

*Enclosed in this Appendix X is an advanced draft of an information memorandum regarding TCC and its subsidiaries which will be published on <http://mops.twse.com.tw/> in connection with the issuance of TCC Shares in respect of the Share Alternative. It has been prepared in accordance with the relevant laws, rules and regulations of Taiwan. The final version of the Information Memorandum, which will be substantially the same as the advanced draft set out herein, will be available and published on <http://mops.twse.com.tw/> after the Election Time and will contain the final number of TCC Shares to be issued pursuant to the Share Alternative.*

**Taiwan Cement Corp.**

## Information Memorandum

Stock code: 1101

(Draft is exclusive for the issuance of new shares for the purpose of acquiring shares in another company)

- I. Company Name: Taiwan Cement Corp. (“TCC” or the “Company”)**
- II. Purpose of the Information Memorandum: Issuance of new shares for the acquisition of shares in another company**
- (I) Reason of issuance of new shares: Taiwan Cement Corp. issues new shares to acquire Ordinary Shares and Convertible Preference Shares of TCC International Holdings Limited.
- (II) Issuance type: non-bearer ordinary share, at the par value of NT\$10 per share.
- (III) Number of Shares: 205,244,975 shares ~ 767,146,025 shares
- (IV) Value of Issuance: NT\$2,052,449,750 ~ NT\$7,671,460,250
- (V) Terms of Issuance:
1. Taiwan Cement Corp. intends to issue new shares to acquire the 1,826,448,522 Ordinary Shares and 82,134 Convertible Preference Shares of TCC International Holdings Limited on the basis that 1 Ordinary Scheme Share and 1 Convertible Preference Scheme Share of TCC International Holdings Limited can be exchanged for 0.420 ordinary share and approximately 0.458 ordinary share of Taiwan Cement Corp, respectively. A total of 205,244,975 shares ~ 767,146,025 shares are expected to be issued.
  2. The new shares issued upon the capital increase shall carry the same rights and obligations as those carried by the existing shares.
- (VI) Ratio of Public Offering: N/A.
- (VII) Manner of underwriting and sale allocation: N/A.
- III. Summary of the purpose of the use of proceeds and the benefits that may be generated: Please refer to pages 124-128 of the Information Memorandum.**
- IV. Fees and expenses related to the current issue:**
- (I) Underwriting fees: N/A.
- (II) Other fees and expenses (including fees of the certified public accountants, attorneys-at-law, and publishing, etc.): About NT\$\_\_\_\_\_.
- V. The effective registration of the securities may not be considered as proof of the accuracy of the registration particulars, or to guarantee the value of the securities issued.**
- VI. If the Information Memorandum contains false information or omits information, the Company and its responsible persons and all other persons who sign or affix their seal on the Information Memorandum shall be held liable in accordance with the laws.**
- VII. Before making any investment, investors shall visit the information disclosure website designated by the Financial Supervisory Commission (FSC) to carefully read the contents of the Information Memorandum and take note of the Company’s risks. Please refer to pages 4-12 of the Information Memorandum.**
- VIII. Web address for inquiry about the Information Memorandum: Market Observation Post System (“MOPS”) <http://mops.twse.com.tw>**

Prepared by Taiwan Cement Corp.

Printed on August 24, 2017

**1. Source of paid-in capital prior to the issuance:**

Unit: NTD

Source of capital	Amount	To paid-in capital (%)
Cash capital increase	9,939,750,360	26.92%
Capital surplus transferred to capital	10,590,368,070	28.68%
Reserve transferred to capital	14,358,234,110	38.89%
Conversion of European Convertible Bonds	3,673,406,150	9.95%
Redemption of preferred stock for capital reduction	(1,640,000,000)	(4.44%)
Total	36,921,758,690	100.00%

**2. The Information Memorandum distribution plan:**

- (1) Places of display: The Information Memorandum will be submitted to the relevant entities and also accessible at the Company's shareholders service agent's premises.
- (2) How to distribute: Per Article 31 of the Securities and Exchange Act of the R.O.C., and the competent authority's regulations.
- (3) How to request: Please download the electronic file from MOPS (<http://mops.twse.com.tw>).

**3. Name, address, website, and telephone number of the securities underwriter**

Name: Fubon Securities Co., Ltd. Website: <http://www.fubon.com>  
Address: 2F and 15F, No. 169, Sec. 4, Renai Rd., Taipei City Tel. No.: (886) (2)2771-6699

**4. Name, address, website, and telephone number of the corporate bonds guarantor: N/A.****5. Name, address, website, and telephone number of the corporate bonds trustee: N/A.****6. Name, address, website, and telephone number of the share or corporate bonds certification institution: N/A.****7. Name, address, website, and telephone number of the shareholders service agent**

Name: Banking Agency Dept. of Chinatrust Bank Website: <http://www.chinatrust.com.tw>  
Address: 5F, No. 83, Sec. 1, Chongqing S. Rd., Taipei City Tel. No.: (886) (2)6636-5566

**8. Name, address, website, and telephone number of the credit rating institute: N/A.****9. Firm names, addresses, websites, telephone numbers, and names of the certified public accountant (CPA) and attorney-at-law certifying the corporate bonds: N/A.****10. Firm names, addresses, websites, telephone numbers, and names of the certified public accountant (CPA) certifying the financial statements for the most recent year:**

CPA: Weng Ya-Ling, CPA & Shao Chi-Ming, CPA Website: <http://www.deloitte.com.tw>  
Firm name: Deloitte & Touche Taiwan Tel. No.: (886) (2)2545-9988  
Address: 12F, No.156, Sec. 3, Minsheng E. Rd., Taipei City

**11. Firm name, address, website, telephone number, and name of the attorney-at-law who issued legal opinions:**

Attorney-at-Law: James Chen Attorney-at-Law Website: <http://www.leeandli.com>  
Firm name: Lee and Li Attorneys-at-Law Tel. No.: (886) (2)2715-3300  
Address: 7F, No. 201, Tun Hua N. Rd., Taipei City

**12. Names, titles, contact telephone numbers, and e-mail addresses of the Company's spokesperson and deputy spokesperson**

Spokesperson: Huang Chien-Chiang Deputy Spokesperson: Tsai Li-Wen  
Title: Senior Vice President Title: Vice President  
Tel. No.: (886) (2)2531-7099 ext 20501 Tel. No.: (886) (2)2531-7099  
Email: [edhuang@taiwancement.com](mailto:edhuang@taiwancement.com) Email: [leotsai@taiwancement.com](mailto:leotsai@taiwancement.com)

**13. The Company's website: <http://www.taiwancement.com>**

## Abstract of the Information Memorandum of Taiwan Cement Corp.

Paid-in capital: NT\$36,921,758,690		Company address: No. 113, Sec. 2, Zhongshan N. Rd, Taipei City		TEL: (886) (2)2531-7099	
Date of establishment: December 29, 1950		Website: <a href="http://www.taiwancement.com">http://www.taiwancement.com</a>			
Listing date: February 9, 1962	OTC trading date: N/A	Date of public offering: August 1953		Managed stock date: N/A	
Responsible Person: Chairman of Board Chang An-Ping, Nelson Chief Executive Officer (“CEO”) Li Chung-Pei		Spokesperson: Huang Chien-Chiang		Title: Senior Vice President	
		Deputy Spokesperson: Tsai Li-Wen		Title: Vice President	
Shareholders Service Agency: Banking Agency Dept. of Chinatrust Bank		Tel. No.: (886) (2)6636-5566 Website: <a href="http://www.chinatrust.com.tw">http://www.chinatrust.com.tw</a> Address: 5F, No. 83, Sec. 1, Chongqing S. Rd., Taipei City			
Underwriting institution of the stock: Fubon Securities Co., Ltd.		Tel. No.: (886) (2)2771-6699 Website: <a href="http://www.fubon.com">http://www.fubon.com</a> Address: 2F and 15F, No. 169, Sec. 4, Renai Rd., Taipei City			
Independent external auditor of the financial statements for the most recent year: Weng Ya-Ling, CPA & Shao Chi-Ming Shao, CPA of Deloitte Taiwan Address: 12F, No.156, Sec. 3, Minsheng E. Rd., Taipei City Tel. No.: (886) (2)2545-9988 Website: <a href="http://www.deloitte.com.tw">http://www.deloitte.com.tw</a>					
Attorney-at-Law who issued legal opinions: James Chen Attorney-at-Law of Lee and Li, Attorneys-at-Law Address: 7F, No. 201, Tun Hua N. Rd., Taipei City Tel. No.: (886) (2)2715-3300 Website: <a href="http://www.leeandli.com">http://www.leeandli.com</a>					
Credit rating institute: N/A		Tel. No.: N/A. Website: N/A. Address: N/A			
Subject of rating	Issuer: None		None■; Yes□, Date of Rating: —		Credit rating level: —
	Corporate bonds of this new issuance: None		None■; Yes□, Date of Rating: —		Credit rating level: —
Directors’ election date: June 18, 2015; term of office: 3 years		Supervisors’ election date: N/A. (The Company has established the Audit Committee.)			
Shareholdings by all directors: 12.05% (July 31, 2017)		Shareholdings by all supervisors: N/A			
Director, supervisor, or shareholder holding more than 10% of the shares in the Company, and shareholdings by them: (July 31, 2017)					
<u>Title</u>	<u>Name</u>	Shareholding ratio of Institution Represented	<u>Title</u>	<u>Name</u>	Shareholding ratio of Institution Represented
Chairman	Chang An-Ping, Nelson Institution Represented: Fu Pin Investment Co., Ltd.	1.70%	Director	Chen Chien-Tong Institution Represented: Ching Yuan Investment Co., Ltd.	0.07%
Director	Koo Jason Kung Yi Institution Represented: Heng Qiang Investment Co., Ltd.	1.94%	Director	Eric T. Wu Institution Represented: Shinkong Synthetic Fibers Corporation	0.26%
Director	Kenneth C.M. Lo Institution Represented: China Synthetic Rubber Corporation	2.27%	Director	Chang Kang-Lung, Jason Institution Represented: Chia Hsin Cement Corp.	0.63%
Director	Yu Tzun-Yen Institution Represented: Heng Qiang Investment Co., Ltd.	1.94%	Director	Lin Ming-Sheng Institution Represented: Goldsun Development & Construction Co., Ltd.	0.38%
Director	Wang Por-Yuan Institution Represented: Falcon Investment Co., Ltd.	1.00%	Director	Chi-Wen Chang Institution Represented: Xin Hope Investment Co., Ltd.	0.29%
			Independent Director	David Carr Michael Institution Represented: C. F. Koo Foundation	0.06%
			Independent Director	Yu-Cheng Chiao	0.00%
			Independent Director	Victor Wang	0.00%

**APPENDIX X**

**INFORMATION MEMORANDUM**

Director	Jennifer Lin, Esq. Institution Represented: Chinatrust Investment Co., Ltd.	3.25%	Director	Lin Nan-Chou Institution Represented: Sishan Investment Co., Ltd.	0.20%	Independent Director	Cheng-Ming Yeh	0.00%
						Independent Director	Sheng Chih-Jen	0.00%
Factory address: Please refer to Pages 1-2 of the Information Memorandum.								
Major products: Cement products, chemical raw materials, power and others				Market structure in 2016: 46.98% in Taiwan, 53.02% in Asia		Please see the page No. herein. Pages 78-79		
Risk	Please refer to the section about Risk in the Information Memorandum.					Please see the page No. herein. Pages 4-12		
Last year (2016)	Operating revenue: NT\$89,564,306 thousand Income before tax: NT\$11,515,335 thousand      EPS: NT\$ 1.72					Page 130		
Type and value of shares of this new issuance				Please see the cover page herein				
Terms of Issuance				Please see the cover page herein				
Summary of the purpose of use of proceeds and the benefits that may be generated				Please refer to Pages 124-128 herein.				
Date of publication of the Information Memorandum: August 24, 2017				Purpose of publication: Draft exclusive for the issuance of new shares for the purpose of acquiring shares in another company				
Summary of other important matters and reference to pages of this Information Memorandum: Please refer to the Table of Contents herein.								

INFORMATION MEMORANDUM  
§TABLE OF CONTENTS§PAGE NO.

<b>I. Overview .....</b>	<b>1</b>
1. Company Profile.....	1
(1) Date of establishment.....	1
(2) Addresses and telephone numbers of the head office, branches and factories/plants .....	1
(3) Corporate Milestones .....	2
2. Risks .....	4
(1) Risk factors.....	4
(2) Litigation or non-litigation matters .....	9
(3) If the Company’s director, supervisor, manager, or major shareholder holding more than 10% of the Company’s shares has experienced financial difficulties or loss of credit within the most recent two fiscal years or during the current fiscal year up to the date of publication of the Information Memorandum, the Information Memorandum shall note the effect on the Company’s financial status.....	12
(4) Other Significant Events .....	12
3. Organization .....	13
(1) Organizational system.....	13
(2) Chart of affiliated enterprises.....	16
(3) Information concerning the president, vice presidents, assistant vice presidents, and department and branch managers .....	21
(4) Information about directors and supervisors.....	23
(5) Founder .....	33
(6) Remuneration to directors, supervisors, presidents and vice presidents.....	34
4. Corporate Capital and Shares .....	42
(1) Types of shares .....	42
(2) Formation of capital .....	43
(3) Distribution of equity .....	45
(4) Market value, net value, earnings and dividends per share during the most recent two years.....	53
(5) Dividend policy and implementation .....	53

(6) The effect of dividend distributions contemplated for the current fiscal year on the Company's operating performance and earnings per share .....	54
(7) Remuneration for employees, directors and supervisors .....	54
(8) Status of Company's buyback of its shares .....	56
5. Corporate Bonds (including bonds issued by overseas companies).....	56
6. Issuance of Preferred Shares .....	56
7. Issuance of Overseas Depository Receipts.....	56
8. Issuance of Employee Stock Warrants .....	56
9. Information about new restricted employee shares .....	56
10. Status of Mergers and Acquisitions.....	56
11. Issuance of new shares for acquisition of shares in other company.....	56
<b>II Overview of Operations.....</b>	<b>57</b>
I. The corporate operations .....	57
(I) Business contents .....	57
(II) Market and production & marketing situation .....	78
(III) Number of employees in the past two years .....	99
(IV) Information of expenditure on environmental protection .....	99
(V) Labor-Management Relationship.....	108
II. Real estate, plant buildings, equipment and other real estate .....	110
(I) Company owned assets .....	110
(II) Leasing assets.....	114
(III) Status of plants and equipment utilization rate within the past two years. ....	116
III. Invested Business .....	119
(I) Invested Business Overview .....	119
(II) Comprehensive Shareholding ratio (%).....	120
(III) In case of companies with listed securities and securities traded over-the-counter, their subsidiaries' shareholding or disposal of the Company's shares and pledge of shares over the past two years and as at the Information Memorandum date .....	121
(IV) Occurrence of an event as set forth under Article 185 of the Company Act or partial transfer of business, research & development results to a subsidiary over the past two years and as at the Information Memorandum date, for which the Company shall disclose the situation where the Company waived its subscription right to cash capital increase in subsidiaries.....	121
IV. Material Contracts.....	122

<b>III. Issuance plan and implementation status .....</b>	<b>124</b>
1. Analysis of previous cash capital increase, merger or acquisition, issuance of new shares in connection with the acquisition of shares of another company, or plan of utilization of capital from issuance of corporate bonds.....	124
2. The plan for the current cash capital increase, issuance of corporate bonds, issuance of employee stock warrants, or issuance of new restricted employee shares .....	124
3. Notes to issuance of new shares in connection with acquisition of shares in another company .....	124
4. Notes to the current issuance of new shares in connection with acquisition or merger .....	128
<b>IV. Overview of Finance .....</b>	<b>129</b>
1. Condensed financial information for the most recent five years.....	129
2. Items to be included in financial statements.....	142
3. Overview of finance and other important matters .....	142
4. Review and analysis of financial condition and operating results .....	144
<b>V. Special Notes.....</b>	<b>149</b>
1. Implementation of internal control.....	149
2. Those who have appointed an FSC-approved or -recognized credit rating institution to conduct a credit rating/evaluation shall disclose the credit rating/evaluation report issued by the credit rating institution.....	149
3. Summary opinion from the securities underwriter’s assessment .....	149
4. Attorney’s legal opinion .....	149
5. Summary opinion stated in the case check list schedule prepared by the issuer and reviewed by the CPA .....	149
6. The status of improvement, if the FSC has notified the Company to make any improvements of its own when registering (or applying for approval of) the previous offering and issuance of securities.....	149
7. Additional items notified by the FSC to be disclosed when the Company registered the current offering and issuance of securities.....	149
8. The statement or undertaking disclosed in the Information Memorandum and the status thereto, in relation to the Company’s initial public offering, listing, the last registration (application) for offering and issuance of securities within the most recent 3 fiscal years .....	149
9. The major contents of any dissenting opinion of any director or supervisor regarding any material resolution passed by the Board of Directors, where there is	



a record or written statement of such opinion, for the most recent fiscal year and up to the date of publication of the Information Memorandum ..... 150

10. Any penalty against the Company or its internal personnel under laws, or any disciplinary action taken by the Company against its own personnel for violation of internal control requirement, during the most recent fiscal year and until the date of publication of the Information Memorandum, and a description of the major deficiencies, as well as the measures for improvement ..... 150

11. The statement issued by the securities underwriter, the issuer, and the issuer’s directors, supervisors, CEOs, financial or accounting manager, and the managerial officers involved in the current registration for public offering and issuance of securities, specifying that no underwriting related fees will be refunded or collected..... 150

12. For cases that involve the issuer conducting a cash capital increase or an offering of corporate bonds with equity characteristics and adopting book building and public underwriting, the statement issued by the securities underwriter and issuer, specifying that allocation to related parties and insiders is prohibited..... 150

13. Other Important Supplementary Information..... 150

14. Status of Corporate Governance..... 150

**VI. Important resolutions, Articles of Incorporation and Related Laws & Regulations . 183**

1. Resolutions related to the issuance..... 183

**Attachment 1. Method and Basis of Calculation of Share Exchange Ratio**

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

**Attachment 3.Consolidated financial reports and external auditor’s report in 2015**

**Attachment 4.Consolidated financial reports and external auditor’s report in 2016**

**Attachment 5.Consolidated financial reports of Q2 in 2017 and external auditor’s review report**

**Attachment 6.Individual financial reports and external auditor’s report in 2015**

**Attachment 7.Individual financial reports and external auditor’s report in 2016**

## I. Overview

## 1. Company Profile

- (1) Date of establishment: December 29, 1950
- (2) Addresses and telephone numbers of the head office, branches and factories/plants

## Head Office

Address: No. 113, Sec. 2, Zhongshan N. Rd., Zhongshan District, Taipei City 104

Tel. No.: (886)(2)2531-7099

## Factory

Factory	Address	Tel. No.:
Heping Cement Plant	No.263, Heping, Heping Vil., Xiulin Township, Hualien County, Taiwan	(886)(3)868-2111
Suao Cement Plant	No.46, Yongchang Rd., Su'ao Township, Yilan County, Taiwan	(886)(3)996-2511~20
Hualien Cement Plant	No.103, Huadong, Minxiang Vil., Hualien City, Hualien County, Taiwan	(886)(3)822-1161~4
Hualien Ready-mixed concrete Factory	No. 2-1, Jingmei Rd., Min Xiao Vil., Hualien City, Hualien County, Taiwan	(886)(3)8228353
Taipei Cement Products Plant	No.52, Sec. 1, Keelung Rd., Taipei City, Taiwan	(886)(2)2765-1260~3
Tucheng Branch Factory	No.4, Ln. 233, Sec. 3, Jieshou Rd., Sanxia Dist., New Taipei City, Taiwan	(886)(2)8676-3356
Taoyuan Branch Factory	No.220, Sec. 2, Nanshan Rd., Luzhu Dist., Taoyuan City, Taiwan	(886)(3)359-5633
Bade Branch Factory	No.32-1, Ln. Zhongxiao, Changxing Rd., Bade City, Taoyuan County, Taiwan	(886)(3)368-5785
Zhongli Branch Factory	No.203, Sec. 6, Minzu Rd., Xinwu Dist., Taoyuan City, Taiwan	(886)(3)490-7675~8
Hsinchu Branch Factory	No.18, Ln. 435, Yuanshan Rd., Zhudong Township, Hsinchu County, Taiwan	(886)(3)582-7660
Dongda Branch Factory	No.30-1, Ln. 110, Sec. 3, Dongda Rd., Hsinchu City, Taiwan	(886)(3)532-4642
Yilan Branch Factory	No.438, Sec. 2, Yuanshan Rd., Yuanshan Township, Yilan County, Taiwan	(886)(3)922-0456
Taichung Cement Products Plant	No.785, Sec. 3, Zhongqing Rd., Daya Dist., Taichung City, Taiwan	(886)(4)2568-1691
Dadu Branch Factory	No.303, Sec. 2, Shatian Rd., Dadu Dist., Taichung City, Taiwan	(886)(4)2699-2826
Taiping Branch Factory	No.120, Sec. 2, Yongping Rd., Taiping Dist., Taichung City, Taiwan	(886)(4)2273-2506
Caotun Branch Factory	No.137, Renhe Rd., Nantou City, Nantou County, Taiwan	(886)(49)225-3248
Gushan Cement Products Plant	No.274, Gushan 2nd Rd., Kaohsiung City, Taiwan	(886)(7)561-1226
Chiayi Branch Factory	No.8, Xinsheng St., Minxiong Industrial Park, Minxiong Township, Chiayi County, Taiwan	(886)(5)221-7215
Tainan Branch Factory	No.36, Taiyi 7th St., Rende Dist., Tainan City, Taiwan	(886)(6)270-3259
Luzhu Branch Factory	No.809, Daren Rd., Luzhu Dist., Kaohsiung City, Taiwan	(886)(7)607-1238
Shanhua Branch Factory	No.33, Xingnong Rd., Shanhua Dist., Tainan City, Taiwan	(886)(6)581-0685

Factory	Address	Tel. No.:
Anping Branch Factory	No.84-2, Xinle Rd., South Dist., Tainan City, Taiwan	(886)(6)291-9809
Renwu Branch Factory	No.16, Gongye 1st Rd., Renwu Dist., Kaohsiung City, Taiwan	(886)(7)372-0396~7
Siaogang Branch Factory	No.12, Zhonglin Rd., Xiaogang Dist., Kaohsiung City, Taiwan	(886)(7)872-1166~7
Taichung Port Cement Shipping Depot	No.2, Beiheng 7th Rd., Haibin Vil., Qingshui Dist., Taichung City, Taiwan	(886)(4)2656-4394~5
Kaohsiung Port Cement Shipping Depot	No.12, Dahua 3rd Rd., Qianzhen Dist., Kaohsiung City, Taiwan	(886)(7)813-5047~9
Anping Port Cement Shipping Depot	No.6, Ln. 23, Xingang Rd., South Dist., Tainan City, Taiwan	(886)(6)292-3123

### (3) Corporate Milestones

After the restoration of Taiwan, the Taiwan Provincial Government established the Cement Industry Supervisory Commission, and took over Asano Cement Co., Ltd. Kaohsiung Factory (being the predecessor of Kaohsiung Cement Plant of the Company), Taiwan Chemical Industry Co., Ltd. (being the predecessor of Suao Cement Plant of the Company), Southern Cement Corp. (being the predecessor of Zhudong Cement Plant of the Company), Taiwan Cement Pipe Co., Ltd., and Songshan Factory (being the predecessor of Taipei Cement Products Plant of the Company) in April 1946, and formally founded Taiwan Cement Limited under joint venture with the National Resources Commission of Ministry of Economic Affairs and the Taiwan Provincial Government on May 1, 1946. The Company was reorganized into a company limited by shares on January 1, 1951, and was managed under the joint venture of Ministry of Economic Affairs and Taiwan Provincial Government (the “Government”) after the National Resources Commission was abandoned in 1952. The Government implemented the “Land-to-Tiller” Policy in 1953 and privatized the Company on November 11, 1954. At the time, the Company managed three cement plants, including the Kaohsiung Cement Plant, Suao Cement Plant and Zhudong Cement Plant, and two cement products plant, including Taipei Products Plant and Gushan Cement Products Plant. On February 9, 1962, the Company took the initiative to respond to the “Capital Securitization” policy implemented by the Government and became the first company to engage in a public offering and listing of its shares on the Taiwan securities market.

The Company has been privately-owned for more than six decades. During the past half century, the Company has strived to participate in major national economic construction projects and had developed strongly along with its involvement in national constructions, being a key role model of the “Experience of

Taiwan” in Taiwan’s social transformation and economic development. The Company’s paid-in capital has increased from NT\$270 million at the time of its privatization to NT\$36.9 billion (representing over 100 times’ growth). Its turnover increased from NT\$240 million to NT\$17.3 billion in 2016 and therefore, it represents a success for the transformation from state-owned enterprise to privately-owned enterprise model.

The business lines of the Company’s affiliates cover manufacturing and sales of chemical products, thermal power generation, sea and land transportation, production and sale of refractory materials, contract of environmental pollution prevention engineering, and contract of the production, service and sales of related products and equipment and disposal of waste. The Company’s consolidated turnover was NT\$89.6 billion in 2016.

*Status of merger and acquisition from the latest fiscal year up to the date of the publication of this Information Memorandum:* The Company convened a directors’ meeting on April 19, 2017, and approved a motion on April 20, 2017 to, together with TCC International Limited (“TCCI”), a subsidiary of the Company, privatize TCC International Holdings Limited (“TCCIH”) by way of a scheme of arrangement, and it is expected that approval from competent authorities and the Grand Court will be obtained before December 31, 2017.

In this Information Memorandum, “Scheme” means a scheme of arrangement proposed by the Company and TCCI under Section 86 of the Companies Law of the Cayman Islands involving the cancellation of all Ordinary Shares and Convertible Preference Shares not held by the Company or TCCI, and the simultaneous issuance of an equivalent number of new shares (the Ordinary Shares and the Convertible Preference Shares) to the Company and TCCI (as the case may be); “Proposal” means the proposal for the privatisation of TCCIH by the Company and TCCI by way of the Scheme. For further details of the Scheme and the Proposal, please refer to Chapter III – part (3) herein.

On June 29, 2017, the Company received the official approval letter from the Investment Commission of MOEA dated June 28, 2017 approving the additional investment of the Company in the PRC. On July 24, 2017, the Company received a letter from the Taiwan Stock Exchange (TWSE) dated July 21, 2017 notifying it that the TWSE has approved the issuance of the shares of the Company to be issued for the purpose of the Proposal. Subject to the Scheme becoming effective, the

Company will acquire the outstanding shares of TCCIH either in cash paid by TCCI, or by issuing new shares in the Company. Upon completion, TCCIH will be delisted from the Main Board of the Stock Exchange of Hong Kong Limited (“HKEx”) and will become a subsidiary wholly owned by the Company.

*The impact associated with significant transfers or changes in shareholdings by directors or major shareholders holding over 10%, changes related to rights of operations and other important matters which could affect the shareholders’ interest: None*

## 2. Risks

### (1) Risk factors

1. The impact of interest rate, exchange rate, and inflation on the Company’s profit/loss and future countermeasures:

(1) With respect to interest rates, other than the U.S., the central banks of other major economies tend to adopt loose monetary policies. Therefore, no significant fluctuation of the interest rates of NTD or RMB is expected. The fluctuation of interest rates in Taiwan, China, and the U.S. will affect the interest expenses payable as a result of the Company’s liabilities and the interest revenues generated from the Company’s cash equivalent. The Company will have regard to the changes and trends of the interest rates from time to time, and evaluate potential interest rate risks in a timely manner, and adjust its liability position or use fixed interest rate and other related financial instruments to minimize any potential risks that may arise from its liabilities.

(2) With respect to foreign exchange rates, the Company is mainly affected by the fluctuations of USD and RMB. The Company adopts a net position of natural hedge in its overall operation. The Company measures the difference generated from working capital and revenue and expense in foreign currencies periodically, and have regard to the fluctuation in foreign exchanges from time to time, execute foreign exchange spot transactions at appropriate timing according to the inflow and outflow of foreign currency, buy currency forwards or adjust foreign currency loans to hedge the risks of fluctuations in foreign exchange rate. By doing so, it may mitigate some of the Company’s foreign exchange rate risks, but it could not eliminate such risks completely. In general, the fluctuations in foreign exchange rates have limited effect on the Company’s operation.

- (3) According to the latest statistics, in 2017, the price of raw materials and supplies such as international crude oil will increase simultaneously. According to the latest statistics, the commodity price index increase rate from January to March this year was 0.18% in Taiwan, 2.4% in the U.S., and 0.9% in China, reflecting mild inflation. According to the forecast of Chung-Hua Institution for Economic Research, the commodity price index increase rate for 2017 will be 1.35% and inflation has limited effect on the Company's profit/loss in 2017.
2. The policy on high-risk investments, highly leveraged investments, granting loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and relevant measures to be taken in the future:
  - (1) The Company and its subsidiaries (the "Group") have not engaged in any high-risk or highly leveraged investments in the most recent year.
  - (2) The beneficiaries of loans and endorsements/guarantees granted by the Company and its subsidiaries are the Company's subsidiaries or affiliates, which maintain normal financial positions and follow the related laws and regulations promulgated by the Financial Supervisory Commission and the Company's "Operating Procedure for Loaning to Others" and "Operating Procedure for Making Endorsements/Guarantees".
  - (3) The derivatives transactions conducted by the Company and its subsidiaries are intended to hedge the risk over foreign exchange rates and costs of raw materials and supplies incurred by the Company's operation. The Company does not engage in any derivatives transactions other than hedging transactions, in accordance with the "Operating Procedure for Acquisition or Disposal of Assets" established by the Company.
3. Future R&D plan and estimated R&D expenses

In 2017, the Company will continue R&D on energy saving measures, carbon reduction, new Carbon dioxide ("CO<sub>2</sub>") capturing technology and Carbon dioxide capture, Storage and Utilization ("CCSU") in relation to microalgae cultivation technology and also evaluate the effect of expanding the scale of its trial plants to prepare for actual business uses. For the time being, all its projects meet the schedule of research progress including:

  - (1) Future planning of calcium looping capture technology: In order to improve

the overall efficiency of calcium looping capture technology, the Company will focus on the R&D of increasing the conversion rate of carbonation and reducing Ca/C mole ratio and the consumption of energy, and planning to establish a 30MW demonstration plant. The Company plans to invest NT\$7,640 thousand (before tax) in 2017, in order to develop the new-generation capturing system technology which can integrate steam, water and multi-level of wind (capturing efficiency > 90%, Ca/C < 4, consumption of additional energy < 20%), R&D of technology for re-generation of high-purity light carbonate calcium from inactive absorption agent (Bench-scale system testing and certification, conversion rate > 85%), and detailed design and procurement requirements, planning of plant establishment and descriptions of environmental effects of the 30MW calcium looping capturing demonstration system.

- (2) Algae cultivation technology: In order to resolve the issue of low growth rate of algae due to insufficient sunlight, the Company will proceed with R&D on carbon sequestration growth and utilization of algae and also further investigate the two stages of production of valuable products by carbon sequestration of micro-organism enzyme, so as to mitigate obstacles such as sunlight and land use. Therefore, the Company will invest NT\$8,700 thousand (before tax) in 2017 in the execution of the development of high-efficiency algae growth model, the research of outdoor cultivation of high-efficiency carbon sequestration microalgae, evaluation of biological carbon sequestration procedure and exploration of fermenting microbial oils.
4. Impact on the Company's financial standing due to changes in domestic or foreign policies and laws, and corresponding countermeasures

According to Article 64 of the Electricity Act amended and promulgated on January 26, 2017, "A power company shall first allocate a portion of annual net profit (excluding those from the generation of renewable-energy-based electricity) that exceeds the total paid-in capital to improve the operation and maintenance of the machineries, pollution-minimizing infrastructure and further development in renewable energy." Ho-Ping Power Company, a subsidiary of the Company, will strive to plan and evaluate investments in related renewable energy power generation facilities.

5. Impact on the Company's financial standing due to technological or industrial

changes, and corresponding countermeasures

The Company has adopted the latest technology with respect to its new plants that were expanded in the recent years, and also renovated its old plants with new technology to allow their production lines to meet the quality production conditions - automation, environmental protection and low-energy consumption, so as to produce competitive products of high-quality at low-cost and also improve the Company's corporate image.

The Company will continue to monitor the development of related technologies, and evaluate the introduction of the latest technologies to ensure the Company can operate sustainably.

6. Changes in crisis management associated with the impact of corporate image by the Company and corresponding countermeasures

Cement manufacturing is a livelihood industry which is high energy-consuming and has high carbon emission similar to the power, petrochemical and steel industries. In order to improve this negative image, the Company has upheld its philosophy of "Environmental Protection is Responsibility, Not Cost", and sought to control air pollutants, waste water and noise production at various factory premises to be strictly in line with the latest national environmental protection standards. The Company's cement plants have utilized the characteristics of the cement kilt which operates at a high temperature of 1300 degree Celsius, and it has worked with the Government to process about 900,000 tons of the waste solvent, calcium fluoride sludge, thermal plant soot, sludge of sewage treatment plants and waste soil from engineering work, among others, in the Hsinchu Science Park under the Government's supervision since 1983. Such industrial waste may be recycled and can be used as fuel or raw materials for the cement plants, after their purification under high temperatures. The Company is familiar with high-temperature operations. Since 1992, the Company has invested in the environmental protection business. Ta-Ho Environmental Service invested by the Company is now operating 8 incinerators and 8 sewage treatment plants throughout Taiwan. The Company serves 28.2% of the population throughout Taiwan. The Company's power generation capacity is 965 million degrees per year.

TCC Group has continuously engaged in environmental protection work such as sewage treatment, disposal of waste, power generation by incinerating waste,



energy-saving and carbon-reduction of cement plants, treatment of industrial waste by cement kilt for many years. Its CO<sub>2</sub> capturing technology also received the R&D 100 Award. Its astaxanthin products were launched in the biotech area and received the Award for Innovation in Taiwan. The efforts used by the Company in the “Environmental Protection Value Chain and Business Transformation” have been gradually witnessed by Taiwan and globally. By engaging in pollution reduction, recycling of waste, supply of environmental protection services and then upgrading to a Green Value Chain, the Company has built an economic system providing a one-stop supply of environmental protection services. This comprehensive set of operating technologies will help Taiwan Cement Corp. compete with others in China and even globally.

7. Expected benefit(s), possible risk(s) and countermeasure(s) of merger and acquisitions: There is no merger and acquisition under the Business Mergers and Acquisitions Act notwithstanding the proposed privatization of TCC International Holdings Limited which is expected to complete before the end of 2017. Please refer to Chapter III – part (3) herein in relation to the proposed issuance of new shares of the Company for acquisition of shares in TCC International Holdings Limited.

8. Expected benefit(s), possible risk(s) and countermeasure(s) of expansion of plants:

In order to expand the Group’s production capacity of clinker and cement in China and fill the gaps of the Group’s Guangdong Yinde Plant and Hunan Plant, the Group has established the production line of clinker and cement in Shaoguan, Guangdong Province, and also set up the waste disposal project, which is the Group’s first project for construction of new cement plant equipped with the facilities dedicated to disposal of waste at the time of initial planning. The plant will also be equipped with a production line of clinker and cement with a production capacity of 2 million tons per year, to facilitate the Group’s expansion of its business in North Guangdong, which is scheduled to begin operation at the end of 2017 or at the beginning of 2018.

9. Risk and countermeasures from concentrated purchase or sale:

The Group has not engaged in concentrated purchase or sale in the most recent year and 1H of 2017.

10. Impact or risk associated with large transfers or changes in shareholdings by

directors, supervisors or major shareholders holding over 10%, and countermeasures thereof: None.

11. Impact, risk and countermeasures arising from changes in managerial control: None.

12. Other significant risks and countermeasures: None.

(2) Litigation or non-litigation matters

1. *If there has been any substantial impact on shareholders' right and interest or prices of the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that was finalized or remained pending during the most recent two years or during the current fiscal year up to the publication date of the Information Memorandum, the Information Memorandum shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case:* None.

2. *If there has been any substantial impact on shareholders' right and interest or prices of the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company's director, supervisor, CEO, de facto responsible person or major shareholder holding over 10% of the Company's shares and subordinated companies, and the matter was finalized or remained pending during the most recent two years or during the current fiscal year up to the publication date of the Information Memorandum:*

(1) Ta-Ho Onyx RSEA Environment Co., Ltd. (a subsidiary of the Company)

Company Name	Ta-Ho Onyx RSEA Environment Co., Ltd.
Factual Background	The BOO contract for the incinerator between Ta-Ho Onyx RSEA Environment Co., Ltd. and Yunlin County Government was terminated upon the arbitration award. As a result, Yunlin County Government was liable to pay Ta-Ho Onyx RSEA Environment Co., Ltd. NT\$1.5 billion by November 30, 2008, and the balance of about NT\$1.44 billion (including certain payments in USD and JPY) by June 30, 2009, and Ta-Ho Onyx RSEA Environment Co., Ltd. should hand over the assets to the Yunlin County Government at the same time.
Amount in dispute (NT\$)	About NT\$2.95 billion
Commencement Date of Litigation	The arbitral award was rendered on October 1, 2008.
Parties	Ta-Ho Onyx RSEA Environment Co., Ltd. vs. the Yunlin County Government

Status	Ta-Ho Onyx RSEA Environment Co., Ltd. has petitioned for compulsory execution of the compensation of around NT\$2.95 billion awarded in the arbitration,. So far, Ta-Ho Onyx RSEA Environment Co., Ltd. has received about NT\$2.55 billion in compensation. It is continuing in petitioning compulsory execution and the negotiations with Yunlin County Government in respect of the repayment plan.
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Company Name	Ta-Ho Onyx RSEA Environment Co., Ltd.
Factual Background	After the award was rendered, the Yunlin County Government filed a claim, objecting to the enforcement by Ta-Ho Onyx RSEA Environment Co., Ltd. on the grounds that certain circumstances have arisen which may justify that such awards should not be enforced.
Amount in Dispute (NT\$)	About NT\$1.44 billion
Commencement Date of Litigation	Yunlin County Government initiated the action on February 4, 2016.
Parties	The Yunlin County Government vs. Ta-Ho Onyx RSEA Environment Co., Ltd.
Status	Taiwan Yunlin District Court rendered the judgment against the Yunlin County Government on June 3, 2016. The Yunlin County Government lodged an appeal on June 23, 2016. Tainan Branch of the Taiwan High Court dismissed the appeal on June 20, 2017. If Yunlin County Government does not appeal against the ruling within the time limit, the case shall be finalized and compulsory execution shall continue.

## (2) Ho-Ping Power Company (a subsidiary of the Company)

Company Name	Ho-Ping Power Company
Factual Background	The Hualien County Government accused Ho-Ping Power Company of consuming coal beyond the limit identified in the permit for consumption of coal and thereby breached Article 24 of the Air Pollution Control Act in 2009 and 2010. Moreover, according to Article 18 of the Administrative Penalty Act, the Hualien County Government fined the power company around NT\$440 million for unjust enrichment.
Amount in dispute (NT\$)	NT\$441,929,966
Commencement Date of Litigation	December 17, 2012
Parties	Ho-Ping Power Company vs. the Hualien County Government
Status	In June 2014, the Supreme Administrative Court overruled the judgment by the Taipei High Administrative Court and remanded the case for retrial. On December 23, 2016, the Taipei High Administrative Court dismissed (1) the part of the fine exceeding NT\$ 436,017,405, and (2) the decision of the administrative appeal.

	Ho-Ping Power Company lodged an appeal to the Supreme Administrative Court. On April 22, 2016, the Supreme Administrative Court dismissed the appeal and reconfirmed the fine to be approximately NT\$ 436,000,000. In May 2016, Ho-Ping Power Company petitioned for a retrial, which was subsequently dismissed by the Supreme Administrative Court and the High Administrative Court.
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Company Name	Ho-Ping Power Company
Factual Background	The Fair Trade Commission fined Ho-Ping Power Company, one of the domestic independent power producers, NT\$1.35 billion for alleged violation of Article 14 of the Fair Trade Act.
Amount in dispute (NT\$)	NT\$1,350,000,000
Commencement Date of Litigation	April 17, 2013
Parties	Ho-Ping Power Company vs. the Fair Trade Commission
Status	On June 30, 2015, the Supreme Administrative Court overruled the original judgment in favor of Ho-Ping Power Company, and remanded the case for retrial to the Taipei High Administrative Court. On May 25, 2017, the Taipei High Administrative Court ruled in favor of Ho-Ping Power Company by holding that “the finding of Ho-Ping Power Company committing collusion in the administrative ruling and the administrative appeal are dismissed”. The Fair Trade Commission then lodged an appeal, which is now pending in the Supreme Administrative Court.

Company Name	Ho-Ping Power Company
Factual Background	Taiwan Power Company filed a lawsuit against Ho-Ping Power Company in the Taipei High Administrative Court and the Taipei District Court. It initially claimed a minimum payment of NT\$5.2 billion and NT\$5.5 billion, plus interest, and then increased the latter claim amount to NT\$10.76 billion.
Amount in dispute (NT\$)	About NT\$16 billion
Commencement Date of Litigation	September 2015
Parties	Ho-Ping Power Company vs. Taiwan Power Company
Status	In September 2015, Ho-Ping Power Company received an administrative pleading submitted by Taiwan Power Company to the Taipei High Administrative Court. In February 2017, the Taipei High Administrative Court gave notice and transferred the case to the Taipei District Court. Taiwan Power Company increased its claim amount to NTD 10.76 billion. The case is now pending in the Taipei District Court. Taiwan Power Company has not yet paid any court costs.  In November 2015, Taiwan Power Company filed a civil complaint against Ho-Ping Power Company in the Taipei District Court, making a claim with the same cause of action as the above. The

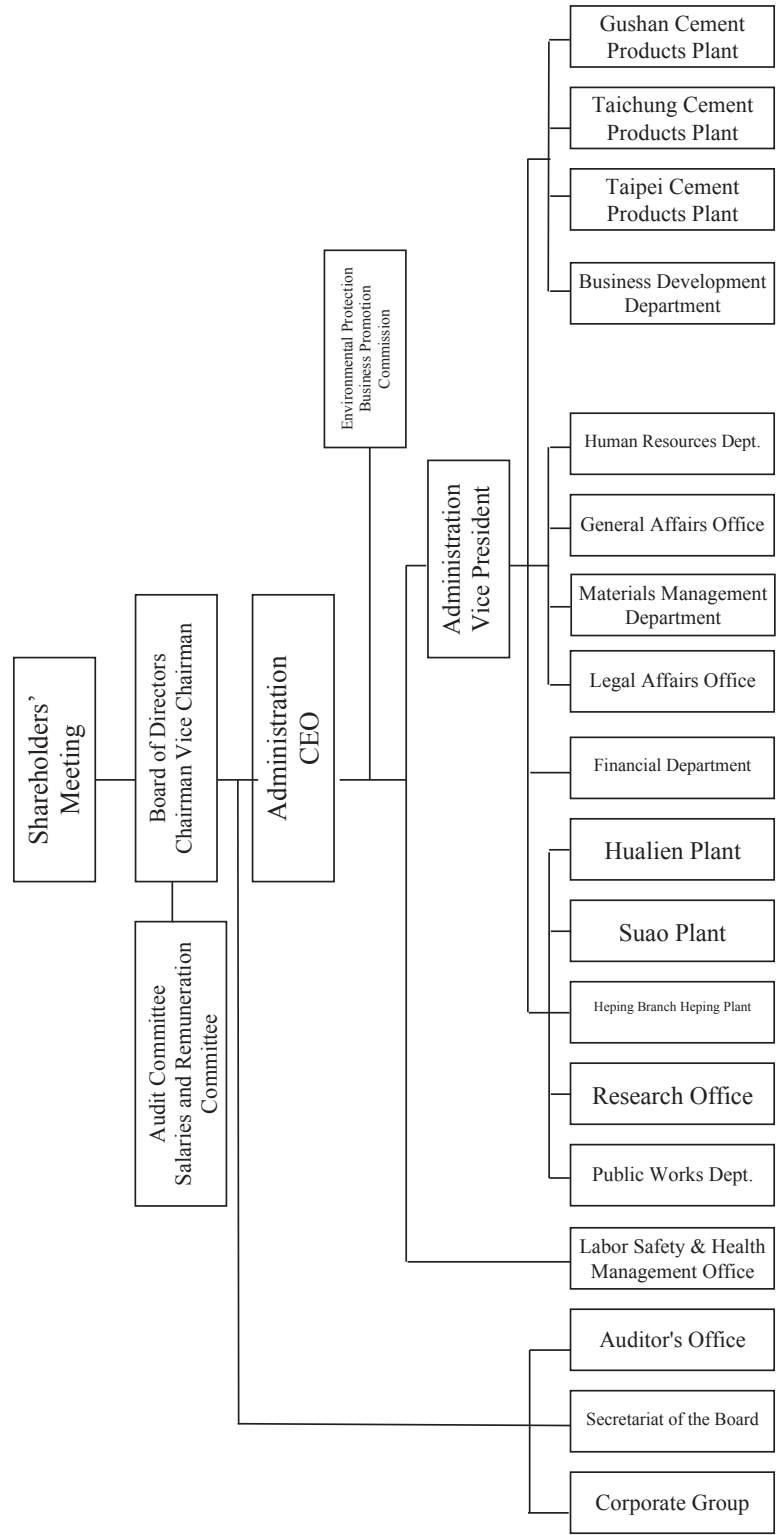
	case is also pending in the Taipei District Court.
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3. *The Information Memorandum shall note the occurrence of any event set forth under Article 157 of the Securities and Exchange Act that involves the Company's director, supervisor, manager, or any major shareholder holding more than 10% of the Company's shares, provided that the event shall occur in the most recent 2 fiscal years or during the current fiscal year up to the date of publication of the Information Memorandum, and how the Company is currently handling the matter: None.*
- (3) *If the Company's director, supervisor, manager, or major shareholder holding more than 10% of the Company's shares has experienced financial difficulties or loss of credit within the most recent two fiscal years or during the current fiscal year up to the date of publication of the Information Memorandum, the Information Memorandum shall note the effect on the Company's financial status: None.*
- (4) *Other Significant Events: None.*

3. Organization

(1) Organizational system

1. Organizational structure



Note: 1. Taipei, Taichung and Gushan Cement Products Plants also include 17 branch factories and 2 shipping depots.

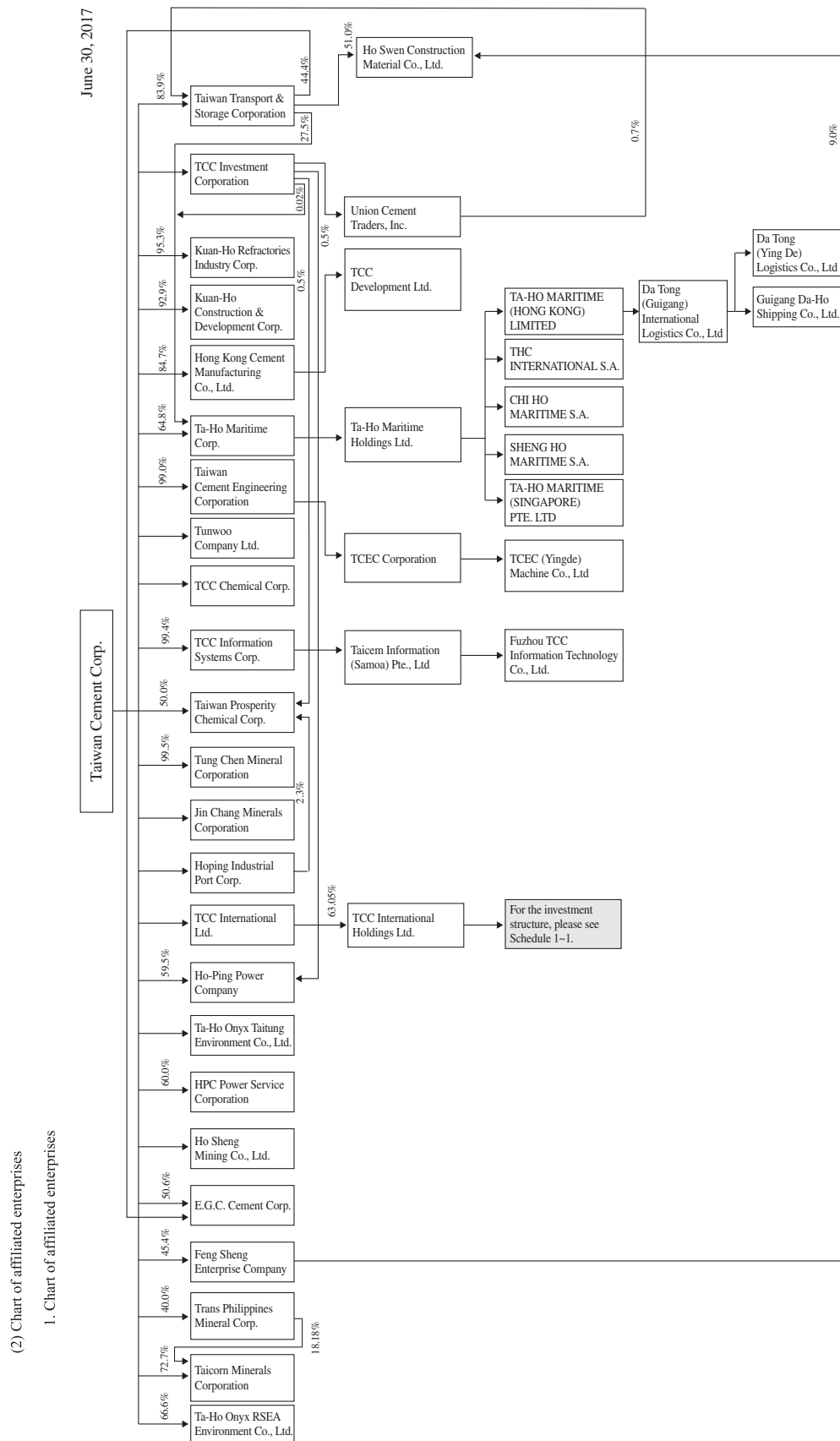
2. Hualien Plant also includes the ready-mixed concrete factory.

## 2. Operating business of major departments

Name of Department	Functions
The Company's Board of Directors has set up the Secretariat, Corporate Group and Auditor's Office to be in charge of the following functions:	
Secretariat	Control the official seal of the Chairman of Board and prepare shareholders' meetings and directors' meetings, processing of, communication and administration of paperwork, general affairs and shareholders' services, and official seal of Administration and CEO.
Corporate Group	Control and integrate corporate resources for sharing and increasing the scale of economy; manage regulations and systems uniformly; sharing of successful experiences; normal functional audit; management advisory and consultation services within the Group; other business affairs related to the Corporate Group; improve the quality of management and lower the costs; use the power of Corporate Group to increase overall competitiveness and profitability; and create the maximum benefit for shareholders.
Auditor's Office	Implement eight cycles of internal control audit according to the annual audit plan; supervise the implementation of the Company's and each of its subsidiaries' internal control system, make revision and provide suggestions on improvement; investigate, follow up and improve any abnormal situations.
Administration has set up Public Works Dept., Research Office, Business Development Dept., Marketing Dept., Financial Dept., Human Resources Dept., Materials Management Dept., Legal Affairs Office, General Affairs Dept. and Labor Safety and Health Management Office to be in charge of the following functions:	
Public Works Dept.	Research and drafting of production plans, follow-up, assistance and performance evaluation of operating efficiency, update, maintenance and improvement of mechanical and electrical equipment, assistance in procurement of equipment, research and drafting, guidance and follow-up of project engineering plans, supervision of environmental protection, labor safety, finished goods and quality assurance, survey, research, evaluation, planning and follow-up of new and merged, acquired and restructured units in China.
Research Office	Technical guide to workmanship and quality control of cement and concrete products; research and development of special cement, high-performance concrete and energy-saving and carbon-reduction technology; development and promotion of recycled materials; technical advice and customers' service before and after sale of cement and concrete, etc.
Business Development Department	Preparation of merchandising plans, domestic marketing, export, warehousing and shipping of products, and supervision and performance evaluation of the cement shipping depots.
Financial Department	Responsible for processing and reviewing the routine accounting and fund allocation operations, cash management and wealth planning, controlling budget and analyzing reports, executing projects related to the operations, supervision of subsidiaries and relations with investors.

Human Resources Dept.	Selection, training, employment and retention of the Company's staff, and management and supervision of human resource-related affairs of various units, and employees' benefit and employment relationship, etc.
Materials Management Department	Procurement and contract awarding of production equipment, civil engineering & mechanic engineering, raw materials and supplies for production, management of warehouses and allocation of materials, etc.
Legal Affairs Office	Drafting, amendment and review of legal instruments, providing legal opinion, processing of litigation/non-litigation matters, controlling legal risk and other legal affairs.
General Affairs Office	In charge of general affairs irrelevant to production, repairing of buildings, and planning, execution and supervision of management of land and various assets.
Labor Safety & Health Management Office	In charge of the affairs related to labor safety & health in the Company.
Main businesses of subsidiary/affiliates	
Heping Branch Heping Plant, Suao Plant and Hualien Plant	Manufacturing of cement
Taipei, Taichung and Gushan Cement Products Plants (including 2 shipping depots)	Management of manufacturing, sale and shipping depots of ready-mixed concrete



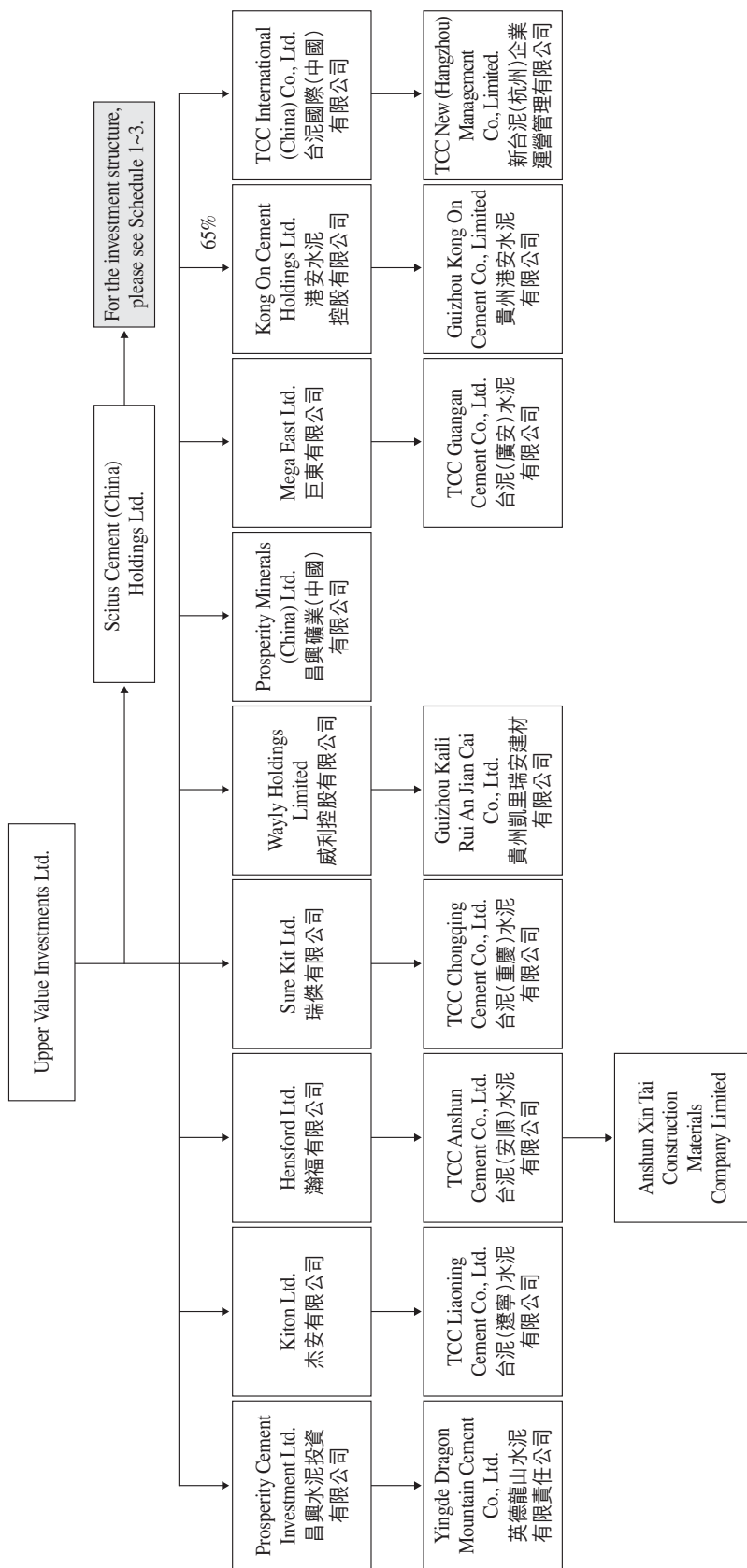


(2) Chart of affiliated enterprises  
1. Chart of affiliated enterprises

Note 1: Unless otherwise noted, the other shareholding should be 100%.

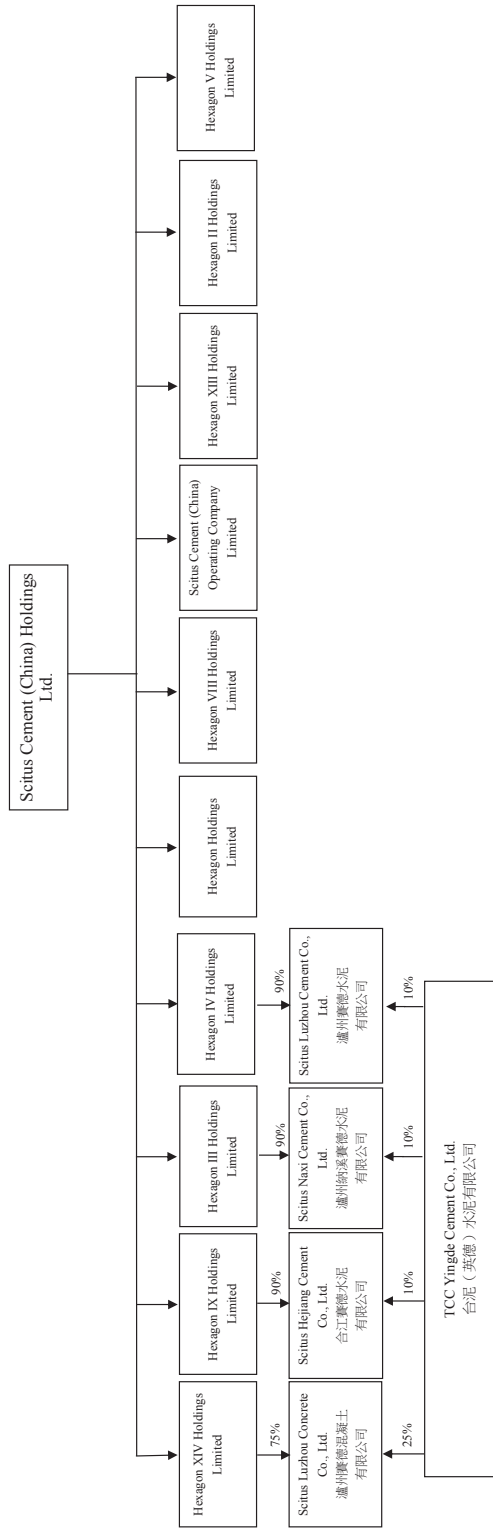


Schedule 1~2



Note 1: Unless otherwise noted, the other shareholding should be 100%.

Schedule 1-3



Note 1: Unless otherwise noted, the other shareholding should be 100%.

## 2. Mutual shareholding ratios, number of shares, and actual invested capital

June 30, 2017

Unit: NT\$ thousand; thousand shares; %

Investee	Affiliation with the Company	Shareholdings of the Company and subordinate companies in affiliated enterprises			Shareholdings of affiliates in the Company		
		Shares	Proportion	Actual invested capital	Shares	Proportion	Actual invested capital
Taiwan Transport & Storage Corporation	Subsidiaries	32,929	84.52	93,474	—	—	—
TCC Investment Corporation	Subsidiaries	54,150	100.00	190,000	—	—	—
Kuan-Ho Refractories Industry Corp.	Subsidiaries	18,105	95.29	181,050	—	—	—
Kuan-Ho Construction & Development Corp.	Subsidiaries	35,959	92.87	248,963	—	—	—
Ta-Ho Maritime Corp.	Subsidiaries	168,994	92.28	776,078	—	—	—
Taiwan Cement Engineering Corporation	Subsidiaries	59,593	99.05	319,439	—	—	—
TCC Chemical Corp.	Subsidiaries	118,393	100.00	334,350	—	—	—
TCC Information Systems Corp.	Subsidiaries	14,904	99.36	71,000	—	—	—
Taiwan Prosperity Chemical Corp.	Subsidiaries	154,163	52.80	1,413,072	—	—	—
Tung Chen Mineral Corporation	Subsidiaries	20	99.45	1,989	—	—	—
Jin Chang Minerals Corporation	Subsidiaries	1,800	100.00	18,282	—	—	—
Tunwoo Company Ltd.	Subsidiaries	75,499	100.00	59,880	—	—	—
Hoping Industrial Port Corp.	Subsidiaries	319,990	100.00	3,198,500	—	—	—
Ho-Ping Power Company	Subsidiaries	608,040	60.00	6,106,631	—	—	—
Ta-Ho Onyx Taitung Environment Co., Ltd.	Subsidiaries	37,100	100.00	313,187	—	—	—
HPC Power Service Corporation	Subsidiaries	6	60.00	1,861	—	—	—
E.G.C. Cement Corp.	Subsidiaries	15,124	95.00	310,877	—	—	—
Ho Sheng Mining Co., Ltd.	Subsidiaries	30,100	100.00	1,414,358	—	—	—
Feng Sheng Enterprise Company	Subsidiaries	27,261	45.43	250,000	—	—	—
Ta-Ho Onyx RSEA Environment Co., Ltd.	Subsidiaries	66,600	66.60	666,000	—	—	—
Hong Kong Cement Manufacturing Co., Ltd. (HKCMCL)	Subsidiaries	38	84.65	72,005	—	—	—
TCC International Ltd.	Subsidiaries	600,876	100.00	18,344,635	—	—	—
Trans Philippines Mineral Corp.	Subsidiaries	20	40.00	2,105	—	—	—
Taicorn Minerals Corp.	Subsidiaries	120	72.70	11,880	—	—	—

(3) Information concerning the president, vice presidents, assistant vice presidents, and department and branch managers (Note: the shareholding/interest disclosed below is calculated based on laws and regulations in Taiwan)

Title	Name	Gender	Nationality	Date of Election (Appointment)	Current shareholding		Shareholdings of spouse and minor children		Shareholding under other's name		Education and selected past positions	Current additional positions in the Company and other company	Managers who are spouses or relatives within the second degree of kinship			Acquisition of employee stock warrants by managers
					Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)			Title	Name	Relationship	
CEO (Note 1)	Li Chung-Pei	Male	R.O.C.	2017/7/31	-	-	-	-	-	-	MS in Information Technology from Johns Hopkins University, President & CEO at HSBC Taiwan	None	None	None	None	None
Senior Vice President	Huang Chen-Chiang	Male	R.O.C.	2006/1/1	325,607	0.01	-	-	-	-	Department of Transportation and Communication Science, National Cheng Kung University	Chairman of E.G.C. Cement Corp., Chairman of Feng Sheng Enterprise Company, Director of Taiwan Transport & Storage Corporation, Director of Ta-Ho Maritime Corp., Director of Ho-Ping Power Company, and Director of CHC Resources Corp., etc.	None	None	None	None
Senior Vice President	Wang Chi-May	Female	R.O.C.	2005/2/24	285,996	0.01	-	-	-	-	Department of Accounting, New Jersey State University	Director of Ho-Ping Power Company, Director of TCC Information Systems Corp., and Director of Ta-Ho Maritime Corp., etc.	None	None	None	None
Vice President	Lu Ker-Fu	Male	R.O.C.	2008/6/30	100,697	0.00	-	-	-	-	Department of Mechanical Engineering, Tamkang University	Chairman of Lung Chen Mineral Corporation, Chairman of Jin Chang Minerals Corporation, Director of Ho-Ping Power Company, and Director of Ta-Ho Maritime Corp., etc.	None	None	None	None
Vice President	Tsai Li-Wen	Male	R.O.C.	2015/1/5	-	-	-	-	-	-	Master, Department of Law, National Taiwan University	Director of Ta-Ho Maritime Corp., etc.	None	None	None	None
Assistant Vice President	Koo Jason Kung-Yi	Male	Hong Kong	2017/6/8	-	-	-	-	-	-	MBA, The Wharton School of University of Pennsylvania Vice President, Morgan Stanley Investment Banking Department	Representative of Taiwan Cement Corp. (when Taiwan Cement Corp is a corporate director), Representative of Taiwan Prosperity Chemical Corp. (when Taiwan Prosperity Chemical Corp. is a corporate director), Representative TCC International Holdings Limited (when TCC International Holdings Limited is a corporate director) and President of TCC International Holdings Limited, Representative of Ho-Ping Power Company (when Ho-Ping Power Company is a corporate director), Representative of China Synthetic Rubber Corporation (when China Synthetic Rubber is a corporate director), etc.	None	None	None	None

Title	Name	Gender	Nationality	Date of Election (Appointment)	Current shareholding		Shareholdings of spouse and minor children		Shareholding under other's name		Education and selected past positions	Current additional positions in the Company and other company	Managers who are spouses or relatives within the second degree of kinship			Acquisition of employee stock warrants by managers
					Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)			Title	Name	Relationship	
Assistant Vice President	Chen Shi-Ming	Male	R.O.C.	2015/12/1	-	-	-	-	-	-	Department of Mass Communication, Fu Jen Catholic University	None	None	None	None	None
Assistant Vice President	Liu Fong-Ping	Female	R.O.C.	2015/2/9	23,000	0.00	187	0.00	-	-	Master, Human Resource Management Department, National Taiwan Normal University	None	None	None	None	None
Assistant Vice President	Huang Tien-Lin	Male	R.O.C.	2015/2/9	504	0.00	-	-	-	-	Department of Business Administration, Tamkang University	Director of Ta-Ho Maritime Corp., Director of Taiwan Transport & Storage Corporation, and Director of Union Cement Traders, Inc., etc.	None	None	None	None
Assistant Vice President	Wang Chen-Chuan	Male	R.O.C.	2015/2/9	12,499	0.00	1,391	0.00	-	-	Department of Mechanical Engineering, Feng Chia University	Director of Kuan-Ho Refractories Industry Corp., and Director of Tung Chen Mineral Corporation, etc.	None	None	None	None
Assistant Vice President	Hong Wei-Jue	Male	R.O.C.	2010/11/12	75,258	0.00	-	-	-	-	Department of Business Administration, National Chung Hsing University	Director of CHC Resources Corp.	None	None	None	None
Assistant Vice President	Yu Ching-Long	Male	R.O.C.	2016/4/25	95,552	0.00	-	-	-	-	Department of Business Administration, National Chengchi University	None	None	None	None	None
Assistant Vice President	Lan Cen-Wei	Male	R.O.C.	2017/3/6	26,394	0.00	-	-	-	-	Soochow University - Administration	None	None	None	None	None
Assistant Vice President	Song You-Hsin	Male	R.O.C.	2017/3/6	11,000	0.00	-	-	-	-	Feng Chia University - Department of Statistics	None	None	None	None	None
Senior Manager (Note 2)	Yeh Kuo-Hong	Male	R.O.C.	2015/12/16	-	-	-	-	-	-	Master, Department of Accounting, National Taipei University	None	None	None	None	None
Senior Manager (Note 3)	Tsong Hsiao-An	Male	R.O.C.	2004/12/21	57,366	0.00	-	-	-	-	Department of Accountancy, Soochow University	Supervisor of Rong Gong Industrial Corporation, and Supervisor of Ta-Ho Onyx RSEA Environment Co., Ltd., etc.	None	None	None	None
Senior Manager	Wei Chia-Peng	Male	R.O.C.	2016/3/1	52,051	0.00	-	-	-	-	Department of Geology, Chinese Culture University	None	None	None	None	None
Senior Assistant Manager	Lin Chia-Hsien	Male	R.O.C.	2015/5/4	1,000	0.00	-	-	-	-	Master, Mechanical Engineering and Aerospace Engineering Department, Chung Hua University	None	None	None	None	None
Assistant Manager	Hong Chong-Chi	Male	R.O.C.	2015/3/30	-	-	-	-	-	-	Department of Fisheries Science, National Taiwan Ocean University	Supervisor of Chia Huan Tung Cement Corporation, etc.	None	None	None	None
Assistant Manager	Chen Ching-Yi	Male	R.O.C.	2015/4/13	-	-	-	-	-	-	Chemical Engineering Department, National Taiwan University of Science and Technology	None	None	None	None	None

Note 1: On July 31, 2017, the Company appointed Mr. Li Chung-Pei and replaced Mr. Chang Air-Ping, Nelson as CEO.

Note 2: Chief Accountant

Note 3: Deputy Vice General Auditor

## (4) Information about directors and supervisors (Note: the shareholding/interest disclosed below is calculated based on laws and regulations in Taiwan)

## 1. Directors

Title	Name	Gender	Nationality or Place of Registration	Date elected (taken office)	Term (years)	First election Date	Shareholding when elected		Current shareholding		Shareholdings of spouse and minor children		Shareholding under other's name		Education and selected past positions	Current additional positions in the company and other company	Other officers, directors and supervisors who are spouses or relatives within the second degree of kinship	
							Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)			Title	Name
CEO	Chang An-Ping, Nelson (Note 1)	Male	R.O.C.	2015/6/18	3 years	1994/4/21	156,573	0.00	156,273	0.00	3,059,817	0.08	None	None	Chairman of Taiwan Cement Corp., Chairman of Taiwan Prosperity Chemical Corp., Chairman of Ho-Ping Power Company, Chairman of Ta-Ho Marine Corp., Chairman of E-ONE Moli Energy Corp., Chairman of TCC International Holdings Limited, Independent Director of Symnex Technology International Corporation, Executive Director of O-Bank, and Director of TWSE, etc..			
	Institution Represented: Fu Pin Investment Co., Ltd.						62,688,346	1.70	62,688,346	1.70	-	-	None	None	Master's Degree in Business Administration from New York University, U.S.A. Vice Chairman of Taiwan Cement Corp. Chairman of Chia Hsin Cement Corporation	None	None	None
Director	Koo Jason Kung-Yi (Note 1)	Male	Hong Kong	2015/6/18	3 years	1988/4/18	-	-	-	-	-	-	None	Assistant Vice President of Taiwan Cement Corp., Representative of Taiwan Prosperity Chemical Corp. (when Taiwan Prosperity Chemical Corp. is a corporate director), Representative of TCC International Holdings Limited (when TCC International Holdings Limited is a corporate director) and President of TCC International Holdings Limited.				
	Institution Represented: Heng Ching Investment Co., Ltd.						71,487,931	1.94	71,487,931	1.94	-	-	None	None	MBA, The Wharton School of University of Pennsylvania Vice President, Morgan Stanley Investment Banking Department	None	None	None



Title	Name	Gender	Nationality or Place of Registration	Date elected (taken office)	Term (years)	First election Date	Shareholding when elected		Current shareholding		Shareholdings of spouse and minor children		Shareholding under other's name		Education and selected past positions	Current additional positions in the company and other company	Other officers, directors and supervisors who are spouses or relatives within the second degree of kinship	
							Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)			Title	Name
Director	Kenneth C.M. Lo	Male	R.O.C.	2015/6/18	3 years	2005/2/24	-	-	-	-	-	-	4,400,000	0.12	Chairman of O-Bank Co., Ltd., and Director of Industrial Bank of Taiwan II VC Corp., etc.	None	None	None
	83,777,716		2.27				83,777,716	2.27	-	-	None	None	None	None				
Director	Yu Tzau-Yen	Male	R.O.C.	2015/6/18	3 years	2002/10/30	-	-	-	-	-	-	-	-	Chairman of CTCI Corporation, Chairman of Hsin LI Development Corp., Director of CTCI Overseas Corp., Ltd., Director of Gmtech Energy Corporation, Director of Uleeh Solar Corporation, Electrical Engineering Supervisor of China Steel National Chemical Corporation, Director of TSRC, Director of CTCI Education Foundation, and Executive Director of CTCI Foundation, etc.	None	None	None
	71,487,931		1.94				71,487,931	1.94	-	-	None	None	None	None				
Director	Wang Pui-Yuan	Male	R.O.C.	2015/6/18	3 years	2009/6/19	-	-	-	-	-	-	-	-	Chairman of Sercomm Prosperity Desktops Corp., Independent Director of UPC Technology Corporation, and Chairman of Monte Jade Venture Partners Association	None	None	None
	36,762,616		1.00				36,762,616	1.00	-	-	None	None	None	None				
Director	Jennifer Lin, Esq.	Female	R.O.C.	2015/6/18	3 years	2006/6/9	400,000	0.01	400,000	0.01	-	-	-	-	Managing Partner of Tsai & Tsai Law Firm, and Chairman of NTU Law Foundation	None	None	None
	120,047,530		3.25				120,047,530	3.25	-	-	None	None	None	None				

Title	Name	Gender	Nationality or Place of Registration	Date elected (taken office)	Term (years)	First election Date	Shareholding when elected		Current shareholding		Shareholdings of spouse and minor children		Shareholding under other's name		Education and selected past positions	Current additional positions in the company and other company	Other officers, directors and supervisors who are spouses or relatives within the second degree of kinship		
							Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)			Title	Name	Relationship
Director	Chen Chien-Tong Institution Represented: Ching Yuan Investment Co., Ltd.	Male	R.O.C.	2015/6/18	3 years	2003/6/26	86,921	0.00	86,921	0.00	-	-	None	None	Director of Ching Yuan Investment Co., Ltd. Director of Tung Tak Investment Limited, and Director & President of Hsin Kuo Gas Co., Ltd., etc.	None	None	None	
			R.O.C.			2,636,402	0.07	2,636,402	0.07	None	None	None	None	None	None				
Director	Eric T. Wu Institution Represented: Shinkong Synthetic Fibers Corporation	Male	R.O.C.	2015/6/18	3 years	1985/4/18	60,427	0.00	60,427	0.00	604,172	0.02	None	None	Chairman of Shinkong Synthetic Fibers Corp., Shinkong Materials Technology Co., Ltd., Ubright Optronics Corporation, and TacBright Optronics Corp.				
			R.O.C.			9,554,654	0.26	9,554,654	0.26	None	None	None	None	None	None	J.D. From Harvard Law School			
Director	Chang Kang-Lung, Jason Institution Represented: Chia Hsin Cement Corp.	Male	R.O.C.	2015/6/18	3 years	2012/6/21	190,000	0.01	190,000	0.01	-	-	None	None	Chairman of Chia Hsin Cement Corporation and Chia Hsin International Corp., etc.	None	None	None	None
			R.O.C.			23,105,050	0.63	23,105,050	0.63	None	None	None	None	None	None	Master Degree in Management of Massachusetts Institute of Technology			
Director	Lin Ming-Sheng Institution Represented: Goldsun Development & Construction Co., Ltd.	Male	R.O.C.	2015/6/18	3 years	2009/6/19	-	-	-	-	-	-	None	None	Vice President of SIGMU Group, and Vice Chairman of Taiwan Secom, etc.	None	None	None	None
			R.O.C.			14,078,730	0.38	14,078,750	0.38	None	None	None	None	None	None	J.D. From University of California, Hastings College of the Law			
Director	Chi-Wen Chang Institution Represented: Xin Hope Investment Co., Ltd.	Male	R.O.C.	2015/6/18	3 years	2016/2/1 (Re-appointed by the institution)	2,010,027	0.05	2,010,027	0.05	-	-	None	None	Director and also President of Xin Hope Investment Co., Ltd. San Jose State University/University of San Francisco/Golden Gate University Lecturer/part-time teacher				
			R.O.C.			10,701,572	0.29	10,701,572	0.29	None	None	None	None	None	None	Master of Science in Accountancy and Master of Administration in California State University, Fresno			

Title	Name	Gender	Nationality or Place of Registration	Date elected (taken office)	Term (years)	First election Date	Shareholding when elected		Current shareholding		Shareholdings of spouse and minor children		Shareholding under other's name		Education and selected past positions	Current additional positions in the company and other company	Other officers, directors and supervisors who are spouses or relatives within the second degree of kinship	
							Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)			Title	Name
Director	Lin Nan-Chou		R.O.C.				2,180,642	0.06	2,280,642	0.06	-	-	None	None	Chairman of Sishan Investment Co., Ltd.	None	None	None
	Institution Represented: Sishan Investment Co., Ltd.	Male	R.O.C.	2015/6/18	3 years	1998/12/15	7,525,603	0.20	7,525,603	0.20	-	-	None	None		Master's Degree in Business Administration from La Trobe University, Australia		
Director	Hsieh Chi-Chia		R.O.C.				400,000	0.01	400,000	0.01	-	-	None	None	Chairman of Microelectronics Technology Inc., Chairman of IQE Taiwan Corporation, Director of Taiwan Cement Corp., Director of China Synthetic Rubber Corporation, Director of E-ONE Moli Energy Corp., Director of Advanced Wireless Semiconductor Company, Director of Bright Led Electronics Corp., Director of KOPHN CORP., Director of Asia Pacific Telecom, Independent Director of AcBel Polytech Inc., and Independent Director of InnoLux Corporation, etc.	None	None	None
	Institution Represented: Fu Pin Investment Co., Ltd.	Male	R.O.C.	2016/6/22	2 years	1994/4/21	62,688,346	1.70	62,688,346	1.70	-	-	None	None		Ph.D, E.E., from University of Santa Clara, California Chairman of Microelectronics Technology Inc.		
Director	Chen Chi-Te		R.O.C.				-	-	-	-	4,570	0.00	None	None	Chairman of Chien Kuo Construction Co., Ltd., Chairman of Chien Hwei Investment Corp., and Director of Chia Hsin Cement Corporation	None	None	None
	Institution Represented: Heng-Chang Investment Co., Ltd.	Male	R.O.C.	2016/6/22	2 years	2002/10/30	71,487,931	1.94	71,487,931	1.94	-	-	None	None		MBA, Santa Clara University of California, U.S.A.		

Title	Name	Gender	Nationality or Place of Registration	Date elected (taken office)	Term (years)	First election Date	Shareholding when elected		Current shareholding		Shareholdings of spouse and minor children		Shareholding under other's name		Education and selected past positions	Current additional positions in the company and other company	Other officers, directors and supervisors who are spouses or relatives within the second degree of kinship	
							Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)			Title	Name
Director	David Carr Michael		U.S.A															
	Institution Represented: C. F. Koo Foundation	Male	R.O.C.	2016/6/22	2 years	2009/6/22	2,308,909	0.06	2,308,909	0.06	-	-	None	None	Senior Advisor of BCG, and Professor of University of California, San Diego	None	None	None
Independent Director	Yu-Cheng Chiao														Chairman and CEO of Winbond Electronics Corporation, Chairman of Golden Tower Investment Limited and NuvoTon Technology Corporation, Director of Walsin Lihwa Corp., Technology Corporation, Supervisor of MITAC Holdings Corporation, and Independent Director of Symxex Technology International Corporation, etc.			
		Male	R.O.C.	2015/6/18	3 years	2012/6/21	-	-	-	-	-	-	None	None	Master of Electronic Engineering, University of Washington Bachelor, Communication Engineering Department, National Chiao Tung University, Chairman of Walsin Lihwa Corp.	None	None	None
Independent Director	Victor Wang														Director of Chilsin Electronics Corp., Director of YAGEO Corporation, Supervisor of DIVA Laboratories, Ltd., Independent Director of Taiwan Navigation Co., Ltd., and Chairman of Soochow University Department of Accountancy Students Association Cultural and Educational Foundation, etc.			
		Male	R.O.C.	2015/6/18	3 years	2013/6/21	-	-	-	-	-	-	None	None	Department of Accountancy, Soochow University, EMBA, National Taiwan University Vice Chairman of Deloitte Taiwan	None	None	None

Title	Name	Gender	Nationality or Place of Registration	Date elected (taken office)	Term (years)	First election Date	Shareholding when elected		Current shareholding		Shareholdings of spouse and minor children		Shareholding under other's name		Education and selected past positions	Current additional positions in the company and other company	Other officers, directors and supervisors who are spouses or relatives within the second degree of kinship		
							Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)			Title	Name	Relationship
Independent Director	Cheng-Ming Yeh	Male	R.O.C.	2016/6/22	2 years	2016/6/22	-	-	-	-	-	-	-	-	Bachelor of Commerce Major in Accounting, National Cheng-Kung University Independent Director of Te-Ho Maritims Corp. Independent Director of Ho-Ping Power Company Advisor of Deloitte Taiwan	CPA of Cheng-Ming Yeh CPA Firm	None	None	None
Independent Director	Sheng Chih-Jen (Note 2)	Male	R.O.C.	2017/6/28	1 years	2017/6/28	-	-	-	-	-	-	-	-	Ph.D. in Political Science of Northwestern University Chairperson of Council for Cultural Affairs, Executive Yuan CEO of Republic of China (Taiwan) Centenary Foundation. Chairperson of Research, Development and Evaluation Commission. Taipei City Government. CEO of Deadlympics Taipei 2009. Professor of Politics, Soochow University	Independent Director of Taiwan Prosperity Chemical Corporation. CEO of LDC Hotels & Resorts Group, Chairman of FDC International Hotels Corporation	None	None	None

Note 1: Mr. Koo Cheng-Yun, Leslie passed away on January 23, 2017. The Company convened the special directors' meeting on January 23, 2017 to appoint Chang An-Ping, Nelson, the corporate representative of Fu Pin Investment Co., Ltd. as Chairman of Board, and Heng Qiang Investment Co., Ltd. notified the Company on the same day to re-appoint Mr. Koo, Jason Kung-Yi as the representative.

Note 2: Sheng Chih-Jen was elected on June 28, 2017.

2. Supervisor: N/A, as the Company has established the Audit Committee.

3. Major shareholders of institutional shareholders

**Major shareholders of institutional shareholders**

Institutional shareholder	Major shareholders of institutional shareholders
Heng Qiang Investment Co., Ltd.	Koo Kung-Kai (50%), Koo Cheng-Yun, Leslie (25%), Koo Hsuan-Hui (25%)
Fu Pin Investment Co., Ltd.	Koo Hsuan-Hui (50%), Koo Cheng-Yun, Leslie (25%), Koo Kung-Kai (25%)
China Synthetic Rubber Corporation	Taiwan Cement Corp. (8.78%), Chinatrust Investment Co., Ltd. (4.51%), King's Town Bank (4.23%), Falcon Investment Co., Ltd. (2.92%), Fubon Life (2.12%), Supervisory Board of Public Service Pension Fund (2.04%), Ho-Po Investment Corp. (2.01%), TCC Investment Corporation (1.99%), Chung Cheng Development Investment Corp. (1.89%), Fu Pin Investment Co., Ltd. (1.79%)
Xin Hope Investment Co., Ltd.	Chang Rong (20%), Chang Lin Shu-Chuang (20%), Chi-Wen Chang (20%), Chang Chun-Mei (20%), Kuo Chang Chun-Cheng (20%)
Falcon Investment Co., Ltd.	Ho-Po Investment Corp. (17.53%), Chinatrust Investment Co., Ltd. (82.47%)
Ching Yuan Investment Co., Ltd.	Tung Tak Investment Limited (98.35%)
Shinkong Synthetic Fibers Corporation	Shin Kong Life Insurance Co., Ltd. (5.8%), Shinkong Co., Ltd. (5.22%), Sunshing Investments Limited (4.98%), Dedicated Trust Property Account Managed by Hwatai Bank (4.66%), Shinkong Textile Co., Ltd. (3.47%), Shinkong Insurance (3.04%), Jilien Investment Corp. (2.37%), Toray Industries, Inc. (2.20%), Resources & Protection Technology Limited (2.18%), Rwei Hsin Industry Co., Ltd. (1.98%)
Goldsun Development & Construction Co., Ltd.	Shin Lan Enterprise Inc. (6.49%), Taiwan Secom (6.29%), Fubon Life (4.75%), Titan-Star International Co., Ltd (3.84%), Supervisory Board of Public Service Pension Fund (2.25%), Shin Lan Investment Corp. (2.13%), Excel Fame Investment Limited (1.83%), Wang Chuang-Yen (1.59%), Yenion Investments Limited (1.39%), Chang Ming-Chi (1.16%)
Chinatrust Investment Co., Ltd.	Heng Qiang Investment Co., Ltd. (23.38%), Fu Pin Investment Co., Ltd. (23.30%), Taiwan Cement Corp. (8.67%), China Synthetic Rubber Corporation (4.48%), TCC Investment Corporation (3.45%), Hoping Industrial Port Corp. (3.31%), Kung Ching International Development Co., Ltd. (2.97%), Chiao Tai Investment Corp. (2.77%), Chung Ho Textile Co., Ltd. (2.31%), Ta-Ho Maritime Corp. (2.09%)
Chia Hsin Cement Corp.	Chia Hsin International Corp. (16.44%), Song Zuo Investment Corp. (8.88%), Chang Yung Ping (5.56%), Taiwan Cement Corp. (3.54%), Ta-Ho Maritime Corp. (3.32%), Nutri Vita Inc. (2.48%), The First Insurance Co., Ltd. (2.29%), Huang Chun-Hua (2.07%), Chia Hsin Foundation (1.92%), Zuoyou Investment Corp. (1.89%)
Sishan Investment Co., Ltd.	Lin Nan-Chou (30%), Lin Yu-Ching (10%), Lin Ting-Chun (10%), Hong Hsiu-Mei (15%), Hong Chang-Ting (17.5%), Hong Chang-Rong (17.5%)

Note: The above information was provided by the various institutional shareholders. The Company made the disclosures according to such information only.

## 4. Major institutional shareholders of institutional shareholders, if any

Name of Institutional Shareholder	Major shareholders of institutional shareholders
King's Town Bank	Mercuries Life Insurance (8.23%), Dai Cheng-Chi (6.76%), Tsai Tien-Tsan (6.32%), Ching Cheng Construction Co., Ltd. (4.05%), Tian Kang Investment Corp. (3.42%), Tian Lai Investment Corp. (3.01%), Wang Hsien-Tsong (2.54%), Xinrui Int'l Investment Limited (2.50%), Fidelity Funds - Emerging Markets Fund A managed by Bank of Taiwan (2.46%), Chen Yi-Ying (2.06%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding (100%)
Supervisory Board of Public Service Pension Fund	N/A
Ho-Po Investment Corp.	Falcon Investment Co., Ltd. (35.79%), Chinatrust Investment Co., Ltd. (64.21%)
TCC Investment Corporation	Taiwan Cement Corp. (100%)
Chung Cheng Development Corp.	China Synthetic Rubber Corporation (100%)
Tung Tak Investment Limited	Chen Chian-Tung (50.45%), Chen Shan-Teh (10.61%), Chen Yin-Teh (11.59%), Chuang Wen-Yuan (27.34%)
Shinkong Co., Ltd.	Ner Victory Company Ltd. (42.65%), Taiwan Union Corporation (4.74%), Swissotel Hotel (4.66%), Taiwan Linteng Shan Social Welfare Foundation (3.95%), Hsin Cheng Investment Corp. (3.51%), Chi Cheng Co., Ltd. (3.39%), Wu Tung-Shing (3.38%), Hong Chi Co., Ltd. (3.34%), C International Co., (2.88%), Yuan Song Industry Co., Ltd. (2.53%)
Sunshing Investments Limited	Jilien Investment Corp. (51.78%), Tung Hsien Investment Corp. (28.53%) and Ruei Hsin Industry Co., Ltd. (19.69%)
Dedicated trust property account managed by Hwatai Bank	N/A
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holdings (100%)
Shinkong Textile Co., Ltd.	Shinkong Synthetic Fibers Corporation (9.46%), Shin Kong Memorial Wu Ho-Su Hospital (8.71%), Chi Cheng Co., Ltd. (6.55%), Ho Ruei Enterprise Co., Ltd. (4.00%), Chien Cheng Yi Co., Ltd. (3.93%), Shinkong Insurance (3.86%), Hong Pu Co., Ltd. (3.78%), Lian Chuan Investment Co., Ltd. (3.18%), Brilliance Co., Ltd. (3.05%), Cheng Kuan Industry Co., Ltd. (2.90%)
Shinkong Insurance	Shinkong Textile Co., Ltd. (16.31%), Shin Kong Life Insurance Co., Ltd. (9.40%), Shinkong Co., Ltd. (5.08%), Kuang Min Enterprise Co., Ltd. (3.93%), Hong Pu Co., Ltd. (2.35%), Chien Cheng Yi Co., Ltd. (1.73%), Hong An Co., Ltd. (1.43%), Beitou Hotel Co., Ltd. (1.29%), Cheng Kuan Industry Co., Ltd. (1.28%), Chi Cheng Co., Ltd. (1.10%)
Jilien Investment Corp.	Shinkong Development Co., Ltd. (38.00%), Ruei Hsin Industry Co., Ltd. (23.89%), Liang Yuan Investment Co., Ltd. (16.97%), Teh-Shi Industry Co., Ltd. (13.62%), NORTHLAKEN LTD., British Virgin Islands-based company (7.52%)
Toray Industries, Inc.	N/A
Resources & Protection Technology Limited	Yi Ming Co., Ltd. (100%)
Ruei Hsin Industry Co., Ltd.	Ching Hsien Investment Corp. (20.83%), Kuei Yuan Investment Corp. (20.83%), Wu Tung-Ching (16.67%), Wu Tung-Liang (13.28%), Wu Tung-Hsien (12.97%),

Name of Institutional Shareholder	Major shareholders of institutional shareholders
	Wu Tung-Sheng (12.23%), Hsu Hsien-Hsien (1.04%), Sun Jo-Nan (1.04%), Ho Shing-Hua (1.04%)
Shin Lan Enterprise Inc.	Lin Hsiao-Hsin (23.34%), Excel Fame Investment Limited (20.59%), Chuang Su-Chu (16.13%), Dedicated Trust Property Account managed by Cheng Chuan Limited (8.73%), Chen Che-Hsiung (5.76%), Huang Ssu-Yi (4.48%), Lin Hong-Chun (4.46%), Yenion Investments Limited (2.60%), Hsu Mei-Ying (2.57%), Lin Ming-Sheng (2.35%)
Taiwan Secom	Japan SECOM (27.29%), Shin Kong Life Insurance Co., Ltd. (7.59%), Excel Fame Investment Limited (4.19%), Chunghwa Post Co., Ltd. (3.37%), Shin Lan Enterprise Inc. (3.12%), Dedicated First Eagle FE Overseas Fund Investment Account Managed by Deutsche Bank (2.55%), Fubon Life (2.06%), Wan-Quan DU Charity Foundation (1.90%), Yenion Investments Limited (1.74%), Dedicated AB Fund 1 Global Core Equity Portfolio Investment Account managed by Business Dept. of Standard Chartered Bank (1.29%)
Shin Lan Investment Corp.	Lin Hsiao-Hsin (14.67%), Chuan Su-Chu (14.25%), Lin Ming-Sheng (1.21%), Lin Chien-Han (1.21%), Lin Hsiu-Teh (0.33%), Excel Fame Investment Limited (68.33%)
Excel Fame Investment Limited	Lin Hsiao-Hsin 44.27%, Chuan Su-Chu 22.20%, Lin Ming-Sheng 16.76%, Lin Chien-Han 16.76%
Yenion Investments Limited	Chuan Su-Chu (27.37%), Lin Ming-Sheng (25.29%), Lin Chien-Han (25.29%), Lin Hsiao-Hsin (22.05%)
Hoping Industrial Port Corp.	Taiwan Cement Corp. (99.99%)
Kung Ching International Development Co., Ltd.	Yubon Co., Ltd. (12.27%), T. H. Wu Foundation (3.37%), Hou Chi-Hsing (1.73%), Tai Qin Enterprise Co., Ltd. (2.95%), Wu Ping-Chi (2.80%), Wu Ping-Yuan (2.80%), Yen Hsiu-Feng (2.65%), Hou Ching-Kan (2.23%), San Sing Spinning Co., Ltd. (1.94%), Wu Tzu-Hsiu (1.81%)
Chiao Tai Investment Corp.	Koo Cheng-Yun, Leslie (25%), Koo Hsuan-Hui (37.5%), Koo Kung-Kai (37.5%)
Chung Ho Textile Co., Ltd.	Hsieh Mei Industry Co., Ltd. (14.7%), Tsong Mei Investment Corp. (11.50%), Chang Hsin Investment Corp. (10.19%), Yeh Chi-Chao (5.17%), Yeh Chien-Fan (3.69%), Yeh Ying-Hsia (3.26%), Yeh Yen-Lin (3.25%), Yeh Yen-Lin (3.25%), Yeh Ying-Chiu (3.09%), Yeh Ying-Mei (2.96%)
Ta-Ho Maritime Corp.	Taiwan Cement Corp. (64.79%), Taiwan Transport & Storage Corporation (27.47%)
Chia Hsin International Corp.	Chia Hsin Cement Corporation (87.18%), Chia Hsin Cement Development Co., Ltd. (10.41%), Chang Kang-Lung, Jason (0.52%), Song Zuo Investment Corp. (0.42%), Chang Ru-Ping (0.25%), Chang Yung-Ping (0.22%), Chung Chong-Lian (0.19%), Zuoyou Investment Corp. (0.16%), Chang An-Ping, Nelson (0.12%), Wang Chien-Kuo (0.11%)
The First Insurance Co., Ltd.	Chien Cheng Development Co., Ltd. (6.24%), Osta Trading Co., Ltd. (5.25%), Sheng Ching Investment Corp. (3.59%), Tsai Cheng Enterprise Co., Ltd. (3.70%), Bao-Shan Construction Co., Ltd. (3.31%), Chien Yi Industry Co., Ltd. (2.44%), Yi Zhi Co., Ltd. (1.64%), Tsai Ruei Enterprise Co., Ltd. (1.49%), Taian Insurance Company, Ltd. (1.29%), Lee Yang Hsiu-Chuan (1.24%)
Song Zuo Investment Corp.	Chang Yung-Ping (59.47%), Chia Hsin Cement Development Co., Ltd. (14.52%)
Titan-Star International Co., Ltd.	China Pearl Investments Limited (100%)

Note: The above information was provided by the institutional shareholders and based on the search results of the company information registered at Department of Commerce, Ministry of Economic Affairs. The Company made the disclosures according to such information only.



## 5. Professional knowledge and independence of directors and supervisors

Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 1)										Number of positions as an Independent Director in other public listed companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or skilled person and holder of national professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Chang An-Ping, Nelson Institution Represented: Fu Pin Investment Co., Ltd.			V			V	V		V	V	V	V		1
Koo, Jason Kung-Yi Institution Represented: Heng Qiang Investment Co., Ltd.			V			V	V	V	V	V	V	V		0
Kenneth C.M. Lo Institution Represented: China Synthetic Rubber Corporation	V		V	V	V	V	V	V	V	V	V	V		0
Yu Tzun-Yen Institution Represented: Heng Qiang Investment Co., Ltd.			V	V	V	V	V	V	V	V	V	V		0
Wang Por-Yuan Institution Represented: Falcon Investment Co., Ltd.			V	V		V	V	V	V	V	V	V		2
Jennifer Lin, Esq. Institution Represented: Chinatrust Investment Co., Ltd.		V	V	V	V	V	V	V	V		V	V		0
Chen Chien-Tong Institution Represented: Ching Yuan Investment Co., Ltd.			V	V	V	V	V	V	V	V	V	V		0
Eric T. Wu Institution Represented: Shinkong Synthetic Fibers Corporation			V	V	V	V	V	V	V	V	V	V		0
Chang Kang-Lung, Jason Institution Represented: Chia Hsin Cement Corp.			V	V	V	V		V	V	V	V	V		0
Lin Ming-Sheng Institution Represented: Goldsun Development & Construction Co., Ltd.			V	V	V	V	V	V	V	V	V	V		0
Chi-Wen Chang Institution Represented: Xin Hope Investment Co., Ltd.	V	V	V	V	V	V	V	V	V	V	V	V		0
Lin Nan-Chou Institution Represented: Sishan Investment Co., Ltd.			V	V	V	V	V	V	V	V	V	V		0
Hsieh Chi-Chia Institution Represented: Fu Pin Investment Co., Ltd.			V	V		V	V		V	V	V	V		2

Chen Chi-Te Institution Represented: Heng Qiang Investment Co., Ltd.			√	√	√	√	√	√	√	√	√	√	√	√	0
David Carr Michael Institution Represented: C. F. Koo Foundation	√		√	√	√	√	√	√	√	√	√	√	√	√	0
Yu-Cheng Chiao			√	√	√	√	√	√	√	√	√	√	√	√	1
Victor Wang	√	√	√	√	√	√	√	√	√	√	√	√	√	√	1
Cheng-Ming Yeh		√	√	√	√	√	√	√	√	√	√	√	√	√	0
Sheng Chih-Jen	√		√	√	√	√	√	√	√	√	√	√	√	√	1

Note 1: A “√” is marked in the space when a director or supervisor has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or a supervisor of the Company’s affiliates (this restriction does not apply, however, when the person is an independent director of the Company, its parent company, or a subsidiary in which the Company directly and indirectly holds more than 50% of voting shares).
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in other’s name, more than 1% of the Company’s total outstanding shares, nor is one of the Company’s ten largest natural-person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the fifth degree of kinship of a person listed in the preceding three subparagraphs.
- (5) Is not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company’s total outstanding shares, nor is the director, supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.
- (6) Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the Company.
- (7) Is not a professional providing business, legal, financial, accounting, or consulting services to the Company or its affiliate, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or its affiliate. However, this shall not apply to the remuneration committee members who exercise their powers in accordance with the Regulations on the Establishment of Remuneration Committees in Article 7 by TWSE/GTSM Listed Companies and their Exercise of Powers.
- (8) Is not the spouse or relative within the second degree of kinship of another director.
- (9) Is not a person falling under any conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.
- (10) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.

(5) Founder: N/A

(6) Remuneration to directors, supervisors, presidents and vice presidents  
 1. Remuneration to directors and supervisors in the most recent year (2016)  
 (1) Remuneration to Directors (including Independent Directors)

Unit: NTS thousand; thousand shares

Title	Name	Remuneration to directors						Remuneration from concurrently servings as employees						Sum of A, B, C, D, E, F, and G as percentage of net income	Remuneration from invested non-subsidary enterprises(s)				
		Wages (A)		Pension upon retirement (B)		Directors' remuneration (C) (Note 1)		Service Expenses (D)		Sum of A, B, C, and D as percentage of net income		Wages, bonuses, and special allowances, etc. (E)				Pension upon retirement (F) (Note 2)		Employee Compensation (G)	
		The Company	Companies included in the financial statement	The Company	Companies included in the financial statement	The Company	Companies included in the financial statement	The Company	Companies included in the financial statement	The Company	Companies included in the financial statement	The Company	Companies included in the financial statement			The Company	Companies included in the financial statement	Cash Amount	Share Amount
CEO (Note 4)	Koo Cheng-Yun, Leslie (Note 7) Institution Represented: Heng Qiang Investment Co., Ltd.	16,086	21,177	0	0	55,680	409	1,783	1.14%	52,085	497	20,282	0	20,282	0	2.28%	2.38%	24,460	
Director (Note 4)	Chang An-Ping, Nelson Institution Represented: Fu Pin Investment Co., Ltd.																		
Director	Kenneth C.M. Lo Institution Represented: China Synthetic Rubber Corporation																		
Director	Yu Tzun-Yen Institution Represented: Heng Qiang Investment Co., Ltd.																		
Director	Wang Por-Yuan Institution Represented: Falcon Investment Co., Ltd.																		
Director	Jennifer Lin, Esq. Institution Represented: Chinatrust Investment Co., Ltd.																		
Director	Chi-Wen Chang (Note 4) Chang Rong (Note 4) Institution Represented: Xin Hope Investment Co., Ltd.																		
Director	Chen Chien-Tong Institution Represented: Ching Yuan Investment Co., Ltd.																		
Director	Eric T. Wu Institution Represented: Shinkong Synthetic Fibers Corporation																		



Breakdown of remuneration		Directors	
Breakdown of remuneration to directors (NT\$)	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)
	The Company	All companies listed in the financial statement	The Company
Below 2,000,000	Koo Cheng-Yun, Leslie, Chang An-Ping, Nelson, Kenneth C.M. Lo, Wang Por-Yuan, Yu, Tzun-ye, Jennifer Lin, Esq., Chang Rong, Chi-Wen Chang, Chien-Tong, Wu Tung-Sheng, Lin Ming-Sheng, Lin Lin Ming-Sheng, Lin Nan-Chou, Chang Kang-Lung, Jason, Hsieh Chi-Chia, Chen Chi-Te, DAVID CARR MICHAEL, Yu-Cheng Chiao, Wei Yung-Tu, Victor Wang, Cheng-Ming Yeh C. F. Koo Foundation(Representative: David Carr Michael)	Kenneth C.M. Lo, Wang Por-Yuan, Yu, Tzun-ye, Jennifer Lin, Esq., Chang Rong, Chi-Wen Chang, Chen Chien-Tong, Wu Tung-Sheng, Lin Ming-Sheng, Lin Chang Kang-Lung, Jason, Hsieh Chi-Chia, Chen Chi-Te, DAVID CARR MICHAEL, Yu-Cheng Chiao, Wei Yung-Tu, Victor Wang, Cheng-Ming Yeh, C. F. Koo Foundation(Representative: David Carr Michael)	Chang An-Ping, Nelson, Kenneth C.M. Lo, Wang Por-Yuan, Yu, Tzun-ye, Jennifer Lin, Esq., Chang Rong, Chi-Wen Chang, Chen Chien-Tong, Wu Tung-Sheng, Lin Ming-Sheng, Lin Nan-Chou, Chang Kang-Lung, Jason, Hsieh Chi-Chia, Chen Chi-Te, DAVID CARR MICHAEL, Yu-Cheng Chiao, Wei Yung-Tu, Victor Wang, Cheng-Ming Yeh, C. F. Koo Foundation(Representative: David Carr Michael)
2,000,000 (inclusive) ~ 5,000,000 (exclusive)	China Synthetic Rubber Corporation(Representative: Kenneth C.M. Lo), Falcon Investment Co., Ltd. (Representative: Wang Por-Yuan), Chinatrust Investment Co., Ltd.	Koo Cheng-Yun, Leslie, Chang An-Ping, Nelson, China Synthetic Rubber Corporation(Representative: Kenneth C.M. Lo), Falcon Investment Co., Ltd. (Representative: Wang Por-Yuan), Chinatrust Investment Co., Ltd.	Chang An-Ping, Nelson, China Synthetic Rubber Corporation(Representative: Kenneth C.M. Lo), Falcon Investment Co., Ltd. (Representative: Wang Por-Yuan), Chinatrust

Breakdown of remuneration to directors (NT\$)	Directors		
	Sum of foregoing four items (A+B+C+D)	Sum of foregoing seven items (A+B+C+D+E+F+G)	All companies listed in the financial statement
	The Company	The Company	
	<p>The Company</p> <p>(Representative: Jennifer Lin, Esq.), Xin Hope Investment Co., Ltd. (Representative: Chi-Wen Chang), Ching Yuan Investment Co., Ltd. (Representative: Chen Chien-Tong), Shinkong Synthetic Fibers Corporation (Representative: Eric T. Wu), Goldsun Development &amp; Construction Co., Ltd. (Representative: Lin Ming-Sheng), Sishan Investment Co. (Representative: Lin Nan-Chou), Ltd., Chia Hsin Cement Corporation (Representative: Chang Kang-Lung, Jason)</p>	<p>The Company</p> <p>Co., Ltd. (Representative: Jennifer Lin, Esq.), Xin Hope Investment Co., Ltd. (Representative: Chi-Wen Chang), Ching Yuan Investment Co., Ltd. (Representative: Chen Chien-Tong), Shinkong Synthetic Fibers Corporation (Representative: Eric T. Wu), Goldsun Development &amp; Construction Co., Ltd. (Representative: Lin Ming-Sheng), Sishan Investment Co. (Representative: Lin Nan-Chou), Ltd., Chia Hsin Cement Corporation (Representative: Chang Kang-Lung, Jason)</p>	<p>All companies listed in the financial statement</p> <p>Por-Yuan), Chinatrust Investment Co., Ltd. (Representative: Jennifer Lin, Esq.), Xin Hope Investment Co., Ltd. (Representative: Chi-Wen Chang), Ching Yuan Investment Co., Ltd. (Representative: Chen Chien-Tong), Shinkong Synthetic Fibers Corporation (Representative: Eric T. Wu), Goldsun Development &amp; Construction Co., Ltd. (Representative: Lin Ming-Sheng), Sishan Investment Co. (Representative: Lin Nan-Chou), Ltd., Chia Hsin Cement Corporation (Representative: Chang Kang-Lung, Jason)</p>
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	<p>Fu Pin Investment Co., Ltd. (Representative: Chang An-Ping, Nelson)</p>	<p>Fu Pin Investment Co., Ltd.</p>	<p>Fu Pin Investment Co., Ltd. (Representative: Chang An-Ping, Nelson)</p>
10,000,000 (inclusive) ~ 15,000,000 (exclusive)			

Breakdown of remuneration to directors (NT\$)	Directors			
	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)	
	The Company	All companies listed in the financial statement	The Company	All companies listed in the financial statement
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Heng Qiang Investment Co., Ltd. (Representative: Koo, Jason Kung-Yi, Yu Tzun-Yen)	Heng Qiang Investment Co., Ltd. (Representative: Koo, Jason Kung-Yi, Yu Tzun-Yen)	Heng Qiang Investment Co., Ltd. (Representative: Koo, Jason Kung-Yi, Yu Tzun-Yen)	Heng Qiang Investment Co., Ltd. (Representative: Koo, Jason Kung-Yi, Yu Tzun-Yen)
30,000,000 (inclusive) ~ 50,000,000 (exclusive)				
50,000,000 (inclusive) ~ 100,000,000 (exclusive)			Koo Cheng-Yun, Leslie	Koo Cheng-Yun, Leslie
Over 100,000,000				
Total	32	32	32	32

Note: The remuneration shall be registered in person designated by the director.

2. Remuneration of supervisors N/A, as the Company has established the Audit Committee.

## (3) Remuneration of president and vice presidents

## ① Remuneration

Unit: NT\$ thousand

Title	Name	Wages (A)		Pension upon retirement (B) (Note 1)		Bonuses and special allowances (C)		Remuneration to employee (D)				Sum of A, B, C, and D as percentage of net income		Remuneration from invested non-subsidary enterprise(s)
		The Company	Companies included in the financial statement	The Company	Companies included in the financial statement	The Company	Companies included in the financial statement	The Company	Companies included in the financial statement	Cash	Share	Cash	Share	
CEO	Koo Cheng-Yun, Leslie (Note 2)	19,971	21,133	2,196	2,196	57,067	57,067	24,535	0	24,535	0	1.63%	1.65%	4,205
Senior Vice President	Huang Chien-Chiang													
Senior Vice President	Wang Chi-May													
Vice President	Lu Ker-Fu													
Vice President	Tsai Li-Wen													

Note 1: The Company made provision of NT\$2,196 thousand as the expendable pension in 2016, but did not pay the pension actually.

Note 2: The Company also provided one vehicle for business purpose (the rent expenses NT\$937 thousand in 2016).

## Breakdown of remuneration

Breakdown of remuneration to president and vice presidents (NT\$)	Presidents and vice presidents	
	The Company	Invested enterprise
Below 2,000,000		
2,000,000 (inclusive) ~ 5,000,000 (exclusive)		
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Huang Chien-Chiang, Wang Chi-May, Lu Ker-Fu, Tsai Li-Wen	Huang Chien-Chiang, Wang Chi-May, Lu Ker-Fu, Tsai Li-Wen
10,000,000 (inclusive) ~ 15,000,000 (exclusive)		
15,000,000 (inclusive) ~ 30,000,000 (exclusive)		
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	Koo Cheng-Yun, Leslie	Koo Cheng-Yun, Leslie
Over 100,000,000		
Total	5	5



## ②Managers receiving employees' remuneration and state of distribution

December 31, 2016/Unit: NT\$ thousand

	Title	Name	Share	Cash	Total	The sum as percentage of net income (after tax) (%)
Managers	CEO	Koo Cheng-Yun, Leslie (deceased on January 23, 2017)				
	CEO	Chang An-Ping, Nelson (appointed on January 23, 2017)				
	Senior Vice President	Huang Chien-Chiang				
	Senior Vice President	Wang Chi-May				
	Vice President	Lu Ker-Fu				
	Vice President	Tsai Li-Wen				
	Assistant Vice President	Wang Chien-Chuan				
	Assistant Vice President	Huang Tien-Lin				
	Assistant Vice President	Liu Fong-Ping	0	28,266	28,266	0.44%
	Assistant Vice President	Chen Shih-Ming				
	Assistant Vice President	Hong Chin-Yang (resignation effective from April 1, 2017)				
	Assistant Vice President	Lan Cen-Wei (promotion effective from February 1, 2017)				
	Assistant Vice President	Song You-Hsin (promotion effective from February 1, 2017)				
	Assistant Vice President	Hong Wei-Jue				
	Assistant Vice President	Yu Ching-Long				

	Senior Manager	Wei Chia-Peng				
	Manager	Lin Chia-Hsien				
	Assistant Manager	Chen Ching-Yi				
	Assistant Manager	Hong Chong-Chi				
	Senior Manager (Note 1)	Tseng Hsiao-An				
	Senior Manager (Note 2)	Yeh Kuo-Hong				

Note 1: Deputy Vice General Auditor

Note 2: Chief Accountant

2. Compare and analyze the total remuneration as a percentage of net income (after tax) stated in the individual or separate financial reports, paid by the Company and by all consolidated entities for the most recent 2 fiscal years to each of the Company's directors, supervisors, CEOs, and vice presidents, and describe the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

- (1) Analysis of the total remuneration as a percentage of net income (after tax), paid to the Company's directors, supervisors, CEO and vice presidents for the most recent 2 fiscal years

Title	The sum as percentage of net income (after tax)			
	2015		2016	
	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement
Director	2.03%	2.23%	2.28%	2.38%
Supervisor (Note 1)	0.10%	0.11%	-	-
CEO and vice presidents	1.46%	1.48%	1.63%	1.65%

Note 1: The Company has had no supervisors since the shareholders' meeting resolved to establish the Audit Committee on June 18, 2015.

- (2) Policies, standards, and packages for remuneration, the procedures for determining remuneration, and its linkage to business performance and future

risk exposure

The Board of Directors was authorized to grant the remuneration to directors based on the directors' participation in the Company's operations and contribution to the Company, and the standards applicable in the same industry domestically and overseas. The remuneration to the Company's CEOs should be reviewed by Remuneration Commission and authorized by the Board of Directors. The remuneration to vice presidents or above should be reviewed and authorized by Remuneration Committee based on his/her personal performance, achievement and contribution.

The Company's remuneration policies should depend on the Company's financial position and operating results for current year and take into consideration the future fund allocation and planning. The remuneration to employees and directors should be allocated according to Article 25 of the Company's Articles of Incorporation to mitigate the potential risk as much as possible.

#### 4. Corporate Capital and Shares

##### (1) Types of shares

Unit: Share

Types of shares	Authorized shares			Remarks
	Outstanding shares (listed)	Unissued shares	Total	
Ordinary shares	3,692,175,869	2,307,824,131	6,000,000,000	—

## (2) Formation of capital:

1. A description of the changes in capital of the Company for the most recent five (5) years and up to the date of publication of the Information Memorandum

Unit: Shares; NTD

Year Month	Issue price (NT\$)	Authorized share		Paid-in capital		Remarks					
		Number of Shares	Value	Number of Shares	Value	Share Capital sources			Property other than cash to offset share payments	Others	
						Capital Surplus transferred to capital	Reserve transferred to capital	Cash capital increase			
1995.08	10	1,650,000,000	16,500,000,000	1,280,787,200	12,807,872,000	1,372,272,000	0	0	0	None	None
1996.08	10	1,650,000,000	16,500,000,000	1,408,865,920	14,088,659,200	896,551,040	384,236,160	0	0	None	None
1997.10	10	1,650,000,000	16,500,000,000	1,650,000,000	16,500,000,000	563,546,368	845,319,552	1,002,474,880 (Note 1)	0	None	None
1998.07	10	2,300,000,000	23,000,000,000	1,815,000,000	18,150,000,000	660,000,000	990,000,000	0	0	None	None
1999.09	10	2,300,000,000	23,000,000,000	2,196,500,000	21,965,000,000	363,000,000	1,452,000,000	2,000,000,000 (Note 2)	0	None	None
2000.08	10	2,550,000,000	25,500,000,000	2,372,220,000	23,722,200,000	1,098,250,000	658,950,000	0	0	None	None
2001.08	10	2,757,386,600	27,573,866,600	2,443,386,600	24,433,866,000	0	711,666,000	0	0	None	None
2001.09	25	2,757,386,600	27,573,866,000	2,607,386,600	26,073,866,000	0	0	1,640,000,000 (Note 3)	0	None	None
2002.08	10	2,757,386,600	27,573,866,000	2,656,254,332	26,562,543,320	0	488,677,320	0	0	None	None
2003.09	10	3,157,386,600	31,573,866,000	2,710,396,409	27,103,964,090	541,420,770	0	0	0	None	None
2004.09	10	3,507,386,600	35,073,866,000	2,809,764,407	28,097,644,070	993,679,980	0	0	0	None	None
2005.10	10	4,007,386,600	40,073,866,000	2,949,351,287	29,493,512,870	1,395,868,800	0	0	0	None	None
2006.04	10	4,007,386,600	40,073,866,000	2,991,886,496	29,918,864,960	0	0	0	0	None	NT\$425,352,090 (Note 4)
2006.06	10	4,007,386,600	40,073,866,000	3,131,344,565	31,313,445,650	0	0	0	0	None	NT\$1,394,580,690 (Note 4)
2006.09	10	4,007,386,600	40,073,866,000	3,181,438,776	31,814,387,760	0	0	0	0	None	NT\$500,942,110 (Note 4)
2006.09	10	4,007,386,600	40,073,866,000	3,236,097,960	32,360,979,600	546,591,840	0	0	0	None	None
2006.10	10	4,007,386,600	40,073,866,000	3,072,097,960	30,720,979,600	0	0	0	0	None	(NT\$1,640,000,000) (Note 5)
2007.01	10	4,007,386,600	40,073,866,000	3,141,612,870	31,416,128,700	0	0	0	0	None	NT\$695,149,100 (Note 4)
2007.04	10	4,007,386,600	40,073,866,000	3,207,351,086	32,073,510,860	0	0	0	0	None	NT\$657,382,160 (Note 4)
2007.08	10	4,007,386,600	40,073,866,000	3,248,637,197	32,486,371,970	412,861,110	0	0	0	None	None
2008.08	10	4,007,386,600	40,073,866,000	3,292,175,869	32,921,758,690	435,386,720	0	0	0	None	None
2010.12	27	4,007,386,600	40,073,866,000	3,692,175,869	36,921,758,690	0	0	4,000,000,000 (Note 6)	0	None	None
2011.6	10	6,000,000,000	60,000,000,000	3,692,175,869	36,921,758,690	0	0	0	0	None	None

Note 1: The cash capital increase was carried out at the issue price of NT\$36 per the approval letter of Taiwan Securities and Futures Commission under Tai-Tsai-Cheng (1) No. 50087 dated July 7, 1997.

Note 2: The cash capital increase was carried out at the issue price of NT\$20 per the approval letter of Taiwan Securities and Futures Commission under Tai-Tsai-Cheng (1) No. 29130 dated April 20, 1999.

Note 3: The preferred share totaling 164,000,000 shares were issued for the cash capital increase per the approval letter of Taiwan Securities and Futures Commission under Tai-Tsai-Cheng (1) No. 143691 dated July 31, 2001.

Note 4: The unsecured overseas convertible corporate bonds were converted to ordinary shares. The aggregate amount of the unsecured overseas convertible corporate bonds was subject to the limit identified in the approval letter of Taiwan Securities and Futures Commission under Tai-Tsai-Cheng-1-Zi No. 0920162472 dated February 6, 2004.

Note 5: Redemption of preferred shares for capital decrease upon maturity

Note 6: Ordinary shares totaling 400,000,000 shares were issued for the cash capital increase per the approval letter of Financial Supervisory Commission under Ching-Kuan-Cheng-Fa-Zi No. 0990059240 dated November 5, 2010.

2. A description of the private placement of ordinary shares by the Company for the most recent 3 years and up to the date of publication of the Information Memorandum: None.

## (3) Distribution of equity

## 1. Shareholder structure

July 31, 2017; Unit: Share

Shareholder	Government agencies	Financial institutions	Other legal entities	Foreign Institutions and foreigners	Individuals	Treasury share	Total
Persons	40	173	1,012	1,059	142,875	0	145,159
Shares held	9,331,603	802,856,912	1,075,351,659	1,039,926,762	764,708,933	0	3,692,175,869
Shareholding	0.25%	21.74%	29.13%	28.17%	20.71%	0.00%	100.00%

## 2. Distribution of shareholding

## (1) Ordinary Share

Par value \$10 per share

July 31, 2017

Shareholding category	Number of shareholders	Shares held	Shareholding
1 to 999	71,831	14,363,868	0.39%
1,000 to 5,000	49,869	108,895,639	2.95%
5,001 to 10,000	10,485	78,062,453	2.11%
10,001 to 15,000	4,118	50,321,038	1.36%
15,001 to 20,000	2,106	37,683,274	1.02%
20,001 to 30,000	2,133	52,714,155	1.43%
30,001 to 40,000	1,075	37,492,092	1.02%
40,001 to 50,000	676	30,621,345	0.83%
50,001 to 100,000	1,251	88,494,849	2.40%
100,001 to 200,000	683	95,954,394	2.60%
200,001 to 400,000	380	105,619,200	2.86%
400,001 to 600,000	150	72,529,140	1.96%
600,001 to 800,000	84	57,785,024	1.57%
800,001 to 1,000,000	46	41,682,732	1.13%
More than 1,000,001 shares	272	2,819,956,666	76.37%
Total	145,159	3,692,175,869	100.00%

## (2) Preferred share: None

3. List of major shareholders: Names, number of shares held and the shareholding of shareholders whose shareholding is among the top ten of all the shareholders:

July 31, 2017; Unit: Share

Major Shareholders	Shares	Shares held	Shareholding (%)
Cathay Life Insurance Co., Ltd.		150,601,065	4.08%
Shin Kong Life Insurance Co., Ltd.		137,381,780	3.72%
Nan Shan Life Insurance Co., Ltd.		124,544,000	3.37%
Chinatrust Investment Co., Ltd.		120,047,530	3.25%
Fubon Life Insurance Co., Ltd.		92,600,000	2.51%
China Synthetic Rubber Corporation		83,777,716	2.27%
Heng Qiang Investment Co., Ltd.		71,487,931	1.94%
Chiao Tai Investment Corp.		69,361,775	1.88%
Fidelity Funds - Emerging Markets Fund A managed by Bank of Taiwan		63,779,000	1.73%
Supervisory Board of Public Service Pension Fund		63,015,592	1.71%

4. The status of directors, supervisors and shareholders holding more than 10 percent of outstanding shares who have waived their subscription right to the cash capital increase during the past 2 fiscal years and in the current fiscal year: N/A, as no cash capital increase has been carried out during the past 2 fiscal years and in the current fiscal year.
5. Changes in shares held or pledged by directors, supervisors, managers, and shareholders holding more than 10 percent of outstanding shares during the past 2 fiscal years and up to the date of publication of the Information Memorandum:

- (1) Changes in Share held or pledged by directors, supervisors, managers, and major shareholders:

Unit: Share

Title	Name	2015		2016		Ended July 31, 2017	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Koo Cheng-Yun, Leslie (Date of Discharge: January 23, 2017) Institution Represented: Heng Qiang Investment Co., Ltd.	—	—	—	—	—	(9,000,000)

Title	Name	2015		2016		Ended July 31, 2017	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director	Hsieh Chi-Chia (Date of Discharge: June 18, 2015) Yu Tzun-Yen Koo, Jason Kung-Yi (Date of appointment: January 23, 2017) Chen Chi-Te Date of Election: June 22, 2016) Institution Represented: Heng Qiang Investment Co., Ltd.						
Chairman	Chang An-Ping, Nelson (Date of Election: January 23, 2017) Institution Represented: Fu Pin Investment Co., Ltd.	—	—	—	—	—	(9,000,000)
Director	Hsieh Chi-Chia (Date of Election: June 22, 2016) Institution Represented: Fu Pin Investment Co., Ltd.						
Director	Chang Rong (Date of Discharge: February 1, 2016) Chi-Wen Chang (Date of Re-appointment: February 1, 2016). Institution Represented: Xin Hope Investment Co., Ltd	—	—	—	—	—	—
Director	David Carr Michael (David Carr Michael) (Date of Election: June 22, 2016) Institution Represented: C. F. Koo Foundation	—	—	—	—	—	—
Director	Lin Ming-Sheng Institution Represented: Goldsun Development & Construction Co., Ltd.	—	—	—	12,578,750 (3,940,000)	—	8,500,000 (8,578,750)
Director	Eric T. Wu Institution Represented: Shinkong Synthetic Fibers Corporation	—	—	—	—	—	—
Director	Chen Chien-Tong Institution Represented: Ching Yuan Investment Co., Ltd.	—	(1,150,000)	—	1,000,000 (2,420,000)	—	—
Director	Wang Por-Yuan	—	—	—	—	—	—



Title	Name	2015		2016		Ended July 31, 2017	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
	Institution Represented: Falcon Investment Co., Ltd.						
Director	Jennifer Lin, Esq. Institution Represented: Chinatrust Investment Co., Ltd.	—	—	—	—	—	14,000,000
Director	Kenneth C.M. Lo Institution Represented: China Synthetic Rubber Corporation	—	(19,387,200)	—	—	—	—
Director	Chang Kang-Lung, Jason Institution Represented: Chia Hsin Cement Corporation	—	—	—	(10,000,000)	—	—
Supervisor (Date of Discharge: June 18, 2015)	Lin Nan-Chou Institution Represented: Sishan Investment Co., Ltd.	—	—	—	—	—	—
Director	Yu-Cheng Chiao	—	—	—	—	—	—
Independent Director	Wei Yung-Tu (Date of Discharge: April 1, 2017)	—	—	—	—	—	—
Independent Director	Cheng-Ming Yeh (Date of Election: June 22, 2016)	—	—	—	—	—	—
Independent Director	Victor Wang	—	—	—	—	—	—
Independent Director	Sheng Chih-Jen (Date of Election: June 28, 2017)	—	—	—	—	—	—
Supervisor	C. F. Koo Foundation (Date of Discharge: June 18, 2015)	—	—	—	—	—	—
CEO	Koo Cheng-Yun, Leslie (Date of Discharge: January 23, 2017)	4,000,000 (10,000,000)	—	(14,400,000)	—	—	—
CEO	Chang An-Ping, Nelson (Date of Election: January 23, 2017) (Date of Discharge: July 31, 2017)	—	—	—	—	—	—
CEO	Li Chung-Pei (Date of Election: July 31, 2017)	—	—	—	—	—	—
Senior Vice President	Huang Chien-Chiang	—	—	—	—	—	—
Senior Vice	Wang Chi-May	—	—	—	—	—	—

Title	Name	2015		2016		Ended July 31, 2017	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
President							
Vice President	Lu Ker-Fu	—	—	—	—	—	—
Vice President	Tsai Li-Wen (Date of Election: January 5, 2015)	—	—	—	—	—	—
Assistant Vice President	Koo, Jason Kung-Yi (Date of Election: June 8, 2017)	—	—	—	—	—	—
Assistant Vice President	Liu Fong-Ping (Date of Election: February 9, 2015)	—	—	—	—	—	—
Assistant Vice President	Huang Tien-Lin (Date of Election: February 9, 2015)	—	—	—	—	—	—
Assistant Vice President	Wang Jiann-Chyuan (Date of Election: February 9, 2015)	—	—	—	—	—	—
Assistant Vice President	Hong Chin-Yang (Date of Discharge: April 1, 2017)	—	—	—	—	—	—
Assistant Vice President	Hong Wei-Jue	—	—	—	—	—	—
Assistant Vice President	Chen Shih-Ming (Date of Election: December 1, 2015)	—	—	—	—	—	—
Assistant Vice President	Yu Ching-Long (Date of Election: April 25, 2016)	—	—	—	—	—	—
Assistant Vice President	Song You-Hsin (Date of Election: March 6, 2017)	—	—	—	—	—	—
Assistant Vice President	Lan Cen-Wei (Date of Election: March 6, 2017)	—	—	—	—	—	—
Auditing Officer and Senior Manager	Tseng Hsiao-An (Date of Election: December 21, 2004)	—	—	—	—	—	—
Senior Manager	Wei Chia-Peng (Date of Election: March 1, 2016)	—	—	—	—	—	—
Chief Accountant and Senior Manager	Yeh Kuo-Hong (Date of Election: November 27, 2015)	—	—	—	—	—	—
Assistant Vice President	Lai Cheng-Long (Date of Discharge: April 25, 2016)	—	—	—	—	—	—
Manager	Lin Chia-Hsien (Date of Election: May 4, 2015)	—	—	—	—	—	—
Assistant	Hong Chong-Chi	—	—	—	—	—	—

Title	Name	2015		2016		Ended July 31, 2017	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Manager	(Date of Election: March 30, 2015)						
Assistant Manager	Chen Ching-Yi (Date of Election: April 13, 2015)	—	—	—	—	—	—
Senior Assistant Vice President	Tsai Kuo-Yu (Date of Discharge: April 1, 2016)	—	—	—	—	—	—
Senior Assistant Vice President	Huang You-Ching (Date of Discharge: March 22, 2016)	—	—	—	—	—	—
Assistant Vice President	Tseng You-Lan (Date of Discharge: August 8, 2015)	—	—	—	—	—	—
Manager	Lin Wen-Bin (Date of Discharge: March 30, 2015)	—	—	—	—	—	—
Manager	Chen Chi-Chen (Date of Discharge: April 13, 2015)	—	—	—	—	—	—
Senior Assistant Manager	Song Chen-Chia (Date of Discharge: May 4, 2015)	—	—	—	—	—	—
Senior Manager	Chen Huei-Chen (Date of Discharge: August 28, 2015)	—	—	—	—	—	—
Senior Manager	Lin Fan-Ru (Date of Discharge: November 27, 2015)	—	—	—	—	—	—

(2) Information about the counterparty of share transfer who is a related-party:

None

(3) Information about the counterparty of share pledge who is a related-party:

None

6. Information of the 10 largest shareholders of related parties, spouse or a relative within the second degree of kinship of the said shareholder

Name	Shareholdings by Oneself		Shareholdings of Spouse and Minor Children		Shareholding in Other's Name		Disclosure of information on related parties or spousal relationship or relatives within second degree of kinship, among the 10 largest shareholders, including their names and relationships		Remarks
	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Name	Relationship	
Cathay Life Insurance Co., Ltd.	150,601,065	4.08%	—	—	None	None	None	None	
Cathay Life Insurance Co., Ltd. Representative: Tsai Hong-Tu	—	—	—	—	None	None	None	None	
Shin Kong Life Insurance Co., Ltd.	137,381,780	3.72%	—	—	None	None	None	None	
Shin Kong Life Insurance Co., Ltd. Representative: Wu Tung-Ching	—	—	—	—	None	None	None	None	
Nan Shan Life Insurance Co., Ltd.	124,544,000	3.37%	—	—	None	None	None	None	
Nan Shan Life Insurance Co., Ltd. Representative: Tu Ying-Tsung	—	—	—	—	None	None	None	None	
Chinatrust Investment Co., Ltd.	120,047,530	3.25%	—	—	None	None	Heng Qiang Investment Co., Ltd. Fu Pin Investment Co., Ltd. Chiao Tai Investment Corp.	Having the same Chairman	
Chinatrust Investment Co., Ltd. Representative: Hou Tien-i	91	0.00%	22,427,543	0.61%	None	None	China Synthetic Rubber Corporation	Institution Represented: China Synthetic Rubber Corporation	
Fubon Life Insurance Co., Ltd.	92,600,000	2.51%	—	—	None	None	None	None	
Fubon Life Insurance Co., Ltd. Representative: Richard M. Tsai	—	—	—	—	None	None	None	None	

**APPENDIX X**

**INFORMATION MEMORANDUM**

China Synthetic Rubber Corporation	83,777,716	2.27%	—	—	None	None	Chinatrust Investment Co., Ltd.	Chinatrust Investment Co., Ltd. Institution Represented: China Synthetic Rubber Corporation	
China Synthetic Rubber Corporation Representative:	156,573	0.00%	3,059,817	0.08%	None	None			
Heng Qiang Investment Co., Ltd.	71,487,931	1.94%	—	—	None	None	Fu Pin Investment Co., Ltd. Chiao Tai Investment Corp. Chinatrust Investment Co., Ltd.	Having the same Chairman	
Heng Qiang Investment Co., Ltd. Representative: Hou Tien-i	91	0.00%	22,427,543	0.61%	None	None			
Chiao Tai Investment Corp.	69,361,775	1.88%	—	—	None	None	Chinatrust Investment Co., Ltd. Heng Qiang Investment Co., Ltd. Fu Pin Investment Co., Ltd.	Having the same Chairman	
Chiao Tai Investment Corp. Representative: Hou Tien-i	91	0.00%	22,427,543	0.61%	None	None			
Fidelity Funds - Emerging Markets Fund A managed by Bank of Taiwan	66,779,000	1.73%	—	—	None	None	None	None	
Supervisory Board of Public Service Pension Fund	63,015,592	1.71%	—	—	None	None	None	None	

- (4) Market value, net value, earnings and dividends per share during the most recent two years

Unit: NTD; thousand shares

Item		Year	2015	2016	as at June 30, 2017
		Market price per share	Highest	45.40	38.30
	Lowest	26.90	25.45	33.50	
	Average	37.82	33.00	36.29	
Net worth per share	Before distribution	29.26	28.92	28.76	
	After distribution	27.93	27.47	—	
EPS	Weighted average number of shares	3,692,176	3,692,176	3,692,176	
	EPS	1.56	1.72	0.81	
Dividends per share	Cash dividend		1.33	1.45	—
	Share dividends	Out of earnings	—	—	—
		Out of additional paid-in capital	—	—	—
	Accumulated, unpaid dividends		—	—	—
ROI analysis	P/E ratio		24.24	19.19	—
	P/D ratio		28.44	22.76	—
	Cash dividend yield ratio		3.52%	4.39%	—

- (5) Dividend policy and implementation

1. Dividend policy specified in the Company's Articles of Incorporation

According to Article 26 of the Articles of Incorporation:

If the Company has positive net income at the end of the fiscal year, it shall first pay the taxes and offset any losses accumulated in previous years pursuant to laws, and set aside the statutory reserve, being 10% of the earnings (until the statutory reserve equals to the paid-in capital), and if necessary, set aside a special reserve from the balance in accordance with relevant laws or reserve a portion of such earnings. The remainder, if any, shall be allocated as ordinary share dividend per the motion for distribution of earnings proposed by the Board of Directors and upon resolution in the shareholders' meeting.

The Company engages in the production and marketing of cement and cement products in a capital-intensive, mature and stable industry, and also works hard to pursue diversification. To meet the need for investment in diversification or to budget for important capital expenditure, the Company specified that the payment of cash dividend should account for more than 20% of the ordinary share dividend, and the remainder should be distributed through share dividend.

2. Allocation of share dividend planned (resolved) this year

The Company's motion for allocation of earnings in 2016 has been resolved by the Board of Directors on March 27, 2017. It was resolved that the cash dividend should be distributed to shareholders of ordinary share at NT\$1.45 per share and the total cash dividend should be NT\$5,353,655,010. The motion had been submitted and approved by the general shareholders' meeting in 2017.

(6) The effect of dividend distributions contemplated for the current fiscal year on the Company's operating performance and earnings per share:

N/A, as no share dividend has been allocated from the earnings in 2016.

(7) Remuneration for employees, directors and supervisors

1. The percentages or ranges with respect to the remuneration to employees, directors, and supervisors as set forth in the Company's Articles of Incorporation:

If the Company retains earnings in the year, it shall allocate to:

(1) Employees' remuneration: 1/10000 ~ 3%

(2) Directors' remuneration: No more than 1%

Notwithstanding the above, if the Company has accumulated losses, it shall reserve the earnings in a sufficient amount to cover the losses, and allocate the remaining amount to the employees' remuneration and directors' remuneration in the manner referred to in the preceding subparagraph (1) and subparagraph (2).

The employees' remuneration may be allocated in the form of shares or in cash. Qualified recipients shall include the employees of subsidiary companies of the Company meeting certain requirements.

2. The accounting treatment of the discrepancy between the actual amount distributed and the estimated amount, the basis of estimated amount of remuneration to employees, directors, and supervisors and the basis of calculation of the number of shares to be distributed as remuneration for employees for the current period:

If there is any discrepancy between the actual amount distributed and the estimated amount, the basis of estimated amount of remuneration to employees, directors, and supervisors and the basis of calculation of the number of shares to be distributed as remuneration to employees in 2016, it should be treated as the change in accounting estimation and reported as profits or loss in 2017.

3. Information on any approval by the Board of Directors on allocation of remuneration:

- (1) If there is any discrepancy among the actual amount of employees' remuneration, directors/supervisors' remuneration distributed in cash or in the form of shares with the estimated figure for fiscal year 2016, the discrepancy, its cause, and the status of treatment shall be disclosed:

The Board of Directors resolved on March 27, 2017 to allocate NT\$37,113,547 and NT\$55,679,530 as the employees' remuneration and directors' remuneration in cash, respectively. The aforementioned figure is the same as that of the estimated figure reported in financial statement for 2016.

- (2) The amount of any employee remuneration distributed in the form of shares as a percentage of the current income after tax and total employee remuneration

N/A, as no employee remuneration was distributed in the form of shares this year.

4. Report on the status and result of allocation of remuneration at a shareholders' meeting: The shareholders' meeting on June 28, 2017 resolved that the remuneration for employees and directors for the year 2016 are NT\$37,113,547 and NT\$55,679,530, respectively, which is the same as approved at the director's meeting.

5. The actual allocation of remuneration to employees, directors, and supervisors for the previous fiscal year (with an indication of the number of shares, amount, and share price of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized remuneration to employees, directors, or supervisors, please also specify the discrepancy, its cause, and how it is treated:

Unit: NTD

Item	Motion for remuneration to employees and directors/supervisors 2015		Discrepancy
	Resolved and approved by the shareholders' meeting on June 22, 2016.	Resolved and approved by the directors' meeting on March 30, 2016.	
Remuneration to employees	28,833,975	28,833,975	0
Remuneration to directors/supervisors	50,517,093	50,517,093	0



The above remuneration to employees and directors/supervisors was the same stated in the financial statement 2015.

- (8) Status of Company's buyback of its shares: None.
- 5. Corporate Bonds (including bonds issued by overseas companies): None
- 6. Issuance of Preferred Shares: None
- 7. Issuance of Overseas Depository Receipts: None
- 8. Issuance of Employee Stock Warrants: None
- 9. Information about new restricted employee shares: None
- 10. Status of Mergers and Acquisitions: None under Business Mergers and Acquisitions Act
- 11. Issuance of new shares for acquisition of shares in other company

For the proposal of acquiring the shares of TCC International Holdings Limited and issuance of new shares of the Company, please see Chapter III – part (3) herein.

## II Overview of Operations

### I. The corporate operations

#### (I) Business contents

##### 1. Business scope

##### (1) Main business operations

The Group is mainly engaged in the business of production and sales of cement and chemical products, and thermal power generation. In terms of the production and sales of cement, its business includes production and sales of cement and clinker, and ready-mixed concrete, which are mainly sold in Taiwan and China. With respect to the production and sales of chemical products, it mainly engages in the production and sales of phenol and ketone products. As to thermal power generation, its subsidiary company Ho Ping Power Company sells the electricity generated by its thermal power plant to Taiwan Power Company (“Taipower”). In addition, the Group is also engaged in land and sea transports, production and sales of refractory products, and warehouse operations and so on.

##### (2) The proportion of business operations

Unit: NTD thousand; %

Main Products	Year	2015		2016		1H of 2017	
		Revenue	Proportion	Revenue	Proportion	Revenue	Proportion
Cement products		66,015,946	70.47%	65,373,914	72.99%	32,739,364	71.34%
Chemical material		11,741,599	12.53%	9,786,812	10.93%	6,713,898	14.63%
Power		12,645,730	13.50%	11,752,037	13.12%	5,214,850	11.36%
Others		3,275,801	3.50%	2,651,543	2.96%	1,225,739	2.67%
Total		93,679,076	100.00%	89,564,306	100.00%	45,893,851	100.00%

##### (3) Existing products (services) of the Group

- ① Cement products: including production and sales of cement, clinkers and ready-mixed concrete.
- ② Chemical raw materials: production and sales of phenol and ketone products, and production and sales of butanediol, tetrahydrofuran, butyric acid, etc.

- ③ Thermal power generation
- ④ Others: including land and sea transports, production and sales of refractory products, warehouse services, etc.

(3) New products (services) development plan

① Cement business

A. New generation calcium loop carbon dioxide capturing technology: the development plan of “calcium looping capture technology validation and R&D on amplification technology.” The key points of the plan include the technological upgrades in new generation capturing system which integrates steam, water and multi-level of wind, technical development on high-purity light calcium carbonate regeneration from inactive absorption agent, and the detailed system design of the 10-30MW level calcium looping capture demonstration system.

B. Development of Microalgae Cultivation Technology: the plan of developing “high-efficiency biological carbon sequestration and utilization technology development” project, including development of high-efficiency microalgae growth model and bionic applications, outdoor cultivation of high-efficiency carbon sequestration microalgae and its research and application, two-stage biological carbon sequestration synthetic products’ technical development and establishment of the relevant process, assessments of the economic benefits from high-unit-price biological carbon sequestration products, etc.

- ② Chemical materials: in view of the future market trend of an oversupply of phenol due to domestic and foreign large manufacturers’ expansion to increase the production capacity gradually, we have developed poly- $\alpha$ -methyl styrene as a modifier for shoe materials in addition to continually increasing the production capacity of propanediol and cyclohexanone for increasing the values that could be added by our products and reducing reliance in phenol. Moreover, we continues putting effort into the development of new products such as high-value chemicals and chemicals for electronic-purpose.

2. Industry overview

## (1) Industry status and development

## ① Taiwan cement market

Taiwan is becoming a developed country with well-established infrastructure, and thus its cement demand is gradually stabilized. The cement industry in Taiwan is also faced with a matured market. According to the Statistics Department of the Ministry of Economic Affairs, investment in fixed assets (excluding land investment) in the manufacturing sector has recovered in second quarter of 2016, and the housing and construction works in 2016 have increased by 14.77% over 2015. But according to the Ministry of the Interior, the total floor area of the construction building licenses issued has been declining since 2014, resulting in a 10,245,815 metric tons of cement consumption in Taiwan in 2016, which has reduced by 12.07% comparing to 2015. The houses and construction projects of manufacturing industry from January to April of 2017 have a 7.7% growth in comparison with the same period of 2016, and the total floor area of the construction building licenses issued has a 15.54% growth. As a result, the cement consumption in Taiwan during the period of January to April 2017 was 3,349,930 metric tons, representing a small growth over the same period in 2016.

**Investment of fixed assets in manufacturing industry (excluding land investment)**

Unit: NTD 100 million

Year	Total	Housing and construction works	Traffic and transportation equipment	Machinery and miscellaneous equipment
2014	9,822	1,286	93	8,442
2015	9,731	1,144	82	8,505
2016	11,026	1,313	107	9,606
Q1 of 2017	2,597	324	15	2,258

Data Source: Statistics Department, the Ministry of Economic Affairs

**Statistics of building construction and usage licenses issued by Ministry of the Interior**

Year	License issuance for building construction	
	Case number	Total floor area (square meter)
2014	31,994	38,634,904
2015	27,643	32,595,657
2016	22,511	26,235,287
Jan.~Apr. in 2017	7,540	8,893,509

Data Source: Monthly statistics report of the Ministry of the Interior

**Cement consumption in Taiwan**

Unit: Metric ton

Year	2014	2015	2016	Jan.to Apr. in 2017
Cement domestic sales (Note)	11,090,239	10,215,068	8,811,395	2,820,435
Imported cement	1,472,184	1,437,700	1,434,420	529,495
Domestic cement consumption	12,562,423	11,652,768	10,245,815	3,349,930

Data Source: Taiwan Cement Industry Association

Note: Include figures in cement market only, excluding clinker

Cement industry is a high energy-consuming industry. The Ministry of Economy has planned to lower kiln production capacity to 19 million tons since 2015, and has implemented policies to direct the industry to supply mainly for meeting domestic demand (including clinker), while the surplus between production and sales will be exported. The exports ratios of cement and clinker are constrained (export volume/production). The export ratio has been constrained at a level under 30% since 2015, which leads to a continuous decline in domestic cement production over the past three years. In year 2016 the annual domestic cement production has decreased by 9.81% compared with the year 2015, and export tonnage also declined slightly due to the above-mentioned policy. As to the domestic sales, due to the decline of downstream market such as housing and construction works, a 12.50% decrease was seen in 2016 compared to 2015.

From January to April in 2017, the cement production and sales have continued with the decline from 2016. The production still suffered from the impact of the sluggish cement demand that resulted in a 10.85% reduction in production from January to April in 2017. As for the sales, thanks to the manufacturing sector's 7.7% growth from January to April 2017 in the

housing and construction projects compared to the same period of 2016, the domestic cement sales recovered and had a 0.88% growth, and particularly the Taiwan Cement's domestic clinker sales kept growing. The export market has declined by 19.58%, compared to the same period of 2016. This is mainly because of the declines in exports to the main markets.

#### **Cement Production and Sales in Taiwan**

Unit: Metric ton

Year	2015	2016	Jan.to Apr. in 2017
Domestic cement production	13,445,063	12,126,206	3,727,493
Cement domestic sales (Note)	10,696,216	9,358,714	3,073,965
Cement exported	3,260,662	3,231,869	960,837
Domestic cement sales status	13,956,878	12,590,583	4,034,802

Data Source: Taiwan Cement Industry Association

Note: clinker included

#### ② Chinese cement market

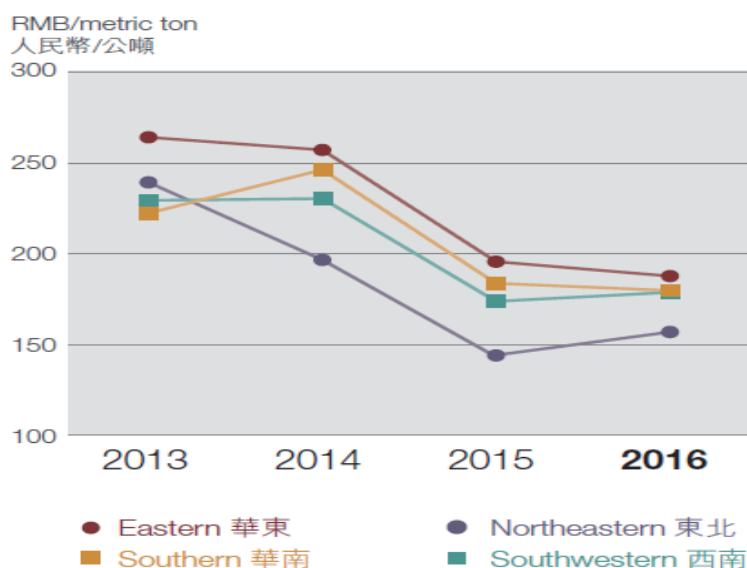
Although the Chinese gross domestic product (GDP) maintained an annual growth rate of 6.7% in 2016, the global economic environment was uncertain, and the weak domestic demand and excessive industrial capacity have stifled growth in fixed asset investment in 2016. In 2016, China's fixed asset investment rose by 8.1% to RMB59.65 trillion, which was 1.9% lower than the growth rate of 2015. However, infrastructure investment in fixed assets has increased by 17.4% year on year to RMB11.89 trillion. In 2016, driven by the easing regulatory measures, the real estate market has recovered from the sluggish situation in 2015. Real estate investment in 2016 grew 6.9% year on year to RMB10.26 trillion, compared with a year on year growth of only 1.0% in 2015. The booming infrastructure and real estate investments in 2016 have provided strong support for cement demand.

In 2016, the State Council of China has promoted the supply side structural reform for the building materials industry to ensure stable growth of the industry. The central government encourages the cement market to intensify concentration and industry leaders are driven to enhance the collaboration with each other. Effective market self-discipline has enabled a stable cement supply and the average cement price in the second half of

2016 remained high, such situation is particularly evident in southern China.

In 2016, China's total cement production has reached about 2,402,953,500 metric tons with a mild year on year growth of 2.49%. After the sharp decline in 2015, the cement average selling price has gradually risen since the 2nd quarter of 2016, and rebounded sharply from September 2016. In December 2016, the average selling price of cement went up by 38.1% from the lowest level in February 2016.

#### China's regional cement prices



2017 is the key implementation year of China's thirteenth Five-Year Plan and the supply side structural reform for cement market is supposed to be deepened further. The implementation of Document No. 34 of the State Council of China "Guiding Opinions on promoting the steady growth and structural efficiency of Building Material Industry" will accelerate elimination of low-efficiency manufacturers with capacity falling behind or failing to meet the stringent national environmental requirements. In addition, China will gradually phase out the PC32.5 grade cement by 2020, and will strictly limit new capacity addition. This will help improve the supply-and-demand balance in market. The country's measure to limit the addition of new capacity will drive the large-scale cement enterprises to realize scale and geographic expansion through more mergers and acquisitions. Further industry consolidation driven by a small number of national or regional leading companies will strengthen market

concentration. This will facilitate the collaboration between the leading companies, which have dominant market positions, to maintain market order.

The investment by China in infrastructure projects, especially in the traffic network and hydraulic engineering projects, and introduction of cooperation between public and private sectors will become the impetus for further implementation of civil engineering projects in the public sectors. Real estate development is the most important factor supporting the demand from private sectors. The increasing prices for land transactions in first-tier cities reflect the booming market condition. Due to increasing real property prices, these cities may re-implement restrictive policies. However, the construction projects already carried out or agreed to be carried out are expected to keep boosting the demand from private sectors. In view of the above favorable factors, the average selling price of cement in China is expected to remain stable, or increase modestly in 2017.

### ③Chemical materials

- A. Cumene: more than 97% of the overall world's production is used for the production of phenol and acetone, and a small amount is used for producing chemical such as bridging agent.
- B. Phenol: Phenol products are mainly used in the production of phenolic resin and propanediol. In addition, it can also be used for the production of cyclohexanone, and alkyl phenols such as nonyl phenol, 2,6-xyleneol (and 2,4-xyleneol) Aniline, salicylic acid. In Taiwan, it is used to produce propanediol (Taiwan Prosperity Chemical Corp., Nanya and Changchun) and phenolic resin (Changchun, Changxing) where they account for the highest percentages. The following table shows that the demand for phenol would also increase simultaneously together with the social and economic development.



**Taiwan's import and export of phenol in recent years**

Unit: Metric ton

Year	2012	2013	2014	2015	2016
Import amount	10,084	26,138	65,676	83,556	120,556
Export amount	156,178	135,408	98,101	99,778	111,044

Data source: Import and export statistics of Customs and Excise Department of the Republic of China

- C. Acetone: According to the production process, the sources of acetone are classified to two categories, one being a secondary product while producing phenol, and in the other category acetone is the main product. Acetone is an important industrial solvent and raw material for the manufacturing of acrylic resin (methyl methacrylate), polyurethane and epoxy resin. It is a deodorant for oil refining, it can be used for producing propanediol and acetone cyanohydrin, etc., and it is also a kind of extraction agent for pharmaceutical industry. In the past, acetone was produced by LCY Chemical Corp and Taiwan Prosperity Chemical Corp. only, and later on Formosa Petrochemical and Changchun have engaged in the production one after another. The volume of import in the domestic market has decreased year by year to almost zero, and the exports have been made mainly to China.

**Taiwan's import and export of acetone in recent years**

Unit: Metric ton

Year	2012	2013	2014	2015	2016
Import amount	107	1,162	158	202	205
Export amount	248,928	273,981	251,282	251,692	259,473

Data source: Import and export statistics of Customs and Excise Department of the Republic of China

- D. Propylene glycol: Propylene glycol is mainly used for the production of epoxy resin and polycarbonate resin (PC). Epoxy resin is used for soft packaging materials, adhesives, laminated boards, and packaging materials of electronic components, etc. Among them the packaging material demand for laminated boards and electronic components will vary with the development of the electronics industry. Polycarbonate resin (PC) is used for purposes of substrates of CD, DVD disks and

automotive headlamps, etc., while the blended plastic of PC / ABS is widely used in computers, notebook computers, and mobile phone shells.

**Taiwan's import and export of propanediol in recent years**

Unit: Metric ton

Year	2012	2013	2014	2015	2016
Import amount	208	1,313	7,389	1,533	710
Export amount	364,946	293,043	274,680	306,962	237,384

Data source: Import and export statistics of Customs and Excise Department of the Republic of China

- E. Cyclohexanone: Cyclohexanone is still primarily used as raw material of caprolactam, and is secondarily used as a solvent. Caprolactam is the raw material of textile nylon, while China Petrochemical Development Corporation ("CPDC") is now the only caprolactam producer in Taiwan, and its cyclohexanone produced is for its own use only. 70% of the cyclohexanone produced by Taiwan Prosperity Chemical Corp. is for exporting to overseas caprolactam markets, and the rest is for special solvent purposes.

**Taiwan's import and export of cyclohexanone in recent years**

Unit: Metric ton

Year	2012	2013	2014	2015	2016
Import amount	3,381	2,029	3,638	3,433	3,240
Export amount	58,662	50,076	68,650	45,171	60,465

Data source: Import and export statistics of Customs and Excise Department of the Republic of China

- F. Maleic Anhydride: Maleic Anhydride is the third largest anhydride used in terms of volume, only behind phthalic anhydride and acetic anhydride and it has a variety of usages. In particular, its application in the unsaturated resin, alkyd resin, 1,4-butanediol / THF /  $\gamma$ -butyrolactone and other derivatives, polymer synthesis and adhesives etc. has a stable growth.

**Taiwan's import and export of maleic anhydride in recent years**

Unit: Metric ton

Year	2012	2013	2014	2015	2016
Import amount	173	207	597	190	635
Export amount	38,302	47,600	59,399	60,356	53,210

Data source: Import and export statistics of Customs and Excise Department of the Republic of China

## ④Power

As power has become a necessity in people's life, its supply stability and quality is of great importance to overall production and economic activities. The power industry in Taiwan has long been operated exclusively by the state-owned Taipower. Taipower has carried out its power development plan according to its "long-term power development program" in compliance with the national economic development. Since 1990, the reserve capacity ratio has been below 8%, which is far from the appropriate reserve capacity ratio of 20%. In the summer time which is the peak season of power demand when sometimes "rolling blackout" approaches have been taken to limit the power consumption, and consequently manufacturers' willingness to invest and the long-term economic development were affected significantly. In order to alleviate the pressure of insufficient power supply, to enhance the overall efficiency of the power industry, and also because of the global trend of liberalization in the electricity market, the Ministry of Economy has decided to open up the power generation industry to allow independent power producers (IPP) to join the competition, so as to achieve the purpose of making good use of flexibility in privately-owned businesses, stabilizing the power supply and to promote the goal of power industry liberalization. In addition, the Ministry of Economic Affairs has stipulated the "Operation Instructions for Opening up Power Industry" as the operation guidelines in September 1994 for opening up this sector for the private power companies to join. In addition, "Power Plant Establishment Application Notice" was issued in January 1995 for the public to understand the procedures and the review criteria for application for setting up an IPP. With that notice, the exclusive power industry operation originally run by the Taipower alone was changed accordingly.

The market was opened in three stages: January, August of 1995 and January 1999. A total of 15 independent power producers (IPP) have been approved for establishment, and 9 of them have actually completed. The overall capacity was of 7.71 million KW, and together with the flourishing development from cogeneration at the same period of time that made Taiwan entering into the stage of “opening up of the power generation industry”. The total capacity of the Taipower system has amounted to 37.371 million KW in 2006 which was 1.93 times of that in 1993. The purchased amount of electricity was of 196.57 billion KW/H, which was 1.93 times that of 1993. Since 2006, the international petrochemical fuel prices rose greatly which seriously impacted the operating environment of the power industry. At the same time we have confronted with the global warming issues that low-carbon economy, low-carbon energy and low-carbon power will be the main focus of development in the world. Since Taiwan is in lack of self-produced energy, we need to ensure power industry’s sustainable development when we are also faced with the inevitable trend of greenhouse gas reduction. On the supply end, we need to develop low carbon power. On the demand end, we need to endeavor to promote energy conservation and enhance efficiency in energy consumption. At this point, our power market has entered into the “energy saving and carbon reduction” period.

The Electricity Law has been revised and announced on January 26, 2017, and currently the Energy Bureau is making amendments to related sub-law and setting up facilitating mechanism. The Group will continue to track the progress of the amendments to plan and adjust its long-term development direction.

(2) Correlation between the industry’s up, middle and downstream

① Cement products

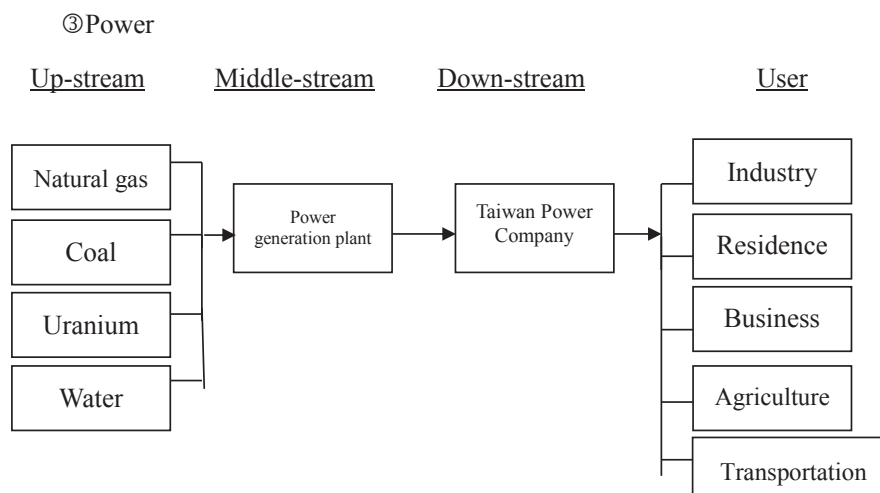
The related industries of the cement industry include the earth and rock mining industry which provides limestone, clay, silica sand raw materials, iron and steel industry which provides iron and slag raw materials, non-metallic mining industry which provides gypsum and limestone raw materials, and up-stream thermal such as power generation industry which provides flying ash and recycled gypsum raw materials. There are

supporting industries which facilitate cement production such as power supply industry, gas and fuel supply industry and railway transportation industry, automobile transportation industry, and water transportation industry. Moreover, there are down-stream industries that directly need cement product supply. This includes construction industry, ready-mixed concrete industry, cement product industry (such as concrete pipe, cement brick, asbestos board, asbestos pipe, corrugated asbestos cement sheets, etc.), and other industries (such as oil well geological construction, etc.)

②Chemical materials

The Company's subsidiary, Taiwan Prosperity Chemical Corp. is mainly engaged in the production and marketing of phenol and ketone products. Phenol series products use the propylene and benzene as their raw materials which have been cracked out of light oil. These raw materials go through alkylation reaction to produce cumene products, the cumene goes through oxidation by air, cracking, separation and purification for producing phenol and acetone. The reaction of phenol and acetone is followed to produce the propanediol product, and cyclohexanone produces can be produced by adding hydrogenation.

In terms of applications, phenol products have broad applications that in Taiwan cumene is also used as bridging agent for producing plastic. Phenol is mostly used as raw material to produce phenolic resins, adhesives and printed circuit boards. Acetone is mainly used to produce methyl methacrylate which is the raw material of acrylic. In addition, it can be used as a solvent. Propylene glycol is used to produce epoxy resin. It can also be used as raw material for printed circuit boards, and the other applications are for producing polycarbonate resin that is the raw material of CDs and building materials. As for cyclohexanone, it is used mainly for the production of caprolactam, and can be used as an organic solvent.



At present, Taiwan’s generates its power by fuel burning, coal burning, gas burning, nuclear energy, hydroelectricity, and renewable energy. With the liberalization of Taiwan's power market, independent private power plants (IPP) are entering into the power market. However, according to the relevant provisions of the “Electricity Act” the electricity produced by independent private power plants still needs to be coordinated by Taipower which further allocates to people’s livelihood or industrial use. Therefore, the electricity is not directly sold to the end-users.

(3) Various development trends of the products

① Cement products

Cement products are primarily consisted of type I ordinary cement, but due to the affects driven by the continued public works, the demand for special cements increased significantly. Since 1995, due to the increasing consumption of flying ash and furnace powder used by the ready-mixed concrete mills, a portion of cements usage has been replaced which has certain extent of influences on its demand.

② Chemical materials

A. Phenol: the growth rate of global phenol demand (exclude Middle East and India) from 2017 to 2020 is about 2.7%. Being driven by the down-stream demand on propanediol and polycarbonate resins, the phenol’s annual demand is supposed to have a steady growth in Asia. Concerning the global demand on phenol, uses for propanediol’s 44% is the highest, phenolic resin’s 27% is the 2nd highest, uses for producing

caprolactam accounts for 7%, 3% for alkyl phenol, and the rest accounts for 19%.

- B. Acetone: A boom in constructing new phenol plants globally has led to a sufficient supply of its by-product acetone, and its future prices will depend on market demands and propylene prices. The acetone used for MMA (acrylic raw material) has accounted for about 30% of its usage. In addition to being used for the raw material of propylene glycol, most of it is used in solvent markets.
- C. Propylene glycol: 2016 to 2020, the global CAGR is about 5.17%. Its main consumption areas are polycarbonate and epoxy resin. As for other usages, it includes flame retardants, unsaturated polyester resin, polyacrylate, polyether imide and poly Resin and so on.
- D. Cyclohexanone: Cyclohexanone is mainly used as a raw material of caprolactam, and its secondary usage is to be used as solvent. Changes and development in this industry would not be significant, and the sales would remain stable.
- E. Malin anhydride: Malin anhydride is mainly used in the production of unsaturated polyester resin and hydrogenation products butanediol, tetrahydrofuran, butyrolactone, etc., and it is also used in coating materials, lubricants additives, pesticides, tartaric acid, succinic acid and anhydride, tetrahydrophthalic anhydride, modified rosin, etc. Its demand has a steady growth every year.

### ③ Power

After the 2015 United Nations Convention on Climate Change, all countries agreed that curbing greenhouse gas emissions should be the direction of global endeavors. At the same time, to achieve the goal of nuclear-free homeland in 2025, green energy development and the national energy transformation project will be the government's new important policy currently under the existing domestic and global condition.

In response to this energy transformation, the Ministry of Economic Affairs last year has re-formulated a new energy policy to adjust the natural gas and renewable energy generation ratio. Under the new energy allocation plan the "energy ratio" of 2025 is 30% of coal-burning power generation, 50% of natural-gas-burning power generation, 20% of renewable energy

power generation, and of which the renewable energy capacity target will be significantly increased from 2015's 17,250MW to 2025's 27,423MW with a total increase of nearly 59%.

In order to achieve this new goal of green energy, the Ministry of Economic Affairs has also vigorously promoted solar power and wind power. Solar power generation has evolved from the small-capacity generator installed on the roof which was dedicatedly promoted at the early stage to large-capacity generator installed on the ground. In addition, to promote the ground-type generators, apart from the release of the required land, active coordination among various departments and efforts to loosen and amend the relevant provisions have been made to assist the developers involved. Furthermore, in addition to the on-shore field available since the early stage for power generation from wind, 36 blocks of areas on the western part of Taiwan have been designated for the businesses to invest in off-shore wind energy, with the goal of having renewal energy to account for 20% of the total power generation by 2025.

(4) The competition status of the product

① Cement products

A. Taiwanese region

The Company is principally engaged in cement-related production and sales. Among the domestically listed companies, Asia Cement Corporation is more similar to the Company in scale and operation. The Company is one of the major manufacturers in domestic cement industry. The Company's total cement and clinker production in 2016 were 5,472 thousand tons, accounting for 45.11% of the total cement and clinker production in Taiwan, which was 12,126 thousand tons, and it is a leading cement company in Taiwan.

B. Chinese region

The government of China has actively promoted mergers in cement industry. The State Council of China has approved the merger of China National Building Materials Group Corporation (中國建築材料集團有限公司) and China National Materials Group Corporation Ltd. (中國中材集團有限公司) in August 2016. A merger process involving BBMG Corporation (北京金隅股份有限公司) and Tangshan Jidong Cement Co.,



Ltd (唐山冀東水泥股份有限公司) is also underway. After the completion of the organizational adjustment, the number of manufacturers decreased, the Group and the Taiwanese Asia Cement Group are expected to increase its ranking in clinker production capacity. China's cement manufacturers hope to reduce the excessive capacity after the consolidation, which will help to maintain an orderly market.

② Chemical materials

- A. Phenol: In addition to our subsidiary Taiwan Prosperity Chemical Corp., there are Formosa Petrochemical and Changchun which also have plants in Taiwan for production and there are a total of 1.1 million tons of capacity which is greater than the demand. In Asia, Japan and South Korea's production capacities are greater than their domestic demand, and the excessive capacity are being absorbed by China, Southeast Asia and India. But the Southeast Asian market is dominated by Japanese trading firms, making it more difficult to enter. As for the Chinese market, after new capacity was added to the market in 2014, it resulted in oversupply. As most of our phenol product is used as raw materials for our own propane and cyclohexanone's production, therefore our exports are limited and we have flexibility.
- B. Acetone: The market is indicating an oversupply situation, and the pricing is affected by the market demand. In response to this situation, our subsidiary Taiwan Prosperity Chemical Corp. has entrusted domestic research institutions to study the recycling of acetone in order to resolve this oversupply issue.
- C. Propylene glycol: In addition to our subsidiary Taiwan Prosperity Chemical Corp., there are also others such as Formosa Plastic and Changchun which also have production plants in Taiwan. The total capacity is approximately 800,000 tons and the supply is greater than the demand. As for Asia, Japan and South Korea also have excess supply problems in their own domestic markets, and the excessive outputs are mainly exported to emerging markets such as China, India and Southeast Asia.
- D. Cyclohexanone: There is no other producer in Taiwan except CPDC and our subsidiary Taiwan Prosperity Chemical Corp.. As for exports, the

competition is mainly from the Chinese producers. Cyclohexanone is mainly used for the production of caprolactam, and the rest is mostly used for organic solvents. Its pricing is closely related to the prices of benzene.

E. Malin anhydride: In addition to our subsidiary Taiwan Prosperity Chemical Corp., Heshing and Formosa Plastic also have production plants in Taiwan. The total capacity is approximately 95,000 tons. The main use of malin anhydride is for unsaturated polyester. Taiwan's domestic market is oversupplied, but our subsidiary company's main focus is on the production and application of downstream hydrogenation products (butanediol, THF, etc.)

③ Power

With the liberalization of Taiwan's power market, independent private power plants (IPP) are entering into the power market. However, according to the relevant provisions of the Electricity Act, the electricity produced by independent private power plants still needs to be coordinated by Taipower which is further allocated for social or industrial use. Therefore, the electricity is not directly sold to the end-users. Also, in view of insufficient power supply, there is no sign of competition.

3. Technology and R & D overview

(1) The business's technical level, research and development

① Cement products

We have set up professional cement and concrete research laboratory in Taiwan. The focus of current research areas are on three major aspects: cement, concrete and resource re-use. In 2016, the annual R & D expenses was NTD25,322 thousand, and it has successfully completed the research and development on the optimal ratio of high performance concrete, the technology of conductive concrete applications, etc. In addition, it has assisted our three plants in Hopin, Hualien, and Suao in Taiwan to get certifications from SGS and become the first cement manufacturer certificated with ISO 50001 Energy Management System. Moreover, it has assisted our three plants in Hopin, Hualien and Suao to optimize cement quality and have researched on resource re-use. As for the cement plants in China, it has assisted its four plants in Yingde, Guigang, Jurong and Liaoning in obtaining low-carbon cement product certifications, which has

been applied in production and quality control. In the future continuous efforts would be made to optimize the quality, reduce the cost of cement, enlarge the scope of resource re-use, and to combine treatment of living wastes and burning garbage in cement kiln together with flying ashes of the power plants. In addition, the energy conservation and carbon reduction plan with calcium loop CO<sub>2</sub> capturing system and CCSU in relation to microalgae cultivation technology etc. are related technologies which our R&D endeavors will focus on.

② Chemical materials

Our subsidiary Taiwan Prosperity Chemical Corp. has conducted continuous research to improve operating process and stability in quality. It also formulates and implements plans to increase production capacity. Moreover, our subsidiary Taiwan Prosperity Chemical Corp. has cooperated with a research institution in a neighbouring university on the treatment of wastewater from its production process. At the same time it continues to entrust the Material and Chemical Research Laboratories of the Industrial Technology Research Institute to continue making analysis to increase value of main products, explore and research in the optoelectronics area, and seek for opportunities in the high-value new products and new products for electronic purpose.

(2) Research and development personnel and their qualification and experiences

Unit: person; %

Item \ Year		End of 2015		End of 2016		As at the end of June, 2017	
		Persons	Proportion	Persons	Proportion	Persons	Proportion
Academic distribution	Master or above	7	38.89%	8	40.00%	9	42.86%
	University (including college)	6	33.33%	6	30.00%	6	28.57%
	Below high school (inclusive)	5	27.78%	6	30.00%	6	28.57%
Total		18	100.00%	20	100.00%	21	100.00%

(3) Recent R&D expenses per year for the last five years

Unit: NTD thousand

Item \ Year	2012	2013	2014	2015	2016	1H of 2017
A. R&D expenses	33,105	43,663	38,678	6,895	20,618	16,587

Item	Year	2012	2013	2014	2015	2016	1H of 2017
B. Operating income		113,699,313	116,098,947	118,325,809	93,679,076	89,564,306	45,893,851
A/B (%)		0.03	0.04	0.03	0.01	0.02	0.04

(4) Successful technology or products developed in the last five years

- ① Research and development in IV type cement and commencing mass production. Its quality meets CNS specifications and special engineering requirements, and has obtained the CNS Mark quality mark and MIT smile mark qualification.
- ② Expanded cultivation area with the microalgae cultivation technology, and has completed the trial of Astaxanthin cosmetics.
- ③ 1.9MWt pilot calcium looping trial plant: completed continuous trial operation for 100 hours with CO<sub>2</sub> capturing efficiency of up to 85 ~ 93%.
- ④ Establishment of a new generation of 500kWt calcium looping capture system with steam, water and multi-level of wind integrated.

4. Long-and short-term business development plans

(1) Short-term business development plans

① Cement products

Considering that the cement industry is maturing in Taiwan, the Company will primarily aim to maintain market share, reduce cost and improve profitability in the territories of Taiwan. For investment in China, the Company chose South China and coastal areas as its target markets, and invested in constructing cement plants or grinding plants in Fuzhou, Guangdong, Guangxi and Anhui. Meanwhile, the Company acquired and merged Jiansu Jing Yang Plant, of Chia Hsin International Corp. and founded TCC Jurong Plant in 2007, thereby extending its business to the market of East China. At the end of 2009, the Company acquired and merged the plants of Prosperity Minerals Holdings Limited in Guangdong, Yunnan, Guizhou, Chongqing, Sichuan and Liaoning, and continued expanding the plants. In 2011, the Company acquired and merged the production capacity of such companies as Kang An, Kai Li, Se Te and Tai Chang in Guizhou and Sichuan. At the end of 2014, the Company acquired and merged Sichuan Chuantien Cement Company and Hunan Jing Ta Di Company. By 2016, the Company's annual production capacity in China has attained 65,300,000

tons. Including the production capacity in Taiwan, the Company's annual production capacity attained 75,750,000 tons. Because the Chinese market is entering into the stage of stabilizing demand, the Company will focus its short-term development on reduction of cost, upgrading efficiency and maintenance of market share and stable profit.

② Chemical raw materials

- A. The Company's subsidiary, Taiwan Prosperity Chemical Corp., is a manufacturer engaged in the series of phenol product domestically.
- B. It aims to expand its market share in domestic sales, while it aimed to diversify the markets and develop business in territories such as China, Japan, Korea and Thailand. In order to increase the value that can be added by its product, it sold the product in bulk and also in barrel.
- C. It worked with its upstream and downstream dealers and customers very closely to enhance its ability to coordinate production and marketing. Meanwhile, it strengthened the communication with customers and provided excellent after-sale services to satisfy customers' need.
- D. It responded to the market trend in a timely manner by virtue of its flexible pricing strategies. It acted in line with the market trend when the price went up, so as to create the optimal profit for the Company. It also responded to the decline in market price, if any, in a timely manner to prevent overstock.

③ Power

- A. In order to cope with the ISO 14001 environmental policy of the Company's subsidiary, Ho-Ping Power Company, we commit to: (A) comply with the environmental laws and commitments to prevent dispute in relation to nuisance; (B) continue to improve equipment and improve the performance of pollution prevention equipment; (C) execute classification and reduction of waste to achieve recycling; (D) supervise and conduct tests periodically on pollution prevention measures; (E) establish the environmental management system and exercise control over operation affecting the environment; (F) educate and report periodically to promote communication with the public in writing; (G) welcome visitors and make transparent disclosure of our performance of environmental protection.

#### B. Implementation of ISO 9001 Quality Management System

We continue to improve the performance of machine and equipment by implementation of the quality management system, in order to provide customers with reliable, stable and excellent power supply service.

#### C. Implementation of NOSA Five-Star ESH Management System

By implementing NOSA professional environmental protection, safety and health management system, Ho-Ping Power Company provides good facilities and environment, which reduce injury and accident rate and achieve zero labor safety violation, strengthen communication and harmony, and improve the image of Ho-Ping Power Company.

### (2) Long-term business development plans

#### ① Cement products

In order to establish cement plants and grinding plants in China, the Group will invest in constructing aggregate plants or ready-mixed concrete plants in the target cement market to extend the up-stream and down-stream cement products and create added-value. In addition to maintaining the Company's identity as a leading brand in Taiwan, the Group will be dedicated to upgrading the Group's product quality and customer service in South China, West China and East China, in hopes of strengthening its roots in Taiwan and developing business in China, and will aim to become a leading cement brand in the South China market and the leading cement company in China as its long-term development objective. Meanwhile, we integrated the three major production process characteristics of cement plants, i.e. high temperature, long retention time and high turbulence with disposal of solid waste, such as domestic garbage, sludge and hazardous waste and build an economic system providing one-stop supply environmental protection services.

#### ② Chemical raw materials

A. Establish a comprehensive consolidated precision petrochemical production and sales system as our long-term objective. Dedicated to developing down-stream products and increase self-consumption to mitigate the risk of reduction in sales of our products.

B. Invest in equipment, continue to implement the counter bottleneck plan on

various products, upgrade production capacity and reduce unit costs to enable the Group's products to become more competitive and achieve sustainable development.

③ Power

A. Participating in research and planning of amendments to sub-laws related to the Electricity Act.

The Electricity Act is identified as the key law of the power generation industry. The amendments to the Electricity Act have been promulgated on January 26, 2017. However, certain related sub-laws are still subject to amendment and their facilitating mechanism to be established. The Group will continue to track the progress of the amendments to plan and adjust its long-term development directions.

B. We will construct and install additional machine and equipment, or participate in construction and investment projects for power generation from renewable energy to increase our profit.

We may construct and install additional machine and equipment or establish various renewable energy power generation plants near our existing plants or in other areas of Taiwan and participate in investment to increase the capacity and profit and to respond to the green energy policy implemented by the government.

C. Establish the ability to conduct high-quality self-maintenance

The Group's thermal plant is located in a remote area, far away from related support vendors. By having the ability to conduct repair works by our own personnel, the Group can fundamentally improve its operating efficiency. Therefore, the training of technicians and engineers must be deep and broad enough to meet the actual need.

(II) Market and production & marketing situation

1. Analysis of market

(1) Territories where the main products (services) of the Company are sold (provided)

Unit: NTD thousand

Territories \ Year	2015		2016		1H of 2017	
	Sales	Ratio (%)	Sales	Ratio (%)	Sales	Ratio (%)

Taiwan	48,986,363	52.29	42,075,081	46.98	21,680,763	47.24
Asia	44,692,713	47.71	47,489,225	53.02	24,213,088	52.76
Total	93,679,076	100.00	89,564,306	100.00	45,893,851	100.00

## (2) Market share

## ① Cement products

## A. Territories of Taiwan

The consumption of cement in the territories of Taiwan was 10,250 thousand tons in 2016, decreasing by 1,400 thousand tons from 11,650 thousand tons in 2015, i.e. a decline of 12.02%. The Company's volume of cement for domestic market was 3,160 thousand tons in 2016, decreasing by 11.48% from 3,570 thousand tons in 2015. The market share was approximately 35.87% (imported cement excluded).

## B. Territories of China

The Group's output of cement and clinker in China was 53,110 thousand tons in 2016, i.e., 2.21% of the total output of cement in China in 2016, which was 2,402,950 thousand tons.

## ② Chemical raw materials

The market shares of various products manufactured by the Company's subsidiary, Taiwan Prosperity Chemical Corp., in the territories of Taiwan are stated as follows:

	2014	2015	2016
Phenol	34%	41%	37%
Acetone	40%	30%	21%
Bis-phenol	5%	10%	0% (Note 1)
Cyclohexanone	96%	60%	16% (Note 2)

Source of data: statistics from customs office and the Group

Note 1: In light of customers' reduction of production, Taiwan Prosperity Chemical Corp. ceased to produce bis-phenol since the latter half of 2015.

Note 2: The annual production capacity of four Cyclohexanone plants of CPDC is 400,000 tons and all output is used to satisfy the demand of their down-stream factories.

## ③ Power

According to the statistics on Taipower's official website, the total installed capacity in the territories of Taiwan was 42,110,000 kW as of the end of 2016, and the net generation capacity was 225.8 billion degrees in 2016. Among other things, the total installed capacity of Taipower was 32,220,000 kW, and net generation capacity 174 billion degrees. The total



installed capacity of private thermal power plants was 7,710,000 kW and net generation capacity 40.4 billion degrees. The installed capacity of the two sets of equipment installed at the Group's Ho-Ping Power Company was 1,320,000 kW and power sales 8.779 billion degrees in 2016, accounting for 21.73% of the power sales of private thermal plants, and 3.89% of the power sales in the territories of Taiwan.

(3) Future supply & demand and growth in the market

① Cement products

A. Territories of Taiwan

In 2017, the market of cement for the Taiwan domestic market is subject to the effect of the modest economic performance in China, fluctuation in the global financial market, and reduction in real estate projects. The demand for cement in Taiwan is expected to remain at about 10,000~10,500 thousand tons. In terms of exports, newly developed markets are still maintaining sound growth and demand from Africa and Southeast Asia remain strong. Due to the slow-down in exports to China markets, the prices in the international markets have slightly revised downward. The Company still primarily targets Africa and Southeast Asia as the major export markets in 2017 and export volume will comply with government policy to the extent possible.

In the entire year of 2016, the Company exported 5.39 million tons of cement and clinker (including ready-mixed concrete for the Company's own use), representing a decrease of 8.51% from 5.89 million tons exported in 2015, primarily due to the efforts to comply with government policy to cut export amidst the decline in demand in domestic market. The Company's strategy for the future still targets at increasing sales volume in domestic market.

In terms of ready-mixed concrete, the sales volume of the Company in 2016 was 4,210 thousand cubic meters, representing a decrease of 1,220 thousand cubic meters from 5,440 thousand cubic meters in 2015 (i.e. a decrease of 22.52%). In light of the slowdown in housing markets but potential increase in public works in 2017, and as our Company is a leading cement producer in Taiwan, we expect our sales volume to benefit from such increase in public works domestically.

B. China

In China, the aggregate production value is anticipated to grow by approximately 6.5% in 2017, suggesting that China will have mild but stable economic growth. In 2017, reform in cement supply structure is anticipated to be further deepened, as cement market is an emphasis in the 13th five-year program. The implementation of Document No. 34 of the State Council of China “Guiding Opinions on promoting the steady growth and structural efficiency of Building Material Industry” will accelerate the elimination of low-efficiency manufacturers with capacity falling behind or failing to meet the stringent national environmental requirements. In addition, China will gradually phase out PC32.5 grade cement by 2020, and will strictly limit new capacity addition. This will help improve the supply-and-demand balance in market.

Measures in China to limit the construction of new capacity will drive large-scale cement enterprises to realize scale and geographic expansion through more mergers and acquisitions. Further industry consolidation driven by a small number of national or regional leading companies will strengthen market concentration. This will facilitate collaboration between the leading companies, which have dominant market positions, to maintain an orderly market.

The investment by China in infrastructure projects, especially the traffic network and hydraulic engineering projects, and introduction of cooperation between public and private sectors will become the impetus for further implementation of civil engineering projects in the public sectors. Real estate development is the most important factor supporting demand from private sectors. The increasing prices for land transactions in first-tier cities in China reflect the booming market condition. Due to increasing real property prices, these cities may re-implement restrictive policies. However, the construction projects already carried out or agreed to be carried out are expected to keep boosting the demand from private sectors. Given the said favorable factors, the average selling price of cement in China is expected to remain stable or increase modestly in 2017.

In 2017, nevertheless, cement industry is bound to face certain challenges. Starting from late 2016, coal prices significantly rose. Such trend is anticipated to extend to the current year. Energy cost accounted for quite a significant portion of cement manufacturers’ costs. The rising

coal prices will inevitably bring pressure to profitability for cement manufacturers. As a result of rising labor and transportation costs and more stringent control by the Chinese government over pollution, the business performance of cement manufacturers will be subject to significant impact.

In general, due to robust demand and stable selling prices of cement, there could be continued growth in cement sales in South China. Other than large-scale construction projects of public and private entities in Guangdong Province, construction of the third run-way of the Hong Kong International Airport will further increase tension in the supply of cement. The said projects will call for huge volume of transportations (e.g., barges) which will increase pressure on logistic resources which will further increase the pressure on cement supply.

In the southwest regions of China, the Group believes it will further boost business operation efficiency, in particular, for the facilities in Chongqing and Guizhou regions.

The Group's Shaoguan Plant is scheduled to commence business operation in late 2017 or early 2018. The Shaoguan Plant is equipped with one production line for 2 million tons of clinker and cement per annum. This plant will facilitate the Group's expansion of its business in Northern Guangdong market and also functions as the a key point between the Group's Guangdong Yingde and Hunan Plants to fill the gaps of the two regions.

## ②Chemical raw materials

### A. Status of supply globally

In terms of phenol supply in the global markets, Asia is the dominating supplier with 52% of the world's capacity, followed by America as the second and Europe as the third. Fundamentally, all surplus, if any, will primarily be sold to India, China or Southeast Asia.

Phenol products call for high technical level and huge amount in investment. Phenol users have stricter demand on quality. Currently, in the global markets, the major phenol manufacturers are based in Taiwan, the United States, Europe, Japan and China with fairly significant scale.

The table below enumerates the key phenol manufacturers:

Representative phenol manufacturers in various regions in 2016

Regions	Representative manufacturers
America	SUNOCO, DOW CHEMICAL SABIC, GEORGIA GULF SHELL, INEOS Phenol
Japan	MITSUI CHEMICAL, MITSUBISHI CHEMICAL, CHIBA PHENOL
Europe	INEOS PHENOL, POLIMERI CEPSA Quimica
China	SINOPEC, FCFC/CEPSA/ LIHUAYI/KINGBOARD/BLUE STAR SSMC
Taiwan	Formosa Chemicals & Fibre Corporation ChangChun Plastics. Co. Ltd. Taiwan Prosperity Chemical Corp.

#### B. Demand status in the markets at home and abroad

Overall, the products manufactured by the Company's subsidiary Taiwan Prosperity Chemical Corp. are primarily used to meet the domestic market demand for phenolic resin, engineering plastic, detergent and relevant epoxy resin, solvent market, which is closely related to the performance of the respective business concerned. In 2016, CPDC developed a new production line. The export market is becoming more active due to the upturn in oil price.

#### C. Chance for future growth

In the upstream petrochemical industry in Taiwan, ethylene, propylene and benzene are supplied by two sources, i.e., China Petroleum Corporation and Formosa Petrochemical Corporation (by its No.6 Naphtha Cracker Complex). The shortfall in supply is supported by imports. The petrochemical intermediaries source their raw materials from domestic manufacturers. In an attempt to diversify supply sources, they import raw materials from foreign markets as well. The phenol, acetone, bis-phenol, and such products manufactured by the Group are partly exported in an attempt to diversify. Going forward, in Taiwan, customers for phenolic resin, epoxy resin, polycarbonate resin and relevant solvent as well as nylon yarn will maintain their demand due to the stable and rebound in oil prices.

### ③Power

Demand for power is growing in the future. Pursuant to the statistics by the Bureau of Energy, Ministry of Economic Affairs and its 2014 forecast of long-term load and planning of power development, the power consumption volume in Taiwan rose from 218.45 million KW in 2005 to 249.87 billion KW in 2015. In 2033, as anticipated, the power consumption will increase to 335.64 billion KW. This represents a 1.91% average annual growth in the next 18 years, with 4.8 billion KW growth per annum on average, which will meet the demand from economic development and basic livelihood. In terms of power supply development, the new government attempts to accomplish zero-nuclear policy by 2025 for which the Electricity Act was amended with new percentages for the source of energy (fuel gas 50%, coal 30%, renewable energy 20%) and increasing the supply ratio of green energy to cope with the power shortage during the transit period. The policy is aimed to enable the residents in Taiwan to have a more fruitful, colorful and comfortable life.

### (4) Niche in competition

#### ①Cement products

Taiwan Cement Co., Ltd. is the largest and oldest manufacturer of cement and ready-mixed concrete in Taiwan and is known as a leading firm in Taiwan with successful vertical integration of products. Thanks to the strong research and development capability, and strict control over the manufacturing process, the Company's products are well known for their high quality and good brand image. In addition, the Company is well known for having points of sales and ready-mixed concrete plants (RMC) throughout Taiwan with integrated points of sales and sales networks in all major metropolitan regions, capable of providing integrated products and services which gives our Company its competitive niche.

Thanks to efforts in expansion and merger/acquisition (M&A) in China, the Group has successfully set up a highly efficient business portfolio in the cement industry in China. While maintaining the current growth scale, we will be able to pursue business transformation that leads to higher operating standards. The high heat generated by the cement production process could be used in power generation and in combustion of urban and industrial

waste. The Group has set up waste processing plant in Anshun, Guizhou which is the first step of the Group in providing successful solutions in conservation. This processing plant is capable of processing household garbage of up to 200 M.T. daily. It started formal operation in late 2015 and has been operating well since then. Our second waste treatment project was to be set up along with the clinker and cement production lines developed at Shaoguan, Guangdong. This is the Group's newly built cement project which includes waste treatment facilities in its initial design. The performance of these projects will provide a powerful paradigm to the Group to convince the local governmental authorities to allow our cement plants to provide similar solutions to the environmental problems.

#### ②Chemical raw materials

##### A. Adequate control of raw material sources

To help stabilize our production of raw materials of benzene and propylene, we procure such materials from long-term contracts and they are supplied through pipes, which we believe is a secure and economical means to significantly facilitate production.

##### B. Prudent business operation

Taiwan Prosperity Chemical Corp., one of our subsidiaries, operates under the strategies of five zero targets, i.e., zero-industrial safety calamity, zero pollution in environmental protection, zero breakdown in machinery & equipment, zero inventory in raw materials and zero-defect in management, plus four reduction strategies, including reduction in manpower, reduction in raw materials, reduction in waste and reduction in expenditures. These strategies have proved to be very successful.

##### C. Vertical integration between upstream and downstream

With uninterrupted efforts, we strengthened the development of our new products. Using our own products, we process and manufacture cyclohexanone, bisphenol,  $\alpha$  methyl styrene to satisfy customer demand and boost the values that can be added by our products and increase our market share.

##### D. Efforts to implement requirements in environmental protection

We implemented ISO-14001(Environmental Management System)

and successfully completed verification in quality assurance. We invested in pollution control equipment and facilities. We will continue such efforts to accomplish zero-pollution and our green production goals.

E. Consistent quality policy

Our subsidiary, Taiwan Prosperity Chemical Corp., adopts a consistent policy in standardized operation, efficient business operation and persistent zero-defect quality and also makes great effort in innovation. Notwithstanding the different impacts and challenges in the markets, it has been successful in handling the difficulties it faced and have guided its business forward, and implemented and improved a variety of systems, updating equipment, boosting productivity which helped it to accomplish a variety of business targets.

(5) Favourable, unfavourable factors for development and the countermeasures

① Favourable factors

A. Cement products

(A) In terms of Taiwan markets, we have faced hard times in accomplishing growth due to the fluctuation of the global financial markets and government restrictive policies on housing markets. In the long-term, nevertheless, as the government authorities continue to expand public construction programs and urban renewal, we may see a more stable market. For the years ahead, the new government may be ambitious to improve the current situation and the economy may improve accordingly. As the long-term market dynamics will continue to be strong, the business operation of the cement industry is expected to maintain stable and sustainable development.

(B) In China, due to continued industrialization and urbanization, the government authorities will strengthen enforcement in environmental protection policy. On supply side reforms, it is expected that outdated production mode will be phased out at an accelerating pace and there may be restrictions to adding new capacity. Such policies will be favourable to cement markets and cement industry and may help gradually resolve the excess capacity issues. In 2015, the overall output in China reached 2.4 billion tons. The Chinese market

is believed to have entered a stable phase. Such demand is expected to remain for a period of time. Integration and merger/acquisition (M&A) are expected to be a key trend. Our Group is expected to continue expanding its investment and merger/acquisition (M&A) in China to boost capacity. Through such efforts, we aim to maintain our position in the Chinese cement industry.

B. Chemical raw materials

(A) Flexible management of changes in the markets, taking advantage of our production know-how

Our subsidiary, Taiwan Prosperity Chemical Corp., has made great efforts to improve and upgrade its production technology & know-how and to meet with customers regularly to engage in two-way communications. As a result, Taiwan Prosperity Chemical Corp. has been very familiar with the latest trends in the markets at home and abroad. Thanks to the hands-on experiences and achievements accumulated previously, Taiwan Prosperity Chemical Corp. successfully passed ISO verification in 1996 and 1998. Taiwan Prosperity Chemical Corp. continues to upgrade its production efficiency which would add significant advantage to its further development.

(B) Effective management and control of inventory through the Production & Marketing Coordination Committee

Taiwan Prosperity Chemical Corp. convenes its Production & Marketing Coordination Committee meetings twice a month. During such meetings, they review and assess the production and sales of the preceding month and discuss and coordinate market updates, production, inventory and control of raw materials. They also set targets for production and sales volumes and follow up on performance. Such efforts have been proven highly constructive through faithful implementation.

(C) Unblocked sales channels and high barriers against competitors

The products manufactured by Taiwan Prosperity Chemical Corp. are a key part of the petrochemical industry, which is a highly technical and capital intensive industry. An investor who intends to set up a



petrochemical plant of significant scale will require significant working capital, human resources and technological know-how and must further pass environmental impact assessments and obtain approval from the local residents. In terms of objective conditions, except sixth Naphtha Cracker, Formosa Plastics Corp. and Chang Chun Group (CCPG) which have integrated its upstream and downstream production, it will be difficult for other firms which are small or medium scale to invest in expanding the scale of production and compete with Taiwan Prosperity Chemical Corp. In fact, Taiwan Prosperity Chemical Corp. has been in this industry for a long time and has built a professional business image with integrated marketing networks in Taiwan. In terms of productivity and marketing capability, it has enjoyed economies of scale, and has been successful in minimizing production costs. Its products are highly competitive. As a result, it has been a leading supplier in the Taiwan petrochemical industry.

#### C. Power

Due to continued economic growth, power consumption in Taiwan has seen continued growth. With limited water resources and as a result of the zero-nuclear policy, power supply is still highly dependent on thermal power generation. Pursuant to the consumption statistics by the Bureau of Energy, Ministry of Economic Affairs and its forecast of long-term load and planning of power development in 2014, the power consumption volume in Taiwan rose from 218.45 billion KW in 2005 to 249.87 billion KW in 2015. In 2033, power consumption in Taiwan is expected to increase to 335.64 billion KW. In terms of power supply, the installed capacity of power system is expected to reach 50.35 million KW in 2027 from 42.11 million KW of 2016 (during 2016~2027, the retired capacity shall be 14.54 million KW, with 23.85 million KW as newly increased). Due to the lack of power supply in Taiwan, the Group sees advantages in entering the power supply market.

#### ②Unfavourable factors and countermeasures

##### A. Cement products

(A) Currently, the government of the Republic of China levies cement commodity tax, anti-air-pollution tax and waste-disposal fee while the

local level government levies mineral tax. These taxes will have negative impact on the development of the cement industry.

- (B) In Taiwan, environmental protection awareness has been rising. Application for mining limestone as cement raw materials has seen interference and restriction from environmental protection groups and elected deputies. Development in major public construction projects and investment from private sector is significantly restricted. Due to such negative environment, many enterprises have moved abroad and housing prices have been negatively affected. The Taiwan market is looking for a revival. In turn, demand for infrastructure related industries such as cement or ready-mixed cement are negatively affected.

Countermeasures:

- (A) In the Taiwan market, we will strengthen our control over costs. By means of the ERP system, we shall try to integrate markets in both Taiwan and China to increase integrated operating efficiency with continued effort to deepen development of the Taiwan domestic market to maintain our leading position in the industry. Meanwhile, through positive efforts, we aim to coordinate with government authorities on national development to implement policies in the cement industry to guide the industry's sustainable development.
- (B) As a highly mature industry, the cement market can hardly expect further growth. At the Company, we have accelerated the pace in investment in the Chinese markets. We choose South China as our target markets before we further expand into East China and Southwest China. In late 2009, in response to the policy of the Chinese government to control cement production, suspending new construction programs and encouraging merger/acquisition (M&A) to boost industrial concentration, we successfully acquired the cement production capacity of Chang Xing Mineral Co., Ltd. In 2011, we further successfully acquired production capacity of the Gang An, Kai Li, Sai De and Tai Chang firms located in Guizhou and Sichuan Provinces. In 2014, we further successfully acquired Chuan Tie Co., Ltd. of Sichuan and Golden Earth Cement Co., Ltd. of Hunan. In 2016, our aggregate total capacity was increased to 65.3 million tons

per annum.

B. Chemical raw materials

(A) Excess productivity, low import tariff

Petrochemicals have relatively low import tariffs and protection and the Republic of China government promotes free trade policy. Foreign manufacturers export to Taiwan market and sell at relatively low prices as they can take advantage of relatively higher prices in foreign markets. This has negatively affected local petrochemical manufacturers in Taiwan as they must face the impact of lower prices and reduced profits.

Countermeasures:

- (A) We shall closely connect with upstream and downstream suppliers and customers and keep ourselves fully informed of our customers' needs.
- (B) We shall boost output and increase technical levels to minimize production costs and increase our competitiveness.
- (C) We shall set reasonable selling prices and provide sound after-sales services as well as diversify the markets we are involved in to stabilize our sales volume.
- (D) We shall develop downstream products of higher added value and increase the volume of our self-consumption to minimize potential risks in excessive inventory accumulation.

C. Power

- (A) Increasing environmental protection awareness from the general public.

Taiwan has seen a sharp movement in environmental awareness in recent years with a diversified, comprehensive and multifaceted society. The general public is increasingly aware of the environment. Power plants and the government authorities have actively adopted measures in environmental protection to lower pollution. These efforts have not ruled out public worries about the adverse impacts of power plants on environmental protection. As a result, investors of new power plants are running into increasing problems in obtaining

land required to build cable towers and power plants.

Countermeasures:

For disposal of coal ash, our subsidiary Hoping Power Co., Ltd. has executed a contract for coal ash disposal with our Company. Under the contract, the coal ash yielded from the burnt coal will be provided to the cement plant as raw materials in place of clay, unlike other power plants that solve coal ash problems by means of burial. The limestone required for desulfurization device of the power plant shall be directly supplied by the cement plant. The gypsum yielded after the process will be used by the cement plant as the retarder. Such process helps in the recycling of resources and meets the expectations of environmental protection for an industry.

As for air pollution and water pollution, we have set up a 250-meter high chimney to ensure proper discharge of the fumes. We have set up indoor coal bunkers to store coal. We adopt hermetic cover-ways to move our coal to eradicate potential flying coal ash and pollution of water by coal.

Other than the aforementioned efforts and equipment & facilities to minimize potential pollution, our subsidiary Hoping Power Co., Ltd. has further outsourced to professional consultant firms, academic entities and monitoring firms which have been certified for environmental protection to carry out environmental monitoring programs to oversee the ecological conditions of the surrounding waters, functioning of chimney and the water discharge performance on a quarterly basis or on a monthly basis. Through such efforts, it implements environmental protection policies and enhances the mutual trust between it and the local communities.

(B) Substantial capital required to build and operate a power plant

A power plant requires significant capital investment to establish and abundant working capital to maintain and ensure uninterrupted operation after completion of its construction and commencement of commercial operations. The ability to raise adequate initial and working capital is key to planning and constructing a power plant.

Countermeasures:

The key shareholders of Hoping Power Co., Ltd. include our Company and Power Infrastructures Holding corporate (Malaysia) (a firm 100% indirectly held by One Energy Limited (a joint venture of Hong Kong based China Power Holding Co., Ltd. and Japanese company Mitsubishi Corporation, holding 50% of investment each)). Our Company, China Power Holding Group and Mitsubishi Corporation are large corporations with established resources. Hoping Power Co., Ltd. obtains secured capital sources by means of syndicated loans. Hoping Power Co., Ltd. executed syndicated loan contract with a consortium headed by Bank of Taiwan on December 31, 2013 to obtain new loans to repay previous loans to reduce interest expenditures.

## 2. Purposes and manufacturing process of major products

### (1) Important usage of major products

#### ① Cement products

Main products	Application
The type I cement	The Patland type I cement, generally known as ordinary cement, is the main product of the cement companies in Taiwan, and it is this type of cement that is being supplied to the market. Because it does not have the characteristics which the other types of cements have, it is merely suitable for general engineering and construction purposes, and it is not suitable for special projects such as dams, breakwaters, sea caissons and emergency repair works.
The type II cement	The type II cement is also called flat hot cement, its chemical composition is more limited than the type I cement. Its hydration reaction is relatively slow, and its hydration heat is also low. It has moderate anti-sulfate erosion characteristics, suitable for reservoirs, dams, massive concrete, harbors, docks, coastal buildings, reefs, sewers, factory drainage, chimneys and other structures. Shimen Reservoir, Deji Reservoir, Minghu Reservoir, Emerald Reservoir, Jinshan, Guosheng and the third nuclear power plant, Keelung Port Terminal, Taipei City Health Sewer, Chung Yeung Bridge and the western coastal highway bridge and other projects are using this product.
The type III cement	The type III cement is generally called early strength cement. This type of cement is featured by its strong early strength. It is suitable for emergency repair of buildings and highways, and is able to shorten the construction period.
The type V cement	It is featured by high degree of resistance to sulfate erosion. The calcium tricalcium (C3A) content in its mineral composition specified is lower than other cements with max rating of 5%, and the sum of C4AF plus 2 times C3A is specified to be within 25%. Applicable to areas containing large amounts of sulfate in water or

Main products	Application
	soil, such as harbors, oceans, tunnels, bridges, sanitary sewers, chemical plants, spa structures and coastal constructions, etc.
Type I low temperature low alkali cement	The company has produced and supplied such type of cement to fulfill the requirements from the high-speed rail project, the Taipei MRT and Kaohsiung MRT projects. Its low temperature and low alkali characteristics can avoid cracking due to high concrete temperature and alkali reaction, and can increase the structure durability.
Type II/V high strength cement	This type of cement has been developed for export to the United States market with characteristics of high resistance to sulfate erosion, and both its early and latter strengths are high.

## ②Chemical raw materials

Major products	Usage
Cumene	Products used in production of phenol/acetone or cross linking agents.
Phenol	Products used in production of biphenyl A, cyclohexanone, phenolic resin, salicylic acid, nonyl phenol and such products.
Acetone	Products used in production of MMA, biphenyl A, MIBK, such products or used as organic solvent.
Bis-phenol	As raw materials used in production of epoxy resin, polycarbonate resin, fire retardant, polyester resin, poly resin, etc.
Cyclohexanone	As raw materials used in production of caprolactam, adipic acid, 2'-Methylacetophenone, initiator, and also used as organic solvent.
Maleic Anhydride	Primarily used in production of unsaturated polyester resin and hydrogenized products butanediol, tetrahydrofuran, butyrolactone, etc.

## ③Power

Power functions as the fundamental of all industries and is important for all types of businesses. Power is broadly used in normal operations for an extensive range of activities covering livelihood, industries, agriculture and transportations.

## (2) Production process

## ①Cement products

The main raw material for the manufacture of cement is limestone. The mining of the company is in the mining area which has adopted the safest and most environmental friendly approaches for mining and shipping. The exploded limestone is shipped from the mining area to the vertical shaft for discharge first, roughly crushed by the crusher at the bottom of the shaft, and then transported with conveyer to the sub-crushers for secondary crushing before transported to pre-mixing chamber for mixing evenly. Alternatively, by truck-ship, the exploded limestone is loaded to the crusher for crushing,

carried through over-head ropeway to the transit stone chamber at downhill, transported through conveyor to the pre-mixing chamber for mixing evenly, and then withdrawing the limestone with even quality from the re-taking machine. The clay, silica sand and iron slag are fed into the raw material grinder with precise ratio setting by computer, and then fed into the raw material blender to mix evenly for the preparation of clinker's burning process.

The raw materials are pumped from the raw material blender, fed into the pre-heater through weighing servo system, subject to preheating and de-acidification processes, burned into clinker with pulverized coal burner in the rotary kiln, air-cooled in the cooler together with appropriate amount of retarder-gypsum, fed into the cement mill to grind into cement, and then sent to the cement storage for shipment. To improve productivity and cement quality, all the production processes have used automated equipment, and are controlled and operated with computers. Finally the cement is packed into bags of cement or bulk cement by automatic quantitative packaging machine for sale to domestic and foreign markets.

#### ②Chemical materials

- A. Cumene plant [process I - the catalyst is zeolite solid acid]: The United States Badger/ExxonMobil patented process is adopted. It produces high-purity cumene by alkylation and trans-alkylation of raw materials propylene and benzene with a solid zeolite catalyst.
- B. Cumene plant [process II - the catalyst is aluminum chloride hydrochloric acid solution]: The United States Monsanto/Kellogg patented process is adopted. It produces high-purity cumene by alkylation and trans-alkylation of raw materials propylene and benzene with homogeneous catalyst (ALCL<sub>3</sub>.HCL).
- C. Phenol/acetone plant: The United States Hercules/Kellogg patented process is adopted. It oxidizes raw cumene into oxidized cumene with air, and uses uniform sulfuric acid as catalyst for catalytic cracking, and generate phenol, acetone and methyl styrene and other products.
- D. Propanediol plant: The Japanese CT-BISA patented process (transferred to Mitsubishi Chemical on 2001-05-01) is adopted. The solid cation exchange resin is used as catalyst to catalyze the condensation reaction of

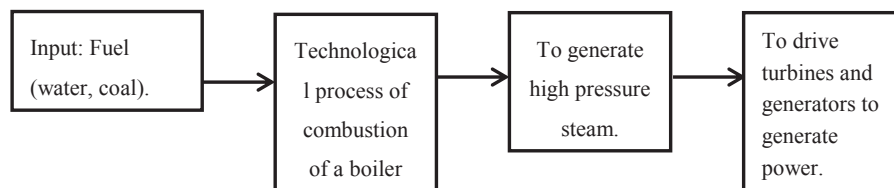
phenol and acetone under acidic conditions and synthesize propanediol.

E. Cyclohexanone plant: The German Leuna/Italian CTIP patented process is adopted. The palladium catalyst is added to the raw phenol and hydrogen to produce cyclohexanone.

F. Malin anhydride plant: The United States HUNTSMAN patented process is adopted. High-purity n-butane is used as raw material, and generates malic anhydride through air oxidation in the presence of catalyst.

G. Butanediol plant: The Davy Process patented process is adopted. Maleic anhydride is used as raw material and generates butanediol, tetrahydrofuran and butyrolactone by esterification hydrogenation in the presence of catalyst.

③Power



3. Conditions of supply of key raw materials

①Cement products

The main raw materials for cement production include limestone, clay, silica sand, iron slag and gypsum. The auxiliary fuel is coal. Among them the limestone has been produced by ourselves for our own use, and we also have long-term contract supply from domestic manufacturers. Our clay and silica sand have been supplied on a long-term contract basis by domestic manufacturers. Our gypsum and iron sand have been purchased from domestic and foreign suppliers of good quality. Our coal in Taiwan are mainly imported from Australia and Russia through short or long-term contracts, and our coals in China region are mainly supplied from local supplies. The suppliers are all supplying our raw materials with prices lower than the market index prices.

②Chemical raw materials

Major raw materials	Key domestic and foreign suppliers	Status of supply
Benzene	CPC, CSC, Mitsubishi Motors, Marubeni, Qi Bao, etc.	Good



Major raw materials	Key domestic and foreign suppliers	Status of supply
Propylene	CPC, apex, trammo, SK, etc.	Good
N-butane	Formosa Petrochemical	Good
Cumene	Mitsui Chemicals	Good

## ③Power

Our key raw material is coal, primarily imported from Australia, Russia and Indonesia under long- and short-term supply contracts.

4. Descriptions on major changes in major products or segments for gross profitability thereof in the past two years

(1) Descriptions on major changes in major products, or segments for gross profitability thereof in the past two years

Unit: NTD thousand

Item	Year	
	2015	2016
Operating revenues	93,679,076	89,564,306
Gross profit	14,528,017	17,981,004
Gross margin	15.51%	20.08%
Rate of change of gross margin	—	29.46%

(2) Descriptions on major changes in gross profitability thereof in the past two years

In 2015 and 2016, the Group yielded gross profits of NTD14.528017 billion and NTD17.981004 billion respectively. The operating revenue of the Group in 2016 was less than the revenue yielded in 2015. Due to increase in cement prices and decline in major fuel coal costs in China, and the decline of input costs of materials for reinforced concrete in Taiwan, the Group enjoyed an increase in profitability rate in cement products in 2016 compared with 2015. Further, as a result of adjustment in sales strategies by the Group's subsidiary, Taiwan Prosperity Chemical Corp., (with an increase in sales of high profitability products), sound allocation in raw materials resources and in-house costs control, the Group increased its gross profits from chemical raw material products to 20.08% from 15.51% in 2015.

(3) A construction firm or a company with a construction department shall expressly enumerate the operating revenues and analyses of gross profits of the year of declaration and the preceding year to depict that the gross profit rate is or is not abnormal from general cases and the anticipated sales of completed

construction cases: Not applicable.

5. List of major suppliers and customers

(1) List of suppliers each of whom accounted for more than 10% of the total purchase amounts, their supplying amounts and ratios in either of the past two years, with descriptions of the increase/decrease and changes:

In either of the past two years and 1H of 2017, none of the suppliers (in purchase amounts or ratios) accounted for more than 10% of the total purchase amounts in the year or period.

(2) List of customers each of whom accounted for more than 10% of the total selling amounts, their selling amounts and ratios in either of the past two years, with descriptions of the increase/decrease and changes:

Unit: NTD thousand; %

Item	2015				2016				1H of 2017			
	Name	Amount	Net sales ratio (%) of this year	Relationship with the Group	Name	Amount	Net sales ratio (%) of this year	Relationship with the Group	Name	Amount	Net sales ratio (%) of current period	Relationship with the Group
1	Taipower	12,645,730	13.50	NA	Taipower	11,752,037	13.12	NA	Taipower	5,214,850	11.36	NA
	Others	81,033,346	86.50	—	Others	77,812,269	86.88	—	Others	40,679,001	88.64	—
	Net sales	93,679,076	100.00	—	Net sales	89,564,306	100.00	—	Net sales	45,893,851	100.00	—

Over the past two years and 1H of 2017, the only customer with purchasing amount accounting for more than 10% of the aggregate total was Taipower. The Company's subsidiary, Hoping Power Co., Ltd., sold all power to Taipower based on the executed power supply contract. The sales amount was stable.

6. The output volumes and values in the past two years

Unit: NTD thousand

Production quantity/value Main products	2015		2016			
	Production capacity	Production quantity	Production value	Production capacity	Production quantity	Production value
Cement and clinker (thousand tons)	75,700	53,040	53,763,374	75,700	58,570	56,062,257
Ready-mixed concrete (thousand cubic meters)	13,970	5,259	10,194,421	13,510	4,133	7,796,157
Chemical raw materials - Phenol series products (Note 2) (ton)	866,468	455,461	11,787,413	866,468	427,954	9,897,029
Chemical raw materials - Other products (Note 2) (ton)	553,551	369,556	12,223,519	553,551	327,190	8,712,834
Power (Production capacity: thousand kW; production quantity: million degrees)	1,297.1	8,543.53	12,645,730	1,297.1	8,778.75	11,752,037

Note 1: The “production capacity” refers to the output volume under normal operation conditions by the Company after consideration of such factors of non-working days where the production must be suspended.

Note 2: Phenol series products include phenol, acetone, bis-phenol and cyclohexanone. Other products include cumin, vinyltoluene and maleic anhydride.

## 7. Sales volume/value of last two years

Unit: NTD thousand

Sales capacity/value Main products	2015		2016		2015		2016	
	Domestic sales		Abroad sales		Domestic sales		Abroad sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cement and clinker (thousand tons)	50,396	49,531,001	2,051	2,799,013	55,595	51,877,758	2,129	2,639,840
Ready-mixed concrete (thousand cubic meters)	5,691	11,047,295	-	-	4,346	8,203,307	-	-
Chemical raw materials - Phenol series products (ton; Note 3)	210,384	5,457,686	202,498	5,159,822	207,387	4,891,371	166,793	4,209,445
Chemical raw materials - Other products (ton; Note 3)	4,044	144,693	29,941	979,398	5,088	160,278	17,701	525,717
Power (million degrees)	8,543.53	12,645,730	-	-	8,778.75	11,752,037	-	-
Total		78,826,405		8,938,233		76,884,751		7,375,002

Note 1: In Taiwan, the domestic sales of cement and clinker exclude those used by the Company for the prefixing plants (958,000 tons in 2015 and 780,000 tons in 2016).

Note 2: Figures in the Table above exclude any effect from offset for transaction with major related parties under consolidation.

Note 3: Phenol series products include phenol, acetone, bis-phenol and cyclohexanone. Other products include cumin,

vinyltoluene and maleic anhydride.

(III) Number of employees in the past two years

Unit: Person; Years; %

Item		Year		
		2015	2016	Ended June 30, 2017
Total number		10,080	9,609	9,189
Average age		36.33	37.12	37.33
Average service years		5.18	5.57	5.60
Academic background	Doctorate	0.03%	0.00%	0.00%
	Master's degree	0.98%	1.12%	0.94%
	University/college	22.61%	22.75%	21.99%
	High school	40.33%	37.61%	37.64%
	Below high school	36.05%	38.52%	39.43%

(IV) Information of expenditure on environmental protection

1. In case of a firm that must apply for permits of establishment of polluting equipment or pollutant discharge or must pay for pollution control expenses or staffing of environmental protection responsible person according to law, descriptions of the application, payment or establishment:

- (1) Status of applications for permits of establishment of polluting equipment or pollutant discharge

Factories	Certificate Name	Notes
Cement Plant		
Hoping Plant	Pollution facilities license	Operating license of fixed source of pollution - U069-09(M01)
		Operating license of fixed source of pollution - U070-08(M02)
		Discharge of sewage into the sewage plant of the industrial zone (no need to apply for permit)
Suao Plant	Pollution facilities license	Operating license of fixed source of pollution - G0693-03(M01)
		Operating license of fixed source of pollution - G0271-19(M03)
		Water pollution control license: Yi-Xian-Huan-Pai-Xu No.00644-11
Hualien Plant	Pollution facilities license	Operating license of fixed source of pollution - U009-15(M02)
		Water pollution control license: Hua-Lian-Shui-Xu No. 00223-04
Taipei Plant	Pollution facilities license	Operating license of fixed source of pollution: Bei-Shi-Huan-Kong-Zi No. 4-0244-04 (M01)

Factories	Certificate Name	Notes
		Water pollution control license: Bei-Shi-Huan-Shui-Xu-Zi No. 0234-02
Taoyuan Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Cao-Zheng-Zi No. H4672-05 (M01)
		Water pollution control license: Tao-Shi-Huan-Pai-Xu-Zi No. H2363-05
Guishan Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Cao-Zheng No. H4617-04 (M01)
		Water pollution control license: Tao-Xian-Huan-Pai-Xu No. H2127-06
Bade Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Cao-Zheng-Zi No. H2250-07 (M01)
		Water pollution control license: Tao-Shi-Huan-Pai-Xu-Zi No. H2294-05
Zhongli Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Cao-Zheng-Zi No. H3312-07 (M01)
		Water pollution control license: Tao-Xian-Huan-Pai-Xu-Zi No. H2323-02
Zhudong Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Zhu-Xian-Huan-Kong-Cao-Zheng No. J0908-02
		Water pollution control license: Zhu-Xian-Huan-Chu-Xu No. 00033-01
Tucheng Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Xin-Bei-Shi-Huan-Cao-Zheng-Zi No. F1720-03 (M01)
		Water pollution control license: Xin-Bei-Shi-Huan-Shuo-Xu-Zi No. 02777-03
Yilan Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Yi-Xian-Huan-Cao-Zheng No. G0447-10
		Water pollution control license: Yi-Xian-Huan-Chu-Xu No. 10169-05
Premix field		
Premix field of Hualien Plant	Pollution facilities license	Operating license of fixed source of pollution - U059-08(M01)
		Water pollution control license: Hua-Lian-Shui-Xu No. 00146-04
Taichung Plant	Pollution facilities license	Operating license of fixed source of pollution: Zhong-Shi-Fu-Huan-Kong-Cao-Zheng-Zi No. 0318-03 (M01)
		Water pollution control license: Zhong-Shi-Fu-Huan-Shui-Xu-Zi No. 11274-03
Dadu Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Zhong-Shi-Huan-Kong-Cao-Zi No. 0721-02 (M01)
		Water pollution control license: Zhong-Shi-Fu-Huan-Shui-Xu-Zi No. 11500-05
Gushan Plant	Pollution facilities license	Operating license of fixed source of pollution: Gao-Shi-Huan-Ju-I-Cao-Xu-Zheng No. E0342015 (M01)
		Water pollution control license: Gao-Shi-Huan-II-Jian-Pai No. 00686-0

Factories	Certificate Name	Notes
Chiayi Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Fu-Huan-Cao-Zheng No. Q0446-05 (M01)
		Water pollution control license: Chia-Yi-Xian-Huan-Shui-Xu No. 00579-01
Tainan Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Nan-Xian-Fu-Huan-Cao-Zheng No. R0343-08 (M01)
		Water pollution control license: Nan-Xian-Fu-Huan-Shui-Xu No. 01718-01
Luzhu Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Gao-Xian-Fu-Huan-II-Cao-Zi-Zheng No. S1808-01 (M01)
		Water pollution control license: Gao-Xian-Fu-Huan-III-Zhu No. 00074-00
Shanhua Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Nan-Xian-Fu-Huan-Cao-Zheng No. R1347-05 (M01)
		Water pollution control license: Nan-Xian-Fu-Huan-Shuo-Xu-Zi No. 1640-01
Anping Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Nan-Shi-Huan-Cao-Zheng No. D0398-03 (M01)
		Water pollution control license: Nan-Shi-Huan-Shui No. 5367-00
Renwu Branch Factory	Pollution facilities license	Operating license of fixed source of pollution: Gao-Xian-Fu-Huan-II-Cao No. 0410-06 (M01)
		Water pollution control license: Gao-Xian-Fu-Huan-III-Pai No. 00006-03
Xiaogang Bench Factory	Pollution facilities license	Operating license of fixed source of pollution: Gao-Shi-Huan-Ju-Cao-Xu-Zheng No. J0921016 (M01)
		Common application for water pollution control permit (administered by the Industrial Development Bureau)

## (2) Payment of pollution control fees, the status of payment:

The expenses paid for pollution control in 2016

- ① Environmental protection and pollution control fees: NTD730.815 million.
- ② Wastewater disposal fee: NTD8.661 million.

## (3) Staffing of specific environmental protection personnel:

Factories	Category of environmental protection responsible person	Name of environmental protection responsible person
Cement Plant		
Hoping Plant	Class A Responsible person of air pollution control	Hsiao, Chih-Cheng
		Chang, Chia-Ju
		Lin, Wei-Chien
	Class A Responsible person of waste disposal	Hsiao, Chih-Cheng
	Class A Responsible person of	Hsiao, Chih-Cheng

Factories	Category of environmental protection responsible person	Name of environmental protection responsible person
	waste water disposal	
Suao Plant	Class A Responsible person of air pollution control	Wu, Chun-Te
		Liu, Chi-Meng
		Chen, Ping-Hsiang
	Class A Responsible person of waste disposal	Liu, Tzu-Ming
	Class A Responsible person of waste water disposal	Yang, Ming-Yi
Hualien Plant	Class A Responsible person of air pollution control	Shen, Chih-Wei
		Huang, Wen-Hao
	Class B Responsible person of air pollution control	Chen, Fa-Chin
	Class A Responsible person of waste disposal	Shen, Chih-Wei
	Class B Responsible person of waste water disposal	Shen, Chih-Wei
Ready-mixed concrete plant		
Taipei Plant	Class B Responsible person of air pollution control	Yang, Wen-Pin
	Class B Responsible person of waste disposal	Yang, Wen-Pin
	Class B Responsible person of waste water disposal	Ho, Chien-Ju
Tucheng Branch Factory	Class B Responsible person of air pollution control	Wu, Shui-Sheng
Taoyuan Branch Factory	Class B Responsible person of air pollution control	Li, Lin-Pei
	Class B Responsible person of waste disposal	Chuang, Shih-Hung
	Class B Responsible person of waste water disposal	Lin, Shao-Te
Guishan Branch Factory	Class B Responsible person of air pollution control	Lin, Mu-Lung
	Class B Responsible person of waste disposal	Lin, Mu-Lung
Bade Branch Factory	Class B Responsible person of air pollution control	Lin, Wen-Chien
	Class B Responsible person of waste disposal	Hsu, Po-Wen
	Class B Responsible person of waste water disposal	Chuang, Shih-Hung
Zhongli Branch Factory	Class B Responsible person of air pollution control	Hsu, Hsiu-Wen
	Class B Responsible person of waste disposal	Chan, Kai-Yin
	Class B Responsible person of	Hsu, Hsiu-Wen

Factories	Category of environmental protection responsible person	Name of environmental protection responsible person
	waste water disposal	
Zhudong Branch Factory	Class B Responsible person of air pollution control	Wang, Yueh-Chih
	Class B Responsible person of waste disposal	Chang, Chieh-Ming
	Class B Responsible person of waste water disposal	Chang, Chieh-Ming
Yilan Branch Factory	Class B Responsible person of air pollution control	Huang, Wen-Hsi
	Class B Responsible person of waste disposal	Huang, Wen-Hsi
Premix field of Hualien Plant	Class B Responsible person of air pollution control	Chou, Han-Chang
	Class B Responsible person of waste disposal	Peng, Wen-Li
	Class B Responsible person of waste water disposal	Wu, Te-Chien
Taichung Plant	Class B Responsible person of air pollution control	Wang, Chin-Chuan
	Class B Responsible person of waste disposal	Approval by Taichung City Environmental Protection Bureau to exempt establishment of specific personnel for waste disposal (Approval Chung-Shih-Huan-Fei-Zi No. 1040144005)
	Class B Responsible person of waste water disposal	Wang, Chin-Chuan
Dadu Branch Factory	Class B Responsible person of air pollution control	Wang, Chih-Li
	Class B Responsible person of waste disposal	Approval by Taichung City Environmental Protection Bureau to exempt establishment of specific personnel for waste disposal (Approval Chung-Shih-Huan-Fei-Zi 1040144008)
	Class B Responsible person of waste water disposal	Approval by Taichung City Environmental Protection Bureau to exempt establishment of specific personnel for waste disposal (Approval Chung-Shih-Huan-Shui-Zi 1020119021)



Factories	Category of environmental protection responsible person	Name of environmental protection responsible person
Gushan Plant	Class A Responsible person of air pollution control	Li, Tung-Yu
	Class A Responsible person of waste disposal	Li, Tung-Yu
Chiayi Branch Factory	Class B Responsible person of air pollution control	Wu, Tzu-Yang
	Class B Responsible person of waste disposal	Wu, Shu-Li
Tainan Branch Factory	Class B Responsible person of air pollution control	Wang, Chiu-Tien
	Class B Responsible person of waste disposal	Chen, Chih-Ling
	Class B Responsible person of waste water disposal	Wang, Chiu-Tien
Luzhu Branch Factory	Class B Responsible person of air pollution control	Ho, Chia-Ching
	Class B Responsible person of waste disposal	Li, Chang-Yuan
Shanhua Branch Factory	Class B Responsible person of air pollution control	Wu, Chun-Hui
	Class B Responsible person of waste disposal	Wu, Chun-Hui
Anping Branch Factory	Class B Responsible person of air pollution control	Ting, Wen-Hung
	Class B Responsible person of waste disposal	Kao, Kuei-Lin
Renwu Branch Factory	Class B Responsible person of air pollution control	Tu, Yi-Chi
	Class B Responsible person of waste disposal	Lu, Chia-Chi
	Class B Responsible person of waste water disposal	Lu, Chia-Chi
Xiaogang Bench Factory	Class B Responsible person of air pollution control	Han, Chieh-Lin
	Class B Responsible person of waste disposal	Wang, Chin-Pin

2. The investment by the Company in major equipment to prevent pollution for environmental protection, the purposes and the benefits so yielded therefrom:

June 30, 2017; Unit: NTD thousand

Equipment name	Qty.	Date obtained	Invested capital	Balance before deduction	Applications and expected benefits to be generated
Bag dust collector	637	1970/11~2016/1	1,948,762	622,160	Dust collection inside the plant to prevent air pollution

Equipment name	Qty.	Date obtained	Invested capital	Balance before deduction	Applications and expected benefits to be generated
Pulse type bag filter	1,384	1983/8~2016/12	1,282,537	716,655	Dust collection inside the plant to prevent air pollution
Electrical dust collector	230	1970/3~2013/6	2,154,348	555,609	Dust collection inside the plant to prevent air pollution
Wastewater treatment system	140	1967/6~2016/1	780,968	317,668	Wastewater treatment in the plant to prevent spillover
Organic solvent volatile gas pollution control equipment	45	2001/5~2016/1	281,680	227,342	Prevention and control of air pollution
Flue gas desulfurization system	100	2002/6~2014/11	2,987,504	1,296,527	SOx smoke in the plant is collected to prevent air pollution
Selective contact reactor system	48	2002/6~2016/7	2,220,296	952,882	Nox flue gas in the plant is collected to prevent air pollution
Others	81	1995/4~2015/8	1,130,400	501,498	Dust collection in the plant to prevent air pollution, and to meet the emission standards

3. Descriptions on the Company's efforts to rectify environmental pollution in the past two years and as at the Information Memorandum date; descriptions of dispute in relation to pollution and efforts in resolving the dispute:

The Company did not have any material dispute in relation to environmental pollution in the past two years and as at the Information Memorandum date.

4. Descriptions on the Company's loss incurred (including compensation) by environmental pollution and total amount of penalty in the past two years and as at the Information Memorandum date with disclosure of the future countermeasures (including improvement measures) and potential expenditures (including the estimated amounts of potential loss, penalty, compensation if countermeasures have not been adopted and explanation of the fact if the amount could not be estimated reasonably):

Company Name	Pollution situation	Countermeasures and rectifications
Taiwan Prosperity Chemical	2015/02/26: A pecuniary penalty amounting to NT\$200,000 imposed by the Environmental Protection Bureau for violation of Paragraph 2, Article 23 of Air Pollution Control Act in the examination of Exhaust Gas Combustion Tower (A001) under Letter (Ref. No.: Gao-Shih-Huan-Ju-Kong-Zi-10431915500).	(M01) Improvement of flare flow by guiding the high VOC to Boiler (M04), providing the accurate technological process for the disposing equipment, re-designing, planning the updating in the operating permit, with entire improvement process completed on 2015/12/31.
	2015/3/20: Where the net monitored value of M01 manufacturing process component VOC was greater than 2,000ppm, in excess of the criteria set forth under the “Equipment Component Control & Discharge Criteria of Kaohsiung City” in contravention of Paragraph 1, Article 21 of Air Pollution Control Act, a pecuniary penalty amounting to NT\$100,000 was imposed under Letter (Ref. No.: Gao-Shih-Huan-Ju-Ji-Zi-10432826600).	The equipment component in the leaking was completely stopped from leaking after being fastened. The leakage was a result of the loosening of the embolism amidst change in pressure during start/shut up of the equipment. Other than thorough implementation of VOCs self-control plan, we conducted regular patrol and monitoring against leakage.
	2015/11/27: A pecuniary penalty amounting to NT\$200,000 was imposed as the Company failed to file with Environmental Protection Bureau of replacement of the responsible personnel for air pollution control after the previous responsible person resigned, as examined by the Environmental Protection Bureau.	The Company staffed another officially licensed professional as responsible person for air pollution.
	2015/12/9: A pecuniary penalty amounting to NT\$6,000 was imposed under Letter (Ref. No.: Gao-Shih-Huan-Ju-Ji-Zi-10532116900) as the industrial waste was stored outdoor without cover to prevent rainwater and groundwater from flowing in, infiltrating and polluting the ground with foul odor.	The Company strengthened management and control over the exposure field and cleaning of sludge and cleaned up all sludge.
	2016/05/20: Where the M01 manufacturing process component VOC was greater than 2,000 ppm, in excess of the criteria set forth under the “Equipment Component Control & Discharge Criteria of Kaohsiung City” in contravention of Paragraph 1, Article 21 of Air Pollution Control Act, a pecuniary penalty amounting to NT\$100,000 was imposed under Letter (Ref. No.: Gao-Shih-Huan-Ju-Ji-Zi-10537567600).	The M01, M07 leaking equipment components were completely stopped from leaking after repair and recheck. The leakage was a result of the loosening of the components amidst change in pressure during operation. Other than thorough implementation of VOCs self-control plan, the Company strengthened regular patrol and monitoring against leakage.

Company Name	Pollution situation	Countermeasures and rectifications
	2016/05/20: Where the M07 manufacturing process component VOC was greater than 2,000ppm, in excess of the criteria set forth under the “Equipment Component Control & Discharge Criteria of Kaohsiung City” in contravention of Paragraph 1, Article 21 of Air Pollution Control Act, a pecuniary penalty amounting to NT\$100,000 was imposed under Letter (Ref. No.: Gao-Shih-Huan-Ju-Ji-Zi -10537567601).	
TCC	In 2014, the Hualien Plant used bituminous coal in excess of the volume approved under the permit, in contravention of Article 28 of the “Air Pollution Control Act” and Article 10 of the “Regulations Governing Management over Permit of Use and Sales of Bituminous Coal, Petroleum Coke or Other Substances Causing Air Pollution”. In case of a change of the contents permitted, the user shall apply for a permit for the use anew. A pecuniary penalty amounting to NT\$1 million was imposed in accordance with Article 58 of the same Act and the “Penalty to be Imposed for Violation of Air Pollution Control Act in Public & Private Sites”.	After the revised documents were submitted for review, the Company was issued the permit by Hualien County Government on December 2, 2015 as the Company proved it complied with the requirements.
	The Hoping Plant still used bituminous coal during January to March, 2015 after the relevant permit expired which was in contravention of Article 28 of the “Air Pollution Control Act” and Article 10 of the “Regulations Governing Management over Permit of Use and Sales of Bituminous Coal, Petroleum Coke or Other Substances Causing Air Pollution” - “A user with a use permit shall use the permitted substances based on the contents permitted,” and Article 12 of the same Act “A user who applies for an extension of the permit in Article 29 of the Act shall complete the application form and file to the local level competent authority” and relevant laws. The plant was imposed a pecuniary penalty of NT\$1 million.	The Company already completed the rectification and obtained extended permit.

Kaohsiung City Government Environmental Protection Bureau approved on October 18, 2015, the plan of our subsidiary, Taiwan Prosperity Chemical Corp. on the control of groundwater and soil pollution by its Linyuan Plant. Currently, Taiwan Prosperity Chemical Corp. duly conducts investigation, subject itself to control and measures as necessary to carry out the relevant control and rectification projects.

5. Descriptions of the impact of the current pollution conditions and the impact of improvement plans on the Company's profit, competition status and capital expenditure and significant capital expenditures on environmental protection in the next two years:

The Group will proceed with replacement and upgrade of air pollution and water pollution control equipment and acquire necessary equipment in an effort to minimize potential pollution to environment. In the upcoming three years, the Company estimates that it will spend such expenditures for environmental protection: NTD60.7 million in 2017; NTD67.68 million in 2018 and NTD68.12 million in 2019, at total of NTD196.5 million. For the plants in China, the actual expenditures in 2016: RMB56.3 million. The expenditures on environmental protection during 2017~2019 shall be on equivalent level as 2016. The Group expected to reach the zero-pollution target.

(V) Labor-Management Relationship

1. Enumerate the Company's systems on fringe benefits, continuing education, educational & training programs, retirement and the actual implementation thereof, and the accords reached by and between labor and management, status of measures to safeguard employees' interests:

(1) Fringe benefits for employees

The fringe benefits provided by the Company and its Welfare Committee (Fringe Benefit Committee) include: National Health Insurance, labor insurance, group insurance, employee savings trust, subsidies to employees and their dependents, scholarships granted to employees' children, subsidies for continuing education, health examinations, subsidies for travels, wedding gifts (in cash), childbirth allowances, funeral subsidy, gift awards for four major festivals and birthday gift (in cash).

(2) Higher educational & training programs

In an effort to cultivate high level talents and improve performance, the Company duly sponsors educational & training programs and professional training programs for employees in accordance with the Regulations Governing Enforcement of Educational & Training Programs, including educational & training programs for management and professionalism. The Company, meanwhile, teams up with other training institutions, schools for specific training programs. The Company provided and sponsored educational

& training programs for 164,015 hours and granted educational & training fees amounting to NTD55.599 million in 2016.

(3) Retirement system and implementation thereof

The Company has duly set up “Labor Pension Fund Supervisory Committee”, by which the Company appropriates pension funds and deposits them in the Bank of Taiwan Co., Ltd. (formerly Central Trust Agency) on a regular basis. The Company convenes Labor Pension Fund Supervisory Committee meetings on a regular basis to review the appropriation and utilization of the pension funds in an attempt to safeguard the interests of all employees. For the employees who choose New Pension Mechanism at their discretion, the Company duly appropriates the pension funds into their individual accounts in the Bureau of Labor Insurance on a monthly basis in accordance with the relevant laws so as to assure their legal interests.

(4) Agreement between the labor and management and measures to safeguard employees’ interests

The Company is subject to the Labor Standards Act and operates strictly in accordance with the Labor Standards Act. As a result of the Company’s due regard and efforts to provide fringe benefits for employees and two-way communications with the employees, the Company enjoys harmonious labor-management relationship.

2. Descriptions of the loss incurred by the Company as a result of labor disputes over the past two years and as at the Information Memorandum date, with disclosure of the amounts incurred and to be accrued in the future and the countermeasures. In the event that the amounts could not be estimated, describe the facts why they could not be estimated:

The Company has not incurred significant loss due to a significant labor dispute over the past two years and as at the Information Memorandum date.

## II. Real estate, plant buildings, equipment and other real estate

## (I) Company owned assets

1. The real estate, plant buildings and equipment with acquiring costs up to 20% of the Company's paid-in capital or over NTD300 million.

June 30, 2017; Unit: thousand

Name of Property, plant and equipment	Unit	Quantity	Year/month of acquisition	Currency type	Original cost	Revaluation appreciation	Balance before deduction	Conditions of utilization			Insured	Grant of guarantee and other matters where rights are restricted
								Used by the following departments in the Group	Leasehold	Staying idle		
Land and buildings of Taipei City TCC building	m <sup>2</sup>	3,107	1980.09	NTD	4,020,962	-	2,880,799	Administration	✓	-	✓	-
Land and buildings of Taipei City Dehui building	m <sup>2</sup>	870	1990.09	NTD	1,306,871	-	674,824	Administration	✓	-	✓	-
Land and buildings of TCC Taipei cement products plant	m <sup>2</sup>	19,290	1984.10	NTD	2,788,159	-	2,757,971	Taipei Cement Products Plant	-	-	✓	-
Land and plant of TCC Suao Plant	m <sup>2</sup>	459,313	1956.08~	NTD	2,419,173	-	1,047,817	Suao Plant	-	-	✓	-
Land and plant of TCC Hualien Plant	m <sup>2</sup>	204,589	1960.12~	NTD	2,359,207	-	1,635,466	Hualien Plant	-	-	✓	-
Turbine generator	Model	1	1997.11	NTD	300,449	-	2,837	Hualien Plant	-	-	✓	-
Land and plant of TCC Hoping Plant	m <sup>2</sup>	560,648	1993.01	NTD	11,298,617	-	7,880,428	Hoping Plant	-	-	✓	-
Rotary kiln	Model	2	2001.01	NTD	887,813	-	19,671	Hoping Plant	-	-	✓	-
Tube mill	Model	4	2001.01	NTD	458,141	-	22,781	Hoping Plant	-	-	✓	-

Name of Property, plant and equipment	Unit	Quantity	Year/month of acquisition	Currency type	Original cost	Revaluation appreciation	Balance before deduction	Conditions of utilization			Insured	Grant of guarantee and other matters where rights are restricted
								Used by the following departments in the Group	Leasehold	Staying idle		
Raw material mill	Model	2	2001.01	NTD	572,660	-	28,491	Hoping Plant	-	-	✓	-
Electrostatic dust collector	Station	4	2001.01	NTD	496,959	-	20,346	Hoping Plant	-	-	✓	-
Shaft system with transport and other equipment	Model	2	2001.01	NTD	403,529	-	212,865	Hoping Plant	-	-	✓	-
Land and buildings of Luzhu District, Taoyuan City	m <sup>2</sup>	92,516	1968.01~	NTD	737,971	-	610,123	Research room and Taoyuan Branch Factory	✓	-	✓	-
Land and buildings of TCC Taichung cement products plant	m <sup>2</sup>	12,832	1973.12	NTD	326,515	-	288,551	Taichung Cement Products Plant	-	-	✓	-
Land and buildings of TCC Gushan cement products plant	m <sup>2</sup>	922,669	1978.02~	NTD	7,553,358	-	7,514,949	Gushan Cement Products Plant	✓	✓	✓	-
Land of Neihu District, Taipei City	m <sup>2</sup>	37,657	1997.12	NTD	413,853	-	413,853	Feng Sheng Enterprise Company	-	✓	-	-
Land and buildings of Limyuan Plant, Kaohsiung City	m <sup>2</sup>	129,999	2006.12	NTD	885,149	-	885,149	Taiwan Prosperity Chemical Corp.	-	-	✓	-
Land and buildings of Financial building, Kaohsiung City	m <sup>2</sup>	1,145	1998.09	NTD	304,345	-	155,408	Kuan-Ho Construction & Development	✓	-	✓	-
Land of Linnei Township, Yunlin County	m <sup>2</sup>	38,825	2002.11	NTD	310,482	-	310,482	Ta-Ho Onyx RSEA Environment Co., Ltd.	-	✓	-	-
Residual power cooling tower	Model	1	2009.10	RMB	82,075	-	62,169	TCC Yingde Cement Co., Ltd.	-	-	✓	-



Name of Property, plant and equipment	Unit	Quantity	Year/month of acquisition	Currency type	Original cost	Revaluation appreciation	Balance before deduction	Conditions of utilization			Insured	Grant of guarantee and other matters where rights are restricted
								Used by the following departments in the Group	Leasehold	Staying idle		
Vertical grinding mill	Model	2	2008.09	RMB	155,710	-	74,322	TCC Yingde Cement Co., Ltd.	-	-	✓	-
Pre-heater	Model	2	2008.09	RMB	141,443	-	67,223	TCC Yingde Cement Co., Ltd.	-	-	✓	-
Waste heat power generation system	Model	1	2007.09	RMB	129,016	-	49,389	Yingde Dragon Mountain Cement Co. Ltd	-	-	✓	-
Mine Tunnel project	Model	1	2010.11	RMB	61,683	-	49,500	TCC Chongqing Cement Co., Ltd.	-	-	✓	-
Dedicated wharf and auxiliary terminal	Model	1	1998.07	RMB	65,227	-	28,211	Jurong TCC Cement Co., Ltd.	-	-	✓	-
Vertical grinder (limestone, cement)	Model	2	1998.07	RMB	119,816	-	41,310	Jurong TCC Cement Co., Ltd.	-	-	✓	-
Rotary kiln	Model	1	1998.07	RMB	66,217	-	21,905	Jurong TCC Cement Co., Ltd.	-	-	✓	-
Long belt machine	Model	1	1998.07	RMB	209,721	-	75,141	Jurong TCC Cement Co., Ltd.	-	-	✓	-
Pre-heater	Model	2	1998.07	RMB	197,751	-	86,365	Jurong TCC Cement Co., Ltd.	-	-	✓	-
Cement storage and transportation	Model	2	1998.11	RMB	65,605	-	49,206	TCC (Guigang) Cement Limited	-	-	✓	-
Clinker storage and transportation	Model	2	1998.11	RMB	78,648	-	59,058	TCC (Guigang) Cement Limited	-	-	✓	-
RSP pre-heater	Model	4	1998.11	RMB	187,056	-	93,497	TCC (Guigang) Cement Limited	-	-	✓	-
Roller mill	Model	4	1998.11	RMB	235,145	-	116,809	TCC (Guigang) Cement Limited	-	-	✓	-

2. Idle real estate and real estate held for over five years oriented to the purposes of investment.

Unit: NTD thousand; June 30, 2017

Name of Property	Unit	Area	Location	Year/month of acquisition	Acquisition cost	Revaluation appreciation	Balance before deduction	Used by the following departments in the Group	Latest Official land prices promulgated by the government or the appraisal values	Plans for disposal or development in the future
Land and buildings of Zhudong Township, Hsinchu City	m <sup>2</sup>	110,017	Zhudong Township, Hsinchu County	1976.11	1,727,769	-	1,611,168	Administration	4,321,932	The Company will proceed with sales or relevant development programs for the land in appropriate time.
Land and buildings of Xizhi District, New Taipei City	m <sup>2</sup>	18,734	Xizhi District, New Taipei City	1995.11	1,422,913	-	848,554	Administration	2,664,124	Land reserved for prefixing plant at Xizhi
Land and buildings of Xiaogang District, Kaohsiung City	m <sup>2</sup>	66,556	Xiaogang District, Kaohsiung City	1982.12	860,260	-	800,894	Administration	1,482,091	For lease
Land and buildings of Xianxi Township, Changhua County	m <sup>2</sup>	199,110	Xianxi Township, Changhua County	1994.12	921,895	-	865,099	TCC Chemical Corp.	1,278,842	For lease
Land of Linyuan District, Kaohsiung City	m <sup>2</sup>	2,073	Linyuan District, Kaohsiung City	1992.12	487,166	-	281,736	Taiwan Cement Engineering Corporation	644,286	For lease
Land of Huwei Township, Yunlin County	m <sup>2</sup>	17,748	Huwei Township, Yunlin County	2013.01	221,485	-	221,485	Ta-Ho Onyx RSEA Environment Co., Ltd.	435,424	The Company will proceed with sales or relevant development programs for the land in appropriate time.

Note: This table only shows the real estate for investment purposes and were acquired at the costs over NTD100 million.

## (II) Leasing assets

## 1. Financial lease: None.

## 2. Operating lease

June 30, 2017

Name of assets	Unit	Quantity	Leasing period	Rent	Lessor	Calculation and terms of payment for rent	Restrictions set forth under the lease agreements
84 plots of land in Lot No. 418 and others, in Hoping Section reserved for indigenous people (Hoping)	m <sup>2</sup>	613,346	2010.03.27~2019.03.26	12,757,000/ year	Xiulin Township Office, Hualien County	Payable at the specified venues in June, December every year.	No act against conservation of environmental resources, soil and water conservation engineering, future plans for development. No sublet.
12 plots of land in Lot No. 595 and others, in Hoping Section reserved for indigenous people (Baolai)	m <sup>2</sup>	256,270	2010.03.27~2017.08.30	5,330,000/ year	Xiulin Township Office, Hualien County	Payable at the specified venues in June, December every year.	No act against conservation of environmental resources, soil and water conservation engineering, future plans for development. No sublet.
Lot No. 664-97, Hoping Section reserved for indigenous people (Baolai)	m <sup>2</sup>	265,058	2013.12.22~2017.08.30	5,513,000/ year	Xiulin Township Office, Hualien County	Payable at the specified venues in June, December every year.	No act against conservation of environmental resources, soil and water conservation engineering, future plans for development. No sublet.
Wharf 13 and harbor facilities in Hualien Port	Set	1	2014.05.21~2018.05.20	25,900,000/ year	Port of Hualien, Taiwan International Ports Corporation, Ltd	Payable on a quarterly basis	600,000 tons guaranteed on an annual basis, with supplementary payment at NTD27.3/ton for shortfall below the guarantee.
Inside Jinwo Village and Zhupingsha Village, Wangniudun Township, Dongguan City	Mu (acre)	68.83	2010.12.29~2060.12.29	RMB 1,084,000/ year	People's Government, Wangniudun Township, Dongguan City	Payable on a quarterly basis (every three months), within the first ten days from start of every payable term.	No change of the purpose of land use without approval
Land and plant equipment of Anping Port No. 6 Pier	m <sup>2</sup>	5,271	2016.06.28~2021.06.27	7,423,000/ year	Taiwan International Ports Corporation, Ltd.	Payable on a quarterly basis	360,000 tons guaranteed on an annual basis, with supplementary payment at NTD29.835/ton for shortfall below the guarantee.
Land of Chiatai Plant, Feng Sheng Enterprise Company	Pings	3,300	2016.08.01~2018.07.31	1,090,000/ year	Huang (Note 1)	Payable for six months in each term in advance, payable on August 18 and February 18.	None
Land in Line 2 of Wharf No. 28 and bulk cement storage tank and auxiliary facilities in Taichung Port	m <sup>2</sup>	7,584	2014.08.01~2018.01.31	550,000/ year	Port of Taichung, Taiwan International Ports Corporation, Ltd	Fees for land use : NTD1,450*5%*7,584 M <sup>2</sup>	
				19,779,000/ year		Rent for the buildings: Subject to adjustment in accordance with the size of "Commodity Price Index in the Construction Engineering Category in Taiwan Area" of the preceding year. Adjustment in each year shall not exceed the maximum limit of 2%.	

Name of assets	Unit	Quantity	Leasing period	Rent	Lessor	Calculation and terms of payment for rent	Restrictions set forth under the lease agreements
Four plots of land located in Lot Nos. 403, 404 Kelaibao Section, Lot Nos. 548~1, 549~1, Yujue Section, Xiulin Township, Hualien County	m <sup>2</sup>	1,374,324	2003.06.04~2023.06.03	33,501,000/ year	Industrial Development Bureau, MOEA	Rent payable starting from September 4, 2003, on an annual basis. Rent starting from the second leasehold year is subject to adjustment based on the rent of the preceding year, in accordance with the consumer price index growth rate of the preceding year as published by the Executive Yuan. Further pursuant to the requirements set forth under Paragraph 6, Article 9 of "Agreement on Investment & Construction of Industry Oriented Port for Hoping", the rate of rent shall be reassessed on a regular basis every five years. The annual rent is payable on the payday equivalent to the leasehold initiation date.	<ol style="list-style-type: none"> <li>The Company shall build and use exactly in accordance with the approved plans, construction related rules and regulations and other laws and ordinances concerned.</li> <li>The Company shall not sublet, lend or allow a third party to, by other means, use the leased land and construction, equipment thereon either in whole or in part unless duly consented in writing.</li> <li>The leased land and construction, equipment thereon shall be registered into the Company's own ownership and shall not be transferred or encumbered unless agreed upon in writing.</li> <li>The Company shall not apply for superficies rights registration for the leased land.</li> </ol>
Land and plant equipment of Tucheng Branch Factory	m <sup>2</sup>	4,675	2008.01.01~2022.12.31	12,480,000/ year	Chingfeng International Co., Ltd.	Payable at the end of every month during 2008.01.01~2018.12.31 The amount of rent is subject to discussion separately on January 1, 2019.	The leased targets shall be returned to the Lessor at status quo upon expiry of leasehold or termination of lease agreement.
Land and plant equipment of Bade Branch Factory	m <sup>2</sup>	21,668	2009.11.01~2019.10.31	13,800,000/ year	Han Song Industrial Co., Ltd.	Payable at end of every month.	The leased targets shall be returned to the Lessor at status quo upon expiry of leasehold or termination of lease agreement.
Land and plant equipment of Guishan Branch Factory	m <sup>2</sup>	7,323	2010.06.01~2019.05.31	17,400,000/ year	Tai Rong Xing Industrial Co., Ltd.	Payable at end of every month.	
Land and plant equipment of Zhudong Branch Factory	m <sup>2</sup>	4,634	2000.11.01~2020.10.31	12,600,000/ year	Kai Cheng Engineering Co., Ltd.	Payable at end of every month.	The leased targets shall be returned to the Lessor at status quo as of a time three months prior to expiry or termination upon expiry of leasehold or termination of lease agreement.
Land and plant equipment of Yilan Branch Factory	m <sup>2</sup>	4,986	2001.02.16~2026.04.30	8,160,000/ year	Di Shi Limited	Payable at end of every month.	The leased targets shall be returned to the Lessor at status quo as of a time three months prior to expiry or termination upon expiry of leasehold or termination of lease agreement.
Land and plant equipment of Shanhua Branch Factory	m <sup>2</sup>	3,552	2017.03.01~2022.02.28	7,200,000/ year	Lei Kuang Co., Ltd.	The rent of the current month is payable at end of the ensuing month.	The leased targets shall be returned to the Lessor at status quo upon expiry of leasehold or early termination of lease agreement.
Land and plant equipment of Anping Branch Factory	m <sup>2</sup>	1,200	2015.07.01~2025.06.30	6,840,000/ year	Jin Tai Kuan Industrial Co., Ltd.	Payable at end of every month.	The leased targets shall be returned to the Lessor at status quo upon expiry of leasehold or early termination of lease agreement.
Land and plant equipment of Luzhu Branch Factory	m <sup>2</sup>	5,256	2013.01.01~2017.12.31	6,600,000/ year	Yu Shun Industrial Co., Ltd.	Payable at end of every month.	The leased targets shall be returned to the Lessor at status quo upon expiry of leasehold or early termination of lease agreement.

Name of assets	Unit	Quantity	Leasing period	Rent	Lessor	Calculation and terms of payment for rent	Restrictions set forth under the lease agreements
Rent for the land and equipment of Jiuyuanku in the Suao Plant Port area	m <sup>2</sup>	894	2015.01.01 ~ 2017.12.31	21,228,000/ year	Suao Harbor Bureau Branch Office, Suao Port Branch Office of Keelung Port, Taiwan International Ports Corporation, Ltd.	<ol style="list-style-type: none"> <li>Land rent: To be calculated based on the land area, value prevalent in the Harbor area and the rent rate promulgated by the Central Government.</li> <li>Rent for the buildings and for the machinery &amp; equipment: To be fixed based on the rent rate of the preceding year, subject to adjustment pursuant to the wholesale price index (WPI) in Taiwan area promulgated by the Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan (Adjustment within ±3% range).</li> <li>Terms of rent payment: Payable on a quarterly basis (every three months), and shall be paid five days before the starting date of each term.</li> </ol>	<ol style="list-style-type: none"> <li>The Lessee shall be responsible for cleaning of the leased target and peripheral area within three meters, and shall comply with environmental protection rules. The Lessor is entitled to impose penalty for violation of the relevant rules.</li> <li>The Lessee shall duly comply with all laws, rules and regulations and other covenants promulgated by the government.</li> </ol>
Rent for the land and equipment of Xinyuanku in the Suao Plant Port area	m <sup>2</sup>	2,724	2014.05.11 ~ 2017.05.10 (Note 2)	14,913,000/ year	Suao Port Branch Office of Keelung Port, Taiwan International Ports Corporation, Ltd.	<ol style="list-style-type: none"> <li>Land rent: To be calculated based on the land area, value prevalent in the Harbor area and the rent rate promulgated by the Central Government.</li> <li>Rent for the buildings and for the machinery &amp; equipment: To be fixed based on the rent rate of the preceding year, subject to adjustment pursuant to the wholesale price index (WPI) in Taiwan area promulgated by the Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan (Adjustment within ±3% range).</li> <li>Terms of rent payment: Payable on a quarterly basis (every three months), and shall be paid five days before the starting date of each term.</li> </ol>	<ol style="list-style-type: none"> <li>The Lessee shall be responsible for cleaning of the leased target and peripheral within three meters, and shall comply with environmental protection rules. The Lessor is entitled to impose penalty for violation of the relevant rules.</li> <li>The Lessee shall duly comply with all laws, rules and regulations and other covenants promulgated by the government.</li> </ol>

Notes: (1) Full name is not disclosed in accordance with relevant personal information protection laws in Taiwan.

(2) Under renewal.

(III) Status of plants and equipment utilization rate within the past two years.

1. Conditions of the use of the production plants:

June 30, 2017					
Company (plant)	Item	Floor space of the building	Number of employees	Categories of product manufactured	Conditions of current use
TCC Hoping Plant/Jingchang/Hesheng		10,662,398 m <sup>2</sup>	236	Cement, limestone/mining	Good

Item Company (plant)	Floor space of the building	Number of employees	Categories of product manufactured	Conditions of current use
TCC Suao Plant	195,004 m <sup>2</sup>	165	Cement	Good
TCC Hualien Plant	190,482 m <sup>2</sup>	82	Cement, ready-mixed concrete	Good
TCC Taipei Plant	133,611 m <sup>2</sup>	110	Ready-mixed concrete	Good
TCC Taichung Plant	65,574 m <sup>2</sup>	67	Ready-mixed concrete	Good
TCC Gushan Plant	86,281 m <sup>2</sup>	109	Cement, limestone	Good
Kuan-Ho Refractories Industry	43,650 m <sup>2</sup>	87	Refractory materials	Good
Taiwan Prosperity Chemical Corp.	129,677 m <sup>2</sup>	186	Chemical raw materials	Good
Ho-Ping Power Company	271,332 m <sup>2</sup>	35	Thermal power generation	Good
E.G.C. Cement Corp.	5,272 m <sup>2</sup>	10	Cement	Good
Feng Sheng Enterprise Company	145,830 m <sup>2</sup>	181	Ready-mixed concrete	Good
TCC Fuzhou Cement Co., Ltd.	105,246 m <sup>2</sup>	139	Cement	Good
TCC Yingde Cement Co., Ltd./Mining industry	2,691,825 m <sup>2</sup>	1,414	Cement/Mining	Good
TCC (Guigang) Cement Limited/Mining industry	1,413,730 m <sup>2</sup>	1,258	Cement/Mining	Good
Jurong TCC Cement Co., Ltd./Mining industry	3,983,695 m <sup>2</sup>	565	Cement/Mining	Good
TCC Liuzhou Construction Materials Co., Ltd.	100,927 m <sup>2</sup>	81	Slag	Good
TCC Dongguan Cement Co., Ltd.	45,887 m <sup>2</sup>	24	Cement	Good
TCC Huaying Cement Co., Ltd.	291,146 m <sup>2</sup>	347	Cement	Good
Yingde Dragon Mountain Cement Co., Ltd.	1,677,414 m <sup>2</sup>	785	Cement	Good
TCC Liaoning Cement Co., Ltd.	335,880 m <sup>2</sup>	459	Cement	Good
TCC Chongqing Cement Co., Ltd.	611,736 m <sup>2</sup>	622	Cement	Good
TCC Anshun Cement Co., Ltd.	524,181 m <sup>2</sup>	655	Cement	Good
TCC Guangan Cement Co., Ltd.	460,612 m <sup>2</sup>	412	Cement	Good
Guizhou Kong On Cement Co., Limited	143,978 m <sup>2</sup>	359	Cement	Good
Guizhou Kaili Rui An Jian Cai Co., Ltd.	402,566 m <sup>2</sup>	614	Cement	Good
Scitus Naxi Cement Co., Ltd.	68,401 m <sup>2</sup>	85	Cement	Good
Scitus Luzhou Concrete Co., Ltd./Mixed concrete	261,398 m <sup>2</sup>	422	Cement/Ready-mixed concrete	Good
TCC Jingzhou Cement Co., Ltd.	242,646 m <sup>2</sup>	338	Cement	Good
TCC Huaihua Concrete Co., Ltd./Mixed concrete	557,652 m <sup>2</sup>	707	Cement, ready-mixed concrete	Good

Note: Due to industry characteristics, area of production plants is calculated based on the size of the land.

## 2. Equipment utilization rate in the past two years:

Unit: NTD thousand

Year	2015				2016			
	Production capacity	Production quantity	Utilization rate	Production value	Production capacity	Production quantity	Utilization rate	Production value
Major products								
Cement and clinker (thousand tons)	75,700	53,040	70.07%	53,763,374	75,700	58,570	77.37%	56,062,257
Ready-mixed concrete (thousand cubic meters)	13,970	5,259	37.64%	10,194,421	13,510	4,133	30.59%	7,796,157
Chemical raw materials - Phenol series products (Note 1) (ton)	866,468	455,461	52.57%	11,787,413	866,468	427,954	49.39%	9,897,029
Chemical raw materials - Other products (Note 1) (ton)	553,551	369,556	66.76%	12,223,519	553,551	327,190	59.11%	8,712,834
Power (Production capacity: thousand kW; production quantity: million degrees)	1,297.1	8,543.53	—	12,645,730	1,297.1	8,778.75	—	11,752,037

Note 1: Phenol series products include phenol, acetone, bis-phenol and cyclohexanone. Other products include cumen, vinyltoluene and maleic anhydride.

## III. Invested Business

## (I) Invested Business Overview

Unit: NTD thousand; 1000 shares; %; June 30, 2017

Invested enterprise	Major business	Cost of investment	Book value	Investment shares		Equity net value	Market price	Accounting method	Investment remuneration of recent year (2016)		Number of the Company's shares held
				Shares	Shareholding				Investment income	Distribution of dividends	
TCC International Ltd.	Investment holdings	18,344,635	52,749,404	600,876	100.00	52,749,404	52,749,404	Equity method	539,915	—	—
Ho-Ping Power Company	Thermal power generation	6,037,720	17,724,590	602,973	59.50	17,724,590	17,724,590	Equity method	3,304,354	2,974,199	—
Hoping Industrial Port Corporation	Business management for special port of the Hoping Industrial Area	3,198,500	5,128,043	319,990	100.00	5,128,043	5,128,043	Equity method	827,426	735,977	—
Taiwan Prosperity Chemical Corp.	Chemical raw materials production and marketing	1,284,143	1,666,909	145,988	50.00	1,666,909	3,058,449	Equity method	(208,123)	—	—
Ta-Ho Maritime Corp.	Undertaking of shipping freight	528,506	1,969,806	118,649	64.79	1,969,806	1,969,806	Equity method	105,421	84,241	—
Taiwan Transport & Storage Corporation	Warehousing and transportation	90,862	1,640,574	32,668	83.85	1,640,574	1,640,574	Equity method	96,213	77,097	—
TCC Investment Corporation	Investment in businesses	190,000	1,344,488	54,150	100.00	1,344,488	1,344,488	Equity method	(79,263)	—	—
Ho Sheng Mining Co., Ltd.	Mining, purchase and sales of minerals	1,414,358	1,199,083	30,100	100.00	98,782	1,199,083	Equity method	(47,511)	—	—
Taiwan Cement Engineering Corporation	Engineering technical service	319,439	699,748	59,593	99.05	714,070	699,748	Equity method	51,191	3,576	—
Ta-Ho Onyx Taitung Environment Co., Ltd.	Removal and treatment of waste	313,187	295,959	37,100	100.00	295,959	295,959	Equity method	1,699	—	—
Ta-Ho Onyx RSEA Environment Co., Ltd.	Removal and treatment of waste	666,000	212,364	66,600	66.60	212,364	212,364	Equity method	(15,990)	—	—
CCC USA Corp.	Rubber raw materials	481,983	707,379	39	33.33	707,379	707,379	Equity method	40,733	—	—
HKCMCL	Investment holdings	72,005	260,553	38	84.65	260,553	260,553	Equity method	49,875	—	—
Feng Sheng Enterprise Company	Trading of ready-mixed concrete	250,000	344,892	27,261	45.43	344,892	344,892	Equity method	16,358	13,630	—
Kuan-Ho Refractories Industry Corp.	Manufacture and sales of refractory materials	181,050	353,076	18,105	95.29	353,076	353,076	Equity method	41,807	33,458	—
ONYX Ta-Ho Environmental Services Co., Ltd.	Removal and treatment of waste	72,000	336,923	8,000	50.00	336,923	336,923	Equity method	287,260	208,800	—
Kuan-Ho Construction & Development Corp.	Construction of buildings for lease and for sale	248,963	454,321	35,959	92.87	454,321	454,321	Equity method	52,067	47,107	—



Invested enterprise	Major business	Cost of investment	Book value	Investment shares		Equity net value	Market price	Accounting method	Investment remuneration of recent year (2016)		Number of the Company's shares held
				Shares	Shareholding				Investment income	Distribution of dividends	
TCC Information Systems Corp.	Information software design	71,000	240,040	14,904	99.36	240,040	240,040	Equity method	29,842	24,890	—
Tunwoo Company Ltd.	Cement trading and warehousing business	59,880	135,676	75,499	100.00	84,523	135,676	Equity method	13,437	—	—
Jin Chang Minerals Corporation	Purchase and sales of limestone and afforestation of the mine lots	18,282	111,711	1,800	100.00	3,249	111,711	Equity method	(6,972)	—	—
E.G.C. CEMENT CORP.	Trading of cement	184,359	98,122	8,063	50.64	98,122	98,122	Equity method	922	—	—
HPC Power Service Corporation	Business consultant counseling	1,861	57,459	6	60.00	57,459	57,459	Equity method	108,963	97,847	—
TCC Chemical Corp.	Chemical raw materials production and marketing	334,350	357,704	118,393	100.00	929,310	357,704	Equity method	56,680	—	—
Synpac Ltd.	Investment in businesses	70,367	9,389	2,700	25.00	9,389	9,389	Equity method	(5)	—	—
Tung Chen Mineral Corporation	Purchase and sales of limestone and afforestation of the mine lots	1,989	1,414	20	99.45	1,414	1,414	Equity method	(41)	—	—
Taicorn Minerals Corp.	Mining	11,880	—	120	72.7	—	—	Equity method	—	—	—
Trans Philippines Mineral Corp.	Mining	2,105	—	20	40.00	—	—	Equity method	—	—	—

## (II) Comprehensive Shareholding ratio (%)

June 30, 2017; Units: 1000 shares; %

Invested enterprise	Investment made by the Company		Investment by the directors and supervisors, managerial officers and controlled corporations either directly or indirectly		Total investment	
	Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)
Taiwan Transport & Storage Corporation	32,668	83.85	261	0.67	32,929	84.52
Taiwan Cement Engineering Corporation	59,593	99.05	—	—	59,593	99.05
Kuan-Ho Refractories Industry Corp.	18,105	95.29	—	—	18,105	95.29
Kuan-Ho Construction & Development Corp.	35,959	92.87	—	—	35,959	92.87
Hong Kong Cement Mfg. Company Ltd.	38	84.65	—	—	38	84.65
Ta-Ho Maritime Corp.	118,649	64.79	50,345	27.49	168,994	92.28

Invested enterprise	Investment made by the Company		Investment by the directors and supervisors, managerial officers and controlled corporations either directly or indirectly		Total investment	
	Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)
TCC Investment Corporation	54,150	100.00	—	—	54,150	100.00
TCC Chemical Corp.	118,393	100.00	—	—	118,393	100.00
TCC Information Systems Corp.	14,904	99.36	—	—	14,904	99.36
Taiwan Prosperity Chemical Corp.	145,988	50.00	9,320	3.19	155,308	53.19
Tung Chen Mineral Corporation	20	99.45	—	—	20	99.45
Jin Chang Minerals Corporation	1,800	100.00	—	—	1,800	100.00
Hoping Industrial Port Corporation	319,990	100.00	—	—	319,990	100.00
TCC International Ltd.	600,876	100.00	—	—	600,876	100.00
Ho-Ping Power Company	602,973	59.50	5,067	0.50	608,040	60.00
Ta-Ho Onyx Taitung Environment Co., Ltd.	37,100	100.00	—	—	37,100	100.00
HPC Power Service Corporation	6	60.00	—	—	6	60.00
SYNPAC LIMITED	2,700	25.00	8,100	75.00	10,800	100.00
CCC USA CORP.	39	33.33	79	66.67	118	100.00
Feng Sheng Enterprise Company	27,261	45.43	—	—	27,261	45.43
E.G.C. CEMENT CORP.	8,063	50.64	7,061	44.36	15,124	95.00
ONYX Ta-Ho Environmental Services Co., Ltd.	8,000	50.00	—	—	8,000	50.00
Ta-Ho Onyx RSEA Environment Co., Ltd.	66,600	66.60	—	—	66,600	66.60
Tunwoo Company Ltd.	75,499	100.00	—	—	75,499	100.00
Ho Sheng Mining Co., Ltd.	30,100	100.00	—	—	30,100	100.00
Taicorn Minerals Corp.	120	72.70	—	—	120	72.70
Trans Philippines Mineral Corp.	20	40.00	—	—	20	40.00

(III) In case of companies with listed securities and securities traded over-the-counter, their subsidiaries' shareholding or disposal of the Company's shares and pledge of shares over the past two years and as at the Information Memorandum date: Nil.

(IV) Occurrence of an event as set forth under Article 185 of the Company Act or partial transfer of business, research & development results to a subsidiary over the past two years and as at the Information Memorandum date, for which the Company shall disclose the situation where the Company waived its subscription right to cash capital increase in subsidiaries: Nil.

## IV. Material Contracts

Contract type	Counterpart	Contract beginning and ending date	Main contents	Restrictive terms
Contract for cement ship building	Cardinal Maritime S.A.	2015.11~delivery of the ship	Contract for cement ship building	Payable pursuant to building progress
Contract for loading & unloading equipment oriented to the newly built cement ship	Supero Seiki Co., Ltd.	2013.11~delivery of the ship	Contract for loading & unloading equipment oriented to the newly built cement ship	Payable pursuant to building progress
Contract for bulk ship building	Sumitomo Corporation	2015.12~delivery of the ship	Contract for bulk ship building	Payable pursuant to building progress
Contract for power purchase & sale	Taiwan Power Company	1998.8.4 ~ 2027.6.29	Buys and sales of electricity	Free of terms of significant restriction
Long-term service contract for power plants	GE Power	2008.7.1~2020.6.30	Maintenance & repair services for power plants	Free of terms of significant restriction
Procurement of coal	Pt. Indominco	2005.1.1 ~2017.12.31	Procurement of coal	Free of terms of significant restriction
	C&A	2007.1.1~2018.3.31		
Syndicated Loan Agreement	Syndicate including Mega International Commercial Bank Co., Ltd., etc.	2013/06/28~2018/06/28	Five-year Loan Agreement	Maintenance of specified financial ratio
Syndicated Loan Agreement	Syndicate including Bank of Taiwan Co., Ltd., etc.	2014/02/11~2019/02/11	Five-year Loan Agreement	Maintenance of specified financial ratio
Syndicated Loan Agreement	Syndicate including Mega International Commercial Bank Co., Ltd., etc.	2015/03/02~2020/03/02	Five-year Loan Agreement	Maintenance of specified financial ratio
Syndicated Loan Agreement	Syndicate including Hua Nan Bank Co., Ltd., etc.	2016/09/22~2021/09/22	Five-year Loan Agreement	Maintenance of specified financial ratio
Syndicated Loan Agreement	Syndicate including Mega International Commercial Bank Co., Ltd., etc.	2014/09/16~2019/09/16	Five-year Loan Agreement	Maintenance of specified financial ratio
Syndicated Loan Agreement	Syndicate including Mega International Commercial Bank Co., Ltd., etc.	2013.12.30~2018.12.30	Five-year Loan Agreement	Maintenance of specified financial ratio
Insurance contract	Insurance companies including Cathay Century Insurance Co., Ltd.; Shin Kong Insurance Co., Ltd.; Fubon Assurance Co., Ltd.; Taian Insurance Company, Ltd.; Hua Nan Insurance Co., Ltd.; First Institution Co., Ltd.; Tokio Marine Nawa Insurance Co., Ltd.; Chung Kuo Insurance Company, Limited	2016/12/31~2017/12/31	Insurance for power plant properties and business operation	Free of terms of significant restriction
Sublicense	Compagnia Tecnica	Starting from	Cyclohexanone	Confidentiality

Contract type	Counterpart	Contract beginning and ending date	Main contents	Restrictive terms
Agreement	Internazionale	1994.08.08, without a term to regulate the expiring date	manufacturing process patent	clauses are valid permanently
	Progetti S.P.A			
EM-5100 Catalyst and EM-5510 Catalyst Lease Agreement	ExxonMobil Catalyst Technologies LIC	2004.08.01~2019.08.01	Catalyst use fees, classified into placement fees and periodic fees	NA
Cumene Process And Technology License Agreement	Badger Licensing LLC	2004.10.22~2019.10.21	Zeolite catalyst manufacturing process patent	Confidentiality clauses are valid permanently
License and Basic Engineering Agreement	Huntsman Petrochemical Corporation	Starting from 2006.12.04, without a term to regulate the expiring date	Malin anhydride manufacturing process patent	Confidentiality clauses are valid permanently
Raw material procurement	CPC Corporation, Taiwan	2017.01.01~2017.12.31	Procurement of benzene, propylene and hydrogen	Not for sale

### III. Issuance plan and implementation status

1. Analysis of previous cash capital increase, merger or acquisition, issuance of new shares in connection with the acquisition of shares of another company, or plan of utilization of capital from issuance of corporate bonds

N/A, as the Company has not engaged in any merger or acquisition or issuance of new shares in connection with the acquisition of shares of another company in the most recent three years and this year (up to the date of publication of this Information Memorandum). In the most recent three years and this year until the date of publication of the Information Memorandum, more than three years have passed from the reporting date since the Company completed the previous cash capital increase or issuance of corporate bonds.

2. The plan for the current cash capital increase, issuance of corporate bonds, issuance of employee stock warrants, or issuance of new restricted employee shares: N/A.
3. Notes to issuance of new shares in connection with acquisition of shares in another company

(I) Name and quantity of the acquired shares, and counterparty

On April 20, 2017, the directors of the Company and TCC International Limited (“TCCI”), a wholly owned subsidiary of the Company, resolved to approve the motion for the privatization of TCC International Holdings Limited (“TCCIH”) by the Company and TCCI by way of a scheme of arrangement under the Companies Law of the Cayman Islands, and the Company and TCCI made the following offer to TCCIH shareholders other than TCCI and the Company (“Scheme Shareholders”) (Note: in the following, “Scheme” means a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands involving the cancellation of all Ordinary Shares and Convertible Preference Shares not held by the Company or TCCI, and the simultaneous issuance of an equivalent number of new shares (the Ordinary Shares and the Convertible Preference Shares) to the Company and TCCI (as the case may be); “Proposal” means the proposal for the privatisation of TCCIH by the Company and TCCI by way of the Scheme. Specific terms of the offer are as follows.):

1. Shareholders of TCCIH Ordinary Scheme Shares may elect to exchange each Ordinary Scheme Share for cash paid by TCCI, at HKD3.60 per Ordinary Scheme Share, or 0.420 TCC Share for each Ordinary Scheme Share; and
2. Shareholders of TCCIH Convertible Preference Scheme Shares may elect to

exchange each Convertible Preference Scheme Share for cash paid by TCCI, at approximately HKD3.93 per Convertible Preference Scheme Share, or approximately 0.458 TCC Share for each Convertible Preference Scheme Share (in light of the fact that each TCCIH Convertible Preference Share can be converted into approximately 1.0913 TCCIH Ordinary Shares based on the Conversion Rate set out in TCCIH's articles of association, the price for cancellation proposed to the shareholders of TCCIH Convertible Preference Scheme Shares is based on the price for cancellation proposed to the shareholders of TCCIH Ordinary Scheme Share multiplied by such Conversion Rate.)

For the purpose of the share exchange with the Scheme Shareholders, the Company proposes to increase its capital through issuance of new shares pursuant to Paragraph 8 of Article 156 of the Company Act. The Company anticipates to issue ordinary shares ranging from 205,244,975 shares to 767,146,025 shares (the actual quantity of shares to be issued will be determined after valid elections are made by the Scheme Shareholders). TCCI is currently holding 63.05% of TCCIH Ordinary Shares and 99.98% of TCCIH Convertible Preference Shares. If the conditions to the implementation of the Scheme and the Proposal (including those mentioned in Paragraph (II) below) are fulfilled or waived (as applicable), the Company will issue new ordinary shares to acquire the Ordinary Scheme Shares and Convertible Preference Scheme Shares of TCCIH and TCCIH is expected to become a wholly-owned subsidiary of the Company and the listing of the Ordinary Shares on the HKEx will be withdrawn.

(II) Proposed progress schedule

The issuance of new shares by the Company in connection with the acquisition of shares of TCCIH and completion of the Proposal and the Scheme shall be subject to the following approvals and resolutions, including: approval of the additional investment by the Company in the PRC resulting from the Proposal and the Scheme by the Investment Commission of MOEA; approval of the issuance of new shares in connection with the acquisition of shares of TCCIH by the Taiwan Stock Exchange (TWSE); approval by Securities and Futures Commission (SFC) and HKEx of all documents and announcements to be released by the Company with respect to the Proposal and the Scheme; sanction of the Scheme by the Grand Court, and the resolutions being passed in TCCIH "Court Meeting" (i.e. TCCIH Scheme Shareholders' meeting convened by the Grand Court pursuant to the laws

of the Cayman Islands), TCCIH Extraordinary General Meeting (EGM) and Special EGM (extraordinary general meeting of Convertible Preference Shareholders) to approve the Proposal and the Scheme. After reporting the issuance of new shares in connection with the acquisition of shares of TCCIH to FSC and upon due receipt of the said approvals and resolutions, the Company will proceed with the Scheme which is expected to be completed by December 31, 2017.

- (III) Method and Basis of Calculation of Share Exchange Ratio: Please see Attachment 1 hereto.
- (IV) Independent External Auditor's Written Opinion on Reasonableness of Share Exchange Ratio: Please see Attachment 2 hereto.
- (V) Conditions and restrictions on future transfer of the acquired shares: None.
- (VI) Anticipated possible benefits

1. For TCCIH Scheme Shareholders:

Given that the Ordinary Shares of TCCIH are generally thinly traded on HKEx and that the Convertible Preference Shares of TCCIH are not publicly listed, there is limited opportunity for Scheme Shareholders to divest their investments in TCCIH. Meanwhile, since the Company and TCCI hold approximately 63.05% of the total issued Ordinary Shares of TCCIH, it is unlikely that the Scheme Shareholders will receive any alternative general offers or other similar proposals from third parties to acquire the Scheme Shares without the approval of the Company and TCCI, which holds the Ordinary Shares and Convertible Preference Shares of TCCIH as a long-term investment. Therefore, the Proposal presents an immediate opportunity for Scheme Shareholders to realise their investments in the Scheme Shares for cash and redeploy the cash received from the Proposal into other investment opportunities or to participate in the investment in TCC.

2. For TCC:

The successful privatisation and resultant withdrawal of listing of TCCIH from HKEx can:

(i) facilitate financial, business and operational integration between the Company and TCCIH Group and provide the Company and TCCI with greater flexibility to support the future business development of TCCIH Group free from pressures of market expectations, earnings visibility and share price fluctuations associated with maintaining the listing status of TCCIH;

(ii) consolidate the interests of the Company and TCCI in TCCIH, with the

intention of simplifying the shareholding structure and improving the corporate efficiency of TCCIH; and

(iii) allow TCCIH to save on the costs and expenses associated with compliance and maintenance of the listing status of TCCIH.

(VII) If the counterparty to the acquisition of shares of another company is an affiliated enterprise or related person, the relationship with the affiliated enterprise or related person, as well as the reason for the selection of the affiliated enterprise or related person, and an opinion appraising whether shareholders' interest would be affected shall also be specified:

	Related party	Relationship	Number of TCCIH Ordinary Shares held (shares)	Shareholding of TCCIH Ordinary Shares (%)
1	Chia Hsin Cement Corporation	Its representative, Mr. Chang Kang-Lung, Jason, is the Company's director.	8,829,262	0.18
2	Chia Hsin Pacific Limited (CHPL)	CHPL is a subsidiary of Chia Hsin Cement Corporation. The corporate representative of Chia Hsin Cement Corporation, Mr. Chang Kang-Lung, Jason is the Company's director.	479,849,250	9.71
3	Chang Kang-Lung, Jason	The Company's director and also a representative of the institutional shareholder of the Company, Chia Hsin Cement Corporation; a holding company registered under the name of Mr. Chang Kang-Lung, Jason's spouse holds TCCIH Ordinary Shares.	3,000,000	0.06
4	Estate of Mr. Koo Cheng-Yun, Leslie	Mr. Koo Cheng-Yun, Leslie was the Company's former Chairman of Board, whose estate holds TCCIH Ordinary Shares.	99,091,528	2.00

The Company is making an offer to all TCCIH shareholders other than TCCI for the acquisition of TCCIH shares. The Company's affiliates or related parties holding TCCIH Ordinary Shares may elect to exchange the shares with the cash paid by TCCI, or with the new ordinary shares issued by the Company. Please see the above table for the status of the holding of TCCIH Ordinary Shares by the Company's affiliates or related parties. The issuance of new shares in connection with the acquisition of shares of TCCIH and privatisation of TCCIH are conducted



pursuant to the Companies Law of the Cayman Islands where the acquiree, TCCIH, was registered. The Scheme and the Proposal are subject to the relevant resolutions at TCCIH “court meeting”, the EGM and the Special EGM being passed. The abovementioned TCCIH shareholders are currently or were in the past the Company’s directors, or have appointed corporate representatives to act as the Company’s directors and therefore may be considered to be interested in the Proposal and the Scheme. However, the passing of the resolutions in TCCIH “Court Meeting”, the EGM and the Special EGM will not be affected. According to the Code on Takeovers and Mergers of Hong Kong (the “Takeovers Code”), the estate of Mr. Koo Cheng-Yun, Leslie and Mr. Chang Kang-Lung, Jason, together with their close relatives, related trusts and companies controlled by any of them, their close relatives or related trusts are concert parties with the Company and accordingly they are not Disinterested Scheme Shareholders under the Takeovers Code and their votes will not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code.). Also, the Company is not transacting with these shareholders privately under the Scheme and the Proposal, and the Scheme conditions to which these shareholders are subject are identical to that of the other Scheme Shareholders. Therefore, the interest of the shareholders of the Company remained unaffected.

(VIII) Share exchange cooperation agreement

The Scheme and the Proposal are implemented pursuant to relevant Cayman Islands laws. As such, the Company does not need to enter into any cooperation agreements with the Scheme Shareholders individually. However, Chia Hsin Cement Corporation and its subsidiary Chia Hsin Pacific Limited had entered into an irrevocable undertaking in favour of the Company and TCCI to vote to approve the Proposal and the Scheme and to elect to exchange their TCCIH shares with the shares of the Company.

4. Notes to the current issuance of new shares in connection with acquisition or merger: N/A.

## IV. Overview of Finance

## 1. Condensed financial information for the most recent five years

## (1) Condensed balance sheets and comprehensive income statements

## 1. Consolidated financial information

## (1) Condensed balance sheets - IFRSs

Unit: NTD thousand

Item	Year	Financial information for the most recent five years (Note 1)					Financial information ended June 30, 2017 (Note 2)
		2012	2013	2014	2015	2016	
Current assets		80,534,379	87,788,055	96,605,816	90,593,376	77,884,012	79,333,009
Property, plant and equipment		104,289,140	109,369,671	108,445,563	113,310,134	101,799,766	96,760,640
Intangible assets		17,282,511	19,495,931	19,542,637	22,607,552	21,175,282	20,527,954
Other assets		71,842,456	66,027,082	68,149,816	66,555,293	66,129,636	65,530,487
Total assets		273,948,486	282,680,739	292,743,832	293,066,355	266,988,696	262,152,090
Current liabilities	Before distribution	66,990,199	70,398,494	68,632,044	68,083,832	55,104,919	63,839,647
	After distribution	74,005,333	78,890,498	77,825,562	72,994,426	60,458,574	—
Noncurrent liabilities		65,151,947	58,663,668	62,094,107	69,498,271	64,487,106	52,947,040
Total liabilities	Before distribution	132,142,146	129,062,162	130,726,151	137,582,103	119,592,025	116,786,687
	After distribution	139,157,280	137,554,166	139,919,669	142,492,697	124,945,680	—
Equity attributable to owners of the parent		105,961,810	113,077,945	117,958,870	108,042,985	106,768,051	106,172,209
Capital stock		36,921,759	36,921,759	36,921,759	36,921,759	36,921,759	36,921,759
Capital surplus		12,215,684	12,193,297	12,225,528	12,309,615	13,534,162	13,534,162
Retained earnings	Before distribution	44,108,112	47,265,512	49,530,227	45,573,057	47,337,524	44,965,824
	After distribution	37,092,978	38,773,508	40,336,709	40,662,463	41,983,869	—
Other equities		12,716,255	16,697,377	19,281,356	13,238,554	8,974,606	10,750,464
Treasury stock		0	0	0	0	0	0
Non-controlling equity		35,844,530	40,540,632	44,058,811	47,441,267	40,628,620	39,193,194
Total equities	Before distribution	141,806,340	153,618,577	162,017,681	155,484,252	147,396,671	145,365,403
	After distribution	134,791,206	145,126,573	152,824,163	150,573,658	142,043,016	—

Note 1: The financial information was audited and certified by CPAs

Note 2: The financial information was reviewed by CPAs

## (2) Condensed comprehensive income statements - IFRSs

Unit: NTD thousand

Item \ Year	Financial information for the most recent five years (Note 1)					Financial information ended June 30, 2017 (Note 3)
	2012	2013	2014	2015	2016	
Operating revenue	113,699,313	116,098,947	118,325,809	93,679,076	89,564,306	45,893,851
Gross profit	17,748,468	22,822,997	24,872,595	14,528,017	17,981,004	8,266,760
Operating profit (loss)	13,206,554	17,775,975	19,857,669	9,673,699	13,034,136	6,002,322
Non-operating revenues and expenses	(1,085,666)	828,481	1,341,051	(1,007,684)	(1,518,801)	(247,992)
Income before tax	12,120,888	18,604,456	21,198,720	8,666,015	11,515,335	5,754,330
Continuing operations						
Net profit	9,998,219	15,118,683	16,583,876	6,925,626	8,842,075	4,234,491
Loss from discontinuing operations	0	0	0	0	0	0
Net profit (loss)	9,998,219	15,118,683	16,583,876	6,925,626	8,842,075	4,234,491
Other comprehensive income (loss) (net after tax)	1,981,934	6,121,882	3,225,651	(7,518,044)	(6,987,714)	1,270,801
Total comprehensive income (loss)	11,980,153	21,240,565	19,809,527	(592,418)	1,854,361	5,505,292
Net profit attributable to owners of the parent	7,784,265	10,026,731	10,828,868	5,775,989	6,358,452	2,981,955
Net profit (loss) attributable to non-controlling equity	2,213,954	5,091,952	5,755,008	1,149,637	2,483,623	1,252,536
Total comprehensive income (loss) attributable to owners of the parent	10,232,450	14,336,481	13,340,699	(806,454)	2,411,113	4,757,813
Total comprehensive income (loss) attributable to non-controlling equity	1,747,703	6,904,084	6,468,828	214,036	(556,752)	747,479
EPS(NT\$) (Note 2)	2.11	2.72	2.93	1.56	1.72	0.81

Note 1: The financial information was audited and certified by CPAs.

Note 2: Based on the weighted average number of outstanding shares for the given year.

Note 3: The financial information was reviewed by CPAs.

## 2. Individual financial information

## (1) Condensed balance sheets - IFRSs

Unit: NTD thousand

Item	Year	Financial information for the most recent five years (Note 1)				
		2012	2013	2014	2015	2016
Current assets		16,005,143	9,221,934	8,916,096	8,697,661	8,006,764
Property, plant and equipment		31,051,344	30,296,310	29,491,105	28,635,070	28,064,674
Intangible assets		215,291	178,710	142,153	105,600	69,359
Other assets		74,032,974	96,245,108	104,571,268	98,246,219	96,318,761
Total assets		121,304,752	135,942,062	143,120,622	135,684,550	132,459,558
Current liabilities	Before distribution	9,857,539	3,357,947	5,616,776	11,719,056	13,036,677
	After distribution	16,872,673	11,849,951	14,810,294	16,629,650	18,390,332
Noncurrent liabilities		5,485,403	19,506,170	19,544,976	15,922,509	12,654,830
Total liabilities	Before distribution	15,342,942	22,864,117	25,161,752	27,641,565	25,691,507
	After distribution	22,358,076	31,356,121	34,355,270	32,552,159	31,045,162
Capital stock		36,921,759	36,921,759	36,921,759	36,921,759	36,921,759
Capital surplus		12,215,684	12,193,297	12,225,528	12,309,615	13,534,162
Retained earnings	Before distribution	44,108,112	47,265,512	49,530,227	45,573,057	47,337,524
	After distribution	37,092,978	38,773,508	40,336,709	40,662,463	41,983,869
Other equities		12,716,255	16,697,377	19,281,356	13,238,554	8,974,606
Total equities	Before distribution	105,961,810	113,077,945	117,958,870	108,042,985	106,768,051
	After distribution	98,946,676	104,585,941	108,765,352	103,132,391	101,414,396

Note 1: The financial information was audited and certified by CPAs

## (2) Condensed comprehensive income statements - IFRSs

Unit: NTD thousand

	Financial information for the most recent five years (Note 1)				
	2012	2013	2014	2015	2016
Operating revenue	23,784,046	22,810,228	21,504,150	20,567,560	17,218,999
Gross profit	2,954,481	2,512,408	1,656,219	2,223,512	2,138,762
Operating profit (loss)	2,035,951	1,548,758	678,272	1,473,255	1,275,775
Non-operating revenues and expenses	5,973,636	8,674,433	10,353,976	4,461,334	5,259,947
Income before tax	8,009,587	10,223,191	11,032,248	5,934,589	6,535,722
Continuing operations Net profit	7,784,265	10,026,731	10,828,868	5,775,989	6,358,452
Loss from discontinuing operations	0	0	0	0	0
Net profit (loss)	7,784,265	10,026,731	10,828,868	5,775,989	6,358,452
Other comprehensive income (loss) (net after tax)	2,448,185	4,309,750	2,511,831	(6,582,443)	(3,947,339)
Total comprehensive income (loss)	10,232,450	14,336,481	13,340,699	(806,454)	2,411,113
EPS(NT\$) (Note 2)	2.11	2.72	2.93	1.56	1.72

Note 1: The financial information was audited and certified by CPAs

Note 2: Based on the weighted average number of outstanding shares for the given year.

(2) Matters of material significance that affected the comparability of said condensed financial statements, such as accounting changes, corporate mergers, or suspension of work in the operating departments etc., and the impact of these events on the current financial reports: None.

(3) Names and auditor's opinions of the attesting CPA for the most recent five years

1. Names and auditor's opinions of the attesting CPA for the most recent five years

Year	CPA Firm	CPA:	Auditor's opinions
2012	Deloitte Taiwan	Shao Chi-Ming/Wu Mei-Hui	With an unqualified opinion
2013	Deloitte Taiwan	Weng Ya-Ling/Wu Mei-Hui	With an unqualified opinion
2014	Deloitte Taiwan	Weng Ya-Ling/Wu Mei-Hui	With an unqualified opinion
2015	Deloitte Taiwan	Weng Ya-Ling/Wu	With an

Year	CPA Firm	CPA:	Auditor's opinions
		Mei-Hui	unqualified opinion
2016	Deloitte Taiwan	Weng Ya-Ling/Shao Chi-Ming	With an unqualified opinion
Q2 of 2017	Deloitte Taiwan	Weng Ya-Ling/Shao Chi-Ming	Qualified review report (Note)

Note: Investments in some non-significant subsidiaries and investments accounted for by using the equity method have been reviewed by the CPA.

2. If there was change/replacement of the CPA within the most recent five years, explanation made by the Company, the Company's previous and current CPAs over the causes for such change/replacement shall be set forth.

The Company changed the CPAs in 2012, 2013 and 2016 to be in line with the internal organizational change of the CPA firm.

## (4) Financial analysis

## 1. Consolidated financial analysis - IFRSs

Item of Analysis (Note 3)		Year	Financial information for the most recent five years (Note 1)					2017 Financial analysis ended June 30 (Note 2)
			2012	2013	2014	2015	2016	
Financial structure (%)	Ratio of liabilities to assets	48.24	45.66	44.66	46.95	44.79	44.55	
	Ratio of long-term capital to property, plant and equipment	198.45	194.10	206.66	198.55	208.14	204.95	
Solvency (%)	Current ratio	120.22	124.70	140.76	133.06	141.34	124.27	
	Quick ratio	104.47	110.88	124.35	119.28	124.52	108.68	
	Interest coverage ratio (time)	6.12	12.42	13.11	6.07	7.58	7.9	
Utility	Turnover ratio of accounts receivable (time)	5.84	5.15	4.54	4.01	4.46	4.52	
	Average days for cash receipts	62.50	70.87	80.39	91.02	81.83	80.75	
	Inventory turnover ratio (time)	9.21	9.85	9.29	8.15	8.03	8.25	
	Turnover ratio of accounts payable (time)	11.58	11.44	11.91	11.03	9.70	9.94	
	Average days for sale of goods	39.63	37.05	39.28	44.79	45.45	44.24	
	Turnover ratio of property, plant and equipment (time)	1.08	1.09	1.09	0.84	0.83	0.92	
	Turnover ratio of total assets (time)	0.41	0.42	0.41	0.32	0.32	0.35	
Profitability	ROA (%)	4.37	5.92	6.27	2.85	3.68	3.72	
	ROE (%)	7.12	10.24	10.51	4.36	5.84	5.78	
	Net income before tax to paid-in capital (%)	32.83	50.39	57.42	23.47	31.19	33.12	
	Net income ratio (%)	8.79	13.02	14.02	7.39	9.87	9.23	
	EPS(NT\$)	2.11	2.72	2.93	1.56	1.72	0.81	
Cash flow	Cash flow ratio (%)	37.97	31.21	29.12	31.97	34.03	14.30	
	Cash flow adequacy ratio (%)	73.34	103.54	104.69	109.73	128.62	132.39	
	Cash reinvestment ratio (%)	5.93	6.27	2.85	3.19	3.87	0.90	
Leverage	Operating leverage	1.83	1.69	1.59	2.27	1.92	1.88	
	Financial leverage	1.22	1.10	1.10	1.21	1.15	1.16	

Description of major variations of financial ratios in the most recent two years (Not required, if the variation is less than 20%.)

1. Interest coverage ratio, ROA, ROE, net income before tax to paid-in capital and net income ratio:  
Primarily as a result of the increase in profit in 2016 and thereby resulting in the increase of related ratios in 2016 from 2015.
2. Cash reinvestment ratio: Primarily as a result of the increase in the amount after deduction of cash dividends from the net cash flow from operating activities in 2016 from 2015.

Note 1: The financial information was audited and certified by CPAs

Note 2: The financial information was reviewed by CPAs

Note 3: The following equations shall be identified at the end of the Information Memorandum:

1. Financial structure
  - (1) Ratio of liabilities to assets = total liabilities / total assets
  - (2) Ratio of long-term capital to property, plant and equipment = (total equities + noncurrent liabilities) / property, plant and equipment, net
2. Solvency
  - (1) Current ratio = current assets / current liabilities
  - (2) Quick ratio = (current assets - inventory - prepayment) / current liabilities
  - (3) Interest coverage ratio = net income before interest expenses and tax / current interest expenditure
3. Utility
  - (1) Accounts receivable (including accounts receivable and notes receivable arising from business operations) turnover ratio = net sales / balance of average receivables (including accounts receivable and notes receivable arising from business operations) for each period
  - (2) Average days for cash receipts = 365 / turnover ratio of accounts receivable
  - (3) Inventory turnover ratio = cost of sales / average inventory
  - (4) Accounts payable (including accounts payable and notes payable arising from business operations) turnover ratio = cost of sales / balance of average payables (including accounts payable and notes payable arising from business operations) for each period
  - (5) Average days for sale of goods = 365 / inventory turnover ratio
  - (6) Turnover ratio of property, plant and equipment = net sales / average property, plant and equipment, net
  - (7) Turnover ratio of total assets = net sales / average total assets.
4. Profitability
  - (1) Return on assets = [after-tax income (loss) + interest expense × (1 - tax rate)] / average total assets.
  - (2) Return on equity = after-tax income (loss) / average total equity
  - (3) Net income before tax to paid-in capital = net income before tax / paid-in capital
  - (4) Profit margin before tax = after-tax income (loss) / net sales
  - (5) Earnings per share = (profit and loss attributable to owners of the parent - dividends on preferred shares) / weighted average number of issued shares (Note 4)
5. Cash flow
  - (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
  - (2) Cash flow adequacy ratio = net cash flow from operating activities during the most recent five years / (capital spending + increase in inventory + cash dividends) during the most recent five years
  - (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividend) / (gross property, plant and equipment value + long-term investment + other noncurrent assets + working capital) (Note 5)
6. Leverage
  - (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income (Note 6)
  - (2) Financial leverage = operating income / (operating income - interest expenses)

Note 4: For the said equation for calculation of EPS, the following issues in evaluation should be noted:

1. Based on the weighted average number of ordinary shares, instead of the number of outstanding



shares at the end of year.

2. When calculating the weighted average number of shares, the cash capital increase or trading of treasury stock, if any, shall be considered in respect of their circulation period.
3. Adjustment shall be made retrospectively if there is any recapitalization from earnings or capital surplus, subject to the percentage of capital increase when calculating the past annual and semi-annual EPS, without taking the issuance period for the capital increase into consideration.
4. If the preference shares refer to unconvertible cumulative preference shares, the dividends for the current period (whether granted or not) shall be deducted from the net income after tax, or the net loss after tax shall be increased. If the preference shares are not cumulative preference shares, the dividends on the preference shares shall be deducted from the net income after tax, if any, provided that no adjustment shall be made in the case of loss.

Note 5: In the analysis of cash flow, the following issues should be noted:

1. The net cash flow from operating activities means the net cash inflow from operating activities in the statement of cash flow.
2. Capital spending means the cash outflow from investment in capital each year.
3. The increase in inventory shall be included only when the balance at ending is more than that at beginning. In the event of decrease in inventory, it shall be counted as zero.
4. Cash dividends include the cash dividends on ordinary shares and preference shares.
5. The gross property, plant and equipment value means the total property, plant and equipment before deduction of accumulated depreciation.

Note 6: The issuer shall categorize various operating costs and operating expenses into fixed and variable ones by nature. If any estimation or subjective judgment is involved, please note the reasonableness should be noted and its consistency should be maintained.

Note 7: In the case of shares issued by the Company with no par value or a par value other than NT\$10 per share, said calculation of the percent to the paid-in capital shall be replaced by the equity attributable to owners of the parent in the balance sheet.

## 2. Individual financial analysis - IFRSs

Item of Analysis		Year				
		Financial information for the most recent five years (Note 1)				
		2012	2013	2014	2015	2016
Financial structure (%)	Ratio of liabilities to assets	12.65	16.82	17.58	20.37	19.40
	Ratio of long-term capital to property, plant and equipment	358.91	437.62	466.26	432.91	425.53
Solvency (%)	Current ratio	162.36	274.63	158.74	74.22	61.42
	Quick ratio	140.69	237.36	132.12	60.02	49.71
	Interest coverage ratio (time)	418.25	128.71	50.67	25.85	28.49
Utility	Turnover ratio of accounts receivable (time)	4.89	4.81	4.69	4.67	4.36
	Average days for cash receipts	74.64	75.88	77.82	78.15	83.71
	Inventory turnover ratio (time)	10.29	12.33	14.71	11.79	9.71
	Turnover ratio of accounts payable (time)	10.21	11.66	12.67	11.59	9.36
	Average days for sale of goods	35.47	29.60	24.81	30.95	37.59
	Turnover ratio of property, plant and equipment (time)	0.76	0.74	0.72	0.71	0.61
	Turnover ratio of total assets (time)	0.20	0.18	0.15	0.15	0.13
Profitability	ROA (%)	6.63	7.85	7.89	4.29	4.89
	ROE (%)	7.46	9.16	9.37	5.11	5.92
	Net income before tax to paid-in capital (%)	21.69	27.69	29.88	16.07	17.70
	Net income ratio (%)	32.73	43.96	50.36	28.08	36.93
	EPS(NT\$)	2.11	2.72	2.93	1.56	1.72
Cash flow	Cash flow ratio (%)	37.77	83.71	21.59	20.14	19.41
	Cash flow adequacy ratio (%)	98.28	64.28	52.25	34.74	24.75
	Cash reinvestment ratio (%)	(2.19)	(2.54)	(4.26)	(4.34)	(1.55)
Leverage	Operating leverage	1.97	2.24	3.84	2.14	2.24
	Financial leverage	1.01	1.05	1.49	1.19	1.23
<p>Description of major variations of financial ratios in the most recent two years (Not required, if the variation is less than 20%.)</p> <ol style="list-style-type: none"> <li>1. The increase in average days for sale of goods: primarily as a result of the decrease in sales volume in 2016.</li> <li>2. The increase in net income ratio: primarily as a result of the increase in profit in 2016.</li> <li>3. The decrease in cash flow adequacy ratio: primarily as a result of the decrease in net cash flow from operating activities in the most recent five years.</li> <li>4. The increase in cash reinvestment ratio: primarily due to reduction in cash dividends granted in 2016.</li> </ol>						

## (5) Notes to material changes of account titles

## 1. IFRSs (consolidated)

Unit: NTD thousand

Title	Year		2015 (Note 1)		2016 (Note 1)		Variance (Note 2)		Notes
	Amount	%	Amount	%	Amount	%			
Cash and cash equivalent	38,977,360	13.30	28,179,758	10.55	(10,797,602)	(27.70)	Primarily as a result of the repayment of long-term loans in 2016 and thereby resulting in the increase in cash outflow from financing activities in 2016 from 2015.		
Property, plant and equipment	113,310,134	38.66	101,799,766	38.13	(11,510,368)	(10.16)	Primarily as a result of the provision of depreciation of property, plant and equipment in 2016 and effect of changes in translation of foreign currency		
Long-term liabilities - current portion	19,133,616	6.53	8,163,950	3.06	(10,969,666)	(57.33)	Primarily as a result of the repayment of long-term loans in 2016 and thereby resulting in the decrease in long-term liabilities - current portion.		
Other equities	13,238,554	4.52	8,974,606	3.36	(4,263,948)	(32.21)	Primarily as a result of the NTD appreciation and thereby resulting in the decrease in exchange differences on translation of foreign financial statements at the end of 2016 by NT\$4,472,710 thousand from the end of 2015.		
Non-controlling equity	47,441,267	16.19	40,628,620	15.22	(6,812,647)	(14.36)	Though the subsidiaries kept gaining profit, the distribution of cash dividends and NTD appreciation generated the other comprehensive income - exchange loss on translation of foreign financial statements, NT\$2,877,249 thousand, in 2016. Meanwhile, the acquisition of equity from TCCIH external shareholders at the price of NT\$2,732,057 thousand resulted in a decrease in non-controlling equity in 2016 from 2015.		
Gross profit	14,528,017	15.51	17,981,004	20.08	3,452,987	23.77	The increase in the Group's gross profit in 2016 was primarily as a result of the increase in average selling price of cement in China and upgrading of the cement industry's operating efficiency in China, and the production reduction plan applied by the subsidiary, Taiwan Prosperity Chemical Corp. to aim at target customers, increase the unit price, reduce imported raw materials and cut the cost.		

Title	Year		2015 (Note 1)		2016 (Note 1)		Variance (Note 2)		Notes
	Amount	%	Amount	%	Amount	%			
Operating income	9,673,699	10.33	13,034,136	14.55	3,360,437	34.74	Primarily as a result of the increase in the Group's gross profit in 2016 from 2015 and adequate control over expenses.		
Income before tax	8,666,015	9.25	11,515,335	12.86	2,849,320	32.88	Primarily as a result of the increase in the Group's gross profit in 2016.		
Net income after tax	6,925,626	7.39	8,842,075	9.87	1,916,449	27.67	Primarily as a result of the increase in the Group's gross profit in 2016.		
Exchange difference on translation of foreign financial statements	(1,828,277)	(1.95)	(7,055,040)	(7.88)	(5,226,763)	285.88	Primarily as a result of NTD appreciation in 2016.		
Unrealized gain (loss) from available-for-sale financial assets	(5,141,341)	(5.49)	243,381	0.27	5,384,722	(104.73)	Primarily as a result of the increase in share price of the shares of companies listed in foreign countries held by the Company		
Total comprehensive income	(592,418)	(0.63)	1,854,361	2.07	2,446,779	(413.02)	Primarily as a result of the increase in the Group's gross profit in 2016.		

Note 1: % means the ratio of the same type under the given title in related statements.

Note 2: % means the percentage of variance calculated under the hypothesis that it was 100% in the previous year.

Note 3: The analysis only covers the accounting titles in the balance sheets and comprehensive income statements for the most recent two years, where the variance in amount reaching 10% or more and amount to 1% of the total assets for that year.

## 2. IFRSs (individual)

Unit: NTD thousand

Title	Year		2015 (Note 1)		2016 (Note 1)		Variance (Note 2)		Notes
	Amount	%	Amount	%	Amount	%			
Short-term loans	4,432,649	3.27	5,839,557	4.41	1,406,908	31.74		The increase in short-term loans was primarily as a result of the operating turnover and allocation of fund.	
Long-term loans	10,621,053	7.83	7,268,893	5.49	(3,352,160)	(31.56)		Primarily as a result of repayment of long-term loans	
Other equities	13,238,554	9.76	8,974,606	6.78	(4,263,948)	(32.21)		Primarily as a result of the NTD appreciation and thereby resulting in the decrease in exchange differences on translation of foreign financial statements at the end of 2016 by NT\$4,472,710 thousand from the end of 2015.	
Operating revenue	20,567,560	100.00	17,218,999	100.00	(3,348,561)	(16.28)		Primarily as a result of the decrease in cement consumption by 1,350,000 tons in the territories of Taiwan in 2016 and thereby resulting in the decrease in the volume of the Company's cement and clinker marketed domestically (including used by the Company's own pre-mixing plants) by 9.52% in 2016 from 2015; compliance with the government's export reduction policy resulted in the decrease in the volume of the Company's cement and clinker exported by 6.32% in 2016 from 2015, resulting in the decrease in the Company's operating revenue in 2016 from 2015.	
Operating cost	18,345,276	89.20	15,080,237	87.58	(3,265,039)	(17.80)		Primarily decreasing according to the operating revenue	
Unrealized gain (loss) from available-for-sale financial assets	(1,027,693)	(5.00)	238,844	1.39	1,266,537	(123.24)		Primarily as a result of the increase in the share price of shares of some domestically listed companies held by the Company	
Items likely to be reclassified to profit or loss in subsequent period	(6,042,802)	(29.38)	(4,263,948)	(24.76)	1,778,854	(29.44)		Primarily as a result of the increase in the unrealized gains from available-for-sale financial assets in 2016 from 2015.	
Other comprehensive income, net (net after tax)	(6,582,443)	(32.00)	(3,947,339)	(22.92)	2,635,104	(40.03)		Primarily as a result of the increase in the remeasurement of defined benefit plan by NT\$1,010,520 thousand in 2016 from 2015 and the increase in unrealized gains from available-for-sale financial assets by NT\$1,266,537 thousand in 2016 from 2015.	

Title	Year		2015 (Note 1)		2016 (Note 1)		Variance (Note 2)		Notes
	Amount	%	Amount	%	Amount	%			
Total comprehensive income	(806,454)	(3.92)	2,411,113	14.00	3,217,567	(398.98)		Primarily as a result of the increase in share of profit or loss of subsidiaries & affiliates accounted for using equity method and other comprehensive income, net in 2016 from 2015.	

Note 1: % means the ratio of the same type under the given title in related statements.

Note 2: % means the percentage of variance calculated under the hypothesis that it was 100% in the previous year.

Note 3: The analysis only covers the accounting titles in the balance sheets and comprehensive income statements for the most recent two years, where the variance in amount reaching 10% or more and amounts to 1% of the total assets for that year.

2. Items to be included in financial statements:

- (1) The financial reports and external auditor's reports for the most recent two years preceding the time when the issuer registered the offering and issuance of securities, in addition to the financial reports that have duly been publicly announced and reported for the most recent quarter:
  1. Consolidated financial reports and external auditor's report in 2015: See Attachment 3.
  2. Consolidated financial reports and external auditor's report in 2016: See Attachment 4.
  3. Consolidated financial reports of Q2 in 2017 and external auditor's review report: See Attachment 5.
- (2) The issuer's individual financial reports for the most recent two years, audited and attested by a CPA:
  1. Individual financial reports and external auditor's report in 2015: See Attachment 6.
  2. Individual financial reports and external auditor's report in 2016: See Attachment 7.
- (3) During the period after the issuer has registered the offering and issuance of securities and until the date of publication of the Information Memorandum, if there exists any financial report or individual financial report for the most recent period that has been audited or attested: None.

3. Overview of finance and other important matters

- (1) If the Company and its affiliates have experienced financial difficulties within the most recent two years and during the current fiscal year up to the date of publication of the Information Memorandum, the Information Memorandum shall note the effect on the Company's financial status: None.
- (2) If any of the events in Article 185 of the Company Act has occurred within the most recent two years and up to the date of publication of the Information Memorandum, the relevant information shall be disclosed: None.
- (3) Subsequent events: Ho-Ping Power Company, a subsidiary of the Company, could not transmit electricity from the power plant due to the collapse of a steel pylon caused by Typhoon Nesat on July 29, 2017. Ho-Ping Power Company has notified

its insurance agent for insurance claims and has also begun the repair work.

(4) Others: None.



## 4. Review and analysis of financial condition and operating results:

## (1) Financial condition

Unit: NTD thousand

Item	Year	2015	2016	Variance	
				Amount	%
Current assets		90,593,376	77,884,012	(12,709,364)	(14.03)
Property, plant and equipment		113,310,134	101,799,766	(11,510,368)	(10.16)
Intangible assets		22,607,552	21,175,282	(1,432,270)	(6.34)
Other assets		66,555,293	66,129,636	(425,657)	(0.64)
Total assets		293,066,355	266,988,696	(26,077,659)	(8.90)
Current liabilities		68,083,832	55,104,919	(12,978,913)	(19.06)
Noncurrent liabilities		69,498,271	64,487,106	(5,011,165)	(7.21)
Total liabilities		137,582,103	119,592,025	(17,990,078)	(13.08)
Capital stock		36,921,759	36,921,759	—	—
Capital surplus		12,309,615	13,534,162	1,224,547	9.95
Retained earnings		45,573,057	47,337,524	1,764,467	3.87
Other equities		13,238,554	8,974,606	(4,263,948)	(32.21)
Equity attributable to owners of the parent		108,042,985	106,768,051	(1,274,934)	(1.18)
Non-controlling equity		47,441,267	40,628,620	(6,812,647)	(14.36)
Notes to material changes (variance reaching 20% and the variance in amount reaching NT\$10,000 thousand):					
1. Decrease in other equities: primarily as a result of the NTD appreciation and thereby resulting in the decrease in exchange differences on translation of foreign financial statements in 2016 from 2015.					

## (2) Operating results

## 1. Comparison and analysis of operating results

Unit: NTD thousand

Item	Year	2015	2016	Increase (decrease) in amount	Variance (%)
		Amount	Amount		
Net Operating revenue		93,679,076	89,564,306	(4,114,770)	(4.39)
Operating cost		79,151,059	71,583,302	(7,567,757)	(9.56)
Gross profit		14,528,017	17,981,004	3,452,987	23.77
Operating expenses		4,854,318	4,946,868	92,550	1.91
Operating income		9,673,699	13,034,136	3,360,437	34.74
Non-operating revenues and expenses		(1,007,684)	(1,518,801)	(511,117)	50.72
Income before tax		8,666,015	11,515,335	2,849,320	32.88
Income tax expenses		1,740,389	2,673,260	932,871	53.60
Net profit		6,925,626	8,842,075	1,916,449	27.67
Notes to material changes (variance reaching 20% and the variance in amount reaching NT\$10,000 thousand):					
(1) The increase in gross profit, operating income, net income before tax and net income after tax was primarily as a result of the increase in profit earned by Cement Dept. in 2016.					
(2) Increase in loss of non-operating revenue and expenses: Primarily as a result of the increase in loss of impairment on property, plant and equipment stated in 2016.					
(3) Increase in income tax expenses: Primarily as a result of the increase in the net income before tax in 2016.					

## 2. Forecast of sales volume and the basis for the forecast, and the potential impacts on the Company's finance or business and the Company's countermeasures

For the cement products in Taiwan, the market of cement in 2017 in domestic market is subject to the effect of modest economic performance in China, fluctuation in the global financial market, and reduction of real estate projects, despite the increase in fixed investment in the ICT industry and manufacturing industry. The demand for cement is expected to be remained at about 10,000~10,500 thousand tons. The export volume will comply with government's policy to the extent possible. As the largest cement producer in Taiwan, notwithstanding the latest government policy encouraging companies to reduce their exports of cement, our Company will continue to benefit from its leading domestic position in Taiwan and it is expected that its sales volume in general will continue to grow in a sustainable manner.

For the cement products in China, the investment by China in infrastructure projects, especially the traffic network and hydraulic engineering projects, and introduction of cooperation between public and private sectors will become the impetus for further implementation of civil engineering projects in the public sectors. Real estate development is the most important factor supporting the demand in private sectors. The increasing prices for land transactions in first-tier cities in China reflect the booming market condition. Due to increasing real property prices, these cities may re-implement restrictive policies. However, the construction projects already carried out or agreed to be carried out are expected to keep boosting the demand from private sectors. Given the said favorable factors, the average selling price of cement in China is expected to remain stable or increase modestly in 2017.

With respect to chemical products, we adopt a sales strategy that has regard to maintaining profitability by adding flexibility to our product mix, for example, adjusting our upstream and downstream product output and sales and also be flexible in making adjustments to our selling prices to ensure margins can be achieved for each product, with a view that our Group's business and financial position will not be materially affected.

## (3) Cash flow

## 1. Changes over the most recent fiscal year in the Company's cash flows

Unit: NTD thousand

Cash Balance at the beginning of the year	Annual net cash flow from operating activities	Annual cash outflow	Cash surplus (deficit)	Countermeasures against cash insufficiency	
				Investment plan	Wealth management plan
\$38,977,360	\$18,750,155	(\$29,547,757)	\$28,179,758	—	—
(1) Operating activities: primarily from operating profit, etc. (2) Investing activities: primarily for acquisition of fixed assets and from investment income, etc. (3) Financing activities: primarily for repayment of loans and granting of cash dividends, etc.					

## 2. Countermeasures against insufficient liquidity: None.

## 3. Analysis of the Company's cash liquidity for the most recent two years:

Item	Year	2015	2016	Increase (decrease) (%)
Cash flow ratio		31.97	34.03	6.44
Cash flow adequacy ratio		109.73	128.62	17.21
Cash reinvestment ratio		3.19	3.87	21.32
Analysis and descriptions of increase/decrease: The increase in cash reinvestment ratio: Primarily as a result of the increase in the amount after deduction of cash dividends from the net cash flow from operating activities in 2016 from 2015.				

## 4. Analysis of cash flows in the future year

Unit: NTD thousand

Cash Balance at the beginning of the year	Annual net cash flow from operating activities	Annual cash outflow	Cash surplus (deficit)	Countermeasures against cash insufficiency	
				Investment plan	Wealth management plan
\$28,179,758	\$19,258,482	\$(13,496,610)	\$33,941,630	—	—
Analysis of changes over the following year in the Company's cash flows: (1) Operating activities: primarily from operating profit. (2) Investing activities: primarily for capital spending. (3) Financing activities: for granting of the cash dividends and repayment of bank loans.					

## (4) Impact of any material capital spending over the most recent fiscal year upon the Company's financial and operating condition

The Company had no material capital spending in the most recent year.

- (5) The Company's policy for the most recent fiscal year on investments in other companies, the main reasons for profit/losses resulting from the policy, plans for improvement, and investment plans for the coming fiscal year

The investment income stated by the Company increased in 2016 from 2015. The Company hereby explains the cause of increase as below:

1. TCCIH's sales volume increased from 2015, because of the increasing demand for cement in China and the effective sale strategies. Meanwhile, the adequate control over costs resulted in the significant growth of profit earned by it from cement and clinker sold in China and enabled TCCIH to turn from loss to profit. According to the Company's investment plans for the coming year, the Company will still adopt effective sale strategies and save costs, subject to the market conditions.
  2. Given the supply in excess of the demand in the global market, some products of Taiwan Prosperity Chemical Corp. have low profitability. Therefore, it adopted the production reduction plan, aimed at target customers to increase the unit price, and reduced imported raw materials to cut cost, and reduced its loss remarkably in 2016. Such measures will be continued.
- (6) Other Significant Events: None.

## V. Special Notes

## 1. Implementation of internal control:

- (I) The CPA's suggestions for improvement of the internal control system in the most recent 3 fiscal years

Year	Deficiencies proposed by the CPA	Status of improvement
2014	No material deficiencies	None
2015	No material deficiencies	None
2016	No material deficiencies	None

- (II) Status of the improvements to major deficiencies discovered through internal audit in the most recent 3 fiscal years: No material deficiencies.

- (III) Statement of Internal Control System: Please refer to Page 180.

- (IV) If the Company appoint a CPA to conduct special audit to its internal control system, the Information Memorandum shall set forth the reasons for doing so, the CPA's opinions, the measures that has been taken for improvement, and the status of improvement in relation to the deficiencies: None.

2. Those who have appointed an FSC-approved or -recognized credit rating institution to conduct a credit rating/evaluation shall disclose the credit rating/evaluation report issued by the credit rating institution: None.
3. Summary opinion from the securities underwriter's assessment: Please refer to Page 181 for the advanced draft summary opinion from the securities underwriter's assessment. It will be formally issued upon the Company's application to the FSC for the new issuance of the Company's shares to acquire Ordinary Shares and Convertible Preference Shares of TCC International Holdings Limited..
4. Attorney's legal opinion: Please refer to page 182 for the advanced draft attorney's legal opinion. It will be formally issued upon the Company's application to the FSC for the new issuance of the Company's shares to acquire Ordinary Shares and Convertible Preference Shares of TCC International Holdings Limited.
5. Summary opinion stated in the case check list schedule prepared by the issuer and reviewed by the CPA: N/A
6. The status of improvement, if the FSC has notified the Company to make any improvements of its own when registering (or applying for approval of) the previous offering and issuance of securities: None.
7. Additional items notified by the FSC to be disclosed when the Company registered the current offering and issuance of securities: N/A
8. The statement or undertaking disclosed in the Information Memorandum and the status thereto, in relation to the Company's initial public offering, listing, the last registration

(application) for offering and issuance of securities within the most recent 3 fiscal years:  
None.

9. The major contents of any dissenting opinion of any director or supervisor regarding any material resolution passed by the Board of Directors, where there is a record or written statement of such opinion, for the most recent fiscal year and up to the date of publication of the Information Memorandum: None.
10. Any penalty against the Company or its internal personnel under laws, or any disciplinary action taken by the Company against its own personnel for violation of internal control requirement, during the most recent fiscal year and until the date of publication of the Information Memorandum, and a description of the major deficiencies, as well as the measures for improvement: None.
11. The statement issued by the securities underwriter, the issuer, and the issuer's directors, supervisors, CEOs, financial or accounting manager, and the managerial officers involved in the current registration for public offering and issuance of securities, specifying that no underwriting related fees will be refunded or collected: N/A.
12. For cases that involve the issuer conducting a cash capital increase or an offering of corporate bonds with equity characteristics and adopting book building and public underwriting, the statement issued by the securities underwriter and issuer, specifying that allocation to related parties and insiders is prohibited: N/A.
13. Other Important Supplementary Information: None.
14. Status of Corporate Governance

(I) Operation of the board of directors

The Board of 22nd term held a total of 5(A) meetings during 2016, including 3 (A) meetings after the shareholders' meeting held for appointment of the 4 directors by election on June 22, 2016. The attendance of directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Koo Cheng-Yun, Leslie Institution Represented: Heng Qiang Investment Co., Ltd.	5	0	100%	
Director	Chang An-Ping, Nelson Institution Represented: Fu Pin Investment Co., Ltd.	4	1	80%	
Director	Kenneth C.M. Lo Institution Represented: China Synthetic Rubber	3	2	60%	

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
	Corporation				
Director	Yu Tzun-Yen Institution Represented: Heng Qiang Investment Co., Ltd.	4	1	80%	
Director	Wang Por-Yuan Institution Represented: Falcon Investment Co., Ltd.	4	1	80%	
Director	Jennifer Lin, Esq. Institution Represented: Chinatrust Investment Co., Ltd.	2	1	40%	
Director	Chang, Chi-Wen Institution Represented: Xin Hope Investment Co., Ltd.	3	2	60%	
Director	Chen Chien-Tong Institution Represented: Ching Yuan Investment Co., Ltd.	5	0	100%	
Director	Eric T. Wu Institution Represented: Shinkong Synthetic Fibers Corporation	3	2	60%	
Director	Chang Kang-Lung, Jason Institution Represented: Chia Hsin Cement Corp.	4	0	80%	
Director	Lin Ming-Sheng Institution Represented: Goldsun Development & Construction Co., Ltd.	1	2	20%	
Director	Lin Nan-Chou Institution Represented: Sishan Investment Co., Ltd.	4	0	80%	
Director	Hsieh Chi-Chia Institution Represented: Fu Pin Investment Co., Ltd.	2	1	67%	By election at the shareholders' meeting on June 22, 2016
Director	Chen Chi-Te Institution Represented: Heng Qiang Investment Co., Ltd.	3	0	100%	By election at the shareholders' meeting on June 22, 2016



Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Director	David Carr Michael Institution Represented: C. F. Koo Foundation	2	1	67%	By election at the shareholders' meeting on June 22, 2016
Independent Director	Yu-Cheng Chiao	4	1	80%	
Independent Director	Wei Yung-Tu	5	5	100%	
Independent Director	Victor Wang	5	5	100%	
Independent Director	Cheng-Ming Yeh	3	3	100%	By election at the shareholders' meeting on June 22, 2016

Other items to be stated:

- I. Where the operation of the board of directors has any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's response to said opinions: No such situation.
  - (I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act.
  - (II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in written statement.
- II. Where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reasons for not voting and actual voting counts.
  - (1) 8th meeting of 22nd term: In consideration of the donation to C. F. Koo Foundation and Dr. Cecilia Koo Botanic Conservation and Environmental Protection Foundation, Chairman Koo recused himself for the conflict of interest and Director Hsieh Chi-Chia chaired the meeting. The motion was approved by the directors attending the meeting unanimously.
  - (2) 9th meeting of the 22nd term: In consideration of the motion for authorization of the remuneration to the Company's CEO in 2016, Chairman Koo recused himself for the conflict of interest and Director Chang An-Ping, Nelson chaired the meeting. The motion was approved by the directors attending the meeting unanimously.
- III. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation.
  - (1) The Company's Board members valued diversity very much and had the knowledge, skill and qualification required for the business they engaged in, including different expertise in law, accounting and industry. They would listen to the report made by the management team at directors' meetings periodically, provide guidance and suggestion, and communicate with the management team to create the maximum benefits for shareholders. The Company's material motions are all disclosed at the M.O.P.S. pursuant to laws.
  - (2) To establish fair governance system of the Board, improve the supervision functions, and enhance the management functions to comply with the Rules and Procedures of Board Meetings of the Company.

**(II) Operations of the Audit Committee and Supervisor(s)' Attendance of Board Meetings:**

1. The Company has established the Audit Committee to replace the supervisors.
2. Operation of the Audit Committee

The Committee held a total of 5(A) meetings during 2016, including 3 (A) meetings after the shareholders' meeting held for appointment of the 1 director by election on June 22, 2016:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director	Yu-Cheng Chiao	5	4	80%	
Independent Director	Wei Yung-Tu	5	5	100%	
Independent Director	Victor Wang	5	5	100%	
Independent Director	Cheng-Ming Yeh	3	3	100%	By election at the shareholders' meeting on June 22, 2016

Other items to be stated:

- I. Where the operation of the audit committee has any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, audit committee's resolution and the Company's response to audit committee's opinions: No such situation.
  - (I) The circumstances referred to in Article 14-5 of the Securities and Exchange Act.
  - (II) Aside from the said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two thirds of the board of directors.
- II. Where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts: No such situation.
- III. Communication between independent directors and internal audit manager as well as the CPA on company financial and business situation (such as items discussed, means of communication and results, etc.):
  - (1) The Company would submit the audit report and follow-up report to the convener for review at least once per month, and report the audit result, status of improvement on deficiencies, and the Company's overview of financial and business performance for the month, simultaneously. The convener would review and comment on the audit report.
  - (2) The internal audit manager and CPA would attend the meeting of Audit Committee to report the internal audit work, the CPA's audit method and scope, and any material adjustments on audit and notes thereto. The CPA would also report and communicate the status of Corporate Governance with the independent directors.

(III) Status of Corporate Governance, and the status and reasons of the departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
I. Has the Company followed the “Corporate Governance Best-Practice Principle for TWSE/TPEX Listed Companies” and discloses the Company’s own corporate governance best-practice principle?	V		2nd meeting of the Board of Directors of 22nd term approved the establishment of the “Corporate Governance Best-Practice Principle”. Notwithstanding the above, the management team still follows guidance under the “Corporate Governance Best-Practice Principle for TWSE/TPEX Listed Companies”.	None
II. Shareholding structure and shareholders’ rights of the company				
(I) Has the Company formulated and implemented internal operating procedures to deal with suggestions, doubts, disputes and legal actions from shareholders?		V	(I) The Company has responsible personnel for Investor Relations (IR), and spokesperson, and deputy spokesperson deal with suggestions, questions, and disputes from its shareholders. Other related departments may be involved depending on the type of question. No legal action has been initiated between the Company and its shareholders.	None
(II) Does the Company have the list of major shareholders who have actual control of the Company and their ultimate controllers?	V		(II) The Company has set up the Secretariat of Board, which could access the status of shareholdings of the directors, managers, and major shareholders holding more than 10% of the Company’s shares from time to time.	None
(III) Does the Company establish or implement risk controls and firewall mechanisms between the Company and its affiliates?	V		(III) The dealings or transactions between the Company and its affiliates all comply with the related laws and regulations, or the related internal control systems which have been established pursuant to laws.	None
(IV) Has the Company stipulated internal regulations to prohibit insiders from trading securities by using undisclosed information?	V		(IV) On December 29, 2009, 6th meeting of the Board of Directors of 20th term approved the enactment of the Company’s “Operating Procedure for Handling Internal Material Information” applicable to the Company’s directors, supervisors, managers, and employees. The Company also strictly complies with and implements the operating procedure for maintaining confidentiality of internal	None

Scope of Assessment	Status		Summary	Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
			material information.	
<p>III. Composition and responsibilities of board of directors</p> <p>(I) Has the Board of Directors formulated appropriate policies on the diversity of its composition and fully implemented such policies?</p>	V		<p>(I) With respect to the Board structure, the Company has decided the adequate number of directors, subject to the Company's business and development scale, major shareholders' shareholdings, and the actual operating needs. The Company's Board members value diversity very much and have the knowledge, skill, and qualification required by the business they are engaged in, including different expertise in law, accounting, and industry. The Company has 19 Directors (including 4 Independent Directors).</p> <p>The Company's subsidiaries which are listed on TWSE/TPEX have all appointed their independent directors, respectively.</p>	None
<p>(II) Is the Company, in addition to setting up the Salaries and Remuneration Committee and Audit Committee pursuant to laws, willing to establish any other functional committee?</p>	V		<p>(II) In order to promote the Corporate Group's philosophy of sustainable operation and environmental protection, the 12th meeting of the Company's Board of Directors of 21st term resolved to establish the "Environmental Protection Business Promotion Committee". The Chairman of Commission convenes monthly meetings with the promotion units of each department/office and plant, periodically or from time to time, or convenes any special meetings if necessary.</p>	None
<p>(III) Has the Company formulated the regulations governing appraisal of performance of the Board and the approach to conduct the appraisal, and</p>		V	<p>(III) The Company has not yet formulated the regulations governing appraisal on of performance of the Board. The Board operated in accordance with the rules for directors' meetings and related laws, and</p>	None

Scope of Assessment	Status		Summary	Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
<p>whether it conducts the performance appraisal periodically each year?</p> <p>(IV) Does the Company assess the independence of the auditing CPA periodically?</p>	V		<p>supervises and understands the operations and existing and potential risks of the Company. The Board interacts well with the management and duly discharges the Board's functions.</p> <p>(IV) The accounting firm and the CPA appointed by the Company have no conflict of interests and strictly comply with the requirements of independence. The Audit Committee discusses and evaluates the independence and competency of the CPA in relation to its appointment in Q1 of each year and submits the evaluation result to the Board for resolution.</p>	None
<p>IV. Does the TWSE/TPEX listed company delegate an unit or have any personnel dedicated to (or concurrently in charge of) corporate governance (including but not limited to, provision of information required by directors and supervisors for carrying out business, organization of directors' meetings and shareholders' meetings, registration of incorporation and changes, and production of directors' meeting and shareholders' meeting minutes)?</p>	V		<p>The Company has not yet set up any unit dedicated to (or concurrently in charge of) corporate governance. Notwithstanding the above, the Company has set up the Secretariat responsible for contacting directors or providing directors with the business information, and affairs related to shareholders' meetings and shareholders' services. If necessary, the Company will set up the unit dedicated to corporate governance. Secretariat of the Board shall take the following responsibilities:</p> <ol style="list-style-type: none"> <li>1. Compliance with laws and fulfillment of internal audit and control - planning the adequate corporate system and organizational structure to promote the Board's independence and the Company's transparency.</li> <li>2. Providing directors with required business information.</li> <li>3. Researching, drafting and preparing the agenda before a directors' meeting, and providing all directors with the agenda within 7 days prior to the meeting to help the directors understand the contents of</li> </ol>	None

Scope of Assessment	Status		Summary	Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
			<p>motions; reminding the directors to avoid the conflict of interests in the motion, if any.</p> <p>4. Recording the date of shareholders' meeting within the time limit required by laws annually, producing and reporting within the time limit the notice of meeting, annual report, handbook of meeting and minute, and reporting the amendments to the Company's Articles of Incorporation or re-election of directors, if any, to the competent authority.</p> <p>5. Completing registration of alteration of the Company's information.</p> <p>6. Helping shareholders deal with issues in relation to their shareholding.</p>	
V. Has the Company established communication channel with stakeholders (including but not limited to, shareholders, employees, customers and suppliers, etc.) and designated a stakeholders section on its website to respond to important issues of the corporate social responsibility properly?	V		The matter is handled by various department heads of the Company. Company website is set up: ( <a href="http://www.taiwancement.com">http://www.taiwancement.com</a> ) in order to respond to the communication channel adequately.	None
VI. Has the Company appointed a professional shareholders service agency to handle affairs related to shareholders' meetings?	V		The Company has appointed a professional shareholders service agency, the Shareholders Service Agency Department of Chinatrust Bank, to handle the affairs related to shareholders' meeting.	None
VII. Information Disclosure				
(I) Has the company established a corporate website to disclose information concerning financial affairs and corporate governance?	V		(I) Disclose related information on the Company's website ( <a href="http://www.taiwancement.com">http://www.taiwancement.com</a> ) and M.O.P.S. from time to time.	None
(II) Has the Company established other information disclosure channels (e.g. English website, assignment of specific personnel to collect	V		(II) The Company has delegated spokesperson and deputy spokesperson. The company has also appointed dedicated personnel to disclose financial and business	None

Scope of Assessment	Status		Summary	Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
and disclose corporate information, implementation of a spokesperson system, and the broadcasting of investor conferences via the company website)?			information and handle disclosure on the Company's website information, and post the process of investors' conferences on the Company's website.	
VIII. Other important information enabling a better understanding of the Company's corporate governance (including but not limited to, employee rights and interests, employee care, investor relations, and supplier relations, stakeholders' rights and interests, continuing education of directors and supervisors, implementation of risk management policies and risk measurement criteria, implementation of customer policy, and purchase of liability insurance by the Company for directors and supervisors):	V		<ol style="list-style-type: none"> <li>1. The Company has specified employees' benefits (e.g. Subsidies and group insurance, etc.)</li> <li>2. The Company has established the regulations for implementation of educational training to meet the demand of work and improve performance.</li> <li>3. The Company calls the labor-management meeting periodically to strengthen the harmonious relationship between employees and employer, and also regulate the relationship between employees and terms and conditions of employment, and protects employees' interest and right.</li> <li>4. The Company has established the regulations for provision and distribution of performance bonus to distribute various employees' bonuses.</li> <li>5. The Company amended the relevant regulations according to the Act of Gender Equality in Employment to protect the employees' interest and right.</li> <li>6. The Company would disclose material information of the Company on M.O.P.S. to protect investors' interest and right in accordance with the relevant laws.</li> <li>7. Status of continuing education of the Company's directors of 22nd term pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" (see the attached schedule).</li> <li>8. The directors shall pay attention to the</li> </ol>	None

Scope of Assessment	Status		Summary	Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
			<p>related laws and regulations from time to time.</p> <p>9. The management team reports the overview of business and financial performance to directors periodically.</p> <p>10. The Company has established various internal rules pursuant to laws for risk management and assessment, and implemented the rules.</p> <p>11. The Company has purchased liability insurance for its directors and managers to mitigate and disperse the severity of damage caused to the Company and its shareholders by any director's violation of laws.</p> <p>12. For transactions with affiliates, the Company would enter into written contract with the affiliates to expressly define both parties' right and obligation. The price was set according to the market price, or set by both parties at arm's length if no market price was available.</p>	
<p>IX. Please specify the status of improvement based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the corrective actions and measures against the remaining deficiencies to be taken as a priority.</p>				
Item No.	Scope of evaluation on corporate governance		Improvement and implementation	
3.12	Does the Salaries and Remuneration Committee hold at least two meetings every year and the Committee members attended at least two meetings or more?		The Company will try its best to separate the meetings from others when scheduling the meetings in the future, enabling the Committee members to attend more meetings.	
3.30	Does the Board evaluate the CPA's independence periodically (at least once per year) and disclose the evaluation procedure fairly in the annual report?		The Company has reported the CPA's qualification, competency and independence to Audit Committee and Board for review on March 27, 2017. The Board of Directors unanimously resolved that Weng Ya-Ling, CPA & Shao Chi-Ming, CPAs of Deloitte Taiwan met	



Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
				the Company's evaluation standards about independence and competency and should be qualified to act as the Company's CPAs.
3.31				Does the Company conduct performance evaluation on the Board periodically (at least once per year) and disclose the evaluation result on the Company's website or in the Company's annual report? Under Company's internal discussion and review.
4.19				Has the Company set up an English website accessible to investors? The Company would rectify the deficiency of the lack of English information of corporate governance on the Company's website.
4.21				Are the complete financial reports (including financial statement and notes) in English disclosed on the Company's website or M.O.P.S.? The Company would rectify the deficiency of the lack of financial reports in English on the Company's website.
4.22				Is the specific dividend policy disclosed in the Company's annual report? Already disclosed in the annual report.
5.12				Has the Company set up the complaint reporting system against illegal (including corruption) and unethical conduct of the Company's internal and external personnel, and disclosed the reporting system on the Company's website in detail? The Company sets up a report email address at MP.Buster@taiwancement.com, and discloses it on the Company's website and annual report. Any complaint may be initiated against illegal and unethical conduct of the Company's internal and external personnel.
5.13				Has the Company established, and asked for cooperation with suppliers to follow the relevant regulations on the issues regarding environmental protection, safety, or health, and to upgrade the corporate social responsibility together as well as disclosed the aforesaid information on the Company's website or in the Company's CSR report? The Company would sign the related contract (e.g. engineering contract and sale and purchase contract, etc.) with the suppliers to require them to follow the relevant regulations on the issues regarding environmental protection, safety, or health.

**Schedule:**

The Company's directors and supervisors (independent directors of the Company) already attended the following courses, subject to their personal schedule

and professional background:

Title	Name	Organizing agency	Courses	Date	Course hours	Compliance
Chairman	Chang An-Ping, Nelson	Securities and Futures Institute	Economic Forecasting of Taiwan Under International Turmoil and Trend of Block Chain Global Industrial Application	2016.09.07	3	Yes
Director	Kenneth C.M. Lo	Chinese National Association of Industry and Commerce, Taiwan	Corporate Ethical operation and Anti-Corruption Identification Trend and Practices	2016.7.21	3	Yes
Director	Wang Por-Yuan	Taiwan Corporate Governance Association	Money Laundering Control Trend and Optimal Management Framework	2016.10.6	3	Yes
Director	Yu Tzun-Yen	Taiwan Corporate Governance Association	How Enterprises Address Modern White-Collar Crime	2016.8.5	3	Yes
			Corporate Governance Trend - Six Major Concerns of Board of Directors 2016	2016.5.6	3	Yes
Director	Lin Nan-Chou	Taiwan Corporate Governance Association	How Enterprise's Operation Deal with International Risk - Make-Up International Relations Class	2017.3.28	1	Yes
Director	Hsieh Chi-Chia	Taiwan Corporate Governance Association	Confidentiality of Business Secrets and Non-Competition; Anti-Corruption Practices	2016.11.22	6	Yes
			Global Trend Analysis - Risk and Opportunity	2016.11.10	3	Yes
			How Enterprises Prevent Corruption - Case Study	2016.08.11	3	Yes
Director	Chen Chi-Te	Taiwan Corporate Governance Association	Construction of Professional Directors' Corporate Governance Philosophy and Efficient Board of Directors	2016.12.02	3	Yes
		Securities and Futures	Beneficiary Functions of Functional	2016.07.05	3	Yes

Title	Name	Organizing agency	Courses	Date	Course hours	Compliance
		Institute	Committees			
Independent Director	Yu-Cheng Chiao	Taiwan Corporate Governance Association	Global Economic Trend Development - Economic Vision 2017	2017.01.05	3	Yes
			Brace the Trend, Take Advantage of Opportunities, Welcome Internet of Things and Industry 4.0 New Generation	2017.01.05	3	Yes
			Economic Trend of Turkey; Financial Environment and Practices in China	2016.09.30	3	Yes
			Leadership of Innovative Age; Speak of Industrial Innovation from Internet of Things, Cloud Service and Big Data	2016.09.30	3	Yes
			Share of Cross-Strait Economic Trend: Share of Block Chain Technology and Application Cases	2016.06.03	3	Yes
Independent Director	Victor Wang	Taiwan CPA Association, ROC	Corruption Investigation Practices	2016.11.18	3	Yes
			Prevention of Insider Trading - Models of Insider Trade Arising from MA or Other Business Activities	2016.11.17	3	Yes
			Professional Role Played by CPA in Corporate Governance - e.g. Independent Directors	2016.11.2	3	Yes
			Statement of Auditing Standards No. 58 "Communicating Key Audit Matters in the Independent Auditor's Report"	2016.10.21	3	Yes
Independent Director	Cheng-Ming Yeh	Taiwan CPA Association, ROC	Corruption Investigation Practices	2016.11.18	3	Yes
		Taiwan CPA Association, ROC	Prevention of Insider Trading - Models of Insider Trade Arising from MA or Other Business Activities	2016.11.17	3	Yes
		Taiwan	Professional Role	2016.11.02	3	Yes

Title	Name	Organizing agency	Courses	Date	Course hours	Compliance
		CPA Association, ROC	Played by CPA in Corporate Governance - e.g. Independent Directors			
		Taiwan CPA Association, ROC	Statement of Auditing Standards No. 58 “Communicating Key Audit Matters in the Independent Auditor’s Report”	2016.10.21	3	Yes
Independent Director	Wei Yung-Tu (Note)	Taiwan Corporate Governance Association	Talk About Corporate Compliance and Directors’ Obligation to Supervise from Mega Bank Case	2016.02.22	3	Yes
		Taiwan Corporate Governance Association	Notes to highlights in the amendments to the Company Law related to corporate governance of TWSE/TPEX listed companies	2016.01.24	3	Yes
		Securities and Futures Institute	Anti-Tax Avoidance Development in Taiwan and Other Countries, and How Enterprises Address the Development	2016.12.06	3	Yes
		Securities and Futures Institute	Economic Forecasting of Taiwan Under International Turmoil and Trend of Block Chain Global Industrial Application	2016.09.07	3	Yes
		Taiwan Corporate Governance Association	Practices and Operations of Independent Directors and Functional Committees	2016.07.29	3	Yes
		Taiwan Corporate Governance Association	Guiding cases for public acquisition and defense Inevitable legal war	2016.07.28	3	Yes
		Taiwan Corporate Governance Association	Trend of Taxation Reform	2016.07.02	3	Yes
		Taiwan Corporate Governance Association	Risk Management, Internal Control and Information Management Practices	2016.06.29	3	Yes

Note: Mr. Wei Yung-Tu has resigned as an independent director on April 1, 2017.

(IV) Describe the composition, duties and operations of the Remuneration Committee, if any:

1. Information of the Remuneration Committee members

The 18<sup>th</sup> meeting of the Company's Board of 20<sup>th</sup> term on August 30, 2011 has resolved to approve the establishment of the "Articles of Association of Salaries and Remuneration Committee". The Salaries and Remuneration Committee should act professionally and objectively to evaluate the remuneration policy and system applicable to directors, supervisors and managers, establish and review the performance evaluation and policy, system, standard and structure of remuneration of directors, supervisors and managers. A total of 2 Remuneration Committee Meetings were held in 2016 and relevant resolutions made by the meetings were submitted to the Board for review.

Identity	Qualification	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 1)								Number of positions as a Salaries and Remuneration Committee Member in other public listed companies	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or skilled person and holder of national professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	Yu-Cheng Chiao			V	V	V	V	V	V	V	V	V	2	Met the requirement
Independent Director	Wei Yung-Tu (Note 2)		V	V	V	V	V	V	V	V	V	V	8	Met the requirement
Independent Director	Victor Wang	V	V	V	V	V	V	V	V	V	V	V	2	Met the requirement
Independent Director	Sheng Chih-Jen	V		V	V	V	V	V	V	V	V	V	1	Met the requirement

Note 1: A “√” is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. However, when the person is an independent director of the company, its parent company, or a subsidiary in which the company directly and indirectly holds more than 50% of voting shares, this restriction does not apply.
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in other's name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or blood relative within the third degree of kinship of a person listed in the three foregoing paragraphs.
- (5) Is not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company's total outstanding shares, nor is the director, supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.
- (6) Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the Company.
- (7) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or its affiliates, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.
- (8) Is not a person falling under any of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

Note 2: Mr. Wei Yung-Tu has resigned as an independent director and the Salaries and Remuneration Committee member on April 1, 2017.

2. Information concerning the Salaries and Remuneration Committee

- (1) The Company's Salaries and Remuneration Committee consists of 3 members.
- (2) Term of office held by the current members: From June 18, 2015 to June 17, 2018: The Committee has held a total of 2(A) meetings in the most recent year (2016). The members' qualification and attendance are summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Yu-Cheng Chiao	1	0	50%	Re-election of directors on June 18, 2015, and re-elected as the member
Member	Wei Yung-Tu	2	0	100%	Re-election of directors on June 18, 2015, and re-elected as the member
Member	Victor Wang	2	0	100%	Re-election of directors on June 18, 2015, and re-elected as the member
Other items to be specified:					
<p>1. If the Board does not adopt, or amends, the Salaries and Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company's handling of the Salaries and Remuneration Committee's opinions (if the remuneration approved by the Board of Directors is superior to that suggested by the Salaries and Remuneration Committee, please specify the deviation and reason): None.</p> <p>2. For resolution(s) made by the Salaries and Remuneration Committee with the committee members voicing opposing or qualified opinions on the record or in written statement, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: None.</p>					

## (V) Implementation of Social Responsibility:

Scope of Assessment	Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
I. Implementing Corporate Governance				None
(I) Has the Company formulated corporate social responsibility policies within the Company; and reviewed the progress and effectiveness of such policies?	V		(I) The Board approved the establishment of the "Corporate Social Responsibility Best-Practice Principle" to fulfill the Corporate Group's environmental protection philosophy "Environmental Protection is Responsibility, Not Cost", improve competitiveness, maximize recycling of resources, reduce various units' consumption of energy, reduce waste, achieve the objective of sustainable development and fulfill a citizen's social responsibility.	
(II) Does the Company organize any corporate social responsibility education and training program periodically?	V		(II) The Company would provide the corporate social responsibility educational promotion and training information from time to time in the monthly meeting.	

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
(III) Does the Company establish a dedicated unit (or concurrently engaged in) to promote corporate social responsibility under supervision by the senior management authorized by the Board of Directors and report the status thereof to the Board of Directors?	V		(III) The functional units would work with each other to promote corporate social responsibility. In order to promote the philosophy of sustainable operation and environmental protection, the 12th meeting of the Company’s Board of the 21st term resolved to approve the motion for establishment of “Environmental Protection Business Promotion Committee” and “Articles of Association for Environmental Protection Business Promotion Committee”. Various departments/offices and plants of the Company should be identified as the execution units of the Committee, and under direction and supervision of the Committee to work together to promote the corporate social responsibility. Meanwhile, the Committee should report to the Board about the status of promotion.	
(IV) Has the Company defined reasonable compensation policy, integrated corporate social responsibility with employees’ performance evaluation, and established clear and effective reward/disciplinary system?	V		(IV) The Company would grant reward and take disciplinary actions according to the Work Rules. The Company provided market competitive salary and plentiful performance bonus which links Company’s entire profit with employee’s personal performance to reward employees for excellent performance.	
II. Fostering a Sustainable Environment (I) Does the Company make any effort to increase the efficient use of available resources, and using environmental-friendly materials?	V		(I) The Company fulfills its responsibility to help dispose of waste, and continues to dispose of sludge and industrial waste, including calcium fluoride sludge, desulfurization non-organic sludge, soot, sludge of stone materials, desulfurization plaster, industrial waste soil and aluminum slag, to replace raw materials for production and reduce mining of natural mineral soil. In 2016, the Company helped dispose of calcium fluoride sludge totaling 18,055.35 tons, and other industrial waste of 167.42 kg per ton of the cement.	None



Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
(II) Has the Company established environmental protection policies based on the Company’s industry characteristics?	V		(II) The cement plants are primarily engaged in mining Nano Calcium Carbonate, and producing and storing cement business. Given the production activities’ impact to environment, safety and health, in order to fulfill the social responsibility and comply with the national laws and other requirements, the Company has been dedicated to preventing environmental pollution, personnel casualty and ill health, and also making improvement continuously. The Company has already received the certification of ISO 14001 for environmental management system and OHSAS 18001 for workers’ safety and health management system. The cement plants have units dedicated to controlling air pollution, water pollution and disposal of waste and implement the environmental pollution control and management at the cement plants.	
(III) Is the Company aware of how climate change impacts its business operations, or conducts investigation on greenhouse gas emission, or formulates energy saving and carbon/greenhouse gas reduction strategies?	V		(III) In order to fulfill the corporate social responsibility, the Company always works hard to achieve the sustainable development of environment as the objective to be achieved by the Corporate Group. To deal with the effect produced by changes of the global climate, the Company would entrust a third party notary (e.g. SGS) to conduct the GHG inspection each year and keep trying to optimize the production process of cement to mitigate the unit thermal consumption and power consumption of the product per ton to reduce the emission of GHG. Meanwhile, in order to save energy and maintain environmental protection, each cement kiln would be equipped with the waste heat recycling power generation system to save energy and reduce carbon and recycle resources. The three cement plants’ waste heat recycling power generation of about 116 million degrees in Taiwan in 2016 was supplied for production, resulting in reduction of emission of CO2 by about 61.25 thousand tons/year. Meanwhile, the Company passed SGS certification in 2014 and became the first local cement company which installed ISO 50001 energy management system.	

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
III. Preserving Public Welfare				None
(I) Has the Company established the related management policies and procedures in accordance with the relevant laws and international human right conventions?	V		(I) The Company complied with related laws and followed international human right conventions, e.g. gender equality, right to work and non-discrimination, and established its Work Rules in accordance with Labor Standard Law and related governmental laws and regulations.	
(II) Has the Company established any employee complaint reporting mechanism and channel, and takes care of the complaint adequately?	V		(II) The Company set up the email box exclusive for employees’ complaint against sexual harassment according to the “Act of Gender Equality in Employment”. The Company established the employee complaint mechanism and channel in the Stakeholder Section on its website.	
(III) Does the Company provide a safe and healthy work environment and regular safety and health training to the Company’s employees?	V		(III)The Company has set up the Labor Safety & Health Management Office in charge of workers’ safety and health-related affairs throughout the Company, which valued and continued the safety and health education, training and drill for employees, and propagated to employees the education and training about management of work environment, equipment and hazardous substances to promote employees’ safety and health in the workplace.	
(IV) Has the Company established the mechanism for periodic communication with employees, and notification to employees of changes in Company’s operations that might materially affect the employees in a reasonable manner?	V		(IV) The Company established the mechanism for periodic communication with employees by means of the internal information bulletin on its website, convention of periodic labor-management meeting, workers’ welfare meetings, email and annual family day.	

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
(V) Has the Company established effective career development training plans for employees?	V		(V) The Company valued employees’ training and provided goal-oriented management and provided employees with tailored career development strategies, cadre members’ training and educational and training courses.	
(VI) Has the Company established the related consumer protection policies and complaint procedures toward the R&D, procurement, production, operation and service procedures?	V		(VI) The Company established the procedures handling customer service and complaints to provide customers with the quality product and quality services, and set up the research office dedicated to working with various production and business units to provide customized services and solutions of customers’ complaints. The Company would conduct the customers’ satisfaction survey each year to form the basis for improvement and supervision.	
(VII) Does the Company market and label products and services in accordance with the related laws and international practices?	V		(VII) The packaging of cement followed the Commodity Labeling Act. The origin, components & ingredients, ex-factory date and expiry date were identified on the bag. In the case of bulk cement, the factory, components & ingredients and ex-factory date were identified in the factory order, and the cement would be transported via the airtight tank truck to prevent dust from spreading. The shipment for domestic marketing would be transported via the ship equipped with dust collector. The Company would issue the complete shipping documents. The Company sold and ships the exported goods in accordance with international standards and customs. Each plant’s quality assurance system already passed ISO and CNS mark certification. All of the products would undergo the quality inspection according to the internal control standards required by Bureau of Standards, Metrology and Inspection or stricter internal standards and customers’ requirements before being shipped out of the factory, in order to ensure compliance with the customers’ requirements.	

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
<p>(VIII) Has the Company assessed the supplier’s record about environmental protection and impacts on society before trading with the supplier?</p> <p>(IX) Does the contract between the Company and its main supplier include the provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract?</p>	V		<p>(VIII) It has been noted in the tender documentation.</p> <p>(IX) The Company would require in each contract that the supplier should comply with the governmental laws and regulations and various environmental laws to avoid penalty, and in the case of the supplier’s breach of the contract, the supplier should bear the relevant penalty and the Company may terminate the contract at any time.</p>	
<p>IV. Enhancing Information Disclosure</p> <p>(I) Does the Company disclose relevant and reliable information relating to corporate social responsibility on its website or Market Observation Post System (M.O.P.S.)?</p>	V		<p>The Company would disclose the “CSR report” and related information on its website and M.O.P.S. at the same time.</p>	None

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
<p>V. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation:</p> <p>(I) The Company’s “Corporate Social Responsibility Best-Practice Principle” was approved at the 14th meeting of the Board of Directors of the 20th term. Each of the Company’s subsidiaries also fulfilled the corporate environmental protection philosophy “Environmental Protection is Responsibility, Not Cost” to fulfill its social responsibility as a citizen.</p> <p>(II) In order to promote the philosophy of sustainable operation and environmental protection, the 12th meeting of the Company’s Board of Directors of the 21st term resolved to approve the motion for establishment of “Environmental Protection Business Promotion Committee” and “Articles of Association for Environmental Protection Business Promotion Committee”. Various departments/offices and plants of the Company should be identified as the execution units of the Committee, and under direction and supervision of the Committee. The Chairman of Commission convenes the monthly meeting to be attended by the promotion units of various departments/offices and plants, periodically or from time to time, or convene any special meeting if necessary.</p> <p>(III) The Company established and implemented its Corporate Social Responsibility Best-Practice Principle step by step, in accordance with the “Corporate Social Responsibility Best Practice Principle for TWSE/TPEX Listed Companies”.</p>				
<p>VI. Other information material to the understanding of the Company’s fulfillment of corporate social responsibility:</p> <p>(I) The Company’s Suao Plant was honored as the excellent plant dedicated to promoting voluntary greenhouse gas (GHG) reduction in 2008. Ho Ping Plant was honored as the excellent plant dedicated to promoting voluntary greenhouse gas (GHG) reduction in 2007. Hualien Plant was honored as the excellent plant dedicated to promoting voluntary greenhouse gas (GHG) reduction in 2009 and 2014.</p> <p>(II) Hualien Plant, Ho Ping Plant and Suao Plant of the Company passed the formal evaluation of SGS in December 8, December 12 and December 15, 2014, respectively, and became the first cement manufacturer which passed the cement industry ISO5001 energy management system certification in Taiwan.</p> <p>(III) The Company was honored as ranking in the 40th place of “2016 Excellence in Corporate Social Responsibility”, Large-Scale Enterprise Section.</p> <p>(IV) The Company was honored the “Taiwan TOP 50 Corporate Social Award” (Gold Award for Traditional Manufacturing) in 2016.</p> <p>(V) The Company was honored the “Climate Leadership Award” in the “2016 TCSA (Taiwan Corporate Sustainability Awards)”.</p>				

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
<p>(VI) Environmental protection</p> <p>1. Environmental protection policy and feedback by Ho Ping Cement Plant</p> <p>When the Plant was planned, the Company has adopted the most advanced environmental protection equipment, such as the fully enclosed-type storage and conveyance system that may attend the landscape and environmental protection at the same time, and applied the Low-NOx process and equipment. Meanwhile, the main exhaust stack was equipped with CEMS to control the quality of emission strictly and ensure that all emissions duly comply with the national standards. Meanwhile, to be in line with the landscape of Taroko National Park nearby, the Plant also constructed a landscape park occupying an area of 20 hectares, for the purpose of landscaping the Plant. Meanwhile, the Plant recycled the waste soot and desulfurization plaster generated by the Ho Ping thermal power generation plant nearby as raw materials, for the purpose of recycling.</p> <p>Ho Ping Cement Plant was identified by the local residents as a “good neighbor”, and has been engaged in the following for many years: (1) Guide the residents to seek employment; (2) Provide venue for Mennonite Christian Hospital to set up clinic for local residents seeking medical care; (3) Install various recreational facilities, such as sports ground, available to the public; (4) Provide disaster relief; (5) Donate for public welfare; and (6) Provide scholarship and fellowship.</p> <p>2. Landscaping of Ho Ping Industrial Port</p> <p>Ho Ping Industrial Port not only boosted the common prosperity locally but also created employment opportunities, reduced the transportation cost of Ho Ping Cement Plant and Ho Ping Thermal Power Generation Plant, and enhanced the competitiveness in market.</p> <p>The environmental protection operations at Ho Ping Port complied with the commitments for environmental impact assessment. The Company established the regulations governing environmental protection based on various environmental impact assessment standards, and spent the environmental protection expenditure totaling about NT\$10 million. The Company purchased the depollution boat responsible for disposal of floatage and relic in the water area of the Port, and carried out the landscaping engineering work by zone in the area of Port to achieve the purpose of “port greening”. The storage systems in the area of the Port all applied the enclosed-type gallery conveyor design to reduce spreading of dust from the supplies. The wharf was installed with the automatic refilling and unloading machine to mitigate the flow of freight and air pollution in the area of the Plant.</p> <p>3. Environmental protection and feedback by Ho Ping Thermal Power Generation Plant</p> <p>The environmental protection policies adopted by the Plant included the multiple most advanced air pollution prevention equipment, such as the enclosed coal-fired storage system, static dust collector, coal-exclusion and desulfurization equipment, optional catalyst converter denitration equipment, Low NOx Burner and CEMS, in order to effectively control the concentrations of sulfur oxides and nitrogen oxides emitted from the exhaust stack to ensure the emission comply with the stricter standards than those pursuant to the local laws and regulations. Meanwhile, the Plant worked with Ho Ping Cement Plant to achieve the purpose of full recycling. The contribution to the local community includes (1) Subsidy for community construction and development expenditure; (2) Subsidy for the local expenditure in charity, public security, medical care, environmental protection, fire prevention and disaster relief, and folk festivals, etc.</p> <p>4. The Company would continue to promote the cooperation with Industrial Technology Research Institute (“ITRI”) in the CO2 capturing and biological carbon sequestration research program.</p>				

Scope of Assessment	Status		Summary	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No		
(VII) Ecological conservation				
1. The Dr. Cecilia Koo Botanic Conservation Center				
<p>In order to participate in the global botanic conservation program, TCC Group donated fund and found The Dr. Cecilia Koo Botanic Conservation Center (KBCC) dedicated to tropical plant conservation. The Center was formally open and founded in Pingtung County, Taiwan on January 19, 2008. KBCC’s mission is to conserve tropical and sub-tropical plants and maintain rich biodiversity on earth. By remote preservation of the plants and based on academic research, KBCC participates in various tropical plant conservation programs in the world and aims to develop as the world-class tropical plant conservation base, and to collect 30,000 types of living plants within 20 years. Until April 30, 2017, KBCC has successfully cultivated 31,066 types of tropical plant originating from various places in the world, the largest scale of collection in Asia. Among other things, the collection of orchid, pineapple and fern family plants ranks Top 1 in the world and makes Taiwan become the important plant conservation base in the world. About 80,000 types of plant cultivated at KBCC have been attached with the bar code similar to certain digital ID card, through which the name, origin, and cultivation of the plants may be accessed at any time. In order to fulfill the overall quality life policy, the Company takes the initiative to realize sustainable development and conservation pursuant to the Group’s fundamental philosophy.</p> <p>2. Since 1992, the Company has successively sponsored the filming of “A Century of Taiwan Wild Birds”, “Summer Catchers-Taiwan Whiskered Tern” and “The Collared bush robin calls”, in hopes of arousing awareness of the public, enterprises and governments toward the importance of ecological conservation to the quality of life and calling on the public to promote the ecological conservation altogether. Said films were well received by the public since their release.</p>				
VII. If the Company’s corporate social responsibility reports have met the assurance standards of relevant certification institutions, they should be stated below:				
<p>The CSR report 2015 prepared by the Company in 2016 is prepared according to the G4 general disclosure and specific disclosure indicators of the Global Reporting Initiative (GRI) and based on core disclosure. The Company retained SGS Taiwan Ltd. to provide the AA1000 certification.</p>				

(VI) The status of the Company’s performance in the area of ethical operation and related measures adopted by the Company

Scope of Assessment	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
<p>I. Formulation of ethical operation policy and program</p> <p>(I) Does the Company expressly state the ethical operation policy and measurers and the commitment to actively implement such policies by the board of directors and the management in its Articles of Incorporation and public documents?</p> <p>(II) Does the Company have the policy in place against unethical conduct, and expressly states the operating procedure, guidelines and reward and disciplinary &amp; complaint systems for misconduct, and implement them?</p> <p>(III) Does the Company take any preventive measures against the operating activities involving higher risk of unethical conduct under Paragraph 2 of Article 7 of the “Corporate Ethical Operation Best Practice Principle for TWSE/GTSM Listed Companies” or within other operating areas?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I) In order to fulfill its corporate social responsibility, the Company always values cultures and respects talents in order to build an enterprise with “Quality, Ethics and Taste”. With ethics and passion to serve, the Company provided delicate service which exceeds customers’ expectation and realizes “customers’ satisfaction”. It also establishes fair relationship with suppliers and customers and pursues sustainable operation and growth as its ultimate goal. Meanwhile, the Company expressly states the attitude and philosophy held by the Board and management in relation to dedication to achieve ethical operation on its website.</p> <p>(II) The Company has formulated the operating procedure for ethical operation and expressly stated the relevant standards of operations to be followed.</p> <p>(III) According to the resolution made by the 22nd meeting of the Board of the 18th term, the Company’s donation of more than NT\$1,000 thousand should be subject to authorization of the Board. The audit team should also notice whether there is any offering or acceptance of bribe or other unjustified enrichment.</p>	None
<p>II. Implementation of ethical operation</p>				None



Scope of Assessment	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
(I) Does the Company assess a trading counterparty’s ethical operation record, and expressly stated the ethical operation clause in the contract to be signed with the trading counterparty?	V		(I) The Company requests its suppliers to sign the Supplier Corporate Social Responsibility Commitment Statement and ask the suppliers to work with the Company, and conduct assessment on suppliers periodically.	
(II) Has the Company established a dedicated unit (or concurrently engaged in) to promote ethical corporate management, and reported the execution thereof to the Board of Directors?	V		(II) In order to facilitate management over ethical operation, the audit team should be responsible for the supervision and execution ethical operation policies and report to the Board.	
(III) Has the Company formulated any policy against conflict of interests, provided adequate voicing channels thereof, and implemented the policy?	V		(III) The Company’s “Corporate Social Responsibility Best-Practice Principle” expressly states that the Company should respect social ethics and pay attention to other stakeholders’ interest and right when fulfilling corporate social responsibility, value the factors about environment, society, and corporate governance when pursuing sustainable operation and profit, and integrate social responsibility with the Company’s management and operation.	
(IV) Has the Company conducted ethical operation by establishing an effective accounting system and internal control system, and had an internal audit team to conduct periodic audits, or appointed a CPA to conduct audits?	V		(IV) The internal control manager was appointed according to the relevant requirements and held the educational background and work experience qualified for the position. The manager was authorized to amend the internal control system pursuant to laws at any time, conduct self-inspection on internal control system and internal audit, and submit the audit team’s audit report to Audit Committee for review periodically and attend the directors’ meeting.	
(V) Does the Company organize internal/external education training program for ethical operation periodically?		V	(V) The Company would promote the ethical operations policy in the monthly meeting.	
III. Status of the Company’s complaint system				None

Scope of Assessment	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
<p>(I) Has the Company established a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?</p> <p>(II) Has the Company formulated the standard operating procedure and non-disclosure mechanism in relation to investigation in the complaints as accepted?</p> <p>(III) Has the Company adopted any measures to prevent the complainants from revenge after filing complaints?</p>	V	V	<p>(I) The Company has not yet established any specific complaint or reward system. However, the Company encourages the complaint against illegal acts, or conduct against the code of ethics and strengthens the promotion towards concept of ethics. The Company encourages employees to report any violations of the laws and regulations or the code of ethics suspected or found by them to managers, internal audit manager, or other competent personnel, or via the email to MP.Buster@taiwancement.com, to provide sufficient information for the Company to take follow-up actions.</p> <p>(II) The Company has not yet formulated the standard operating procedure and non-disclosure mechanism in relation to the investigation on the complaints as accepted. The investigation should be conducted by the Auditor’s Office pursuant to related operating requirements.</p> <p>(III) The Company would process the reported cases confidentially and advise the employees that the Company would try its best to protect the complainant’s safety.</p>	
<p>IV. Enhancing Information Disclosure</p> <p>(I) Has the Company published the Ethical operation principles and effect of implementation thereof on its website and M.O.P.S.?</p>	V		<p>(I) The Company has published its corporate ethical operation philosophy via the Company’s website (<a href="http://www.taiwancement.com">http://www.taiwancement.com</a>). Meanwhile, the Company also published its corporate ethical operation philosophy in English at <a href="http://www.taiwancement.com">http://www.taiwancement.com</a>.</p>	None
<p>V. If the Company has established its own ethical operation principles based on the “Corporate Ethical Operation Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation:</p> <p>The fourteenth meeting of the Company’s Board of Directors of 20th term resolved to establish the Company’s ethical operation principle, and 5th meeting of the Board of 22nd term resolved to amend the principle and the auditors are responsible for supervising and implementing the ethical operation</p>				

Scope of Assessment	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
policies. The Company established and implemented its ethical operation principle step by step, in accordance with the “Corporate Ethical Operation Best Practice Principle for TWSE/GTSM Listed Companies”.				
VI. Other information which would assist the understanding of the corporate ethical operations (e.g. discussion of an amendment to the ethical operation best practice principles defined by the Company): The banks trading with the affiliates are financial institutions that hold specific credit rating and scale of assets. Meanwhile, the Company has also established the regulations governing facility to customers and conducted assessment on suppliers periodically, evaluated related risks and controlled the risks via the SAP system.				

(VII) If the Company has adopted corporate governance best-practice principles or related bylaws, it shall specify where they can be found.

The 14th meeting of the Company’s Board of the 20th term resolved to approve the motion for establishment of the code of ethics and ethical operation best practice principle. The 2nd meeting of the Board of the 22nd term resolved to approve the motion for establishment of the “corporate governance best practice principle”. For other related regulations, please refer to the corporate governance-related regulations in the “Investor Service” section on the Company’s website at [http://www.taiwancement.com/#Invest\\_4\\_2\\_3](http://www.taiwancement.com/#Invest_4_2_3).

The 8th meeting of the Company’s Board of the 22nd term resolved to approve the motion for amendments to the “Operating Procedure for Application for Suspension and Resumption of Transactions” and “Corporate Governance Best Practice Principle”. The 12th meeting of the Board of the 22nd term resolved to approve the motion for amendments to the “Corporate Social Responsibility Best Practice Principle”.

(VIII) A summary of resignations and discharges, during the most recent fiscal year and up to the date of publication of the Information Memorandum, of the Company’s Chairman of Board, CEO, accounting manager, finance manager, internal audit manager, and R&D manager.

Title	Name	Date of Appointment	Date of Discharge	Cause of Resignation or Discharge
Chairman and CEO	Koo Cheng-Yun, Leslie	1998/07/01	2017/01/23	Deceased
CEO	Chang An-Ping, Nelson	2017/01/23	2017/07/31	Discharged

(IX) Other important information enabling better understanding of the Company's corporate governance:

1. Disclose material information in a timely manner and convene investor meetings periodically.
2. The 14th meeting of the Company's Board of 20th term resolved to approve the motion for establishment of the code of ethics, ethical operation best practice principles and corporate social responsibility best practice principle.
3. The Company prepared the Corporate Social Responsibility ("CSR") report in 2015.
  - (1) Internal audit: The data or information disclosed in the report was provided by various responsible departments and confirmed by the taskforce dedicated to preparation of CSR report, and then reviewed and approved by Chairman of Board after submission to various department heads.
  - (2) External audit: The report was prepared by SGS Taiwan Ltd.
  - (3) The GRI G4 core guidelines and AA 1000AS type 1 medium guarantee level were applied in validation of the CSR report. The report was confirmed to be consistent with the GRI G4 core requirements. For the validation method and result, please see the attachment to the CSR report.
  - (4) The CSR report has been disclosed on the Company's website and the MOPS available to investors.
4. Managers' participation in training and education programs related to corporate governance:

Title	Name	Date	Course name	Course hours (HR)
Senior Manager	Yeh Kuo-Hong	2016/07/11~2016/07/19	Course for Chief Accounting Officer of Securities Issuers, Securities Firms and Securities Exchanges	30
Senior Manager	Tseng Hsiao-An	2016/09/01	Audit and Prevention of Corruption by Enterprise Employees, and Case Study	6
		2016/08/25	Analysis of Internal Auditors' Approach to Collect Evidence and Observation of Search and Seizer of Evidence by Investigating and Prosecuting Apparatus	6

**Taiwan Cement Corp.  
Statement on Internal Control System**

**Date: March 27, 2017**

The declaration in connection with the self-evaluation result of the Company's internal control system on 2016 is made as follows:

1. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation results and efficiency (including profit, performance, and protection of assets), financial report reliability, timeliness, transparency, and compliance with relevant laws and regulations.
2. The internal control system has its inherent limitations. No matter how well it is designed, the effective internal control system is only able to provide reasonable assurance of the three above-mentioned objectives. Moreover, due to the changes of environment and situations, the effectiveness of the internal control system may change as well. The Company's internal control system is designed with a self-monitoring mechanism; therefore, the Company will take corrective actions upon identifying any nonconformity.
3. The Company has assessed the effectiveness of the design and implementation of the internal control system in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (the "Regulations"). The criteria defined in "the Regulations" include five elements according to the management control process: 1. environment control; 2. risk assessment; 3. control process; 4. information and communication; and 5. supervision. Each of the five elements consists of several items. Please refer to the "Regulations" for details.
4. The Company has applied the criteria of the internal control system referred to above to evaluate the effectiveness of the design and implementation of the internal control system.
5. The Company, based on the evaluation result referred to above, has concluded that the internal control system (including the supervision and management over the subsidiaries) on December 31, 2016 is reasonably effective in achieving the objectives of understanding results of operation and its efficiency, financial report reliability, timeliness, transparency and compliance with relevant laws and regulations.
6. This Statement forms part of the main contents of the Company's annual report and Information Memorandum published. Any illegalities, such as misrepresentations or concealments in the published contents mentioned above, will be considered as a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal responsibilities.
7. The Statement was resolved in the directors' meeting upon unanimous approval of the 19 attending directors on March 27, 2017.

Taiwan Cement Corp.

Chairman: /s/ Chang An-Ping, Nelson  
CEO: /s/ Chang An-Ping, Nelson

## Conclusion of the Securities Underwriter

[Draft]

Taiwan Cement Corp. (hereinafter referred to as “TCC” or the “Company”) reported its acquisition of the Ordinary Shares and Convertible Preference Shares of TCC International Holdings Limited by issuance of 205,244,975~767,146,025 new shares, at par value of NT\$10 per share, with the total issue value of NT\$2,052,449,750~NT\$7,671,460,250, to Financial Supervisory Commission (FSC) pursuant to laws. We have adopted necessary guidance and evaluation procedure, including site-visits to understand the Company’s operations, and interview or meeting with the Company’s directors, managers and other related personnel, and collecting, organizing, investigating and analyzing and comparing related information for thorough evaluation. We hereby provide the conclusion in accordance with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” promulgated by FSC, and the “Guidelines for Information to be Published in Assessments of Underwriters for Offering and Issuance of Securities” and “Taiwan Securities Association Rules for Procedures of Examination and Verification in relation to Securities Underwriter’s Evaluation Reports on Offering and Issuance of Securities by Securities Issuers” promulgated by Taiwan Securities Association.

In our opinion, subject to the qualifications mentioned below, the offering and issuance of new shares by TCC should be considered as complying with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” and related laws. Its plan is feasible and necessary, and the use of funds, progress and expected benefit should be considered reasonable, except that the achievement of the motion for issuance of shares for the acquisition of shares of TCCIH might be affected subject to the following approvals and resolutions: approval of Securities and Futures Commission (SFC) and HKEx to all documents and announcements to be released by the Company with respect to the Proposal and the Scheme; sanction of the Scheme by the Grand Court, and the passing of the resolutions at TCCIH “Court Meeting”, the EGM and the Special EGM to approve the Proposal and the Scheme.

Fubon Securities Co., Ltd.

Responsible Person: Gang Shyy

Underwriting Dept. Head: Lin Sheng-Bin

MM DD, 2017

**Legal Opinion**

[Draft]

To: Taiwan Cement Corporation

Taiwan Cement Corporation (the "Company") filed with the Financial Supervisory Commission the issuance of [-] common shares, par value NT\$10.00 per share, with a total issue amount of NT\$[-], due to its acquisition of the shares of TCC International Holdings Limited. We have performed the necessary verification procedures, including on-site examination, face-to-face interviews or meetings with the Company's directors, managers, and relevant personnel, collecting, compiling and verifying the Company's meeting minutes, important contracts, and other relevant documents and data, and taking into consideration the relevant experts' opinions, and we hereby issue this legal opinion in accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

In our opinion, on the basis of the explanations and subject to the assumptions, qualifications and restrictions contained in the Legal Issues Checklist submitted by Taiwan Cement Corporation to the Financial Supervisory Commission, no matters that will be in violation of laws and regulations such as would affect the offering and issuance of securities were found.

Sincerely yours,  
LEE AND LI

/s/ \_\_\_\_\_

Name:

Date: [-], 2017

VI. Important resolutions, Articles of Incorporation and Related Laws & Regulations

1. Resolutions related to the issuance: Please refer to pages 184-193 of the Information Memorandum.



**Minutes of the 13th special meeting of the Board of Taiwan Cement Corp. of the  
22nd term (Excerpt)**

Time: April 19, 2017 (Wednesday) 3: 30PM/6: 00PM for break

April 20, 2017 (Thursday) 3: 35PM meeting continued

Place: 1st meeting room at 12F of TCC Building

Attendees: Chang An-Ping, Nelson, Jason, Koo Kung-Yi, Kenneth C.M. Lo, Chi-Wen Chang, Por-Yuan Wang (acted by Tzun-Yen Yu), Tzun-Yen Yu, Chien-Tong Chen, Eric T. Wu, Ming-Sheng Lin, Jennifer Lin, Esq. (acted by Victor Wang), Chang Kang-Lung, Jason, Nan-Chou Lin (attend via video conference), Chi-Chia Hsieh (attend via video conference), Chen Chi-Te, David Carr Michael (acted by Jason, Koo Kung-Yi), Yu-Cheng Chiao, Victor Wang, Cheng-Ming Yeh

(18 directors to attend the meeting, 15 directors attended the meeting in person (including 2 directors attending via video conference), and 3 directors attended the meeting by proxy)

Attend as observer: Sullivan & Cromwell (Hong Kong) LLP – Ching-Yang Lin

Lee and Li, Attorneys-at-Law – James Chen, Eddie Chan, Ching-Hua Lu

BNP Paribas Euronext – Wei-Bin Lee, Hong-Ching Tsai

Senior Vice President Chien-Chiang Huang, Senior Vice President Chi-May Wang, Vice President Ker-Fu Lu, Vice President Li-Wen Tsai

A total of 10 persons

Chairperson: Chang An-Ping, Nelson

Record taken by: Tsai Li-Wen

**I. Report: (Omitted)**

**II. Discussion**

**Agenda: Director Chang Kang-Lung, Jason and Director Chi-Te Chen stated the conflict of interest in person: Director Chang Kang-Lung, Jason is the corporate representative of Chia Hsin Cement Corporation. A holding company registered under the name of Director Chang Kang-Lung, Jason's spouse holds the Ordinary Shares of TCCIH (defined below) totaling 3,000,000 shares. Chia Hsin Cement Corporation holds the Ordinary Shares of TCCIH totaling 8,829,262 shares. Chia Hsin Pacific Limited is a subsidiary of Chia Hsin Cement Corporation and is holding the Ordinary Shares of TCCIH totaling 479,849,250 shares. Director Chi-Te Chen is the corporate representative of Heng Qiang Investment Co., Ltd. The trust of Director Chi-Te Chen holds the Ordinary Shares of TCCIH totaling 9,855,000 shares. Director Chang Kang-Lung, Jason and Director Chi-Te Chen recused themselves before the voting.**

**1st Motion**

Proposal: TCC International Holdings Limited ("TCCIH"), a subsidiary of the Company, is now listed on the Main Board of Hong Kong Stock Exchange. The Company and the subsidiary wholly owned by the Company, TCCI, intend to privatize TCCIH

under a Scheme of Arrangement (the “Scheme of Arrangement”) according to the Companies Law of the Cayman Islands, and pursuant to the laws of Hong Kong and Cayman Islands. The motion is submitted for resolution.

Notes:

- I. TCCIH is an important subsidiary wholly owned by TCCI, a wholly owned subsidiary of the Company. In order to integrate the resources of the Company and TCCIH and enable strategic development of both companies, the Company and TCCI intend to, pursuant to the laws of Hong Kong and Cayman Islands, privatize TCCIH under the Scheme of Arrangement (hereinafter referred to as the “Privatization Proposal”). Upon completion of the Privatization Proposal, TCCIH will become a wholly owned subsidiary of the Company and its listing on the Main Board of the Hong Kong Stock Exchange will be withdrawn.
- II. The Privatization Proposal is outlined as follows:
  1. Expected benefits of the Privatization Proposal:
    - A. The Privatization Proposal will provide shareholders of TCCIH other than TCCI (hereinafter referred to as the “Scheme Shareholders”, and the shares in TCCIH held by them are referred to as “Scheme Shares”) with the opportunity to realize their investments in the Scheme Shares for cash and redeploy the cash received by them from the Privatization Proposal into other investment opportunities, or to participate in the investment in the Company. Given that the TCCIH Ordinary Shares are generally thinly traded on the Hong Kong Stock Exchange (and with low liquidity) and that TCCIH Convertible Preference Shares are not publicly listed, there is limited opportunity for Scheme Shareholders to divest their investments in TCCIH. For the 12 months up to and including April 18, 2017, the average daily trading volume of TCCIH Ordinary Shares was 3,928,444 shares, i.e. approximately 0.08% of its total issued Ordinary Shares on the day preceding to the meeting;
    - B. Since the Company via TCCI holds approximately 63.05% of the total issued Ordinary Shares of TCCIH, it is unlikely that the Scheme Shareholders will receive any alternative general offers or other similar proposals from third parties to acquire the Scheme Shares without the Company’s approval. The Company holds TCCIH Ordinary Shares and Convertible Preference Shares as a long-term investment; and
    - C. Successful privatization and withdrawal of listing of TCCIH can:
      - i. Facilitate financial, business and operational integration between the Company and TCCIH, and provide the Company with greater flexibility to support the future business development of TCCIH free

- from pressures of market expectations, earning visibility and share price fluctuations associated with maintaining the listing status of TCCIH;
- ii. Consolidate the Company's interests in TCCIH with the intention of simplifying the shareholding structure of TCCIH and improving the corporate efficiency of TCCIH; and
  - iii. Allow TCCIH to save on the costs and expenses associated with compliance and maintenance of the listing status of TCCIH.
2. As at April 18, 2017, the Company held the Ordinary Shares of TCCIH totaling 3,117,016,329 shares via its wholly-owned subsidiary TCCI, i.e. approximately 63.05% of the total issued Ordinary Shares of TCCIH. Further, the Company holds the Convertible Preference Shares of TCCIH totaling 494,251,511 shares via TCCI, i.e. approximately 99.98% of the total issued Convertible Preference Shares of TCCIH.
3. Subject to approval of the Scheme of Arrangement, the Company and TCCI intend to jointly make the following offer to the Scheme Shareholders:
- (1) Scheme Shareholders who hold TCCIH Ordinary Scheme Shares may elect to accept the cash consideration paid by TCCI (HKD3.6 per share), or to exchange for the new ordinary shares issued by the Company (exchange ratio: 1 TCCIH Ordinary Scheme Share in exchange for 0.420 new ordinary share issued by the Company); and
  - (2) Scheme Shareholders who hold TCCIH Convertible Preference Scheme Shares may elect to accept the cash consideration paid by TCCI (HKD3.93 per share), or to exchange for the new ordinary shares issued by the Company (exchange ratio: 1 TCCIH Convertible Preference Scheme Share in exchange for 0.458 new ordinary share issued by the Company).
4. Where all Scheme Shareholders (including shareholders of Ordinary Scheme Shares and Convertible Preference Scheme Shares) elect to accept the cash paid by TCCI with respect to the Privatization Proposal, the cash to be paid by TCCI shall be no more than approximately HKD6,575,537,466. Where any Scheme Shareholder (including shareholders of Ordinary Scheme Shares and Convertible Preference Scheme Shares) validly elects to exchange for the new ordinary share(s) issued by the Company with respect to the Privatization Proposal, the Company shall (subject to the exchange ratio resolved by the Board) issue new ordinary share(s), and exchange the share(s) with the Scheme Shareholders pursuant to Paragraph 8 of Article 156 of the Company Act in exchange for the TCCIH shares held by the

Scheme Shareholder. Where all Scheme Shareholders (including shareholders of Ordinary Scheme Shares and Convertible Preference Scheme Shares) validly elect to exchange for the new ordinary shares issued by the Company with respect to the Privatization Proposal, the Company shall issue no more than 767,146,025 new ordinary shares.

5. Before implementing the Privatization Proposal, the Company and TCCI shall obtain the following competent authorities' approvals: (1) approval of the additional investment in the PRC by the Company indirectly upon completion of the Privatization Proposal by the Investment Commission of MOEA; (2) approval of the issuance of new ordinary shares by the Company pursuant to the Privatization Proposal by the TWSE; (3) approval of the Company's issuance of new ordinary shares for the Privatization Proposal by the FSC; (4) approval by the Securities and Futures Commission (SFC) and HKEx of all documents and announcements to be released by the Company with respect to the Privatization Proposal; and (5) sanction of the Scheme of Arrangement by the Grand Court of the Cayman Islands (see Paragraph 6 below).
6. Approvals of the Scheme of Arrangement and related TCCIH capital adjustment include:
  - A. Passing of the resolutions at TCCIH "court meeting" (i.e. meeting of TCCIH's shareholders convened by the Grand Court pursuant to the laws of the Cayman Islands to approve the Scheme of Arrangement, which will be convened on the same day as TCCIH's Extraordinary General Meeting in Hong Kong) with respect to the Scheme of Arrangement, and the sanction of the Scheme by the Grand Court of the Cayman Islands. The threshold for the resolutions at TCCIH "court meeting" is specified as follows: (1) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting; (2) the Scheme is approved (by way of poll) by Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and (3) the number of votes cast (by way of poll) by Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes

attaching to all Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders.

- B. Cancellation of the Scheme Shares shall be subject to the passing of the resolutions at the EGM and Special EGM and confirmation by the Grand Court of the Cayman Islands. The threshold for the resolution at the Extraordinary General Meeting is specified as follows: a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM approve and give effect to the resolution. According to TCCIH's Articles of Association, the threshold for the resolution at the Special EGM is specified as follows: a majority of not less than three-fourths of the votes cast by the Convertible Preference Shareholders present and voting in person or by proxy at the Special EGM approve the cancellation all of the Convertible Preference Scheme Shares; and
- C. Upon cancellation of the Scheme Shares, the share capital reduced will be restored and will be held by the Company (or TCCI) instead, which is subject to TCCIH Shareholders' resolution at the EGM. The threshold for the resolution at the EGM is specified as follows: a majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM approve the resolution.
7. TCCIH is the offeree company under the Privatization Proposal and the Scheme Shareholders are parties to the Privatization Proposal, and the Scheme of Arrangement is subject to approval. The Scheme of Arrangement is subject to the passing of the abovementioned resolutions and the Company is not entering into any individual transaction with any individual Scheme Shareholder. The following Scheme Shareholders are currently or were in the past the Company's directors, or have appointed corporate representatives to act as the Company's directors and may therefore be considered to be interested in the Privatization Proposal. However, as the Company is not transacting with these Scheme Shareholders privately as a matter of law, and the Scheme conditions to which these Scheme Shareholders are subject are identical to that of the other Scheme Shareholders, such transaction is therefore, different from ordinary related party transactions.

Scheme Shareholders	Relationship with the Company
Chang Kang-Lung, Jason	The Company's director, and also a representative of the institutional shareholder of the Company, Chia Hsin

	Cement Corporation; a holding company registered under the name of Mr. Chang Kang-Lung, Jason's spouse holds the Ordinary Shares of TCCIH totaling 3,000,000 shares.
Chia Hsin Cement Corporation	Its representative, Mr. Chang Kang-Lung, Jason, is the Company's director. Chia Hsin Cement Corporation holds the Ordinary Shares of TCCIH totaling 8,829,262 shares.
Chia Hsin Pacific Limited (CHPL)	CHPL is a subsidiary of Chia Hsin Cement Corporation. CHPL holds the Ordinary Shares of TCCIH totaling 479,849,250 shares.
Chi-Te Chen	The Company's director, and also a representative of the institutional shareholder of the Company, Heng Qiang Investment Co., Ltd. The trust of Mr. Chen Chi-Te holds the Ordinary Shares of TCCIH totaling 9,855,000 shares.
Estate of Mr. Koo Cheng-Yun, Leslie	Mr. Koo Cheng-Yun, Leslie was the Company's Chairman of Board, whose estate holds the Ordinary Shares of TCCIH totaling 99,091,528 shares.

8. Upon completion of the Privatization Proposal, all Scheme Shares held by all Scheme Shareholders will be cancelled, and shares newly issued will be held by the Company (or TCCI) instead, and TCCIH's listing on the HKEx will be withdrawn.
3. See Attachment 1 for the strategic development objectives to be achieved by the Privatization Proposal and the basis of the Scheme.
4. See Attachment 2 for the draft of documents and announcements to be released under the laws of Hong Kong for implementation of the Privatization Proposal.
5. See Attachment 3 for the memorandum on responsibility, restrictions on dealing and memorandum on disclosure of interest of the Company and directors during and prior to the offer period, and the responsibility letter and statement of interest to be signed by each director.
6. See Attachment 4 for the written opinion on reasonableness of the acquisition price issued by the CPA with respect to the Privatization Proposal and the price of acquisition of assets, and the exchange ratio, as required under the Company's "Operating Procedure for Acquisition or Disposal of Assets".
7. For the purpose of the Privatization Proposal, the Board of Directors is asked to authorize the Chairman and/or his designee to deal with all matters relating to

the Privatization Proposal with full authority on behalf of the Company, individually or jointly, and negotiate for, amend, sign, deliver and perform all related contracts and other instruments, and complete all applications for approvals and take any necessary or appropriate actions, including but not limited to, engaging professional institutions, negotiation and communication with TCCIH, release or issuance of joint announcements and documents related to the Privatization Proposal (including but not limited to, the announcement containing the details of dealings and other related information, proposed to be jointly issued by the Company and TCCIH (see Attachment 2) and the scheme document specifying the terms and conditions of the Scheme of Arrangement and election forms), completion of the applications for approval and recordation with the SFC and the HKEx and the competent authorities in Taiwan, Hong Kong and Cayman Islands, and payment of the expenses related to the Privatization Proposal. The said person shall also be authorized to make reasonable arrangement to ensure that the Board can supervise the implementation of the Privatization Proposal, including but not limited to, timely provision of advisor's opinion to the Board, explanation of the reasons for any actions and suggested actions to the Board in relation to the release or issuance of joint announcements and documents for the Privatization Proposal and the copies thereof, the details about the dealings of securities of the Company or TCCIH by the Company or its connected person, the details about any agreement, memorandum, guarantee, expenditure (including expenses) or other obligations, the letter of undertaking issued to the financial advisors for the Privatization Proposal, and convening directors' meeting to ensure that all directors understand the matters related to the Privatization Proposal and are informed of the latest development.

8. The motion should be subject to resolution by the 11th Extraordinary Meeting of Audit Committee of the 1st term and shall be submitted to the Board for resolution thereafter.
9. The motion is submitted for resolution accordingly.

Proposer: Audit Committee

Suggestion: To approve as it is.

Supplementary notes: The motion involves complicated laws and regulations in Taiwan, Hong Kong and Cayman Islands, and is the first time in history of a privatization of a Hong Kong listed Company by a listed company in Taiwan, and provides investors with cash or shares of the Taiwan listed company as consideration. Therefore, SFC is reviewing the motion carefully and requires more time to clear its queries. To our understanding, SFC is still examining the case. The Audit Committee suggests that no resolution should be made before SFC finishes its

review.

**Resolution: All directors present listened to the report made by the Audit Committee, the proposer and external financial advisor and legal advisor. After discussion, all directors present considered that the meeting should be suspended, as SFC has not yet finished its review, and the meeting should be continued after SFC clears its queries on the transaction.**

Supplementary notes: SFC has cleared its queries and has finished its review. The Chairman of Board notified all directors to continue the meeting at 3:35 PM on April 20, 2017 (Thursday).

**Resolution: Director Chang Kang-Lung, Jason and Director Chen Chi-Te recused themselves due to conflict of interest. All directors present listened to the report made by the Audit Committee, the proposer and external financial advisor and legal advisor, and understood that SFC has cleared its queries. Therefore, the motion was approved unanimously by all directors present upon inquiry by the Chairman.**

**2nd Motion: (Omitted)**

**3rd Motion:**

Proposal: In order to complete the Privatization Proposal in the form of Scheme of Arrangement, the Company proposes to increase its capital by issuing new ordinary shares in exchange for TCCIH shares held by TCCIH shareholders (namely, exchange of shares with the shareholders) pursuant to Paragraph 8 of Article 156 of the Company Act. The motion is submitted for resolution accordingly.

Notes:

1. With respect to the 1st Motion, the Company intends to make the following offer to the Scheme Shareholders:
  - (1) Scheme Shareholders who hold TCCIH Ordinary Scheme Shares may elect to accept the cash consideration paid by TCCI (HKD3.6 per share), or to exchange for the new ordinary shares issued by the Company (exchange ratio: 1 TCCIH Ordinary Scheme Share in exchange for 0.420 new ordinary share issued by the Company); and
  - (2) Scheme Shareholders who hold TCCIH Convertible Preference Scheme Shares may elect to accept the cash consideration paid by TCCI (HKD3.93 per share), or to exchange for the new ordinary shares issued by the Company (exchange ratio: 1 TCCIH Convertible Preference Scheme Share in exchange for 0.458 new ordinary share issued by the Company).
2. With reference to the 1st Motion, where any Scheme Shareholder (including holders of Ordinary Scheme Shares and Convertible Preference Scheme Shares) validly elects to exchange for the new ordinary shares issued by the



Company with respect to the Privatization Proposal, the Company shall (subject to the exchange ratio resolved by the Board) issue the new ordinary shares, pursuant to Paragraph 8 of Article 156 of the Company Act in exchange for the TCCIH shares held by the Scheme Shareholder. Where all Scheme Shareholders (including holders of Ordinary Scheme Shares and Convertible Preference Scheme Shares) validly elect to exchange for the new ordinary shares issued by the Company with respect to the Privatization Proposal, the Company shall issue sufficient new ordinary shares to exchange for the shares at the exchange ratio referred to in the 1st Motion.

3. In light of the above, in order to meet the need for share exchange, the motion for exchange of shares and issuance of new ordinary shares is specified as follows:
  1. Name of the company for the share exchange: TCCIH
  2. Counterparty of the share exchange: Scheme Shareholders (including shareholders of Ordinary Scheme Shares and Convertible Preference Scheme Shares) who validly elect to exchange for the new ordinary shares issued by the Company under the Scheme of Arrangement.
  3. Exchange ratio: Each TCCIH Ordinary Scheme Share may be exchanged for 0.420 new ordinary share issued by the Company. Each TCCIH Convertible Preference Scheme Share may be exchanged for approximately 0.458 new ordinary share issued by the Company.
  4. The Company initially had in issue 3,692,175,869 shares. Assuming that all Scheme Shareholders validly elect to exchange for the new ordinary shares issued by the Company with respect to the Privatization Proposal, the Company will issue no more than 767,146,025 ordinary shares in total, and the total issued shares would be no more than 4,459,321,894 shares, at par value of NT\$10 per share.
  5. The new ordinary shares issued as a result of the share exchange carries the same rights and obligations as the existing ordinary shares.
  6. The exchange ratio is set based on the net value per share and profitability of both parties and current and future business outlook of both parties. See Attachment 4 for the written opinion on the exchange ratio with respect to the Privatization Proposal issued by the independent external auditor, as required under the Company's "Operating Procedure for Acquisition or Disposal of Assets".
  7. The Company's acquisition of TCCIH shares and issuance of new shares shall be subject to approval of TWSE and approval of FSC. The Chairman is authorized to set the record date of share exchange for acquisition of TCCIH

shares and issuance of new shares, depending on the progress of the Privatization Proposal.

4. It is proposed that the Chairman and/or his designee are authorized to deal with the share exchange and issuance of new shares for acquisition of TCCIH shares with full authority on behalf of the Company, individually or jointly, and sign, deliver and perform all related contracts and other instruments, and complete all applications for approvals and take any necessary or appropriate actions.
5. The motion should be subject to resolution by the 11th Extraordinary Meeting of Audit Committee of the 1st term and shall be submitted to the Board for resolution thereafter.
6. The motion is submitted for resolution accordingly.

Proposer: Audit Committee

Suggestion: To approve as it is.

**Resolution: The motion was approved at 11th meeting of the Audit Committee of the 1st term and passed unanimously by all directors present upon inquiry by the Chairman.**

**III. Extempore Motion: None**

**IV. Adjournment: April 20, 2017 (Thursday) 4: 20PM**

**Taiwan Cement Corp.**

**Responsible Person: Chang An-Ping, Nelson**