

Stock Code : 9939



Taiwan Hon Chuan Enterprise Co., Ltd.

2016 Annual Shareholders' Meeting

Meeting Agenda (Translation)



June 22, 2016

-----DISCLAIMER-----

This is a translation of the agenda for the 2016 general shareholders' meeting. The translation is intended for reference only and no other purpose, and may subject to change if there is any change in the actual agenda handed out on the date of this meeting. Taiwan Hon Chuan Enterprise Co., Ltd. hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the agenda shall govern any and all matters related to the interpretation of the subject matter stated herein.

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1 、 Meeting Procedure :

Taiwan Hon Chuan Enterprise Co., Ltd.

Procedure for the 2016 Annual Meeting of Shareholders

- 1. Call to Order**
- 2. Chairman's Opening remarks**
- 3. Proposed Resolution**
- 4. Report Items**
- 5. Approvals**
- 6. Other Business and Special Motion**
- 7. Meeting Adjourned**

2 、 Meeting Agenda :

Taiwan Hon Chuan Enterprise Co., Ltd.

2016 Annual Shareholders' Meeting Agenda

(Translation)

Time : 9:00 a.m., June 22, 2016

Place : Hon Chuan Headquarters (International Convention Hall)

(3F, No.6, 2Rd. Taichung Industrial Park, Taiwan)

Meeting Procedure :

1. Call to Order

2. Chairman's Opening remarks

3. Proposed Resolution

- (1) To amend the Articles of Incorporation

4. Report Items

- (1) 2015 Business Report
- (2) Supervisors' Audit Report
- (3) 2015 Employees' Compensation and Directors' Remuneration
- (4) Share Buyback Execution Report
- (5) Status of Domestic Corporate Bonds Issuance
- (6) Stipulation of Corporate Governance Best Practice Principles
- (7) Stipulation of Ethical Corporate Management Best Practice Principles
- (8) Stipulation of Corporate Social Responsibility Best Practice Principles

5. Approvals

- (1) Approval of the 2015 Financial Statements and Business Report
- (2) Approval of Proposal for Distribution of 2015 Profits

6. Other Business and Special Motion

7. Meeting Adjourned

Proposed Resolution

Proposal 1 : To amend the Articles of Incorporation. Please proceed to discuss.

(Proposed by the Board of Directors)

Explanatory Notes :

- (1) In order to comply with the amendments to Articles 235 and 235-1 of the Company Act regarding employees' and directors' compensation, the Company hereby proposes to amend its Articles of Incorporation.
- (2) Please refer to page 7~9 (Attachment 1) for details of the proposed amendments.
- (3) Please refer to page 58~65 (Appendix 2) for details of the Articles of Incorporation before Amendment.
- (4) Please proceed to discuss.

Resolution :

Report Items

Item 1 : 2015 Business Report. Please submit for review.

Explanatory Notes :

- (1) 2015 Business Report, Financial Statements and CPA Audit Report are attached as Attachment 2 and 3. (Please refer to page 10~18)
- (2) Please review.

Item 2 : Supervisors' Audit Report on the 2015 Financial Statements. Please submit for review.

Explanatory Notes :

- (1) The Company's 2015 financial statements have been duly audited and certified by the CPA and further audited by the Supervisors. The CPA and the Supervisors issue auditors' report and supervisors' audit report respectively. Please refer to Attachment 3 and 4. (page 11 ~ 19)
- (2) Please review.

Item 3 : 2015 Employees' Compensation and Directors' Remuneration. Please submit for review.

Explanatory Notes :

- (1) On November 12, 2015, the Board of Directors approved an amendment to the 28th Article of the Company's Articles of Incorporation.
- (2) The 2015 profit of the Company is NT\$1,125,380,017. (That represents the pretax income before distribution of employees' compensation and directors' remuneration) The Company proposes to distribute 1.8% or NT\$ 20,240,705 as 2015 employees' compensation and 0.76% or NT\$ 8,540,682 as directors' remuneration. The payment will be made in cash.
- (3) The above employees' compensation and directors' remuneration have been approved by the Remuneration Committee held on March 15, 2016.

- (4) After shareholders' meeting resolves to amend the Article of Incorporation, the Company shall proceed the distribution of employees' compensation and directors' remuneration.
- (5) Please review.

Item 4 : Share Buyback Execution Report. Please submit for review.

Explanatory Notes :

- (1) Please refer to page 20 (Attachment 5) for the Share Buyback Execution Report.
- (2) Please review.

Item 5 : Status of Domestic Corporate Bonds Issuance. Please submit for review.

Explanatory Notes :

- (1) For the purpose of building new factory, purchase of production equipment, investment in subsidiaries and increase of working capital, Board of Directors resolved to issue domestic unsecured convertible bonds of the Company for the first time on June 7, 2011.

The statement of issuance and execution are listed below :

	The First Domestic Unsecured Convertible Bonds on 2011
Issuing Date	July 15, 2011
Use of Proceed	Building new factory, purchase of production equipment, investment in subsidiaries and increase of working capital.
Issue Size	NT\$ 1 Billion
Issue Coupon/Interest Rate	0%
Issue Period	2011.7.15 to 2016.7.15 (Five Years)
Repayment of Principal	100% principal repayment upon maturity, except for redemption or conversion of convertible bonds provided in the agreement.
Outstanding Principal	NT\$ 575.5 Million
Execution	On July, 2014, bondholders applied for redemption at the end of third year with total number of 4,245 units totaling NT\$ 424,500 thousand dollars.

- (2) Please review.

Item 6 : Stipulation of Corporate Governance Best Practice Principles. Please submit for review.

Explanatory Notes :

- (1) Corporate Governance Best Practice Principles is attached as Attachment 6. (Please refer to page 21 ~ 39).
- (2) Please review.

Item 7 : Stipulation of Ethical Corporate Management Best Practice Principles. Please submit for review.

Explanatory Notes :

- (1) Ethical Corporate Management Best Practice Principles is attached as Attachment 7. (Please refer to page 40 ~ 45)
- (2) Please review.

Item 8 : Stipulation of Corporate Social Responsibility Best Practice Principles. Please submit for review.

Explanatory Notes :

- (1) Corporate Social Responsibility Best Practice Principles is attached as Attachment 8. (Please refer to page 46 ~ 52)
- (2) Please review.

Approvals

Approval 1: Approval of the 2015 Financial Statements and Business Report. Please ratify. (Proposed by the Board of Directors)

Explanatory Notes :

- (1) The 2015 Financial Statements and Business Report have been duly audited and certified by the CPA firm of Deloitte & Touche, and have been approved by the Board, and have also been reviewed and audited by the Supervisors and presented their audit report.
- (2) The 2015 Financial Statements and Business Report are attached as Attachment 3. (Please refer to page 11 ~ 18)
- (3) Please ratify.

Resolution :

Approval 2: Approval of Proposal for Distribution of 2015 Profits. Please ratify. (Proposed by the Board of Directors)

Explanatory Notes :

- (1) The Company's 2015 net profit after tax was NTD 948,964,604 and plus unappropriated retained earnings of previous years, NTD2,256,341,984 the accumulated allocable earnings from profits was NTD3,205,306,588 and to be allocated in accordance with the Articles of Incorporation.
- (2) Proposal for Distribution of 2015 Profits as below and is attached as Attachment 9. (Please refer to page 53)
 - I . Legal capital reserve, NTD 94,896,460
 - II . Special reserve, NTD 22,655,846
 - III . Shareholders Dividend –Cash (NTD\$2 per share), NTD585,757,758
- (3) In response to the implementation of Imputation System, the abovementioned dividend will be distributed preferably from earnings of the year after 1998 using specific identification method upon calculating shareholders' imputation tax credit in accordance with the Article 66 of

Income Tax Act.

- (4) If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed so that the ratios of dividends are affected, the Board of Directors is authorized to make such adjustments.

- (5) Please ratify.

Resolution :

Other Business and Special Motion

Meeting Adjourned

3. Attachment

Attachment 1

Taiwan Hon Chuan Enterprise Co., Ltd.

Articles of Incorporation Amendment Comparison Table

Article No.	Original	Proposed Revision	Description
Article 16	<p>The Company shall have seven directors and three Supervisors; The directors and supervisors shall be elected from persons with legal capacity at a shareholders' meeting for a term of three years and shall be eligible for re-election.</p> <p>The company may acquire liability insurance for all directors and supervisors every year.</p>	<p>The Company shall have <u>seven to nine</u> directors and three supervisors, all to be elected by shareholders with full legal capacity and with <u>the election be done through the candidate nomination system</u> for a term of three years and shall be eligible for re-election.</p> <p><u>Said directors shall include no less than three independent directors, and the independent directors shall be no less than one-fifths of directors' seats. The independent directors shall be elected from the list of candidates in a shareholders' meeting.</u></p> <p><u>The qualification, shareholding, restriction on part-time jobs, nomination and election of independent directors and other matters to be complied with shall be handled in compliance with Company Act and other relevant requirement of the competent security authority.</u></p> <p>The company may acquire liability insurance for all directors and supervisors every year.</p>	Amended in Accordance with the applicable regulations.
Article 28	<p>Upon closing of accounts, if there shall be any net profit, the Company shall first pay the corporate income tax in accordance with law, make up the losses for the preceding years and then set aside a legal reserve of 10% of the net profit, and 10% for interest of the shares, and the remainder will be serve as (1) no more than 3% of the remainder for the remuneration for directors and supervisors and (2)</p>	<p><u>If the Company is profitable, it shall set aside no less than 1% of the profit as employee compensation. Employee's compensation maybe distributed in the form of shares or in cash, and employees qualified to receive such compensation may include employees from affiliates companies who meet certain qualifications.</u></p>	Amended in Accordance with the applicable regulations.

	<p>no less than 1% of the remainder for employees' bonus. Special reserve and retained earnings may be set aside when necessary. The remainder of the net profit after deducting the foregoing shall be distributed as shareholders' bonus, which may be distributed proportionally according to the number of shares held by each shareholder.</p>	<p><u>Company shall set aside at a maximum of 3% of the profit as remuneration to directors and supervisors.</u></p> <p><u>The issues relevant to distribution of employee compensation and Director compensation shall be set by resolutions of the Board of Directors.</u></p> <p><u>The decision relation to employee's compensation and remuneration to directors and supervisors shall be proposed to shareholders' meeting.</u></p> <p><u>If the Company has accumulated losses, it shall first deduct the accumulated losses, and then calculate the compensation from the remaining amount.</u></p>	
Article 29	<p>The dividend policy of the Company shall be made according to the capital expenditures and the operation needs and within the distributable retained earnings and reserve. When the Company's business is at growth stage, more than (or equal to) 50% of the total amount of shareholders' bonus which is resolved in that year and distributed pursuant to applicable laws shall be in the form of stock dividends. However, depending on the operation situation, in case the Company's business reaches maturity stage, more than (or equal to) 50% of the total amount of the resolved shareholders bonus shall be in the form of cash dividends.</p>	<p><u>Upon closing of accounts, if there shall be any net profit, the Company shall first pay the corporate income tax in accordance with law, make up the losses for the preceding years, then set aside a legal reserve of 10% of the net profit unless the statutory surplus reserve has reached the total capital and then set aside or rotate special reserves: Any further remaining amount shall be added to the unallocated surplus from the prior year as shareholder dividend and bonus. The Board of Directors shall draft a proposal to distribute the surplus, which shall be approved at a shareholders'</u></p> <p><u>The dividend policy of the Company shall be made according to the Company's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders.</u></p> <p><u>The Company may appropriate more</u></p>	<p>Amended in Accordance with the applicable regulations.</p>

		<p><u>than 30% of net profits of current year for dividends to shareholders. However, when accumulated un-appropriated earnings is less than 10% of capital, the Company may decide not to distribute dividend.</u></p> <p><u>The shareholders dividend shall be in the form of cash dividends or stock dividend. More than (or equal to) 50% of the total amount of shareholders' dividend shall be in the form of cash dividends.</u></p>	
Article 32	<p>These Articles of Incorporation were adopted on 16 June 1969. The First Amendment was made on 5 November 1973. The 38th Amendment was made on 19 June 2009. The 39th Amendment was made on 20 June 2012. The 40th Amendment was made on 26 19 June 2013. The 41th Amendment was made on 29 June 2015.</p>	<p>These Articles of Incorporation were adopted on 16 June 1969. The First Amendment was made on 5 November 1973. The 38th Amendment was made on 19 June 2009. The 39th Amendment was made on 20 June 2012. The 40th Amendment was made on 26 19 June 2013. The 41th Amendment was made on 29 June 2015. <u>The 42th Amendment was made on 22 June 2016.</u></p>	<p>Updating of the date of amendment.</p>

Business Report

Looking back to the year of 2015, we had faced overall consumption slowdown in the beverage industry of the FMCG sector, greatly affected by the global economic downturn and the sluggish GDP growth in Asian nations. Although the management team strictly adhered to their responsibilities and accomplished several long-termed contracts with key accounts, we still did not reach our business forecast. In 2015, our consolidated sales totaled at NTD\$16,578,377,000, decreased by 3.76% from NTD\$17,226,474,000 in 2014. The profit before tax amounted to NTD\$1,031,083,000, down by 9.65% from NTD\$1,141,184,000 last year. The profit after tax reached NTD\$886,141,000, 5.25% lower than NTD\$935,284,000 in 2014. The earning per share is 3.26 dollars for the year of 2015 conclusively.

To deal with reduced utilization arising from the strategic adjustments by major customers in China, we have strengthened our business competitiveness by diversifying our client bases, expanding into new market domains, adjusting production lines and developing innovative products. While overall performance in 2015 fell short of our expectations, the operations in Taiwan, China and South East Asia are expected to grow this year based on the backbone of increasing orders from investing advanced capacity, new market exploration and long-termed committed clienteles. This year Hon Chuan will extend its reach to Mozambique in Africa, in which there are over one billion people craving for FMCG in the next decade. With dedication to the frontier of the African market, we are looking forward to a sustainably rapid growth for our packaging and beverage sectors. Besides, research & development and innovation are the lifeblood of our Hon Chuan Group. We have launched to promote QR Code applications built into our packaging materials for emerging e-commerce, and creative designs of various caps and bottles in a move to provide value-added service to our clients.

In response to ever-changing global markets, our management team will commit ourselves to product innovation, market expansion, cost reduction and personnel cultivation by way of expedient commercial strategies, steady growing path, and bottom-up resources integration. Hon Chuan will continue to commit itself to cost saving and budget controlling, in order to enhance our overall corporate competitiveness.

Looking ahead, Hon Chuan will strive to our belief; “focusing on our core business, developing global markets, respecting our customers, caring for our employees and paying more contributions to social responsibility”. We aim to develop our corporate base in Taiwan, and apply our successful experience into China, South East Asia, Africa and other potential regions. We look forward to entering into a new era of Hon Chuan through our continuing efforts in 2016. Thank you very much for your supports and advices as shareholders of Taiwan Hon Chuan sincerely.

Chairman :
Dai, Hung-Chuan

President :
Tsao, Hsih-Chung

Chief Accounting officer :
Cheng, Ya-wen

**Independent Auditors' Report
(Consolidated Financial Statements)**

The Board of Directors and the Stockholders
Taiwan Hon Chuan Enterprise Co., Ltd.

We have audited the accompanying consolidated balance sheets of Taiwan Hon Chuan Enterprise Co., Ltd. (the "Corporation") and subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014 and the related consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements of PT Hon Chuan Indonesia, Hon Chuan Vietnam Co., Ltd. and Hon Chuan Malaysia Sdn. Bhd. as of and for the years ended December 31, 2015 and 2014. The total assets of the investees were 14.8% (NT\$4,304,962 thousand) and 14.0% (NT\$4,094,587 thousand) of the consolidated assets as of December 31, 2015 and 2014, respectively. The net sales of the investees were 8.3% (NT\$1,378,255 thousand) and 8.1% (NT\$1,397,167 thousand) of the consolidated net sales in 2015 and 2014, respectively. These investees' statements and all information in Note 33 were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of other auditors.

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. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and 2014 and their financial performance and their cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. as of and for the years ended December 31, 2015 and 2014, on which we have issued an unqualified modified report.

March 29, 2016

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.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	December 31			
	2015		2014	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,421,959	8	\$ 2,065,813	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	19,226	-	-	-
Debt investments with no active market - current (Notes 4 and 10)	40,440	-	-	-
Notes receivable from unrelated parties (Note 4)	158,484	1	168,916	1
Trade receivables from unrelated parties (Notes 4 and 11)	2,361,649	8	2,167,663	7
Trade receivables from related parties (Notes 4 and 29)	1,899	-	469	-
Inventories (Notes 4 and 12)	1,749,055	6	1,989,581	7
Other current assets (Notes 16 and 30)	<u>1,314,954</u>	<u>5</u>	<u>1,558,627</u>	<u>5</u>
Total current assets	<u>8,067,666</u>	<u>28</u>	<u>7,951,069</u>	<u>27</u>
NONCURRENT ASSETS				
Available for sale financial assets - noncurrent (Notes 4 and 8)	11,250	-	19,340	-
Financial assets measured at cost - noncurrent (Notes 4 and 9)	40,091	-	25,970	-
Debt investment with no active market - noncurrent (Notes 4 and 10)	-	-	40,592	-
Long-term investments at equity-method (Notes 4 and 14)	32,501	-	45,729	-
Property, plant and equipment (Notes 4, 15 and 30)	18,796,260	65	19,139,083	66
Computer software (Note 4)	11,988	-	15,511	-
Goodwill (Note 4)	64,496	-	62,187	-
Deferred tax assets (Notes 4 and 24)	171,323	1	91,955	-
Prepayments for equipment	1,524,882	5	1,417,944	5
Other noncurrent assets (Note 16)	<u>397,163</u>	<u>1</u>	<u>387,586</u>	<u>2</u>
Total noncurrent assets	<u>21,049,954</u>	<u>72</u>	<u>21,245,897</u>	<u>73</u>
TOTAL	<u>\$ 29,117,620</u>	<u>100</u>	<u>\$ 29,196,966</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 30)	\$ 8,011,602	27	\$ 8,515,579	29
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	11,267	-
Notes payable to unrelated parties	201,358	1	217,023	1
Trade payables to unrelated parties	457,678	2	552,415	2
Current tax liabilities (Notes 4 and 24)	77,709	-	117,638	-
Current portion of long-term liabilities (Notes 4, 17, 18 and 30)	832,147	3	804,404	3
Other current liabilities (Notes 20 and 29)	<u>868,278</u>	<u>3</u>	<u>1,091,642</u>	<u>4</u>
Total current liabilities	<u>10,448,772</u>	<u>36</u>	<u>11,309,968</u>	<u>39</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 4 and 18)	-	-	558,671	2
Long-term borrowings (Notes 4, 17 and 30)	4,984,285	17	5,035,097	17
Deferred tax liabilities (Notes 4 and 24)	52,869	-	24,283	-
Preferred stock liabilities (Notes 4 and 19)	574,064	2	535,917	2
Net defined benefit liabilities - noncurrent (Notes 4 and 21)	40,300	-	46,482	-
Other noncurrent liabilities (Note 20)	<u>14,333</u>	<u>-</u>	<u>17,158</u>	<u>-</u>
Total noncurrent liabilities	<u>5,665,851</u>	<u>19</u>	<u>6,217,608</u>	<u>21</u>
Total liabilities	<u>16,114,623</u>	<u>55</u>	<u>17,527,576</u>	<u>60</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Common stock	3,098,479	11	2,598,479	9
Capital surplus	5,412,868	19	3,283,868	11
Retained earnings				
Legal reserve	1,086,842	4	990,221	3
Special reserve	421,790	1	421,790	2
Unappropriated earnings	3,205,307	11	3,034,967	10
Other equity	(444,446)	(2)	294,156	1
Treasury shares	<u>(835,335)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
Total equity attributable to owners of the parent	11,945,505	41	10,623,481	36
NON-CONTROLLING INTERESTS	<u>1,057,492</u>	<u>4</u>	<u>1,045,909</u>	<u>4</u>
Total equity	<u>13,002,997</u>	<u>45</u>	<u>11,669,390</u>	<u>40</u>
TOTAL	<u>\$ 29,117,620</u>	<u>100</u>	<u>\$ 29,196,966</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 29, 2016)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2015		2014	
	Amount	%	Amount	%
SALES (Notes 4 and 29)	\$ 16,578,377	100	\$ 17,226,474	100
COST OF GOODS SOLD (Notes 4, 12 and 23)	<u>13,512,705</u>	<u>81</u>	<u>14,425,540</u>	<u>84</u>
GROSS PROFIT	<u>3,065,672</u>	<u>19</u>	<u>2,800,934</u>	<u>16</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	739,555	5	719,613	4
General and administrative expenses	998,425	6	868,507	5
Research and development expenses	<u>63,577</u>	<u>-</u>	<u>63,281</u>	<u>-</u>
Total operating expenses	<u>1,801,557</u>	<u>11</u>	<u>1,651,401</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>1,264,115</u>	<u>8</u>	<u>1,149,533</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 23)	(237,735)	(1)	(245,236)	(2)
Net foreign exchange gain (loss) (Note 4)	(85,678)	(1)	134,595	1
Other gains and losses (Notes 4 and 23)	<u>90,381</u>	<u>-</u>	<u>102,292</u>	<u>1</u>
Total non-operating income and expenses	<u>(233,032)</u>	<u>(2)</u>	<u>(8,349)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,031,083	6	1,141,184	7
INCOME TAX EXPENSE (Notes 4 and 24)	<u>144,942</u>	<u>1</u>	<u>205,900</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>886,141</u>	<u>5</u>	<u>935,284</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 21)	(408)	-	(3,591)	-
Income tax relating to components of other comprehensive income (Note 24)	69	-	611	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(862,180)	(5)	411,954	2
Unrealized gain on available-for-sale financial assets	<u>(7,042)</u>	<u>-</u>	<u>6,769</u>	<u>-</u>

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2015		2014	
	Amount	%	Amount	%
Other comprehensive income (loss) for the year, net of income tax	\$ (869,561)	(5)	\$ 415,743	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 16,580	-	\$ 1,351,027	8
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 948,965	6	\$ 966,212	5
Non-controlling interests	(62,824)	(1)	(30,928)	-
	\$ 886,141	5	\$ 935,284	5
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 210,024	1	\$ 1,328,095	8
Non-controlling interests	(193,444)	(1)	22,932	-
	\$ 16,580	-	\$ 1,351,027	8
EARNINGS PER SHARE (Note 25)				
Basic	\$ 3.26		\$ 3.72	
Diluted	\$ 3.20		\$ 3.62	

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

(With Deloitte & Touche auditors' report dated March 29, 2016)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent										Non-controlling Interests (Note 13)	Total Equity
	Share Capital (Note 22)	Capital Surplus (Notes 4 and 22)	Retained Earnings (Notes 4, 21, 22 and 24)			Other Equity		Treasury Share (Note 22)	Total			
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets					
BALANCE AT JANUARY 1, 2013	\$ 2,598,479	\$ 3,283,868	\$ 879,190	\$ 421,790	\$ 2,832,386	\$ (70,707)	\$ -	\$ -	\$ 9,945,006	\$ 999,374	\$ 10,944,380	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	36,324	36,324	
Appropriation of 2013 earnings												
Legal reserve	-	-	111,031	-	(111,031)	-	-	-	-	-	-	
Cash dividends distributed by the Corporation	-	-	-	-	(649,620)	-	-	-	(649,620)	-	(649,620)	
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(12,721)	(12,721)	
Net profit for the year ended December 31, 2014	-	-	-	-	966,212	-	-	-	966,212	(30,928)	935,284	
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	(2,980)	358,094	6,769	-	361,883	53,860	415,743	
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	963,232	358,094	6,769	-	1,328,095	22,932	1,351,027	
BALANCE AT DECEMBER 31, 2014	2,598,479	3,283,868	990,221	421,790	3,034,967	287,387	6,769	-	10,623,481	1,045,909	11,669,390	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	223,727	223,727	
Appropriation of 2014 earnings												
Legal reserve	-	-	96,621	-	(96,621)	-	-	-	-	-	-	
Cash dividends distributed by the Corporation	-	-	-	-	(681,665)	-	-	-	(681,665)	-	(681,665)	
Issue of ordinary shares for cash	500,000	2,095,000	-	-	-	-	-	-	2,595,000	-	2,595,000	
Share-based payment transaction	-	34,000	-	-	-	-	-	-	34,000	-	34,000	
Buy-back of ordinary shares	-	-	-	-	-	-	-	(835,335)	(835,335)	-	(835,335)	
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(18,700)	(18,700)	
Net profit for the year ended December 31, 2015	-	-	-	-	948,965	-	-	-	948,965	(62,824)	886,141	
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(339)	(731,560)	(7,042)	-	(738,941)	(130,620)	(869,561)	
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	948,626	(731,560)	(7,042)	-	210,024	(193,444)	16,580	
BALANCE AT DECEMBER 31, 2015	\$ 3,098,479	\$ 5,412,868	\$ 1,086,842	\$ 421,790	\$ 3,205,307	\$ (444,173)	\$ (273)	\$ (835,335)	\$ 11,945,505	\$ 1,057,492	\$ 13,002,997	

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

(With Deloitte & Touche auditors' report dated March 29, 2016)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,031,083	\$ 1,141,184
Adjustments for:		
Depreciation and amortization expenses	2,026,906	1,882,512
Finance costs	237,735	245,236
Unrealized net loss (gain) on foreign currency exchange	146,332	30,547
Net loss (gain) on fair value change of financial assets and	(62,568)	(23,803)
Compensation cost of share-based payment transaction	34,000	-
Loss (gain) on disposal of property, plant and equipment	27,998	(15,123)
Net loss (gain) on disposal of investment	(16,461)	-
Impairment loss recognized on non-financial assets	15,894	16,342
Impairment loss recognized on property, plant and equipment	13,886	-
Loss (gain) recognized on associates under equity method	13,080	5,716
Impairment loss recognized (reversal of impairment loss) on	12,080	2
Others	(446)	(1,534)
Net changes in operating assets and liabilities		
Financial assets held for trading	32,678	10,393
Notes receivable	9,686	8,753
Trade receivables	(214,008)	(173,854)
Inventories	394,184	146,694
Other current assets	77,408	(345,945)
Notes payable	(15,666)	(11,633)
Trade payables	(86,575)	(87,168)
Other current liabilities	(48,860)	98,953
Net defined benefit liabilities	(6,590)	(6,519)
Cash generated from operations	3,621,776	2,920,753
Interest paid	(214,491)	(215,143)
Income tax paid	(241,401)	(211,530)
Net cash generated from operating activities	<u>3,165,884</u>	<u>2,494,080</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(766,310)	(3,421,031)
Decrease in prepayments for equipment	(1,752,637)	(1,124,962)
Proceeds from disposal of property, plant and equipment	91,967	149,403
Proceeds from sale of available-for-sale financial assets	61,686	-
Purchase of available-for-sale financial assets	(45,225)	(12,124)
Purchase of financial assets measured at cost	(15,000)	-
Decrease in refundable deposits	(1,875)	(253)
Proceeds of the return of capital on financial assets measured at	879	-
Acquisition of associates	-	(48,539)
Proceeds from disposal of debt investments with no active	-	40,000
		(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2015	2014
Other investing activities	\$ (36,697)	\$ 28,886
Net cash used in investing activities	<u>(2,463,212)</u>	<u>(4,388,620)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	(3,758,695)	(1,530,306)
Proceeds from long-term borrowings	3,086,000	2,197,029
Proceeds from issue of ordinary shares	2,595,000	-
Proceeds from (repayments of) short-term borrowings	(852,335)	2,121,622
Payments for buy-back of ordinary shares	(835,335)	-
Dividends paid to owners of the Corporation	(681,665)	(649,620)
Changes in non-controlling interests	223,727	36,324
Payments for increase of interests in subsidiaries	(72,751)	-
Dividends paid to non-controlling interests	(18,700)	(12,721)
Repayments of corporate bonds	<u>-</u>	<u>(424,500)</u>
Net cash generated from (used in) financing activities	<u>(314,754)</u>	<u>1,737,828</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(31,772)</u>	<u>87,442</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	356,146	(69,270)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,065,813</u>	<u>2,135,083</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,421,959</u>	<u>\$ 2,065,813</u>

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

(With Deloitte & Touche auditors' report dated March 29, 2016)

(Concluded)

Taiwan Hon Chuan Enterprise Co., Ltd.

Supervisors' Audit Report

The Board of Directors has prepared the Company's 2015 Financial Statements and the Consolidated Financial Statements, which have been audited by the CPA firm of Deloitte & Touche. We have reviewed the Financial Statements, Business Report and profit allocation proposal and do not find any discrepancy. According to Article 219 of the Company Act, we hereby submit this report.

To

2016 Annual Shareholders' Meeting of Taiwan Hon Chuan Enterprise Co., Ltd.

Taiwan Hon Chuan Enterprise Co., Ltd.

Supervisor : Lin, Chun-Chih

Supervisor : Tsao, Yu-Yu

Supervisor : Hsih-Yueh Development Co., Ltd. (Representative : Hsu, Cheng-Chuan)

May 6, 2016

Share Buyback Execution Report :

Topic	Explanation	
	Initial Estimation of Share Buy-back Status(First Time)	Initial Estimation of Share Buy-back Status(Second Time)
Board of Director resolution	2015.08.11	2015.10.13
Purpose of the share Buy-back	To stabilize stock price by maintaining company credibility and shareholders rights. According to the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, Article 28-2 requires off-setting of buy-back Treasury stocks.	To stabilize stock price by maintaining company credibility and shareholders rights. According to the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, Article 28-2 requires off-setting of buy-back Treasury stocks.
Type of share buy- back	Common stock	Common stock
Total amount allocated for share buy-back	NTD 6,880,408,896	NTD 9,421,563,803
Buy-back period	2015.08.12 to 2015.10.11	2015.10.14 to 2015.12.13
Estimated number of Buy-back shares (as percentage of total issued shares)(Note 1)	10,000,000 shares (3.23%)	10,000,000 shares (3.23%)
Estimated buy-back price interval	Buy-back stock price is between NTD 45 to NTD 70. It is further resolved by the Board of Directors to continue buy-back of shares if the stock price falls under NTD 45.	Buy-back stock price is between NTD 45 to NTD 70. It is further resolved by the Board of Directors to continue buy-back of shares if the stock price falls under NTD 45.
Method of Buy-back	Buy-back shares from stock exchange	Buy-back shares from stock exchange
	Actual Share Buy-back Status (First Time)	Actual Share Buy-back Status (Second Time)
Buy-back period	2015.08.24 to 2015.10.08	2015.11.10 to 2015.12.11
Number of buy-back shares (as a percentage of total issued shares) (Note 2)	7,436,000 shares (2.40%)	9,533,000 shares (3.08%)
Total amount for buy-back shares	NTD 361,190,457	NTD 474,144,323
Average price per buy-back share	NTD 48.57	NTD 49.74

Note 1: The percentage is calculated based on the total outstanding shares when the Company reported share repurchase.

Note 2: The percentage is calculated based on the total outstanding shares when the Company reported expiration of repurchase period or completion of the repurchase.

Taiwan Hon Chuan Enterprise Co., Ltd.

Corporate Governance Best Practice Principles

Date : 2015.11.12 (Announced)

Chapter 1 General Principles

Article 1

For establishing sound corporate governance systems, the company formulates its own corporate governance principles with reference to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.

Article 2

When setting up the corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TWSE, and other relevant regulations, the company shall follow the following principles:

1. Establish an effective corporate governance framework.
2. Protect the rights and interests of shareholders.
3. Strengthen the powers of the board of directors.
4. Fulfill the function of supervisors.
5. Respect the rights and interests of stakeholders.
6. Enhance information transparency.

Article 3

The company shall follow the Criteria Governing Establishment of Internal Control Systems by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an internal control system, and shall conduct continuing reviews of the system, in order to ensure the continued effectiveness of its design and implementation in light of changes in the company's internal and external environment.

If the company has elected independent directors, the adoption or amendment of its internal control system shall be submitted to the board of directors for approval by resolution unless an approval has been obtained from the competent authority; when an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting; however if the company has established an audit committee in accordance with the Securities and Exchange Act, the adoption or amendment to its internal control system shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution.

The company shall perform full self-assessments of its internal control system. Its board of directors and management shall review the results of the self-assessments by each department and the reports of the internal audit department at least on an annually basis. The audit committee or supervisors shall also attend to and supervise these matters. The company shall establish channels and mechanisms of communication between its independent directors, audit committees or supervisors, and chief internal auditors. Directors and supervisors shall periodically hold discussions with its internal auditors about reviews of internal control system deficiencies. A record of the discussions shall be kept, and the discussions shall be followed up, improvements implemented, and a report submitted to the board of directors. If the company has established an audit committee in

accordance with the Securities and Exchange Act, the assessment of the effectiveness of the internal control system shall be subject to the consent of one-half or more of all audit committee members and submitted to the board of directors for approval.

The company's management shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, to evaluate problems of the internal control system and assess the efficiency of its operations to ensure that the system can operate effectively on an on-going basis, and to assist the board of directors and the management to perform their duties effectively so as to ensure a sound corporate governance system. To put the internal control system into effect, strengthen the professional abilities of the agent of the internal auditor and to further improve and maintain the quality and implementing result of the audit, the company shall have a deputy in place for the internal auditing personnel.

The qualification requirements on the internal auditor set out in Article 11, paragraph 6 of the Criteria Governing Establishment of Internal Control System by Public Reporting Companies and Articles 16, 17, and 18 of the same Criteria shall apply mutatis mutandis to the deputy as referred to in the preceding paragraph.

Chapter 2 Protection of Shareholders' Rights and Interests

Section 1 Encouraging Shareholders to Participate in Corporate Governance

Article 4

When implementing the corporate governance system, the company shall take the protection of shareholders' rights and interests as its foremost goal and treat all shareholders fairly.

The company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the company.

Article 5

The company shall convene shareholders meetings in accordance with the Company Act and relevant laws and regulations, and provide comprehensive rules for such meetings. The company shall faithfully implement resolutions adopted by shareholders meetings in accordance with the rules for the meetings.

Resolutions adopted by shareholders meetings of the company shall comply with laws, regulations and articles of incorporation.

Article 6

The board of directors of the company shall properly arrange the agenda items and procedures for shareholders meetings, and formulate the principles and procedures for shareholder nominations of directors and supervisors and submissions of shareholder proposals. The board shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

For a shareholders meeting called by the board of directors, it is advisable that the board

chairperson chair the meeting, that a majority of the directors and at least one supervisor attend in person, and that at least one member of each functional committee attend as representative. Attendance details should be recorded in the shareholders meeting minutes.

Article 7

The company shall encourage its shareholders to actively participate in corporate governance. It is advisable that the company engage a professional shareholder services agent to handle shareholders meeting matters, so that shareholders meetings can proceed on a legal, effective and secure basis. The company shall seek all ways and means, including fully exploiting technologies for information disclosure and casting votes, to enhance shareholders' attendance rates at shareholders meetings and ensure their exercise of rights at such meetings in accordance with law.

The company that employs electronic voting at a shareholders meeting is advised to avoid raising extraordinary motions and amendments to original proposals.

The company shall arrange for its shareholders to vote on each separate proposal in the shareholders meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast for and against and the number of abstentions, through the Internet information reporting system designated by the TWSE.

If the company distributes souvenirs at its shareholders meeting, it shall not practice differential treatment or discrimination.

Article 8

The company, in accordance with the Company Act and other applicable laws and regulations, shall record in the shareholders meeting minutes the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. With respect to the election of directors and supervisors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors or supervisors.

The shareholders meeting minutes shall be properly and perpetually kept by the company during its legal existence, and should be sufficiently disclosed on the company's website.

Article 9

The chairperson of the shareholders meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders meetings established by the company. The chairperson shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.

In order to protect the interests of most shareholders, if the chairperson declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders meetings, it is advisable for the members of the board of directors other than the chairperson of the shareholders meeting to promptly assist the attending shareholders at the shareholders meeting in electing a new chairperson of the shareholders meeting to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

Article 10

The company shall place high importance on the shareholder right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on company financial conditions and operations,

insider shareholdings, and corporate governance status through the MOPS or the website established by the company.

To protect its shareholders' rights and interests and ensure their equal treatment, the company shall adopt internal rules prohibiting company insiders from trading securities using information not disclosed to the market.

Article 11

The shareholders shall be entitled to profit distributions by the company. In order to ensure the investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the board of directors and the reports submitted by the audit committee or supervisors, and may decide profit distributions and deficit off-setting plans by resolution. In order to proceed with the above examination, the shareholders meeting may appoint an inspector.

The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records and assets of the company.

The board of directors, audit committee or supervisors, and managers of the company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any obstruction, rejection or circumvention.

Article 12

In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the company shall proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved by the shareholders meeting so as to protect the interests of the shareholders.

When the company is involved in a management buyout, in addition to proceeding in accordance with the applicable laws and/or regulations, it is advisable to establish an objective and independent committee to review the rationality of the acquisition price and the acquisition plan, as well as pay attention to the regulations regarding the information disclosure.

The relevant personnel of the company handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for recusal.

Article 13

In order to protect the interests of the shareholders, it is advisable that the company designates personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes.

The company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholder rights and interests were damaged by a resolution adopted at a shareholders meeting or a board of directors meeting in violation of applicable laws, regulations, or the company's articles of incorporation, or that such damage was caused by a breach of applicable laws, regulations or the company's articles of incorporation by any directors, supervisors or managers in performing their duties.

Section 2 Corporate Governance Relationships Between the Company and Its Affiliated Enterprises

Article 14

The company shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

Article 15

The company's director who engages in any transaction for himself or on behalf of another person that is within the scope of the company's operations shall explain the major content of such actions to the shareholders meeting and obtain its consent.

Article 16

The company shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks they deal with and customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

Article 17

When the company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.

All transactions or contracts made by and between the company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.

Article 18

A corporate shareholder having controlling power over the company shall comply with the following provisions:

1. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the company to conduct any business which is contrary to normal business practice or not profitable.
2. Its representative shall follow the rules implemented by its company with respect to the exercise of rights and participation of resolution, so that at a shareholders meeting, the representative shall exercise his/her voting right in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care of a director or supervisor.
3. It shall comply with relevant laws, regulations and the articles of incorporation of the company in nominating directors or supervisors and shall not act beyond the authority granted by the shareholders meeting or board meeting.
4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It shall not restrict or impede the management or production of the company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.
6. The representative that is designated when a corporate shareholder has been elected as a director or supervisor shall meet the company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

Article 19

The company shall retain at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.

The company shall disclose periodically important information about its shareholders holding more than 10 percent of the outstanding shares of the company relating to the pledge, increase or decrease of share ownership, or other matters that may possibly trigger a change in the ownership of their shares.

Chapter 3 Enhancing the Function of Board of Directors

Section 1 Structure of Board of Directors

Article 20

The board of directors of the company shall be responsible to the shareholders meetings. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders meetings.

The structure of the company's board of directors shall be determined by choosing an appropriate number of board members, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.

The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Article 21

The company shall establish a fair, just, and open procedure for the election of directors, and shall adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

A spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the company.

When the number of directors falls below five due to the discharge of a director for any reason, the company shall hold a by-election for director at the following shareholders meeting. When the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the company shall convene a special shareholders meeting within 60 days of the

occurrence of that fact for a by-election for director(s).

The aggregate shareholding percentage of all of the directors of the company shall comply with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 22

The company is advised to specify in its articles of incorporation that it adopts the candidate nomination system for elections of directors pursuant to the Company Act. It is advisable that the company review in advance the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to the director candidates recommended by shareholders or directors, and the company may not arbitrarily add requirements for documentation of other qualifications. It is advised to provide the results of the review to shareholders for their reference, so that qualified directors will be elected.

Article 23

Clear distinctions shall be drawn between the responsibilities and duties of the chairperson of the board of the company and those of its general manager.

It is inappropriate for the chairperson to also act as the general manager. If the chairperson also acts as the general manager or the chairperson and general manager are spouses or relatives within one degree of consanguinity, it is advisable that the number of independent directors be increased. If it is necessary to set up a functional committee, the responsibilities and duties of the committee shall be clearly defined.

Section 2 Independent Director System

Article 24

The company shall appoint independent directors in accordance with its articles of incorporation. They shall be not less than two in number and not less than one-fifth of the total number of directors.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings and the positions they may concurrently hold. They shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company.

The company shall, in accordance with Article 192-1 of the Company Act, adopt a candidate nomination system for election of the independent directors and expressly stipulate such system in the articles of incorporation; and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. Independent and non-independent directors shall be elected at the same time but on separate ballots pursuant to Article 198 of the Company Act.

If the company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer as a candidate for an independent director of the other, the company shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, the company shall disclose the number of votes cast in favor of the elected independent director.

The "group enterprises and organizations" in the preceding paragraph comprise the subsidiaries of

the company, any foundation to which the company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the company.

Change of status between independent directors and non-independent directors during their term of office is prohibited.

If an independent director is discharged for any reason, resulting in a number of directors lower than that required under paragraph 1 or the articles of incorporation, a by-election for independent director shall be held at the next shareholders meeting. In the event that all the independent directors have been discharged, the company shall convene a special shareholders meeting to hold a by-election within 60 days from the date on which the vacancies arose.

Where the company has created the position of managing director, the managing directors shall include no less than one independent director, and no less than one-fifth of the managing director seats shall be held by independent directors.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of the Taiwan Stock Exchange.

Article 25

The company shall submit the following matters to the board of directors for approval by resolution as provided in the Securities and Exchange Act. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting:

1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
3. A matter bearing on the personal interest of a director or a supervisor.
4. A material asset or derivatives transaction.
5. A material monetary loan, endorsement, or provision of guarantee.
6. The offering, issuance, or private placement of any equity-type securities.
7. The hiring, discharge, or compensation of an attesting CPA.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. Any other material matter so required by the competent authority.

Article 26

The company shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The company or other board members shall not restrict or obstruct the performance of duties by the independent directors.

The company shall stipulate the remuneration of the directors in its articles of incorporation or approve the same in a shareholders meeting. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the company, and shall also take the overall operational risks of the company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

When the company, under its articles of incorporation, or by resolution of its shareholders meeting, or by order of the competent authority, sets aside a certain proportion of earnings as special reserve, such allocation shall be made after the allocation of legal reserve and before the distribution of director and supervisor compensation and employee bonuses, and the company shall provide in the articles of incorporation the method to be adopted for distributing earnings when reversal of the special reserve is added into the undistributed earnings.

Section 3 Audit Committee and Other Functional Committees

Article 27

For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors of the company, in consideration of the size of its board and the number of its independent directors, may set up functional committees for auditing, nomination, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, or other committees, and expressly provide for them in the articles of incorporation.

Functional committees shall be responsible to the board of directors and submit their proposals to the board of directors for approval, provided that the performance of supervisor's duties by the audit committee pursuant to Article 14-4, paragraph 4 of the Securities and Exchange Act shall be excluded.

Functional committees shall adopt an organizational charter to be approved by the board of directors. The organizational charter shall contain the numbers, terms of office, and powers of committee members, as well as the meeting rules and resources to be provided by the company for exercise of power by the committee.

Article 28

The company shall establish either an audit committee or a supervisor.

The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

For the company that has established an audit committee, the provisions regarding supervisors in the Securities and Exchange Act, the Company Act, other laws and regulations, and these Principles shall apply mutatis mutandis to the audit committee.

For the company that has established an audit committee, Article 25 herein does not apply to the following matters, which shall be subject to the consent of at least one half of all audit committee members and be submitted to the board of directors for a resolution:

1. Adoption or amendment of internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. A matter bearing on the personal interest of a director.
5. A material asset or derivatives transaction.
6. A material monetary loan, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.

8. The hiring, discharge, or compensation of an attesting CPA.
9. The appointment or discharge of a financial, accounting, or internal auditing officer.
10. Annual and semi-annual financial reports.
11. Any other material matter so required by the company or the competent authority.

The exercise of power by audit committee and independent directors and related matters shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TWSE.

Article 28-1

The company shall establish a remuneration committee. The professional qualifications for the committee members, the exercise of their powers of office, the adoption of the organizational charter, and related matters shall be handled pursuant to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors:

1. Prescribing and periodically reviewing the policies, systems, standards, and structures for performance evaluation and remuneration for directors, supervisors and managerial officers.
2. Periodically evaluating and prescribing the remuneration of directors, supervisors, and managerial officers.

When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:

1. With respect to the performance assessments and remuneration of directors, supervisors and managerial personnel of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure.
2. It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the company may tolerate.
3. It shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ratio of bonuses for the short-term performance of its directors and senior management and the time at which the variable part of remuneration is paid.

Article 28-2

The company is advised to establish channels for anonymous whistleblowing and whistleblower protection mechanisms. The unit that handles complaints shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the company's internal control system for management purposes.

Article 29

To improve the quality of its financial reports, the company shall establish the position of deputy to its principal accounting officer.

To enhance the professional abilities of the deputy accounting officer of the preceding paragraph, the deputy's continuing education shall proceed following the schedule of the principal accounting officer.

Accounting personnel handling the preparation of financial reports shall also participate in relevant professional development courses for 6 hours or more each year. Those courses may be company internal training activities or may be professional courses offered by professional development institutions for principal accounting officers.

The company shall select as its external auditor a professional, responsible, and independent attesting CPA, who shall perform regular reviews of the financial conditions and internal control measures of the company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the company shall faithfully implement improvement actions. It is advisable that the company establish channels and mechanisms of communication between the independent directors, the supervisor or audit committee, and the attesting CPA, and to incorporate procedures for that purpose into the company's internal control system for management purposes.

The company shall evaluate the independence and suitability of the CPA engaged by the company regularly, and no less frequently than once annually. In the event that the company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the company shall evaluate the necessity of replacing the CPA and submit its conclusion to the board of directors.

Article 30

It is advisable that the company engage a professional and competent legal counsel to provide adequate legal consultation services to the company, or to assist the directors, the supervisors and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

When, as a result of performing their lawful duties, directors, supervisors or the management are involved in litigation or a dispute with shareholders, the company shall retain a legal counsel to provide assistance as circumstances require.

The audit committee or an independent director may retain the service of legal counsel, CPA, or other professionals on behalf of the company to conduct a necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the company.

Section 4 Rules for the Proceedings of Board Meetings and the Decision-Making Procedures

Article 31

The board of directors of the company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a board meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director and supervisor no later than 7 days before the scheduled date. Sufficient meeting materials shall also be prepared and enclosed in the meeting notice. If the meeting materials are deemed inadequate, a director may ask the unit in charge to provide more information or request a postponement of the meeting with the consent of the board of directors.

The company shall adopt rules of procedure for board meetings, which shall follow the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcements, and other matters for compliance.

Article 32

Company directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter.

Matters requiring the voluntary recusal of a director shall be clearly set forth in the rules of procedure for board meetings.

Article 33

When a board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, an independent director of the company shall attend the board meeting in person, and may not be represented by a non-independent director via proxy. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the board of directors meeting; if the independent director cannot attend the board meeting in person to voice his or her dissenting or qualified opinion, he or she should provide a written opinion before the board meeting unless there are justifiable reasons for failure to do so, and the opinion shall be noted in the minutes of the board of directors meeting.

In any of the following circumstances, decisions made by the board of directors shall be noted in the meeting minutes, and in addition, publicly announced and filed on the MOPS before the beginning of trading hours on the first business day after the date of the board meeting:

1. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
2. The matter was not approved by the audit committee (if the company has set up an audit committee), but had the consent of more than two-thirds of all directors.

During a board meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions of the company and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or other professional may be invited to sit in at the meetings to assist the directors in understanding the conditions of the company for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.

Article 34

Staff personnel of the company attending board meetings shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the board meeting in accordance with relevant regulations.

The minutes of the board of directors meetings shall be signed by the chairperson and secretary of the meeting and sent to each director and supervisor within 20 days after the meeting. The director attendance records shall be made part of the meeting minutes, treated as important corporate records, and kept safe permanently during the life of the company.

Meeting minutes may be produced, distributed, and preserved by electronic means.

A company shall record on audio or video tape the entire proceedings of a board of directors meeting and preserve the recordings for at least 5 years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises

with respect to a resolution of a board of directors meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

Where a board of directors meeting is held via teleconference or video conference, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

When a resolution of the board of directors violates laws, regulations, the articles of incorporation, or resolutions adopted in the shareholders meeting, and thus causes an injury to the company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

Article 35

The company shall submit the following matters to its board of directors for discussion:

1. Corporate business plans.
2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested.
3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of any equity-type securities.
6. The appointment or discharge of a financial, accounting, or internal audit officer.
7. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be submitted to a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the board of directors for discussion under the preceding paragraph, when the board of directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its articles of incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

Article 36

The company shall ask the appropriate corporate department or personnel to execute matters pursuant to board of directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

The board of directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the board's management decisions.

Section 5 Fiduciary Duty, Duty of Care and Responsibility of Directors

Article 37

Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in shareholders meetings or in the articles of incorporation, they shall ensure that all matters are handled according to the resolutions of board of directors.

Any resolution of the board of directors that involves the company's business development or a major policy direction shall be carefully considered and may not affect the implementation or effectiveness of corporate governance.

Independent directors shall perform their duties in accordance with relevant laws, regulations and the company's articles of incorporation so as to protect the interests of the company and shareholders.

It is advisable that the company formulates rules and procedures for board of directors performance assessments, and that each year it conduct regularly scheduled performance assessments of the board of directors, functional committees, and individual directors through self-assessment, peer-to-peer assessments, engaging outside professional institutions, or in any other appropriate manner. It is advisable that the performance assessment of the board of directors (functional committees) include the following aspects and that appropriate assessment indicators be developed in consideration of the company's needs:

1. The degree of participation in the company's operations.
2. Improvement in the quality of decision making by the board of directors.
3. The composition and structure of the board of directors.
4. The election of the directors and their continuing professional education.
5. Internal controls.

It is advisable that performance assessments of board members (self-assessments or peer-to-peer assessments) include the following aspects, with appropriate adjustments made on the basis of the company's needs:

1. Their grasp of the company's goals and missions.
2. Their recognition of director's duties.
3. Their degree of participation in the company's operations.
4. Their management of internal relationships and communication.
5. Their professionalism and continuing professional education.
6. Internal controls.

The company's board of directors shall consider adjusting its composition based on the results of performance assessments.

Article 38

If a resolution of the board of directors violates law, regulations or the company's articles of incorporation, then at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of a supervisor to discontinue the implementation of the resolution, members of the board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the company would suffer material injury, members of the board of directors shall immediately report to the audit committee, an independent director member of the audit committee, or a supervisor in accordance with the foregoing paragraph.

Article 39

According to the articles of incorporation or a resolution adopted in the shareholders meeting, the company may take out liability insurance for directors with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director.

Article 40

Members of the board of directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/GTSM Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of occupancy. They shall also ensure that company employees at all levels will enhance their professionalism and knowledge of the law.

Chapter 4 Empowering the Supervisors

Section 1 Functions of Supervisors

Article 41

The company shall stipulate a fair, just, and open procedure for the election of supervisors, and shall adopt a cumulative voting mechanism pursuant to the Company Act to fully reflect the opinions of the shareholders.

The company shall take into consideration the needs of overall business operations and comply with the rules of the TWSE in setting the minimum number of supervisors.

The aggregate shareholding percentage of all of the supervisors of the company shall comply with laws and regulations. Restrictions on share transfers by each supervisor and the creation, release, or changes in pledges of shares held by each supervisor shall comply with the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 42

The company is advised to specify in its articles of incorporation that it adopts the candidate nomination system for elections of supervisors pursuant to the Company Act, and to review in advance the qualifications, education, working experience, background and the existence of any other matters set forth in Article 30 of the Company Act with respect to the supervisor candidates recommended by the shareholders or directors, and the company may not arbitrarily add requirements for documentation of other qualifications. It is advised to provide the results of the review to the shareholders for their reference, so that qualified supervisors will be elected.

Article 43

Unless otherwise approved by the competent authority, at least one supervisor seat shall have no spousal relationship or familial relationship within the second degree of kinship with another supervisor or a director.

The company is advised to refer to the provisions on independence provided in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and appoint a suitable supervisor to enhance the risk management and financial and operational control of the company.

A supervisor will preferably be domiciled within the territory of the ROC to allow timely performance of supervisory functions.

Section 2 Powers and Obligations of Supervisors

Article 44

A supervisor shall be familiar with the relevant laws and regulations, and shall understand the rights, obligations, and duties of directors of the company and the functions, duties, and operation of each department. A supervisor shall attend meetings of the board of directors to supervise their operations and to state his/her opinions when appropriate so as to grasp or discover any abnormal situation early on.

Article 45

A supervisor shall supervise the implementation of the operations of the company, and the performance of duties by directors and managers, and care the enforcement of the internal control system so as to reduce the financial and operational risks of the company.

Where a director, for himself/herself or on behalf of others, enters into a sale/purchase or loan transaction, or conducts any legal act with the company, a supervisor shall act as the representative of the company. In the event that the company has set up an audit committee, an independent director member of the audit committee shall act as the representative of the company in the above situation.

Article 46

A supervisor shall investigate the operational and financial conditions of the company from time to time, and the relevant departments in the company shall provide the books or documents that will be needed for the supervisor's review.

When reviewing the finance or operations of the company, a supervisor may retain attorneys or CPAs on behalf of the company to perform the review; however, the company shall inform the relevant persons of their confidentiality obligations.

The board of directors or managers shall submit reports in accordance with the request of the supervisors and shall not for any reason obstruct, circumvent, or refuse the inspection of the supervisor.

When a supervisor performs his/her duties, the company shall provide necessary assistance as needed by the supervisor, and the reasonable expenses that the supervisor needs shall be borne by the company.

Article 47

For supervisors to timely discover any possible irregular conduct in the company, the company shall establish a channel for supervisors to communicate with the employees, shareholders, and stakeholders.

Upon discovering any irregular conduct, a supervisor shall take appropriate measures timely to curb the expansion of the irregular conduct, and file a report to the relevant regulatory authorities or agencies if necessary.

When an independent director or general manager, an officer of the finance, accounting, research and development, or internal audit department, or a CPA resigns or is removed from his/her position, the supervisors shall investigate the reasons.

In the event that a supervisor neglects his/her duties and therefore causes harm to the company, the supervisor shall be liable to the company.

Article 48

When exercising his/her supervisory power, each supervisor of the company may, after taking into consideration the overall interest of the company and shareholders, convene a meeting to exchange opinions among all the supervisors when he or she feels necessary, but in so doing may not obstruct supervisors in exercising their duties.

Article 49

In accordance with the articles of incorporation or a resolution adopted at a shareholders meeting, the company may take out liability insurance for supervisors with respect to liabilities resulting from the exercise of duties during their terms, so as to reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoing or negligence of a supervisor.

Article 50

Upon becoming supervisors and throughout their terms, supervisors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/GTSM Listed Companies covering subjects relating to corporate governance.

Chapter 5 Respecting Stakeholders' Rights

Article 51

The company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders, and shall respect and safeguard their legal rights. It is advisable for the company to designate a stakeholders section on its website.

When the company is involved in a management buyout, it shall monitor the subsequent soundness of the company's financial structure.

When any of a stakeholder's legal rights or interests is harmed, the company shall handle the matter in a proper manner and in good faith.

Article 52

The company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the company and its decision-making process. When any of their legal rights or interest is harmed, the company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 53

The company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors, or supervisors so as to reflect employees' opinions about the management, financial conditions, and material decisions of the company concerning employee welfare.

Article 54

In developing its normal business and maximizing the shareholders' interest, the company shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall give serious regard to the company's social responsibility.

Chapter 6 Improving Information Transparency

Section 1 Enhancing Information Disclosure

Article 55

Disclosure of information is a major responsibility of the company. The company shall perform its obligations faithfully in accordance with the relevant laws and the related TWSE rules.

The company shall establish an Internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

Article 56

In order to enhance the accuracy and timeliness of the material information disclosed, the company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the company in making statements independently.

The company shall appoint one or more acting spokespersons who shall represent the company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion.

In order to implement the spokesperson system, the company shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

The company shall disclose the relevant information immediately whenever there is any change to the position of a spokesperson or acting spokesperson.

Article 57

In order to keep shareholders and stakeholders fully informed, the company shall utilize the convenience of the Internet and set up a website containing the information regarding the company's finances, operations, and corporate governance. It is also advisable for the company to furnish the financial, corporate governance, and other relevant information in English.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 58

The company shall hold an investor conference in compliance with the regulations of the TWSE, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the designated Internet information posting system and provided for inquiry through the website established by the company, or through other channels, in accordance with the TWSE rules.

Section 2 Disclosure of Information on Corporate Governance

Article 59

The company shall disclose the following information regarding corporate governance in the fiscal year in accordance with laws and regulations and TWSE rules:

1. Corporate governance framework and rules.
2. Ownership structure and the rights and interests of shareholders.
3. Structure and independence of the board of directors.

4. Responsibility of the board of directors and managerial officers.
5. Composition, duties and independence of the audit committee or supervisors.
6. Composition, duties and operation of the remuneration committee.
7. The remuneration paid to the directors, supervisors, general manager and vice general manager in the most recent fiscal year, the analysis of the percentage of total remuneration to net profit after tax, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance. Under special individual circumstances, remuneration of individual directors and supervisors shall be disclosed.
8. The progress of training of directors and supervisors.
9. The rights of and relationships between the stakeholders.
10. Details of the events subject to information disclosure required by law and regulations.
11. The enforcement of corporate governance, differences between the corporate governance principles implemented by the company and these Principles, and the reason for the differences.
12. Other information regarding corporate governance.

The company is advised, according to the actual performance of the corporate governance system, to disclose the plans and measures to improve its corporate governance system through appropriate mechanisms.

Chapter 7 Supplementary Provisions

Article 60

The company shall at all times monitor domestic and international developments in corporate governance as a basis for review and improvement of the company's own corporate governance mechanisms, so as to enhance their effectiveness.

Taiwan Hon Chuan Enterprise Co., Ltd.

Ethical Corporate Management Best Practice Principles

Date : 2015.11.12 (Announced)

Article 1

For fostering a corporate culture of ethical management and sound development, the company establishes its own ethical corporate management best practice principles applicable.

These principles are applicable to its business groups and organizations which comprise its subsidiaries, and other institutions or juridical persons which are substantially controlled by such company ("business group").

Article 2

When engaging in commercial activities, directors, supervisors, managers, employees, and mandataries of the company or persons having substantial control over the company ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and its directors, supervisors, managers, employees or substantial controllers or other stakeholders.

Article 3

"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 4

The company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5

The company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

Article 6

The company shall in its own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training.

When establishing the prevention programs, the company shall comply with relevant laws and regulations of the territory where the company and its business group are operating.

In the course of developing the prevention programs, the company shall negotiate with staff, labor unions members, important trading counterparties, or other stakeholders.

Article 7

When establishing the prevention programs, the company shall analyze which business activities within its business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.

The prevention programs shall at least include preventive measures against the following:

1. Offering and acceptance of bribes.
2. Illegal political donations.
3. Improper charitable donations or sponsorship.
4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
6. Engaging in unfair competitive practices.
7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Article 8

The company and its respective business group shall clearly specify in the rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

Article 9

The company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial transactions, the company shall take into consideration the legality of its agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with its agents, suppliers, clients, or other trading counterparties, the company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the company may at any time terminate or rescind the contracts.

Article 10

When conducting business, the company and its directors, supervisors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 11

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the company and its directors, supervisors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and its own

relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12

When making or offering donations and sponsorship, the company and its directors, supervisors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13

The company and its directors, supervisors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

Article 14

The company and its directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

Article 15

The company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 16

In the course of research and development, procurement, manufacture, provision, or sale of products and services, the company and its directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, its products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in its operations, with a view to preventing its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.

Article 17

The directors, supervisors, managers, employees, mandataries, and substantial controllers of the company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the company shall establish a dedicated unit that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:

1. Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.

2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 18

The company and its directors, supervisors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Article 19

The company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company.

When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, supervisors, managers, and other stakeholders attending or present at board meetings of the company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

The company's directors, supervisors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20

The company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal audit unit of the company shall periodically examine the company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

Article 21

The company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, supervisors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
7. Handling procedures for violations of these Principles.
8. Disciplinary measures on offenders.

Article 22

The chairperson, general manager, or senior management of the company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.

The company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, mandataries, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 23

The company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:

1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports.
2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
4. Confidentiality of the identity of whistle-blowers and the content of reported cases.
5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.
6. Whistle-blowing incentive measures.

When material misconduct or likelihood of material impairment to the company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form.

Article 24

The company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the company's internal website of the title and name of the violator, the date and details of the violation,

and the actions taken in response.

Article 25

The company shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. It shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on its company websites, annual reports, and prospectuses, and shall disclose its ethical corporate management best practice principles on the Market Observation Post System.

Article 26

The company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage its directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 27

The ethical corporate management best practice principles of the company shall be implemented after the board of directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.

When the company has appointed any independent director, and the ethical corporate management best practice principles are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

When the company has established the audit committee, the provisions regarding supervisors in these Principles shall apply *mutatis mutandis* to the audit committee.

Taiwan Hon Chuan Enterprise Co., Ltd.

Corporate Social Responsibility Best Practice Principles

Date : 2015.11.12 (Announced)

Article 1

In order to fulfill the company's corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, the company promulgates its own corporate social responsibility principles in accordance with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and follows it.

Article 2

The Principles are including the entire operations of each such company and its business group.

The company actively fulfills its corporate social responsibility in the course of the business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility.

Article 3

In fulfilling corporate social responsibility initiatives, the company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.

Article 4

To implement corporate social responsibility initiatives, the company shall follow the principles below:

1. Exercise corporate governance.
2. Foster a sustainable environment.
3. Preserve public welfare.
4. Enhance disclosure of corporate social responsibility information.

Article 5

The company shall take into consideration the correlation between the development of domestic and international corporate social responsibility principles and corporate core business operations, and the effect of the operation of individual companies and of its respective business groups as a whole on stakeholders, in establishing its policies, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility programs, which shall be approved by the board of directors and then reported to the shareholders meeting.

When a shareholder proposes a motion involving corporate social responsibility, the board of directors of the company is advised to review and consider including it in the shareholders meeting agenda.

Chapter 2 Exercising Corporate Governance

Article 6

The company shall follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Code of Ethical Conduct for TWSE/GTSM Listed Companies to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.

Article 7

The directors of the company shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, review the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies.

The board of directors of the company is advised to include the following matters in the company's performance of its corporate social responsibility initiatives:

1. Identifying the company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems or relevant management guidelines;
2. Making corporate social responsibility the guiding principle of the company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; and
3. Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information.

The board of directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the company, and to report the status of the handling to the board of directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

Article 8

The company shall, on a regular basis, organize education and training on the implementation of corporate social responsibility initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.

Article 9

For the purpose of managing corporate social responsibility initiatives, the company shall establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis.

The company shall adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

It is advised that the employee performance evaluation system be combined with corporate social responsibility policies, and that a clear and effective incentive and discipline system be established.

Article 10

The company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper

communication with them, and adequately respond to the important corporate social responsibility issues which they are concerned about.

Chapter 3 Fostering a Sustainable Environment

Article 11

The company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article 12

The company is advised to endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

Article 13

The company is advised to establish proper environment management systems based on the characteristics of their industries. Such systems shall include the following tasks:

1. Collecting sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment.
2. Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.
3. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.

Article 14

The company is advised to establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for their managerial officers and other employees on a periodic basis.

Article 15

The company is advised to take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from its business operations:

1. Reduce resource and energy consumption of their products and services.
2. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
3. Improve recyclability and reusability of raw materials or products.
4. Maximize the sustainability of renewable resources.
5. Enhance the durability of products.
6. Improve efficiency of products and services.

Article 16

To improve water use efficiency, the company shall properly and sustainably use water resources and establish relevant management measures.

The company shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use its best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.

Article 17

The company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:

1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.
2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.

The company is advised to monitor the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction based upon its operations and the result of a greenhouse gas inventory. Such strategies should include obtaining carbon credits to promote and minimize the impact of its business operations on climate change.

Chapter 4 Preserving Public Welfare

Article 18

The company shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.

The company, to fulfill its responsibility to protect human rights, shall adopt relevant management policies and processes, including:

1. Presenting a corporate policy or statement on human rights.
2. Evaluating the impact of the company's business operations and internal management on human rights, and adopting corresponding handling processes.
3. Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights.
4. In the event of any infringement of human rights, the company shall disclose the processes for handling of the matter with respect to the stakeholders involved.

The company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that its human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

The company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. A company shall respond to any employee's grievance in an appropriate manner.

Article 19

The company shall provide information for its employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the companies have business operations.

Article 20

The company is advised to provide safe and healthful work environments for its employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.

The company is advised to organize training on safety and health for its employees on a regular basis.

Article 21

The company is advised to create an environment conducive to the development of its employees' careers and establish effective training programs to foster career skills.

The company shall appropriately reflect the corporate business performance or achievements in the employee remuneration policy, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

Article 22

The company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.

The company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

The company shall, by reasonable means, inform employees of operation changes that might have material impacts.

Article 23

The company shall take responsibility for its products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the company shall ensure the transparency and safety of its products and services. We further shall establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers. .

Article 24

The company shall ensure the quality of its products and services by following the laws and regulations of the government and relevant standards of its industries.

The company shall follow relevant laws, regulations and international guidelines when marketing or labeling its products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

Article 25

The company is advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.

The company is advised to provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, shall comply with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.

Article 26

The company is advised to assess the impact its procurement has on society as well as the environment of the community that we are procuring from, and shall cooperate with its suppliers to jointly implement the corporate social responsibility initiative.

Prior to engaging in commercial dealings, the company is advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.

When the company enters into a contract with any of its major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article 27

The company shall evaluate the impact of its business operations on the community, and adequately employ personnel from the location of the business operations, to enhance community acceptance.

The company is advised to, through commercial activities, non-cash property endowments, volunteering service or other charitable professional services, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

Chapter 5 Enhancing Disclosure of Corporate Social Responsibility Information

Article 28

The company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable information relating to its corporate social responsibility initiatives to improve information transparency.

Relevant information relating to corporate social responsibility which the company shall disclose includes:

1. The policy, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility initiatives, as resolved by the board of directors.
2. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
3. Goals and measures for realizing the corporate social responsibility initiatives established by the companies, and performance in implementation.
4. Major stakeholders and their concerns.

5. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.
6. Other information relating to corporate social responsibility initiatives.

Article 29

The company shall adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of its implementation of the corporate social responsibility policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

1. The policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility initiatives.
2. Major stakeholders and their concerns.
3. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
4. Future improvements and goals.

Chapter 6 Supplementary Provisions

Article 30

The company shall at all times monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment so as to examine and improve its established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.

Taiwan Hon Chuan Enterprise Co., Ltd.

Proposal for Distribution of 2015 Profits

Items	Unit : NTD Amount
Unappropriated retained earnings of previous years	2,256,680,279
Remeasurement of defined benefit obligation	<u>(338,295)</u>
Unappropriated retained earnings after adjustment	2,256,341,984
Net Income of 2015	948,964,604
10% for legal capital reserve	(94,896,460)
Special reserve	<u>(22,655,846)</u>
Retained Earnings Available for Distribution as of 2015	3,087,754,282
Shareholders Dividend (NTD\$2 per share)	<u>(585,757,758)</u>
Unappropriated Retained Earnings	<u><u>2,501,996,524</u></u>

(Note1) Shareholders Dividend --Cash : 292,878,879 shares * NTD2 =NTD585,757,758

(Note2) The cash dividend distribution will be calculated to the nearest NT dollar. For fractional shares distributed which are less than one dollar that will be adjusted by the chairman who is authorized to contact specific person to deal with it.

(Note3) Board of Directors is authorized to determine the ex-dividend date for the cash dividend distributions upon the approval of the profit distribution proposal at the Annual Meeting of Shareholders.

(Note4) In response to the implementation of Imputation System, the abovementioned dividend will be distributed preferably from earnings of the year after 1998 upon calculating shareholders' imputation tax credit in accordance with the Article 68-6 of Income Tax Act. ; When computing tax levied at the rate of ten percent on undistributed surplus earnings in accordance with Article 66-9 of Income Tax Act, the Company will adopt specific identification method to distribute preferably from earnings of recent years based upon official letter No. 871941343 issued by Ministry of Finance on April 30,1998.

Explanatory Notes :

1. Unappropriated retained earnings of previous years : It represents the unappropriated retained earnings after making distribution of 2014 profits by the resolution of 2015 Shareholders' Meeting and is compiled based upon TIFRS GAAP.

Chairman :
Dai, Hung-Chuan

President :
Tsao, Hsih-Chung

Chief Accounting officer :
Cheng, Ya-wen

Appendix

Appendix 1

Taiwan Hon Chuan Enterprise Co., Ltd.

Rules of Procedure for Shareholders' Meeting

Date : 2013.06.19 (Amended)

Article 1

Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures. Any matters insufficiently provided for herein shall be subject to Articles of Incorporation, Company Act, and other laws and ordinances concerned.

Article 2

The term "shareholders" as set forth herein denotes the shareholders themselves and the proxies authorized by shareholders.

Article 3

This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.

This Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 4

Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate.

If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Act. The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the Company Act.

If during the process of the Meeting the number of outstanding shares represented by the

shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Act.

Article 5

The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda. The above provision applies mutatis mutandis to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Article 6

During the Meeting, the chairman may, at his discretion, set time for intermission.

Article 7

Except the proposals enumerated on the agenda, a proposal posed by a shareholder to amend the provided proposals, alternatives or other proposals by means of occasional motion shall be seconded by other shareholders (proxies).

Article 8

When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail. Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders; otherwise the chairman shall stop such interruption.

Article 9

The Chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. In case the Chairman of the Board of Directors is on leave or absent or can not exercise his power and authority for any cause, the vice chairman shall act on his behalf. In case there is no vice chairman, or the vice chairman is also on leave or absent or unable to exercise his power and authority for any cause, the chairman of the board of directors shall designate one of the managing directors, or where there is no managing directors, one of the directors to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting chairman of the board of directors.

In the event that a director is appointed to chair a meeting as the substitute for the chairperson as mentioned in the preceding paragraph, such director shall be the one who has served as a director for a minimum of six months and who is well aware of the Company's financial and business situation. This same provision is equally mutatis mutandis applicable to an event where the chairperson is the representative of a director.

Article 10

The Company may appoint designated counsel, CPA or other related persons to attend the Meeting. Persons handling affairs of the Meeting shall wear identification cards or badges.

Article 11

Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.

Article 12

The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.

Article 13

If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.

Article 14

The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.

Article 15

This Corporation, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 16

Unless otherwise provided by the Company Act, the Company's Articles of Incorporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting.

A motion may be resolved by way of vote, or shall be deemed passed if no objection to the motion is expressed by all of the shareholders present at the meeting after the solicitation of the chairman, which shall have the same effect as if it was voted by casting ballots.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote. The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.

Article 17

These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

Taiwan Hon Chuan Enterprise Co., Ltd.

Articles of Incorporation (Original)

Chapter 1 General Principles

Article 1

The Company is duly incorporated in accordance with Company Act, and its name is Taiwan Hon Chuan Enterprise Co., Ltd. (hereinafter referred to as the Company).

Article 2

The scope of business of the Company shall be as follows :

1. C805010 Plastic Sheets, Pipes and Tubes Manufacturing.
2. C805990 Other Plastic Products Manufacturing.
3. C110010 Beverage Manufacturing.
4. C102010 Dairy Products Manufacturing.
5. CB01010 Machinery and Equipment Manufacturing.
6. CB01990 Other Machinery Manufacturing Not Elsewhere Classified.
7. F206030 Retail Sale of Die.
8. F206010 Retail Sale of Ironware.
9. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified.
10. CA02010 Metal Architectural Components Manufacturing.
11. CA02060 Metal Containers Manufacturing.
12. C801100 Synthetic Resin & Plastic Manufacturing.
13. C701010 Printing.
14. C805020 Plastic Sheets & Bags Manufacturing.
15. C805030 Plastic Made Grocery Manufacturing.
16. CC01090 Batteries Manufacturing.
17. CC01080 Electronic Parts and Components Manufacturing.
18. F401010 International Trade.
19. F102030 Wholesale of Tobacco Products and Alcoholic Beverages.
20. F102040 Wholesale of Nonalcoholic Beverages.
21. F401171 Alcohol Drink Import.
22. C801010 Basic Industrial Chemical Manufacturing.
23. F213080 Retail Sale of Machinery and Equipment.
24. F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified.
25. CA01990 Other Non-ferrous Metal Basic Industries.
26. CZ99990 Other Industrial Products Manufacturing Not Elsewhere Classified.
27. IZ06010 Cargoes Packaging.
28. F103010 Wholesale of Animal Feeds.
29. F202010 Retail sale of Animal Feeds.
30. F107050 Wholesale of Manure.
31. F207050 Retail Sale of Manure.
32. F121010 Wholesale of food additives.

- 33. F221010 Retail of food additives.
- 34. F102180 Wholesale of Ethanol.
- 35. F203030 Retail Sale of Ethanol.
- 36. F203020 Retail Sale of Tobacco and Alcoholic Drinks.
- 37. F401161 Tobacco Products Import.
- 38. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1

The total amount of the investment made by the Company may exceed forty percent of its paid-in capital and the Board of Directors is authorized to execute the investment.

Article 2-2

The Company may provide guarantees to others when necessary for its business.

Article 3

The Company has its head office in Taichung City, Taiwan and may, when necessary, set up branch offices in other appropriate places; the setting up, address change, or the cancellation of the branch offices shall be made according to the resolutions adopted at the meeting of the Board of Director.

Article 4

Public announcements of the Company shall be made in accordance with the provisions of Article 28 of the Companies Law.

Chapter 2 Shares

Article 5

The total authorized capital of the Company shall be in the amount of NT\$3,500,000,000, divided into 350,000,000 shares, at a par value of NT\$10. The remaining unissued shares may be issued in installments subject to the resolution of the Board of Directors upon the Company's operation needs.

Article 6

The share certificates of the Company shall be issued with signature and seal specimen by three or more directors after being authenticated by competent governmental authority in accordance with law. After the shares being issued to the public, the Company may be exempted from printing any share certificate for the shares issued, but shall appoint a centralized securities custody institution to make recordation of the issue of such shares.

Article 6-1

The share certificate of the Company may be printed in combination form with a higher denomination upon the request of the Taiwan Securities Depository & Clearing Corporation.

Article 7

The handling of stock affairs of the Company, except otherwise provided for in applicable laws and regulations, shall be subject to the Guidelines for Handling Stock Affairs by Public Companies prescribed by the Securities and Futures Commission.

Article 8

Registered share certificates shall be assigned by the holder thereof by way of endorsement and the name or title of the assignee shall be indicated on the share certificate. The transfer of shares shall not be effective against the Company, unless name/title and residence/domicile of the transferee have been recorded in the shareholders' register.

Article 9

Registration on shareholders' register for share transfer shall be suspended for sixty days before any ordinary shareholders' meeting, thirty days before any extraordinary shareholders' meeting, and five days before the record date for determination of the shareholders entitled to dividends or any other profit distributions by the Company.

Chapter 3 Shareholders' Meeting**Article 10**

Shareholders' meetings of the Company are of two kinds: ordinary shareholders' meetings and extraordinary shareholders' meetings. Ordinary shareholders' meeting shall be convened at least once a year within six months after the close of each accounting year; extraordinary shareholders' meetings shall be convened in accordance with the law whenever necessary.

Article 11

If a shareholder is unable to attend a shareholders' meeting, he/she may appoint an agent on his/her behalf by executing and issuing a proxy in accordance with Article 177 of Company Act.

Article 12

The chairman of the Board of the Company shall preside at the shareholders' meeting. In case the chairman of the Board of the Company is absent, the one who shall preside at the shareholders' meeting shall be elected in accordance with Paragraph 3 of Article 208 of Company Act.

Article 13

Shareholders of the Company shall be entitled to one vote for each share held by them. However, shares under limitation or with no voting power in accordance with Company Act enjoy no voting power.

Article 14

Any resolutions at a shareholders' meeting shall, unless otherwise provided for in Company Act, be adopted by the majority present at a shareholders' meeting at which shareholders of more than one-half of the issued and outstanding shares present.

Article 15

The resolutions of the shareholders' meeting shall be recorded in the minutes, and shall be distributed in accordance with Article 183 of Company Act.

Chapter 4 Board of Directors

Article 16

The Company shall have seven directors and three Supervisors; The directors and supervisors shall be elected from persons with legal capacity at a shareholders' meeting for a term of three years and shall be eligible for re-election.

The company may acquire liability insurance for all directors and supervisors every year.

Article 16-1

When the Company's directors and supervisors perform Company duties, the Company may pay remuneration regardless of whether the Company operates at a profit or loss. The Board of Directors is authorized with powers to resolve the rates of such remuneration based on the extent of their participation in the Company's business operations or value of their contribution, at a level consistent with general practices in the industry. If the Company operates at a profit, they also may allocate remuneration in accordance with Article 28.

Article 17

In the event more than one-third of the directors or all the supervisors are discharged, a shareholders' meeting shall be convened to elect replacement directors or supervisors. The term shall be subject to the original term of the directors or supervisors.

Article 17-1

The functions of the board of directors shall be as follows:

1. Proposing the amendments to the Articles of Incorporation;
2. Setting up and winding up branches;
3. Reviewing budgets, closing of accounts, and business reports;
4. Determining, supervising and executing the business plan;
5. Approving the investment in other companies or acquirement of the shares of other companies;
6. Appointing and discharging the accountants who certify the financial reports for the Company;
7. Appointing and discharging corporate officials at the level of deputy general manager and higher;
8. Proposing and resolving the assignment, sale, rent, pledge, hypothecation or disposition by any other means of all or substantial part of the Company's operating assets;
9. Approving the Company's application for financing, guarantees, acceptance, and any other credit facility in an amount exceeding NT\$50,000,000 with any financial institution or any third party, in case the amount is below NT\$50,000,000, the application shall be submitted subsequently in the immediately next meeting of the Board of Directors for recordation;
10. Approving the capital expenses in an amount exceeding NT\$100,000,000;
11. Approving the endorsement, guarantee and acceptance in the name of the Company in favor of a person, which in an amount exceeding NT\$30,000,000, in case the amount is below NT\$30,000,000, the exceptional provision in the preceding paragraph shall apply mutatis mutandis;
12. Approving material transactions between the Company and its related parties (including affiliates);

13. Approving the acquiring, assigning, licensing, renting and material technology transfer contracts regarding the technology, patent, trademark and copyright, and the amending and terminating thereof;
14. Approving important contracts or other material matters;

Article 18

In case the Company is unable to elect new directors or supervisors immediately after the expiration of the term of their office, the existing directors and supervisors shall continue to perform their duties until re-election within a time limit given by the competent authority.

Article 19

The Board of Directors shall be composed of directors. The Chairman of the Board shall be elected from among the directors by a majority vote at a meeting attended by over two-thirds of the directors.

The Chairman of the Board of Directors shall conduct the Company's all business in accordance with applicable laws, regulations, Articles of Incorporation, resolutions of the shareholders' meeting and the resolutions of the Board of Directors.

Article 20

The business strategy and other important matters of the Company shall be resolved by the Board of Directors. Meetings of the Board of Directors shall be convened and presided by the Chairman of the Board of Directors, except for the first meeting of each term of the Board of Directors that shall be convened in accordance with Article 203 of Company Act. The Chairman of the Board of Directors shall act as the chairman. In the event that the Chairman of the Board of Directors cannot execute his duties for any cause, the director appointed by the Chairmen shall act on his behalf; in the absence of such appointment, the director who is elected from among the directors shall handle.

Article 21

Any resolution at a meeting of the Board of Directors shall be adopted if voted in favor by the majority present at a meeting of the Board of Directors at which more than half of the directors are present unless otherwise stipulated in Company Act. In case a director is unable to attend the meeting of the Board of Directors, the director is unable to attend the meeting of the Board of Directors, the director may, by issuing a proxy specifying the scope of agency, designate one of the other directors to act for and on his/her behalf, but a director may only act for one other director.

Article 22

The resolution of the meeting of Board of Directors shall be recorded in the minutes, and the minutes shall be signed or sealed by the chairman of the meeting and shall be distributed to the directors within twenty days after the meeting. The minutes of the meeting of Board of Directors, shall record a summary of the essential points of the proceedings and results of the meeting. The minutes of the meeting of Board of Directors, the attendance list bearing the signatures of directors present at the meeting, and the powers of attorney of the proxies shall be kept in the Company.

Article 23

The supervisors may exercise their supervising duties independently, attend the meeting of the Board of Directors and state opinion, but shall not have voting rights.

Chapter 5 Managers and Employees

Article 24

The Company may have several managers. The appointment, discharge, and remuneration shall be handled in accordance with Article 29 of the Company Act.

Article 25

The Company may have president, vice president, chief executive officer, vice chief executive officer, consultant and important employees according to the resolution of the Board of Directors. Board of Directors may decide to have remuneration Committee or other functional committees to meet operation needs.

Article 26

The appointment and discharge of the employees of the Company shall be decided by the managers and submitted to the Board of Directors for recordation.

Chapter 6 Accounting

Article 27

At the end of each fiscal year, the Board of Directors shall prepare (1) business report, (2) financial statements, (3) proposal for appropriation of earnings or covering of loss, etc., and deliver the same to the supervisors for audit thirty days before the ordinary shareholders' meeting.

Article 28

Upon closing of accounts, if there shall be any net profit, the Company shall first pay the corporate income tax in accordance with law, make up the losses for the preceding years and then set aside a legal reserve of 10% of the net profit, and 10% for interest of the shares, and the remainder will be serve as (1) no more than 3% of the remainder for the remuneration for directors and supervisors and (2) no less than 1% of the remainder for employees' bonus. Special reserve and retained earnings may be set aside when necessary. The remainder of the net profit after deducting the foregoing shall be distributed as shareholders' bonus, which may be distributed proportionally according to the number of shares held by each shareholder.

Article 29

The dividend policy of the Company shall be made according to the capital expenditures and the operation needs and within the distributable retained earnings and reserve. When the Company's business is at growth stage, more than (or equal to) 50% of the total amount of shareholders' bonus which is resolved in that year and distributed pursuant to applicable laws shall be in the form of stock dividends. However, depending on the operation situation, in case the Company's business reaches maturity stage, more the=an (or equal to) 50% of the total amount of the resolved shareholders bonus shall be in the form of cash dividends.

Chapter 7 Supplementary Provisions

Article 30

The organizational rules and detailed procedures for business operations of the Company shall be determined by Board of Directors.

Article 31

With regard to those matters not provided for in these Articles of Incorporation, the Company Act and other relevant laws and regulations of the Republic of China shall govern.

Article 32

These Articles of Incorporation were adopted on 16 June 1969.

The First Amendment was made on 5 November 1973.

The Second Amendment was made on 1 July 1976.

The Third Amendment was made on 13 March 1979.

The Fourth Amendment was made on 5 December 1980.

The Fifth Amendment was made on 22 March 1982.

The Sixth Amendment was made on 27 April 1982.

The Seventh Amendment was made on 10 November 1983.

The Eighth Amendment was made on 10 November 1984.

The Ninth Amendment was made on 13 October 1985.

The 10th Amendment was made on 1 January 1988.

The 11th Amendment was made on 10 November 1988.

The 12th Amendment was made on 4 July 1989.

The 13th Amendment was made on 10 November 1989.

The 14th Amendment was made on 25 March 1991.

The 15th Amendment was made on 15 July 1991.

The 16th Amendment was made on 24 April 1992.

The 17th Amendment was made on 1 April 1993.

The 18th Amendment was made on 26 April 1993.

The 19th Amendment was made on 13 September 1993.

The 20th Amendment was made on 17 December 1993.

The 21st Amendment was made on 30 May 1994.

The 22th Amendment was made on 5 May 1995.

The 23th Amendment was made on 29 May 1995.

The 24th Amendment was made on 30 November 1995.

The 25th Amendment was made on 31 May 1996.

The 26th Amendment was made on 11 June 1997.

The 27th Amendment was made on 11 June 1998.

The 28th Amendment was made on 20 April 1999.

The 29th Amendment was made on 17 November 1999.

The 30th Amendment was made on 18 April 2000.

The 31th Amendment was made on 31 May 2001.

The 32th Amendment was made on 31 May 2001.

The 33th Amendment was made on 7 May 2002.

The 34th Amendment was made on 18 June 2003.
The 35th Amendment was made on 15 June 2004.
The 36th Amendment was made on 14 June 2005.
The 37th Amendment was made on 23 June 2006.
The 38th Amendment was made on 19 June 2009.
The 39th Amendment was made on 20 June 2012.
The 40th Amendment was made on 26 19 June 2013.
The 41th Amendment was made on 29 June 2015.

Shareholding of Directors and Supervisors

1. The Company Paid-in Capital is NTD 2,928,788,790 and the Company has issued a total of 292,878,879 shares as of April 24, 2016.
2. According to the stipulations of Article 26 of the Securities and Exchange Act and Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the total shareholding of the Company's directors shall not be less than 15,000,000 shares, and the total shareholding of the Company's supervisor shall not be less than 1,500,000 shares.
3. As of the share transfer suspension date of this Shareholders' meeting, the numbers of shares held by the respective directors and supervisors as denoted in the shareholders list are as follows: (The Company has conformed with minimum shareholding requirement by Article 26 of the Securities Exchange Act) :

Position	Name	Date elected	Tenure of office	Current shareholding	
				Shares	Shareholding ratio
Chairman	Dai, Hung-Chuan	2014.06.18	3 years	3,711,286	1.27%
Director	Tsao, Hsih-Chung	2014.06.18	3 years	4,329,243	1.48%
Director	Liu, Yun-Chang	2014.06.18	3 years	689,303	0.24%
Director	Lin, Chuan-Nui	2014.06.18	3 years	2,830,795	0.97%
Director	Chang, Chun-Shu	2014.06.18	3 years	2,667,234	0.91%
Director	Tai, Hung-I	2014.06.18	3 years	5,307,008	1.81%
Director	China Development Industrial Bank (Representative : Cheng, Chien-Hua)	2014.06.18	3 years	821,086	0.28%
Total number of shares held by all Directors				20,355,955	6.96%

Position	Name	Date elected	Tenure of office	Current shareholding	
				Shares	Shareholding ratio
Supervisor	Lin, Chun-Chih	2014.06.18	3 years	141,529	0.05%
Supervisor	Tsao, Yu-Yu	2014.06.18	3 years	2,177,414	0.74%
Supervisor	Hsih-Yueh Development Co., Ltd. (Representative : Hsu, Cheng-Chuan)	2014.06.18	3 years	1,113,115	0.38%
Total number of shares held by all Supervisors				3,432,058	1.17%

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