

Stock Code : 9939



# **Taiwan Hon Chuan Enterprise Co., Ltd.**

## **2017 Annual Shareholders' Meeting**

### **Meeting Agenda (Translation)**



**June 15, 2017**

-----DISCLAIMER-----

*This is a translation of the agenda for the 2017 annual 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 2017 Annual Meeting of Shareholders**

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

## **2 、 Meeting Agenda :**

### **Taiwan Hon Chuan Enterprise Co., Ltd.**

#### **2017 Annual Shareholders' Meeting Agenda**

(Translation)

Time : 9:00 a.m., June 15, 2017

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. Report Items**

- (1) 2016 Business Report
- (2) Supervisors' Review Report on the 2016 Financial Statements
- (3) 2016 Employees' Compensation and Directors' Remuneration Report

##### **4. Approvals**

- (1) 2016 Financial Statements and Business Report
- (2) 2016 Profit Distribution Proposal

##### **5. Discussion and Election**

- (1) Stipulation of Articles of Incorporation
- (2) Stipulation of Procedures for Acquisition or Disposal of Assets
- (3) Stipulation of Rules and Procedures for shareholders' meeting
- (4) Stipulation of Procedures for Election of Directors and Supervisors
- (5) Stipulation of Procedures for Loaning of Company Funds to other Parties
- (6) Stipulation of Procedures for Endorsements and Guarantees
- (7) Stipulation of Procedures for Trading Derivatives
- (8) Directors Election
- (9) Release New Directors and Its Representatives from Non-Competition Restrictions

## **6. Other Business and Special Motion**

## **7. Meeting Adjourned**

### **Report Items**

**Item 1 :** 2016 Business Report. Please submit for review.

**Explanatory Notes :**

- (1) 2016 Business Report, Financial Statements and CPA Audit Report are attached as Attachment 1 and 2. (Please refer to page 8~20)
- (2) Please review.

**Item 2 :** Supervisors' Review Report on the 2016 Financial Statements. Please submit for review.

**Explanatory Notes :**

- (1) The Company's 2016 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 2 and 3. (page 10~ 21)
- (2) Please review.

**Item 3 :** 2016 Employees' Compensation and Directors' Remuneration Report. Please submit for review.

**Explanatory Notes :**

- (1) In accordance with the 28th Article of the Company's Articles of Incorporation.
- (2) The 2016 profit of the Company is NT\$ 1,364,913,658. (That represents the pretax income before distribution of employees' compensation and directors' remuneration) The Company proposes to distribute 1.74% or NT\$ 23,750,500 as 2016 employees' compensation and 0.78% or NT\$ 10,604,013 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, 2017.
- (4) After shareholders' meeting resolves, the Company shall proceed the distribution of employees' compensation and directors' remuneration.
- (5) Please review.

### **Approvals**

**Approval 1:** Approval of 2016 Financial Statements and Business Report. Please ratify. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) The 2016 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 of Directors, and have also been reviewed and audited by the Supervisors and presented their audit report.

(2) The 2016 Financial Statements and Business Report are attached as Attachment 2. (Please refer to page 10~20)

(3) Please ratify.

### **Resolution :**

**Approval 2:** Approval of 2016 Profit Distribution Proposal. Please ratify.  
(Proposed by the Board of Directors)

### **Explanatory Notes :**

(1) The Company's net profit after tax for 2016 was NTD 1,178,223,666 and adding the unappropriated retained earnings of previous years amounted NTD 2,115,691,883, the accumulated allocable earnings from profits was NTD 3,293,915,549 and to be allocated in accordance with the Articles of Incorporation.

(2) The Board of Directors has drafted proposal for Distribution of 2016 Profit as shown below and Attachment 4 is attached. (Please refer to page 22)

I . Legal capital reserve, NTD 117,822,367.

II . Special reserve, NTD 776,159,774.

III. Shareholders' Dividend –Cash dividend NTD\$ 2.5 per share, NTD 732,197,198.

(3) 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.

(4) Please ratify.

### **Resolution :**

## **Discussion and Election**

**Proposal 1 :** To amend the Articles of Incorporation. Please proceed to discuss.  
(Proposed by the Board of Directors)

### **Explanatory Notes :**

(1) To comply with the establishment of independent directors and Audit Committee and take into account of the actual needs of the Company, the Company hereby proposes to amend its Articles of Incorporation.

(2) Please refer to page 23~28 (Attachment 5) for details of the proposed amendments.

(3) Please refer to page 54~62 (Appendix 1) for original version of the Articles of Incorporation.

(4) Please proceed to discuss.

### **Resolution :**

**Proposal 2 :** To amend the "Procedures for Acquisition or Disposal of Assets".



Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) To comply with the establishment of independent directors and Audit Committee and the applicable acts, the Company hereby proposes to amend its “Procedures for Acquisition or Disposal of Assets”.
- (2) Please refer to page 29~38 (Attachment 6) for details of the proposed amendments.
- (3) Please refer to page 63~72 (Appendix 2) for original version of the “Procedures for Acquisition or Disposal of Assets”.
- (4) Please proceed to discuss.

**Resolution :**

**Proposal 3 :** To amend the “Rules and Procedures for Shareholders’ Meeting”.

Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) To comply with the establishment of independent directors and Audit Committee, the Company hereby proposes to amend its “Rules and Procedures for Shareholders’ Meeting”.
- (2) Please refer to page 39~40 (Attachment 7) for details of the proposed amendments.
- (3) Please refer to page 73~76 (Appendix 3) for original version of the “Rules and Procedures for Shareholders’ Meeting”.
- (4) Please proceed to discuss.

**Resolution :**

**Proposal 4 :** To amend the “Procedures for Election of Directors and Supervisors”. Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) To comply with the establishment of independent directors and Audit Committee, the Company hereby proposes to amend its “Procedures for Election of Directors and Supervisors”.
- (2) Please refer to page 41~42 (Attachment 8) for details of the proposed amendments.
- (3) Please refer to page 77~79 (Appendix 4) for original version of the “Procedures for Election of Directors and Supervisors”.
- (4) Please proceed to discuss.

**Resolution :**

**Proposal 5 :** To amend the “Procedures for Loaning of Company Funds to other Parties”. Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) To comply with the establishment of independent directors and Audit Committee, the Company hereby proposes to amend its “Procedures for Loaning of Company Funds to other Parties”.

- (2) Please refer to page 43~44 (Attachment 9) for details of the proposed amendments.
- (3) Please refer to page 80~84 (Appendix 5) for original version of the "Procedures for Loaning of Company Funds to other Parties".
- (4) Please proceed to discuss.

**Resolution :**

**Proposal 6 :** To amend the "Procedures for Endorsements and Guarantees".  
Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) To comply with the establishment of independent directors and Audit Committee, the Company hereby proposes to amend its "Procedures for Endorsements and Guarantees".
- (2) Please refer to page 45~47 (Attachment 10) for details of the proposed amendments.
- (3) Please refer to page 85~90 (Appendix 6) for original version of the "Procedures for Endorsements and Guarantees".
- (4) Please proceed to discuss.

**Resolution :**

**Proposal 7:** To amend the "Procedures for Trading Derivatives". Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) To comply with the establishment of independent directors and Audit Committee and the actual demand, the Company hereby proposes to amend its "Procedures for Trading Derivatives".
- (2) Please refer to page 48~50 (Attachment 11) for details of the proposed amendments.
- (3) Please refer to page 91~95 (Appendix 7) for original version of the "Procedures for Trading Derivatives".
- (4) Please proceed to discuss.

**Resolution :**

**Proposal 8 :** Directors Election. Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) The original directors and supervisors' term of office has expired. In accordance with Article 16 of the Company's Articles of Incorporation and related provisions of Company Act, the Company hereby proposes to re-elect completely after the resolution by the Boards of Directors.
- (2) According to Article 16 of the Company's Articles of Incorporation, the Company shall have seven to nine directors, including three independent directors. For the new term, the Company shall elect nine directors, three independent directors included. All of the directors are served for a term of three years and shall be eligible for re-election. Moreover, in accordance with Article 23 of the Company's Articles of Incorporation, the Company shall establish Audit Committee, composed of all independent directors, to replace

supervisors.

- (3) In accordance with Article 16 of the Company's Articles of Incorporation, the election of directors shall be done through the candidate nomination system and elected from the slate of director candidates. The educational and professional background and other related information of directors (and independent directors) candidates are attached as Attachment 12. (Please refer to page 51 ~53).
- (4) Please proceed to elect.

### **Election Results :**

**Proposal 9 :** Release New Directors and Its Representatives from Non-Competition Restrictions. Please proceed to discuss.  
(Proposed by the Board of Directors)

### **Explanatory Notes :**

- (1) In accordance with Article 209 of Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business shall explain in the meeting of shareholders the essential contents of such an act and obtain permission.
- (2) To leverage the expertise and relevant experience of directors, the Company hereby proposes to release newly elected directors and its representatives from non-competition restrictions.
- (3) Please proceed to discuss.

### **Resolution :**

## **Other Business and Special Motion**

## **Meeting Adjourned**

### 3 、 Attachment

#### Attachment 1

#### Business Report

Looking back to the year of 2016, it had a modest economic recovery worldwide. Even though overall beverage industry of the FMCG sector is increasing persistently, market competition is getting intense. In this circumstance, our brand clients experience severe tests about their market sensitivity. Meanwhile, how Taiwan Hon Chuan handles key accounts and catches trends of end consumers becomes the critical success factors. In 2016, the price of raw materials was falling which indirectly impacted our products' price. As a result, the revenue a bit slid compared to 2015 even we got an increased sales volume. However, we still had a great achievement in 2016 by diversifying our client bases, adjusting production lines, enhancing capacity utilization, implementing budget control and purchase negotiation strategy and developing innovative products. In 2016, our consolidated sales totaled at NTD\$16,510,678,000, decreased by 0.41% from NTD\$16,578,377,000 in 2015. The profit before tax amounted to NTD\$1,497,823,000, increased by 45.27% from NTD\$1,031,083,000 last year. The profit after tax reached NTD\$1,190,294,000, 34.32% higher than NTD\$886,141,000 in 2015. The earning per share is 4.02 dollars for the year of 2016 conclusively.

In the recent years, Hon Chuan has strengthened our business competitiveness by diversifying our client bases, expanding into new market domains, adjusting production lines and optimizing products' combination. In 2016, our business in china had shown a turn from loss to profit and handed in a wonderful performance which presented a great animation. Although there are lots of challenges in 2017, Hon Chuan hopes to enhance overall performance by strengthening our business competitiveness and accomplishing strategic layout. 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-term committed clients. Last year, Hon Chuan extended its footprint 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 Hon Chuan. We will continue 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 2017.

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 Shareholders  
Taiwan Hon Chuan Enterprise Co., Ltd.

#### **Opinion**

We have audited the accompanying consolidated financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section below), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows :

#### Revenue recognition

The Group manufactures and sells plastic caps and PET bottles and provides beverage packaging service. Because revenues from the top 5 clients of the Group are significant to the Group's revenues and profits, we have listed revenue recognition as a key audit matter. Please refer to Note 4 to the consolidated financial statements for the accounting policies on revenue recognition.

The key audit procedures we have performed in respect of the above area included the following:

1. We have understood and tested the design and operating effectiveness of the key controls over revenue recognition.
2. We selected samples from the daily sales reports for the top 5 clients for the year ended December 31, 2016 and we checked the reports against the customer order list, pre-approved original purchase order, quotation of prices and delivery order.
3. We verified the entries to the revenue subsidiary ledger by selecting sample entries for the top 5 clients and we checked the entries against the original order, quotation of prices, delivery order, invoice and receipt voucher. We also checked the entries against the documents acknowledged by customers for their receipt, delivery and order.

#### Evaluation of impairment inventory

The Group's inventory is measured at the lower of cost or net realizable value. The determination of net realizable value involved the use of significant judgments and estimates by the management. Thus, the evaluation of impairment of inventory is identified as a key audit matter. Please refer to Notes 4, 5 and 12 to the consolidated financial statements for the information about inventory.

The key audit procedures we have performed in respect of the above area included the following:

1. We understood and teste the design and operating effectiveness of the key controls over inventory .
2. We selected samples of inventory and checked that the value is the lower of cost or net realizable value. We evaluated whether expected sales price and variable expenses ratio are reasonable. We examined the accuracy of the calculation of net realizable value.
3. We observed year-end inventory taking. We selected samples and examined whether there were any defects or damages and confirmed the reasonableness of recognized loss on market price decline.

#### **Other Matter**

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, 2016 and 2015. The total assets of these consolidated subsidiaries were 15.54% (NT\$4,256,344 thousand) and 14.78% (NT\$4,304,962 thousand) of the consolidated assets as of December 31, 2016 and 2015, respectively. The net sales of these subsidiaries were 9.21% (NT\$1,520,507 thousand) and 8.31% (NT\$1,378,255 thousand) of the consolidated net sales in 2016 and 2015, respectively. These

investees' statements 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 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, 2016 and 2015 on which we have issued an unmodified and other matter opinion and an unqualified modified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiao-Fang Yen and Done-Yuin Tseng.

Deloitte & Touche  
Taichung, Taiwan  
Republic of China  
March 24, 2017

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,414,908	9	\$ 2,421,959	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	83,123	-	19,226	-
Debt investments with no active market - current (Notes 4 and 10)	31,613	-	40,440	-
Notes receivable from unrelated parties (Note 4)	158,671	1	158,484	1
Trade receivables from unrelated parties (Notes 4 and 11)	2,274,230	8	2,361,649	8
Trade receivables from related parties (Notes 4 and 31)	3,144	-	1,899	-
Inventories (Notes 4 and 12)	1,745,646	6	1,749,055	6
Other current assets (Notes 16 and 32)	<u>1,046,093</u>	<u>4</u>	<u>1,314,954</u>	<u>5</u>
Total current assets	<u>7,757,428</u>	<u>28</u>	<u>8,067,666</u>	<u>28</u>
<b>NONCURRENT ASSETS</b>				
Available for sale financial assets - noncurrent (Notes 4 and 8)	9,231	-	11,250	-
Financial assets measured at cost - noncurrent (Notes 4 and 9)	40,005	-	40,091	-
Long-term investments at equity-method (Notes 4 and 14)	28,639	-	32,501	-
Property, plant and equipment (Notes 4, 15 and 32)	17,991,011	66	18,796,260	65
Computer software (Note 4)	5,860	-	11,988	-
Goodwill (Notes 4 and 17)	382,813	2	64,496	-
Deferred tax assets (Notes 4 and 25)	165,705	1	171,323	1
Prepayments for equipment	647,003	2	1,524,882	5
Other noncurrent assets (Note 16)	<u>363,611</u>	<u>1</u>	<u>397,163</u>	<u>1</u>
Total noncurrent assets	<u>19,633,878</u>	<u>72</u>	<u>21,049,954</u>	<u>72</u>
<b>TOTAL</b>	<u>\$ 27,391,306</u>	<u>100</u>	<u>\$ 29,117,620</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 32)	\$ 6,660,381	24	\$ 8,011,602	27
Short-term bills payable (Note 18)	300,000	1	-	-
Notes payable to unrelated parties	200,045	1	201,358	1
Trade payables to unrelated parties	622,514	2	457,678	2
Current tax liabilities (Notes 4 and 25)	108,505	1	77,709	-
Current portion of long-term liabilities (Notes 4, 18, 19 and 32)	258,000	1	832,147	3
Preferred stock liabilities (Notes 4 and 20)	583,188	2	-	-
Other current liabilities (Notes 21 and 31)	<u>917,266</u>	<u>3</u>	<u>868,278</u>	<u>3</u>
Total current liabilities	<u>9,649,899</u>	<u>35</u>	<u>10,448,772</u>	<u>36</u>
<b>NONCURRENT LIABILITIES</b>				
Long-term borrowings (Notes 4, 18 and 32)	4,978,194	19	4,984,285	17
Deferred tax liabilities (Notes 4 and 25)	36,105	-	52,869	-
Preferred stock liabilities (Notes 4 and 20)	-	-	574,064	2
Net defined benefit liabilities - noncurrent (Notes 4 and 22)	36,522	-	40,300	-
Other noncurrent liabilities (Note 21)	<u>14,413</u>	<u>-</u>	<u>14,333</u>	<u>-</u>
Total noncurrent liabilities	<u>5,065,234</u>	<u>19</u>	<u>5,665,851</u>	<u>19</u>
Total liabilities	<u>14,715,133</u>	<u>54</u>	<u>16,114,623</u>	<u>55</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>				
Common stock	2,928,789	11	3,098,479	11
Capital surplus	5,127,397	19	5,412,868	19
Retained earnings				
Legal reserve	1,181,738	4	1,086,842	4
Special reserve	444,446	2	421,790	1
Unappropriated earnings	3,293,916	12	3,205,307	11
Other equity	(1,220,606)	(5)	(444,446)	(2)
Treasury shares	<u>-</u>	<u>-</u>	<u>(835,335)</u>	<u>(3)</u>
Total equity attributable to owners of the parent	11,755,680	43	11,945,505	41
<b>NON-CONTROLLING INTERESTS</b>	<u>920,493</u>	<u>3</u>	<u>1,057,492</u>	<u>4</u>
Total equity	<u>12,676,173</u>	<u>46</u>	<u>13,002,997</u>	<u>45</u>
<b>TOTAL</b>	<u>\$ 27,391,306</u>	<u>100</u>	<u>\$ 29,117,620</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

# 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			
	2016		2015	
	Amount	%	Amount	%
SALES (Notes 4 and 31)	\$ 16,510,678	100	\$ 16,578,377	100
COST OF GOODS SOLD (Notes 4, 12, 24 and 31)	<u>13,108,263</u>	<u>79</u>	<u>13,512,705</u>	<u>81</u>
GROSS PROFIT	<u>3,402,415</u>	<u>21</u>	<u>3,065,672</u>	<u>19</u>
OPERATING EXPENSES (Notes 24 and 31)				
Selling and marketing expenses	801,332	5	739,555	5
General and administrative expenses	865,206	5	998,425	6
Research and development expenses	<u>64,680</u>	<u>1</u>	<u>63,577</u>	<u>-</u>
Total operating expenses	<u>1,731,218</u>	<u>11</u>	<u>1,801,557</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>1,671,197</u>	<u>10</u>	<u>1,264,115</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 20 and 24)	(231,701)	(1)	(237,735)	(1)
Net foreign exchange loss (Note 4)	(81,758)	(1)	(85,678)	(1)
Other gains and losses (Notes 4 and 24)	<u>140,085</u>	<u>1</u>	<u>90,381</u>	<u>-</u>
Total non-operating income and expenses	<u>(173,374)</u>	<u>(1)</u>	<u>(233,032)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	1,497,823	9	1,031,083	6
INCOME TAX EXPENSE (Notes 4 and 25)	<u>307,529</u>	<u>2</u>	<u>144,942</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,190,294</u>	<u>7</u>	<u>886,141</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 22)	(7,387)	-	(408)	-
Income tax expense related to items that may be reclassified subsequently (Note 25)	1,256	-	69	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(961,340)	(6)	(862,180)	(5)

(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			
	2016		2015	
	Amount	%	Amount	%
Unrealized gain on available-for-sale financial assets	\$ (1,901)	-	\$ (7,042)	-
Other comprehensive income (loss) for the year, net of income tax	(969,372)	(6)	(869,561)	(5)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 220,922</u>	<u>1</u>	<u>\$ 16,580</u>	<u>-</u>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 1,178,224	7	\$ 948,965	6
Non-controlling interests	<u>12,070</u>	<u>-</u>	<u>(62,824)</u>	<u>(1)</u>
	<u>\$ 1,190,294</u>	<u>7</u>	<u>\$ 886,141</u>	<u>5</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 395,933	2	\$ 210,024	1
Non-controlling interests	<u>(175,011)</u>	<u>(1)</u>	<u>(193,444)</u>	<u>(1)</u>
	<u>\$ 220,922</u>	<u>1</u>	<u>\$ 16,580</u>	<u>-</u>
<b>EARNINGS PER SHARE (Note 26)</b>				
Basic	\$ 4.02		\$ 3.26	
Diluted	<u>\$ 3.97</u>		<u>\$ 3.20</u>	

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

(Concluded)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent										Non-controlling Interests (Note 13)	Total Equity
	Share Capital (Note 23)	Capital Surplus (Notes 4 and 23)	Retained Earnings (Notes 4, 22 and 23)			Other Equity		Treasury Shares (Note 23)	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, 2015	\$ 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 (loss) 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	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	50,684	50,684	
Appropriation of 2015 earnings												
Legal reserve	-	-	94,896	-	(94,896)	-	-	-	-	-	-	
Special reserve	-	-	-	22,656	(22,656)	-	-	-	-	-	-	
Cash dividends distributed by the Corporation	-	-	-	-	(585,758)	-	-	-	(585,758)	-	(585,758)	
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(12,672)	(12,672)	
Cancellation of treasury shares	(169,690)	(285,471)	-	-	(380,174)	-	-	835,335	-	-	-	
Net profit for the year ended December 31, 2016	-	-	-	-	1,178,224	-	-	-	1,178,224	12,070	1,190,294	
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(6,131)	(774,259)	(1,901)	-	(782,291)	(187,081)	(969,372)	
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	1,172,093	(774,259)	(1,901)	-	395,933	(175,011)	220,922	
BALANCE AT DECEMBER 31, 2016	\$ 2,928,789	\$ 5,127,397	\$ 1,181,738	\$ 444,446	\$ 3,293,916	\$ (1,218,432)	\$ (2,174)	\$ -	\$ 11,755,680	\$ 920,493	\$ 12,676,173	

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

# 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	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,497,823	\$ 1,031,083
Adjustments for:		
Depreciation and amortization expenses	2,154,420	2,026,906
Finance costs	231,701	237,735
Unrealized net loss (gain) on foreign currency exchange	103,279	146,332
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(53,025)	(62,568)
Impairment loss recognized (reversal of impairment loss) on non-financial assets	(7,858)	15,894
Loss (gain) on disposal of property, plant and equipment	5,788	27,998
Loss (gain) recognized on associates under equity method	4,441	13,080
Impairment loss recognized (reversal of impairment loss) on trade receivables	894	12,080
Impairment loss on financial assets	86	-
Others	2,557	(446)
Compensation cost of share-based payment transaction	-	34,000
Net loss (gain) on disposal of investment	-	(16,461)
Impairment loss recognized on property, plant and equipment	-	13,886
Net changes in operating assets and liabilities		
Financial assets held for trading	(11,188)	32,678
Notes receivable	(225)	9,686
Trade receivables	91,077	(214,008)
Inventories	(4,292)	394,184
Other current assets	73,501	77,408
Notes payable	(1,262)	(15,666)
Trade payables	197,668	(86,575)
Net defined benefit liabilities	(11,165)	(6,590)
Other current liabilities	500,409	(48,860)
Cash generated from operations	4,774,629	3,621,776
Interest paid	(209,704)	(214,491)
Income tax paid	(242,461)	(241,401)
Net cash generated from operating activities	4,322,464	3,165,884
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in prepayments for equipment	(1,164,022)	(1,752,637)
Payments for property, plant and equipment	(702,260)	(766,310)
Net cash outflow on acquisition of subsidiaries (Note 27)	(340,928)	-
Proceeds from disposal of property, plant and equipment	132,834	91,967
Acquisition of associates	(30,401)	-
Disposal of associates	29,221	-
Repayment debt investments with no active market at maturity	5,834	-
Increase in refundable deposits	(1,052)	-

(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	
	2016	2015
Other investing activities	(1,152)	(36,697)
Proceeds from sale of available-for-sale financial assets	\$ -	\$ 61,686
Purchase of available-for-sale financial assets	-	(45,225)
Purchase of financial assets measured at cost	-	(15,000)
Decrease in refundable deposits	-	(1,875)
Proceeds of the return of capital on financial assets measured at cost	-	879
Net cash used in investing activities	<u>(2,071,926)</u>	<u>(2,463,212)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	1,817,880	3,086,000
Repayments of long-term borrowings	(1,794,101)	(3,758,695)
Proceeds from (repayments of) short-term borrowings	(1,302,186)	(852,335)
Dividends paid to owners of the Corporation	(585,758)	(681,665)
Repayments of corporate bonds	(575,500)	-
Proceed from short-term bills payable	300,000	-
Changes in non-controlling interests	28,967	223,727
Dividends paid to non-controlling interests	(12,672)	(18,700)
Proceeds from issue of ordinary shares	-	2,595,000
Payments for buy-back of ordinary shares	-	(835,335)
Payments for increase of interests in subsidiaries	-	(72,751)
Net cash generated from (used in) financing activities	<u>(2,123,370)</u>	<u>(314,754)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(134,219)</u>	<u>(31,772)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(7,051)	356,146
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,421,959</u>	<u>2,065,813</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,414,908</u>	<u>\$ 2,421,959</u>

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

(Concluded)



# **Taiwan Hon Chuan Enterprise Co., Ltd.**

## **Supervisors' Audit Report**

The Board of Directors has prepared the Company's 2016 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

2017 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 12, 2017

# Taiwan Hon Chuan Enterprise Co., Ltd.

## Proposal for Distribution of 2016 Profits

	Unit : NTD
<u>Items</u>	<u>Amount</u>
<b>Unappropriated retained earnings of previous years</b>	2,501,996,524
Loss of disposing treasury stock	(380,173,808)
Remeasurement of defined benefit obligation	<u>(6,130,833)</u>
<b>Unappropriated retained earnings after adjustment</b>	2,115,691,883
Net Income of 2016	1,178,223,666
10% for legal capital reserve	(117,822,367)
Special reserve	<u>(776,159,774)</u>
<b>Retained Earnings Available for Distribution as of 2016</b>	2,399,933,408
Shareholders' Dividend (NTD\$ 2.5 per share)	<u>(732,197,198)</u>
<b>Unappropriated Retained Earnings</b>	<u><u>1,667,736,210</u></u>

(Note1) Shareholders' Dividend -- Cash : 292,878,879 shares \* NTD\$ 2.5 = NTD\$ 732,197,198

(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, 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.

(Note5) Afterward, if there is any reason to influence the total amount of outstanding shares of the Company, based on the proposed total amount of cash distributed to shareholders which resolved by this shareholders' meeting and actual amount of outstanding shares on the base day of interest distribution, please authorize the chairman to adjust distribution rate.

### Explanatory Notes :

1. Unappropriated retained earnings of previous years : It represents the unappropriated retained earnings after making distribution of 2015 profits by the resolution of 2016 Shareholders' Meeting and is compiled based upon TIFRS GAAP.

Chairman :  
**Dai, Hung-Chuan**

President :  
**Tsao, Hsih-Chung**

Chief Accounting officer :  
**Cheng, Ya-wen**

# Taiwan Hon Chuan Enterprise Co., Ltd.

## “Articles of Incorporation” Amendment Comparison Table

Date : 2017.06.15 (Amended)

Article No.	Original	Proposed Revision	Description
Article 16	<p><b>Chapter 4 Board of Directors Supervisor</b></p> <p>The Company shall have seven to nine directors and <u>three supervisors</u>, all to be elected by shareholders with full legal capacity and with the election be done through the candidate nomination system for a term of three years and shall be eligible for re-election.</p> <p>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.</p> <p>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.</p> <p>The company may acquire liability insurance for all directors and</p>	<p><b>Chapter 4 Board of Directors Audit Committee</b></p> <p>The Company shall have seven to nine directors, all to be elected by shareholders with full legal capacity and with the election be done through the candidate nomination system for a term of three years and shall be eligible for re-election.</p> <p>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.</p> <p>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.</p> <p>The company may acquire liability insurance for all directors every</p>	Amended in accordance with founding Audit Committee to replace supervisors

	supervisors every year.	year.	
<b>Article 16-1</b>	When the Company's <u>directors and supervisors</u> 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.	When the Company's <u>directors</u> 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.	Amended in accordance with founding Audit Committee to replace supervisors
<b>Article 17</b>	In the event <u>more than one-third of the directors or all the supervisors are discharged</u> , 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.	In the event <u>more than one-third of the directors are discharged</u> , a shareholders' meeting shall be convened to elect replacement directors. The term shall be subject to the original term of the directors.	Amended in accordance with founding Audit Committee to replace supervisors
<b>Article 17-1</b>	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;	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;	Amended in accordance with actual demand

	<p>6. Appointing and discharging the accountants who certify the financial reports for the Company;</p> <p>7. Appointing and discharging corporate officials at the level of deputy general manager and higher;</p> <p><u>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;</u></p> <p><u>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;</u></p> <p><u>10. Approving the capital expenses in an amount exceeding NT\$100,000,000;</u></p> <p><u>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;</u></p> <p><u>12. Approving material transactions between the Company and its related parties (including affiliates);</u></p>	<p>6. Appointing and discharging the accountants who certify the financial reports for the Company;</p> <p>7. Appointing and discharging corporate officials at the level of deputy general manager and higher;</p> <p><u>8. Preparing proposals for increase or decrease capital;</u></p> <p><u>9. Proposing appropriation of earnings or make up of loss;</u></p> <p><u>10. Proposing acquisition and disposal of important assets;</u></p> <p><u>11. Approving external endorsements and guarantees of company;</u></p> <p><u>12. Approving important contracts or other material matters;</u></p> <p><u>13. Other duties and powers granted by or in accordance with the Company Act or shareholders' resolutions.</u></p>	
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	<u>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;</u> <u>14. Approving important contracts or other material matters.</u>		
<b>Article 18</b>	In case the Company is unable to elect new <u>directors or supervisors</u> immediately after the expiration of the term of their office, the existing <u>directors and supervisors</u> shall continue to perform their duties until re-election within a time limit given by the competent authority.	In case the Company is unable to elect new <u>directors</u> immediately after the expiration of the term of their office, the existing <u>directors</u> shall continue to perform their duties until re-election within a time limit given by the competent authority.	
<b>Article 23</b>	<u>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.</u>	<u>In accordance with Article 14-4 of Securities and Exchange Act, the Company shall establish an Audit Committee, which consists of all independent directors. The power and relevant affairs of Audit Committee and its members shall be devised in compliance with laws and regulations of competent authority.</u>	Amended in accordance with founding Audit Committee to replace supervisors
<b>Article 27</b>	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 <u>deliver the same to the supervisors for audit thirty days before the ordinary shareholders' meeting.</u>	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 <u>deliver the same to shareholders' meeting for approval.</u>	Amended in accordance with founding Audit Committee to replace supervisors
<b>Article 28</b>	<u>If the Company is profitable, it shall set aside no less than 1% of the profit as employee compensation. Employee's</u>	<u>Annual profit before income tax, employees' compensation, and directors' remuneration shall be resolved by board of directors to</u>	Amend the sentence "If the Company is profitable"

	<p><u>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. Company shall set aside at a maximum of 3% of the profit as remuneration to directors and supervisors.</u></p> <p>The issues relevant to distribution of employee compensation and Director compensation shall be set by resolutions of the Board of Directors. If the Company has accumulated losses, it shall first deduct the accumulated losses, and then calculate the compensation from the remaining amount.</p>	<p><u>set aside no less than 1% of said profit as employee compensation and a maximum of 3% of said profit as remuneration to directors. Employee's compensation may be 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> <p>The issues relevant to distribution of employee compensation and <u>director remuneration</u> shall be set by resolutions of the Board of Directors. If the Company has accumulated losses, it shall first deduct the accumulated losses, and then calculate the compensation from the remaining amount.</p>	<p>Amended in accordance with founding Audit Committee to replace supervisors</p>
<b>Article 29</b>	<p>Upon closing of accounts, <u>if there shall be any net profit, the Company shall first pay the corporate income tax in accordance with law,</u> 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'</p>	<p>Upon closing of accounts, if <u>there shall be any net profit,</u> the Company shall 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>meeting.</u></p>	<p>Amend the word "profit"</p>

	<p>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.</p> <p>The Company may appropriate more 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.</p> <p>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.</p>	<p>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.</p> <p>The Company may appropriate more 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.</p> <p>The shareholder dividend shall be in the form of cash dividend or stock dividend. More than (or equal to) 50% of the total amount of shareholders dividend shall be in the form of cash dividend.</p>	
<b>Article 32</b>	<p>These Articles of Incorporation were adopted on 16 June 1969. The First Amendment was made on 5 November 1973. ....The 41th Amendment was made on 29 June 2015. The 42th Amendment was made on 22 June 2016.</p>	<p>These Articles of Incorporation were adopted on 16 June 1969. The First Amendment was made on 5 November 1973. ....The 41th Amendment was made on 29 June 2015. The 42th Amendment was made on 22 June 2016. <u>The 43th Amendment was made on 15 June 2017.</u></p>	Add revision date



**Taiwan Hon Chuan Enterprise Co., Ltd.**  
**“Procedures for Acquisition or Disposal of Asset”**  
**Amendment Comparison Table**

Date : 2017.06.15 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 4</b>	<p><b>Article 4 Appraisal Procedures</b></p> <p>1. In acquisition or disposal of Real Property or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless otherwise transacting with a government agency, engaging others to build on the land owned or rented by the Company, or acquiring or disposing of equipment for operating purpose, the Company (including the subsidiaries) shall obtain an appraisal report prior to the date of occurrence from a professional appraiser and shall further comply with the following provisions:</p> <p>1-1 In principle, normal price shall be the reference basis for appraisal price. Where it gives a limited price, specified price or special price, shall note whether it is in accordance with the regulation of Article 10 or 11 of Technical</p>	<p><b>Article 4 Appraisal Procedures</b></p> <p>1. In acquisition or disposal of Real Property or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless otherwise transacting with a government agency, engaging others to build on the land owned or rented by the Company, or acquiring or disposing of equipment for operating purpose, the Company (including the subsidiaries) shall obtain an appraisal report prior to the date of occurrence from a professional appraiser and shall further comply with the following provisions:</p> <p>1-1 In principle, normal price shall be the reference basis for appraisal price. Where it gives a limited price, specified price or special price, shall note whether it is in accordance with the regulation of Article 10 or 11 of Technical</p>	Amended in accordance with the applicable regulations and the foundation of Audit Committee

	<p>Standard for Land Valuation. Where due to special circumstances it is necessary to give a limited price or specified price as a reference basis for the transaction price, the transaction shall be <u>approved by the Board of Directors in advance, informed to supervisors and reported on the next shareholders' meeting.</u> The same procedure shall be followed for any future changes to the terms and conditions of the transaction. Appraisal report shall evaluate respectively the appraisal results of normal price, limited price or specified price and list in detail the limited or specified condition, and whether it meets the current condition or not. It shall also explain the reason and rationality of the discrepancy with normal price, and express clearly whether that limited price or specified price may be a reference basis for</p>	<p>Standard for Land Valuation. Where due to special circumstances it is necessary to give a limited price or specified price as a reference basis for the transaction price, the transaction shall be <u>submitted to the Audit Committee for approval in advance, and be approved by the Board of Directors</u> and reported on the next shareholders' meeting. The same procedure shall be followed for any future changes to the terms and conditions of the transaction. Appraisal report shall evaluate respectively the appraisal results of normal price, limited price or specified price and list in detail the limited or specified condition, and whether it meets the current condition or not. It shall also explain the reason and rationality of the discrepancy with normal price, and express clearly whether that limited price or specified price may be a</p>	
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	transaction price. (be omitted)	reference basis for transaction price. (be omitted)	
<b>Article 5</b>	<p><b>Article 5 Related Party Transactions</b> (be omitted)</p> <p>2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading in government bonds, bond trading with repurchase and/or reverse purchase arrangement, <u>or subscription or redemption of domestic money market funds</u>, the Company may not proceed to enter into a transaction contract and make a payment until the following matters have been <u>approved by the Board of Directors and supervisors</u>:</p> <p>(be omitted)</p> <p>2-7 Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall</p>	<p><b>Article 5 Related Party Transactions</b> (be omitted)</p> <p>2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading in government bonds, bond trading with repurchase and/or reverse purchase arrangement, <u>or subscription or redemption of domestic money market funds which issued by Domestic Securities Investment Trust Enterprises</u>, the Company may not proceed to enter into a transaction contract and make a payment until the following matters have been <u>approved by the Audit Committee and the Board of Directors</u>:</p> <p>(be omitted)</p> <p>2-7 Restrictive covenants and other important stipulations associated with the transaction.</p>	Amended in accordance with the applicable regulations and the foundation of Audit Committee

	<p>be made in accordance with Article 8-2 herein, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that <u>have been submitted to the Board of Directors for approval and approved by the supervisors</u> may be excluded. (be omitted)</p> <p>4-2 <u>The Supervisors</u> shall handle the relevant matters in accordance with Article 218 of Taiwan Company Act. (be omitted)</p>	<p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 8-2 herein, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that <u>have been approved by the Audit Committee and the Board of Directors</u> may be excluded. (be omitted)</p> <p>4-2 <u>The Audit Committee</u> shall handle the relevant matters in accordance with Article 218 of Taiwan Company Act. (be omitted)</p>	
<b>Article 7</b>	<p><b>Article 7 Merger, Spin-off, Acquisition, and transfer of shares</b></p> <p>1. The Company that conducts a merger, spin-off, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a certified public accountant, lawyer, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for discussion and approval. When participating in a</p>	<p><b>Article 7 Merger, Spin-off, Acquisition, and transfer of shares</b></p> <p>1. The Company that conducts a merger, spin-off, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a certified public accountant, lawyer, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for discussion and approval. <u>Where the Company merges</u></p>	Amended in Accordance with the applicable regulations.

	<p>merger, spin-off, acquisition or transfer of shares, the Company shall prepare a report to the shareholders that contain material contractual terms and conditions and matters relevant to the merger, spin-off or acquisition prior to the shareholders meeting and deliver to shareholders such report together with shareholders meeting notice and the expert opinion referred to in the preceding paragraph for shareholders' reference. However, the above requirement shall not apply if the merger, spin-off or acquisition is exempted by law from obtaining the shareholders' approval. Where the shareholders meeting of any one of the companies participating in a merger, spin-off or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, spin-off or acquisition shall immediately explain to the public the reason, the follow-up measures and the preliminarily scheduled date of the next shareholders' meeting.</p> <p>(be omitted)</p>	<p><u>the subsidiary, or merges between the subsidiaries, in which the Company owns, directly or indirectly, 100% of issued shares or capital; thereof shall not obtain the said opinion on the reasonableness issued by experts.</u></p> <p>When participating in a merger, spin-off, acquisition or transfer of shares, the Company shall prepare a report to the shareholders that contain material contractual terms and conditions and matters relevant to the merger, spin-off or acquisition prior to the shareholders meeting and deliver to shareholders such report together with shareholders meeting notice and the expert opinion referred to in the preceding paragraph for shareholders' reference. However, the above requirement shall not apply if the merger, spin-off or acquisition is exempted by law from obtaining the shareholders' approval. Where the shareholders meeting of any one of the companies participating in a merger, spin-off or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the shareholders' meeting, the companies participating in the</p>	
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		merger, spin-off or acquisition shall immediately explain to the public the reason, the follow-up measures and the preliminarily scheduled date of the next shareholders' meeting. (be omitted)	
<b>Article 8</b>	<b>Article 8 The procedures for Public Announcement</b> Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by laws and regulations within two days commencing immediately from the Date of Occurrence: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this requirement shall not apply to transactions of selling or purchasing government bonds or bonds with call or put options, or subscription or redemption of domestic money market funds.	<b>Article 8 The procedures for Public Announcement</b> Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by laws and regulations within two days commencing immediately from the Date of Occurrence: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this requirement shall not apply to transactions of selling or purchasing government bonds or bonds with call or put options, or subscription or redemption of domestic money market funds <u>which</u>	Amended in Accordance with the applicable regulations.

	<p>(be omitted)</p> <p>4. Where an asset transaction other than any of those referred to in the previous 3 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>4-1 Trading of government bonds.</p> <p>4-2 Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</p> <p>4-3 Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>4-4 Where the type of asset acquired or disposed is equipment for operating purpose, the transaction counterparty is not a</p>	<p><u>issued by Domestic Securities Investment Trust Enterprises.</u></p> <p>(be omitted)</p> <p>4. Where the type of asset acquired or disposed is equipment for operating purpose, the transaction counterparty is not a related party, and the transaction amount meets one of the following provision:</p> <p>4-1 While the Company's paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>4-2 While the Company's paid-in capital is more than NT\$10 billion, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is more than NT\$500 million.</p> <p>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of</p>	
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	<p>related party, and the transaction amount is less than NT\$500 million.</p> <p>4-5 Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>4-6 Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>5. The original contract of transaction has conditions of alternation, expiration or dismission.</p> <p>6. Merger, demerger, acquisition, or transfer of</p>	<p>housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the previous 6 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>7-1 Trading of government bonds.</p> <p>7-2 Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a</p>	
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	<p>shares is not finished as expected date of the contract.</p> <p>7. The original content of announcement and report has changed.</p> <p>(be omitted)</p> <p>The Company shall compile monthly reports on the status of derivatives products trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, <u>all the items shall be again publicly announced and reported.</u></p>	<p>securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>7-3 Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds which issued by Domestic Securities Investment Trust Enterprises.</p> <p>(be omitted)</p> <p>The Company shall compile monthly reports on the status of derivatives products trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, <u>all the items shall be again publicly</u></p>	
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		<u>announced and reported within 2 days commencing immediately from the Date of Awareness.</u>	
<b>Article 11</b>	<p><b>Article 11</b></p> <p>1. The Procedures and other provisions which in accordance with the laws shall be approved by the Board of Directors. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to all supervisors.</p> <p>2. If the Company has elected independent directors in accordance with relevant law, when the Procedures are submitted to board of directors' meeting for discussion as required by preceding paragraph, the Board of Directors shall fully take each independent director's opinions into consideration. 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.</p> <p>The Procedures shall be submitted to the Board of Directors for further approval and reported to the most recent shareholders' meeting for approval. The same applies when the procedures are amended.</p>	<p><b>Article 11</b></p> <p>1. The Procedures shall be approved by the Audit Committee and submitted to the Board of Directors for further approval and reported to the most recent shareholders' meeting for approval. The same applies when the procedures are amended. If a director holds dissenting opinions of Company's matters and there were records for it or in written statement, the Company shall submit materials of the director's dissenting opinions to the shareholders' meeting for discussion.</p> <p>2. If the Company has elected independent directors in accordance with relevant law, when the Procedures are submitted to board of directors' meeting for discussion as required by preceding paragraph, the Board of Directors shall fully take each independent director's opinions into consideration. 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.</p>	Amended in accordance with the applicable regulations and the foundation of Audit Committee

**Taiwan Hon Chuan Enterprise Co., Ltd.**  
**“Rules and Procedures for Shareholders' Meeting”**  
**Amendment Comparison Table**

Date : 2017.06.15 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 16</b>	<p>Unless otherwise provided by the Company Act or 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.</p> <p>A motion may be resolve 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.</p> <p>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 <u>directors or supervisors</u> at a shareholders meeting shall be held in accordance with the applicable</p>	<p>Unless otherwise provided by the Company Act or 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.</p> <p>A motion may be resolve 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.</p> <p>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 <u>directors</u> at a shareholders meeting shall be held in accordance with the applicable election and</p>	Amended in accordance with founding Audit Committee

	<p>election and appointment rules adopted by The Company, and the voting results shall be announced on-site immediately, including the names of those elected as <u>directors or supervisors</u> and the numbers of votes with which they were elected.</p>	<p>appointment rules adopted by The Company, and the voting results shall be announced on-site immediately, including the names of those elected as <u>directors</u> and the numbers of votes with which they were elected.</p>	
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# Taiwan Hon Chuan Enterprise Co., Ltd.

## “Procedures for Election of Directors” Amendment

### Comparison Table

Date : 2017.06.15 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Title</b>	<b>Procedures for Election of Directors and Supervisors</b>	<b>Procedures for Election of Directors</b>	Amended in accordance with Articles of Incorporation
<b>Article 1</b>	Election of <u>directors and supervisors</u> shall be conducted in accordance with relevant laws and the procedures specified herein.	Election of <u>directors</u> shall be conducted in accordance with relevant laws and the procedures specified herein.	Amended in accordance with Articles of Incorporation
<b>Article 2</b>	Election of <u>directors and supervisors</u> shall be held at the shareholders' meeting.	Election of <u>directors</u> shall be held at the shareholders' meeting.	Amended in accordance with Articles of Incorporation
<b>Article 3</b>	Any shareholder with full legal capacity may be elected to be <u>directors or supervisors</u> of the Company in accordance with the procedures specified herein.	Any shareholder with full legal capacity may be elected to be <u>directors</u> of the Company in accordance with the procedures specified herein.	Amended in accordance with Articles of Incorporation
<b>Article 4</b>	The registered cumulative voting method shall be used for election of <u>the directors and supervisors</u> . The name of voter may be replaced with the attendance card serial numbers printed on the ballots. Each share shall have voting rights equivalent to the number of seats to be elected and such voting rights can be combined to vote for one candidate or divided to vote for several candidates.	The registered cumulative voting method shall be used for election of <u>the directors</u> . The name of voter may be replaced with the attendance card serial numbers printed on the ballots. Each share shall have voting rights equivalent to the number of seats to be elected and such voting rights can be combined to vote for one candidate or divided to vote for several candidates. <u>The elections of independent</u>	Amended in accordance with Articles of Incorporation

		<u>directors and non-independent directors shall be conducted at the same time, but the numbers to be elected shall be separately calculated.</u>	
<b>Article 5</b>	<p>Based upon the number of vacancy in positions specified in the Articles of Incorporation, <u>candidates with the higher number of votes shall be elected as directors or supervisors respectively.</u> When two or more candidates receive the same number of votes, thus exceeding the specified number of positions, such candidates shall draw lots to determine the winner, and the Chairman shall draws lots on behalf of any candidate not in attendance.</p> <p><u>If being elected as directors and supervisors at the same time, the candidate shall waive one of the positions. The candidate whose numbers of votes is second highest shall fill the vacancy.</u></p>	<p>Based upon the number of vacancy in positions specified in the Articles of Incorporation, <u>candidates with the higher number of votes shall be elected as independent directors or directors respectively.</u> When two or more candidates receive the same number of votes, thus exceeding the specified number of positions, such candidates shall draw lots to determine the winner, and the Chairman shall draws lots on behalf of any candidate not in attendance.</p>	Amended in accordance with Articles of Incorporation

# Taiwan Hon Chuan Enterprise Co., Ltd.

## “Procedures for Loaning of Company Funds to Other Parties”

### Amendment Comparison Table

Date : 2017.06.15 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 8</b>	<p>2. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify <u>all the supervisors</u> in writing of any material violation found. For any major violation, managers and personnel in charge shall be punished.</p> <p>3. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to <u>all the supervisors</u>, and shall complete the rectification according to the timeframe set out in the plan.</p>	<p>2. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify <u>Audit Committee</u> in writing of any material violation found. For any major violation, managers and personnel in charge shall be punished.</p> <p>3. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to <u>Audit Committee</u>, and shall complete the rectification according to the timeframe set out in the plan.</p>	Amended in accordance with founding Audit Committee
<b>Article 10</b>	<p>3. Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in</p>	<p>3. Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in</p>	

	<p>compliance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and the company's Operational Procedures for Loaning Funds to Others. The company may loan funds to others only after the evaluation results under this paragraph and Article 5-3_ <u>have been resolved by the board of directors</u>. The company shall not empower any other person to make such decision.</p>	<p>compliance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and the company's Operational Procedures for Loaning Funds to Others. The company may loan funds to others only after the evaluation results under this paragraph and Article 5-3_ <u>have been approved by Audit Committee and resolved by the board of directors</u>. The company shall not empower any other person to make such decision.</p>	
<b>Article 11</b>	<p>The Company shall formulate its Operational Procedures for Loaning Funds which implements <u>after approved by the board of directors, submitted to all the supervisors and resolved by shareholders' meeting</u>. The same <u>shall apply to any amendments to the Procedures</u>. Where any director expresses dissent and it is contained in the minutes or a written statement, the company shall <u>submit the dissenting opinion to all supervisors and the shareholders' meeting for discussion</u>.</p>	<p>The Company shall formulate its Operational Procedures for Loaning Funds which <u>shall be implemented after being approved by the Audit Committee and subsequently approved by the Board and the shareholders' meeting</u>. Any amendment is <u>subject to the same procedure</u>. Where any director expresses dissent and it is contained in the minutes or a written statement, the company shall <u>submit the dissenting opinion for discussion by the shareholders' meeting</u>.</p>	



**Taiwan Hon Chuan Enterprise Co., Ltd.**  
**“Procedures for Endorsements and Guarantees”**  
**Amendment Comparison Table**

Date : 2017.06.15 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 4</b>	8. In case the above limits have to be exceeded to accommodate business needs, <u>the approval from the Board of Directors should be obtained</u> and over half of all the directors should jointly endorse the potential loss that may be brought about by excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.	8. In case the above limits have to be exceeded to accommodate business needs, <u>the approval from the Audit Committee and a resolution of the Board of Directors should be obtained</u> and over half of all the directors should jointly endorse the potential loss that may be brought about by excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.	Amended in accordance with founding Audit Committee
<b>Article 5</b>	4. If, due to changes of circumstances, the entity for which an endorsement/guarantee is made no longer meets the criteria set forth herein, or the amount of endorsement/guarantee exceeds the limits, the Company shall provide a corrective plan and submit to <u>all supervisors</u> , and the	4. If, due to changes of circumstances, the entity for which an endorsement/guarantee is made no longer meets the criteria set forth herein, or the amount of endorsement/guarantee exceeds the limits, the Company shall provide a corrective plan and submit to <u>the Audit Committee</u> , and the	Amended in accordance with founding Audit Committee

	<p>proposed correction actions shall be implemented within the period specified in the plan.</p> <p>6. When the net worth of a subsidiary for which the Company provides endorsements and/or guarantees is less than 50% of its paid-in capital, the Company shall provide a corrective plan and submit to <u>all supervisors</u>, and the proposed correction actions shall be implemented within the period specified in the plan.</p>	<p>proposed correction actions shall be implemented within the period specified in the plan.</p> <p>6. When the net worth of a subsidiary for which the Company provides endorsements and/or guarantees is less than 50% of its paid-in capital, the Company shall provide a corrective plan and submit to <u>the Audit Committee</u>, and the proposed correction actions shall be implemented within the period specified in the plan.</p>	
<b>Article 6</b>	<p>1. Internal auditors shall perform the audit on the Company's endorsement/guarantee profile every quarter and produce written auditing reports. In the case a material violation is found, internal auditor shall immediately notify <u>all supervisors</u>.</p>	<p>1. Internal auditors shall perform the audit on the Company's endorsement/guarantee profile every quarter and produce written auditing reports. In the case a material violation is found, internal auditor shall immediately notify <u>the Audit Committee</u>.</p>	Amended in accordance with founding Audit Committee
<b>Article 9</b>	<p>3. <u>The Procedures and any amendment thereof shall be implemented after being approved by the Board of Directors, submitted to all supervisors and subsequently approved by the Shareholders' Meeting. If any director objects to any provision of the Procedures or any amendment thereto and such objection is recorded in the meeting minutes or written statement, the Company shall submit such documents regarding the directors' objection to all</u></p>	<p>3. <u>The Procedures and any amendment thereof shall be implemented after being approved by the Audit Committee and subsequently approved by the Board of Directors and the Shareholders' Meeting. If any director objects to any provision of the Procedures or any amendment thereto and such objection is recorded in the meeting minutes or written statement, the Company shall submit such documents regarding the directors'</u></p>	Amended in accordance with founding Audit Committee

	<u>supervisors and the</u> <u>Shareholders' Meeting for</u> <u>discussion.</u>	<u>objection to the Shareholders'</u> <u>Meeting for discussion.</u>	
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# Taiwan Hon Chuan Enterprise Co., Ltd.

## “Procedures for Trading Derivatives”

### Amendment Comparison Table

Date : 2017.06.15 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 1</b>	<b>Article 1 Objective</b> 1. Procedures for Trading Derivatives (“Procedures”) are enacted to establish the risk management and internal control system for derivative transactions, in order to fulfill information disclosure and protect investors. 2. <u>These operating procedures are adopted in accordance with the provisions which promulgated by Securities and Futures Commission of Ministry of Finance (SFC), per Letter Ref. No. (91)-Taiwan-Finance-Securities (I)- 0910006105 Dated Dec 10, 2002.</u>	<b>Article 1 Objective</b> Procedures for Trading Derivatives (“Procedures”) are enacted to establish the risk management and internal control system for derivative transactions, in order to fulfill information disclosure and protect investors.	
<b>Article 2</b>	5. Total amount of contract and the upper limit of loss 5-1 Total amount of contract <u>The total amount of contract related to hedging operation of foreign exchange shall not exceed the import/export foreign exchange position from yearly financial forecasts. Any excess shall be approved by the Board of Directors.</u>	5. Total amount of contract and the upper limit of loss 5-1 Total amount of contract <u>The total amount of contract shall take the net position of current and expected assets and liabilities of the Company as the upper limit.</u> 5-2 The upper limit of loss <u>Regarding hedging transactions, the upper limit of loss is 20% of</u>	

	<p>5-2 The upper limit of loss <u>Regarding hedging transactions, the upper limit of loss is 5% of the contract amount for all contracts in aggregate, and for any individual contract, the upper limit of loss is 10% of individual contract.</u></p>	<p><u>the contract amount for any individual contract or for all contracts in aggregate.</u></p>	
<b>Article 4</b>	<p>The Company shall report and make a public announcement of the derivative transactions <u>in accordance with the provision promulgated by Securities and Futures Commission of Ministry of Finance.</u></p>	<p>The Company shall report and make a public announcement of the derivative transactions <u>engaged by it and its subsidiary which is not domestic public company every month in accordance with relevant regulations.</u></p>	
<b>Article 6</b>	<p>4. Derivatives positions held shall be evaluated at least once <u>per week</u>; however, Derivatives transactions required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior executives authorized by the Board of Directors.</p>	<p>4. Derivatives positions held shall be evaluated at least once <u>per month</u>; however, Derivatives transactions required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior executives authorized by the Board of Directors.</p>	
<b>Article 7</b>	<p>The internal auditor shall periodically evaluate the suitability of internal controls in connection with derivative transactions and conduct monthly audit on how well related departments adhere to the Procedures and prepare an audit report. If any major violation is discovered, a written report is needed to notify <u>all supervisors</u> and personnel in charge shall be punished.</p>	<p>The internal auditor shall periodically evaluate the suitability of internal controls in connection with derivative transactions and conduct monthly audit on how well related departments adhere to the Procedures and prepare an audit report. If any major violation is discovered, a written report is needed to notify <u>Audit Committee</u> and personnel in charge shall be punished.</p>	
<b>Article 8</b>	<p>1. The Procedures shall be</p>	<p>1. The Procedures shall be</p>	

	<p><u>resolved by the Board of Directors, submitted to all supervisors and reported on the shareholders' meeting for approval. If any director expresses objection on the record or in written statement, the Company shall submit such documents regarding the directors' objection to all supervisors and the Shareholders' Meeting for discussion. The same procedure applies to any future amendments.</u></p>	<p><u>approved by Audit Committee, resolved by the Board of Directors and reported on the shareholders' meeting for approval. The same procedure applies to any future amendments. If any director expresses objection on the record or in written statement, the Company shall record in the minutes of the Board of Directors' meeting.</u></p>	
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## The Slate of Director Candidates

Name	Main education	Main Experience	Concurrent Position	Shareholding
Dai, Hung Chuan	(1) Master Degree in Structural Engineering, University of California, Berkeley, U.S.A (2) MBA, Columbia University, U.S.A (3) Bachelor Degree in Civil Engineering, National Taiwan University, Taiwan	(1) Chairman of HON CHUAN (2) A Chartered Structural and Civil Engineer in ROC (3) Technical Specialist of Public Works Department, Taichung City Government (4) Associated Technical Specialist of Construction Management Division, Construction and Planning Agency Ministry of the Interior	Chairman of HON CHUAN	3,665,019
Tsao, Hsih Chung	(1) Elite Presidents' Camp of Peking University, China (2) Sun Yat-Sen Institute of Policy Research and Development (the tenth term) (3) Wharton School of the University of Pennsylvania, U.S.A	(1) General manager of HON CHUAN (2) The recipient of the 13th China Youth Career Initiation Honor Award (3) The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2000	(1) General manager and President of HON CHUAN (2) Chairman of Hsih-Yueh Development Co., Ltd. (3) The 13 <sup>th</sup> Director of Cultural and Educational Foundation, Taichung City	4,372,243
Chang, Chun Shu	Graduated from National Taichung Institute of Commerce, Taiwan	Director of HON CHUAN	Director of HON CHUAN	2,667,234
Dai, Hong I	Master Degree in urban design, University of Sydney, Australia	A Chartered Architect in ROC	(1) Director of HON CHUAN (2) Dai Hongyi Architects (3) Chairman of Ren Sun Construction Co., Ltd. (4) A member of Urban design advisory committee, Taichung City (5) Assistant professor, Department of Landscape design, National Chin-Yi University of Technology	5,890,111

			(6) An arbitrator of Chinese Arbitration Association, Taipei	
Lin, Chuan Nui	Research class of General manager, Tunghai University, Taiwan	Vice General manager of HON CHUAN	Director of HON CHUAN	2,780,795
Liu, Yun Chang	(1) Department of Distribution Management, National Chin-Yi University of Technology, Taiwan (2) EMBA, Beijing University, China	(1) The Outstanding Enterprise Manager Award Of R.O.C in 1995 (2) The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2002 (3) The Distinguished Alumni Award of National Chin-Yi University of Technology in 2010	Vice President of HON CHUAN	689,303



## The Slate of Independent Director Candidates

Name	Main education	Main Experience	Concurrent Position	Shareholding
Hung, Chao Nan	Master Degree in Politics, Arkansas State University, U.S.A	(1) The 4th member of the Control Yuan (2008-2014) (2) Legislator, reappointment for 8 times, Chungkuo Kuomintang (1981-2005)	None	0
Huang, Hsiang Ying	(1) Ph. D. in Cameralistics and Economics, Central University of Finance and Economics, Peking, China (2) Master Degree in Accounting, National Chengchi University, Taiwan (3) Bachelor Degree in Accounting, Fu Jen Catholic University, Taiwan	(1) Partnership Accountant of BDO Taiwan Joint Accounting Firm (2) Lecturer in Ling Tung University and Tunghai University, Taiwan; Lecturer, Department of Finance in Chaoyang University of Technology, Taiwan (3) Independent director of Sino-American Silicon Products Inc. (4) Deputy Section Manager of Finance Division, Administration Department of The Far Eastern Group	(1) Partnership Accountant of EnWise CPAs & Co. (2) A member of Remuneration Committee in Lelon Electronics Corp. (3) A member of Remuneration Committee in Liton Technology Corp. (4) Independent director of Quaser Machine tools Inc.	0
Kung, Yi-Lu	(1) Master Degree in Accounting, Soochow University, Taiwan (2) Department of Business Administration, Tamkang University, Taiwan	Assistant general manager of CDIB Capital Group	Auditor general of King's Town Bank	0

## 4 、 Appendix

### Appendix 1

# **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 Supervisor****Article 16**

The Company shall have seven to nine directors and three supervisors, all to be elected by shareholders with full legal capacity and with the election be done through the candidate nomination system for a term of three years and shall be eligible for re-election.

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.

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.

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**

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.

Company shall set aside at a maximum of 3% of the profit as remuneration to directors and supervisors.

The issues relevant to distribution of employee compensation and Director compensation shall be set by resolutions of the Board of Directors.



If the Company has accumulated losses, it shall first deduct the accumulated losses, and then calculate the compensation from the remaining amount.

#### **Article 29**

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'

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.

The Company may appropriate more 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.

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.

### **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.  
The 42th Amendment was made on 22 June 2016.

# Taiwan Hon Chuan Enterprise Co., Ltd.

## Procedures for Acquisition or Disposal of Assets (Original)

### Article 1

The “Procedures for Acquisition or Disposal of Assets” (“Procedures”) are adopted and amended in accordance with the provisions of Article 36-1 of the Securities and Exchange Act, and the provisions of No.1020053073 of the Financial Supervisory Commission on 30th December 2013.

### Article 2 Scope of Assets

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives products.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

### Article 3 Operation Procedures

1. Authority Levels and Transaction Process  
Before acquisition or disposal of the said assets, the Company shall estimate and approve in accordance with regulations of internal control policy of the Company. The units responsible for implementation shall submit the reason of acquisition or disposal, property analysis, counterpart of the transaction and price reference, which are in accordance with related acquisition or disposal evaluation, to general manager for decision. The Company's acquisition or disposal of the said assets shall be approved by the Board of Directors. The general manager may be authorized for a certain monetary limit, which shall be ratified subsequently by the Board of Directors.
2. Division Responsible for Implementation
  - 2-1 Acquisition or disposal of long-term or short-term securities: Finance Department or other related Department.

2-2 Acquisition or disposal of real estate and equipment: General Affairs Department, Finance Department or other related Department.

3. Authorized Amounts

- 3-1 The total amount of purchasing real property for non-operating purpose shall not exceed 20% of the shareholders' equity of the Company.
- 3-2 The total amount of investing long-term or short-term securities shall not exceed 50% of the shareholders' equity of the Company.
- 3-3 The total amount of investing in any individual security shall not exceed 20% of the shareholders' equity of the Company.
- 3-4 For any subsidiary of the Company, the upper limits on total amount of purchasing real property for non-operating purpose or total amount of investing long-term or short-term securities, and total amount of investing in any individual security shall be the same as those of the Company.

**Article 4 Appraisal Procedures**

- 1. In acquisition or disposal of Real Property or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless otherwise transacting with a government agency, engaging others to build on the land owned or rented by the Company, or acquiring or disposing of equipment for operating purpose, the Company (including the subsidiaries) shall obtain an appraisal report prior to the date of occurrence from a professional appraiser and shall further comply with the following provisions:
  - 1-1 In principle, normal price shall be the reference basis for appraisal price. Where it gives a limited price, specified price or special price, shall note whether it is in accordance with the regulation of Article 10 or 11 of Technical Standard for Land Valuation. Where due to special circumstances it is necessary to give a limited price or specified price as a reference basis for the transaction price, the transaction shall be approved by the Board of Directors in advance, informed to supervisors and reported on the next shareholders' meeting. The same procedure shall be followed for any future changes to the terms and conditions of the transaction. Appraisal report shall evaluate respectively the appraisal results of normal price, limited price or specified price and list in detail the limited or specified condition, and whether it meets the current condition or not. It shall also explain the reason and rationality of the discrepancy with normal price, and express clearly whether that limited price or specified price may be a reference basis for transaction price.
  - 1-2 If the discrepancy between the appraisal result of professional appraiser and the transaction amount reaches 20% or more of the transaction amount, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, the Company should request a certified public accountant

to handle the matter in accordance with the provision of Auditing Standard No.20 Article 13 and comment on the reason for the discrepancy and the fairness of the transaction amount. The discrepancy between the appraisal result and the transaction amount should be calculated based on the transaction amount.

- 1-3 Where the transaction amount reaches NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. If the discrepancy between the appraisal results of two or more professional appraisers reaches 10% or more of the transaction amount, or the discrepancy between the appraisal result and the transaction amount reaches 20% or more of the transaction amount, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, the Company should request a certified public accountant to handle the matter in accordance with the provision of Auditing Standard No.20 Article 13 and comment on the reason for the discrepancy and the fairness of the transaction amount.
- 1-4 No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and execution date of the contract; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- 1-5 Except where a limited price or specified price as the reference basis for the transaction price, an appraisal report or the certified public accountant's opinion under subparagraph 2.3 of the preceding paragraph, if not obtained for some legitimate reasons, shall be obtained within 2 weeks counting inclusively from the date of occurrence. Also, the Company shall announce subsequently the original price and appraisal results. In circumstance of subparagraph 2.3 of the preceding paragraph, the Company shall also announce the reasons of discrepancy and the certified public accountant's opinions.
- 1-6 In case the appraisal institute issues "Current Value Evaluation Report" or "Evaluation Report" to replace appraisal report, the content shall still in accordance with the provisions of preceding appraisal report.
- 1-7 Appointed appraisal institute and its appraisers shall not be the related party or substantial related party which defined in Statement of Auditing Standards No.6 to transaction counterpart.

- 2. The latest financial statements of the target company audited or reviewed by the certified public accountants shall be obtained prior to occurrence of the event for use as a reference to determine the transaction price of any acquisition or disposal of the securities.

If one of the following circumstances exists, A certified public accountant shall be retained to issue a fairness opinion on the transaction price prior to occurrence of such event, if the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more: the certified public accountant shall carry out in accordance with the provisions

of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation of the Republic of China (ARDF).

2-1 Acquisition or disposal of securities which is not purchased and sold in Taiwan Stock Exchange Corporation or traded in any securities dealer's business premises.

2-2 Acquisition or disposal of private placements of securities.

3. Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless otherwise transacting with a government agency, the Company shall engage a certified public accountant prior to the Date of Occurrence to render an opinion on the reasonableness of the transaction price.
4. Where the Company acquires or disposes of assets through court auction procedures, the appraisal report or the certified public accountant's opinion can be replaced by documents issued by the courts.
5. The professional appraisers and its officers, the certified public accounts, the lawyers, and securities underwriters that provide the Company with appraisal reports or opinions shall not be a related party of any party to the transaction.
6. The transaction amounts referred to in the preceding paragraph shall be calculated in accordance with Article 8-2 herein, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a certified public accountant's opinion has been obtained may be excluded.

## **Article 5 Related Party Transactions**

1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions. The calculation of the transaction amounts referred to in the preceding articles shall be made in accordance with Article 8-2 herein, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a certified public accountant's opinion has been obtained may be excluded.
2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading in government bonds, bond trading with repurchase and/or reverse purchase arrangement, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract and make a payment until the following matters have been approved by the Board of Directors and supervisors:

- 2-1 The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- 2-2 The reason for choosing the related party as a trading counterparty.
- 2-3 Information regarding the evaluation of the reasonableness of the preliminary transaction terms in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
- 2-4 The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to this Company and the related party.
- 2-5 Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- 2-6 An appraisal report from a professional appraiser or an opinion by the certified public accountant obtained in compliance with the preceding article.
- 2-7 Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 8-2 herein, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the Board of Directors for approval and approved by the supervisors may be excluded.

With respect to the acquisition or disposal of equipment for operating purpose between the Company and its subsidiaries, the Board of Directors may pursuant to Article 3-1 delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified at the next Board of Directors' meeting.

- 3. The Company that acquires real property from a related party, if one of the following circumstances exists, shall evaluate the reasonableness of the transaction costs in accordance with the relevant provisions. Except the following conditions, the Company shall engage a certified public accountant to check the appraisal and render a specific opinion:
  - 3-1 The related party acquires real estate through inheritance or as a gift.
  - 3-2 More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
  - 3-3 The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.
- 4. Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with the relevant provisions are both lower than the transaction price, the following steps shall be taken:
  - 4-1 A special reserve shall be set aside in accordance with regulations against the difference between the real property transaction price and the appraised cost, and

may not be distributed or used for capital increase or issuance of bonus shares. If the Company's investor is a public company that uses the equity method to account for its investment in the Company, a special reserve shall be also set aside pro rata in a proportion consistent with such investor's shareholding in the Company.

4-2 The Supervisors shall handle the relevant matters in accordance with Article 218 of Taiwan Company Act.

4-3 Actions taken pursuant to subparagraph 1 and 2 of this Article shall be reported to the shareholders' meeting, and the details of the transactions shall be disclosed in the annual report and the prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the real property it purchased at a premium or such real property has been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and Financial Supervisory Commission(FSC) has given its consent.

When the Company obtains real property from a related party, it shall also comply with this Article if there is other evidence indicating that the acquisition was not an arms' length transaction.

#### **Article 6 Transaction of Derivatives Products**

The Company's derivatives transactions shall be in compliance with the Company's "Procedures for Trading Derivatives".

#### **Article 7 Merger, Spin-off, Acquisition, and transfer of shares**

1. The Company that conducts a merger, spin-off, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a certified public accountant, lawyer, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for discussion and approval.

When participating in a merger, spin-off, acquisition or transfer of shares, the Company shall prepare a report to the shareholders that contain material contractual terms and conditions and matters relevant to the merger, spin-off or acquisition prior to the shareholders meeting and deliver to shareholders such report together with shareholders meeting notice and the expert opinion referred to in the preceding paragraph for shareholders' reference. However, the above requirement shall not apply if the merger, spin-off or acquisition is exempted by law from obtaining the shareholders' approval. Where the shareholders meeting of any one of the companies participating in a merger, spin-off or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, spin-off or acquisition



shall immediately explain to the public the reason, the follow-up measures and the preliminarily scheduled date of the next shareholders' meeting.

2. The Company shall convene the Board of Directors' meeting and the shareholders' meeting on the same date(s) to resolve matters relevant to the merger, spin-off or acquisition, unless other applicable laws provide otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, spin-off, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on the OTC market shall prepare a full written record of the following information and keep it for five years for reference:

- 2-1 Basic identification of personnel: Including the job titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, spin-off, acquisition, or transfer of another company's shares prior to disclosure of the information.
- 2-2 Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors' meeting.
- 2-3 Important documents and meeting minutes: Including merger, spin-off, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of the Board of Directors' meeting.

When participating in a merger, spin-off, acquisition, or transfer of shares, the Company that is listed on an exchange or has its shares traded on the OTC market shall, within 2 days commencing immediately from the date of a passage of the resolution by the Board of Directors, submit the information set out in subparagraphs 1 and 2 of the preceding paragraph in the prescribed format and via the Internet-based information system to the FSC for reference.

Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is neither listed on an exchange nor has its shares traded on the OTC market, the Company shall sign a contract with such company(ies) whose shares are not listed or traded and shall abide by this provision.

3. When participating in a merger, spin-off, acquisition, or transfer of shares, the Company may not arbitrarily amend the share exchange ratio or acquisition prices unless under the circumstances listed below, and shall stipulate the circumstances permitting amendment in the contract for the merger, spin-off, acquisition, or transfer of shares:
  - 3-1 Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
  - 3-2 An action which affects the Company's financial condition and business operations, such as disposal of major assets.
  - 3-3 An event which affects shareholders equity or share prices, such as a major disaster or major change in technology.
  - 3-4 An adjustment which is made by any of the companies, who participates in the

merger, spin-off, acquisition, or transfer of shares from another company, buys back treasury stock.

3-5 An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or transfer of shares.

3-6 Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

The Contract of merger, spin-off, acquisition, or transfer of shares shall record relevant matters in accordance with provisions, in order to protect interests of participating companies.

## **Article 8 The procedures for Public Announcement**

Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by laws and regulations within two days commencing immediately from the Date of Occurrence:

1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this requirement shall not apply to transactions of selling or purchasing government bonds or bonds with call or put options, or subscription or redemption of domestic money market funds.
2. Engaging in merger, spin-off, acquisition, or transfer of shares.
3. Losses from derivatives products transactions reaching the limits on aggregate losses or losses on individual contracts as provided in relevant procedures by the Company.
4. Where an asset transaction other than any of those referred to in the previous 3 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:

4-1 Trading of government bonds.

4-2 Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.

4-3 Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.

4-4 Where the type of asset acquired or disposed is equipment for operating purpose, the transaction counterparty is not a related party, and the transaction amount is less than NT\$500 million.

4-5 Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.

4-6 Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and

allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.

5. The original contract of transaction has conditions of alternation, expiration or dismissal.
6. Merger, demerger, acquisition, or transfer of shares is not finished as expected date of the contract.
7. The original content of announcement and report has changed.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of asset with the same trading counterparty within one year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.

"Within one year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives products trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported.

The relevant contracts, meeting minutes, log books, appraisal reports and opinions of the CPA, lawyer and securities underwriter in connection with the Company's acquisition or disposal of assets shall be kept at the Company for at least five years, unless otherwise provided by applicable laws.

## **Article 9 Reporting Matters of Subsidiary**

1. The Company's subsidiary shall abide by the provisions of the parent company while making acquisition or disposal.
2. Information required be publicly announcing and reporting in accordance with the provisions of Article 8 on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the parent company.
3. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary requires a public announcement and regulatory filing in the

event the type of transaction specified therein reaches 20% of the Company's paid-in capital or 10% of the Company's total assets.

"The subsidiary" refers to the investee company in which the Company owns directly 50% or more of issued voting shares; or each investee company in which the Company, through the subsidiary, owns indirectly 50% or more of issued voting shares, others and so on; or each investee company in which the Company owns directly and, through the subsidiary, indirectly 50% or more of issued voting shares, others and so on.

#### **Article 10**

Matters not provided herein shall be governed by the relevant laws and regulations and relevant internal rules of the Company.

#### **Article 11**

1. The Procedures and other provisions which in accordance with the laws shall be approved by the Board of Directors. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to all supervisors.
2. If the Company has elected independent directors in accordance with relevant law, when the Procedures are submitted to board of directors' meeting for discussion as required by preceding paragraph, the Board of Directors shall fully take each independent director's opinions into consideration. 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.

The Procedures shall be submitted to the Board of Directors for further approval and reported to the most recent shareholders' meeting for approval. The same applies when the procedures are amended.

# **Taiwan Hon Chuan Enterprise Co., Ltd**

## **Rules and Procedures for Shareholders' Meeting (Original)**

### **Article 1**

Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with the Rules and Procedures for Shareholders' Meeting ("Rules"). Any matters not provided herein shall be handled in accordance with the Articles of Incorporation, Company Law, and other relevant laws and regulation.

### **Article 2**

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

### **Article 3**

The Company shall specify in its shareholders' meeting notices the time to register for the Meeting, the place to register for attendance, and other matters for attention.

The time for shareholders to register, as stated in the preceding paragraph, shall start at least 30 minutes prior to the time the Meeting commences. The place for registration shall be clearly marked and a sufficient number of qualified staffs shall be 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. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall prepare an attendance book for shareholders to sign, or attending shareholders may hand in a sign-in card in lieu of signing on the attendance book.

When the government or a legal entity is a shareholder, it may be represented by more than one representative at Meeting.

When a legal entity is appointed to attend as proxy, it may designate only one representative to attend 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 Law of the Republic of China. The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the Company Law of the Republic of China.

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 Law of the Republic of China.

#### **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 motions enumerated on the agenda, any new motion, or any amendment or alternative for one motion shall be seconded by other shareholders.

#### **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. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors or one of the Directors shall preside at the Meeting.

In the event that another person is entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting.

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 fully aware of the Company's financial standing. This same provision is equally mutatis mutandis applicable to an event where the chairperson is the representative of an institutional or corporate director.

#### **Article 10**

The Company may invite its lawyers, CPAs or other related persons to attend the Meeting. The staff 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 an amendment or alternative for one motion, the chairman may combine the amendment or alternative into the original motion, and decide the orders for resolution. If any one of them has been resolved, the others shall be deemed rejected and no further voting is necessary.

#### **Article 14**

The person(s) supervising the casting of votes and counting the ballots shall be appointed by the chairman. The person(s) supervising the casting of votes shall be a shareholder(s). The result of voting shall be announced at the Meeting and written into records.

**Article 15**

The Company, beginning from the time it accepts shareholders' 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 or 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 The Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors or 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.**

## **Procedures for Election of Directors and Supervisors (Original)**

### **Article 1**

Election of directors and supervisors shall be conducted in accordance with relevant laws and the procedures specified herein.

### **Article 2**

Election of directors and supervisors shall be held at the shareholders' meeting.

### **Article 3**

Any shareholder with full legal capacity may be elected to be directors or supervisors of the Company in accordance with the procedures specified herein.

### **Article 4**

The registered cumulative voting method shall be used for election of the directors and supervisors. The name of voter may be replaced with the attendance card serial numbers printed on the ballots. Each share shall have voting rights equivalent to the number of seats to be elected and such voting rights can be combined to vote for one candidate or divided to vote for several candidates.

### **Article 5**

Based upon the number of vacancy in positions specified in the Articles of Incorporation, candidates with the higher number of votes shall be elected as directors or supervisors respectively, When two or more candidates receive the same number of votes, thus exceeding the specified number of positions, such candidates shall draw lots to determine the winner, and the Chairman shall draw lots on behalf of any candidate not in attendance. If being elected as directors and supervisors at the same time, the candidate shall waive one of the positions. The candidate whose numbers of votes is second highest shall fill the vacancy.

### **Article 6**

The board of directors shall prepare ballots on which should affix company seal. Attendance card numbers and the number of voting rights of voting shareholders shall be specified on the ballots as well.

### **Article 7**

Before the election begins, the Chairman shall appoint several persons to check and count the ballots.

## **Article 8**

The ballot boxes used for the voting shall be prepared by the board of directors and are checked in public by the persons described in Article 7 before voting.

## **Article 9**

If a candidate is a shareholder, a voter must fill in the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall fill in the candidate's full name and identity card number in the said column. However, when the candidate is a government agency or a corporate shareholder, the name of the government agency or a corporate shareholder shall be filled in the "candidate" column in the ballot. Meanwhile, if there is a representative, the name of its representative shall be filled in as well.

## **Article 10**

A ballot shall be deemed invalid under any of the following circumstances:

1. The ballot is not prepared by the board of directors.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable.
4. Any of the candidate's name, shareholder's account number or the number of votes cast for such candidates altered in the ballot.
5. The candidate's name filled in the ballot does not conform with that given in the shareholder register.
6. The name of the candidate filled in the ballot is identical to that of another shareholder, but no shareholder account number is provided in the ballot to distinguish them.
7. Ballots contain other written characters or symbols in addition to the candidate's name, shareholder account number and the number of votes cast for the candidate.
8. The number of candidates filled in the ballot is exceeding the number of the seats to be elected.
9. The total votes cast by the voter are more than the total voting rights of such voter.

## **Article 11**

While the total votes cast by the voter is less than the total voting rights of such voters, the reduced amount shall be counted as abstention vote.

## **Article 12**

The voting rights shall be calculated during the meeting immediately after the vote casting, and the results of the election shall be announced by the Chairman at the meeting and kept in agenda as well.

**Article 13**

With regard to those matters not provided for in these procedures, the Company Act and the regulations of the Company shall govern.

**Article 14**

The procedures, and any amendments thereof, shall take effect after approval by the shareholders' meeting. It shall be considered as announcement if there is no objection and the effect is equal to vote by ballot.

**Article 15**

These procedures and any amendments hereto, shall take effect after approval by shareholders' meeting.

# **Taiwan Hon Chuan Enterprise Co., Ltd.**

## **Procedures for Loaning of Company Funds to other Parties**

### **(Original)**

#### **Article 1 Purpose**

Operational Procedures for Loaning of Company Funds is enacted for compliance of the Company in loaning of company funds in order to ensure the Company's funds security and clarity of creditor's right and debt.

#### **Article 2 Loan Recipients**

1. A company with which the Company does business;
2. A company with which the short-term financing is needed.

The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.

#### **Article 3 Reason and Necessity of Loaning of Company Funds**

The loaning of company funds between the other business units or firms with the Company due to a business operation shall be processed in accordance with Article 4-2. The loaning of company funds due to a need for short-term financing is limited to the following situations:

1. A company in which the Company holds more than 50 percent of shares needs a short-term financing facility due to business operation.
2. The other business units or firms need a short-term financing due to material purchasing or working capital.
3. Other loaning of company funds approved by the Company's Board of Directors.

#### **Article 4 Aggregate Amount of Loans and Maximum Amount Permitted to a Single Borrower**

1. Lending/borrowing limited amount: The total loaning of company funds is limited to an amount equivalent to 40% of the Company's net worth. In addition, the limit to any single entity is an amount equivalent to 40% of the Company's net worth. The net worth is based on the amount stated in the most recent financial statements audited or reviewed by the CPAs.
2. The respective loan amount of company or firm that has business conducted with the Company is limited to the business amount. The said business amount refers to the purchase amount or sale amount of the two parties whichever is higher.

3. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth. Also, the limit to any single entity is an amount equivalent to 40% of the Company's net worth.
4. The restriction in article 1-3 shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. However, the amount limits and the durations of loans shall still stipulate.

## **Article 5 Operational Procedures for Loaning of Company Funds**

Operational procedures for loaning of company funds:

1. Application: The loaning of company funds shall be approved by the Company's Board of Directors.
2. Operating procedures:  
Borrower prepares loan application form (or an official letter) → Finance Department reviews and credit checks → General Manager signs off → Board of Directors resolves → Finance Department completes preservation and issues a check → Borrower signs and receives the loan amount.
3. Finance Department shall have detailed review procedures to the loan recipients, including:
  - 3-1 The necessity of and reasonableness of extending loans to others;
  - 3-2 According to financial situation of loan recipient to weigh whether the loan amount is necessary or not;
  - 3-3 The cumulative loan amount shall be within the limit;
  - 3-4 The impact on the Company's operational risk, financial situation and shareholders' equity;
  - 3-5 To weigh if it is necessary to obtain collateral and its value assessed;
  - 3-6 Enclosing the record of credit check and risk valuation of the loan recipient.

## **Article 6 Duration of Loans and Calculation of Interest**

1. Duration of Loans: Each loaning of company funds is limited to a period of one year.
2. Calculation of Interest: Interest rate may not be lower than the minimal of the Company's short-term bank loan interest rate; also, interest is accrued on a monthly basis.
3. Collateral obtained: While applying for a loan amount, the borrower shall provide a guarantee note of the same amount or other collateral, or arrange a worthy property or real property mortgage when necessary.

## **Article 7 Subsequent Measures for Control and Management of Loans, and Procedures for Handling Delinquent Creditor's Rights**

1. Frequently observe the finance, business, and related credit situation of the borrower and guarantor after the loan granted. Observe the changes in the values of the

collateral, if any; also, the Chairman shall be informed immediately for any major changes occurred and with the remedy action performed in accordance with the instruction of the Chairman.

2. Borrower shall have interest payable calculated and paid together with the principal when the loan is due or when the loan is paid before due date, then the promissory note is cancelled and returned to the borrower or the mortgage is cancelled.
3. Borrower shall have principal and interest paid in full on the due date. The Company may have the collateral of the offending borrower disposed or may execute recourse against the guarantor.

#### **Article 8 Internal control**

1. The Company shall have a registry prepared for the loaning of funds related matters with the information of loan recipient, loan amount, Board resolution date, loaning of funds date, and matters that are to be evaluated carefully noted in the registry.
2. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the supervisors in writing of any material violation found. For any major violation, managers and personnel in charge shall be punished.
3. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the supervisors, and shall complete the rectification according to the timeframe set out in the plan.

#### **Article 9 Announcement and Declaration**

1. A public company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.
2. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  - 2-1 The aggregate balance of loans to others by the public company and its subsidiaries reaches 20 percent or more of the public company's net worth as stated in its latest financial statement.
  - 2-2 The balance of loans by the public company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement.
  - 2-3 The amount of new loans of funds by the public company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the public company's net worth as stated in its latest financial statement.

The public company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is

required to announce and report pursuant to subparagraph 3 of the preceding paragraph.

"Date of occurrence" in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

## **Article 10 Other Matters**

1. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Operational Procedures for Loaning Funds to Others in compliance with these Regulations, and it shall comply with the Procedures when loaning funds.
2. The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports. The Company shall provide accountants with relevant information for implementation of necessary auditing procedures and provide an appropriate audit report.
3. Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and the company's Operational Procedures for Loaning Funds to Others. The company may loan funds to others only after the evaluation results under this paragraph and Article 5-3 have been resolved by the board of directors. The company shall not empower any other person to make such decision.

Loans of funds between the Company and its parent company or subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

The "certain monetary limit" mentioned in the preceding paragraph shall be in compliance with Article 4-4. In addition, the authorized limit on loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the Company.

4. Having established the position of independent director, when it loans funds to others, it shall be discussed by the board of directors and take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.
5. With regard to those matters not provided for in these operational procedures, the relevant laws and the regulations of the Company shall govern.

## **Article 11 Effectiveness and Revision**

The Company shall formulate its Operational Procedures for Loaning Funds which

implements after approved by the board of directors, submitted to all the supervisors and resolved by shareholders' meeting. The same shall apply to any amendments to the Procedures. Where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to all supervisors and the shareholders' meeting for discussion.



## **Taiwan Hon Chuan Enterprise Co., Ltd.**

### **Procedures for Endorsements and Guarantees (Original)**

#### **Article 1**

When making endorsements and guarantees to others, the Company shall comply with this Procedures for Endorsements and Guarantees (the "Procedures") to protect the the rights of shareholders, build sound financial management with regard to endorsements and/or guarantees and reduce the business risk of the Company.

#### **Article 2 Scope of Application**

The term "endorsements and/or guarantees" used in the Procedures refers to the following:

1. Financing endorsements and/or guarantees, including:
  - 1-1 Bill discount financing.
  - 1-2 Endorsement or guarantee made to meet the financing needs of another company.
  - 1-3 Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company.
2. Customs duty endorsement and/or guarantee, meaning an endorsement or guarantee for the Company or another company with respect to customs duty matters.
3. Other endorsements and/or guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.
4. Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company.

#### **Article 3 Object of endorsements and/or guarantees**

Where the Company fulfills its contractual obligations by providing mutual endorsements and/or guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements and/or guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements and/or guarantees may be made free of the restriction. The parties to whom the Company may provide endorsements and/or guarantees shall be limited to the following:

1. A company who has business relationship with the Company.
2. A company in which the Company directly or indirectly owns more than 50 % of the voting shares.

3. A company that directly or indirectly owns more than 50 % of the Company's voting shares.

Companies in which the Company owns, directly or indirectly, 90% or more of the voting shares may make endorsements and/or guarantees for each other, and the amount of endorsements and/or guarantees may not exceed 10% of the net worth of the Company, provided that this restriction shall not apply to endorsements and/or guarantees made between companies in which the Company owns, directly or indirectly, 100% of the voting shares.

#### **Article 4 Limits on Endorsements and/or Guarantees and the Authorization Level for Providing Endorsements and/or Guarantees**

1. The total amount of endorsements and/or guarantees provided by the Company to others shall not exceed 100% of the net worth of the Company.
2. The limit of endorsements and/or guarantees provided by the Company to any single entity shall not exceed 50% of the net worth of the Company.
3. The total amount of the endorsements and/or guarantees by the Company and its subsidiaries shall not exceed 100% of the net worth of the Company. The amount of endorsements and/or guarantees provided by the Company and its subsidiaries to any single entity may not exceed 50% of the net worth of the Company. In case the limit on endorsements and/or guarantees provided by the Company and its subsidiaries is set at 50% or more of the net worth of the Company, an explanation of the necessity and rationality thereof shall be given at the Shareholders' Meeting.
4. Chairman is authorized to approve every single endorsement and/or guarantee which is not more than NT\$30 million.
5. The endorsement and/or guarantee approved by the Chairman shall be reported to the Board of Directors' Meeting for ratification.
6. Before making any endorsement and/or guarantee pursuant to Article 3, subsidiaries in which the Company owns, directly or indirectly, 90% or more of the voting shares, shall obtain approval of the Board of Directors. The foregoing restrictions shall not apply to endorsements and/or guarantees made by and between subsidiaries in which the Company owns, directly or indirectly, 100% of the voting shares.
7. In addition to the restrictions set forth above, in the event the Company provides endorsement and/or guarantee due to business relationship with the Company, the amount of the endorsements/guarantees provided for such individual entity shall not exceed total trading amount between such entity and the Company in the most recent one year. Such trading amount refers to income from products sold or services provided or cost incurred as a result of purchases of goods or services, whichever is higher.
8. In case the above limits have to be exceeded to accommodate business needs, the approval from the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by excess

of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.

#### **Article 5** Procedures for Endorsements and/or Guarantees

1. While making endorsements and/or guarantees, the Finance Department shall evaluate the credibility and risk of the endorsee/guarantee entity based upon its application document. Evaluation shall include the following items:
  - 1-1 The necessity and rationality of the endorsements and/or guarantees.
  - 1-2 Whether the amount of endorsements and/or guarantees is justified according to the financial condition of the entity for which endorsements/guarantees are made.
  - 1-3 The cumulative amount of endorsements and/or guarantees shall not exceed the limits.
  - 1-4 In the event the Company provides endorsement and/or guarantee due to business relationship with the Company, whether total amount of endorsements and/or guarantees, compared with the trading amount, is within the limits.
  - 1-5 The Impact on the Company's business operation, financial condition, and shareholders' equity.
  - 1-6 Whether collateral must be obtained and appraisal of the value thereof.
  - 1-7 Attach credit check and risk assessment of the entity for which the endorsements and/or guarantees is made.

The Company shall make endorsement/guarantee, only if the subject, reason and risk assessment related to endorsement/guarantee are permitted by the Chairman, discussed and approved by the Board of Directors. In the case not exceeding the authorized amount, Chairman may decide directly by judging the credit and finance situation of the Entities for which the Company makes endorsements and/or guarantees.

2. The Finance department shall maintain a log book for its endorsement and/or guarantee activities. After endorsement and/or guarantee is approved by the Board of Directors or the Chairman of the Broad, the Finance department shall apply for using official seal and record in detail the following information for the log book: the subject of the endorsement and/or guarantee, the name of the entities for which the endorsement and/or guarantee is made, the result of risk assessment, the amount of endorsement and/or guarantee, the content of collateral, and conditions and dates for discharging the obligation of endorsement and/or guarantee. Negotiable instrument, agreement and other related document shall be printed and kept properly.
3. The Finance Department shall prepare a detailed list of the addition and write-off of endorsements and/or guarantees every month for the purpose of control, monitoring

and making public announcement. The Company shall evaluate or recognize the contingent loss brought about by endorsements and/or guarantees every quarter adequately disclose information on endorsements and/or guarantees in its Financial Reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

4. If, due to changes of circumstances, the entity for which an endorsement/guarantee is made no longer meets the criteria set forth herein, or the amount of endorsement/guarantee exceeds the limits, the Company shall provide a corrective plan and submit to all supervisors, and the proposed correction actions shall be implemented within the period specified in the plan.
5. When endorsement and/or guarantee is due, the Finance Department shall promptly inform the entity for which the Company provides endorsements/guarantees, get back the retained endorsement and/or guarantee note from bank or claim institution, cancel related documents, or obtain the record of honored note and record in the log book to close the case.
6. When the net worth of a subsidiary for which the Company provides endorsements and/or guarantees is less than 50% of its paid-in capital, the Company shall provide a corrective plan and submit to all supervisors, and the proposed correction actions shall be implemented within the period specified in the plan.

When the shares of the endorsed/guaranteed subsidiaries do not have a par value or the par value is not NT\$10, for the calculation of paid-in capital in the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

#### **Article 6 Internal Control**

1. Internal auditors shall perform the audit on the Company's endorsement/guarantee profile every quarter and produce written auditing reports. In the case a material violation is found, internal auditor shall immediately notify all supervisors.
2. When making endorsements and/or guarantees, the Company shall follow the Procedures. In the case a material violation is found, the Company's managers and personnel-in-charge shall be punished depending on the situations.

#### **Article 7 Use and Custody of Official Seal**

1. The seal for endorsement and/or guarantee should be the official corporate seal registered with the Ministry of Economic Affairs. The seal shall be kept in the custody of a designated person appointed by the Board of Directors. When the designated person is changed, it shall be approved by the Board of Directors; meanwhile, the dedicated seal shall be handed over.
2. After endorsement and/or guarantee is resolved by the Board of Directors or approved by the Chairman of the Board, the Finance Department shall fill in "Application for use of official seal", along with resolution, endorsement and/or guarantee agreement,

guarantee note, other related documents permitted by proper level of authority, and provide to Seal Custodian for use of official seal.

3. Before affixing the official seal to the document, Seal Custodian shall check whether authorization record is available, whether "Application for use of official seal" has been permitted by proper level of authority, and whether the content of document to be sealed is consistent with that of application.
4. When providing endorsement and/or guarantee to a foreign company, the endorsement and/or guarantee letter should be executed and signed by the Chairman of the Board or General Manager authorized by the Board of Directors.

#### **Article 8 The Standards for Public Announcement**

The Company shall make a public announcement on the balance of endorsements and/or guarantees made by the Company itself and its subsidiaries for the previous month by the 10th date of each month. If the balance of endorsements and/or guarantees reaches one of the following thresholds, the Company shall make a public announcement within 2 days commencing immediately from the date of occurrence:

1. The total endorsements and/or guarantees amount of the Company and its subsidiaries reaches 50 % or more of the Company's net worth as stated in its latest financial statements.
2. The endorsements and/or guarantees amount of the Company and its subsidiaries for a single enterprise reaches 20 % or more of the Company's net worth as stated in its latest Financial Statements.
3. The endorsements and/or guarantees amount of the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements and/or guarantees, long-term investment, and the loans to that enterprise reaches 30 % or more of the Company's net worth as stated in its latest Financial Statements.
4. The increase endorsements and/or guarantees amount of the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 % or more of the Company's net worth as stated in its latest Financial Statements.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

#### **Article 9 Other Matters**

1. Where a subsidiary of the Company intends to provide endorsements and/or guarantees for others, the Company shall instruct it to formulate its own Procedures for Endorsements and/or Guarantees in compliance with the Procedures, and it shall comply with the Procedures when providing endorsements and/or guarantees.
2. Matters not provided herein shall be governed by the relevant laws and regulations and the relevant regulations of the Company.

3. The Procedures and any amendment thereof shall be implemented after being approved by the Board of Directors, submitted to all supervisors and subsequently approved by the Shareholders' Meeting. If any director objects to any provision of the Procedures or any amendment thereto and such objection is recorded in the meeting minutes or written statement, the Company shall submit such documents regarding the directors' objection to all supervisors and the Shareholders' Meeting for discussion.

When submitting the Procedures to the Board of Directors for discussion in accordance with the preceding paragraph, the Company shall fully take into consideration each independent director's opinions. The independent directors' opinions specifically expressing assent or objection and the reasons for objection shall be included in the Board meeting minutes.

## **Taiwan Hon Chuan Enterprise Co., Ltd.**

### **Procedures for Trading Derivatives (Original)**

#### **Article 1 Objective**

1. Procedures for Trading Derivatives ("Procedures") is enacted to establish the risk management and internal control system for derivative transactions, in order to fulfill information disclosure and protect investors.
2. These operating procedures are adopted in accordance with the provisions which promulgated by Securities and Futures Commission of Ministry of Finance(SFC), per Letter Ref. No. (91)-Taiwan-Finance-Securities (I)- 0910006105 Dated Dec 10, 2002.

#### **Article 2 Trading Principles and Policies**

1. Types of transaction  
The types of derivative products that can be made include forwards, options, interest rate or exchange rate swaps, futures and various combinations thereof.
2. Operation or hedging strategies  
The Company's profit shall come from normal course of business. Derivative products for foreign exchange are mainly used for hedging the Company's exchange risk arising from business operation. It is not allowed to make any speculative transactions. Also, the currency involving financial derivatives shall be consistent with actual needs of the Company.
3. Responsibility division
  - 3-1 Finance Department
    - 3-1-1 Finance Department shall be responsible for forming the strategy of foreign exchange transactions of the whole company.
    - 3-1-2 In response to the changes in foreign exchange market, Finance Department shall collect related information, analyze the trend, assess its risk, and keep abreast of financial products and regulations at any time. Then, Finance Department shall calculate the foreign exchange exposure of the Company and formulate operational strategy as the basis for hedging after obtaining approval from General Manager.
    - 3-1-3 Judging the turnover, import/export volume of the Company, Finance Department shall calculate net exposure of the foreign exchange, and set up the bottom line of hedging on a regular basis (monthly or quarterly) in order to reduce the risk on foreign exchange position.
    - 3-1-4 Process all the approved hedging transactions.
  - 3-2 Accounting Department  
Accounting Department is in charge of recording all the transactions related to

cash receipt and withdrawal or profit and loss from these hedging transactions.

4. Performance evaluation

4-1 Performance evaluation on hedging transactions shall be done every week. The profit and loss resulting from the difference between the cost of exchange rate per book and the trade price of Derivative transactions shall be used as a base for evaluating performance.

4-2 In order to fully control and disclose the risk of transactions, position shall be evaluated for its gain or loss periodically (monthly or quarterly).

4-3 Finance Department shall prepare a report regularly (monthly or quarterly) in connection with the evaluation of foreign exchange position, trend and analysis of foreign exchange market to General Manager for his reference and instruction.

5. Total amount of contract and the upper limit of loss

5-1 Total amount of contract

The total amount of contract related to hedging operation of foreign exchange shall not exceed the import/export foreign position from yearly financial forecasts. Any excess shall be approved by the Board of Directors.

5-2 The upper limit of loss

Regarding hedging transactions, the upper limit of loss is 5% of the contract amount for all contracts in aggregate, and for any individual contract, the upper limit of loss is 10% of individual contract.

### **Article 3 Operation Procedures**

1. Authorized amount and level

General Manager is authorized to approve the hedging transactions of the Company. However, Hedging transactions, if exceeding total amount of contracts, shall be approved by the Board of Directors.

2. Execution Department and operational instructions

2-1 The officer of Finance Department shall set up annual operational strategy, after approved by general manager and chairman, used as a basis for making hedging transactions. Also, the operational strategy shall be adjusted periodically (monthly or quarterly) in response to business demand and market condition, and be submitted to General Manager.

2-2 The personnel in charge of trading shall place an order to bank based on approved amount. After receiving confirmation from bank, the personnel shall fill in "Application for foreign exchange transactions" attached with the report of foreign currency assets and debts, and submit to authorized person for approval.

2-3 The personnel of Finance Department in charge of verifying transactions shall provide copy of "Application for foreign exchange transactions", while affixing Company's seal on bank's confirmation letter.

2-4 Personnel of Finance Department in charge of settlement shall provide related document as the basis for recording profit and loss from hedging transactions.



3. Finance Department shall maintain a registry, which records in details with types, amount of Derivative transactions, dates that Board of Directors approved, and other required matters that shall be evaluated with prudence.

#### **Article 4 Procedures of Public Announcement**

The Company shall report and make a public announcement of the derivative transactions in accordance with the provision promulgated by Securities and Futures Commission of Ministry of Finance.

#### **Article 5 Procedures of Accounting Treatment**

Regarding accounting treatment of t derivative transactions, except for those required by the Procedures, the Company shall comply with related provisions of accounting system.

#### **Article 6 Internal Control Policy**

1. Internal control of operating procedures
  - 1-1 Personnel in charge of trading, verifying and settlement shall not be the same person.
  - 1-2 The personnel in charge of trading shall provide “Application for foreign exchange transactions” to the personnel in charge of verifying the transactions.
  - 1-3 The personnel in charge of verifying transactions shall check the details and total amount of transactions with corresponding bank regularly.
  - 1-4 The personnel in charge of trading shall be careful not to carry out transactions in excess of the limit prescribed in the Procedures at any time.
2. Risk management measures
  - 2-1 Credit risk

Since various factors would trigger fluctuations in financial market and cause risks resulting from derivative transactions, the Company shall obey the following principles to manage credit risk:

    - 2-1-1 The Company shall place the order mainly with prestigious banks.
    - 2-1-2 For types of products, the Company shall focus on forward contracts.
    - 2-1-3 To place order with a single bank, the amount shall be within the limit of USD\$10 million, except for the case which general manager/ chairman approved.
  - 2-2 Market risk

The market for trading shall be public foreign exchange market between bank and customer in principle.
  - 2-3 Liquidity risk

To ensure the liquidity of transactions, the Company shall choose financial products with high liquidity in principle. The trading banks must have adequate information and capabilities of trading in any market at any time.
  - 2-4 Operational risk

In order to control operational risk, delegation systems and operational

procedures shall be strictly followed and incorporated into internal audit system.

2-5 Legal risk

In order to control legal risk, any legal document in connection with derivative transactions shall be reviewed by legal counsel before being executed.

2-6 Cash flow risk

The Company shall make transactions on the premise that future cash flow is adequate.

3. Duties regarding risk measurement, monitoring, and control of derivative transactions shall be assigned to personnel from different departments, who shall report to Chairman or senior executives not responsible for trading or position decision-making.
4. Derivatives positions held shall be evaluated at least once per week; however, Derivatives transactions required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior executives authorized by the Board of Directors.
5. Senior executives designated and authorized by the Board of Directors shall pay close attention to monitor and control derivatives trading risk. Also, periodically evaluate whether derivatives trading performance is consistent with predetermined strategy and whether the risk undertaken is within the Company's scope of tolerance. Periodically evaluate whether the risk control measures currently employed are appropriate and whether transactions are faithfully carried out in accordance with the Regulations and the Procedures. If any misconduct is found in the course of monitoring, appropriate measures shall be adopted and a report shall immediately be made to the Board of Directors; where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.

### **Article 7 Internal Audit Policy**

The internal auditor shall periodically evaluate the suitability of internal controls in connection with derivative transactions and conduct monthly audit on how well related departments adhere to the Procedures and prepare an audit report. If any major violation is discovered, a written report is needed to notify all supervisors and personnel in charge shall be punished.

### **Article 8 Other Matters**

1. The Procedures shall be resolved by the Board of Directors, submitted to all supervisors and reported on the shareholders' meeting for approval. If any director expresses objection on the record or in written statement, the Company shall submit such documents regarding the directors' objection to all supervisors and the Shareholders' Meeting for discussion. The same procedure applies to any future amendments.
2. If the Company has independent directors, when the Procedures are submitted to Board of Directors' meeting for discussion as required by preceding paragraph, the Board of Directors shall take into full consideration each independent director's

opinions; Independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

## 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 17, 2017.
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	3,665,019	1.25%
Director	Tsao, Hsih-Chung	2014.06.18	3 years	4,372,243	1.49%
Director	Liu, Yun-Chang	2014.06.18	3 years	689,303	0.24%
Director	Lin, Chuan-Nui	2014.06.18	3 years	2,780,795	0.95%
Director	Chang, Chun-Shu	2014.06.18	3 years	2,667,234	0.91%
Director	Dai, Hung-I	2014.06.18	3 years	5,890,111	2.01%
Director	China Development Industrial Bank (Representative : Cheng, Chien-Hua)	2014.06.18	3 years	740,086	0.25%
Total number of shares held by all Directors				20,804,791	7.10%

Position	Name	Date elected	Tenure of office	Current shareholding	
				Shares	Shareholding ratio
Supervisor	Lin, Chun-Chih	2014.06.18	3 years	146,529	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				3,437,058	1.17%

# MEMO