
Lease liabilities-current (Note 15)	3,087	-	-	-
Current portion of long-term borrowings and bonds payable (Note 18)	209,860	2	139,020	1
Other current liabilities	81,304	1	21,766	-
Total current liabilities	2,796,519	21	2,088,860	16
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 18)	1,637,635	12	1,482,346	12
Deferred income tax liabilities (Note 24)	123,400	1	145,490	1
Lease liabilities-non-current (Note 15)	2,949	-	-	-
Net defined benefit liabilities - non-current (Note 20)	74,031	1	68,033	1
Guarantee deposits received	36,465	-	26,157	-
Total non-current liabilities	1,874,480	14	1,722,026	14
Total liabilities	4,670,999	35	3,810,886	30
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)				
Share capital				
Ordinary shares	3,097,570	23	3,097,570	25
Capital surplus	1,666,690	13	1,665,116	13
Retained earnings				
Legal reserve	1,413,518	10	1,349,083	11
Special reserve	254,907	2	222,793	2
Unappropriated earnings	2,789,438	21	2,671,184	21
Total retained earnings	4,457,863	33	4,243,060	34
Other equity				
Exchange differences on translating the financial statements of foreign operations	(584,617)	(4)	(359,923)	(3)
Unrealized gain on financial assets at fair value through other comprehensive income	60,245	-	105,017	1
Total other equity	(524,372)	(4)	(254,906)	(2)
Total equity attributable to owners of the Company	8,697,751	65	8,750,840	70
Total equity	8,697,751	65	8,750,840	70
TOTAL	\$ 13,368,750	100	\$ 12,561,726	100

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
REVENUE (Note 22)	\$ 8,430,970	100	\$ 8,156,268	100
COST OF GOODS SOLD (Note 23)	<u>(6,423,879)</u>	<u>(76)</u>	<u>(6,328,642)</u>	<u>(77)</u>
GROSS PROFIT	<u>2,007,091</u>	<u>24</u>	<u>1,827,626</u>	<u>23</u>
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	433,296	5	442,479	6
General and administrative expenses	358,881	5	332,453	4
Research and development expenses	582,776	7	519,906	6
Expected credit loss reversed on trade receivables	<u>-</u>	<u>-</u>	<u>(513)</u>	<u>-</u>
Total operating expenses	<u>1,374,953</u>	<u>17</u>	<u>1,294,325</u>	<u>16</u>
PROFIT FROM OPERATIONS	<u>632,138</u>	<u>7</u>	<u>533,301</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	162,824	2	145,629	2
Other gains and losses (Note 23)	(21,143)	-	64,841	1
Finance costs (Note 23)	(23,250)	-	(20,400)	(1)
Share of profits of associates and joint ventures (Note 13)	<u>14,008</u>	<u>-</u>	<u>10,126</u>	<u>-</u>
Total non-operating income and expenses	<u>132,439</u>	<u>2</u>	<u>200,196</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	764,577	9	733,497	9
INCOME TAX EXPENSE (Note 24)	<u>(92,795)</u>	<u>(1)</u>	<u>(89,248)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>671,782</u>	<u>8</u>	<u>644,249</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(12,331)	-	(10,620)	-
Unrealized (gain) loss on investments in equity instruments at fair value through other comprehensive income	129,437	2	(140,093)	(2)
Share of the other comprehensive income of associates accounted for using the equity method	<u>657</u>	<u>-</u>	<u>(257)</u>	<u>-</u>

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Item that maybe reclassified subsequently to profit or loss:	<u>117,763</u>	<u>2</u>	<u>(150,970)</u>	<u>(2)</u>
Exchange differences on translating the financial statements of foreign operations	(216,643)	(3)	(94,043)	(1)
Share of the other comprehensive loss of associates accounted for using the equity method	<u>(8,051)</u>	<u>-</u>	<u>(1,743)</u>	<u>-</u>
	<u>(224,694)</u>	<u>(3)</u>	<u>(95,786)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(106,931)</u>	<u>(1)</u>	<u>(246,756)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 564,851</u>	<u>7</u>	<u>\$ 397,493</u>	<u>5</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 671,782	8	\$ 644,350	8
Non-controlling interests	<u>-</u>	<u>-</u>	<u>(101)</u>	<u>-</u>
	<u>\$ 671,782</u>	<u>8</u>	<u>\$ 644,249</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 564,851	7	\$ 397,594	5
Non-controlling interests	<u>-</u>	<u>-</u>	<u>(101)</u>	<u>-</u>
	<u>\$ 564,851</u>	<u>7</u>	<u>\$ 397,493</u>	<u>5</u>
EARNINGS PER SHARE (Note 25)				
From continuing and discounted operations				
Basic	<u>\$2.17</u>		<u>\$2.08</u>	
Diluted	<u>\$2.16</u>		<u>\$2.06</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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Parent											
	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Others		Total	Non-controlling Interests	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for- sale Financial Assets			
BALANCE AT JANUARY 1, 2018	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
Effect of retrospective application and retrospective restatement	-	-	-	-	-	102,957	-	283,139	(381,048)	5,048	-	5,048
BALANCE AT JANUARY 1, 2018 AS RESTATED	309,757	3,097,570	1,665,224	1,252,818	222,793	2,870,340	(264,137)	283,139	-	9,127,747	41,892	9,169,639
Appropriation of 2017 earnings (Note 21)												
Legal reserve	-	-	-	96,265	-	(96,265)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(774,393)	-	-	-	(774,393)	-	(774,393)
Net profit (loss) for the for the year ended December 31, 2018	-	-	-	-	-	644,350	-	-	-	644,350	(101)	644,249
Other comprehensive loss for the for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(10,792)	(95,786)	(140,178)	-	(246,756)	-	(246,756)
Total comprehensive income (loss) for the for the year ended December 31, 2018	-	-	-	-	-	633,558	(95,786)	(140,178)	-	397,594	(101)	397,493
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(41,791)	(41,791)
Disposal of equity instruments at fair value through other comprehensive income (Note 8)	-	-	-	-	-	37,944	-	(37,944)	-	-	-	-
Changes in capital surplus from investment in associates and joint ventures accounted for using the equity method	-	-	(108)	-	-	-	-	-	-	(108)	-	(108)
BALANCE AT DECEMBER 31, 2018	309,757	3,097,570	1,665,116	1,349,083	222,793	2,671,184	(359,923)	105,017	-	8,750,840	-	8,750,840
Appropriation of 2018 earnings (Note 21)												
Legal reserve	-	-	-	64,435	-	(64,435)	-	-	-	-	-	-
Special reserve	-	-	-	-	32,114	(32,114)	-	-	-	-	-	-
Cash dividends distributed by the company	-	-	-	-	-	(619,514)	-	-	-	(619,514)	-	(619,514)
Net profit for the year ended December 31, 2019	-	-	-	-	-	671,782	-	-	-	671,782	-	671,782
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(12,270)	(224,694)	130,033	-	(106,931)	-	(106,931)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	659,512	(224,694)	130,033	-	564,851	-	564,851
Surplus donated	-	-	1,617	-	-	-	-	-	-	1,617	-	1,617
Changes in capital surplus from investment in associates and joint ventures accounted for using the equity method	-	-	(43)	-	-	-	-	-	-	(43)	-	(43)
Disposal of equity instruments at fair value through other comprehensive income (Note 8)	-	-	-	-	-	174,805	-	(174,805)	-	-	-	-
BALANCE AT DECEMBER 31, 2019	309,757	\$ 3,097,570	\$ 1,666,690	\$ 1,413,518	\$ 254,907	\$ 2,789,438	\$ (584,617)	\$ 60,245	\$ -	\$ 8,697,751	\$ -	\$ 8,697,751

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 764,577	\$ 733,497
Adjustments for:		
Depreciation expenses	760,317	814,031
Amortization expenses	7,241	2,121
Amortization of prepayments for lease	-	2,354
Expected credit loss reversed on trade receivables	-	(513)
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(14,680)	(29,802)
Finance costs	23,250	20,400
Interest income	(27,876)	(21,088)
Dividend income	(2,385)	(1,527)
Share of profit of associates and joint ventures	(14,008)	(10,126)
Loss on disposal of property, plant and equipment	(230)	(2,016)
Gain on disposal of investment property	-	(26,629)
Gain on disposal of non-current assets held for sales	-	(3,152)
Impairment loss on property, plant and equipment	(2,369)	(2,961)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	158,731	123,407
Notes receivable	(21,481)	(20,006)
Trade receivables	(146,853)	(51,997)
Trade receivables from related parties	4,957	(2,288)
Other receivables	70,863	(5,282)
Other receivables from related parties	717	(24)
Inventories	(222,230)	(312,687)
Other current assets	(44,066)	52,241
Financial liabilities mandatorily classified as at fair value through profit or loss	(6,941)	(1,265)
Notes payable	-	(276)
Trade payables	332,264	99,831
Trade payables to related parties	(19)	73
Other payables	160,985	(136,822)
Other payables to related parties	(267)	1,296
Other current liabilities	59,538	(6,962)
Net defined benefit liabilities	(6,333)	(4,611)
Cash generated from operations	1,833,702	1,209,217
Interest paid	(23,210)	(20,645)
Income tax paid	(146,866)	(120,099)
Net cash generated from operating activities	<u>1,663,626</u>	<u>1,068,473</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(27,108)	-

(Continued)

TXC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from sale of financial assets at fair value through other comprehensive income	241,715	53,886
Purchase of financial assets at amortized cost	(163,614)	(191,646)
Proceeds from financial assets at amortized cost	188,411	89,480
Purchase of investments accounted for using equity method	(67,083)	(294,842)
Payments for property, plant and equipment	(684,499)	(774,529)
Proceeds from investment property	-	38,897
Proceeds from disposal of property, plant and equipment	5,689	58,136
Payments for intangible assets	(14,070)	(15,994)
(Increase)decrease in other non-current assets	(3,700)	3,374
Increase in prepayment for equipment	(82,296)	(15,126)
Proceeds from disposal of non-current assets held for sale	-	97,837
Interest received	28,877	21,701
Other dividends received	<u>22,832</u>	<u>4,732</u>
Net cash used in investing activities	<u>(554,846)</u>	<u>(924,094)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	35,257	30,166
Proceeds from long-term borrowings	2,235,661	409,611
Repayments of long-term borrowings	(1,996,875)	(776,604)
Proceeds from guarantee deposits received	10,328	6,043
Refund of guarantee deposits received	(2,857)	-
Dividends paid to owners of the Company	(619,514)	(774,393)
Return of shareholders' cash dividends	1,617	-
Decrease in non-controlling interests	<u>-</u>	<u>(41,791)</u>
Net cash used in financing activities	<u>(336,383)</u>	<u>(1,146,968)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(91,564)</u>	<u>(23,375)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	680,833	(1,025,964)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,305,402</u>	<u>2,331,366</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,986,235</u>	<u>\$ 1,305,402</u>

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

(Concluded)

TXC Corporation

**Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
TXC Corporation

Opinion

We have audited the accompanying financial statements of TXC Corporation (the “Company”), which comprise the balance sheets as of December 31, 2019 and 2018, 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 (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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, 2019. 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 matters identified in the Company's financial statements for the year ended December 31, 2019 are stated as follows:

Sales from Hub Warehouses

To meet the needs of major customers, TXC Corporation stock finished goods in the hub warehouses. Sales from hub warehouses are recognized when finished goods are already picked up by customers, and customers have the right to use the finished goods and bear the risk of finished goods. Since recognition of sales from hub warehouses requires more control mechanisms, we considered sales from hub warehouses as a key audit matter.

The key audit procedures that we performed in respect of sales from hub warehouses included the following:

1. We evaluated the appropriateness of the design of relevant procedures for the sales revenue recognition of TXC Corporation.
2. We selected samples to test the effectiveness of its key control operations and verified the consistency of the implementation of the control during the year.
3. For revenue details from warehouse sales generated from major customers in the current year, we selected samples and checked the orders and pick-up related documents which correspond to the sales revenue to confirm the occurrence of the sales revenue.

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, 2019 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.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Chung Hsieh and Yu-shiou Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

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 financial statements shall prevail.

TXC CORPORATION

BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 672,110	6	\$ 557,442	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	86	-
Financial assets at amortized cost - current (Note 9)	43,052	-	68,946	1
Notes receivable (Notes 4, 5 and 10)	813	-	1,293	-
Trade receivables (Notes 4, 5 and 10)	2,199,290	18	2,121,827	18
Trade receivables from related parties (Notes 4, 10 and 26)	51,691	1	110,001	1
Other receivables (Notes 4 and 10)	14,371	-	17,784	-
Other receivables from related parties (Notes 4 and 26)	42,888	-	6,458	-
Current tax assets (Note 22)	8,176	-	5,245	-
Inventories (Notes 4 and 11)	870,180	7	997,780	8
Other current assets	22,074	-	9,352	-
Total current assets	<u>3,924,645</u>	<u>32</u>	<u>3,896,214</u>	<u>33</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	9,255	-	30,975	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	185,477	2	330,925	3
Right-of-use assets (Notes 4 and 14)	6,024	-	-	-
Investments accounted for using equity method (Notes 4 and 12)	5,862,128	49	5,604,216	47
Property, plant and equipment (Notes 4 and 13)	1,961,704	16	1,894,487	16
Investment properties (Notes 4 and 15)	26,881	-	115,474	1
Other intangible assets (Note 4)	3,692	-	170	-
Deferred tax assets (Notes 4, 5 and 22)	33,066	-	28,654	-
Prepayment for equipment	89,157	1	50,827	-
Refundable deposits	2,508	-	1,008	-
Total non-current assets	<u>8,179,892</u>	<u>68</u>	<u>8,056,736</u>	<u>67</u>
TOTAL	<u>\$ 12,104,537</u>	<u>100</u>	<u>\$ 11,952,950</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 16)	\$ 3,525	-	\$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	3,963	-	-	-
Trade payables	503,621	4	577,266	5
Trade payables to related parties (Note 26)	797,801	7	635,993	5
Other payables (Note 17)	431,397	4	354,404	3
Other payables to related parties (Note 26)	4,449	-	3,221	-
Current tax liabilities (Notes 4 and 22)	38,273	-	-	-
Lease liabilities - current (Notes 4 and 14)	3,087	-	-	-
Current portion of long-term borrowings and bonds payable (Note 16)	-	-	46,875	1
Other current liabilities	7,948	-	8,486	-
Total current liabilities	<u>1,794,064</u>	<u>15</u>	<u>1,626,245</u>	<u>14</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	1,400,000	11	1,350,000	11
Lease liabilities - non-current (Notes 4 and 14)	2,949	-	-	-
Deferred tax liabilities (Notes 4 and 22)	123,400	1	145,490	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	74,031	1	68,033	1
Guarantee deposits received	12,342	-	12,342	-
Total non-current liabilities	<u>1,612,722</u>	<u>13</u>	<u>1,575,865</u>	<u>13</u>
Total liabilities	<u>3,406,786</u>	<u>28</u>	<u>3,202,110</u>	<u>27</u>
EQUITY (Note 19)				
Share capital				
Ordinary shares	<u>3,097,570</u>	<u>25</u>	<u>3,097,570</u>	<u>26</u>
Capital surplus	<u>1,666,690</u>	<u>14</u>	<u>1,665,116</u>	<u>14</u>
Retained earnings				
Legal reserve	1,413,518	12	1,349,083	11
Special reserve	254,907	2	222,793	2
Unappropriated earnings	<u>2,789,438</u>	<u>23</u>	<u>2,671,184</u>	<u>22</u>
Total retained earnings	<u>4,457,863</u>	<u>37</u>	<u>4,243,060</u>	<u>35</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	(584,617)	(5)	(359,923)	(3)
Unrealized gain on financial assets at fair value through other comprehensive income	<u>60,245</u>	<u>1</u>	<u>105,017</u>	<u>1</u>
Total other equity	<u>(524,372)</u>	<u>(4)</u>	<u>(254,906)</u>	<u>(2)</u>
Total equity	<u>8,697,751</u>	<u>72</u>	<u>8,750,840</u>	<u>73</u>
TOTAL	<u>\$ 12,104,537</u>	<u>100</u>	<u>\$ 11,952,950</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Note 20)				
Sales	\$ 6,778,865	102	\$ 6,657,254	101
Less: Sales returns	32,011	1	17,427	-
Less: Sales allowances	<u>74,783</u>	<u>1</u>	<u>82,921</u>	<u>1</u>
Net operating revenue	6,672,071	100	6,556,906	100
COST OF GOODS SOLD (Notes 11 and 21)	<u>5,596,803</u>	<u>84</u>	<u>5,542,656</u>	<u>84</u>
GROSS PROFIT	1,075,268	16	1,014,250	16
UNREALIZED GAIN ON INTERCOMPANY TRANSACTIONS	(1,364)	-	(1,064)	-
REALIZED GAIN ON TRANSACTIONS WITH INTER AFFILIATES	<u>1,064</u>	<u>-</u>	<u>2,634</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,074,968</u>	<u>16</u>	<u>1,015,820</u>	<u>16</u>
OPERATING EXPENSES (Notes 4 and 21)				
Selling and marketing expenses	252,422	3	245,375	4
General and administrative expenses	123,024	2	119,397	2
Research and development expenses	396,050	6	327,119	5
Expected credit loss reversed on trade receivables	<u>-</u>	<u>-</u>	<u>(513)</u>	<u>-</u>
Total operating expenses	<u>771,496</u>	<u>11</u>	<u>691,378</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>303,472</u>	<u>5</u>	<u>324,442</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 21)	63,668	1	54,715	1
Other gains and losses (Note 21)	(23,982)	(1)	6,580	-
Finance costs (Notes 4 and 21)	(12,472)	-	(12,443)	-
Share of profit of associates and joint ventures	<u>380,860</u>	<u>6</u>	<u>313,593</u>	<u>5</u>
Total non-operating income and expenses	<u>408,074</u>	<u>6</u>	<u>362,445</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	711,546	11	686,887	11
INCOME TAX EXPENSE (Note 22)	<u>39,764</u>	<u>1</u>	<u>42,537</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>671,782</u>	<u>10</u>	<u>644,350</u>	<u>10</u>

(Continued)

TXC CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(12,331)	-	(10,620)	-
Unrealized (gain) loss on investments in equity instruments at fair value through other comprehensive income	74,642	1	(146,774)	(2)
Share of the other comprehensive income of associates accounted for using the equity method	<u>55,452</u>	<u>1</u>	<u>6,424</u>	<u>-</u>
	<u>117,763</u>	<u>2</u>	<u>(150,970)</u>	<u>(2)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(216,643)	(4)	(94,043)	(2)
Share of the other comprehensive loss of associates accounted for using the equity method	<u>(8,051)</u>	<u>-</u>	<u>(1,743)</u>	<u>-</u>
	<u>(224,694)</u>	<u>(4)</u>	<u>(95,786)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(106,931)</u>	<u>(2)</u>	<u>(246,756)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 564,851</u>	<u>8</u>	<u>\$ 397,594</u>	<u>6</u>
EARNINGS PER SHARE (Note 23)				
From continuing and discontinued operations				
Basic	<u>\$ 2.17</u>		<u>\$ 2.08</u>	
Diluted	<u>\$ 2.16</u>		<u>\$ 2.06</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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Others		Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2018	309,757	\$ 3,097,570	\$ 1,665,224	\$ 1,252,818	\$ 222,793	\$ 2,767,383	\$ (264,137)	\$ -	\$ 381,048	\$ 9,122,699
Effect of retrospective application and retrospective restatements	-	-	-	-	-	102,957	-	283,139	(381,048)	5,048
BALANCE AT JANUARY 1, 2019 AS RESTATED	309,757	3,097,570	1,665,224	1,252,818	222,793	2,870,340	(264,137)	283,139	-	9,127,747
Appropriation of 2017 earnings (Note 19)										
Legal reserve	-	-	-	96,265	-	(96,265)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(774,393)	-	-	-	(774,393)
Net profit for the for the year ended December 31, 2018	-	-	-	-	-	644,350	-	-	-	644,350
Other comprehensive loss for the for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(10,792)	(95,786)	(140,178)	-	(246,756)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	633,558	(95,786)	(140,178)	-	397,594
Disposal of equity instruments at fair value through other comprehensive income (Note 8)	-	-	-	-	-	37,944	-	(37,944)	-	-
Changes in capital surplus from investment in associates and joint ventures accounted for using the equity method	-	-	(108)	-	-	-	-	-	-	(108)
BALANCE AT DECEMBER 31, 2018	309,757	3,097,570	1,665,116	1,349,083	222,793	2,671,184	(359,923)	105,017	-	8,750,840
Appropriation of 2018 earnings (Note 19)										
Legal reserve	-	-	-	64,435	-	(64,435)	-	-	-	-
Special reserve	-	-	-	-	32,114	(32,114)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(619,514)	-	-	-	(619,514)
Net profit for the year ended December 31, 2019	-	-	-	-	-	671,782	-	-	-	671,782
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(12,270)	(224,694)	130,033	-	(106,931)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	659,512	(224,694)	130,033	-	564,851
Disposal of equity instruments at fair value through other comprehensive income (Note 8)	-	-	-	-	-	174,805	-	(174,805)	-	-
Surplus donated	-	-	1,617	-	-	-	-	-	-	1,617
Changes in capital surplus from investment in associates and joint ventures accounted for using the equity method	-	-	(43)	-	-	-	-	-	-	(43)
BALANCE AT DECEMBER 31, 2019	309,757	\$ 3,097,570	\$ 1,666,690	\$ 1,413,518	\$ 254,907	\$ 2,789,438	\$ (584,617)	\$ 60,245	\$ -	\$ 8,697,751

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

TXC CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 711,546	\$ 686,887
Adjustments for:		
Depreciation expenses	323,026	316,062
Amortization expenses	4,809	558
Expected credit loss reversed on trade receivables	-	(513)
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	4,055	(1,414)
Finance costs	12,472	12,443
Interest income	(6,506)	(8,103)
Dividend income	(2,385)	(1,527)
Share of profit of associates and joint ventures	(380,860)	(313,593)
Gain on disposal of property, plant and equipment	(885)	(1,232)
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	1,364	1,064
Realized gain on the transactions with subsidiaries, associates and joint ventures	(1,064)	(2,634)
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	21,714	10,010
Notes receivable	480	(211)
Trade receivables	(77,463)	(48,753)
Trade receivables from related parties	58,310	(40,090)
Other receivables	(519)	(9,217)
Other receivables from related parties	(36,430)	13,324
Inventories	127,600	(41,627)
Other current assets	(12,722)	2,369
Decrease in financial liabilities mandatorily classified as at fair value through profit or loss	-	(1,265)
Notes payable	-	(276)
Trade payables	(73,645)	148,853
Trade payables to related parties	161,808	(66,538)
Other payables	77,119	(42,186)
Other payables to related parties	1,228	247
Other current liabilities	(538)	(2,498)
Defined benefit liabilities - non-current	(6,333)	(4,611)
Cash generated from operations	906,181	605,529
Interest paid	(12,721)	(12,931)
Income taxes paid	(49,466)	(64,010)
Net cash generated from operating activities	<u>843,994</u>	<u>528,588</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	241,715	53,886

(Continued)

TXC CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Purchase of financial assets at amortized cost	(43,052)	(71,004)
Proceeds from sale of financial assets at amortized cost	68,946	89,480
Acquisition of associates	(67,083)	(234,302)
Net cash outflow on acquisition of associates (Note 16)	-	(1,746)
Net cash inflow on disposal of associates (Note 16)	-	641,205
Payments for property, plant and equipment	(299,849)	(104,393)
Proceeds from disposal of property, plant and equipment	1,923	25,846
(Decrease) increase in refundable deposits	(1,500)	1,720
Payments for intangible assets	(8,331)	(185)
Increase in prepayment for equipment	(38,330)	(43,887)
Interest received	7,507	8,716
Dividend received from associates	20,447	3,205
Other dividends received	<u>2,385</u>	<u>1,527</u>
Net cash (used in) generated from investing activities	<u>(115,222)</u>	<u>370,068</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	3,525	-
Decrease in short-term borrowings	-	(549)
Proceeds from long-term borrowings	1,400,000	400,000
Repayments of long-term borrowings	(1,396,875)	(762,500)
Proceeds from guarantee deposits received	-	8
Payments for right-of-use assets	(2,857)	-
Dividends paid to owners of the Company	<u>(619,514)</u>	<u>(774,393)</u>
Return of shareholders' cash dividends	<u>1,617</u>	<u>-</u>
Net cash used in financing activities	<u>(614,104)</u>	<u>(1,137,434)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>-</u>	<u>(2,541)</u>
NET (INCREASE) DECREASE IN CASH AND CASH EQUIVALENTS		
	114,668	(241,319)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>557,442</u>	<u>798,761</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 672,110</u>	<u>\$ 557,442</u>

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

(Concluded)

Directors' non-competitive activities list

Title	Name	Position for Other Companies	
Director	Peng, Chih-Chiang	Crystalwise Technology Inc.	Juristic-person director representative
		Topoint Technology Co., Ltd.	Juristic-person director representative
Independent Director	Tsai, Song-Qi	DISCOVERY FORMOSA INTERNATIONAL INC.	Chairman
		Gsmile Co., LTD.	Chairman
		e-Force Taiwan Co., Ltd.	Director
Independent Director	Su, Yan-Syue	AU Optronics Corp.	Independent Director

TXC Directors' Shareholdings & Minimum Shareholdings Required

Record Date : April 11, 2020

Title	Name	Holding Shares
Chairman	Lin, Wan-Shing	5,030,722
Director	Lin, Jin-Bao	6,071,263
Director	Chen Chueh, Shang-Hsin	282,212
Director	Kuo, Ya-Ping	380,000
Director	Huang, Hsiang-Lin	5,789,399
Director	Hsu, Hsing-Hao	3,006,352
Director	TLC Capital Co., LTD	1,977,991
Independent Director	Yu, Shang-Wu	0
Independent Director	Tsai, Song-Qi	0
Independent Director	Su, Yan-Syue	0
Independent Director	Wang, Chuan -Fen	0

Note:

1. TXC's legal holding of all directors in number of shares are 12,390,281 shares.
2. As of April 11, 2020, the total shareholdings of all directors are 22,537,939 shares.