

Attachment 2. Independent External Auditor's Written Opinion on Reasonableness of Exchange Ratio

**Independent External Auditor's Written Opinion on Reasonableness of Value of Equity of TCC International Holdings Limited to be Acquired by Taiwan Cement Corp.**

**Independent External Auditor’s Written Opinion on Reasonableness  
of Value of Equity of TCC International Holdings Limited to be  
Acquired by Taiwan Cement Corp.**

As at April 13, 2017, the base date of evaluation, Taiwan Cement Corp. (“TCC”) held 63.05% of the ordinary shares of TCC International Holdings Limited (“TCCIH” or “offeree company”). Under the Privatization Scheme, TCC intends to acquire all other outstanding ordinary shares of TCCIH in cash at the price of HKD3.6 per share, or by exchange of TCCIH Ordinary Shares and TCC ordinary shares at the ratio of 1:0.42 (hereinafter referred to the “motion”). In order to evaluate the reasonableness of the equity value of TCCIH, TCC retains us, the external auditor, to conduct an evaluation based on the Market Method - Comparable TWSE/TPEX Listed Companies Method, Market Method - Comparable Transaction Method, and Market Value Method adopting April 13, 2017 as the base date of evaluation.

**1. Restrictions and Statement on Use of Opinion on Reasonableness**

This Written Opinion is only provided for TCC’s reference internally, and is to be used as documents required for filing under related laws and regulations and shall not be disclosed to any third party or be used for any other purpose without the express written consent of the CPA. The Written Opinion is only related to the abovementioned transaction, which shall not be construed to be related to the financial statements of TCC and TCCIH as a whole.

We solely evaluate whether the acquisition price is appropriate as an independent third party. We do not participate in the design and planning of the transaction structure. The base date of evaluation adopted herein is April 13, 2017. Therefore, this Written Opinion does not take any subsequent events into consideration. The conclusion herein will vary depending on changes in the actual transaction from the aforementioned explanation, if any. In the event of any changes in the circumstances after this Written Opinion is issued, we will

not update the opinion, unless we are retained to conduct a re-evaluation.

The evaluation procedure adopted by us is based on TCCIH's financial statements which are audited and certified by external auditor, other related information and information accessible from the public market as at the base date of evaluation. Based on the scope of work, we do not verify the accuracy or appropriateness of the said information. Therefore, we will not be liable for the reasonableness, completeness and accuracy of the said information, and we do not comment on any such related information. Considering that we have not performed an audit in accordance with the generally accepted audit principles in our evaluation, no warranty is given as to whether the said transaction has been fairly presented as a whole. If we carry out any additional procedure, we might find any other issues to be reported.

## **2. Notes to evaluation method**

Summarised below are the evaluation method adopted and the result of the range of reasonable share price of the offeree company:

### **(1) Market method - Comparable TWSE/TPEX Listed Companies Method**

According to the Comparable TWSE/TPEX Listed Companies Method, companies engaged in the same or similar industries/business lines, growth rate, profitability and risk as TCCIH are chosen as samples. Since the chosen sample companies are TWSE/TPEX listed companies, their transaction information are publicly available and we can calculate and compare their market values with their major financial indicators, e.g. operating revenues and EBITDA, to obtain the multiple. The comparable TWSE/TPEX listed companies are representatives in the industry; therefore, the multiple of the sample companies can be applied to the offeree company's financial position for calculation.

The major comparable TWSE/TPEX listed companies chosen in the motion

engage in the same or similar business lines as TCCIH does.

Summary of equity value:

Unit: HKD

	P/S (Note 2)	EV/EBITDA (Note 3)
Multiple (times)	0.71	9.77
	Operating revenues	EBITDA
Book value (Note 1) (thousand)	11,412,800	2,317,802
Value of liquid equity (thousand)	8,093,491	17,364,410 (Note 4)
Range of value of liquid equity (thousand)	8,093,491~17,364,410	
Range of value of liquid equity per share (dollar)	1.49~3.19	

Note 1: Based on compiled TCCIH's financial statements audited and certified by the external auditor in 2016

Note 2: P/S: Value of equity/operating revenues

Note 3: EV/EBITDA: Enterprise value/earnings before interest, taxes, depreciation and amortization

Note 4: Value of liquid equity = EV + cash and cash equivalent - interest-bearing liabilities

According to the Comparable TWSE/TPEX Listed Companies Method, the value of the offeree company's liquid equity should be HKD1.49~3.19 per share.

## (2) Market Value Method

As TCCIH is a company listed on the Main Board of the Hong Kong Stock Exchange, provided that prices are published in an active market for share transaction, its trading value may serve as the fair value according to the definition of fair value under the International Accounting Standards.

Summary of TCCIH's equity value per share:

Unit: HKD

Closing price	1 day	10 days	30 days
Highest	2.58	2.58	2.58
Lowest	2.58	2.41	2.12

Source of data: HKEX

According to our evaluation, TCCIH's closing price for 30 days as at the base date, ranging from HKD2.12 to 2.58, should be adopted.

## (3) Market Method - Comparable Transaction Method

The Comparable Transaction Method is based on the comparison of price of other similar transactions by calculation of the multiple of the merged company. With the multiple, the offeree company's equity value may be calculated based on the offeree company's financial indicators. In the cases for acquisition of equity through privatization of listed companies in Hong Kong, the acquirer usually offer the acquiree a transaction premium to compensate for the shareholders who hold the outstanding shares in the market.

**Premium of acquisition of privatized listed companies in Hong Kong from 2010 to 2017**

(Acquisition price per share/average closing price)-1

Term of acquisition price	1 day	30 days	90 days	180 days
Average	41%	52%	54%	51%
Median	33%	41%	42%	40%

Source of data: Consolidated by BNP PARIBAS

## (4) Premium

Based on the value ranging from HKD1.49 to 3.19 under the Market Method-Comparable TWSE/TPEX Listed Companies Method referred to in Paragraph (1), in the case of the premium of 41%~52% for 30 days, the acquisition price should range from HKD2.10 to HKD 4.85 per share.

	Reference price	41%	52%
Market method - Comparable	1.49	2.10	2.26
TWSE/TPEX Listed Companies Method	3.19	4.50	4.85

Unit: HKD

Under the Market Value Method referred to in Paragraph (2), if the premium for 30 days and the highest and lowest closing price are applied, the acquisition price should range from HKD2.99 to HKD3.92 per share:

Unit: HKD

	Closing price	41%	52%
Market Value Method	2.12	2.99	3.22
	2.58	3.64	3.92

Therefore, according to the acquisition price under the Market Method-Comparable TWSE/TPEX Listed Companies Method referred to in Paragraph (1) and Market Value Method referred to in the Paragraph (2), the reasonable acquisition price should range from HKD2.99 to HKD3.92.

#### (5) Share exchange

The closing price of TCC shares for 1 day, 10 days and 30 days as at the base date of evaluation is set out as follows:

	Unit: NTD		
Closing price	1 day	10 days	30 days
Highest	36.75	36.30	38.40
Lowest	36.75	37.30	36.30

Source of data: TWSE

The exchange ratio is calculated based on the average foreign exchange rate of HKD1=NTD3.94 for 30 days from the base date as published by Bloomberg, and the reasonable range of acquisition price of HKD2.99~3.92, as identified in Paragraph (4).

Acquisition price (HKD)	2.99~3.92	
Foreign exchange rate 3.94 (NTD)	11.78~15.44	
Lowest closing price of TCC	36.30	0.325~0.425
Highest closing price of TCC	38.40	0.307~0.402

The reasonable range of share exchange should be one TCCIH Ordinary Share in exchange for 0.307~0.425 TCC ordinary share.

### 3. Conclusion of evaluation

According to our evaluation, based on the Market Method - Comparable

TWSE/TPEX Listed Companies Method and Market Value Method, and by taking into consideration the premium of privatization acquisition, if the Company acquires TCCIH in cash at the price of HKD3.6 per share, the price falls in the reasonable range of HKD2.99~3.92. Meanwhile, if the share exchange ratio for each TCCIH Ordinary Share for 0.42 TCC ordinary share is applied, it also falls in the reasonable range of the share exchange ratio of 0.307~0.425. Therefore, the motion is considered reasonable and feasible.

The Written Opinion is only provided to TCC for the purpose of its acquisition of TCCIH, and may be published in the Information Memorandum upon approval of TCC's Board of Directors. Notwithstanding the above, the Written Opinion shall not be used for any other purposes without the expressed written consent of the CPA.

KENWILLCPA UNITED CPAS FIRM

CPA:

/s/ Chin, Chang-Ming

April 13, 2017

### **Statement of Independence of Independent External Auditor**

I am appointed to provide the written expert opinion on the reasonableness of the value of TCCIH's equity with respect to the proposed acquisition of TCC International Holdings Limited ("TCCIH") by Taiwan Cement Corp. ("TCC").

In order to conduct the said business, I hereby state that I am free from the following circumstances:

1. My spouse or I am hired by TCC or TCCIH to hold any regular position and receive fixed salary.
2. My spouse or I was an employee of TCC or TCCIH and had resigned for less than two years.
3. The company in which my spouse or I hold any position is a related-party of TCC or TCCIH.
4. I am the spouse or relative within the second degree of kinship of any responsible person or manager of TCC or TCCIH.
5. My spouse or I invest in TCC or TCCIH, or share profit with TCC or TCCIH.
6. I am the external auditor of TCC or TCCIH.
7. I am a current director or supervisor of TWSE, or the spouse or relative within the second degree of kinship of the director or supervisor.
8. The company in which my spouse or I hold any position engages in transactions with TCC or TCCIH directly.

For the acquisition of TCCIH by TCC, the expert opinion is provided by me with independence and without partiality:

Appraiser:  
/s/ Chin, Chang-Ming  
April 13, 2017

**Resume of Independent Expert****Name:** Ching Chang-Min**Year of Birth:** 1961**Examination Qualifications:**

Civil Service Junior Examination - Financial Personnel  
Civil Service Senior Examination - Taxation Administrative Personnel  
Analyst of Securities at Securities and Futures Bureau  
Civil Service Senior Examination - CPA in Taiwan  
Registered CPA in Mainland China

**Academic background:**

Business Administration Department, Soochow University  
Master of Accounting, National Taiwan University

**Work experience:**

City Bank of Taiwan (Taipei Fubon)	Facility staff (6 years)
First Horwath & Company CPAs	CPA (16 years)
Taipei City CPA Association	Supervisor
National Taipei College of Business	Lecturer (part-time)
Overseas Chinese Commercial Banking Corporation (Citibank)	Supervisor
TransGlobe Life Insurance Inc.	Supervisor

**Current positions:**

KenWill United CPAs Firm	Chief CPA
LOTES Co., Ltd. (3533)	Director
Choice Development, Inc. (9929)	Director
Young Shun Chemical Co., Ltd. (4711)	Independent Director
DFI Inc. (2397)	Independent Director

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