

Stock Code : 1702

Namchow Chemical Industrial CO., LTD.  
2017 General Meeting of Shareholders

# Handbook

# Table of Contents

I.	Agenda.....	1
(I)	Reports .....	3
(II)	Recognitions.....	4
(III)	Discussions.....	5
(IV)	Ex temporary Motions .....	18
II.	Attachments	
(I)	Business Report.....	19
(II)	Supervisor Review Report .....	24
(III)	Report of 2016 Remunerations Assignment for Board Directors and Employees .....	25
(IV)	Report on the offering of the 1st issue of secured corporate bond in 2016.....	26
(V)	Preparation of the Report on “Ethic Code of Conduct” .....	27
(VI)	Preparation of the Report on “Ethical Corporate Management Best Practice Principle and Code of Conduct” .....	28
(VII)	Financial Statement.....	29
(VIII)	Earnings Distribution Form .....	45
(IX)	The plan for the spinoff of the Oil and Fat Division (including frozen dough). .....	46
(X)	The review result of the special committee for the mergers and acquisition of the spinoff of the Company. ....	65
(XI)	The plan for the spinoff of other operations beyond the Oil and Fat Division (including the frozen ready- served noodles operation, room temperature rice operation, home items operation, food and beverage operation, and international trade). .....	70
(XII)	Draft Amendment to the “Articles of Incorporation” of the Company..	91

(XIII)	Draft Amendment to the “Rules and Procedures for Shareholders Meetings” of the Company. ....	99
(XIV)	Draft Amendment to the “Procedure for Financing” of the Company.	101
(XV)	Draft Amendment to the “Procedure for Endorsement and Guarantee” of the Company.....	106
(XVI)	Draft Amendment to the “Guidelines for Electing Board Directors and Supervisors” of the Company. ....	112
(XVII)	Draft Amendment to the “Procedure for the Acquisition and Disposition of Assets”. ....	114

### III. Appendices

(I)	Ethic Code of Conduct.....	132
(II)	Preparation of the Report on “Ethical Corporate Management Best Practice Principle and Code of Conduct”. ....	136
(III)	“Articles of Incorporation” currently in effect.....	144
(IV)	“Rules and Procedures for Shareholders Meetings” current in effect.	154
(V)	“Procedure for Financing” currently in effect. ....	156
(VI)	“Procedure for Endorsement and Guarantee” currently in effect. ....	162
(VII)	“Guidelines for Electing Board Directors and Supervisors” currently in effect.....	168
(VIII)	“Procedure for the Acquisition and Disposition of Assets” currently in effect.....	170
(IX)	Shareholding Status of Board Directors and Supervisors.....	187

# Namchow Chemical Industrial CO., LTD.

## 2017 General Shareholders' Meeting Agenda

Time: 9:00 a.m. (Wednesday) on May 31, 2017

Place: Vision Hall, Taipei Financial Park, 6F~6, No. 51, Hengyang Road, Taipei.

1. Meeting Called to Order
2. Chairperson Address
3. Reports
  - (1) 2016 Operation Status
  - (2) Supervisors' Review of 2016 Accounts
  - (3) 2016 Remunerations Assignment for Board Directors and Employees
  - (4) Report on the offering of the 1st issue of secured corporate bond in 2016
  - (5) Preparation of the Report on “Ethic Code of Conduct”
  - (6) Report on “Ethical Corporate Management Best Practice Principle and Code of Conduct”.
4. Recognitions
  - (1) 2016 Business Report and Financial Statement
  - (2) Earnings Distribution in 2016
5. Discussions
  - (1) Motion of the spinoff of the Oil and Fat Division (including frozen dough).
  - (2) Motion of the spinoff of other operations beyond the Grease Operation (including the frozen ready- served noodles operation, room temperature rice operation, home items operation, food and beverage operation, and international trade).

- (3) Motion of the transformation of the Company into a holding company and the change in company name
- (4) Motion of amendment to the Articles of Incorporation
- (5) Motion of amendment to the Rules and Procedures for Shareholders Meetings
- (6) Motion of amendment to the “Procedure for Financing”.
- (7) Motion of amendment to the “Procedure for Endorsement and Guarantee”.
- (8) Motion of amendment to the Guidelines for Electing Board Directors and Supervisors
- (9) Motion of amendment to the “Procedure for the Acquisition and Disposition of Assets”.

6. Ex Temporary Motions

7. Meeting adjourned.

# Reports

- I 2016 Operation Status (See Attachment 1)
- II Supervisors' Review of 2016 Accounts (See Attachment 2)
- III 2016 Remunerations Assignment for Board Directors and Employees (See Attachment 3)
- IV Report on the offering of the 1st issue of secured corporate bond in 2016 (See Attachment 4).
- (V) Preparation of the Report on “Ethic Code of Conduct” (See Attachment 5).
- (VI) Preparation of the Report on “Ethical Corporate Management Best Practice Principle and Code of Conduct” (See Appendix 6).

# Recognitions

Motion No. 1 Introduced by the Board of Directors

Cause of motion: Submission for Recognition of 2016 Business Report and Financial Statement.

(See Attachments 1 and 7-1 through 7-10)

Decision:

Motion No. 2 Introduced by the Board of Directors

Cause of motion: Submission for Recognition of 2015 Earnings Distribution Proposal

Descriptions:(1) The after-tax net profits of the company for 2016 total NTD1,205,701 thousand and hence the Earnings Distribution Form (See Attachment 8) is prepared.

(2) Cash dividends intended to be assigned total NTD823,572 thousand, that is, NTD2.80 is distributed per share. Cash dividends are rounded to the nearest integer. The total of fractional shares is to be counted as part of other income of the company. Once approved in the shareholders' meeting, the Board of Directors is authorized to set a separate cash dividend baseline date for the distribution.

Decision:

# Discussions

Motion No. 1: Introduced by the Board of Directors

Cause of motion: We move to spinoff the crease operation (including frozen dough) and related operations (including assets, liabilities, and business), and ask for you action.

Description:

1. For purpose of industrial transformation as a holding company and professional division of labor so as to upgrade the competitive power and operation performance, we desire to split the Oil and Fat (including frozen dough) related business (including frozen dough) and related operations (including assets, liabilities, and business) for assignment to our wholly-owned subsidiary, Namchow Oil and Fat Co., Ltd. (Hereinafter, Namchow Oil and Fat) which in turn will issue new shares for offsetting the the assignment. The spinoff date is set at August 1 2017. This spinoff will not affect structure of direct investments
2. The value of the Oil and Fat Division (including frozen dough) to be assigned through spinoff is expected to amount to NTD410,731 thousand where \$10 will be exchange for 1 common share issued by Namchow Oil and Fat for the exchange for 41,073 thousand shares. The fraction of a share will be compensated in cash by Namchow Oil and Fat.
3. We prepared the “Corporate Spinoff Plan” (Including the Articles of Incorporation of Namchow Oil and Fat, the book value of the assets and liabilities for assignment through spinoff, and the reasonable ratio of share swap with professional opinions) in accordance with the Corporate Merger and Acquisition Act and other applicable laws. See Attachment 9
4. The merger and acquisition (M&A) committee of the Company will be conducted in accordance with Article VI of the Corporate Merger and Acquisition Act, and Articles II and VI of the Regulations Governing the Establishment and Related Matters of Special Committees of Public Companies for Merger/Consolidation and Acquisition with the performance of the function of the M&A committee. CPA Chang Chi-Yin will be retained for presenting professional opinion on the rationality of the spinoff and the share swap. In addition, the M&A committee



shall review the fairness and rationality of the spinoff and present the review result before the Board, which is exhibited in Attachment 10. This spinoff is a matter of corporate reorganization that the shareholders' equity will be unaffected. In addition, Namchow Oil and Fat will issue 41,073 thousand shares at NTD10/share, which is equal to the value of the assets, liabilities, and business of the assignment amounting to NTD410,731 thousand. As such, the ratio of share swap in this spinoff is reasonable [refer to the opinion and conclusion of the independent professionals]. The detail is exhibited in Attachment 9~3.

5. We ask the Shareholders' Meeting to approve the spinoff and authorize the Board to act on behalf of and in the name of the Company to handle all matters related to the spinoff.
6. In case of administrative guide from the competent authority, or change in the legal environment or other changes in the objective environment that may affect the scope of operation for the Oil and Fat Division (including frozen dough) being assigned, the amount (including assets, liabilities and business), the share swap ratio (if adjustment is necessary), and any other matters related to the spinoff (including but not limiting to the progress schedule, and the spinoff day), we ask the Shareholders' Meeting to authorize the Board with full power of attorney for responding to any of these situations if applicable.

Decision:

Motion No. 2: Introduced by the Board of Directors

Cause of motion: We move to spinoff other operations (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) beyond the Oil and Fat Division (including assets, liabilities, and business), and ask for your action.

Description:

1. For purpose of industrial transformation as a holding company and professional division of labor so as to upgrade the competitive power and operation performance, we desire to split the operations (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) beyond the Oil and Fat Division (including assets, liabilities, and business)

for assignment to our wholly-owned subsidiary, Huaqiang Industry Co., Ltd. (Hereinafter, Huaqiang Industry) which in turn will issue new shares for offsetting the the assignment. The spinoff date is set at August 1 2017. This spinoff will not affect structure of direct investments

2. The value of the operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) to be assigned through spinoff is expected to amount to NTD220,307 thousand where \$10 will be exchange for 1 common share issued by Huaqiang Industry Co., Ltd for the exchange for 22,031 thousand shares. The fraction of a share will be compensated in cash by Huaqiang Industry Co., Ltd
3. We prepared the “Corporate Spinoff Plan” (Including the Articles of Incorporation of Namchow Huaqiang Industry Co., Ltd, the book value of the assets and liabilities for assignment through spinoff, and the reasonable ratio of share swap with professional opinions) in accordance with the Corporate Merger and Acquisition Act and other applicable laws. See Attachment 11.
4. The merger and acquisition (M&A) committee of the Company will be conducted in accordance with Article VI of the Corporate Merger and Acquisition Act, and Articles II and VI of the Regulations Governing the Establishment and Related Matters of Special Committees of Public Companies for Merger/Consolidation and Acquisition with the performance of the function of the M&A committee. CPA Chang Chi-Yin will be retained for presenting professional opinion on the rationality of the spinoff and the share swap. In addition, the M&A committee shall review the fairness and rationality of the spinoff and present the review result before the Board, which is exhibited in Attachment 10. This spinoff is a matter of corporate reorganization that the shareholders’ equity will be unaffected. In addition, Huaqiang Industry Co., Ltd will issue 22,031 thousand shares at NTD10/share, which is equal to the value of the assets, liabilities, and business of the assignment amounted to NTD220,307 thousand. As such, the ratio of share swap in this spinoff is reasonable [refer to the opinion and conclusion of the independent professionals. The detail is exhibited in Attachment 11~3.
5. We ask the Shareholders’ Meeting to approve the spinoff and authorize the Board, the Chairman and/or any designated persons to act on behalf of and in the name of the Company to handle all matters related to the spinoff.

6. In case of administrative guide from the competent authority, or change in the legal environment or other changes in the objective environment that may affect the scope of operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) being assigned, the amount (including assets, liabilities and business), the share swap ratio (if adjustment is necessary), and any other matters related to the spinoff (including but not limiting to the progress schedule, and the spinoff day) and others, we ask the Shareholders' Meeting to authorize the Board with full power of attorney for responding to any of these situations if applicable.

Decision:

Motion No. 3: Introduced by the Board of Directors

Cause of motion: The Company seeks to transform into an investment holding company through spinoff with change in company name, we ask for your action.

Description:

1. We desire to reorganize the corporate structure and apply for registration as an investment holding company after the spinoff of the Oil and Fat Division (including frozen dough) and other operations (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) in accordance with the "Operating Rules of the Taiwan Stock Exchange Corporation".
2. We move to change the company name into "Namchow Investment Holding Co., Ltd." for reflecting the planning of transformation into an investment holding company.
3. We ask for the approval of the Shareholders' Meeting for the change in company name. In case of administrative guide from the competent authority, or change in the legal environment or other changes in the objective environment, we ask the Shareholders' Meeting to authorize the Board with full power of attorney for responding to any of these situations if applicable.

Decision:

Motion No. 4: Introduced by the Board of Directors

Cause of Motion: Amendment to the Articles of Incorporation

Description: 1. Amend the company name, Article I, and Articles 2 of the Articles of Incorporation.

2. Following the revisions made to the Articles of Incorporation, the comparison table of articles before and after the revision is as follows:

After	Before	Description
Namchow Investment Holding Company Limited, Articles of Incorporation.	Namchow Chemical Industrial CO., LTD. Articles of Incorporation	For the transformation of the company into an investment holding company.
Article I The company is organized in accordance with the requirements under the Company Act for companies limited by shares and chooses "Namchow Investment Holding CO., LTD." as its name.	Article I The company is organized in accordance with the requirements under the Company Act for companies limited by shares and chooses "Namchow Chemical Industrial CO., LTD." as its name.	1. For the transformation of the company into an investment holding company. 2. The investment holding company shall duly observe the Corporate Merger and Acquisition Act and other applicable laws.
Article II The principal business of the Company is: H201010 Investment	Article II The scope of operation of the company is as follows: A102060 Grain Commerce C102010 Dairy Products Manufacturing C103050 Canned, Frozen, Dehydrated and pickling Food Manufacturing C104010 Sugar Confectionery Manufacturing C104020 Bakery Food Manufacturing C105010 Edible Oil Manufacturing C109010 Seasoning Manufacturing C110010 Beverage Manufacturing C113020 Semi-finished Material of Wine Manufacturing	Revision of the business items as an investment holding company is engaged in the principal business of investment.

	C199010	Noodles, Flour Food Manufacturing	
	C199030	Instant Food Manufacturing	
	C601050	Housewares and Tissue Paper Manufacturing	
	C801010	Basic Industrial Chemical Manufacturing	
	C801990	Other Chemical Materials Manufacturing	
	C802090	Cleaning Products Manufacturing	
	C802041	Drugs and Medicines Manufacturing	
	C802100	Cosmetics Manufacturing	
	C802120	Industrial Catalyst Manufacturing	
	CB01010	Machinery and Equipment Manufacturing	
	CZ99990	Other Industrial Products Manufacturing Not Elsewhere Classified	
	F102020	Wholesale of Edible Oil	
	F102030	Wholesale of Tobacco Products and Alcoholic Beverages	
	F102040	Wholesale of Nonalcoholic Beverages	
	F102170	Wholesale of Food and Grocery	
	F106020	Wholesale of Articles for Daily Use	
	F107030	Wholesale of Cleaning Preparations	
	F107170	Wholesale of Industrial Catalyst	
	F107200	Wholesale of Chemistry Raw Material	
	F108040	Wholesale of Cosmetics	
	F113010	Wholesale of Machinery	
	F199010	Wholesale of Recycling Materials	
	F201010	Retail sale of Agricultural Products	
	F203010	Retail sale of Food and Grocery	
	F203020	Retail Sale of Tobacco and Alcoholic Drinks	

F203030	Retail Sale of Ethanol
F206020	Retail Sale of Articles for Daily Use
F207030	Retail Sale of Cleaning Preparations
F207170	Retail Sale of Industrial Catalyst
F207200	Retail sale of Chemistry Raw Material
F208040	Retail Sale of Cosmetics
F208050	Retail Sale of the Second Type Patent Medicine
F213080	Retail Sale of Machinery and Equipment
F299990	Retail Sale of Other Retail Trade Not Elsewhere Classified
F301010	Department Stores
F301020	Supermarkets
F399010	Convenience Stores
F399040	Retail Business Without Shop
F399990	Retail sale of Others
F401010	International Trade
F401161	Tobacco Products Import
F401171	Alcohol Drink Import
F501030	Coffee/Tea Shops and Bars
F501030	Public Houses and Beer Halls
F501060	Restaurants
H703100	Real Estate Rental and Leasing
F501990	Other Eating and Drinking Places Not Elsewhere Classified
I102010	Investment Consultancy
I103060	Management Consulting Services
I301010	Software Design Services
IZ99990	Other Industry and Commerce Services Not Elsewhere Classified
J601010	Arts and Literature Service
J602010	Agents and Managers for Performing Arts, Entertainers, and Models
J799990	Other Recreational Services
JE01010	Rental and Leasing Business
JZ99990	Other Services Not Elsewhere Classified
ZZ99999	Other business which is not

	prohibited or restricted by law, except for those requiring approval. When a charter is required for the said businesses, approval has to be obtained before they start operation.	
Article 34 .....Besides the omission and retention of some, "The 50th amendment took place on May 31, 2017" is added.	Article 34 .....	Dating of the provision after amendment

3. After amendment, the Articles of Incorporation will be submitted to the competent authority for approval, and for registration if approved.

Decision:

Motion No. 5: Introduced by the Board of Directors

Cause of motion: Amendment to the “Rules and Procedures for Shareholders Meetings”.

Description:

1. The Company elected to transform into an investment holding company and desires to change the name to “Namchow Investment Holding Co., Ltd.” thereby amends the “Rules and Procedures for Shareholders Meetings”.
2. The provisions before and after the amendment are shown below:

**Namchow Chemical Industrial CO., LTD. Rules and Procedures for Shareholders Meetings before and after amendment**

After	Before	Description
Namchow Investment Holding Co., Ltd. Rules and Procedures for Shareholders Meetings.	Namchow Chemical Industrial CO., LTD. Rules and Procedures for Shareholders Meetings.	<ol style="list-style-type: none"> <li>1. For the transformation of the Company into an investment holding company, the company name is changed.</li> <li>2. The original provisions will remain unchanged.</li> </ol>

Decision:

Motion No. 6: Introduced by the Board of Directors

Cause of motion: Amendment to the “Procedure for Financing”.

Description:

1. For the planning of transforming into an investment holding company, the company changed its name to “Namchow Investment Holding Co., Ltd.” thereby amends the “Procedure for Financing”.
2. The provisions before and after the amendment are shown below:

**Namchow Chemical Industrial CO., LTD. Procedure for Financing before and after the amendment**

After	Before	Description
Namchow Investment Holding Co., Ltd. Procedure for Financing	Namchow Chemical Industrial CO., LTD. Procedure for Financing	<ol style="list-style-type: none"> <li>1. For the transformation of the Company into an investment holding company, the company name is changed.</li> <li>2. The original provisions of the procedure will remain unchanged.</li> </ol>

Decision:

Motion No. 7: Introduced by the Board of Directors

Cause of motion: Amendment to the “Procedure for Endorsement and Guarantee”.

Description:

1. For the planning of transforming into an investment holding company, the company changed its name to “Namchow Investment Holding Co., Ltd.” thereby amends the “Procedure for Endorsement and Guarantee”.
2. The provisions before and after the amendment are shown below:

**Namchow Chemical Industrial CO., LTD. Procedure for Endorsement and Guarantee before and after amendment**

After	Before	Description
Namchow Investment Holding Co., Ltd. Procedure for Endorsement and Guarantee	Namchow Chemical Industrial CO., LTD. Procedure for Endorsement and Guarantee	<ol style="list-style-type: none"> <li>1. For the transformation of the Company into an investment holding company, the company name is changed.</li> <li>2. The original provisions of the procedure will remain unchanged.</li> </ol>

Decision:



**Motion No. 8: Introduced by the Board of Directors**

Cause of motion: Amendment to the Guidelines for Electing Board Directors and Supervisors

Description:

1. For the planning of transforming into an investment holding company, the company changed its name to “Namchow Investment Holding Co., Ltd.” thereby amends the “Guidelines for Electing Board Directors and Supervisors”.
2. The provisions before and after the amendment are shown below:

**Namchow Chemical Industrial CO., LTD. Guidelines for Electing Board Directors and Supervisors before and after amendment**

After	Before	Description
Namchow Investment Holding Co., Ltd. Guidelines for Electing Board Directors and Supervisors	Namchow Chemical Industrial CO., LTD. Guidelines for Electing Board Directors and Supervisors	<ol style="list-style-type: none"><li>1. For the transformation of the Company into an investment holding company, the company name is changed.</li><li>2. The original provisions of the Guidelines will remain unchanged.</li></ol>

Decision:

**Motion No. 9: Introduced by the Board of Directors**

Cause of motion: Amendment to the “Procedure for the Acquisition and Disposition of Assets”.

Description:

1. Amended the “Procedure for the Acquisition and Disposition of Assets” of the Company in accordance with the partial amendment to the “Criteria for Acquisition and Disposition of Asset by Public Companies” under Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa-Zi No. 1060001296 dated February 9 2017 and Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa Zi No. 1060004523 dated February 13 2017. Article III, Paragraph 3, Paragraph 5; Article V, Paragraph 1 and Paragraph 5, Section 5; Article VI, Paragraph 1; Article XI, Paragraph 1, and Article XVIII will be subject to amendment.
2. For the planning of transforming into an investment holding company, the

company changed its name to “Namchow Investment Holding Co., Ltd.”

3. The provisions before and after the amendment are shown below:

After	Before	Description
Namchow Investment Holding Co., Ltd., Procedure for Acquisition or Disposition of Assets.	Namchow Chemical Industrial Co., Ltd. Procedure for Acquisition or Disposition of Assets”	For transformation into an investment holding company, the company name is changed.
<p>III. Procedure of Evaluation:</p> <p>(III) Except for the transactions with government entities.</p> <p>(V) Propose to the Board for approval. <u>The aforementioned opinion from experts on the rationality of the transactions could be waived for the merger between the Company and a wholly-owned subsidiaries by equity share or capital, or between wholly-owned subsidiaries of the Company by equity share or capital.</u></p>	<p>III. Procedure of Evaluation:</p> <p>(III) Except for the transactions with government entities.</p> <p>(V) Propose to the Board for approval.</p>	<p>Proceed to amendment in accordance with Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa-Zi No. 1060001296 dated February 9 2017 and Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa Zi No. 1060004523 dated February 13 2017.</p>
<p>V. Declaration Procedure:</p> <p>(I) 1. Except for the subscription or redemption of money market funds offered by domestic securities investment trust firms.</p> <p><u>4. The assets acquired or disposed are business equipment and the counterparties of transactions are not related parties and the amount of transaction exceeds NTD500 million.</u></p>	<p>V. Declaration Procedure:</p> <p>(I) 1. Except the subscription or <u>redemption</u> of money market funds.</p>	

After	Before	Description
<p><u>5. Acquisition of property through the commissioning for construction on proprietary lands, commissioning for construction on leased land, joint venture in construction with split up of finished premises, joint venture in construction with split up of sale revenue, and joint venture in construction and joint marketing of finished premises that the Company expects to invest an amount of more than NTD500 million.</u></p> <p>6. With the except of V.</p> <p>(1) Trading of government bonds</p> <p>(2) Subscription or redemption of money market funds offered by domestic securities investment trust firms</p>	<p>4. Further to III.</p> <p>(1) Trading of government bonds</p> <p>(2) Subscription or redemption of domestic money market funds.</p> <p>(3) The assets acquired or disposed are business equipment and the counterparties of transactions are not related parties and the amount of transaction falls below NTD500 million</p> <p>(4) Acquisition of</p>	

After	Before	Description
	property through the commissioning for construction on proprietary lands, commissioning for construction on leased land, joint venture in construction with split up of finished premises, joint venture in construction with split up of sale revenue, and joint venture in construction and joint marketing of finished premises that the Company expects to invest an amount of less than NTD500 million.	
(V) A new round of declaration is required within 2 days after the day of acknowledgment.	(V) A new round of declaration is required.	
VI. Procedure for appraisal of assets In the acquisition or disposition of property or equipment, except for transactions with government <u>entities</u> ,	VI. Procedure for appraisal of assets In the acquisition or disposition of property or equipment, except for transactions with government <u>agencies</u> ,	

After	Before	Description
XI. Resolution Procedure: Except the trading of government bonds, subscription of R/P bonds, or the redemption of money market funds issued by domestic <u>securities investment trust firms.</u>	XI. Resolution Procedure: Except the trading of government bonds, subscription of R/P bonds, or the redemption of money market funds issued by domestic <u>securities investment trust firms.</u>	
XVIII. The undertaking of corporate merger by the Company has been approved by the Borad after discussion. <u>The aforementioned opinion from experts on the rationality of the transactions could be waived for the meger between the Company and a wholly-owned subsidiaries by equity share or capital, or between wholly-owned subsidiaires of the Company by equity share or capital.</u>	XVIII. The undertaking of corporate merger by the Company has been approved by the Broad after discussion.	

Decision:

Ex Temporary Motions

Adjournment

## Attachment 1

# Business Report

### I. Result of Operation in 2016

The Company had revenue of NTD2,809,091 thousand in 2016, which was an increase of NTD27,918 thousand (1.0%) from NTD2,780,173 thousand in the same period of 2015. The Company had consolidated revenue of NTD16,299,714 thousand, which was an increase of NTD820,171 thousand (5.3%) from NTD15,479,543 thousand from the same period of 2015. Earnings in 2016 amounted to NTD1,205,702 thousand, an increase of NTD92,852 thousand (8.3%) from NTD1,112,850 thousand from the same period of 2015. The revenue and earnings in 2016 were record high. With the concerted effort of all in Namchow Group, the performance of many business divisions of the group in 2016 was better than in 2015 with the frozen noodles operation, foods in Mainland China, and Namchow in Thailand in particular. Our company has always been known for its quality, safe, and healthy products. We have an internal food safety committee consisting of experts with exclusive responsibilities to carefully control, monitor, and effectively manage the source of raw materials supplied. We physically visit the facilities of our overseas suppliers and pursue the highest testing criteria. Our efforts have gained confidence and support from consumers. All businesses have continued to perform and grow well.

In account balance, total liabilities in 2016 amounted to NTD6,583,650 thousand at liabilities ratio of 54.2%, which was an increase of NTD1,005,518 thousand at liabilities ratio of 50.4% from NTD5,578,132 thousand of 2015, or up by 3.8%. As presented in the consolidated financial statements, total liabilities in 2016 amounted to NTD12,954,458 thousand at liabilities ratio of 69.7%, which was an increase of NTD199,200 thousand at liabilities ratio of 50.4% from NTD12,755,258 thousand at liabilities ratio of 69.3% of 2015, or up by 0.4%. Cash inflow from operation amounted to NTD1,597,994 thousand at current ratio of 144.0%, which was an improvement from 136.7% as was in 2015 and indicated sound financial position.

In R&D, the crystal soap series and the grape seeds anti-germ series have been highly applauded by the consumers since the Company insisted on using natural materials and no use of additives in the manufacturing of products for long time. The Oil and Fat Division continued to develop healthy products and special purpose edible oil and introduced the

advanced high-grade grease products from other countries to meet the needs of the customers in baking. The Frozen Dough operation continued to develop new customized items for the customers. This operation is a long-term indispensable faithful partners to the bakery industry. The Ice Cream Division launches new products and items every year and the products are welcomed by the consumers. The room temperature rice operation operation appeals to nutritional value of instant rice that helps to adjust the level of blood sugar and fat. This product is the first of its kind accredited as healthy food in Taiwan. Last February, this product was elected as a seed of the player of the team that Commission of Agricultural Affairs, Executive Yuan, seeks to promote for export. Indeed, this is a promising agricultural produce for selling all over the world.

## **II. Summary of Business Plan in 2017**

Namchow has cultivated the oil and fat market in China for 2 decades and acted as a consultant to customers in marketing. This contributed to the formation of a symbiotic relation with the customers and significant revenue growth over the last few years. For meeting the increasing demand of sale, the 3rd oil and fat plant in China - Jinshan Plant in Shanghai, launched into production since April of this year with an increase of production capacity by 40%. This plant is the biggest investment of Namchow in China with traceability management all through the process. Namchow also accelerated its development of the installation in frozen noodle and ice cream operation in the market of China this year.

Namchow has its business presence in Thailand for 26 years. The production capacity has been fully consumed since the rapid growth of export in 2010. Baby rice cracker, seasoned room temperature rice operation and porridge sale has been on the rise. The market in Southeast Asia is promising. With the advantage of the low export duty in Thailand, the Company will develop the market in Europe, USA, and Mainland China. Namchow in Thailand has newly acquired a piece of land about 66,000 square meters for expanding its production capacity.

As always, Namchow insists on product quality and takes the interest of the consumers as the top priority for seeking a wide array of products for satisfying the variety of needs of the customers. The sale of oil and fat, frozen dough, and frozen noodle has been on the rise over the year. In addition to the capacity expansion at the oil and fat refinery plant in Taoyuan at the end of the year before last, a second production line for frozen dough was added in this plant this year. Production is expected to start in the second half of the year with capacity increased by 50%. Namchow continues to invest in the market of Taiwan for strengthening its capacity in production, research and development, and management knowledge as the solid foundation for expansion to the overseas market.

## **III. Development Strategy of the Future and the effect of external environment**

**Development Strategy of the future:** Namchow has the blueprint of developing the niche market of the world and has sustained investment in oil and fat, rice, dough, and dairy products. Currently, the revenue from food items has surpassed 95% of the overall revenue of the group. In addition, further investment has been committed to the development of biotechnological products in daily products and rice. Over the years, products from Taiwan,



China or Thailand have been extensively sold all over the world with significant growth. The main policy line of the strategy is solid establishment in Taiwan, expansion to Mainland China and stretching out to the ASEAN countries. This yielded positive outcome. This is particular the case as Mainland China is still a market of growth. Further to oil and fat and frozen dough, Namchow will make further investment in frozen noodle and ice cream. Further investment will be made in Mainland China, Taiwan, and Thailand.

**Competitive environment:** competition is perpetual. The only way out is endless research, development, and innovation so as to create distinctive value of the enterprise to stand firm and avoid being displaced from market. The oil and fat operation, for example, has introduced world famous and functional products to match with the self-produced products to create the effect of  $1+1>2$ . With full-range service and long-term cultivation of customer relation, the Company could maintain its leadership position in the oil and fat business in Taiwan and Mainland China.

**Legal environment:** Consumers have been paying increasingly close attention to the quality, safety and hygiene of products over the years. Likewise, Namchow has always and will pay utmost attention to protecting the rights of the consumers. The Ministry of Health and Welfare promulgated the new Food Safety and Health Act at the end of 2015 to protect the consumers in the domain of food safety. Namchow started the resume system for its ice cream as early as in 2014 and launched full-range traceability management. It is the first producer of its kind in practicing traceability management with the scope extended to different operations. In responding to the legal environment, Namchow established the Office of Food Safety with the appointment of designated personnel to exercise strict control over the materials of the enterprise and provide education and promotion of food safety. Last year, Namchow made additional investment in its lab and increase the proportion of inspection and test in its own lab and the capacity of managing the lab. The new day off system of the government has come into effect this year. This new rule incurs excessive cost of operation for the enterprises. In supporting the policy of the government, the company seeks to enlarge its workforce and make the best shift arrangement to meet the needs of production and provide service to the customers as the immediate concern.

**Macroeconomic environment:** China announced the depreciation of CNY in August of the year before last that drove the world financial market into turbulence. In the first half of last year, China once again depreciated the CNY at significant level. The Company has

cut down its position of foreign debt by 50% and effectively mitigated exchange loss. Economic development worldwide has already caused damage to the ecological environment. The Paris Agreement on climate has come into full force in November last year. With the enforcement of the “carbon reduction agreement”, enterprises are bound to increase the cost of operation. Accordingly, the Company responded quickly in starting inspection, analysis and improvement of the production process, which will be the immediate task of the enterprise. The trade and monetary policy of the new president of USA and the new day off policy of the government will affect economic performance in the future. The Company must set a higher standard of product quality, safety and hygiene, and intensify risk control. Under the impact of severe climatic change, Namchow has committed tremendous effort in study the options for response and has accumulated the wealth of professional knowledge to keep abreast of the prices of materials for preemptive purchase so as to excel.

We have a history of 65 years, and firmly hold the principle of honesty and sustainable development, concern about the rights of the customers and consumers, and make positive investment in the protection of the environment by mapping out proper responses for sustainable growth and profit so as to create better return on investment for the shareholders.

Chen Fei Lung

Chairman

Lee Kan Wen

EVP

Lien Rong Chang

Head of Accounting:

## Namchow Chemical Industrial CO., LTD.

### Supervisor's Review Report

The Board has prepared the report on operation, the separate and consolidated financial statements, and the proposal for distribution of earnings for fiscal year 2016. The separate and consolidated financial statements have been audited by CPA Huang Po-Shu and CPA Yu An-Tian of KPMG Taiwan with the issuance of Auditor's Report. I have reviewed the aforementioned report on operation, financial statements, and proposal for distribution of earnings, which were fairly presented. I declared in this report pursuant to Article 219 of the Company Act.

To

Shareholders' Meeting in 2017

Supervisor: Wu Ting-Chen

Namchow Chemical Industrial CO., LTD.

Chen Yi-Wen, Representative of the Employee  
Welfare Committee

March 17 2017

### Attachment 3

## Report on Remuneration to the Directors, Supervisors and Employees in fiscal year 2016

- I. According to Article 31 of the Articles of Incorporation: the company shall appropriate no less than 1% of its earnings as remuneration to its employees and no more than 5% of its earning as remuneration to the Directors and Supervisors, if applicable.
- II. Remuneration to employees and Directors and Supervisors in 2016 was 1% and 4% from the earnings before taxation before deduction for remuneration to employees and Directors and Superiors, which amounted to NTD13,374,114 and NTD53,496,454, respectively out of NTD1,337,411,359. Payment was made in cash and there is no variation from the estimated amount.
- III. The aforementioned amount for distribution has been approved by the Board in a session dated March 13 2017 subject to the ratification of the Shareholders' Meeting for release.

## Attachment 4

### Report on the offering of the 1st issue of secured corporate bonds in 2016

- (I) The offering of secured corporate bonds has been passed by the Board in a session dated November 11 2016. The issue has been successfully offered for trading at GreTai Securities Market on November 29 2016.
- (II) According to Article 246 of the Company Act, the Company may offer corporate bonds at the resolution of the Board but the cause of offering and related matters shall be reported to the Shareholders' Meeting.
- (III) The content of the corporate bond is specified below:
  - 1. Title of bond: Namchow Chemical Industrial Co., Ltd. 1<sup>st</sup> issue of secured bond in 2016.
  - 2. Total amount and face value: Total amount of offering was NTD4 billion at NTD10 million per lot and are issued at par in digital format with registration with TDCC.
  - 3. Maturity: a term of 5 years, from November 29 2016 to November 29 2021.
  - 4. Coupon rate: The coupon rate is set at 0.75% per annum.
  - 5. Redemption: principal will be redeemed at maturity in lump sum.
  - 6. Interest payment: simple interest will be accrued annually at coupon rate from the offering day.
  - 7. Guaranteed Bank: First Bank.
  - 8. Custodian: KGI Bank
  - 9. Payment Bank: First Bank
  - 10. Cause of issuance: Retirement of bank loans.
  - 11. This issue of corporate bond has been approved by Gre Tai Securities Market on application on November 21 2016 and formally listed in the market for trading on November 29 2016.

## Attachment 5

### Report on the institution of the “Ethic Code of Conduct” of the Company

The Board passed the “Ethic Code of Conduct” in its 1st session of 2017 dated March 17 2017. The content is exhibited in Attachment 1.

## Attachment 6

### Report on the institution of the “Ethical Corporate Management Best Practice Principles and Guide” of the Company.

The Board passed the “Ethical Corporate Management Best Practice Principles and Guide” in its 2nd session of 2017 dated March 28 2017. The content is exhibited in Attachment 2.

## **Independent Auditors' Report**

To the Board of Directors of Namchow Chemical Industrial Co., Ltd.:

### **Opinion**

We have audited the financial statements of Namchow Chemical Industrial Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditor's report were as follows:

#### **1. Impairment of trade receivable**

Please refer to Note 4(f) "Financial instrument" for accounting policies, Note 5(a) for accounting assumptions, judgment and estimation uncertainty of impairment of trade receivable, and Note 6(c) for the disclosure related to impairment of trade receivable of the financial statements.



Description of key audit matter:

The Company does not concentrate on any individual customer or any specific region, therefore, the Company needs to establish a policy on its allowance for impairment in order to evaluate its customers' financial status, as well as the political and economic environment. Therefore, the impairment of trades receivable is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principle audit procedures for the assessment of the Company's accounting policy, included evaluating the receivables credit conditions and allowance for impairment policy; analyzing the account receivable relevant with the allowance for impairment; obtaining aging analysis of account receivable and examining relevant documents to verify the accuracy aging period; understanding the recovery of the past due accounts and for the aging of the long-term accounts receivable, such as those past due for 120 days; inspecting whether the Company has taken the appropriate procedures on the litigation or negotiation of the Company subsequent to the financial year end, and verifying the adequacy of impairment assessment of accounts receivable; verifying the reasonableness of the management's assessment on the Company's disclosure on the impairment of trade receivable.

2. Valuation of inventories

Please refer to Note 4(g) "Inventories" for accounting policies, Note 5(b) for accounting assumptions, judgment and estimation uncertainty of valuation of inventories, and Note 6(d) for the disclosure related to valuation of inventories of the financial statements.

Description of key audit matter:

The Company's main inventories are edible and non-edible oil products, frozen dough and frozen food, as well as dish and laundry liquid detergent.

The value of edible and non-edible oil products and laundry liquid detergent products are affected by the international oil price, which may result in the inventory cost exceed its net realizable value; frozen dough and frozen food due to shelf life, resulting in the inventory age has significant risk. Therefore, the valuation of inventories is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included

Our principle audit procedures for the assessment of the Company's accounting policy included understanding the policies of evaluating the inventories; performing the analytical procedures about the relation between the balance of inventory and provision on inventory market price decline; verifying the change of provision on inventory valuation and evaluating where it is reasonable; understanding the net realizable values used by management and the variation of the prices in a period after the reporting date to ensure the appropriateness of the valuation price; obtaining the aging report and inspecting the inventory aging processing after the reporting date, as well as understanding the net realizable values used by the management to access whether the net realizable value and the allowance for inventories are reasonable; assessing whether the disclosure on the provision for inventory valuation and obsolescence was appropriate.

3. Revenue recognition — customer loyalty program

Please refer to Note 4(n) "Revenue" for accounting policies, Note 5(c) for accounting assumptions, judgment and estimation uncertainty of revenue recognition, and Note 6(o) for the disclosure related to revenue of the financial statements.

#### Description of key audit matter:

The revenue arising from the bonus points shall be calculated by using the fair values, based on the amounts of sales and points earned in the previous year, to be recognized as revenue reduction. Revenue is the main indicator for the Company management and investors to evaluate the Company's financial and business performance. Therefore, the revenue recognition is one of the key judgmental areas for our audit.

#### How the matter was addressed in our audit:

The key audit procedures performed included understanding and assessing the design and implementation of the bonus point; assessing the management's judgments and estimating the rationality of the bonus point and recalculating them to ensure the sales revenue are recognized; performing the analytical procedures of sales revenue; assessing the appropriateness of the deferred income of the relevant incentive points, whether it is recorded correctly in the system, and whether it has been disclosed in the appropriate notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the the Company's financial reporting process.

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditor's report are Po-Shu Huang and Ann-Tien Yu.

KPMG

Taipei, Taiwan (Republic of China)  
March 13, 2017

## Namchow Chemical Industrial Co., Ltd.

## Balance Sheets

December 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars)

Assets	December 31, 2016		December 31, 2015		Liabilities and Stockholders' Equity	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (note 6(a))	\$ 94,652	1	87,031	1	Short-term borrowings (notes 6(i), 8 and 9)	\$ 307,000	3	500,000	5
Notes receivable, net (note 6(c))	137,674	1	107,245	1	Short-term commercial paper payable (note 6(i))	249,915	2	89,967	1
Accounts receivable, net (note 6(c))	377,346	3	401,383	4	Current portion of long-term borrowings (notes 6(i) and 8)	-	-	202,783	2
Accounts receivable—related-parties(notes 6(c) and 7)	56,704	1	52,865	1	Accounts payable	138,659	1	126,427	1
Other receivables (notes 6(c), (q) and (r))	2,912	-	5,481	-	Accounts payable—related-parties (note 7)	1,915	-	7,840	-
Other receivables—related-parties (notes 6(c) and 7)	7,494	-	9,465	-	Other payables (notes 6(m), (p) and (q))	423,557	3	352,806	3
Current income tax assets	4,994	-	4,994	-	Other payables—related-parties (note 7)	21,710	-	20,877	-
Inventories (note 6(d))	424,043	3	403,539	4	Current income tax liabilities	19,284	-	-	-
Prepayments	41,752	-	47,611	-	Deferred revenue (note 6(o))	96,707	1	92,977	1
Other current assets	2,005	-	2,367	-	Other current liabilities	10,107	-	16,043	-
<b>Total current assets</b>	<b>1,149,576</b>	<b>9</b>	<b>1,121,981</b>	<b>11</b>	<b>Total current liabilities</b>	<b>1,268,854</b>	<b>10</b>	<b>1,409,720</b>	<b>13</b>
<b>Non-current assets:</b>					<b>Non-current liabilities:</b>				
Available-for-sale financial assets—non-current (note 6(b))	10,735	-	10,979	-	Bonds payable (notes 6(j))	3,894,324	32	-	-
Financial assets at cost—non-current (note 6(e))	27,166	-	27,166	-	Long-term borrowings (notes 6(i) and 8)	635,350	5	3,326,692	30
Investments accounted for under equity method (note 6(f))	8,131,667	67	7,212,393	65	Deferred income tax liabilities (note 6(l))	590,299	5	498,559	5
Property, plant and equipment (notes 6(g), 8 and 9)	2,653,472	22	2,579,439	23	Accrued pension liabilities—non-current (note 6(k))	190,825	2	342,923	3
Investment property (note 6(h))	83,384	1	86,508	1	Other non-current liabilities	3,998	-	238	-
Deferred income tax assets (note 6(l))	54,095	1	4,389	-	<b>Total non-current liabilities</b>	<b>5,314,796</b>	<b>44</b>	<b>4,168,412</b>	<b>38</b>
Prepayments for equipment	32,880	-	24,159	-	<b>Total liabilities</b>	<b>6,583,650</b>	<b>54</b>	<b>5,578,132</b>	<b>51</b>
Other non-current assets (note 8)	10,764	-	10,937	-	<b>Shareholders' equity (notes 6(b), (k), (l) and (m)):</b>				
<b>Total non-current assets</b>	<b>11,004,163</b>	<b>91</b>	<b>9,955,970</b>	<b>89</b>	Common stock	2,941,330	24	2,941,330	26
					Capital surplus	640,075	5	520,786	4
					Retained earnings:				
					Legal reserve	419,871	4	308,586	3
					Special reserve	512,508	4	512,508	5
					Unappropriated earnings	1,977,655	16	1,686,942	15
						2,910,034	24	2,508,036	23
					Other equities:				
					Financial statement translation differences for foreign operations	(384,512)	(3)	66,204	1
					Unrealized gains (losses) on valuation of available-for-sale financial assets	(6,724)	-	(6,423)	-
						(391,236)	(3)	59,781	1
					Treasury stock	(530,114)	(4)	(530,114)	(5)
					<b>Total equity</b>	<b>5,570,089</b>	<b>46</b>	<b>5,499,819</b>	<b>49</b>
<b>Total assets</b>	<b>\$ 12,153,739</b>	<b>100</b>	<b>11,077,951</b>	<b>100</b>	<b>Total liabilities and stockholders' equity</b>	<b>\$ 12,153,739</b>	<b>100</b>	<b>11,077,951</b>	<b>100</b>

(English Translation of Financial Statements and Report Originally Issued in Chinese)

## NAMCHOW CHEMICAL INDUSTRIAL CO., LTD.

## Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars)

	2016		2015	
	Amount	%	Amount	%
<b>Revenue (notes 6(o) and 7)</b>	\$ 2,808,091	100	2,780,173	100
<b>Operating costs (notes 6(d), (g), (k), (p), and 7)</b>	<u>1,835,811</u>	<u>65</u>	<u>1,773,564</u>	<u>64</u>
<b>Gross profit</b>	<u>972,280</u>	<u>35</u>	<u>1,006,609</u>	<u>36</u>
<b>Operating expenses (notes 6(c), (g), (k), (p), and 7):</b>				
Selling expenses	589,418	21	593,675	22
General and administrative expenses	395,009	14	372,652	13
Research and development expenses	<u>32,978</u>	<u>1</u>	<u>42,447</u>	<u>2</u>
<b>Total operating expenses</b>	<u>1,017,405</u>	<u>36</u>	<u>1,008,774</u>	<u>37</u>
<b>Operating profit</b>	<u>(45,125)</u>	<u>(1)</u>	<u>(2,165)</u>	<u>(1)</u>
<b>Non-operating income and expenses (notes 6(g), (h), (q) and 7):</b>				
Other income	18,070	-	27,253	1
Other gains and losses	(5,408)	-	(7,644)	-
Finance costs	(67,980)	(2)	(67,951)	(2)
Shares of profit from the subsidiaries	<u>1,370,984</u>	<u>49</u>	<u>1,383,251</u>	<u>50</u>
<b>Total non-operating income and expenses</b>	<u>1,315,666</u>	<u>47</u>	<u>1,334,909</u>	<u>49</u>
<b>Net income before tax</b>	<u>1,270,541</u>	<u>46</u>	<u>1,332,744</u>	<u>48</u>
<b>Less: income tax expenses (note 6(l))</b>	<u>64,839</u>	<u>3</u>	<u>219,894</u>	<u>8</u>
<b>Net income</b>	<u>1,205,702</u>	<u>43</u>	<u>1,112,850</u>	<u>40</u>
<b>Other comprehensive income (loss):</b>				
<b>Items that will not be reclassified subsequently to profit or loss (note 6(k)):</b>				
Remeasurements of the defined benefit plans	(27,439)	(1)	(28,889)	(1)
Shares of other comprehensive income of subsidiaries accounted for under equity method-items that will not be reclassified subsequently to profit or loss	(11,519)	-	1,184	-
Income tax expense related to items that will not be reclassified subsequently	-	-	-	-
<b>Total Items that will not be reclassified subsequently to profit or loss</b>	<u>(38,958)</u>	<u>(1)</u>	<u>(27,705)</u>	<u>(1)</u>
<b>Items that may be reclassified subsequently to profit or loss (note 6(m)):</b>				
Financial statements translation differences for foreign operations	(12,425)	-	(58,483)	(2)
Unrealized losses on valuation of available-for-sale financial assets	(244)	-	(598)	-
Shares of other comprehensive income of subsidiaries accounted for under equity method-items that may be reclassified subsequently to profit or loss	(438,348)	(16)	(85,757)	(3)
Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-
<b>Total Items that may be reclassified subsequently to profit or loss</b>	<u>(451,017)</u>	<u>(16)</u>	<u>(144,838)</u>	<u>(5)</u>
<b>Other comprehensive income (loss), net of tax</b>	<u>(489,975)</u>	<u>(17)</u>	<u>(172,543)</u>	<u>(6)</u>
<b>Total comprehensive income</b>	<u>\$ 715,727</u>	<u>26</u>	<u>940,307</u>	<u>34</u>
<b>Basic earnings per share (in New Taiwan dollars) (note 6(n))</b>	<u>\$ 4.86</u>		<u>4.49</u>	
<b>Diluted earnings per share (in New Taiwan dollars) (note 6(n))</b>	<u>\$ 4.85</u>		<u>4.48</u>	

(English Translation of Financial Statements and Report Originally Issued in Chinese)

## NAMCHOW CHEMICAL INDUSTRIAL CO., LTD.

## Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars)

				Retained earnings			Financial statements translation differences for foreign operations	Other equity adjustments Unrealized gain (loss) on valuation of available-for-s ale financial assets		Treasury stock	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total			Total		Total
<b>Balance at January 1, 2015</b>	\$ 2,941,330	424,437	213,723	512,508	1,314,340	2,040,571	210,304	(5,685)	204,619	(530,114)	5,080,843
Appropriations and distributions (note):											
Legal reserve	-	-	94,863	-	(94,863)	-	-	-	-	-	-
Cash dividends	-	96,349	-	-	(617,680)	(617,680)	-	-	-	-	(521,331)
Net income	-	-	-	-	1,112,850	1,112,850	-	-	-	-	1,112,850
Other comprehensive income (loss)	-	-	-	-	(27,705)	(27,705)	(144,100)	(738)	(144,838)	-	(172,543)
Total comprehensive income (loss)	-	-	-	-	1,085,145	1,085,145	(144,100)	(738)	(144,838)	-	940,307
<b>Balance at December 31, 2015</b>	2,941,330	520,786	308,586	512,508	1,686,942	2,508,036	66,204	(6,423)	59,781	(530,114)	5,499,819
Appropriations and distributions (note):											
Legal reserve	-	-	111,285	-	(111,285)	-	-	-	-	-	-
Cash dividends	-	119,289	-	-	(764,746)	(764,746)	-	-	-	-	(645,457)
Net income	-	-	-	-	1,205,702	1,205,702	-	-	-	-	1,205,702
Other comprehensive income (loss)	-	-	-	-	(38,958)	(38,958)	(450,716)	(301)	(451,017)	-	(489,975)
Total comprehensive income (loss)	-	-	-	-	1,166,744	1,166,744	(450,716)	(301)	(451,017)	-	715,727
<b>Balance at December 31, 2016</b>	<b>\$ 2,941,330</b>	<b>640,075</b>	<b>419,871</b>	<b>512,508</b>	<b>1,977,655</b>	<b>2,910,034</b>	<b>(384,512)</b>	<b>(6,724)</b>	<b>(391,236)</b>	<b>(530,114)</b>	<b>5,570,089</b>

Note: For the years 2016 and 2015 the estimated amount of directors' remuneration were \$53,496 thousand and \$56,116 thousand, respectively, and the estimated amounts of employees' bonuses were amounting to \$13,374 thousand and \$14,029 thousand, respectively, were deducted from statements of comprehensive income in the respective periods.

## NAMCHOW CHEMICAL INDUSTRIAL CO., LTD.

## Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars)

	2016	2015
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 1,270,541	1,332,744
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss		
Depreciation	114,335	108,215
Provisions for bad debt	513	1,020
Interest expenses	67,980	67,951
Interest income	(50)	(1,293)
Share of profit of subsidiaries accounts for under equity method	(1,370,984)	(1,383,251)
Loss on disposal of property, plant and equipment, net	283	34
Total adjustments to reconcile profit and loss	(1,187,923)	(1,207,324)
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	(30,429)	6,460
Accounts receivable	23,524	(6,028)
Accounts receivable — related-parties	(3,839)	(11,338)
Other receivables	2,569	19,952
Other receivables — related-parties	1,971	252,057
Inventories	(20,504)	31,574
Prepayments	5,859	11,988
Other current assets	362	(201)
Total changes in operating assets, net	(20,487)	304,464
Net changes in operating liabilities:		
Accounts payable	12,232	(26,225)
Accounts payable — related-parties	(5,925)	5,286
Other payables	74,508	53,652
Other payables — related-parties	833	9,215
Other current liabilities	(5,936)	(54)
Net defined benefit liabilities	(179,536)	(4,839)
Deferred revenue	3,730	13,481
Total changes in operating liabilities, net	(100,094)	50,516
Total changes in operating assets / liabilities, net	(120,581)	354,980
Total adjustments	(1,308,504)	(852,344)
Cash provided by (used in) operating activities	(37,963)	480,400
Interest income received	50	1,293
Interest paid	(66,533)	(68,414)
Income tax paid	(3,521)	(78,154)
<b>Net cash provided by (used in) operating activities</b>	<b>(107,967)</b>	<b>335,125</b>
<b>Cash flows from investing activities:</b>		
Acquisition of investments accounted for under equity method	(20,000)	(249,730)
Acquisition of property, plant and equipment	(199,452)	(102,923)
Increase in other non-current assets	173	1,198
Dividend received	128,706	344,235
<b>Net cash used in investing activities</b>	<b>(90,573)</b>	<b>(7,220)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	4,396,000	2,536,999
Decrease in short-term borrowings	(4,589,000)	(2,254,011)
Increase in short-term commercial paper payable	159,948	69,973
Proceeds from issuance of bonds	3,894,324	-
Proceeds from long-term borrowings	3,701,391	800,000
Repayment of long-term borrowings	(6,595,516)	(860,033)
Increase (decrease) in other non-current liabilities	3,760	(138)
Cash dividends paid	(764,746)	(617,680)
<b>Net cash provided by (used in) financing activities</b>	<b>206,161</b>	<b>(324,890)</b>
Increase in cash and cash equivalents	7,621	3,015
Cash and cash equivalents at beginning of period	87,031	84,016
Cash and cash equivalents at end of period	<b>\$ 94,652</b>	<b>87,031</b>

## **Independent Auditors' Report**

To the Board of Directors of Namchow Chemical Industrial Co., Ltd.:

### **Opinion**

We have audited the consolidated financial statements of Namchow Chemical Industrial Co., Ltd. and subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditor's report were as follows:

#### **1. Impairment of trade receivable**

Please refer to Note 4(g) "Financial instrument" for accounting policies, Note 5(a) for accounting assumptions, judgment and estimation uncertainty of impairment of trade receivable, and Note 6(d) for the disclosure related to impairment of trade receivable of the consolidated financial statements.



Description of key audit matter:

The Group does not concentrate on any individual customer or any specific region, therefore, the Group needs to establish a policy on its allowance for impairment in order to evaluate its customers' financial status, as well as the political and economic environment. Therefore, the impairment of trades receivable is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principle audit procedures for the assessment of the Group's accounting policy, included evaluating the receivables credit conditions and allowance for impairment policy; analyzing the account receivable relevant with the allowance for impairment; obtaining aging analysis of account receivable and examining relevant documents to verify the accuracy aging period; understanding the recovery of the past due accounts and for the aging of the long-term accounts receivable, such as those past due for 120 days; inspecting whether the Group has taken the appropriate procedures on the litigation or negotiation of the Group subsequent to the financial year end, and verifying the adequacy of impairment assessment of accounts receivable; verifying the reasonableness of the management's assessment on the Group's disclosure on the impairment of trade receivable.

2. Valuation of inventories

Please refer to Note 4(h) "Inventories" for accounting policies, Note 5(b) for accounting assumptions, judgment and estimation uncertainty of valuation of inventories, and Note 6(e) for the disclosure related to valuation of inventories of the financial statements.

Description of key audit matter:

The Group's main inventories are edible and non-edible oil products, frozen dough and frozen food, as well as dish and laundry liquid detergent.

The value of edible and non-edible oil products and laundry liquid detergent products are affected by the international oil price, which may result in the inventory cost exceed its net realizable value; frozen dough and frozen food due to shelf life, resulting in the inventory age has significant risk. Therefore, the valuation of inventories is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included

Our principle audit procedures for the assessment of the Group's accounting policy included understanding the policies of evaluating the inventories; performing the analytical procedures about the relation between the balance of inventory and provision on inventory market price decline; verifying the change of provision on inventory valuation and evaluating where it is reasonable; understanding the net realizable values used by management and the variation of the prices in a period after the reporting date to ensure the appropriateness of the valuation price; obtaining the aging report and inspecting the inventory aging processing after the reporting date, as well as understanding the net realizable values used by the management to access whether the net realizable value and the allowance for inventories are reasonable; assessing whether the disclosure on the provision for inventory valuation and obsolescence was appropriate.

3. Revenue recognition—customer loyalty program

Please refer to Note 4(p) "Revenue" for accounting policies, Note 5(c) for accounting assumptions, judgment and estimation uncertainty of revenue recognition and Note 6(r) for the disclosure related to revenue of the financial statements.

#### Description of key audit matter:

The revenue arising from the bonus points shall be calculated by using the fair values, based on the amounts of sales and points earned in the previous year, to be recognized as revenue reduction. Revenue is the main indicator for the Group management and investors to evaluate the Group's financial and business performance. Therefore, the revenue recognition is one of the key judgmental areas for our audit.

#### How the matter was addressed in our audit:

The key audit procedures performed included understanding and assessing the design and implementation of the bonus point; assessing the management's judgments and estimating the rationality of the bonus point and recalculating them to ensure the sales revenue are recognized; performing the analytical procedures of sales revenue; assessing the appropriateness of the deferred income of the relevant incentive points, whether it is recorded correctly in the system, and whether it has been disclosed in the appropriate notes to the financial statements.

#### **Other Matter**

Namchow Chemical Industrial Co., Ltd. and subsidiaries has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditor's report are Po-Shu Huang and Ann-Tien Yu.

KPMG

Taipei, Taiwan (Republic of China)  
March 13, 2017

Attachment 7~7

Assets	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
<b>Current assets:</b>				
Cash and cash equivalents (notes 6(a))	\$ 3,161,685	17	5,330,938	29
Debt investment without active market—current (notes 6(c))	-	-	249,750	2
Notes receivable, net (notes 6(d))	208,668	1	215,745	1
Accounts receivable, net (notes 6(d))	1,521,658	8	1,502,657	8
Other receivables (notes 6(d) and (t))	120,961	1	143,597	1
Current income tax assets	210,320	1	13,680	-
Inventories (note 6(e))	1,949,203	10	1,603,068	9
Prepayments	109,100	1	186,262	1
Other current assets	194,815	1	145,709	1
<b>Total current assets</b>	<b>7,476,410</b>	<b>40</b>	<b>9,391,406</b>	<b>52</b>
<b>Non-current assets:</b>				
Available-for-sale financial assets—non-current (notes 6(b))	13,248	-	13,549	-
Financial assets at cost—non-current (notes 6(f))	27,166	-	27,166	-
Property, plant and equipment (notes 6(g), 8 and 9)	10,388,063	57	8,152,440	44
Investment property (note 6(h))	55,740	-	64,021	-
Goodwill (note 6(i))	105,417	1	105,417	1
Deferred income tax assets (note 6(o))	139,853	1	33,432	-
Prepayments for equipment	47,177	-	234,258	1
Long-term prepaid rents	239,376	1	223,998	1
Other non-current assets (note 8)	84,718	-	153,648	1
<b>Total non-current assets</b>	<b>11,100,758</b>	<b>60</b>	<b>9,007,929</b>	<b>48</b>
<b>Total assets</b>	<b>\$ 18,577,168</b>	<b>100</b>	<b>18,399,335</b>	<b>100</b>

Liabilities and Stockholders' Equity	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
<b>Current liabilities:</b>				
Short-term borrowings (notes 6(j), 8 and 9)	\$ 1,624,233	9	3,612,664	20
Short-term commercial paper payable (notes 6(j))	289,915	2	149,967	1
Current portion of long-term borrowings (notes 6(j) and 8)	269,791	1	529,086	3
Notes payable	49	-	157	-
Accounts payable	764,837	4	721,917	4
Other payables (notes 6(p), (q), (t) and 9)	1,449,502	8	1,261,772	7
Current income tax liabilities	373,526	2	159,599	1
Deferred revenue (note 6(m))	364,333	2	349,410	2
Other current liabilities	55,863	-	86,903	-
<b>Total current liabilities</b>	<b>5,192,049</b>	<b>28</b>	<b>6,871,475</b>	<b>38</b>
<b>Non-current liabilities:</b>				
Bonds payable (notes 6(k))	3,894,324	21	-	-
Long-term borrowings (notes 6(j) and 8)	2,638,183	14	4,488,105	24
Provision liabilities—non-current (note 6(l))	11,655	-	8,585	-
Deferred income tax liabilities (note 6(o))	856,313	5	769,801	4
Accrued pension liabilities—non-current	293,228	2	548,175	3
Other non-current liabilities (note)	68,706	-	69,117	-
<b>Total non-current liabilities</b>	<b>7,762,409</b>	<b>42</b>	<b>5,883,783</b>	<b>31</b>
<b>Total liabilities</b>	<b>12,954,458</b>	<b>70</b>	<b>12,755,258</b>	<b>69</b>
<b>Equity attributable to shareholders of the parent (notes 6(b), (o) and (p)):</b>				
Common stock	2,941,330	16	2,941,330	16
Capital surplus	640,075	3	520,786	3
Retained earnings:				
Legal reserve	419,871	2	308,586	2
Special reserve	512,508	3	512,508	3
Unappropriated earnings	1,977,655	11	1,686,942	9
	2,910,034	16	2,508,036	14
Other equities:				
Financial statement translation differences for foreign operations	(384,512)	(2)	66,204	-
Unrealized gains (losses) on valuation of available-for-sale financial assets	(6,724)	-	(6,423)	-
	(391,236)	(2)	59,781	-
Treasury stock	(530,114)	(3)	(530,114)	(3)
<b>Total equity</b>	<b>5,570,089</b>	<b>30</b>	<b>5,499,819</b>	<b>30</b>
<b>Non-controlling interests</b>	<b>52,621</b>	<b>-</b>	<b>144,258</b>	<b>1</b>
<b>Total equity attributable to shareholders of the parent</b>	<b>5,622,710</b>	<b>30</b>	<b>5,644,077</b>	<b>31</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 18,577,168</b>	<b>100</b>	<b>18,399,335</b>	<b>100</b>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**NAMCHOW CHEMICAL INDUSTRIAL CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the years ended December 31, 2016 and 2015****(Expressed in thousands of New Taiwan dollars)**

	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Revenue (note 6(r))</b>	\$ 16,299,714	100	15,479,543	100
<b>Operating costs (notes 6(e), (g), (m), (o), (s), 7 and 9)</b>	<u>10,160,025</u>	<u>62</u>	<u>9,871,293</u>	<u>64</u>
<b>Gross profit</b>	6,139,689	38	5,608,250	36
<b>Operating expenses (notes 6(d), (g), (m), (o), (s) and 7):</b>				
Selling expenses	2,439,933	15	2,326,392	15
General and administrative expenses	1,403,331	9	1,187,298	7
Research and development expenses	<u>273,061</u>	<u>2</u>	<u>139,141</u>	<u>1</u>
<b>Total operating expenses</b>	<u>4,116,325</u>	<u>26</u>	<u>3,652,831</u>	<u>23</u>
<b>Operating profit</b>	<u>2,023,364</u>	<u>12</u>	<u>1,955,419</u>	<u>13</u>
<b>Non-operating income and expenses (notes 6(m) and (t)):</b>				
Other income	145,858	1	184,129	2
Other gains and losses	(186,452)	(1)	(248,047)	(2)
Finance costs	<u>(164,894)</u>	<u>(1)</u>	<u>(150,460)</u>	<u>(1)</u>
<b>Total non-operating income and expenses</b>	<u>(205,488)</u>	<u>(1)</u>	<u>(214,378)</u>	<u>(1)</u>
<b>Net income before tax</b>	1,817,876	11	1,741,041	12
<b>Less: income tax expenses (note 6(o))</b>	<u>647,567</u>	<u>4</u>	<u>577,080</u>	<u>4</u>
<b>Net income</b>	<u>1,170,309</u>	<u>7</u>	<u>1,163,961</u>	<u>8</u>
<b>Other comprehensive income (loss):</b>				
<b>Items that will not be reclassified subsequently to profit or loss (note 6(n)):</b>				
Remeasurements of the defined benefit plans	(38,998)	-	(27,724)	-
Income tax expense related to items that will not be reclassified subsequently	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Items that will not be reclassified subsequently to profit or loss</b>	<u>(38,998)</u>	<u>-</u>	<u>(27,724)</u>	<u>-</u>
<b>Items that may be reclassified subsequently to profit or loss (note 6(p)):</b>				
Financial statements translation differences on foreign operations	(459,801)	(3)	(148,786)	(1)
Unrealized gains (losses) on valuation of available-for-sale financial assets	(301)	-	(738)	-
Income tax expense relating to components of other comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Items that may be reclassified subsequently to profit or loss</b>	<u>(460,102)</u>	<u>(3)</u>	<u>(149,524)</u>	<u>(1)</u>
<b>Other comprehensive income (loss), net of tax</b>	<u>(499,100)</u>	<u>(3)</u>	<u>(177,248)</u>	<u>(1)</u>
<b>Total comprehensive income</b>	<u><b>\$ 671,209</b></u>	<u><b>4</b></u>	<u><b>986,713</b></u>	<u><b>7</b></u>
<b>Net income attributable to:</b>				
Shareholders of the parent	\$ 1,205,702	7	1,112,850	8
Non-controlling interests	<u>(35,393)</u>	<u>-</u>	<u>51,111</u>	<u>-</u>
	<u><b>\$ 1,170,309</b></u>	<u><b>7</b></u>	<u><b>1,163,961</b></u>	<u><b>8</b></u>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the parent	\$ 715,727	4	940,307	7
Non-controlling interests	<u>(44,518)</u>	<u>-</u>	<u>46,406</u>	<u>-</u>
	<u><b>\$ 671,209</b></u>	<u><b>4</b></u>	<u><b>986,713</b></u>	<u><b>7</b></u>
<b>Basic earnings per share (in New Taiwan dollars) (note 6(q))</b>	<u><b>\$ 4.86</b></u>		<u><b>4.49</b></u>	
<b>Diluted earnings per share (in New Taiwan dollars) (note 6(q))</b>	<u><b>\$ 4.85</b></u>		<u><b>4.48</b></u>	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

## NAMCHOW CHEMICAL INDUSTRIAL CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent						Other equity adjustments		Total	Treasury stock	Total equity attributable to shareholders of the parent	Non-controlling interests	Total
	Common stock	Capital surplus	Legal reserve	Retained earnings	Special reserve	Unappropriated earnings	Financial statements translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets					
<b>Balance at January 1, 2015</b>	\$ 2,941,330	424,437	213,723	512,508	1,314,340	2,040,571	210,304	(5,685)	204,619	(530,114)	5,080,843	171,735	5,252,578
Appropriations and distributions:													
Legal reserve	-	-	94,863	-	(94,863)	-	-	-	-	-	-	-	-
Cash dividends and adjustment of capital surplus for Company's cash dividends received by subsidiaries	-	96,349	-	-	(617,680)	(617,680)	-	-	-	-	(521,331)	-	(521,331)
Net income	-	-	-	-	1,112,850	1,112,850	-	-	-	-	1,112,850	51,111	1,163,961
Other comprehensive income (loss)	-	-	-	-	(27,705)	(27,705)	(144,100)	(738)	(144,838)	-	(172,543)	(4,705)	(177,248)
Total comprehensive income (loss)	-	-	-	-	1,085,145	1,085,145	(144,100)	(738)	(144,838)	-	940,307	46,406	986,713
Cash dividends to non-controlling interest from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(73,883)	(73,883)
<b>Balance at December 31, 2015</b>	2,941,330	520,786	308,586	512,508	1,686,942	2,508,036	66,204	(6,423)	59,781	(530,114)	5,499,819	144,258	5,644,077
Appropriations and distributions:													
Legal reserve	-	-	111,285	-	(111,285)	-	-	-	-	-	-	-	-
Cash dividends and adjustment of capital surplus for Company's cash dividends received by subsidiaries	-	119,289	-	-	(764,746)	(764,746)	-	-	-	-	(645,457)	-	(645,457)
Net income	-	-	-	-	1,205,702	1,205,702	-	-	-	-	1,205,702	(35,393)	1,170,309
Other comprehensive income (loss)	-	-	-	-	(38,958)	(38,958)	(450,716)	(301)	(451,017)	-	(489,975)	(9,125)	(499,100)
Total comprehensive income (loss)	-	-	-	-	1,166,744	1,166,744	(450,716)	(301)	(451,017)	-	715,727	(44,518)	671,209
Cash dividends to non-controlling interest from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(47,119)	(47,119)
<b>Balance at December 31, 2016</b>	<b>\$ 2,941,330</b>	<b>640,075</b>	<b>419,871</b>	<b>512,508</b>	<b>1,977,655</b>	<b>2,910,034</b>	<b>(384,512)</b>	<b>(6,724)</b>	<b>(391,236)</b>	<b>(530,114)</b>	<b>5,570,089</b>	<b>52,621</b>	<b>5,622,710</b>

## Attachment 7~10

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

## NAMCHOW CHEMICAL INDUSTRIAL CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars)

	2016	2015
<b>Cash flows from operating activities:</b>		
Consolidated net income before tax	\$ 1,817,876	1,741,041
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation	663,759	656,829
Provisions for bad debt	(8,006)	2,565
Gains on financial assets at fair value through profit or loss	-	50
Interest expenses	164,894	150,460
Interest income	(110,610)	(94,068)
Losses on disposal of property, plant and equipment, net	3,629	6,485
Total adjustments to reconcile profit and loss	713,666	722,321
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	7,077	(28,716)
Accounts receivable	(9,696)	1,004
Other receivables	141,925	110,394
Inventories	(346,135)	253,830
Prepayments	77,162	3,756
Other current assets	(49,106)	(6,396)
Total changes in operating assets, net	(178,773)	333,872
Net changes in operating liabilities:		
Notes payable	(108)	(959)
Accounts payable	42,920	57,921
Other payables	213,369	259,203
Provisions liabilities	3,070	-
Other current liabilities	(31,040)	27,365
Net defined benefit liabilities	(293,945)	2,517
Deferred revenue	14,923	67,278
Total changes in operating liabilities, net	(50,811)	413,325
Total changes in operating assets / liabilities, net	(229,584)	747,197
Total adjustments	484,082	1,469,518
Cash provided by operating activities	2,301,958	3,210,559
Interest income received	110,610	94,068
Interest paid	(164,385)	(149,951)
Income tax paid	(650,189)	(444,452)
Net cash provided by operating activities	1,597,994	2,710,224
<b>Cash flows from investing activities:</b>		
Acquisition of debt investments without active market	-	(249,750)
Proceeds from disposal of debt investment without active market	249,750	-
Acquisition of property, plant and equipment	(3,206,050)	(1,408,065)
Proceeds from disposal of property, plant and equipment	100,508	14,902
Increase in Long-term rents receivable	(18,559)	7,369
Increase in other non-current assets	72,111	26,109
Net cash used in investing activities	(2,802,240)	(1,609,435)
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	8,469,300	10,893,563
Decrease in short-term borrowings	(10,451,959)	(10,643,489)
Increase in short-term commercial paper payable	139,948	49,973
Proceeds from issuance of bonds	3,894,324	-
Proceeds from long-term borrowings	4,818,162	1,272,609
Repayment of long-term borrowings	(6,795,156)	(1,067,923)
Increase (decrease) in other non-current liabilities	(411)	15,267
Cash dividends paid	(811,865)	(691,563)
Net cash provided by (used in) financing activities	(737,657)	(171,563)
Effects of changes in exchange rates	(227,350)	(60,175)
Increase in cash and cash equivalents	(2,169,253)	869,051
Cash and cash equivalents at beginning of period	5,330,938	4,461,887
Cash and cash equivalents at end of period	<u>\$ 3,161,685</u>	<u>5,330,938</u>

## Attachment 8

Namchow Chemical Industrial CO., LTD.  
Proposal for Distribution of Earnings in 2016

Currency unit: NTD	
Item	Value
<b>Undistributed Earnings at Start of Reporting Period</b>	810,911,111
Addition: Re-measured variable for the current term confirmed for the welfare program	(38,957,609)
Net profit after tax	1,205,701,295
<b>Profit Available for Distribution</b>	1,977,654,797
Less:	
Appropriation of legal reserve	120,570,130
Appropriation of the equity deduction special reserve	-
Distribution Item:	
Shareholders dividend payment (NTD2.8/share)	823,572,294
<b>Undistributed Earnings at End of Reporting Period</b>	1,033,512,373

Chen Fei Lung

Lee Kan Wen

Lien Rong Chang

Chairman

EVP

Head of Accounting



## Attachment 9

### Spinoff Plan

For transforming into an investment holding company so as to upgrade the overall competitive power and operation performance, Namchow Chemical Industrial Co., Ltd. (Hereinafter referred to as “Namchow”) seeks to spin-off its Oil and Fat Division (including frozen dough) and related operations (including assets, liabilities, and business) (hereinafter referred to as “the corporate spinoff”) to its wholly-owned subsidiary, Namchow Oil and Fat Co., Ltd. (Hereinafter referred to as “Namchow Oil and Fat”) thereby Namchow Oil and Fat shall assume the assets and liabilities of the Oil and Fat Division (including frozen dough) and issue new shares to Namchow for settlement of the assignment. The corporate spinoff is a corporate reorganization of Namchow which will not affect the structure of its direct investments. The corporate spinoff plan (hereinafter referred to as “the plan”) is established in accordance with the Corporate Merger and Acquisition Act, the Company Act, and other applicable laws, and is specified as follows:

#### Article I: Method of spinoff and participants

The plan is based on the split up of the Oil and Fat Division (including frozen dough) and related operations (including assets, liabilities, and business) of Namchow to its wholly-owned subsidiary, Namchow Oil and Fat, which in turn shall issue new shares to Namchow for the settlement of the assignment. Participants in the corporate spinoff:

Parent company: Namchow

Assignee: Namchow Oil and Fat

#### Article II: Amendment to the Articles of Incorporation of the Assignee

The Articles of Incorporation of Namchow Oil and Fat are exhibited in Attachment 1. Total quantity and amount of equity shares and related matters as contained in the Articles of Incorporation of the Assignee shall be subject to amendment after the corporate spinoff.

#### Article III: the scope and value of business, assets and liabilities assigned by the parent company

##### 1. Scope of business assigned through spinoff:

- (1) The oil and fat (including frozen dough) operation of Namchow and related production, sale, purchase, and personnel.
- (2) The required equipment, inventory, bank deposits, account receivable and related assets (including tangible and intangible assets) and related liabilities of the Oil and Fat Division (including frozen dough) of Namchow.
- (3) Related contracts (including but not limiting to: procurement contracts, sale contracts,

technology licensing agreements, technical service agreements, loan agreement, and other related agreements), law suits, legal relation, legal position, licenses, permits and related rights and privileges of the Oil and Fat Division (including frozen dough) of Namchow. The assignment of contracts shall be subject to the consent of the original contracting parties in order to come into effect.

- (4) The portion of trademarks, technologies, software, know-how, business secrets owned by Namchow through research and development entitled to the Oil and Fat Division (including frozen dough) prior to the spinoff day shall be fully assigned to Namchow Oil and Fat through the spinoff. Namchow and Namchow Oil and Fat shall work in cooperation with each other to process the assignment of the aforementioned intellectual property rights, technology licensing, protection of rights and related information, documents, and programs to that the other side may exercise the rights thereof. The expenses incurred from the protection of these rights after the spinoff day shall be borne by Namchow Oil and Fat. The split up the the intellectual property rights thereof shall not affect the rights of the parties previously licensed or assigned with such rights and their obligations of confidentiality. The licensing or assignment of the patents and pending applications of patents of the Oil and Fat Division (including frozen dough) shall be determined by the parties in separate agreement.
- (5) Related assets, liabilities, rights and obligations, privileges, assigned business/property of Namchow Oil and Fat Division (including frozen dough) being entitled but still in effect, or the preferential tax treatment not being used, license, permits and related de jure and de facto relations and position.
2. The value of assigned business through spinoff: calculated on the basis of the assigned assets net of liabilities, and is estimated at NTD410,731,270.
3. The assigned assets through spinoff: the assigned assets through spinoff were exhibited in Attachment 2 and the value was estimated at NTD1,141,807,283.
4. The assigned liabilities through spinoff: the assigned liabilities through spinoff were exhibited in Attachment 2 and the value was estimated at NTD731,076,013.
5. The value of the aforementioned business, the amount of assets and liabilities from spinoff shall be based on the value stated in the audited financial statements of Namchow as of December 31 2016. However, the exact value of business and amount of assets and liabilities in the spinoff shall be based on the book value as of the spinoff day.
6. If adjustment of the aforementioned assets and liabilities as singed through spinoff is necessary, the Shareholders' Meeting of both sides shall authorize the Boards of both sides for action. If corresponding adjustment of the business value or the ratio of the shares to be issued by Namchow Oil and Fat, the same principle is applicable.

Article IV: The business value, assets and liabilities assigned by the parent company shall be

exchanged for the shares issued by the Assignee in relevant proportion and method of calculation.

1. Share swap ratio: the business value assigned by Namchow in the spinoff amounted to NTD410,731,270 at in exchange for 41,073,127 common share issued by Namchow Oil and Fat NTD10/share. The fraction of a share shall be settled in cash. Namchow Oil and Fat shall, within 30 days after the registration for change in registered content, pay the amount of business value insufficient for exchanging shares in lump sum by cash to Namchow.
2. Basis of calculation: the aforementioned ratio of share swap is based in the book value of the assets and liabilities for assignment by Namchow in the spinoff, the net value per share, and the ratio of share swap in the spinoff with reference to the professional opinions of experts. The detail is exhibited in Attachment 3.

Article V: The business value, assets, and liabilities of the parent company and the adjustment of ratio of the shares in the swap by the Assignee

The ratio for exchange of new shares issued by Namchow Oil and Fat in the spinoff shall be based on the quantity of shares for issuance and/or the price per share by the Boards of both sides under authorization if the following is applicable. Accordingly, the business value to be acquired by Namchow Oil and Fat from he spinoff shall be adjusted:

1. After This Plan is signed to confirm, Namchow Oil and Fat shall proceed to issuing new shares for raising capital and release stock dividend.
2. Act of Namchow that significantly affect the financial position of the company such as the disposition of major assets.
3. Significant change in Namchow Oil and Fat the extent to which the shareholders' equity or stock price was significantly affected.
4. Namchow Oil and Fat repurchases treasury stocks.
5. There is a change in the value of business planned for assignment in the spinoff as of the spinoff day caused by the change in the scope of assets or liabilities or value of other factors, to the extent that adjustment of business value is necessary.
6. The detail or amount of the assets and liabilities assigned by Namchow through spinoff changed due to the reappraisal of assets, depreciations, amortization, addition or impairment.
7. Namchow Oil and Fat is required to change the ratio of the quantity of shares for issuance under Article IV as dictated by law or the instruction of the competent authority.

Article VI: The total quantity and type of shares for issuance by the Assignee.

1. Namchow Oil and Fat was assigned NTD410,731,270 worth of business in the spinoff and shall issue 41,073,127 shares of common stock for Namchow.
2. Namchow Oil and Fat shall complete the registration of change in business registration after the spinoff day, and shall issue common shares for Namchow to complete the spinoff. By then, Namchow shall hold 100% of the equity shares issued by Namchow Oil and Fat.

Article VII: The purchase and cancellation of the shares held by shareholders with adverse opinion

Shareholders of Namchow and Namchow Oil and Fat may disagree with this plan on the spinoff thereby the companies shall purchase the shares held by shareholders who disagreed with the spinoff as required by law. The shares brought back from these shareholders may be disposed or canceled as approved by the competent authority, and register for the change.

Article VIII: Notification and Announcement to the Creditors

1. After the Shareholders' Meetings of Namchow and Namchow Oil and Fat had passed this plan of spinoff, both shall prepare respective balance sheets and assets list, and notify with announcement to their respective creditors of the resolution on spinoff. Creditors shall be given at least 30 days for expressing adverse opinions. If the creditors have expressed adverse opinions by the deadline, Namchow and Namchow Oil and Fat shall respond properly as required by law.
2. If Namchow elects to settle the debts to the aforementioned creditors who expressed adverse opinions on the spinoff and the debts fall within the scope of this plan in the spinoff, the Boards of Namchow and Namchow Oil and Fat must adjust the business scope, business value, assets and liabilities as stated in Article III. Likewise, adjustment will also be made in the ratio or price of the new shares to be issued by Namchow Oil and Fat (the Assignee).

Article IX: Assumption of rights and obligations after the spinoff and related matters

1. Namchow Oil and Fat shall generally assume the ownership of rights and liabilities assigned by Namchow with effect on the spinoff day, and also the rights and obligations effective prior to the spinoff day unless this plan specified otherwise. Namchow shall provide assistance to the processing of the assignment through spinoff.
2. Further to the liabilities and debts of Namchow before the spinoff that could be split up, Namchow Oil and Fat shall assume joint and several liabilities of the liabilities of Namchow within the scope of business for assignment before the spinoff pursuant to Article 35, Paragraph 6, of the Corporate Merger and

Acquisition Act. The right of the creditors for claim of debts under joint and several liabilities will be extinguished after a period of 2 years from the spinoff day.

Article X: The appointment of employees

Related personnel of Namchow Oil and Fat Division (including frozen dough) of Namchow shall be continued to be employed by Namchow Oil and Fat. Namchow Oil and Fat shall recognize the seniority of these personnel at Namchow before the spinoff day. For pension payment or severance payment to these personnel, only the term of service before the spinoff will be included for calculation and the payment shall be borne by both Namchow and Namchow Oil and Fat in relevant proportion.

Article XI: Exclusion of employee subscription of new shares

The issuance of new shares by Namchow Oil and Fat in consideration of the spinoff is not governed by the Company Act that 10% to 15% of the new shares shall be reserved for the subscription of employees.

Article XII: Spinoff Day

1. The Board of both sides shall determine the day of spinoff under this plan at the resolution of the Shareholders' Meetings of both sides and the permission or approval of the competent authority (including Financial Supervisory Commission and Taiwan Stock Exchange Corporation). The spinoff day is tentatively set on August 1 2017 and may be subject to change by the Boards of both sides under authorization where necessary.
2. Namchow shall assign the business, personnel, equipment, and other assets and liabilities of its Oil and Fat Division (including frozen dough) to Namchow Oil and Fat on the spinoff day.

Article XIII: Progress of this plan, expected date of completion and response to delay in progress

1. This plan for spinoff is expected to present to the Shareholders' Meeting for resolution in the session scheduled on May 31 2017. The Boards of both sides may set a different date for the meeting if it is necessary.
2. In case this plan cannot be accomplished as scheduled, the spinoff day and the assignment in the spinoff cannot be completed on time, the Boards of both sides shall be authorized to handle the issues of calling for the sessions of the Boards or the Shareholders' Meeting and setting the dates for the meetings as required by law.

Article XIV: The shares of levies and dues to be borne by both sides

1. Unless this plan specified otherwise, all the levies or dues deriving from the

signing or performance of this plan shall be borne by both sides in equal share except for the tax exempted or tax free items. In case this plan become null due to the rejection of the Shareholders' Meeting or the disapproval of the competent authority, or any other reasons, the expenses already incurred from legal services, accountant services and fees shall be borne by Namchow.

2. The parties hereto shall work in concerted effort for obtaining preferential tax treatment from the government related to the spinoff

Article XV: Act of Breach

In the event of an act of breach either by Namchow or Namchow Oil and Fat of this plan and related requirements, the other side may notify the other side in writing for rectification with 30 days or shall terminate this plan by written notice.

In the event of material breach of contract by either side of the parties, and the breaching party fails to seek remedy or the breach is critical, to the extent that damage is caused to the no fault party, the breaching party shall be liable to the damage thereof (including but not limiting to the legal service charge, accounting fee, and related expenses incurred from the spinoff, the loss and all other damages). The parties hereto agree that damage may be caused to a third party (including but not limiting to the claims for damage by the third party) in performing this plan that one side of the party shall be held responsible, the party concerned shall be responsible for the damage to such third party.

Article XVI: Change in the paid-in capital of the Assignee

The paid-in capital of Namchow will be unaffected by the spinoff unless the law requires otherwise for divestment.

Article XVII: Response to the change in the number of participants

In the event of change in the number of participants in the spinoff after Namchow and Namchow Oil and Fat disclosed the content of this plan, all participants shall proceed to another round of the procedure or legal action that have already accomplished. Anything not fully covered by this provision shall be handled by the Board under authorization as required by law.

Article XVIII: Governing law

The spinoff shall be pursued in accordance with the Corporate Merger and Acquisition Act. In case of the enactment of new law which is more favorable to the spinoff, apply accordingly.

This plan shall be construed by the law of the Republic of China. In the event of dispute deriving from this plan, the parties hereto agree to submit the jurisdiction of

the first instance to Taipei District Court of Taiwan for settlement.

Article XIX: Miscellaneous

1. In case any provision of this plan runs into contradiction with applicable law that become null, the remainder shall remain intact and shall be in full force under law. The provision annulled by law due to contradiction of applicable law may be replaced by the Boards of both sides within the scope provided by law at the authorization of the Shareholders' Meetings of both sides in due process of law.
2. If any of the provisions contained in this plan shall be changed at the instruction of the competent authority, comply accordingly or the Boards of both sides shall amend the provisions to the instruction of the competent authority.
3. This plan shall be caused into full force after ratifying by the Shareholders' Meetings of both sides. In addition, this plan will be null unless under the permission or the approval of the competent authority.

Article XXI: Anything not included in this plan shall be governed by applicable laws and the requirement of the competent authority, or, the Boards of both sides shall seek solution with full power of attorney from the Shareholders' Meetings of both sides.

Article XXI: Copies of specimen for this plan

1. The Attachments to this plan shall constitute an integral part of this plan.
2. This plan shall be prepared in duplicate. Each party shall keep one original specimen for record.

The contracting parties of this plan:

Namchow Chemical Industrial CO., LTD.

Chairman: Chen Fei-Lung

Namchow Oil and Fat Co., Ltd.

President: Tai Shu-Wen

March 28 2017

## Attachment 9~1

### Namchow Oil and Fat Co., Ltd. Articles of Incorporation

#### Chapter I General Provision

- Article I: The Company is duly incorporated in accordance with the Company Act as a joint stock company and bears the title as NAMCHOW OIL AND FAT CO., LTD.
- Article II: The Company is engaged in the business specified below:
1. C102010 Dairy Products Manufacturing.
  2. C103050 Canned, Frozen, Dehydrated and Pickling Food Manufacturing.
  3. C104020 Bakery Food Manufacturing.
  4. C105010 Edible Oil Manufacturing
  5. C199010 Noodles, Flour Food Manufacturing.
  6. C801010 Basic Industrial Chemical Manufacturing.
  7. C801990 Other Chemical Materials Manufacturing.
  8. C802120 Industrial Catalyst Manufacturing.
  9. CZ99990 Other Industrial Products Manufacturing Not Elsewhere Classified.
  10. F102020 Wholesale of Edible Oil.
  11. F107170 Wholesale of Industrial Catalyst.
  12. F107200 Wholesale of Chemical Materials
  13. F207170 Retail Sale of Industrial Catalyst
  14. F207200 Retail Sale of Chemical Materials
  15. F401010 International Trade
  16. ZZ999999 Other business not prohibited or restricted by law except for business that requires special permit.
- Article III: In case the Company is a shareholder of another limited liability company, the total investment is not governed by the requirement of 40% of the paid-in capital pursuant to Article 13 of the Company Act.
- Article IV: The Company is headquartered in Taipei, and may establish domestic and foreign branches at the resolution of the Board.
- Article V: The Company shall make announcement pursuant to Article 28 of the Company Act.



## Chapter II Shares of Stock

- Article VI: The Company has stated capital of NTD1,000,000 and evenly split into 100,000 shares at NTD10/share issued in full.
- Article VII: The Company may elect not to issue shares of capital stock if the stated capital fall below the limit of the central competent authority, but may still issue shares of capital stock at the resolution of the Board where necessary. The Company will issue registered shares and each stock certificate shall be affixed with the authorized signatures or seals of at least 3 Directors subject to the certification of the competent authority or an approved share registration institution for offering.
- Article VIII: The transfer of shares is prohibited in the period of 30 days prior to the scheduled date of a regular session of the Shareholders' Meeting, 15 days prior to the scheduled date of a special session of the Shareholders' Meeting, or 5 days prior to the scheduled day of payment or benefits.

## Chapter III Shareholders' Meeting

- Article IX: The Shareholders shall convene in regular session and special session of which the former shall be held once annually within 6 months after the end of each fiscal year. Special session may be called for at any time as required by law.
- The Board shall call for the sessions of the Shareholders' Meeting unless the Company Act provides otherwise.
- The Chairman shall preside over the meetings. In the absence of the Chairman, a proxy may be appointed to act on behalf of and in the name of the Chairman, or a Director shall be nominated to preside over the meeting among the Directors.
- Article X: Shareholders shall be entitled to one vote for the holding of each share. Shares held by the Company under law bear no voting right. Shareholders may appoint a proxy to attend the Shareholders' Meeting if cannot attend in person by using the form for authorization of agent, affix the authorized signatures or seals, and specify the scope of authority. If the same proxy is appointed by 2 or more other shareholders, the votes in excess of 3% of the outstanding shares will not be counted unless for trust business or share registration agents approved by the competent authority in securities.

Article XI: Unless the Company Act provides otherwise, resolution of the Shareholders' Meeting shall be made by a session with the presence of shareholders representing more than half of the outstanding shares and a simple majority of the shareholders in session.

Article XII: If the Company has only one institutional shareholder, the Board shall perform the function of the Shareholders' Meeting thereby the rules governing Shareholders' Meeting in the Articles of Incorporation shall be waived.

#### Chapter IV Directors and Supervisors

Article XIII: The Company shall establish 3 seats of Directors and 1 seat of Supervisor with term of office for 3 years for each seat. Directors and Supervisors shall be elected by the Shareholders' Meeting from persons of legal competent, and shall assume a second term of office if reelected.

Article XIV: The Directors shall form the Board of Directors (Board). The Chairman shall be elected among the Directors in a Board session with the presence of at least two-thirds of the Directors and a simple majority of the Directors in session. The Chairman is the deputy agent of the Company externally.

Article XV: The Board shall call for its sessions with 7 days of notice to all Directors and the Supervisor, and specify the cause of the meeting. The Board may call for special session at any time for responding to emergency. The Board may call for its session by correspondence, fax, or electronic means.

Article XVI: Unless the Company Act provides otherwise, resolution of the Board shall be made by a session with the presence of more than half of the Directors and a simple majority of the Directors in session.

If specific Director cannot attend the session of the Board in person, such Director may appoint another Director as proxy to attend the meeting with a power of attorney and specify the scope of authorization unless residing outside Taiwan or the Company Act provides otherwise. Each Director may act as the proxy of only one other Director.

Article XVII: In the absence of the Chairman, proceed to Article 208 of the Company Act.

Article XVIII: The Supervisor shall perform its assigned duties under law, and shall attend the

session of the Board as an observer bearing no voting right.

Article XIX: The Chairman is remunerated by monthly salary the amount of which shall be determined by the Board under authorization and with reference to industry standard. A company car shall be assigned to the Chairman. The Board shall discuss and determine the year-end bonus depending on the state of operation.

#### Chapter V Managers

Article XX: The Company shall establish the seats for managers and the appoint, dismissal and remuneration of whom shall be governed by Article 29 of the Company Act.

#### Chapter VI Accounting

Article XXI: The fiscal period of the Company starts on January 1 of the year and ends on December 31 of the year. At the end of the fiscal period, the Board of the Company shall prepare the following statements and reports, and present to the Supervisor for review at least 30 days prior to the scheduled date of the regular session of the Shareholders' Meeting, and present before the Shareholders' Meeting for ratification.

I. Report on Operation.

II. Financial Statements.

III. Proposal for the Distribution of Earnings or Write-off loss carried forward.

Article XXII: The Company shall appropriate no less than 1% of its earnings as remuneration to employees, if applicable. The Company shall appropriate for write-off the loss carried forward, if applicable.

The remuneration to employees may be paid in stock or cash, and the employees of subsidiaries meeting specific condition are also entitled to the payment.

Article XXIII: If the Company has a surplus after account settlement, appropriate for the payment of applicable taxes, followed by the write-off of loss carried forward, and 10% as legal reserve. No further legal reserve should be necessary for appropriation if the amount of reserve is equal to the paid-in capital of the Company. If there is still a balance, the Board shall prepare a proposal for distribution and present before the Shareholders' Meeting for decision.

## Chapter VII Miscellaneous

- Article XXIV: The Board shall determine the organization code of the Company and related rules and regulation of the Company.
- Article XXV: Anything not covered by the Articles of Incorporation shall be governed by the Company Act.
- Article XXVI: The Articles of Incorporation are duly instituted on March 16 2017.

Namchow Oil and Fat Co., Ltd.

Chairman: Chen Fei-Lung

Shareholder: Namchow Chemical Industrial Co., Ltd.

Chairman: Chen Fei-Lung

## Attachment 9~2

### Namchow Chemical Industrial CO., LTD.

Spin-off the Oil and Fat Division (including frozen dough)  
And related scope of business (including assets, liabilities, and business)

Currency unit: NTD

No.	Amount
Assets	
Current Assets	767,597,662
Real estate, manufacturing facilities and equipment	373,698,980
Other Assets	510,641
Total assets (1)	1,141,807,283
Liabilities	
Current liabilities	730,064,599
Non-current liabilities	1,011,414
Total liabilities (2)	731,076,013
Business value (1) - (2)	410,731,270

# **Professional Opinions on the Rationality of the Share Swap Ratio for the Spinoff of Oil and Fat Division and related Business of Namchow Chemical Industrial Co., Ltd.**

## **I. Summary**

For transforming into an investment holding company so as to upgrade the overall competitive power and operation performance, Namchow Chemical Industrial Co., Ltd. (Hereinafter referred to as “Namchow”) seeks to spin-off its Oil and Fat Division (including frozen dough) and related operations (including assets, liabilities, and business) (hereinafter referred to as “the corporate spinoff”) to its wholly-owned subsidiary, Namchow Oil and Fat Co., Ltd. (Hereinafter referred to as “Namchow Oil and Fat”) thereby Namchow Oil and Fat shall assume the assets and liabilities of the Oil and Fat Division (including frozen dough) and issue new shares to Namchow for settlement of the assignment.

## **II. Calculation of stock price for the spinoff**

1. Namchow tentatively set the spinoff day on August 1 2017 to split the business value, and the amount of assets and liabilities for assignment on the basis of the book value stated in the audited financial statements of Namchow on December 31 2016. The exact business value and amount of assets and liabilities shall be based on the book value as of the spinoff day.
2. The book value of the assets for spinoff amounted to NTD(same currency unit below) 1,141,807,283 and for liabilities amounted to NTD731,076,013. The business value shall amount to NTD410,731,270. The detail is shown below:

The business assets and liabilities of Namchow for spinoff in book value			
Assets	value	Liabilities	value
Current assets	767,597,662	Current liabilities	730,064,599
Real estate, manufacturing facilities and equipment	373,698,980	Non-current liabilities	1,011,414
Other non-current assets	510,641	Total liabilities B	731,076,013
Total assets A	1,141,807,283	The net worth of assets for spinoff A-B	410,731,270

Source: from Namchow

## 3. Ratio of share swap in the spinoff

No.	Namchow	Namchow Oil and Fat
Business value (NTD)	410,731,270	
Offering price per share (NTD)		10
Quantity of share for offering (share)		41,073,127
Ratio of share swap in the spinoff	Namchow exchange for 1 share of common stock issued by Namchow Oil and Fat at NTD10 on the basis of the business value and will acquire totally 41,073,127 shares of common stock from Namchow Oil and Fat.	

**III. Rationality of the ratio for share swap in the spinoff**

Namchow assigns the Oil and Fat Division (including frozen dough) and related business to its wholly-owned subsidiary, Namchow Oil and Fat through a spinoff. Namchow Oil will issue 41,073,127 shares of common stock for the exchange. The spinoff and the share swap between the two parties shall be determined by the assessment of the value for the spinoff and the assumption of the price per share of stock for offering by Namchow Oil and Fat, which are specified below:

1. According to Letter (91) Ji-Mi-Zi No. 128, “Accounting of Corporate Spinoff”, issued by Accounting Research and Development Foundation of the Republic of China, if an enterprise (assignor) is engaged in a corporate spinoff to another business entity (assignee) whereby the former acquires the equity share of the latter, and that the assignor and assignee are associates, it shall be deemed corporate reorganization. Likewise, the accounting shall be based on the original book value of assets (if there is asset impairment, it is the amount after recognition for impairment) net of the liabilities as the cost for the acquisition of the equity shares, and shall not recognize for capital gain from the swap. Accordingly, the assignee shall base on the original book value of assets (if there is asset impairment, it is the amount after recognition for impairment) net of the liabilities of the assignor as the cost of acquisition of assets and liabilities with the net face value between the two as equity capital and the amount in excess of the face value shall be recognized as capital reserve.
2. The primary purpose of the spinoff is the intention of Namchow for upgrading its competitive power and operation performance thereby assigns the Oil and Fat Division (including frozen dough) to Namchow Oil and Fat through a corporate spinoff with the issuing of new shares by Namchow Oil and Fat in exchange for the assignment. In this spinoff, Namchow Oil and Fat is a wholly-owned subsidiary of Namchow, which made this spinoff a corporate reorganization that the shareholders’ equity of Namchow will be unaffected. As such, the assignment of the book value of assets and liabilities by Namchow to Namchow Oil and Fat in the spinoff is justifiable.
3. Namchow Oil and Fat issues 41,073,127 shares at NTD10/share in exchange for the assignment of assets and liabilities at business value of NTD410,731,270. The ratio of share swap in this spinoff is justifiable.

#### **IV. Conclusion and Limitation**

1. In sum, the ratio of share swap in the spinoff of the Oil and Fat Division (including frozen



dough) and related business was set with reference to the audited financial statements for the year ended on December 31 2016. The book value of the assets and liabilities involved in the spinoff is based on the interpretation document of the Accounting Research and Development Foundation for assignment with the exchange of 41,073,127 shares of common stock at NTD10/share offered by Namchow Oil and Fat. As such, the ratio of share swap in the spinoff is justifiable.

2. The information presented in this statement is provided by Namchow. I act as an independent third party to evaluate the ratio of share swap and did not actually participate in the transaction and the design of the spinoff.

Belldelin CPA Firm

CPA Chang Chi-Yin

March 24 2017

## **Declaration of Independence**

I present my professional opinion on the rationality of the ratio of share swap in the corporate spinoff between Namchow Chemical Industrial Co., Ltd. (Hereinafter referred to as “Namchow”) and Namchow Oil and Fat Co., Ltd. (Hereinafter referred to as “Namchow Oil and Fat”) to the appointment of my client.

In the conduct of the aforementioned assessment, I hereby declare none of the following shall be applicable:

1. My spouse or myself is employed by Namchow or Namchow Oil and Fat to perform regular duties and receive regular amount of payment.
2. My spouse or myself has been an employee of Namchow or Namchow Oil and Fat and resigned for less than 2 years.
3. The employer of my spouse or myself is a related party to Namchow or Namchow Oil and Fat.
4. I am a spouse or kindred within the 2nd Tier as defined by the Civil Code to the deputy agent or manager of Namchow or Namchow Oil and Fat.
5. My spouse or myself is a related party through through investment in Namchow or Namchow Oil and Fat or sharing the profits from these two entities.
6. The employer of my spouse or myself is a related party to Namchow or Namchow Oil and Fat through business transactions.
7. My spouse or myself is the CPA retained by Namchow for certification of financial statements.

The opinion on the rationality of the ratio of share swap in the corporate spinoff between Namchow Chemical Industrial Co., Ltd. And Namchow Oil and Fat Co., Ltd. Was presented under my independent and impartial professional judgment.

Belldelin CPA Firm

CPA Chang Chi-Yin

March 24 2017

## **Curriculum Vitae of the Expert**

Name: Chang Chi-Yin

FSC Certificate Number: FSC Zheng-Zi No. 5354

Native place: New Taipei, Taiwan

Education: Bachelor, Dept of Financial Management, National Central University

Work experience: Deputy Manager, Auditing Dept, PwC Taiwan.

Manager, Accounting Dept, Zenitron Corporation.

Current position: CPA, Belldelin CPA firm

Independent Director, Concraft Holding Co., Ltd.

## Attachment 10

### Review result of Merger and Acquisition Committee on the spinoff plan

Namchow Chemical Industrial CO., LTD.

Minutes of the 2nd session of Merger and Acquisition Committee in 2017

Time: March 28 2017 (Tuesday), 3:30pm.

Place: Conference Room, 2F, Administration Building of the Corporate Headquarters

Attendance: Committee members Chen Ting-Kuo, Lin Chin-Shi, and Chen Chun-Hsueh.

Observers: Chief of Risk Control Liao Mei-Huei, Asst VP Lian Rong-Chang, and Asst VP Chen Chou-Ching.

KPMG Taiwan: CPA Yu An-Tien, Asst VP Ko Ling-Yuen

Independent Expert: CPA Chang Chi-Yin

KGI Securities: Asst VP Kui Hsiu-Wen, Manager Su Li-Huei

Chairman: Chen Ting-Kuo

Recorder: Lien Rong-Chang

I. Announcement of session:

II. Reports:

III. Discussion:

Motion No. 1:

Cause of motion: For the overall planning for the transformation of the Company into an investment holding company, the Company plans to spin-off its Oil and Fat Division (including frozen dough) and related business (including assets, liabilities and business). The motion is presented for discussion.

Description:

1. For the overall transformation to an investment holding company and for the professional division of labor so as to upgrade its competitive power and operation performance, the Company desires to spin-off its Oil and Fat Division (including frozen dough) and related business (including assets, liabilities and business). Specified as follows:

- (1) The Company plans to spin-off its Oil and Fat Division (including frozen dough) to Namchow Oil and Fat Co., Ltd. A wholly-owned subsidiary (hereinafter referred to as “Namchow Oil and Fat”) in consideration of the issuance of new shares by Namchow Oil and Fat as exchange for the assignment. The spinoff day is tentatively set on August 1 2017. This spinoff will not affect the structure of the direct investments.
  - (2) The value of the Oil and Fat Division (including frozen dough) to be assigned through spinoff is expected to amount to NTD410,731 thousand where \$10 will be exchange for 1 common share issued by Namchow Oil and Fat for the exchange for 41,073 thousand shares. The fraction of a share will be compensated in cash by Namchow Oil and Fat.
  - (3) The “Spinoff Plan” (including the Articles of Incorporation of Namchow Oil and Fat, the professional opinions from expert on the book value of assets and liabilities for assignment in spinoff and the rationality of the ratio of share swap in the spinoff) was prepared in accordance with the Corporate Merger and Acquisition Act, the Company Act, and other applicable laws. Refer to Attachment 1. (Attachment 9)
  - (4) Upon the resolution of the Board, this spinoff plan will be presented before the Shareholders’ Meeting for approval with the request for authorization to the Board for handling matters related to the spinoff.
  - (5) The Company desires to spin-off the scope of operation and the amount (including assets, liabilities, and business) of the Oil and Fat Division (including frozen dough), the ratio of share swap (adjustment where necessary), other matters related to the spinoff and others (including but not limiting to the schedule and spinoff day), or anything not mentioned, or at the administrative directive of the competent authority, or change in the legal environment or the objective environment that change in the plan is necessary, the Shareholders’ Meeting is asked to authorize the Board with full power of attorney to handle these matters.
2. The Committee has retained independent expert CPA Chang Chi-Yin to express professional opinions on the rationality of the spinoff pursuant to Article VI of the Corporate Merger and Acquisition Act and Article VI of the Regulations Governing the Establishment and Related Matters of Special Committees of Public Companies

for Merger/Consolidation and Acquisition, as exhibited in Schedule 3 of Attachment 1 (Attachment 9). According to her assessment, the spinoff is a corporate reorganization and will not affect the Shareholders' Equity of the Company. In addition, Namchow Oil and Fat will issue 41,073 shares of common stock at NTD10/share in exchange for the assignment of the business value of related assets and liabilities amounted to NTD410,731 thousand, which is equivalent to the value. As such, the ratio of share swap for the spinoff is reasonable (refer to the professional opinion and conclusion of the expert).

3. The Committee has reviewed the fairness and rationality of the spinoff and report to the Board of the result and present before the Shareholders' Meeting for final approval.

Decision: In consideration of the state of operation and the prospect of the Company and other related factors, and the legality of the spinoff plan under law, the members hereby act in common consent of the rationality of the terms and conditions of the spinoff.

Motion No. 2:

Cause of motion: For transforming into an investment holding company, the Company desires to spin-off the operations (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) beyond the Oil and Fat Division (including assets, liabilities, and business).

Description:

1. For purpose of industrial transformation as a holding company and professional division of labor so as to upgrade the competitive power and operation performance, we desire to split the operations (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) beyond the Oil and Fat Division (including assets, liabilities, and business).
- (1) The spinoff will be conducted through the assignment the operations (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) beyond the Oil and Fat Division (including assets, liabilities, and business) to our wholly-owned subsidiary, Huaqiang Industry Co., Ltd Co., Ltd. (Hereinafter, Huaqiang Industry) which in turn will issue new shares for offsetting the the assignment. The spinoff date is tentatively

set at August 1 2017. This spinoff will not affect the structure of the direct investments.

- (2) The value of the operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) to be assigned through spinoff is expected to amount to NTD220,307 thousand where \$10 will be exchange for 1 common share issued by Huaqiang Industry Co., Ltd for the exchange for 22,031 thousand shares. The fraction of a share will be compensated in cash by Huaqiang Industry Co., Ltd
  - (3) We prepared the “Corporate Spinoff Plan” (Including the Articles of Incorporation of Namchow Huaqiang Industry Co., Ltd, the book value of the assets and liabilities for assignment through spinoff, and the reasonable ratio of share swap with professional opinions) in accordance with the Corporate Merger and Acquisition Act and other applicable laws. (Attachment 9)
  - (4) Upon the resolution of the Board, this spinoff plan will be presented before the Shareholders’ Meeting for approval with the request for authorization to the Board for handling matters related to the spinoff.
  - (5) In case of administrative guide from the competent authority, or change in the legal environment or other changes in the objective environment that may affect the scope of operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) being assigned, the amount (including assets, liabilities and business), the share swap ratio (if adjustment is necessary), and any other matters related to the spinoff (including but not limiting to the progress schedule, and the spinoff day) and others, we ask the Shareholders’ Meeting to authorize the Board with full power of attorney for responding to any of these situations if applicable.
2. The Merger and Acquisition Committee will act pursuant to Article VI of the Corporate Merger and Acquisition Act and Article VI of the Regulations Governing the Establishment and Related Matters of Special Committees of Public Companies for Merger/Consolidation and Acquisition and retained CPA Chang Chi-Yin, and independent expert, to express opinion on the rationality of the spinoff. The detail is exhibited in Schedule 3 of

Attachment 2 (Attachment 11). This spinoff is a matter of corporate reorganization that the shareholders' equity will be unaffected. In addition, Huaqiang Industry Co., Ltd will issue 22,031 thousand shares at NTD10/share, which is equal to the value of the assets, liabilities, and business of the assignment amounted to NTD220,307 thousand. As such, the ratio of share swap in this spinoff is reasonable [refer to the opinion and conclusion of the independent professionals].

3. The committee has reviewed the fairness and rationality of the spinoff and reported the review result to the Board for presentation before the Shareholders for final approval.

Decision: In consideration of the state of operation and the prospect of the Company and other related factors, and the legality of the spinoff plan under law, the members hereby act in common consent of the rationality of the terms and conditions of the spinoff.

IV. Ex temporary motion: No

V. Adjournment of meeting.

Chairman: Chen Ting-Kuo

Recorder: Lien Rong-Chang



## Attachment 11

### **Spinoff Plan**

For transforming into an investment holding company so as to upgrade the overall competitive power and operation performance, Namchow Chemical Industrial Co., Ltd. (Hereinafter referred to as “Namchow”) seeks to spin-off its the scope of operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) and related operations (including assets, liabilities, and business) (hereinafter referred to as “the corporate spinoff”) to its wholly-owned subsidiary, Huaqiang Industry Co., Ltd (Hereinafter referred to as “Huaqiang Industry Co., Ltd”) thereby Huaqiang Industry Co., Ltd shall assume the assets and liabilities of the scope of operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) and issue new shares to Namchow for settlement of the assignment. The corporate spinoff is a corporate reorganization of Namchow which will not affect the structure of its direct investments. The corporate spinoff plan (hereinafter referred to as “the plan”) is established in accordance with the Corporate Merger and Acquisition Act, the Company Act, and other applicable laws, and is specified as follows:

#### Article I: Method of spinoff and participants

The plan is based on the split up of the the scope of operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) and related operations (including assets, liabilities, and business) of Namchow to its wholly-owned subsidiary, Huaqiang Industry Co., Ltd, which in turn shall issue new shares to Namchow for the settlement of the assignment. Participants in the corporate spinoff:

Parent company: Namchow

Assignee: Huaqiang Industry Co., Ltd

#### Article II: Amendment to the Articles of Incorporation of the Assignee

The Articles of Incorporation of Huaqiang Industry Co., Ltd are exhibited in Attachment 1. Total quantity and amount of equity shares and related matters as contained in the Articles of Incorporation of the Assignee shall be subject to amendment after the corporate spinoff.

#### Article III: the scope and value of business, assets and liabilities assigned by the parent company

##### 1. Scope of business assigned through spinoff:

- (1) The scope of operations beyond the Fat and Oil Division (including the frozen

noodle, room temperature rice operation, home products, food and beverages and international trade) of Namchow and related production, sale, purchase and personnel.

- (2) The required equipment, inventory, bank deposits, account receivable and related assets (including tangible and intangible assets) and related liabilities within scope of operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) of Namchow.
- (3) Related contracts (including but not limiting to: procurement contracts, sale contracts, technology licensing agreements, technical service agreements, loan agreement, and other related agreements), law suits, legal relation, legal position, licenses, permits and related rights and privileges of the operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) of Namchow. The assignment of contracts shall be subject to the consent of the original contracting parties in order to come into effect.
- (4) The portion of trademarks, technologies, software, know-how, business secrets owned by Namchow through research and development entitled to the operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) of Namchow prior to the spinoff day shall be fully assigned to Huaqiang Industry Co., Ltd through the spinoff. Namchow and Huaqiang Industry Co., Ltd shall work in cooperation with each other to process the assignment of the aforementioned intellectual property rights, technology licensing, protection of rights and related information, documents, and programs to that the other side may exercise the rights thereof. The expenses incurred from the protection of these rights after the spinoff day shall be borne by Huaqiang Industry Co., Ltd. The split up the intellectual property rights thereof shall not affect the rights of the parties previously licensed or assigned with such rights and their obligations of confidentiality. The licensing or assignment of the patents and pending applications of patents of the operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) of Namchow shall be determined by the parties in separate agreement.
- (5) Related assets, liabilities, rights and obligations, privileges, assigned business/property of the operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) of Namchow being entitled but still in effect, or the preferential tax treatment not being used, license, permits and related de jure and de facto relations and position.

2. The value of assigned business through spinoff: calculated on the basis of the assigned assets net of liabilities, and is estimated at NTD220,306,550.
3. The assigned assets through spinoff: the assigned assets through spinoff were exhibited in attachment 2 and the value was estimated at NTD591,907,320.
4. The assigned liabilities through spinoff: the assigned liabilities through spinoff were exhibited in Attachment 2 and the value was estimated at NTD371,600,770.
5. The value of the aforementioned business, the amount of assets and liabilities from spinoff shall be based on the value stated in the audited financial statements of Namchow as of December 31 2016. However, the exact value of business and amount of assets and liabilities in the spinoff shall be based on the book value as of the spinoff day.
6. If adjustment of the aforementioned assets and liabilities as singed through spinoff is necessary, the Shareholders' Meeting of both sides shall authorize the Boards of both sides for action. If corresponding adjustment of the business value or the ratio of the shares to be issued by Huaqiang Industry Co., Ltd, the same principle is applicable.

Article IV: The business value, assets and liabilities assigned by the parent company shall be exchanged for the shares issued by the Assignee in relevant proportion and method of calculation.

1. Share swap ratio: the business value assigned by Namchow in the spinoff amounted to NTD220,306,550 at in exchange for 22,030,655 common share issued by Huaqiang Industry Co., Ltd at NTD10/share. The fraction of a share shall be settled in cash. Huaqiang Industry Co., Ltd shall, within 30 days after the registration for change in registered content, pay the amount of business value insufficient for exchanging shares in lump sum by cash to Namchow.
2. Basis of calculation: the aforementioned ratio of share swap is based in the book value of the assets and liabilities for assignment by Namchow in the spinoff, the net value per share, and the ratio of share swap in the spinoff with reference to the professional opinions of experts. The detail is exhibited in Attachment 3.

Article V: The business value, assets, and liabilities of the parent company and the adjustment of ratio of the shares in the swap by the Assignee

The ratio for exchange of new shares issued by Huaqiang Industry Co., Ltd in the spinoff shall be based on the quantity of shares for issuance and/or the price per share by the Boards of both sides under authorization if the following is applicable. Accordingly, the business value to be acquired by Huaqiang Industry Co., Ltd from the spinoff shall be adjusted:

1. After This Plan is signed to confirm, Huaqiang Industry Co., Ltd shall proceed to issuing new shares for raising capital and release stock dividend.
2. Act of Huaqiang Industry Co., Ltd that significantly affect the financial position

of the company such as the disposition of major assets.

3. Significant change in Huaqiang Industry Co., Ltd the extent to which the shareholders' equity or stock price was significantly affected.
4. Huaqiang Industry Co., Ltd repurchases treasury stock.
5. There is a change in the value of business planned for assignment in the spinoff as of the spinoff day caused by the change in the scope of assets or liabilities or value of other factors, to the extent that adjustment of business value is necessary.
6. The detail or amount of the assets and liabilities assigned by Namchow through spinoff changed due to the reappraisal of assets, depreciations, amortization, addition or impairment.
7. Huaqiang Industry Co., Ltd is required to change the ratio of the quantity of shares for issuance under Article IV as dictated by law or the instruction of the competent authority.

Article VI: The total quantity and type of shares for issuance by the Assignee.

1. Huaqiang Industry Co., Ltd was assigned NTD220,306,550 worth of business in the spinoff and shall issue 22,030,655 shares of common stock for Namchow.
2. Huaqiang Industry Co., Ltd shall complete the registration of change in business registration after the spinoff day, and shall issue common shares for Namchow to complete the spinoff. By then, Namchow shall directly hold 100% of the equity shares issued by Huaqiang Industry Co., Ltd

Article VII: The purchase and cancellation of the shares held by shareholders with adverse opinion.

Shareholders of Namchow and Huaqiang Industry Co., Ltd may disagree with this plan on the spinoff thereby the companies shall purchase the shares held by shareholders who disagreed with the spinoff as required by law. The shares brought back from these shareholders may be disposed or canceled as approved by the competent authority, and register for the change.

Article VIII: Notification and Announcement to the Creditors

1. After the Shareholders' Meetings of Namchow and Huaqiang Industry Co., Ltd had passed this plan of spinoff, both shall prepare respective balance sheets and assets list, and notify with announcement to their respective creditors of the resolution on spinoff. Creditors shall be given at least 30 days for expressing adverse opinions. If the creditors have expressed adverse opinions by the deadline, Namchow and Namchow Oil and Fat shall respond properly as required by law.
2. If Namchow elects to settle the debts to the aforementioned creditors who expressed adverse opinions on the spinoff and the debts fall within the scope of

this plan in the spinoff, the Boards of Namchow and Huaqiang Industry Co., Ltd must adjust the business scope, business value, assets and liabilities as stated in Article III. Likewise, adjustment will also be made in the ratio or price of the new shares to be issued by Huaqiang Industry Co., Ltd (the Assignee).

Article IX: Assumption of rights and obligations after the spinoff and related matters

1. Huaqiang Industry Co., Ltd shall generally assume the ownership of rights and liabilities assigned by Namchow with effect on the spinoff day, and also the rights and obligations effective prior to the spinoff day unless this plan specified otherwise. Namchow shall provide assistance to the processing of the assignment through spinoff.
2. Further to the liabilities and debts of Namchow before the spinoff that could be split up, Huaqiang Industry Co., Ltd shall assume joint and several liabilities of the liabilities of Namchow within the scope of business for assignment before the spinoff pursuant to Article 35, Paragraph 6, of the Corporate Merger and Acquisition Act. The right of the creditors for claim of debts under joint and several liabilities will be extinguished after a period of 2 years from the spinoff day.

Article X: The appointment of employees

Related personnel of the operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) of Namchow shall be continued to be employed by Huaqiang Industry Co., Ltd. Huaqiang Industry Co., Ltd shall recognize the seniority of these personnel at Namchow before the spinoff day. For pension payment or severance payment to these personnel, only the term of service before the spinoff will be included for calculation and the payment shall be borne by both Namchow and Huaqiang Industry Co., Ltd in relevant proportion.

Article XI: Exclusion of employee subscription of new shares

The issuance of new shares by Huaqiang Industry Co., Ltd in consideration of the spinoff is not governed by the Company Act that 10% to 15% of the new shares shall be reserved for the subscription of employees.

Article XII: Spinoff Day

1. The Board of both sides shall determine the day of spinoff under this plan at the resolution of the Shareholders' Meetings of both sides and the permission or approval of the competent authority (including Financial Supervisory Commission and Taiwan Stock Exchange Corporation). The spinoff day is tentatively set on August 1 2017 and may be subject to change by the Boards of both sides under

authorization where necessary.

2. Namchow shall assign the business, personnel, equipment, and other assets and liabilities of its operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) of Namchow to Huaqiang Industry Co., Ltd on the spinoff day.

Article XIII: Progress of this plan, expected date of completion and response to delay in progress

1. This plan for spinoff is expected to present to the Shareholders' Meeting for resolution in the session scheduled on May 31 2017. The Boards of both sides may set a different date for the meeting if it is necessary.
2. In case this plan cannot be accomplished as scheduled, the spinoff day and the assignment in the spinoff cannot be completed on time, the Boards of both sides shall be authorized to handle the issues of calling for the sessions of the Boards or the Shareholders' Meeting and setting the dates for the meetings as required by law.

Article XIV: The shares of levies and dues to be borne by both sides

1. Unless this plan specified otherwise, all the levies or dues deriving from the signing or performance of this plan shall be borne by both sides in equal share except for the tax exempted or tax free items. In case this plan become null due to the rejection of the Shareholders' Meeting or the disapproval of the competent authority, or any other reasons, the expenses already incurred from legal services, accountant services and fees shall be borne by Namchow.
2. The parties hereto shall work in concerted effort for obtaining preferential tax treatment from the government related to the spinoff

Article XV: Act of Breach

In the event of an act of breach either by Namchow or Huaqiang Industry Co., Ltd of this plan and related requirements, the other side may notify the other side in writing for rectification with 30 days or shall terminate this plan by written notice.

In the event of material breach of contract by either side of the parties, and the breaching party fails to seek remedy or the breach is critical, to the extent that damage is caused to the no fault party, the breaching party shall be liable to the damage thereof (including but not limiting to the legal service charge, accounting fee, and related expenses incurred from the spinoff, the loss and all other damages). The parties hereto agree that damage may be caused to a third party (including but not limiting to the claims for damage by the third party) in performing this plan that one side of the party shall be held responsible, the party concerned shall be responsible

for the damage to such third party.

Article XVI: Change in the paid-in capital of the Assignee

The paid-in capital of Namchow will be unaffected by the spinoff unless the law requires otherwise for divestment.

Article XVII: Response to the change in the number of participants

In the event of change in the number of participants in the spinoff after Namchow and Huaqiang Industry Co., Ltd disclosed the content of this plan, all participants shall proceed to another round of the procedure or legal action that have already accomplished. Anything not fully covered by this provision shall be handled by the Board under authorization as required by law.

Article XVIII: Governing law

The spinoff shall be pursued in accordance with the Corporate Merger and Acquisition Act. In case of the enactment of new law which is more favorable to the spinoff, apply accordingly.

This plan shall be construed by the law of the Republic of China. In the event of dispute deriving from this plan, the parties hereto agree to submit the jurisdiction of the first instance to Taipei District Court of Taiwan for settlement.

Article XIX: Miscellaneous

1. In case any provision of this plan runs into contradiction with applicable law that become null, the remainder shall remain intact and shall be in full force under law. The provision annulled by law due to contradiction of applicable law may be replaced by the Boards of both sides within the scope provided by law at the authorization of the Shareholders' Meetings of both sides in due process of law.
2. If any of the provisions contained in this plan shall be changed at the instruction of the competent authority, comply accordingly or the Boards of both sides shall amend the provisions to the instruction of the competent authority.
3. This plan shall be caused into full force after ratifying by the Shareholders' Meetings of both sides. In addition, this plan will be null unless under the permission or the approval of the competent authority.

Article XX: Anything not included in this plan shall be governed by applicable laws and the requirement of the competent authority, or, the Boards of both sides shall seek solution with full power of attorney from the Shareholders' Meetings of both sides.

Article XXI: Copies of specimen for this plan

1. The Attachments to this plan shall constitute an integral part of this plan.
2. This plan shall be prepared in duplicate. Each party shall keep one original specimen for record.

The contracting parties of this plan

Namchow Chemical Industrial CO., LTD.

Chairman: Chen Fei-Lung

Huaqiang Industry Co., Ltd

President: Chou Ming-Fen

March 28 2017



## Attachment 11~Schedule 1

### Huaqiang Industry Co., Ltd Articles of Incorporation

#### Chapter I General Provision

Article I: The Company is duly incorporated in accordance with the Company Act and bears the title of Huaqiang Industry Co., Ltd

Article II: The Company is engaged in the business specified below:

1. A102060 Grain Commerce
2. C104010 Sugar Confectionery and Bakery Product Manufacturing
3. C109010 Seasoning Manufacturing
4. C110010 Beverage Manufacturing
5. C113020 Semi-finished Material of Wine Manufacturing
6. C199030 Instant Food Manufacturing
7. C601050 Housewares and Tissue Paper Manufacturing
8. C802090 Cleaning Products Manufacturing
9. C802100 Cosmetics Manufacturing
10. F102030 Wholesale of Tobacco Products and Alcoholic Beverages
11. F102040 Wholesale of Nonalcoholic Beverages
12. F102170 Wholesale of Food and Grocery
13. F106020 Wholesale of Articles for Daily Use
14. F107030 Wholesale of Cleaning Preparations
15. F108040 Wholesale of Cosmetics
16. F201010 Retail Sale of Agricultural Products
17. F203010 Retail Sale of Food and Grocery
18. F203020 Retail Sale of Tobacco and Alcoholic Drinks
19. F203030 Retail Sale of Ethanol
20. F206020 Retail Sale of Articles for Daily Use
21. F207030 Retail Sale of Cleaning Preparations
22. F208040 Retail Sale of Cosmetics
23. F299990 Retail Sale of Retail Trade Not Elsewhere Classified
24. F301010 Department Stores
25. F301020 Supermarkets
26. F399010 Convenience Stores
27. F399040 Retail Business Without Shop

28. F399990	Retail sale of others
29. F401010	International Trade
30. F501030	Coffee/Tea Shops and Bars
31. F501050	Public Houses and Beer Halls
32. F501060	Restaurants
33. F501990	Other Eating and Drinking Places Not Elsewhere Classified
34. H703100	Real Estate Rental and Leasing
35. I102010	Investment Consultancy
36. I103060	Management Consulting Services
37. I301010	Software Design Services
48. IZ99990	Other Industry and Commerce Services Not Elsewhere Classified
39. J601010	Arts and Literature Service
40. J602010	Agents and Managers for Performing Arts, Entertainers, and Models.
41. J799990	Other Recreational Services
42. JE01010	Rental and Leasing Business
43. JZ99990	Other Services Not Elsewhere Classified
44. ZZ99999	Other business not prohibited or restricted by law except for business that requires special permit.

Article III: In case the Company is a shareholder of another limited liability company, the total investment is not governed by the requirement of 40% of the paid-in capital pursuant to Article 13 of the Company Act.

Article IV: The Company is headquartered in Taipei, and may establish domestic and foreign branches at the resolution of the Board.

Article V: The Company shall make announcement pursuant to Article 28 of the Company Act.

## Chapter II Shares of Stock

Article VI: The Company has stated capital of NTD1,000,000 and evenly split into 100,000 shares at NTD10/share issued in full.

Article VII: The Company may elect not to issue shares of capital stock if the stated capital fall below the limit of the central competent authority, but may still issue shares of capital stock at the resolution of the Board where necessary. The Company will issue

registered shares and each stock certificate shall be affixed with the authorized signatures or seals of at least 3 Directors subject to the certification of the competent authority or an approved share registration institution for offering.

Article VIII: The transfer of shares is prohibited in the period of 30 days prior to the scheduled date of a regular session of the Shareholders' Meeting, 15 days prior to the scheduled date of a special session of the Shareholders' Meeting, or 5 days prior to the scheduled day of payment or benefits.

### Chapter III Shareholders' Meeting

Article IX: The Shareholders shall convene in regular session and special session of which the former shall be held once annually within 6 months after the end of each fiscal year. Special session may be called for at any time as required by law.

The Board shall call for the sessions of the Shareholders' Meeting unless the Company Act provides otherwise.

The Chairman shall preside over the meetings. In the absence of the Chairman, a proxy may be appointed to act on behalf of and in the name of the Chairman, or a Director shall be nominated to preside over the meeting among the Directors.

Article X: Shareholders shall be entitled to one vote for the holding of each share. Shares held by the Company under law bear no voting right. Shareholders may appoint a proxy to attend the Shareholders' Meeting if cannot attend in person by using the form for authorization of agent, affix the authorized signatures or seals, and specify the scope of authority. If the same proxy is appointed by 2 or more other shareholders, the votes in excess of 3% of the outstanding shares will not be counted unless for trust business or share registration agents approved by the competent authority in securities.

Article XI: Unless the Company Act provides otherwise, resolution of the Shareholders' Meeting shall be made by a session with the presence of shareholders representing more than half of the outstanding shares and a simple majority of the shareholders in session.

Article XII: If the Company has only one institutional shareholder, the Board shall perform the

function of the Shareholders' Meeting thereby the rules governing Shareholders' Meeting in the Articles of Incorporation shall be waived.

#### Chapter IV Directors and Supervisors

Article XIII: The Company shall establish 3 seats of Directors and 1 seat of Supervisor with term of office for 3 years for each seat. Directors and Supervisors shall be elected by the Shareholders' Meeting from persons of legal competent, and shall assume a second term of office if reelected.

Article XIV: The Directors shall form the Board of Directors (Board). The Chairman shall be elected among the Directors in a Board session with the presence of at least two-thirds of the Directors and a simple majority of the Directors in session. The Chairman is the deputy agent of the Company externally.

Article XV: The Board shall call for its sessions with 7 days of notice to all Directors and the Supervisor, and specify the cause of the meeting. The Board may call for special session at any time for responding to emergency. The Board may call for its session by correspondence, fax, or electronic means.

Article XVI: Unless the Company Act provides otherwise, resolution of the Board shall be made by a session with the presence of more than half of the Directors and a simple majority of the Directors in session.

If specific Director cannot attend the session of the Board in person, such Director may appoint another Director as proxy to attend the meeting with a power of attorney and specify the scope of authorization unless residing outside Taiwan or the Company Act provides otherwise. Each Director may act as the proxy of only one other Director.

Article XVII: In the absence of the Chairman, proceed to Article 208 of the Company Act.

Article XVIII: The Supervisor shall perform its assigned duties under law, and shall attend the session of the Board as an observer bearing no voting right.

Article XIX: The Chairman is remunerated by monthly salary the amount of which shall be determined by the Board under authorization and with reference to industry standard. A company car shall be assigned to the Chairman. The Board shall discuss and

determine the year-end bonus depending on the state of operation.

#### Chapter V Managers

Article XX: The Company shall establish the seats for managers and the appoint, dismissal and remuneration of whom shall be governed by Article 29 of the Company Act.

#### Chapter VI Accounting

Article XXI: The fiscal period of the Company starts on January 1 of the year and ends on December 31 of the year. At the end of the fiscal period, the Board of the Company shall prepare the following statements and reports, and present to the Supervisor for review at least 30 days prior to the scheduled date of the regular session of the Shareholders' Meeting, and present before the Shareholders' Meeting for ratification.

I. Report on Operation.

II. Financial Statements.

III. Proposal for the Distribution of Earnings or Write-off loss carried forward.

Article XXII: The Company shall appropriate no less than 1% of its earnings as remuneration to employees, if applicable. The Company shall appropriate for write-off the loss carried forward, if applicable.

The remuneration to employees may be paid in stock or cash, and the employees of subsidiaries meeting specific condition are also entitled to the payment.

Article XXIII: If the Company has a surplus after account settlement, appropriate for the payment of applicable taxes, followed by the write-off of loss carried forward, and 10% as legal reserve. No further legal reserve should be necessary for appropriation if the amount of reserve is equal to the paid-in capital of the Company. If there is still a balance, the Board shall prepare a proposal for distribution and present before the Shareholders' Meeting for decision.

## Chapter VII Miscellaneous

Article XXIV: The Board shall determine the organization code of the Company and related rules and regulation of the Company.

Article XXV: Anything not covered by the Articles of Incorporation shall be governed by the Company Act.

Article XXVI: The Articles of Incorporation are duly instituted on March 16 2017.

Huaqiang Industry Co., Ltd

Chairman: Chen Fei-Lung

Shareholder: Namchow Chemical Industrial Co., Ltd.

Chairman: Chen Fei-Lung

## Attachment 11~2

### Namchow Chemical Industrial CO., LTD.

Operations beyond the Fat and Oil Division

(Including the frozen noodle, room temperature rice operation, home products,  
food and beverages and international trade)

And related scope of business (including assets, liabilities, and business)

Currency unit: NTD

No.	Amount
Assets	
Current Assets	297,793,843
Real estate, manufacturing facilities and equipment	293,119,586
Other non-current assets	993,891
Total assets (1)	591,907,320
Liabilities	
Current liabilities	371,550,770
Non-current liabilities	50,000
Total liabilities (2)	371,600,770
Business value (1) - (2)	220,306,550

**Professional Opinions on the Rationality of the Share Swap Ratio for the Spinoff of Operations Other Than the Oil and Fat Division and related Business of Namchow Chemical Industrial Co., Ltd.**

**I. Summary**

For transforming into an investment holding company so as to upgrade the overall competitive power and operation performance, Namchow Chemical Industrial Co., Ltd. (Hereinafter referred to as “Namchow”) seeks to spin-off its Oil and the operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) (including assets, liabilities, and business) (hereinafter referred to as “the corporate spinoff”) to its wholly-owned subsidiary, Namchow Oil and Fat Co., Ltd. (Hereinafter referred to as “Namchow Oil and Fat”) thereby Namchow Oil and Fat shall assume the assets and liabilities of the Oil and Fat Division (including frozen dough) and issue new shares to Namchow for settlement of the assignment.

**II. Calculation of stock price for the spinoff**

1. Namchow tentatively set the spinoff day on August 1 2017 to split the business value, and the amount of assets and liabilities for assignment on the basis of the book value stated in the audited financial statements of Namchow on December 31 2016. The exact business value and amount of assets and liabilities shall be based on the book value as of the spinoff day.
2. The book value of the assets for spinoff amounted to NTD(same currency unit below) 591,907,230 and for liabilities amounted to NTD371,600,770. The business value shall amount to NTD220,306,550. The detail is shown below:



The business assets and liabilities of Namchow for spinoff in book value			
Assets	value	Liabilities	value
Current assets	297,793,843	Current liabilities	371,551,770
Real estate, manufacturing facilities and equipment	293,119,586	Non-current liabilities	50,000
Other non-current assets	993,891	Total liabilities B	371,600,770
Total assets A	591,907,320	The net worth of assets for spinoff A-B	220,306,550

Source: from Namchow

## 3. Ratio of share swap in spinoff

No.	Namchow	Huaqiang Industry Co., Ltd
Business value (NTD)	220,306,550	
Offering price per share (NTD)		10
Quantity of shares offered (shares)		22,030,655
Ratio of share swap in the spinoff	Namchow exchange for 1 share of common stock issued by Namchow Oil and Fat at NTD10 on the basis of the business value and will acquire totally 22,030,655 thousand shares of common stock from Huaqiang Industry Co., Ltd.	

**III. Rationality of the ratio for share swap in the spinoff**

Namchow assigns the the operations beyond the Fat and Oil Division (including the frozen noodle, room temperature rice operation, home products, food and beverages and international trade) to its wholly-owned subsidiary, Huaqiang Industry Co., Ltd through a spinoff. Huaqiang Industry Co., Ltd will issue 22,030,655 shares of common stock for the exchange. The spinoff and the share swap between the two parties shall be determined by the assessment of the value for the spinoff and the assumption of the price per share of stock for offering by Huaqiang Industry Co., Ltd, which are specified below:

1. According to Letter (91) Ji-Mi-Zi No. 128, “Accounting of Corporate Spinoff”, issued by

Accounting Research and Development Foundation of the Republic of China, if an enterprise

(assignor) is engaged in a corporate spinoff to another business entity (assignee) whereby the former acquires the equity share of the latter, and that the assignor and assignee are associates, it shall be deemed corporate reorganization. Likewise, the accounting shall be based on the original book value of assets (if there is asset impairment, it is the amount after recognition for impairment) net of the liabilities as the cost for the acquisition of the equity shares, and shall not recognize for capital gain from the swap. Accordingly, the assignee shall base on the original book value of assets (if there is asset impairment, it is the amount after recognition for impairment) net of the liabilities of the assignor as the cost of acquisition of assets and liabilities with the net face value between the two as equity capital and the amount in excess of the face value shall be recognized as capital reserve.

2. The primary purpose of the spinoff is the intention of Namchow for upgrading its competitive power and operation performance thereby assigns the operations other than the Oil and Fat Division to Huaqiang Industry Co., Ltd through a corporate spinoff with the issuing of new shares by Huaqiang Industry Co., Ltd in exchange for the assignment. In this spinoff, Huaqiang Industry Co., Ltd is a wholly-owned subsidiary of Namchow, which made this spinoff a corporate reorganization that the shareholders' equity of Namchow will be unaffected. As such, the assignment of the book value of assets and liabilities by Namchow to Huaqiang Industry Co., Ltd in the spinoff is justifiable.
3. Huaqiang Industry Co., Ltd issues 22,030,655 shares at NTD10/share in exchange for the assignment of assets and liabilities at business value of NTD410,731,2220,306,550. The ratio of share swap in this spinoff is justifiable.

#### **IV. Conclusion and Limitation**

1. In sum, the ratio of share swap in the spinoff of the operations other than the Oil and Fat Division was set with reference to the audited financial statements for the year ended on December 31 2016. The book value of the assets and liabilities involved in the spinoff is based on the interpretation document of the Accounting Research and Development Foundation for

assignment with the exchange of 22,030,655 shares of common stock at NTD10/share offered by Huaqiang Industry Co., Ltd. As such, the ratio of share swap in the spinoff is justifiable.

2. The information presented in this statement is provided by Namchow. I act as an independent third party to evaluate the ratio of share swap and did not actually participate in the transaction and the design of the spinoff.

Belldelin CPA Firm

CPA Chang Chi-Yin

March 24 2017

## **Declaration of Independence**

I present my professional opinion on the rationality of the ratio of share swap in the corporate spinoff between Namchow Chemical Industrial Co., Ltd. (Hereinafter referred to as “Namchow”) and Huaqiang Industry Co., Ltd (Hereinafter referred to as “Huaqiang Industry”) to the appointment of my client.

In the conduct of the aforementioned assessment, I hereby declare none of the following shall be applicable:

1. My spouse or myself is employed by Namchow or Huaqiang Industry Co., Ltd to perform regular duties and receive regular amount of payment.
2. My spouse or myself has been an employee of Namchow or Huaqiang Industry Co., Ltd and resigned for less than 2 years.
3. The employer of my spouse or myself is a related party to Namchow or Huaqiang Industry Co., Ltd.
4. I am a spouse or kindred within the 2nd Tier as defined by the Civil Code to the deputy agent or manager of Namchow or Huaqiang Industry Co., Ltd.
5. My spouse or myself is a related party through investment in Namchow or Huaqiang Industry Co., Ltd or sharing the profits from these two entities.
6. The employer of my spouse or myself is a related party to Namchow or Huaqiang Industry Co., Ltd through business transactions.
7. My spouse or myself is the CPA retained by Namchow for certification of financial statements.

The opinion on the rationality of the ratio of share swap in the corporate spinoff between Namchow Chemical Industrial Co., Ltd. And Huaqiang Industry Co., Ltd was presented under my independent and impartial professional judgment.

Belldelin CPA Firm

CPA Chang Chi-Yin

March 24 2017

## **Curriculum Vitae of the Expert**

Name: Chang Chi-Yin

FSC Certificate Number: FSC Zheng-Zi No. 5354

Native place: New Taipei, Taiwan

Education: Bachelor, Dept of Financial Management, National Central University

Work experience: Deputy Manager, Auditing Dept, PwC Taiwan.

Manager, Accounting Dept, Zenitron Corporation.

Current position: CPA, Belldelin CPA firm

Independent Director, Concraft Holding Co., Ltd.

## Attachment 12

# Draft amendment to the Articles of Incorporation of Namchow Investment Holding Co., Ltd.

### Chapter 1 General Provisions

- Article I: The Company is duly incorporated in accordance with the Corporate Merger and Acquisition Act, the Company Act in the section of limited liability Company, and other applicable laws and bears the title of Namchow Investment Holding Co., Ltd.
- Article II: The Company is engaged in the business of: H201010- Investments.
- Article 2-1: The Company may offer external assurance in order to fulfill business needs.
- Article 2-2: If the company is a shareholder with limited liabilities of another company, its overall investment value is not subject Article 13 of the Company Act where it says that the overall investment value may not exceed 40% of the paid-up capital stock.
- Article 3: The Company's main office is located in Taipei City and the company may set up branches at other appropriate locations when it is considered necessary. The establishment, abolishment, or change is to be decided by the Board of Directors.
- Article 4: The Company's public notices shall be pursuant to Article 28 of the Company Act.

### Chapter 2 Shares

- Article 5: The capital size of the company is set at NTD4 billion consisting of 400 million shares. Each share has a par value of NTD10. The shares are to be issued in separate efforts by the Board of Directors according to the Company Act and other applicable laws and regulations.
- Article 6: Stocks of the company shall be registered, signed or sealed by at least three directors. The stocks should be issued after proper certification by the competent authority or its approved registration institutes by law.
- Stocks issued by the company are not required to be printed. The company, however, should contact the securities depository and custodian institution for registration of the share certificates.

- Article 7: Shareholders shall complete the seal certificate to be kept by the company. The seal certificate is the basis for claiming the dividend and bonus or written correspondence with the company.
- Article 8: In the event that the stocks are assigned to someone else, the stock transfer request should be completed and submitted to the company for change of name and transfer of the account. Once it is registered in the shareholders roster, it can be set up as a valid defense against the company. To request change of name as a result of inheritance, the heir shall provide legal supporting documents.
- Article 9: In the event that the stocks are lost or stolen, the holder shall file the case with the police and loss of the stocks with the company and petition the court with jurisdiction within 5 days to release a public notice. A copy of the said writ petition along with a photocopy of the receipt from the court shall be submitted to the company; otherwise, the application for loss of the stocks will be canceled. Once the public notice is released and a judgment is made, a copy of the newspaper bearing the public notice and judgment shall be submitted to the company and a request for re-issuance of new stocks shall be made to the company with the ex-right verdict.
- Article 10: Adequate cost will be charged for each stock to be replaced or re-issued because of contamination or damage or in accordance with the requirements indicated in the foregoing 2 articles.
- Article 10-1: After issuance of new stocks, the physical stocks may all be printed at once for that particular issue. The company may also issue stock in non-physical form.
- With respect to shares issued in accordance with the requirements set forth in the preceding paragraph, they may be held in custody or placed for registration with a centralized securities depository corporation or they may also be consolidated and re-issued in securities with larger denominations as requested from the centralized securities depository corporation.

### Chapter 3 Shareholder's Meeting

- Article 11: There are regular and provisional shareholders meetings. The regular meeting is held once a year within 6 months after an operation year ends and is called for by the Board of Directors while the provisional one is to be convened by the Board of Directors or the supervisor whenever it is considered necessary. Shareholders who have been holding more than 3% of the total outstanding shares for more than a year

may also ask the Board of Directors to call for a shareholders meeting by clearly written proposals and reasons.

Article 12: A shareholders meeting shall be called for by the 30th day of each month while provisional meeting shall be called for by the 15th day of each month, with written indication of the date, venue, and reason for the meeting that is made known to individual shareholders. For shareholders with less than 1,000 inscribed stocks, a public notice may be provided to notify them as required by Article 26-2 of the Securities Exchange Act.

Article 13: If a shareholder cannot attend a meeting for some reason, he/she may have a proxy to attend it on his/her behalf with a show of the proxy form printed out and distributed by the company that specifies the scope of authorization and bears his/her signature/seal in accordance with applicable laws and regulations governing the use of the proxy form. When two or more shareholders authorize the same person, the authorized voting rights may not exceed 3% of the voting rights of the total outstanding shares combined. The excess will not be counted.

Article 14: The Chairman shall chair shareholders meetings; in the event that the Chairman is absent for a reason, the Vice Chairman shall act on his/her behalf.

Article 15: Unless otherwise stipulated in the Company Act, any resolutions reached in a shareholders' meeting should be approved by a majority vote among shareholders that are present and represent at least one half of the total outstanding shares.

When shareholders that are present do not meet the requirements indicated in the preceding paragraph, yet account for more than one-third of the total outstanding shares, approval by a majority of the shareholders that are present shall constitute a tentative resolution. The tentative resolution shall be made known to all shareholders and another shareholders meeting shall be called for within a month. For the tentative resolution, if it is approved by a majority vote among shareholders that are present and represent one-third of the total outstanding shares, it shall be considered as the resolution indicated in the preceding paragraph.

Article 16: For the shares held by the shareholders, unless specified otherwise by law, each share is assigned with one vote.

Article 17: Minutes of shareholders meetings shall show the year, month, date, venue, name of the chairperson, decisions made in the meetings, highlights of the agenda and results and must be signed off or sealed by the chairperson. Minutes of shareholders



meetings shall be kept for as long as the company continues to exist. Shareholders' attendance sheets and proxy forms shall be retained for at least one year.

#### Chapter 4 Board of Directors

Article 18: The Company has 5 to 8 board directors, who are to be elected among capable people in shareholders meetings to serve a tenure of 3 years and may be repeatedly elected to serve multiple terms. The directors are entitled to transportation reimbursements that have to be paid regardless of gains or losses. Among the said directors, there may not be fewer than 2 independent ones and the independent directors may not account for less than one-fifth of all openings. Election of independent directors follows the nomination system. Shareholders shall elect independent directors according to the list of candidates they receive. Independent and non-independent directors shall be elected together and votes will be counted separately. The nomination and election of independent directors and other details to be followed shall be based on the requirements indicated in the Securities Exchange Act and applicable laws and regulations.

The total quantity of shares held by all Directors shall be governed by the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies insituted by the competent authority.

In order to protect the company's right of reinvestment, the directors may be elected and hired as director and manager in the invested company and can take part in the operation of the reinvestment business.

Article 19: The directors shall form the Board of Directors and shall elect among themselves one Chairman and one Vice Chairman with paid salaries that are positive expenses regardless of gains or losses.

Article 19-1: The Company may purchase liability insurance for its directors and supervisors during their term of office, based on the compensation liabilities associated with their respective business accountabilities. The Board of Directors is fully authorized to take care of the insurance matter.

Article 20: The duties of the Board of Directors are as follows:

- (1) To review respective rules and procedures
- (2) To decide on business policies
- (3) To review budget and accounts

- (4) To prepare individual forms and rosters as per Article 228 of the Company Act
- (5) To direct and supervise operations
- (6) To decide on the establishment, removal, or change of branches
- (7) To approve the purchase and disposal of important properties and real estate
- (8) To offer external assurance
- (9) To make a decision on reinvestment
- (10) The Board of Directors is to decide on involvement in public interest activities that are required while fulfilling its tasks and in order to facilitate expansion of the operation or to boost the company image while returning to society or donations that are required in order to fulfill the company's social responsibilities.
- (11) Other duties that are bestowed under applicable laws and regulations or through the shareholders meeting.

Article 20-1: The Board of Directors is fully authorized to handle fractional shares from new stocks issued by the company by contacting specific people for subscription.

Article 21: The Board of Directors shall meet at least once a quarter. When a provisional meeting is required, except for the very first meeting for each intake of the Board of Directors where a meeting is to be called for by the director with the most votes, all the other meetings are to be called for by the Chairman, who will also preside over the meeting. When the Chairman is absent for some reason, the Vice Chairman shall act on his/her behalf.

When a meeting of the Board of Directors is called for via visual communication network, the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person. In the event that a director is unable to attend the meeting in person, he/she may authorize another director to act on his/her behalf with a show of the proxy form. The proxy, however, may only be authorized by one director.

A meeting of the company's Board of Directors may be called for in writing, through email, or by fax.

Article 22: Decisions made by the Board of Directors shall be approved by a majority vote among the directors who are present and account for more than half of all directors and the meeting minutes shall be signed off and sealed by the chairperson.

Article 23: When the Board of Directors meets, the General Manager and managers may be invited to attend the meeting; nevertheless, the latter do not have a voting right.

#### Chapter 5 Supervisors

Article 24: The Company has 2 supervisors, who are to be elected among capable people in shareholders meetings to serve a tenure of 3 years and may be repeatedly elected to serve multiple terms. The supervisors are entitled to transportation reimbursements that have to be paid regardless of gains or losses.

The total number of the company's shares to be held by all supervisors shall be set according to the "Rules Governing the Ratio and Audit Procedures on the Stock Ownership by Directors and Supervisors of Public Companies" established by the competent authority.

Article 25: The duties of supervisors are as follows:

- (1) To investigate the company's financial conditions
- (2) To inspect books and documents
- (3) To inquire about operations of the company
- (4) To monitor operations carried out by staff and to report illegal and negligent situations
- (5) Other duties bestowed under applicable laws and regulations

Article 26: Supervisors may be seated in Board of Directors meetings but do not have a voting right.

#### Chapter 6 Organization

Article 26: The Company has one General Manager, who is nominated by the Chairman and hired with approval by a majority vote among the directors. The same applies upon dismissal. There are several deputy general managers, associate managers and managers, who are to be chosen jointly by the Chairman and the General Manager and are hired with approval by a majority vote among the directors. The same applies upon dismissal. Other important employees are to be hired following submission by the General Manager to and approval by the Director and their information shall be submitted to the Board of Directors for reference. The same applies upon dismissal.

Article 28: The General Manager manages all affairs relating the company based on decisions made by the Board of Directors.

#### Chapter 7 Accounting

Article 29: A business year begins with January 1 and ends on December 31 at the company. The annual audit takes place after a year is completed.

Article 30: After the annual audit, the following forms shall be prepared, submitted to the Board of Directors for review and to the supervisors to be inspected, and brought forth in the shareholders meeting for recognition.

(1) Business Report

(2) Financial Statement

(3) Earnings Distribution or Losses Subsidization Proposal

Article XXXI: The Company shall appropriate no less than 1% of its earnings as remuneration to employees and no more than 5% as remuneration to Directors and Supervisors, if applicable. The Company shall appropriate for write-off the loss carried forward, if applicable.

Article XXXI-I: The Company shall appropriate its earnings for the payment of applicable taxes, followed by the write-off of loss carried forward, and 10% as legal reserve, if applicable. If however the legal reserve so appropriated is equivalent to the paid-in capital of the Company, no further appropriation is necessary. The remainder shall be recognized for special reserve or reversal of special reserve. If there is still a balance, it will be pooled up with undistributed earnings for distribution to the shareholders as dividend or bonus at the proposal of the Board and the final approval of the Shareholders' Meeting.

The dividend policy of the Company shall meet the needs of the development plan at present and in the future, in consideration of the investment environment, capital requirement and competition at home and abroad, and also the interests of the shareholders. At least 30% of annual earnings attributable to shareholders for distribution shall be paid out as dividend, which may be paid as stock dividend and/or cash dividend. Cash dividend shall not fall below 10% of the total dividend paid to the shareholders.

#### Chapter 8 Supplementary Provisions

Article 32: The Company's organizational rules and enforcement rules are to be established separately.

- Article 33: Details not covered herein are to be handled in accordance with the requirements of the Company Act and other applicable laws and regulations.
- Article 34: These Articles of Incorporation were stipulated on March 25, 1950. The first amendment took place on February 21, 1952. The second amendment took place on September 3, 1953. The third amendment took place on April 9, 1955. The fourth amendment took place on April 4, 1959. The fifth amendment took place on April 6, 1960. The sixth amendment took place on April 29, 1961. The seventh amendment took place on May 22, 1962. The eighth amendment took place on June 5, 1964. The ninth amendment took place on November 9, 1966. The tenth amendment took place on March 24, 1967. The 11th amendment took place on April 26, 1968. The 12th amendment took place on November 11, 1968. The 13th amendment took place on December 3, 1970. The 14th amendment took place on May 15, 1971. The 15th amendment took place on May 12, 1972. The 16th amendment took place on June 30, 1973. The 17th amendment took place on February 7, 1973. The 18th amendment took place on May 8, 1974. The 19th amendment took place on May 16, 1975. The 20th amendment took place on May 7, 1976. The 21st amendment took place on April 14, 1977. The 22nd amendment took place on March 17, 1978. The 23rd amendment took place on March 9, 1979. The 24th amendment took place on March 26, 1980. The 25th amendment took place on March 27, 1981. The 26th amendment took place on May 12, 1982. The 27th amendment took place on May 11, 1983. The 28th amendment took place on March 23, 1984. The 29th amendment took place on June 15, 1985. The 30th amendment took place on May 23, 1986. The 31st amendment took place on May 27, 1987. The 32nd amendment took place on June 10, 1988. The 33rd amendment took place on May 15, 1989. The 34th amendment took place on March 31, 1990. The 35th amendment took place on June 20, 1991. The 36th amendment took place on May 23, 1992. The 37th amendment took place on May 22, 1993. The 38th amendment took place on May 23, 1995. The 39th amendment took place on June 22, 1996. The 40th amendment took place on May 10, 1997. The 41st amendment took place on June 25, 1999. The 42nd amendment took place on June 17, 2000. The 43rd amendment took place on June 7, 2002. The 44th amendment took place on June 9, 2006. The 45th amendment took place on June 8, 2007. The 46th amendment took place on June 19, 2009. The 47th amendment took place on May 28, 2010. The 48th amendment took place on June 6, 2014. The 49th amendment took place on June 8, 2016. The 50th amendment took place on May 31, 2017.

## Attachment 13

### Namchow Investment Holding Co., Ltd.

#### Draft amendment to the Rules and Procedures for Shareholders Meetings

1. Shareholders meetings of the company shall be based on these Rules and Procedures.
2. For shareholders (or their proxies) who attend the meeting, please submit the sign-in card to indicate attendance and bring the identification supporting document to get ready for inspection and verification whenever necessary.

Without the attendance certificate and sign-in card as required by law, no one is allowed to attend a shareholders meeting; the same shall apply to whoever cannot provide complete identification supporting documents.

- 2-1. Starting from 2016, shareholders may exercise their voting rights electronically. How to exercise the voting right is to follow the requirements of the Company Act and the competent authority.

Shareholders exercising their voting rights electronically are considered to have attended the shareholders meeting in person. For motions and amendment to the original proposal in the shareholders meeting, however, it is considered an abstention.

3. Upon attendance by shareholders representing more than half of the total outstanding shares, the chairperson will call the meeting to order. If it is already past the start time for the meeting but the attendance continues to fall short of the legal requirement, the chairperson may announce an extension of the start time. When the start time has been extended for two times and the attendance is still short of meeting the requirement but shareholders that are present represent more than one-third of the total outstanding shares, the requirement in Article 175 of the Company Act "approval by a majority of the shareholders that are present shall constitute a tentative resolution" shall be followed.

To reach the tentative resolution indicated in the preceding paragraph, if the number of shares represented by shareholders that are present has met the legal requirement, the chairperson may call the meeting to order at any time and bring forth the tentative resolution reached in the general meeting for endorsement.

4. The agenda for the shareholders meeting is to be set by the Board of Directors and the meeting shall take place in accordance with the procedures arranged in the agenda.
5. To speak a few words, shareholders shall provide the purpose of the speech, shareholder account number and name in the speech note first and the chairperson will decide the sequential order.
6. Shareholders may not speak for more than three minutes in each attempt; with the chairperson's permission, however, the speech may be extended by two minutes.
7. For the same proposal, the same shareholder (or proxy) may not speak more than twice.
- 7-1. When authorized to attend a shareholders meeting, each legal entity may only send one representative to attend it.

8. The chairperson may stop a shareholder's speech if it is overtime or exceeds the two-time limit or exceeds the scope of the proposal.
9. During the discussion of a proposal, the chairperson may declare that discussions are over whenever it is considered appropriate. When it is necessary, discussions may be declared to be halted, too.
10. The chairperson may submit a proposal whose discussions are declared to be halted or discontinued for a vote.
11. Approval of a proposal requires a majority vote among shareholders who are present. During a vote, shareholders who vote electronically do not express an objection or abstention to a proposal may be considered as approved when no one expresses disagreement upon the inquiry by the chairperson; the binding power is identical to an actual ballot. Each shareholder has one voting right per share.

To authorize a proxy to attend the shareholders meeting, the shareholder should follow applicable laws and regulations governing the use of proxy forms. When two or more shareholders authorize one person at the same time, the voting rights combined may not exceed 3% of the total outstanding shares. The excess will not be counted.

12. While a meeting is in session, the chairperson may announce a break taking into consideration the available time.
- 12-1. The chairperson may have a picketer (or security) to help maintain order on the floor.
13. For details not covered herein, requirements in the Company Act and the Articles of Incorporation are to be followed.
14. These Rules and Procedures are to be enforced once approved in the shareholders meeting.

## Attachment 14

### Namchow Investment Holding Co., Ltd.

#### Draft Amendment to Procedure for Financing

Article I: The Company may offer financing to a third party in accordance with This Procedure.

Article II: The Company may offer financing to a third party if any of the following conditions was satisfied:

- (I) Companies or business entities engaged in business transactions with the Company.
- (II) There is a need for short-term financing between companies or business entities.

Short-term as referred to covers a period of one year or one operation period (whichever is longer).

Article III: The financing a third party due to business relation shall be relevant with the business transactions already took place and the amount of financing at the time of financing shall be relevant with the amount of sale or purchase with the Company in the most recent year or in current year, whichever is higher.

Short-term financing shall be confined to the conditions specified below:

- (I) For the retirement of bank loans, procurement of equipment or as working capital for investees of the Company accounted for under the equity method.
- (II) For the retirement of bank loans, procurement of equipment or as working capital for companies where the Company holds more than 50% of their stakes.
- (III) Companies where the Company holds more than 50% of their stakes have the needs for investment and that these investments are related to the business operation of the Company and is an input to the business development of the Company in the future.
- (IV) Business entities not invested by the Company but will be an input to the business development of the Company in the future in business strategy, marketing and promotion, or with an intent of forming strategic appliance.

Article IV: Limit of total financing and financing to particular party

The total amount of financing engaged by the Company shall not exceed 40% of the net worth of the Company as stated in the audited or reviewed financial statements covering the most recent fiscal period. The limit of financing to particular party shall be based on the reason of financing and is defined as follows:

1. The financing to parties engaged in business transactions with the Company shall be up to the amount of the purchase or sale with the Company in the most recent year or in current year at the time of financing, whichever if higher.
2. The financing to particular party for short-term capital needs shall not exceed 40% of the net worth of the Company as stated in the audited or reviewed financial statements covering the most recent period or current period.

For financing a direct or indirect wholly-owned foreign subsidiary of the Company,



the amount of financing could be up to 100% of the net worth as stated in the audited or reviewed financial statements covering the most recent period or in current period.

#### Article V: Financing Process

##### (I) Procedure of processing

1. Financing or short-term financing shall be subject to the approval of the competent authority of the Company after review, and submitted to the Chairman for approval and the Board for resolution.
2. Financing of the Company in favor of subsidiaries or among the subsidiaries shall be governed by the same procedure as specified in the preceding paragraph for resolution of the Board and the Chairman shall be authorized to effect the draw down of loan in series or as revolving credit within specific limit approved by the Board and within the period of one years.
3. Specific limit as referred to in the preceding paragraph shall be 10% of the the net worth as stated in the financial statements of **the borrower** covering the most recent period as in the case of financing particular enterprise by the Company or by a subsidiary, with the exception of a direct or indirect wholly-owned foreign subsidiary of the Company
4. The treasury of the Company shall prepare a registry for tracking the transactions of financing and the detail of financing. Upon the resolution of the Board for approval, the borrowers, the amount of financing, the date of Board resolution, the day of draw down, and items subject to cautious review, shall be tracked for record.
5. The internal auditors shall conduct audit on the operation procedure of financing and act of financing in compliance with the procedure quarterly and keep record in writing. In the event of material violation of the procedure, notify the Supervisor in writing at once.
6. The treasury of the Company shall prepare a statement on new entries and settlements of financing and relate details monthly for tracking and loans and for declaration, conduct evaluation and recognize sufficient amount of provision for bad debts quarterly, and disclose the financing and related information to the external auditors for reference.
7. In the event of situation change, to the extent that the borrowers are no longer relevant with the standard prescribed in This Procedure or the balance exceeds the required limit, the treasury of the Company shall prepare an improvement plan and forward the plan to the Supervisor, and proceed to related corrective action as planned.

##### (II) Review Procedure

1. The companies or business entities intending to request for financing with the Company shall present related financial information and the purpose of the loans, and apply for financing in writing.
2. On receiving the application for financing, the competent authority of the Company shall assess and investigate the necessity and rationality of the loans, and the existence of direct or indirect business relation with the Company, the financial position of the operation of the borrower, the ability to repay debt and credit standing, the profitability and the purpose of the loans. In addition, the operation risk exposed the the total amount of financing of the Company, the financial position,

and the effect on shareholders' equity of the Company shall also be considered. The findings and related information shall be compiled into a report for presenting to the Board for approval.

Article VI: The term of financing and calculation of interest

For short-term financing, where necessary, the term shall be no longer than one year. If the borrower has business transactions with the Company, or is a wholly-owned foreign subsidiary of the Company with full voting right, the term of financing shall not exceed 5 years.

The interest for financing shall not fall below the average interest rate applicable to the commercial paper of the Company offered by financial institutions and may be subject to adjustment under special circumstance at the consent of the Board.

Article VII: The control of loans after draw down, and the procedure for handling overdue loans

After each draw down, the treasury of the Company shall keep track on the financial position of status of operation, the change in credit standing and the value of the collaterals of the borrower and the guarantor, and note down the detail on record. In the event of significant change, report to the President and related authorities of the Company at once for immediate action.

When the borrower retire the loan at maturity or before maturity, the principal and the accrued interest shall be settled in lump sum.

If the borrower cannot retire the loan at maturity and and extension is necessary, prior request is necessary subject to the approval of the Board, or shall assume full legal liability thereof.

Article VIII: Procedure for declaration

- (I) Before the 10th day of each month, the treasury of the Company shall pass the information on the balance of loan of the Company and subsidiaries covering the last month to the accounting function of the Company, and shall declare the balance simultaneously with the revenue status by the monthly deadline for declaration.
- (II) Further to the declaration of the balance of loan on a monthly basis, the treasury of the Company shall notify the accounting function with attachment of related information if any of the following related to the financing of others by the Company and subsidiaries is applicable, and proceed to declaration within 2 days thereafter.
  - 1. The balance of loan exceeds 20% of the net worth of the Company as stated in the financial statements covering the most recent period.
  - 2. The balance of loan to particular enterprise exceeds 10% of the net worth of the Company as stated in the financial statements covering the most recent period.
  - 3. The additional amount of loan exceeds NTD10 million and is more than 2% of the net worth of the Company as stated in the financial statements covering the most recent period.

Article IX: Procedure for the control of subsidiaries in financing the others

- (I) If specific subsidiary elects to finance the others, the Company shall give directive to such subsidiary to institute the "Procedure for Financing" in accordance with the "Criteria for Financing and Endorsement and Guarantee by Public Companies"

promulgated by Financial Supervisory Commission (hereinafter referred to as “FSC”), and follow the procedure in financing.

- (II) If specific subsidiary of the Company elects to finance a third party, follow its “Internal Control” and “Procedure for Financing”. The internal audit function of the Company shall include the financing of the others by subsidiaries as an item for monthly audit. The audit findings shall be considered necessary for report to the Board and Supervisors as an integral part of the audit report.
- (III) If specific subsidiary of the Company is not a public company, and the balance of loan of this subsidiary to the others meet the standard set forth in Article VIII, Section 2; that declaration is necessary, such subsidiary shall notify the Company on the day of deed and the Company shall declare the status at designated website as required.

#### Article X: Penalty

If the personnel of the Company related to the processing of financing the others violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated a reference for the annual performance evaluation of related personnel.

- (I) Violation of the gate approval rule: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (II) Violation of the review procedure: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (III) Violation of the requirement for declaration: verbal warning will be given for the initial offense, written warning will be issued for a second offense. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (IV) The supervisors of the offenders shall also be subject to punishment except those who can justify their position of failure to take preventive action.
- (V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders’ Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.

Article XI: This Procedure shall be subject to the resolution of the Board with circulation to the Supervisor and presentation before the Shareholders' Meeting for ratification so as to come into effect. In case of adverse opinion from the Directors on record or in written declaration, the information on the adverse opinions shall be circulated to the Supervisor and presented before the Shareholders' Meeting for discussion. The same procedure is applicable to any amendment thereto.

## Attachment 15

### Namchow Investment Holding Co., Ltd.

#### Amendment to the Procedure for Endorsement and Guarantee

##### I. Purpose

The Endorsement and Guarantee undertaken by the Company shall be governed by This Procedure.

##### II. Scope of application

Endorsement and Guarantee as referred to in This Procedure shall include:

- (I) Endorsement and guarantee for financing:
  - 1. Financing of customer cheque by discount.
  - 2. Endorsement and guarantee in favor of a third party for financing.
  - 3. Issuance of financial instrument by the Company as surety for a non-financial institution for purpose of financing.
- (II). Endorsement and guarantee for duties: Endorsement and guarantee for tariff payment of the Company or in favor of a third party.
- (III) Other types of endorsement and guarantee: other types of endorsement and guarantee that cannot be classified into the aforementioned 2 categories.

The Company may pledge movables or real property as lien, mortgage in favor of a third party for financing in accordance with This Procedure.

##### III. The beneficiaries of endorsement and guarantee

The beneficiaries of endorsement and guarantee undertaken by the Company shall be confined to the following companies. This provision may be waived if endorsement and guarantee is undertaken in reciprocity with an industry peer for the contracting of works, or investment in joint venture in proportion to the investment made by the shareholders.

- (I) Companies engaged in business transactions with the Company.
- (II) Companies where the Company directly or indirectly hold more than 50% of their equity shares with voting rights.
- (III) Companies that directly or indirectly hold more than 50% of the equity shares with voting rights of the Company.
- (IV) Endorsement and guarantee among the companies where the Company directly or indirectly hold more than 90% of their equity shares with voting rights.

##### IV. The limit of endorsement and guarantee

- (I) The limit of endorsement and guarantee undertaken by the Company shall be limited to

the net worth of the Company in current period. The limit of endorsement and guarantee undertaken by the Company in favor of particular enterprise shall be limited to the net worth of the Company in current period.

- (II) Companies with more than 90% of their equity shares directly or indirectly held by the Company may act in favor of one another in endorsement and guarantee and the amount shall not exceed 10% of the net worth of the Company. This provision could be waived for wholly-owned subsidiaries of the Company.
- (III) The total amount of endorsement and guarantee undertaken by the Company and subsidiaries shall be limited to the net worth of the Company in current period. The amount of endorsement and guarantee undertaken in favor of particular enterprise shall not exceed the net worth of the Company in current period.

#### V. Procedure for Endorsement and Guarantee

- (I) The treasury of the Company shall review the eligibility of the applicants, and to check if the limit granted is relevant with This Procedure and reach the level required for declaration. The risk inherent to endorsement and guarantee shall also be assessed and the findings shall be tracked on record. If the amount falls within the allowable limits, the Chairman shall make decision for approval on the basis of the credit standing and financial position of the applicants.
- (II) The treasury of the Company shall prepare a registry for tracking the endorsement and guarantee for record. Upon the resolution of the Board for approval, the beneficiaries of endorsement and guarantee, the amount, the date of endorsement and guarantee, and items subject to cautious review shall be traced on record.
- (III) The internal auditors shall conduct audit on the operation procedure of endorsement and guarantee and the implementation in compliance with This Procedure quarterly and keep record. In the event of material violation of This Procedure, notify the Supervisor in writing at once.
- (IV) The treasury of the Company shall prepare a statement on new entries and settlement of endorsement and guarantee and related details monthly for tracking and for declaration, and conduct evaluation and recognize sufficient amount of provision for contingent loss of endorsement and guarantee quarterly. The detail shall be disclosed in the financial statements and as reference for the external auditors.
- (V) In the event of situation change, to the extent that the beneficiaries of endorsement and guarantee are no longer relevant with the standard prescribed in This Procedure or the amount of endorsement and guarantee exceeds the required limit, the treasury shall prepare an improvement plan and settle the amount in excess of the limit within designated period at the approval of the Chairman, and forward the plan to the Supervisor.
- (VI) Before the expiration of endorsement and guarantee, the treasury of the Company shall

actively notify the enterprises under guarantee to repossess the promissory notes retained by the banks or the creditors, and cancel related indentures of endorsement and guarantee.

#### VI. Detailed Review Procedure

In processing endorsement and guarantee, the treasury of the Company shall review and evaluate the following, and keep the findings on record:

- (I) Understand the relation between the beneficiaries of endorsement and guarantee and the Company, the purpose of the loan, the association with the business of the Company, or the importance of their operation to the Company, and evaluate the necessity and rationality of endorsement and guarantee with reference to the limit and available balance.
- (II) Obtain the annual reports, financial statements, and related information of the beneficiaries, conduct analysis of their operation, financial position, credit standing, and the sources of funds for retirement of loan for assessing possible risks.
- (III) Conduct analysis of the balance of the Company in endorsement and guarantee in proportion to the net worth, liquidity and cash flow status, and the review result from (I) and (II) to assess the effect of operation risk, financial position, and shareholders' equity of the Company.
- (IV) Evaluate if it is necessary for requesting collaterals from the beneficiaries of endorsement and guarantee depending on the nature of guarantee and the credit standing of the beneficiaries and also the results of evaluation in (I)~(III), and appraise the value of the collaterals on a quarterly basis to ensure relevance with the balance of endorsement and guarantee. Where necessary, request the beneficiaries for additional collaterals.

#### VII. Procedure for control of endorsement and guarantee in favor of subsidiaries

- (I) If specific subsidiary elects to undertake endorsement and guarantee in favor of the others, the Company shall give directive to such subsidiary to institute the "Procedure for Endorsement and Guarantee" in accordance with the "Criteria for Financing and Endorsement and Guarantee by Public Companies" promulgated by Financial Supervisory Commission (hereinafter referred to as "FSC"), and follow the procedure in financing.
- (II) If specific subsidiary of the Company elects to undertake endorsement and guarantee in favor of the others, follow its "Internal Control" and "Procedure for Endorsement and Guarantee". The internal audit function of the Company shall include the endorsement and guaranteed undertaken by subsidiaries as an item for monthly audit. The audit findings shall be considered necessary for report to the Board and Supervisors as an integral part of the audit report.

- (III) If specific subsidiary of the Company is not a public company, and the balance of endorsement and guarantee of this subsidiary to the others meet the standard set forth in II of this provision that declaration is necessary, such subsidiary shall notify the Company on the day of deed and the Company shall declare the status at designated website as required.
- (IV) If a subsidiary where the Company directly or indirectly holds more than 90% of its equity shares with voting rights elects to undertake endorsement and guarantee in favor of the others, the resolution of the Board of the Company for approval shall be necessary. This provision could be waived for direct or indirect wholly-owned subsidiary of the Company with 100% voting rights.

#### VIII. Decision-making and gate approval

- (I) The Company may undertake endorsement and guarantee in accordance with V of This Procedure subject to the final approval of the Board. For the benefit of time, the Board shall authorize the Chairman with decision latitude for total amount and amount to particular enterprise within specific limit, and report to the nearest session of the Board for ratification.
- (II) In case the endorsement and guarantee amount exceeds the limit as specified in This Procedure for business needs and is in compliance with the terms and conditions under This Procedure, report to the Board for consent with the countersignatures of at least half of the Directors for guarantee of the amount in excess of the limit in case of loss, and amend This Procedure and report to the Shareholders' Meeting for ratification. If the Shareholders' Meeting does not agree with the change, the amount in excess of the limit must be settled within specific period.

#### IX. Custody and Procedure for Specimen Seal

- (I) The Company shall use the specimen seal on file of the Ministry of Economic Affairs for registration of incorporation for endorsement and guarantee. This seal shall be kept by designated personnel at the approval of the Board and any replacement of the keeper shall be subject to the approval of the Board. The specimen seal shall be listed as an item for transfer in case of rotation of duties.
- (II) Upon the resolution of the Board or the approval of the Chairman, the documents pending of the affixing of the specimen seal shall be subject to the approval of the head of treasury of the Company before forwarding to the keeper of the specimen seal for affixing.
- (III) For guarantee in favor of a foreign company, the letter of guarantee issued by the Company shall be affixed with the authorized signature of the Chairman or the President.

#### X. Procedure for Declaration

- (I) Before the 10th day of each month, the treasury of the Company shall pass the



information on the balance of endorsement and guarantee of the Company and subsidiaries covering the last month to the accounting function of the Company, and shall declare the balance simultaneously with the revenue status by the monthly deadline for declaration.

- (II) Further to the declaration of the amount of endorsement and guarantee on a monthly basis, the treasury of the Company shall notify the accounting function with attachment of related information if any of the following related to the endorsement and guarantee in favor of others by the Company and subsidiaries is applicable, and proceed to declaration within 2 days thereafter.
1. The total amount of endorsement and guarantee exceeds 50% of the net worth of the Company as stated in the financial statements covering the most recent period.
  2. The amount of endorsement and guarantee to particular enterprise exceeds 20% of the net worth of the Company as stated in the financial statements covering the most recent period.
  3. The additional amount of endorsement and guarantee in favor of particular enterprise exceeds NTD10 million and the total of endorsement and guarantee, long-term investment and loan balance exceeds 30% of the net worth of the Company as stated in the financial statements covering the most recent period.
  4. The additional amount of endorsement and guarantee exceeds NTD30 million and exceeds 5% of the net worth of the Company as stated in the financial statements covering the most recent period.

## XI. Penalty

If the personnel of the Company related to the processing of financing the others violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated a reference for the annual performance evaluation of related personnel.

- (I) Violation of the gate approval rule: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (II) Violation of the review procedure: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (III) Violation of the requirement for declaration: verbal warning will be given for the initial

offense, written warning will be issued for a second offense. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.

- (IV) The supervisors of the offenders shall also be subject to punishment except those who can justify their position of failure to take preventive action.
- (V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders' Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.

## XII. Miscellaneous

- (I) In case the Company undertakes endorsement and guarantee in favor of a subsidiary which net worth falls below 1/2 of the paid-in capital, the treasury of the Company shall keep track on the financial position, business and credit standing of the beneficiary quarterly. In the event of significant change, report to the Chairman at once and take appropriate measures as instructed. If the shares issued by the subsidiary bears no face value or the face value is not NTD10, the paid-in capital shall be calculated on the basis of equity capital plus capital reserve net of premium of issuance.
- (II) This Procedure shall be subject to the resolution of the Board with circulation to the Supervisor and presentation before the Shareholders' Meeting for ratification so as to come into effect. In case of adverse opinion from the Directors on record or in written declaration, the information on the adverse opinions shall be circulated to the Supervisor and presented before the Shareholders' Meeting for discussion. The same procedure is applicable to any amendment thereto.

## Attachment 16

### Namchow Investment Holding Co., Ltd.

#### Draft Amendment to the Guidelines for Electing Board Directors and Supervisors of the Company

- I. The election of Directors and Supervisors of the Company shall be governed by This Procedure.
- II. In the election of Directors and Supervisors, holder of each share shall be entitled to the voting right of electing the equivalent seats of Directors and Supervisors or they may concentrate the votes on particular candidate or distribute the votes to different candidates.
- III. The Board shall prepare the ballots equivalent to the seats of Directors and Supervisors to be elected and fill in the weight before circulating to the shareholders.
- III-1. Starting from 2016, shareholders may exercise their voting rights electronically. How to exercise the voting right is to follow the requirements of the Company Act and the competent authority.
- IV. Before the balloting, the Charmian shall appoint the observers and vote counters to perform their assigned duties.
- V. The Board shall prepare the ballot box for the election of Directors and Supervisors. The observers shall inspect the box before balloting.
- VI. If a candidate in the election is a shareholder, voters shall put down the account title and account number of the candidate in the field of “candidate” on the ballot. If the candidate is not a shareholder, specify the name and ID number of the candidate. If the candidate is a governmental or institutional shareholder, however, name of the government or institution shall be provided in the column for the account name of the candidate. The name of the government or institution and the name of its representative may also be provided. When there are several representatives, the names of all of them shall be provided.
- VII. The Company adopts the nomination system for the election of Independent Directors. Election of Directors and Independent Directors should be held simultaneously and the votes shall be counted on the candidates to the seats on the scene.
- VIII. A ballot shall be void is any of the following occurs:
  - (I) The use of unqualified ballots.
  - (II) Cast the vote with blank ballot.
  - (III) The writing on the ballot is blurred that cannot be identified.
  - (IV) If the candidate inscribed on the ballot is a shareholder, the information on account title and account number is not relevant with the record of the shareholders roster. If the candidate inscribed on the ballot is not a shareholder, the information on name and ID number is not relevant with the record of shareholders roster.
  - (V) Wording on the ballot other than the account title (name) or account number (ID number) of the candidate and the number of votes assigned.
  - (VI) Failed to fill in the account title (name) or account number (ID number) of the

candidate on the ballot.

(VII) Two or more candidates were put on the same ballot.

- IX. Directors and Supervisors of the Company shall be elected from candidates with full legal competence by the Shareholders' Meeting and elected to the seats specified in the Articles of Incorporation on the basis of the voting result whereby candidates won the majority of the votes will be elected to the seats in the order of Independent Directors, Non-Independent Directors, or Supervisors.
- When one is elected director and supervisor at the same time according to Paragraph 1, he/she should decide whether he/she wants to be the director or the supervisor while the vacancy is to be filled by another person elected in the shareholders meeting.
- X. The ballot box will be opened and the votes will be counted on the scene immediately after the balloting is completed. The Chairman will announce the outcome of the election immediately.
- XI. The election will be nullified if being held in defiance of Article 26-3- (3)~(4).
- XII. The qualification and election to office of Independent Directors shall be governed by the Securities and Exchange Act, and the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" of Financial Supervisory Commission.
- XIII. The Board of the Company will give notice of election to office to the Directors and Supervisors elected to the seats.
- XIV. Anything not covered by The Guidelines shall be governed by the Company Act, the Articles of Incorporation of the Company and other applicable laws.
- XV. The Guidelines shall come into effect at the approval of the Shareholders' Meeting. The same procedure is applicable to any amendment thereto.

## Namchow Investment Holding Co., Ltd.

### Draft Amendment to Procedure for the Acquisition and Disposition of Assets

#### Chapter I General Provision

I. Purpose and legal reference:

This Procedure is instituted pursuant to Article 36-1 of the Securities and Exchange Act and the “Criteria for Acquisition and Disposition of Assets by Public Companies” and for the strengthening of asset management and information transparency.

II. Assets for application:

(I) Investment of stocks, government bonds, corporate bonds, bank debentures, fund securities, depository receipts, call (put) warrants, beneficiary certificates, and asset-backed securities.

(II) Property (including lands, housing and structures, investment property, right of land use) and equipment.

(III) Membership cards.

(IV) Patents, copyrights, trademark, franchise, and other intangible assets.

(V) Derivatives: Forwards contracts, option contracts, futures contracts, leverage contracts, and swap contracts the value of which is derived from its underlying assets, interest rate, exchange rate, index or other form of interests. Forward contracts as referred to do not include insurance contracts, performance contracts, post-delivery service contracts, long-term lease contract and long-term buy-sell contracts.

(VI) Assets acquired or disposed from merger, spinoff, acquisition and acceptance of assigned shares: assets acquired or disposed through merger, spinoff, or acquisition in accordance with the Corporate Merger and Acquisition Act, Financial Holding Company Act, Financial Institutions Mergers Act or other applicable laws, or the issuance of new shares for acceptance of the shares assigned from other companies pursuant to Article 156-8 of the Company Act.

(VII) Other major assets.

III. Evaluation Procedure:

(I) In the acquisition or disposition of securities or engagement in derivative trade, the treasury and accounting of the Company shall conduct analysis of related return

and possible risk. In the acquisition or disposition of real property and other assets, related functional departments shall map out the capital expenditure plan and proceed to feasibility study on the purpose and expected return on acquisition or disposition of assets. For acquisition or disposition with related parties, proceed to Chapter II of This Procedure on the assessment of the rationality of the terms and conditions of the transactions.

- (II) The Company shall, before the day of deed for the acquisition or disposition of securities, obtain the audited or reviewed financial statements of the target companies or related information as reference for appraisal. If the transaction amount exceeds 20% of the paid-in capital of the Company or NTD300 million, retain a certified public accountant for presentation of opinion on the rationality of the transaction price before the day of deed. If the CPA elects to adopt reporting of an expert, follow the instruction of The Statement of Auditing Standard No. 20 released by the Accounting Research and Development Foundation of the Republic of China (hereinafter referred to as “ARDF”). If there is an active market for the securities with open quotation, or the Financial Supervisory Commission (FSC) specified otherwise, this requirement can be waived.
- (III) In the acquisition or disposition of membership cards and/or intangible assets which transaction price exceeds 20% of the paid-in capital of the Company or NTD300 million, consult a certified public accountant for an opinion on the rationality of the transaction price before the day of deed and proceed to Statement of Auditing Standard No. 20 released by the Accounting Research and Development Foundation unless otherwise the transaction is conducted with government agencies.
- (IV) For the acquisition or disposition of property or equipment exceeding 20% of the paid-in capital of the Company or NTD300 million, obtain the appraisal report issued by professional appraisers before the day of deed and proceed to the appraisal process of This Procedure.
- (V) In pursuing corporate merger, spinoff, acquisition or acceptance of assigned shares, consult a certified public accountant, legal attorney, or securities underwriting to present opinions on the rationality of the ratio of share swap, acquisition price, and the cash dividend or other assets paid to shareholders before the day of deed, and present to the Board for discussion. The aforementioned opinion from experts on the rationality of the transactions could be waived for the merger between the Company and a wholly-owned subsidiaries by equity share or capital, or between wholly-owned subsidiaries of the Company by equity share or capital.
- (VI) The Company shall comply with the following in the determination of the price for the acquisition or disposition of assets or for reference further to the aforementioned appraisal by professional appraisers, certified public accountants,

and other experts:

1. In the acquisition or disposition of securities traded in the centralized market or OTC market, decision could be made on the basis of the price or the equity shares or bonds.
  2. In the acquisition or disposition of securities not traded in the centralized market or OTC market, consider the net value per share, technology and profitability, potential for development, market interest rate, coupon rate, and the credit standing of the debtors, and also the bid price of most recent transaction as reference for decision-making.
  3. In the acquisition or disposition of membership cards, consider possible return and the most recent bid price for the transaction. For the acquisition or disposition of patents, copyrights, trademark, franchise, and other intangible assets, consult international or market customs and practices, the service period, and the effect on the technological level and business of the Company.
  4. In the acquisition or disposition of property or equipment, consult the posted present value, appraised present value, the actual transaction price or book value of property in the neighborhood, and the quotation of the suppliers. For acquisition or disposition of property with related parties, conduct evaluation as stated in Chapter II of This Procedure to assess the rationality of the transaction price.
  5. For the engagement in derivative trade, consult the trading condition of the futures market and the trends of the exchange rate and interest rate.
  6. In merger, spinoff, acquisition or acceptance of assigned shares, consider the nature of business, net value per share, asset value, technology and profitability, production capacity and potential for growth.
- (VII) The calculation of the amount as stated in (II), (III), and (IV), proceed to V (II). The period of one year as referred to shall be the duration from the day of deed moving backward for one year in retrospect. This period could be waived if the appraisal reports issued by professional appraisers or opinions from certified public accountants are available.

#### IV. Operation Procedure:

##### (I) Authorized limit and gate approval

1. Securities: The Chief Financial Officer shall be authorized to proceed to trade pursuant to Article VII of This Procedure. If the transaction meets the standard required for declaration as stated in Article V, report to the Chairman on the day after the trade for record, and present before the nearest session of the Board for ratification. For the acquisition or disposition of stocks, corporate bonds not traded in the centralized market or the OTC market, private

placement securities, that the amount meets the standard required for declaration, the resolution of the Board for approval in advance is necessary. Investment in Mainland China shall be subject to the consent of the Shareholders' Meeting or execution by the Board at the authorization of the Shareholders' Meeting, and petitioned with the Board of Investment of MOEA for approval before proceeding.

## 2. Derivative Trade

- (1) Hedge trade: trade may be conducted in line with the change in the business value and risk position by personnel designated by the Chairman with single transaction or accumulated transactions falling below USD20 million (including the equivalent of other currencies).
  - (2) Non-hedge trade: For reducing risk, single transaction or accumulated transactions fall below USD6 million (including the equivalent of other currencies) may be conducted by designated personnel under authorization subject to the approval of the Chief Financial Officer.
  - (3) The authorized personnel must be made known to the banks for facilitating the monitoring and management of the service banks in identification of the authorization of personnel.
  - (4) The aforementioned derivative trade conducted under authorization shall be reported to the Board.
3. Related party transactions: Prepare related information as stated in Chapter II of This Procedure, and present to the Board for approval and the Supervisors for ratification before proceeding to signing the trade contracts and effecting of payment.
  4. Merger, spinoff, acquisition or acceptance of assigned shares: proceed to Chapter IV of This Procedure for action and prepared the required materials. Merger, spinoff, acquisition shall be subject to the approval of the Shareholders' Meeting in advance unless the law provides otherwise. The acceptance of assigned shares shall be subject to the approval of the Board.
  5. Others: Comply with the internal control system and gate approval in the operation. If the transaction amount meets the standard required for declaration as stated in Article V, the approval of the Board in advance is necessary except for the acquisition or disposition of business equipment, which could be reported to the Board for ratification in the afterward. The resolution for approval by the Shareholders' Meeting is necessary if any of the situations in Article 185 of the Company Act is applicable.

## (II) Executor and transaction process

The treasury of the Company shall be the executor of securities investment and derivative trade. Real property and other assets shall be executed by the users or



related functional departments. Merger, spinoff, acquisition, and acceptance of assigned shares shall be conducted by the functional unit designated by the Chairman. Upon successful evaluation as required by law and approval, the executor shall proceed to the acquisition or disposition of assets by entering into related agreements, making or receiving payment, delivery and inspection for acceptance, and referred to related process under the internal control system depending on the nature of the assets. Related party transactions, derivative trade, and merger, spinoff, acquisition or acceptance of assigned shares shall proceed to Chapter II ~IV of This Procedure.

#### V. Declaration Procedure:

- (I) If any of the following is applicable to the acquisition or disposition of assets by the Company, follow the format and content as stated in the attached table (Attachment 2-8) by nature of the asset, and disclose related information at the designated website of FSC for declaration within 2 days after the day of deed.
1. Acquisition of property from related parties, or disposition of property to related parties, or disposition of other assets beyond property exceeding 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million. This provision is waived for the trading of government bonds, R/P bonds, subscription or redemption of money market funds offered by domestic securities investment trust firms.
  2. Proceed to merger, spinoff, acquisition or acceptance of assigned shares.
  3. Engagement in derivative trade with loss from all contracts or individual contracts exceeding the upper limit as stated in Chapter III, Article XIV-IV of This Procedure.
  4. The assets acquired or disposed are business equipment and the counterparties of transactions are not related parties and the amount of transaction exceeds NTD500 million.
  5. Acquisition of property through the commissioning for construction on proprietary lands, commissioning for construction on leased land, joint venture in construction with split up of finished premises, joint venture in construction with split up of sale revenue, and joint venture in construction and joint marketing of finished premises that the Company expects to invest an amount of more than NTD500 million.
  6. Further to the transactions of assets or investment in Mainland China as specified from 1~5 of this provision, and the transaction amount exceeds 20% of the paid-in capital of the Company or NT\$300 million. Except under the following situations:
    - (1) Trading of government bonds.

- (2) Trading of R/P bonds, R/S bonds, subscription or redemption of domestic money market funds offered by securities investment trust firms.
- (II) The amount of the aforementioned transactions shall be calculated in the method specified below:
  1. The amount of each transaction.
  2. The amount of transaction for the acquisition or disposition of the same target with particular counterparty in one year on an accumulative basis.
  3. The amount of transaction for the acquisition or disposition (accumulated separately) of the property of particular development project in one year on an accumulative basis.
  4. The amount of transaction for the acquisition or disposition (accumulated separately) of particular security
- (III) One year as referred to in preceding paragraphs shall be the duration from the day of deed moving back for one year in retrospect. The portion already declared could be exempted from the calculation.
- (IV) The Company shall provide information on the derivative trade conducted by the Company and subsidiaries which are not domestic public companies by the end of the previous month in the format as shown in the table, and declare the information with the designated website of FSC by the 10th day of the month.
- (V) In case of error or missing content for the items required for declaration, correct the content within 2 days after acknowledgment of the error or missing, and conduct a new round of declaration.
- (VI) If any of the following is applicable to the declaration as stated in (I), declare at the designated website of FSC within 2 days after the day of deed:
  1. Alteration, termination, or discharge of the contracts for transactions previously entered into.
  2. The merger, spinoff, acquisition or acceptance of assigned shares cannot be accomplished as scheduled.
  3. Change in the content of information previously declared.

## VI. Procedure for appraisal of assets

For acquisition of real property through the commissioning of construction on proprietary land, commissioning of construction on leased land, joint venture in construction with sharing of the finished premises, joint venture in construction with sharing of ownership, joint venture in construction with separate sale of finished premises exceeding 20% of the paid-in capital of the Company or NT\$300 million, present the appraisal reports issued by professional appraisers (the particulars for inscription are exhibited in Attachment 1) and shall be in compliance with the following. The certification document issued by court may be used in lieu of the

appraisal reports or opinions from certified public accountants if the acquisition or disposition of assets were conducted through court auction.

- (I) If for specific reason that limited price, designated price or special price shall be used as reference for setting the transaction price, present the case before the Board for resolution in advance. The same procedure is applicable to any subsequent change of the conditions of transactions.
- (II) If the transaction amount exceeds NT\$1,000 million, the appraisal reports from at least two professional appraisers is necessary.
- (III) If any of the following is applicable to the appraisal result, consult with a certified public accountant for presenting a substantive opinion on the reason of the variance and the appropriateness of the transaction price in accordance with the Statement of Auditing Standard No.20 unless the appraised value is higher than the transaction price as in acquisition of assets or lower than the transaction price as in disposition of assets.
  - 1. The appraisal result varied with the transaction amount by more than 20%.
  - 2. The appraisal results from at least two professional appraisers varied by more than 10%.
- (IV) The date of the appraisal reports issued by the professional appraisers shall not be longer than a period of 3 months from the day on which contract is signed for the transaction. If the posted present value of the same period is applicable and the duration is less than 6 months, the original professional appraisers issuing the reports shall present an opinion.

## VII. Scope and limit of investment

Further to the acquisition of assets for business purpose, the Company and subsidiaries may also invest in property and securities not for business purpose. The limit of investment and restriction is specified below.

- (I) Total investment in property not for business use shall not limited to 50% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.
- (II) Total investment in securities shall not exceed 100% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.
- (III) The investment in particular security shall not exceed 100% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented

in the financial statements covering the most recent period, whichever is higher.

VIII. The control of acquisition or disposition of assets by subsidiaries:

- (I) Subsidiaries of the Company shall also institute the “Procedure for the Acquisition or Disposition of Assets” in conformity to the “Criteria for Acquisition and Disposition of Assets by Public Companies” and properly implement the procedure after passing by the Board with circulation to the Supervisors and the Shareholders’ Meeting for ratification. The same procedure is applicable to any amendment thereto.
- (II) The acquisition or disposition of assets by subsidiaries shall be conducted in compliance with their respective “Internal Control System” and “Procedure for the Acquisition and Disposition of Assets”. The auditing function of the Company shall include the operation of acquisition and disposition of assets conducted by the subsidiaries as key monthly audit items, and shall report to the Board and the Supervisors of the audit findings as an integral part of the audit report.
- (III) If the subsidiaries of the Company are not public companies, and the acquisitions or disposition of assets of these subsidiaries meet the standard required for declaration as stated in Article V, notify the Company on the day of deed and the Company shall declare with FSC at designated website. The standard required for declaration at 20% of the paid-in capital or 10% of the total assets shall be based on the paid-in capital or total assets of the Company.

IX. Penalty:

If the personnel of the Company related to the acquisition or disposition of assets violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated as a reference for the annual performance evaluation of related personnel.

- (I) Violation of the gate approval rule: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (II) Violation of the review procedure: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (III) Violation of the requirement for declaration: verbal warning will be given for the

initial offense, written warning will be issued for a second offense. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.

(IV) The supervisors of the offenders shall also be subject to punishment except those who can justify their position of failure to take preventive action.

(V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders' Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.

## **Chapter II Related Party Transactions**

### **X. Determination of related parties**

Related parties shall be determined on the basis of the definition set forth in the Criteria for the Compilation of Financial Statements by Securities Issuers with de facto and de jure relation considered.

X-1. The acquisition or disposition of assets between the Company and related parties shall be in compliance with Chapter I and this Chapter of This Procedure in the decision-making process and rationality of the terms and conditions of the transactions. If the amount involved exceeds 10% of the total assets of the Company, the appraisal reports from professional appraisers or opinions from certified public accountants shall be required.

The amount of transaction shall be calculated in accordance with Article III- (VII).

### **XI. Resolution Procedure:**

In the acquisition of property from related parties, or disposition of property to related parties, or disposition of other assets beyond property exceeding 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million, the executor shall prepare related information for presenting to the Board and the Supervisory for ratification before entering into agreements or effective payment. This provision is waived for the trading of government bonds, R/P bonds, subscription or redemption of money market funds offered by domestic securities investment trust firms:

(I) The purpose, necessity and expected return from the acquisition or disposition of assets.

(II) The reasons of choosing related parties as the counterparties in the transactions.

(III) In the acquisition of assets from related parties, the information on the rationality of the terms and conditions of trade in the exclusionary clause of Article XII or Article XIII.

(IV) The original price and date of acquisition of the asset by the related parties, the

counterparties of trade, and relation with the Company and the related parties.

- (V) The projection of cash income and expense on a monthly basis in the year ahead from the month of entering into agreement, and the assessment of the necessity and the rationality of the use of fund.
- (VI) The appraisal reports issued by professional appraisers and the opinion of certified public accountants as required to obtain in the previous article.
- (VII) The aforementioned transaction amount shall be calculated in accordance with Article V- (II). One year as referred to shall be the duration of one year from the day of deed moving backward for one year in retrospect. The portion already declared is exempted from the calculation.

## XII. Assessing the rationality of the conditions for trade

For acquisition of real property from related parties, assess the rationality of the cost of transaction in accordance with the following method and consult with certified public accountants for presenting substantive opinion, except that the property acquired by related parties is through succession or donation, or, the acquisition of assets by related parties was longer than 5 years ago, or entering into agreement on joint construction with related parties through the commissioning of construction on proprietary land or on leased land.

- (I) The addition of necessary cost of capital and the cost to be borne by the buyer by the related parties. Necessary cost of capital as referred to shall be calculated at the weighted average interest rate for financing in the year of purchasing the property but no more than the upper limit for lending by non-financial institutions.
- (II) If the related party has sought financing from a financial institution with pledge of the property, it shall be the total value appraised by the financial institution for lending. However, the accumulated value of load drawn to the related party with the pledge of the property shall at least be 70% of the total appraised value for lending and the term of loan shall at least be one year. This provision is not applicable if either side of the parties is a related party.
- (III) For the joint purchase of particular subject land and premises, the cost of transactions on the land and premises shall be appraised separately as stated in (I) and (II).

## XIII. Action to be taken if the imputed cost falls below the transaction price:

If the appraisal result indicated the cost of transaction falls below the transaction price, proceed to (III) unless the following is applicable with the presentation of objective evidence, the appraisal reports from professional appraisers and the opinions of certified public accountants on rationality of the transaction.

- (I) If the related party acquired empty land or leased land for construction, at least one

of the following shall be satisfied with proof:

1. Appraisal on the empty land shall be conducted in the manner as stated in the previous article. For premises, the sum of the construction cost plus reasonable construction profit for the related party is higher than the transaction price. Reasonable construction profit is the average gross margin of the construction segment of the related party in the last three years, or the gross margin for the construction industry announced by Ministry of Finance covering the most recent period, whichever is lower.
2. The case of successful transaction in other stories of the same building or immediate area within one year with non-related parties. The floor area shall approximate the subject premises and the conditions of transaction shall be justifiable for the stories and area taken for comparison under the customs and practices of real property trade.
3. The case of leasing to non-related parties of other stories in the same subject premises, and the conditions for transaction shall be justifiable for the stories taken for comparison under the customers and practices of real property leasing.

(II) The Company shall prove that the purchase of real property from related parties shall be relevant with the transactions of real property trade conducted by non-related parties under similar terms and conditions of trade in the immediate area and in similar size within one year.

Successful cases of transaction in the immediate area shall refer to the location in the same block or neighboring block and the distance from the subject premises is less than 500 m in perimeter, or the similar level of announced present value. Similar size or floor area shall be the floor area of the premises concerned in the transaction with non-related parties not falling below 50% of the floor area of the subject premises. One year shall be the duration from the day of deed for the acquisition of real property moving backward for one year in retrospect.

If the cost of transaction under appraisal falls below the transaction price in the acquisition of property from related parties, and the situations in I are not applicable, proceed to the following:

- (I) Recognize the difference between the transaction price and the estimated cost of property trade as special reserve pursuant to Article 41 -1 of the Securities and Exchange Act, and shall not distribute to shareholders or capitalize into new shares. Special reserve as recognized may be utilized in circumstances under which assets were purchased at a high price with recognition of loss from falling price or disposition or with appropriate compensation or resumption to original condition, or is justifiable with proof of objective evidence and at the consent of Financial Supervisory Commission.

- (II) Supervisors shall act in accordance with Article 218 of the Company Act.
- (III) The situations as stated in (I) and (II) shall be reported to the Shareholders' Meeting and the details shall be disclosed in the annual report or prospectus.

### **Chapter III The control of derivative trade**

#### **XIV. The principles and policy of trade**

- (I) Type of trade: The Company may undertake a variety of derivatives for trading, including forward contracts, options contracts, interest rate and exchange rate swaps, futures, and the composite contracts of the aforementioned products. The engagement in other forms of derivative trade shall be subject to the resolution of the Board for approval in advance.
- (II) Business or hedge strategy: The Company is engaged in derivative trade for hedge and non-hedge (for trading purpose) trade. The strategy shall be aiming at the hedge of operation risk and the choice of derivatives shall be targeted at the hedging of the risks deriving from the operation of the Company such as revenues and expenditures in foreign currencies, assets or liabilities denominated in foreign currencies. In the event of change in the objective environment, engage in "non-hedge" derivative trade on due time so as to bring in more revenue or mitigate loss from operation for the Company. In addition, the counterparties of trade should preferably be the financial institutions in business relation with the Company to avoid possible credit risk. Before the engagement in trade, differentiate if the trade is for hedging or for profit seeking. This shall be the foundation for bookkeeping and accounting.
- (III) Trade limit:
  - 1. Hedge trade: the net exposure of consolidated assets and liabilities (including anticipated net exposure in the future) shall be the upper limit of trade.
  - 2. Non-hedge trade: up to USD6 million. Before proceeding to trade, the dealer shall present a report on the trend of foreign exchange rate and the content shall include the analysis of the trend in the foreign exchange market and the recommended means of trade subject to the final approval of the management.
- (IV) Upper limit of loss for overall position or particular contract
  - 1. Hedge trade: The upper limit of loss shall not exceed 10% of the overall position or the amount of particular contract, and the total loss in one year on an accumulative basis shall not exceed USD500,000.
  - 2. Non-hedge trade: Establish the cut loss point after setting the position to avoid excessive loss. The cut loss point shall be up to 10% of the contract amount and the overall cut loss point shall not exceed USD500,000 in one year on an accumulative basis.



(V) Segregation of authority and responsibility

1. The dealers: they are the personnel of the Company responsible for the conduct of derivative trade and should be appointed by the Chief Financial Officer. The dealers shall be responsible for the formulation of trade strategy, implementation of the instruction for trade, and the disclosure of transaction risk in the future. In addition, they shall provide information to related department for reference in real-time.
2. Accounting function: Accounting shall be responsible for the confirmation of trade and do the bookkeeping as required and keep the transaction records, conduct evaluation at fair value on the position in holding at regular intervals, and provide the information to the designated dealers. In addition, they shall disclose the detail of derivative trade in the financial statements.
3. Treasury of the Company: they are responsible for the settlement of derivative trade.

(VI) Guide for performance evaluation

1. Hedge trade: the cost of exchange (interest) rate in book and the capital gains or loss from derivative trade shall be the basis for the evaluation of performance. Evaluation shall be conducted at least twice a month and the findings shall be presented to the management as reference.
2. Trade for defined purpose  
The capital gain or loss shall be the basis for performance evaluation, which shall be conducted at least once a week. The findings shall be presented to the management as reference.

XV. Risk Management

The scope and measures for the management of risk deriving from derivative trade of the Company are specified as follows:

- (I) Consideration of credit risk: the counterparties should be financial institutions and futures brokers in good standing, in business relation with the Company, and can provide professional information.
- (II) Consideration of market risk: the fluctuation of market price for derivatives may cause loss and uncertainty. The cut loss point shall be duly observed after establishing the position of trade.
- (III) Consideration of liquidity risk: for the liquidity of the derivatives, the institutions involved in the transactions must be equipped with adequate facilities, information, and trading capacity and can conduct trade in any market.
- (IV) Consideration of operation risk: the limit of authorization, operation procedure must be duly observed to avoid operation risk.
- (V) Consideration of legal risk: in entering into agreements with financial institutions,

try to adopt the internationally standardized format in documentation as far as possible to avoid legal risk.

- (VI) Consideration of product risk: the internal dealers must have a wealth of the professional knowledge of the derivative trade the Company engaged in to avoid loss from misleading use of derivatives.
- (V) Consideration of cash delivery risk: the authorized dealers must duly observe the authorized limit of trade, and pay attention to the cash flow of the Company regularly to ensure sufficient cash for settlement of trade in delivery.
- (VIII) The duties of dealing, confirmation, and delivery shall be performed by different persons.
- (IX) The confirmation staff shall confirm with the service bank the content of the transaction statement or proof by correspondence regularly, and check if the total amount of transaction is controlled within the upper limit under This Procedure.
- (X) The assessment, monitoring, and control of risks shall be performed by personnel in departments other than those specified in (VIII) and reported to the Board or senior corporate officers who are not in charge of trading or decision of the position.
- (XI) The position in holding must be assessed at least once a week. For hedge trade for business needs, assessment shall be made at least twice a month. The assessment report shall be submitted to the senior officer at the authorization of the Board.

#### XVI. Internal Audit System:

- (I) The internal auditors of the Company shall understand if the internal control over derivative trade is appropriate at regular intervals, and shall conduct monthly audit on the procedure of derivative trade to ensure they are conducted in compliance with the internal code of the Company. The audit findings shall be compiled into audit report. In the event of materiality as detected, report to the Chairman and the senior officer designated by the Board at once with notification to the Supervisors in writing.
- (II) The internal auditors of the Company shall include derivative trade as an audit item, and shall declare with Financial Supervisory Commission on the audit findings of the year by the end of February in the next year, and also the status of corrective action and preventive action taken for the rectification of defects no later than the end of May of the next year.

#### XVII. The method of routine audit and handling nonconformities:

- (I) Conduct monthly or weekly assessment on derivative trade, and put together the information on the income status and naked exposure or non-hedge trade in each

month or each week, and submit the detail to the senior officer authorized by the Board and the Chairman as reference for management performance evaluation and risk assessment.

- (II) The senior officer designated by the Board shall pay close attention to the monitoring and control of the risk deriving from derivative trade at all times. The Board shall assess the performance of derivative trade to make sure they are congruent with the business strategy and risk tolerance of the Company.
- (III) The senior officer designated by the Board shall manage derivative trade in accordance with the following principles:
  - 1. Assess if the risk management policy currently in effect is appropriate and is relevant with the “Criteria for Acquisition or Disposition of Assets by Public Companies” and This Procedure.
  - 2. Monitor the trade and the income status, and take necessary action to respond to any unusual transactions and situations with report to the Board at once.
- (IV) The Company shall keep track on derivative trade in a registry specifying the type of derivative trade, the amount of trade, the date of Board resolution, the monthly or weekly assessment reports, and the routine assessment of the Board and the senior officer authorized by the Board.

#### **Chapter IV Merger, Spinoff, Acquisition or acceptance of assigned shares**

- XVIII. In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall call for session of the Board for resolution, and consult with certified public accountants, legal attorneys, or securities underwriters for presenting opinions on the rationality of the ratio of share swap, acquisition price, and the distribution of cash or other assets to shareholders, and present to the Board for discussion and resolution. The aforementioned opinion from experts on the rationality of the transactions could be waived for the merger between the Company and a wholly-owned subsidiaries by equity share or capital, or between wholly-owned subsidiaries of the Company by equity share or capital.
- XIX. In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall document the content of important contracts and related matters for disclosure to shareholders before the convention of Shareholders’ Meeting, and also the aforementioned opinions from the experts and notice of Shareholders’ Meeting to shareholders as reference for decision on the merger, spinoff, or acquisition. This provision is waived if the convention of Shareholders’ Meeting for resolution of the merger, spinoff, or acquisition are not required by law. If any of the companies participating in the merger, spinoff, or acquisition cannot call for their Shareholders’

Meeting, to make decision, or the motion of merger, spinoff, or acquisition is rejected by their Shareholders' Meetings, the Company shall disclose the reasons, subsequent action, and the expected date of Shareholders' Meeting at once.

XX. Unless the law specified otherwise or at the prior consent of FSC, the Company shall call for its session for Shareholders' Meeting for resolution of the merger, spinoff, or acquisition on the same day as other companies participating in the merger, spinoff, or acquisition to make decision. In participating in the acceptance of assigned shares, the Company shall call for the session of the Board on the same days as other companies participating in the assignment.

The Company shall keep the complete documented record on merger, spinoff, acquisition or acceptance of assigned shares for 5 years as reference.

(I) Basic information on personnel: this will include the executors of the plans for merger, spinoff, acquisition or acceptance of assignment before the disclosure of information, including their occupational titles, names, ID card numbers (passport numbers as in the case of foreign nationals).

(II) Date of materiality: including the signing of statement of intent or MOU, appointment of financial or legal counsels, signing of contracts, and date of Board session.

(III) Essential documents and minutes of meeting on record: this will include the plans of merger, spinoff, acquisition or acceptance of assignment, essential contracts and minutes of Board session on record.

The Company shall , within 2 days after the resolution of the motions on merger, spinoff, acquisition or acceptance of assigned shares, report the information as stated in (I) and (II) to FSC in designated format via the Internet system.

In case some of the participants in the merger, spinoff, acquisition or acceptance of assigned shares of the Company are not listed in TWSE or GTSM, the Company shall follow (II) and (III) in handling the contracts binding the Company and these participants.

XXI. Ratio of share swap and acquisition price:

The ratio of share swap in merger, spinoff, acquisition or acceptance of assigned shares or the acquisition price shall not be changed unless the following is applicable:

(I) Raising capital by issuing new shares, offering of convertible corporate bonds, release of stock dividend, offering of corporate bonds with stock options,

preferred shares with stock options, subscription warrants, or any other equity securities.

- (II) Disposition of major assets of the Company that influences the financial position and operation status of the Company.
- (III) Occurrence of severe disaster, significant change in technology and others that influence the shareholders' equity or stock price of the Company.
- (IV) Any company participating in the merger, spinoff, acquisition or acceptance of assigned shares proceed to repurchase treasury shares as provided by law.
- (V) Significant change in the number of participants in the merger, spinoff, acquisition or acceptance of assigned shares.
- (VI) Others conditions that could be altered as stated in the contracts, and has been disclosed.

## XXII. Inscription of the Contracts

In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall explicitly state the rights and obligations of the participants, the conditions for changing the ratio of share swap or acquisition price, and specify the following in the contracts.

- (I) Handling breach of contract.
- (II) The principles for handling equity securities or treasury shares already acquired by the acquiree or the spin-off operation.
- (III) The principles and quantity of treasury shares for that the participants may repurchase as provided by law after the day of share swap ratio calculation.
- (IV) The responses to change in the number of participants.
- (V) Expected progress of the plan and date of completion.
- (VI) If the progress falls behind schedule, the scheduled date of Shareholders' Meeting as provided by law and related procedure for responding to the situation.

## XXIII. Important to the Company in participating in merger, spinoff, acquisition or acceptance of assigned shares:

- (I) Parties requesting for participation or acknowledgment of the merger, spinoff, acquisition or acceptance of assigned shares shall undertake confidentiality in writing, and shall not disclose the content of plan before the information is publicly disclosed, and shall not purchase the stocks or equity securities issued by related companies in the name of the party itself or in the name of a third party.
- (II) In case the Company desires to engage in merger, spinoff, acquisition or acceptance of assigned shares after the information on the merger, spinoff,

acquisition or acceptance of assigned shares is disclosed, repeat the procedure or act of legality in the original merger, spinoff, acquisition, or acceptance of assigned shares unless otherwise the number of participants decreased, and the Shareholders' Meeting has already resolved to grant the Board with additional empowerment that a new round of Shareholders' Meeting for resolution is necessary.

(III) If any of the participants in the merger, spinoff, acquisition or acceptance of assigned shares is not a public company, the Company shall enter into an agreement with such company and proceed to Article XXI and the preceding two sections of This Procedure.

## **Chapter V Other important notice**

- XXIV. In the acquisition or disposition of assets, the Company shall keep related contracts, minutes of meeting on record, registries, appraisal reports, the professional opinions from certified public accountants, legal attorneys, or securities underwriters for at least 5 years unless the law provided otherwise.
- XXV. The appraisal reports or the professional opinions of certified public accountants, legal attorneys, or securities dealers shall not be issued by professional appraisers and their appraisal personnel, certified public accountants, legal attorneys or securities dealers shall not be related parties to the Company.
- XXVI. In the acquisition or disposition of assets by the Company in accordance with This Procedure or as required by applicable laws that the approval of the Board is necessary, the Company shall keep record on all adverse opinions of the Directors on record or in written declaration, if applicable, and circulate to the Supervisors. And shall fully consider the opinions of all Independent Directors, and keep the opinions in agreement or disagreement with the motions as minutes of meeting on record.
- XXVII. This Procedure shall be subject to the approval of the Board with circulation to the Supervisors for review, and the final approval of the Shareholders' Meeting to cause into effect. The same procedure shall be applicable to any amendment thereto. If the Directors expressed adverse opinions on record or in written declaration, circulate related information to the Supervisors. And shall fully consider the opinions of all Independent Directors, and keep the opinions in agreement or disagreement with the motions as minutes of meeting on record.

## Appendix 1

# Namchow Chemical Industrial CO., LTD.

## Ethic Code of Conduct

### **Article I Purpose**

This Ethic Code of Conduct is instituted as the guidelines for all personnel of the Company to observe and stakeholders to acknowledge that all personnel shall be bound by this code in performing their duties.

### **Article II Scope and Target**

This Code is application to the Directors, Supervisors, managers, and executives at all levels as well as the employees. Hereinafter referred to as “Personnel of the Company”.

This Code is also applicable to the subsidiaries, non-profit organization with direct or indirect donation from the Company accounted for more than 50% of their funding, and entities, institutions, and other group enterprises and organization that the Company can exercise de facto control.

### **Article III The Principle of Team spirit and integrity**

The personnel of the Company shall duly observe applicable laws and This Code in performing their duties, and shall behave in a positive and serious attitude with the abandonment of individualism and duly observe team spirit, uphold the principle of integrity, and quest for a high moral standard.

### **Article IV Compliance with applicable laws**

The personnel of the Company shall duly observe all applicable laws governing the activities of the Company and the policy of the Company, to abide the laws on the prevention of insider trade of securities, and shall not engage in related securities trade before vital information of the Company is disclosed.

### **Article V The principle of equal employment and no discrimination**

The Company respects social diversity and provides equal opportunity for the personnel in employment and career development. There shall be no discrimination of any form against sex, race, religious belief, political affiliation, sexual preference, rank, nationality, and age.

### **Article VI Respect of Individuals and Customers**

The personnel of the Company shall respect the privacy of one another, and shall not disseminate rumor or give personal attack, and shall keep the information on colleagues in strict confidence. The personnel of the Company shall also be fair to business partners, and duly observe the aforementioned principle in handling the information on business partners and other business persons. The Company shall maintain transparent channels for internal communication, and

encourage the personnel to participate in the affairs of the Company and reflect their opinions to executives at all levels.

## **Article VII Confidentiality**

The personnel of the Company shall not make inquiry or use any item or confidential information acknowledged in their performance of assigned duties unless it is necessary for the performance of duties, and shall properly manage such items or confidential information. There shall be no replication of confidential information or keeping backup copy of confidential information without the prior consent of the Company in writing, and shall not disclose, inform, deliver, or transfer such information in whatever means to any third party, or publish such information in whatever form. There shall be no disclosure of such information to a third party or use such information beyond the scope of assigned duties unless the disclosure was made by the Company or disclosure is necessary for performing the assigned duties. This provision shall prevail notwithstanding of the resignation of the personnel from office.

The confidential information as referred to shall include the information on the personnel and customers of the Company, inventions, business secrets, technical data, product design, professional know-how in manufacturing, accounting and financial information, intellectual property right, and any other undisclosed information which could be exploited by a third party or the disclosure of which will jeopardize the Company or its customers.

## **Article VIII Avoidance of the Conflict of Interest**

It is the onus of the personnel of the Company to protect and augment the legitimate interest for the Company, and to perform the assigned duties objectively and efficiently. Personnel of the Company shall not make use of their positions in the Company to allow for unjustified interest accessible to themselves, spouses, parents, Children, or kindred within the 3<sup>rd</sup> tier under the Civil Code.

The personnel of the subsidiaries may engage in financing with the Company, or provide guarantee, the conduct of major asset trade, buying and selling, and investment, related personnel shall voluntarily explain to the Company the possible existence of potential conflict of interest, and shall seek approval with the competent authority of the Company along the line of gate approval before proceeding to action to avoid the conflict of interest.

Unjustified interest as referred to shall be anything entails monetary value, including cash, gift, commission, offering of job position, service, preferential treatment, and kickback in whatever form or in the name of any party. This, however, does not include normal social etiquettes that are occasional and do not affect specific rights and obligations.

## **Article IX Avoid the opportunity of seeking private benefit**

It is the onus of all in the Company to ensure the profit of the Company is legitimately earned. All personnel of the Company are prohibited in the following:

1. The opportunity or act of seeking private benefit by taking advantage of the assets, information or occupational position of the Company.
2. And competing with the Company.



## **Article X Fair Trade and Treatment**

The personnel of the Company shall treat the counterparties of business transaction fairly, and shall not the information acquired through manipulation, concealment or abusive use of authority to present misstatements or demand for unjustified benefit through unfair means. In the conduct of trade with related parties, the principle of equity shall be duly observed and there shall be no favoritism.

In performing the assigned duties, the personnel of the Company shall duly observe the ethic code of conduct and principle of fair trade, and shall not demand, expect, deliver, or accept gift, reception, kickback, bribe of any form or for unjustified benefit for the interest of self, the Company, or a third party. This provision could be waived if the gifts or reception is a matter of social courtesy and custom, or as permitted by the Company.

## **Article XI Prohibition of insider trade**

The personnel of the Company shall keep any information that may significantly affect the transaction price of the stock issued by the Company acknowledged in the course of performing thier assigned duties in strict confidence as required by the Securities and Exchange Act before public disclosure, and shall not use such information for engagement in insider trade. Insider trade is illegal and unethical that the Company is determined to intervene and take action.

## **Article XII Proper keeping and use of company assets**

It is the onus of the personnel of the Company to protect the assets of the Company, and shall ensure the legitimate use of assets only in performing the assigned duties to avoid theft, negligence or waste. This is particularly the case for preventing any interference, vandalism, and intrusion of the data, information system and network equipment of the Company to protect the confidentiality, integrity and utility of all information of the Company.

## **Article XIII Respect of intellectual property right**

The personnel of the Company shall duly observe applicable laws for the protection of intellectual property right. Illegal use or replication of intellectual property with copyright, such as software, films, music, patented invention, books and magazines is strictly prohibited.

## **Article XIV Encouragement of reporting illegal or unethical acts**

The personnel of the Company shall voluntarily report to the managers, chief of internal audit, HR or other appropriate senior officers on any violation of applicable legal rules or defiance of the ethic code of conduct with the supply of sufficient information so that the Company may take appropriate action. The Company shall keep the identity of the informants and the content of report in strict confidence, and spares no effect to protect the personal safety of the informants.

## **Article XV Penalty**

In the event of violation of This Code by the personnel of the Company, the Company shall exercise punitive action in accordance with the Regulations Governing Reward and Punishment of the Company depending on the severity of the offense. If specific function chief fails to demand for corrective action of its subordinates on misconduct or comply with the regulations of the Company in taking appropriate action, the same procedure will apply.

The personnel of the Company who were punished due to the violation of This Code may file an appeal through the administrative system for remedy.

#### **Article XVI Procedure for exemption**

If it is necessary for the personnel of the Company be exempted from This Code, the approval of the Board is required. In addition, the occupational titles, names of these personnel, the date of resolution by the Board, and duration of exemption, the reason and criteria for exemption must be disclosed at MOPS.

#### **Article XVII Disclosure**

This Ethic Code of Conduct shall be disclosed at the official website, annual report, and prospectus of the Company as well as MOPS. The same procedure of disclosure is applicable to any amendment thereto.

#### **Article XVIII Implementation**

This Ethic Code of Conduct shall come into effect after the resolution of the Board for approval with circulation to the Supervisors and presenting before the Shareholders' Meeting for ratification. The same procedure is applicable to any amendment thereto.

This Code is instituted on March 13 2017

## Appendix 2

### Namchow Chemical Industrial CO., LTD.

#### Ethical Corporate Management Best Practice Principle and Guide

##### Article I (Purpose and scope of application)

The Company is engaged in business operation under the principles of equity, honesty, trustworthy, and transparency. For the proper pursuit of our business policy and prevention of unethical practice, the Company instituted This Guide in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-listed Companies” to remind the personnel of the Company of business integrity in performing their duties.

This Guide is applicable to the Company and subsidiaries, non-profit organizations receiving direct or indirection donations from the Company accounted for more than 50% of their funding, and other institutions, entities, group enterprises and organizations where the Company has de facto control.

##### Article II (Targets under This Guide)

This Code is applicable to the directors, supervisors, managers, appointees, employees of the Company and group enterprises and organizations, and those who can exercise de facto control. The aforementioned targets shall be referred to as “the personnel of the Company” hereinafter.

Any offering, promise, demand or accept unjustified benefit from a third party to the personnel of the Company shall be presumed as the act of the personnel of the Company.

##### Article III (Unethical Practice)

Unethical practice as referred to in This Guide shall be the acts of direct or indirect offering, acceptance, promise or demand for unjustified benefit, or any other acts of defying good faith, law, or breach of trust.

The aforementioned targets include, public officials, political candidates, political parties or party apparatus, and any public and private enterprises or institutions and their directors, supervisors, managers, employees, persons with de facto control, or any other stakeholders.

##### Article IV (Forms of interest/benefits)

Benefit or interest as referred to in This Guide shall include cash, donation, gift, commission, offering of job position, service, preferential treatment, kickback, finder fee, reception, entertainment or any other valuable items in any form or in whosoever’ name.

##### Article V (Designated body)

The Company appointed HR Division as the designated body (hereinafter referred to as “the

Designated Body”) in charge of the institution, implementation, interpretation, consultation service, and notification of the content, filing and related operation and monitoring of This Guide, and report to the Board at regular intervals.

#### Article VI (Prohibition of offering or acceptance of unjustified benefit)

The direct or indirect offering or acceptance, promise, or demand for cash, gift, service, preferential treatment, reception, entertainment or other benefits by the personnel of the Company shall be governed by the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-listed Companies” and This Code unless any of the following applies otherwise and in related procedure:

- I. For business purpose for visits at home (and abroad), reception of foreign guests, promotion of business and communication and coordination and in the manner of local courtesy, practice or custom.
- II. For common courtesy and custom in social interaction, business purpose, or improvement of relation for participation or inviting the others to normal social functions.
- III. Invite customers or being invited to participate in specific business activity, factory visit for business needs, and the means of settlement for the payment, number of participants, hotel standard for lodging and the duration of staying are explicitly stated in advance.
- IV. Participate in open celebration of festivities with the public invited to the event.
- V. Award, aid, and solatium or reward from the senior executives.
- VI. Any others in compliance with the regulations of the Company.

#### Article VII (Procedure for handling the acceptance of unjustified benefits)

In case the personnel of the Company were directly or indirectly offered or promised for cash, gift, service, preferential treatment, reception, entertainment, or other benefits, proceed to the following except the situations specified in the preceding paragraphs:

- I. The persons who offered or promised are not a related party in business, and report to the supervisor, division/function head with notification to the Auditing Office of the Company within 3 days thereafter. Where necessary, notify the Designated Body of the Company.
- II. If the persons who offered or promised is a related party in business, return or reject the benefits and report to the supervisor, division/function head with notification to the Auditing Office of the Company. Where necessary, notify the Designated Body of the Company.

A related party in business as aforementioned shall refer to any of the following situations:

- I. With business transactions, supervision or subsidy (award) relation.
- II. Relation in sourcing, in process or with the entering of work undertaking, trade, or other contracts.

- III. Others that may be benefited or negatively affected due to the business decision, execution or no action of the Company.

If the situation as specified in I occurs, the supervisor of the personnel of the Company shall assess the nature and value of the benefit, and propose for return, with payment in exchange for the offer, surrender to the Company, transfer to charity organizations or refer to any other suitable purposes to the division/function head for approval before taking any action, and make registration. The situation shall also be made known to the Auditing Office of the Company, and, where necessary, report to the Designated Body of the Company.

#### Article VIII (Prohibition of finder fee and procedure for handling the situations)

The Company shall not offer or promise any form of finder fee.

If the personnel of the Company offer or promise a finder fee under threat or intimidation, keep track on the process and report to the supervisor and the division/function head with notification to related functional departments for investigation and action. Review the situations to reduce the risk of the recurrence of the incident. If illegal act is discovered, report to the law enforcement agencies immediately.

#### Article IX (Procedure for handling political donation)

The personnel of the Company may directly or indirectly make contribution to political parties or political organizations or individuals in compliance with the Political Donation Act and the Company Act, and shall not attempt to demand for business interest or trade advantage in return.

#### Article X (Procedure for charity donation or sponsorship)

The Company shall offer donation or sponsorship for charity purpose in accordance with the following and the internal code of the Company:

- I. Act in compliance with applicable laws in the place of operation.
- II. The decision shall be documented for record.
- III. The recipients of charity donation must be charity organizations and shall not use donation in disguise for bribery.
- IV. The return from sponsorship shall be explicit and justifiable. No sponsorship for parties related to the Company in business transactions or with an interest with the personnel of the Company.

#### Article XI (Avoidance the conflict of interest)

The Directors, Supervisors, managers and other stakeholders who attend the session of the Board, shall explain the content of possible conflict of interest and be excused from discussion and voting on motions that related to the interest of themselves or the institutions being represented, and shall not act as proxies for other Directors in voting. The Directors shall be self-disciplined and shall not supporting one another.

In performing the assigned duties of the Company, the personnel of the Company may discover that there is conflict of interest with themselves or the institutions being represented, or may provide the opportunity for themselves, spouse, parents, children or stakeholders to receive unjustified benefit. Under such circumstances, the personnel concerned shall report to the supervisor, division/function head, the Auditing Office of the Company and the Designated Body. The Supervisor shall give appropriate supervision.

The personnel of the Company shall not use Company resources for anything beyond the business activities of the Company, and shall not participate in any business activities outside the Company that may affect their performance at work.

#### Article XII (Organization and responsibilities of confidentiality)

The Legal Affairs function of the Company shall be responsible for the institution of the procedure for the management, keeping, and confidentiality of the business secrets, trademarks, patents, copyrights, and other intellectual property of the Company, and shall review the result of the enforcement of this rule at regular intervals to ensure the ongoing effectiveness of the procedure.

The personnel of the Company shall duly observe the aforementioned rules and regulations governing intellectual property, and shall not disclose the business secrets, trademarks, patents, copyright and other intellectual property being acknowledged to any third party, and shall not probe or collect business secrets, trademarks, patents, copyright and other intellectual property of the Company not related to their assigned duties.

#### Article XIII (Prohibition of unfair competition)

The Company shall engage in business activities in compliance with the Fair Trade Act and related laws governing competition, and shall not engage in unfair competition.

#### Article XIV (Prevention of jeopardy to stakeholders caused by products or services)

The Company shall prove products and services in compliance with applicable laws and international standards, and shall collect and understand related laws and standards for proper regulation so as to ensure transparency and safety of products, labels, and services in the process of the research and development, procurement, manufacturing, supply or sale by personnel.

The Company shall make policy for the protection of consumers or other stakeholders with disclosure at its official website to prevent direct or indirect damage of products and services to the rights, health and safety of consumers and stakeholders.

In case the products or services of the Company were proved in jeopardizing the health and safety of the consumers and stakeholders with incriminating evidence through the media or incidents, the Company shall actively support the request of related government agencies and recall the lots of products or halt the service in the shortest possible time, and also conduct investigation to clarify the issue with proposal for corrective action.

The Food Safety Office or related functional departments of the Company shall report to the Board on the aforementioned incidents, the measures in response and subsequent action.

#### Article XV (Prohibition of Insider Trade)

The personnel of the Company shall duly observe the Securities and Exchange Act thereby shall not engage in insider trade with information on hand before disclosure, and shall not disclose such information to any third party to prevent such third party to use the information before disclosure for insider trade.

The institutions or personnel participating in the merger, spinoff, acquisition and acceptance of assigned shares, essential MOU, strategic alliance, other business joint venture plans or essential contracts, shall enter into an agreement on confidentiality with the Company thereby promise not to disclose any business secret or other material information on the Company being acknowledged to any third party, and shall not use such information without the consent of the Company.

#### Article XVI (Declaration of the Policy of Business Integrity)

The Company shall declare and disclose its policy of business integrity in its internal code, annual reports, official website or other promotional materials, and shall also declare in occasions such as product conference, institutional investors conference and other promotional events so that the suppliers, customers, and related institutions and personnel can clearly understand the philosophy and regulation of the Company in the pursuit of business integrity.

#### Article XVII (Assessment of business integrity before cultivation of business relation)

Before cultivating business relation with a third party, the Company shall assess the dealers, suppliers, customers other business partners in the aspects of legality and business integrity, and check for any involvement of unethical practice in business operation to ensure fair trade and transparency, and no request, offering or acceptance of bribe.

In proceeding the aforementioned assessment, the Company shall follow appropriate procedure, and shall investigate the prospective business partners in the following areas to understand the status of their integrity in business transactions:

- I. The nationality, principal place of business, organizational structure, business policy and place of payment of the enterprise.
- II. Is there a business integrity policy for the enterprise and the state of policy pursuit.
- III. The long-term operation status of the enterprise and good will.
- IV. Check the opinions on the enterprise with its business partners.
- V. Does the enterprise has record on bribery, illegal political donation, and unethical business practice.

#### Article XVIII (Declaration of the Policy of Business Integrity with the business partners)

In the course of business performance, the personnel of the Company shall explain to the business partners the detail of the business integrity policy of the Company and related regulations,

and explicitly reject the direct or indirect offering, promise, demand or acceptance of unjustified benefit in any form or under the name of whosoever, including kickback, commission, finder feed, or offering or acceptance of unjustified benefits through other means.

#### Article XIX (Avoidance of business transactions with unethical partners)

The personnel of the Company shall avoid the engagement of business with unethical dealers, suppliers, customers, or other business partners, and shall halt all business transactions with these parties once discovered any unethical practice in business transactions or the business partners, and list these parties as declined accounts to realize the policy of business integrity.

#### Article XX (Business Integrity shall be explicitly stated in the contracts)

The personnel of the Company shall, at the time of entering into agreements with a third party, seek full understanding of the business integrity of the party and inscribe the policy of business integrity as a clause of the agreement. In addition, the following shall also be explicitly stated in the agreement:

- I. If any side of the parties discovers the violation of the clause of prohibition of commission, kickback or other benefits in the agreement by specific person, notify the other side of the identity of the person, the means of offering, promise, demand or acceptance and the amount of other benefit involved, and provide evidence to the other side for facilitating the investigation. If damage is caused to one side of the parties, the no fault party may claim for damage against the faulty side and shall directly withhold the loss from the proceeds.
- II. If either side of the parties is involved in unethical practice in business activities, the other side may unconditionally terminate or discharge the agreement.
- III. Specify the content for reasonable payment, including the place, means, and applicable tax laws for the payment.

#### Article XXI (Action to the personnel of the Company involved in unethical business practice)

The Company encourages employees to report on unethical practice or wrongdoing. The informants will be awarded in accordance with the regulation of the Company governing reward and punishment depending on the severity of the incident. If there is false accusation or malicious personal attack, the person involved shall be subject to disciplinary action and may be dismissed for severe violation.

The personnel of the Company responsible for handling reports and complaints will keep the identity of the informants and the content of report in strict confidence and promise to protect the informants against improper treatment due to the report. The Designated Body shall proceed as follows:

- I. If the persons involved in the report are regular employees, report to the division/function head. If the persons involved are Directors or senior executives, report to an Independent Director or Supervisor.



- II. The Designated Body or the person in charge of the reporting of the Company shall take immediate action for fact finding. Where necessary, seek assistance from legal affairs function or related functional departments of the Company.
- III. If the violation of applicable laws or the business integrity policy of the Company has been confirmed with solid evidence, demand the wrongdoer to halt related action and take appropriate action. Where necessary, claim for damage through legal means to protect the reputation and right of the Company.
- IV. The acceptance of the report, the investigation process, and the findings of the investigation shall be documented for filing and retain for five years. These documents may be kept in electronic format. If legal action pertinent to the content of the report is instituted before the expiration of the retention period of the aforementioned documents, extend the expiration date until the case is closed.
- V. If the content of report is proved to be true, related departments shall review related internal control system and procedure, and propose for corrective action to prevent the recurrence of the same incident.
- VI. The Designated Body of the Company shall report to the Board on the unethical practices, the responses, and subsequent action on review and corrective action.

#### Article XXII (Response to unethical practice of a third party to the Company)

If the personnel of the Company encountered unethical practice from another company, and if such practice is illegal, the Company shall report the incident to the law enforcement and public prosecution. If government agencies or civil servants are involved, report to the AAC.

#### Article XXIII (Discipline and Order)

The Company encourages its personnel to participate in education and training pertinent to business integrity so that they could convey the message of the importance of business integrity and the determination in ethical corporate management. This will be included as an integral part of the performance evaluation of the employees.

The Company provides through channels for communications and complaints, and keep the identity and the content of reports from the informants in strict confidence. Employees may reflect the situation to management of all levels or HR through different channels.

In case of material breach of trust and defiance of business integrity by the personnel of the Company, the personnel involved will be relieved from office or dismissed in accordance with applicable laws or the regulation of the Company governing personnel management.

The Company shall disclose the titles and names of the persons acting in defiance of ethical business practice, the date of offense and the content of offense, and the action in response at its intranet.

#### Article XXIV (Implementation )

This Guide shall come into effect at the resolution of the Board for approval with circulation to the Supervisors and presented before the Shareholders' Meeting for ratification. The same procedure is applicable to any amendment thereto.

In presenting This Guide for discussion in the Board, the opinions from Independent Directors shall be fully considered. Any adverse opinions or qualified opinions shall be kept as minutes of meeting on record. If specific Independent Director cannot attend the meeting in session to express adverse opinions or qualified opinions, present written opinions and specify as minutes of Board meeting on records unless the absence of failure to present written opinion is justifiable.

Article XXV (Institution and amendment)

This Guide is instituted on March 28 2017.

## Appendix 3

# Namchow Chemical Industrial CO., LTD. Articles of Incorporation

### Chapter 1 General Provisions

Article 1: The Company is organized in accordance with the requirements under the Company Act for companies limited by shares and chooses "Namchow Chemical Industrial CO., LTD." as its name.

Article 2: The scope of operation of the company is as follows:

A102060 Grain Commerce

C102010 Dairy Products Manufacturing

C103050 Canned, Frozen, Dehydrated and Pickling Food Manufacturing

C104010 Sugar Confectionery Manufacturing

C104020 Bakery Food Manufacturing

C105010 Edible Oil Manufacturing

C109010 Seasoning Manufacturing

C110010 Beverage Manufacturing

C113011 Alcoholic drink Manufacturing

C113020 Semi-finished Material of Wine Manufacturing

C199010 Noodles, Flour Food Manufacturing

C199030 Instant Food Manufacturing

C601050 Housewares and Tissue Paper Manufacturing

C801010 Basic Industrial Chemical Manufacturing

C801990 Other Chemical Materials Manufacturing

C802090 Cleaning Products Manufacturing

C802041 Drugs and Medicines Manufacturing

C802100 Cosmetics Manufacturing

C802120 Industrial Catalyst Manufacturing

CB01010 Machinery and Equipment Manufacturing

CZ99990 Other Industrial Products Manufacturing Not Elsewhere Classified

F102020 Wholesale of Edible Oil

F102030 Wholesale of Tobacco Products and Alcoholic Beverages

F102040 Wholesale of Nonalcoholic Beverages

F102170 Wholesale of Food and Grocery

F106020 Wholesale of Articles for Daily Use

F107030 Wholesale of Cleaning Preparations

F107170 Wholesale of Industrial Catalyst  
F107200 Wholesale of Chemistry Raw Material  
F108021 Wholesale of Drugs and Medicines  
F108040 Wholesale of Cosmetics  
F113010 Wholesale of Machinery  
F199010 Wholesale of Recycling Materials  
F201010 Retail sale of Agricultural Products  
F203010 Retail sale of Food and Grocery  
F203020 Retail Sale of Tobacco and Alcoholic Drinks  
F203030 Retail Sale of Ethanol  
F206020 Retail Sale of Articles for Daily Use  
F207030 Retail Sale of Cleaning Preparations  
F207170 Retail Sale of Industrial Catalyst  
F207200 Retail sale of Chemistry Raw Material  
F208021 Retail Sale of Drugs and Medicines  
F208040 Retail Sale of Cosmetics  
F208050 Retail Sale of the Second Type Patent Medicine  
F213080 Retail Sale of Machinery and Equipment  
F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified  
F301010 Department Stores  
F301020 Supermarkets  
F399010 Convenience Stores  
F399040 Retail Business Without Shop  
F399990 Retail sale of Others  
F401010 International Trade  
F401161 Tobacco Products Import  
F401161 Alcohol Drink Import  
F501030 Coffee/Tea Shops and Bars  
F501050 Public Houses and Beer Halls  
F501060 Restaurants  
H703100 Real Estate Rental and Leasing  
F501990 Other Eating and Drinking Places Not Elsewhere Classified  
I102010 Investment Consultancy  
I103060 Management Consulting Services  
I301010 Software Design Services  
IZ99990 Other Industry and Commerce Services Not Elsewhere Classified  
J601010 Arts and Literature Service  
J602010 Agents and Managers for Performing Arts, Entertainers, and Models  
J799990 Other Recreational Services

JE01010 Rental and Leasing Business

JZ99990 Other Services Not Elsewhere Classified

ZZ99999 Other business which is not prohibited or restricted by law, except for those requiring approval.

When a charter is required for the said businesses, approval has to be obtained before they start operation.

Article 2-1: The company may offer external assurance in order to fulfill business needs.

Article 2-2: If the company is a shareholder with limited liabilities of another company, its overall investment value is not subject Article 13 of the Company Act where it says that the overall investment value may not exceed 40% of the paid-up capital stock.

Article 3: The company's main office is located in Taipei City and the company may set up branches at other appropriate locations when it is considered necessary. The establishment, abolishment, or change is to be decided by the Board of Directors.

Article 4: The Company's public notices shall be pursuant to Article 28 of the Company Act.

## Chapter 2 Shares

Article 5: The capital size of the company is set at NTD4 billion consisting of 400 million shares. Each share has a par value of NTD10. The shares are to be issued in separate efforts by the Board of Directors according to the Company Act and other applicable laws and regulations.

Article 6: Stocks of the company shall be registered, signed or sealed by at least three directors. The stocks should be issued after proper certification by the competent authority or its approved registration institutes by law.

Stocks issued by the company are not required to be printed. The company, however, should contact the securities depository and custodian institution for registration of the share certificates.

Article 7: Shareholders shall complete the seal certificate to be kept by the company. The seal certificate is the basis for claiming the dividend and bonus or written correspondence with the company.

Article 8: In the event that the stocks are assigned to someone else, the stock transfer request should be completed and submitted to the company for change of name and transfer of the account. Once it is registered in the shareholders roster, it can be set up as a valid defense against the company. To request change of name as a result of inheritance, the heir shall provide legal supporting documents.

- Article 9: In the event that the stocks are lost or stolen, the holder shall file the case with the police and loss of the stocks with the company and petition the court with jurisdiction within 5 days to release a public notice. A copy of the said writ petition along with a photocopy of the receipt from the court shall be submitted to the company; otherwise, the application for loss of the stocks will be canceled. Once the public notice is released and a judgment is made, a copy of the newspaper bearing the public notice and judgment shall be submitted to the company and a request for re-issuance of new stocks shall be made to the company with the ex-right verdict.
- Article 10: Adequate cost will be charged for each stock to be replaced or re-issued because of contamination or damage or in accordance with the requirements indicated in the foregoing 2 articles.
- Article 10-1: After issuance of new stocks, the physical stocks may all be printed at once for that particular issue. The company may also issue stock in non-physical form. With respect to shares issued in accordance with the requirements set forth in the preceding paragraph, they may be held in custody or placed for registration with a centralized securities depository corporation or they may also be consolidated and re-issued in securities with larger denominations as requested from the centralized securities depository corporation.

### Chapter 3 Shareholder's Meeting

- Article 11: There are regular and provisional shareholders meetings. The regular meeting is held once a year within 6 months after an operation year ends and is called for by the Board of Directors while the provisional one is to be convened by the Board of Directors or the supervisor whenever it is considered necessary. Shareholders who have been holding more than 3% of the total outstanding shares for more than a year may also ask the Board of Directors to call for a shareholders meeting by clearly written proposals and reasons.
- Article 12: A shareholders meeting shall be called for by the 30th day of each month while provisional meeting shall be called for by the 15th day of each month, with written indication of the date, venue, and reason for the meeting that is made known to individual shareholders. For shareholders with less than 1,000 inscribed stocks, a public notice may be provided to notify them as required by Article 26-2 of the Securities Exchange Act.
- Article 13: If a shareholder cannot attend a meeting for some reason, he/she may have a proxy to attend it on his/her behalf with a show of the proxy form printed out and distributed by the company that specifies the scope of authorization and bears his/her signature/seal in accordance with applicable laws and regulations governing

the use of the proxy form. When two or more shareholders authorize the same person, the authorized voting rights may not exceed 3% of the voting rights of the total outstanding shares combined. The excess will not be counted.

Article 14: The Chairman shall chair shareholders meetings; in the event that the Chairman is absent for a reason, the Vice Chairman shall act on his/her behalf.

Article 15: Unless otherwise stipulated in the Company Act, any resolutions reached in a shareholders' meeting should be approved by a majority vote among shareholders that are present and represent at least one half of the total outstanding shares.

When shareholders that are present do not meet the requirements indicated in the preceding paragraph, yet account for more than one-third of the total outstanding shares, approval by a majority of the shareholders that are present shall constitute a tentative resolution. The tentative resolution shall be made known to all shareholders and another shareholders meeting shall be called for within a month. For the tentative resolution, if it is approved by a majority vote among shareholders that are present and represent one-third of the total outstanding shares, it shall be considered as the resolution indicated in the preceding paragraph.

Article 16: For the shares held by the shareholders, unless specified otherwise by law, each share is assigned with one vote.

Article 17: Minutes of shareholders meetings shall show the year, month, date, venue, name of the chairperson, decisions made in the meetings, highlights of the agenda and results and must be signed off or sealed by the chairperson. Minutes of shareholders meetings shall be kept for as long as the company continues to exist. Shareholders' attendance sheets and proxy forms shall be retained for at least one year.

#### Chapter 4 Board of Directors

Article 18: The Company shall establish 5 to 8 seats of Directors and the candidates to the seats shall be elected by the Shareholders' Meeting from persons with full legal competence. Each Director has tenure of 3 years and may assume a second term of office if reelected. Directors are entitled to traveling subsidy regardless of the profit position of the Company. Among the said directors, there may not be fewer than 2 independent ones and the independent directors may not account for less than one-fifth of all openings. Election of independent directors follows the nomination system. Shareholders shall elect independent directors according to the list of candidates they receive. Independent and non-independent directors shall be elected together and votes will be counted separately. The nomination and election of independent directors and other details to be followed shall be based on the

requirements indicated in the Securities Exchange Act and applicable laws and regulations.

The total quantity of shares held by all Directors shall be governed by the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies instituted by the competent authority.

In order to protect the company's right of reinvestment, the directors may be elected and hired as director and manager in the invested company and can take part in the operation of the reinvestment business.

Article 19: The directors shall form the Board of Directors and shall elect among themselves one Chairman and one Vice Chairman with paid salaries that are positive expenses regardless of gains or losses.

Article 19-1: The company may purchase liability insurance for its directors and supervisors during their term of office, based on the compensation liabilities associated with their respective business accountabilities. The Board of Directors is fully authorized to take care of the insurance matter.

Article 20: The duties of the Board of Directors are as follows:

- (1) To review respective rules and procedures
- (2) To decide on business policies
- (3) To review budget and accounts
- (4) To prepare individual forms and rosters as per Article 228 of the Company Act
- (5) To direct and supervise operations
- (6) To decide on the establishment, removal, or change of branches
- (7) To approve the purchase and disposal of important properties and real estate
- (8) To offer external assurance
- (9) To make a decision on reinvestment
- (10) The Board of Directors is to decide on involvement in public interest activities that are required while fulfilling its tasks and in order to facilitate expansion of the operation or to boost the company image while returning to society or donations that are required in order to fulfill the company's social responsibilities.
- (11) Other duties that are bestowed under applicable laws and regulations or through the shareholders meeting.

Article 20-1: The Board of Directors is fully authorized to handle fractional shares from new stocks issued by the company by contacting specific people for subscription.



Article 21: The Board of Directors shall meet at least once a quarter. When a provisional meeting is required, except for the very first meeting for each intake of the Board of Directors where a meeting is to be called for by the director with the most votes, all the other meetings are to be called for by the Chairman, who will also preside over the meeting. When the Chairman is absent for some reason, the Vice Chairman shall act on his/her behalf.

When a meeting of the Board of Directors is called for via visual communication network, the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person. In the event that a director is unable to attend the meeting in person, he/she may authorize another director to act on his/her behalf with a show of the proxy form. The proxy, however, may only be authorized by one director.

A meeting of the company's Board of Directors may be called for in writing, through email, or by fax.

Article 22: Decisions made by the Board of Directors shall be approved by a majority vote among the directors who are present and account for more than half of all directors and the meeting minutes shall be signed off and sealed by the chairperson.

Article 23: When the Board of Directors meets, the General Manager and managers may be invited to attend the meeting; nevertheless, the latter do not have a voting right.

#### Chapter 5 Supervisors

Article 24: The company has 2 supervisors, who are to be elected among capable people in shareholders meetings to serve a tenure of 3 years and may be repeatedly elected to serve multiple terms. The supervisors are entitled to transportation reimbursements that have to be paid regardless of gains or losses.

The total number of the company's shares to be held by all supervisors shall be set according to the "Rules Governing the Ratio and Audit Procedures on the Stock Ownership by Directors and Supervisors of Public Companies" established by the competent authority.

Article 25: The duties of supervisors are as follows:

- (1) To investigate the company's financial conditions
- (2) To inspect books and documents
- (3) To inquire about operations of the company
- (4) To monitor operations carried out by staff and to report illegal and negligent situations
- (5) Other duties bestowed under applicable laws and regulations

Article 26: Supervisors may be seated in Board of Directors meetings but do not have a voting right.

#### Chapter 6 Organization

Article 27: The company has one General Manager, who is nominated by the Chairman and hired with approval by a majority vote among the directors. The same applies upon dismissal. There are several deputy general managers, associate managers and managers, who are to be chosen jointly by the Chairman and the General Manager and are hired with approval by a majority vote among the directors. The same applies upon dismissal. Other important employees are to be hired following submission by the General Manager to and approval by the Director and their information shall be submitted to the Board of Directors for reference. The same applies upon dismissal.

Article 28: The General Manager manages all affairs relating the company based on decisions made by the Board of Directors.

#### Chapter 7 Accounting

Article 29: A business year begins with January 1 and ends on December 31 at the company. The annual audit takes place after a year is completed.

Article 30: After the annual audit, the following forms shall be prepared, submitted to the Board of Directors for review and to the supervisors to be inspected, and brought forth in the shareholders meeting for recognition.

(1) Business Report

(2) Financial Statement

(3) Earnings Distribution or Losses Subsidization Proposal

Article XXXI: The Company shall appropriate no less than 1% of its earnings as remuneration to employees and no more than 5% as remuneration to Directors and Supervisors, if applicable. The Company shall appropriate for write-off the loss carried forward, if applicable.

Article XXXI-I: The Company shall appropriate its earnings for the payment of applicable taxes, followed by the write-off of loss carried forward, and 10% as legal reserve, if applicable. If however the legal reserve so appropriated is equivalent to the paid-in capital of the Company, no further appropriation is necessary. The remainder shall be recognized for special reserve or reversal of special reserve. If there is still a balance, it will be pooled up with undistributed earnings for distribution to the shareholders as dividend or bonus at the proposal of the Board and the final approval of the Shareholders' Meeting.

The dividend policy of the Company shall meet the needs of the development plan at present and in the future, in consideration of the investment environment, capital requirement and competition at home and abroad, and also the interests of the shareholders. At least 30% of annual earnings attributable to shareholders for distribution shall be paid out as dividend, which may be paid as stock dividend and/or cash dividend. Cash dividend shall not fall below 10% of the total dividend paid to the shareholders.

#### Chapter 8 Supplementary Provisions

- Article 32: The company's organizational rules and enforcement rules are to be established separately.
- Article 33: Details not covered herein are to be handled in accordance with the requirements of the Company Act and other applicable laws and regulations.
- Article 34: These Articles of Incorporation were stipulated on March 25, 1950. The first amendment took place on February 21, 1952. The second amendment took place on September 3, 1953. The third amendment took place on April 9, 1955. The fourth amendment took place on April 4, 1959. The fifth amendment took place on April 6, 1960. The sixth amendment took place on April 29, 1961. The seventh amendment took place on May 22, 1962. The eighth amendment took place on June 5, 1964. The ninth amendment took place on November 9, 1966. The tenth amendment took place on March 24, 1967. The 11th amendment took place on April 26, 1968. The 12th amendment took place on November 11, 1968. The 13th amendment took place on December 3, 1970. The 14th amendment took place on May 15, 1971. The 15th amendment took place on May 12, 1972. The 16th amendment took place on June 30, 1973. The 17th amendment took place on February 7, 1973. The 18th amendment took place on May 8, 1974. The 19th amendment took place on May 16, 1975. The 20th amendment took place on May 7, 1976. The 21st amendment took place on April 14, 1977. The 22nd amendment took place on March 17, 1978. The 23rd amendment took place on March 9, 1979. The 24th amendment took place on March 26, 1980. The 25th amendment took place on March 27, 1981. The 26th amendment took place on May 12, 1982. The 27th amendment took place on May 11, 1983. The 28th amendment took place on March 23, 1984. The 29th amendment took place on June 15, 1985. The 30th amendment took place on May 23, 1986. The 31st amendment took place on May 27, 1987. The 32nd amendment took place on June 10, 1988. The 33rd amendment took place on May 15, 1989. The 34th amendment took place on March 31, 1990. The 35th amendment took place on June 20, 1991. The 36th amendment took place on May 23, 1992. The 37th amendment took place on May 22, 1993. The 38th amendment took place on May 23, 1995. The

39th amendment took place on June 22, 1996. The 40th amendment took place on May 10, 1997. The 41st amendment took place on June 25, 1999. The 42nd amendment took place on June 17, 2000. The 43rd amendment took place on June 7, 2002. The 44th amendment took place on June 9, 2006. The 45th amendment took place on June 8, 2007. The 46th amendment took place on June 19, 2009. The 47th amendment took place on May 28, 2010. The 48th amendment took place on June 6, 2014. The 49th amendment took place on June 8 2016.

## Appendix 4

### Namchow Chemical Industrial CO., LTD.

#### Rules and Procedures for Shareholders Meetings

1. Shareholders meetings of the company shall be based on these Rules and Procedures.
2. For shareholders (or their proxies) who attend the meeting, please submit the sign-in card to indicate attendance and bring the identification supporting document to get ready for inspection and verification whenever necessary.

Without the attendance certificate and sign-in card as required by law, no one is allowed to attend a shareholders meeting; the same shall apply to whoever cannot provide complete identification supporting documents.

- 2-1. Starting from 2016, shareholders may exercise their voting rights electronically. How to exercise the voting right is to follow the requirements of the Company Act and the competent authority.

Shareholders exercising their voting rights electronically are considered to have attended the shareholders meeting in person. For motions and amendment to the original proposal in the shareholders meeting, however, it is considered an abstention.

3. Upon attendance by shareholders representing more than half of the total outstanding shares, the chairperson will call the meeting to order. If it is already past the start time for the meeting but the attendance continues to fall short of the legal requirement, the chairperson may announce an extension of the start time. When the start time has been extended for two times and the attendance is still short of meeting the requirement but shareholders that are present represent more than one-third of the total outstanding shares, the requirement in Article 175 of the Company Act "approval by a majority of the shareholders that are present shall constitute a tentative resolution" shall be followed.

To reach the tentative resolution indicated in the preceding paragraph, if the number of shares represented by shareholders that are present has met the legal requirement, the chairperson may call the meeting to order at any time and bring forth the tentative resolution reached in the general meeting for endorsement.

4. The agenda for the shareholders meeting is to be set by the Board of Directors and the meeting shall take place in accordance with the procedures arranged in the agenda.
5. To speak a few words, shareholders shall provide the purpose of the speech, shareholder account number and name in the speech note first and the chairperson will decide the sequential order.
6. Shareholders may not speak for more than three minutes in each attempt; with the chairperson's permission, however, the speech may be extended by two minutes.
7. For the same proposal, the same shareholder (or proxy) may not speak more than twice.

- 7-1. When authorized to attend a shareholders meeting, each legal entity may only send one representative to attend it.
8. The chairperson may stop a shareholder's speech if it is overtime or exceeds the two-time limit or exceeds the scope of the proposal.
9. During the discussion of a proposal, the chairperson may declare that discussions are over whenever it is considered appropriate. When it is necessary, discussions may be declared to be halted, too.
10. The chairperson may submit a proposal whose discussions are declared to be halted or discontinued for a vote.
11. Approval of a proposal requires a majority vote among shareholders who are present. During a vote, shareholders who vote electronically do not express an objection or abstention to a proposal may be considered as approved when no one expresses disagreement upon the inquiry by the chairperson; the binding power is identical to an actual ballot. Each shareholder has one voting right per share.

To authorize a proxy to attend the shareholders meeting, the shareholder should follow applicable laws and regulations governing the use of proxy forms. When two or more shareholders authorize one person at the same time, the voting rights combined may not exceed 3% of the total outstanding shares. The excess will not be counted.
12. While a meeting is in session, the chairperson may announce a break taking into consideration the available time.
- 12-1. The chairperson may have a picketer (or security) to help maintain order on the floor.
13. For details not covered herein, requirements in the Company Act and the Articles of Incorporation are to be followed.
14. These Rules and Procedures are to be enforced once approved in the shareholders meeting.

## Appendix 5

### Namchow Chemical Industrial CO., LTD.

#### Procedure for Financing

Article I: The Company may offer financing to a third party in accordance with This Procedure.

Article II: The Company may offer financing to a third party if any of the following conditions was satisfied:

- (I) Companies or business entities engaged in business transactions with the Company.
- (II) There is a need for short-term financing between companies or business entities.

Short-term as referred to covers a period of one year or one operation period (whichever is longer).

Article III: The financing a third party due to business relation shall be relevant with the business transactions already took place and the amount of financing at the time of financing shall be relevant with the amount of sale or purchase with the Company in the most recent year or in current year, whichever is higher.

Short-term financing shall be confined to the conditions specified below:

- (I) For the retirement of bank loans, procurement of equipment or as working capital for investees of the Company accounted for under the equity method.
- (II) For the retirement of bank loans, procurement of equipment or as working capital for companies where the Company holds more than 50% of their stakes.
- (III) Companies where the Company holds more than 50% of their stakes have the needs for investment and that these investments are related to the business operation of the Company and is an input to the business development of the Company in the future.
- (IV) Business entities not invested by the Company but will be an input to the business development of the Company in the future in business strategy, marketing and promotion, or with an intent of forming strategic appliance.

#### Article IV: Limit of total financing and financing to particular party

The total amount of financing engaged by the Company shall not exceed 40% of the net worth of the Company as stated in the audited or reviewed financial statements covering the most recent fiscal period. The limit of financing to particular party shall be based on the reason of financing and is defined as follows:

1. The financing to parties engaged in business transactions with the Company shall be up to the amount of the purchase or sale with the Company in the most recent year or in current year at the time of financing, whichever is higher.
2. The financing to particular party for short-term capital needs shall not exceed 40% of the net worth of the Company as stated in the audited or reviewed financial statements covering the most recent period or current period.

For financing a direct or indirect wholly-owned foreign subsidiary of the Company, the amount of financing could be up to 100% of the net worth as stated in the audited or reviewed financial statements covering the most recent period or in current period.

#### Article V: Financing Process

##### (I) Procedure of processing

1. Financing or short-term financing shall be subject to the approval of the competent authority of the Company after review, and submitted to the Chairman for approval and the Board for resolution.
2. Financing between the Company and subsidiaries, and among the subsidiaries, shall be subject to the resolution of the Board for approval as stated in the preceding paragraph. The Chairman shall be authorized specific limit for financing particular borrower within one year and make decision for draw down in lump sum or as revolving credit.
3. Specific limit as referred to in the preceding paragraph shall be 10% of the net worth as stated in the financial statements of the borrower covering the most recent period as in the case of financing particular enterprise by the Company or by a subsidiary, with the exception of a direct or indirect wholly-owned foreign subsidiary of the Company
4. The treasury of the Company shall prepare a registry for tracking the transactions of financing and the detail of financing. Upon the resolution of the Board for approval, the borrowers, the amount of financing, the date of Board resolution, the day of draw down, and items subject to cautious review, shall be tracked for record.
5. The internal auditors shall conduct audit on the operation procedure of financing and act of financing in compliance with the procedure quarterly and keep record



in writing. In the event of material violation of the procedure, notify the Supervisor in writing at once.

6. The treasury of the Company shall prepare a statement on new entries and settlements of financing and relate details monthly for tracking and loans and for declaration, conduct evaluation and recognize sufficient amount of provision for bad debts quarterly, and disclose the financing and related information to the external auditors for reference.
7. In the event of situation change, to the extent that the borrowers are no longer relevant with the standard prescribed in This Procedure or the balance exceeds the required limit, the treasury of the Company shall prepare an improvement plan and forward the plan to the Supervisor, and proceed to related corrective action as planned.

#### (II) Review Procedure

1. The companies or business entities intending to request for financing with the Company shall present related financial information and the purpose of the loans, and apply for financing in writing.
2. On receiving the application for financing, the competent authority of the Company shall assess and investigate the necessity and rationality of the loans, and the existence of direct or indirect business relation with the Company, the financial position of the operation of the borrower, the ability to repay debt and credit standing, the profitability and the purpose of the loans. In addition, the operation risk exposed the the total amount of financing of the Company, the financial position, and the effect on shareholders' equity of the Company shall also be considered. The findings and related information shall be compiled into a report for presenting to the Board for approval.

#### Article VI: The term of financing and calculation of interest

For short-term financing, where necessary, the term shall be no longer than one year. If the borrower has business transactions with the Company, or is a wholly-owned foreign subsidiary of the Company with full voting right, the term of financing shall not exceed 5 years.

The interest for financing shall not fall below the average interest rate applicable to the commercial paper of the Company offered by financial institutions and may be subject to adjustment under special circumstance at the consent of the Board.

#### Article VII: The control of loans after draw down, and the procedure for handling overdue loans

After each draw down, the treasury of the Company shall keep track on the financial position of status of operation, the change in credit standing and the

value of the collaterals of the borrower and the guarantor, and note down the detail on record. In the event of significant change, report to the President and related authorities of the Company at once for immediate action.

When the borrower retires the loan at maturity or before maturity, the principal and the accrued interest shall be settled in lump sum.

If the borrower cannot retire the loan at maturity and extension is necessary, prior request is necessary subject to the approval of the Board, or shall assume full legal liability thereof.

#### Article VIII: Procedure for declaration

- (I) Before the 10th day of each month, the treasury of the Company shall pass the information on the balance of loan of the Company and subsidiaries covering the last month to the accounting function of the Company, and shall declare the balance simultaneously with the revenue status by the monthly deadline for declaration.
- (II) Further to the declaration of the balance of loan on a monthly basis, the treasury of the Company shall notify the accounting function with attachment of related information if any of the following related to the financing of others by the Company and subsidiaries is applicable, and proceed to declaration within 2 days thereafter.
  - 1. The balance of loan exceeds 20% of the net worth of the Company as stated in the financial statements covering the most recent period.
  - 2. The balance of loan to particular enterprise exceeds 10% of the net worth of the Company as stated in the financial statements covering the most recent period.
  - 3. The additional amount of loan exceeds NTD10 million and is more than 2% of the net worth of the Company as stated in the financial statements covering the most recent period.

#### Article IX: Procedure for the control of subsidiaries in financing the others

- (I) If specific subsidiary elects to finance the others, the Company shall give directive to such subsidiary to institute the “Procedure for Financing” in accordance with the “Criteria for Financing and Endorsement and Guarantee by Public Companies” promulgated by Financial Supervisory Commission (hereinafter referred to as “FSC”), and follow the procedure in financing.
- (II) If specific subsidiary of the Company elects to finance a third party, follow its “Internal Control” and “Procedure for Financing”. The internal audit function of the Company shall include the financing of the others by

subsidiaries as an item for monthly audit. The audit findings shall be considered necessary for report to the Board and Supervisors as an integral part of the audit report.

- (III) If specific subsidiary of the Company is not a public company, and the balance of loan of this subsidiary to the others meet the standard set forth in Article VIII that declaration is necessary, such subsidiary shall notify the Company on the day of deed and the Company shall declare the status at designated website as required.

#### Article X: Penalty

If the personnel of the Company related to the processing of financing the others violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated a reference for the annual performance evaluation of related personnel.

- (I) Violation of the gate approval rule: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (II) Violation of the review procedure: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (III) Violation of the requirement for declaration: verbal warning will be given for the initial offense, written warning will be issued for a second offense. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (IV) The supervisors of the offenders shall also be subject to punishment except those who can justify their position of failure to take preventive action.
- (V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders’ Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.

Article XI: This Procedure shall be subject to the resolution of the Board with circulation to the Supervisor and presentation before the Shareholders’ Meeting for ratification so as to come into effect. In case of adverse opinion from the Directors on record

or in written declaration, the information on the adverse opinions shall be circulated to the Supervisor and presented before the Shareholders' Meeting for discussion. The same procedure is applicable to any amendment thereto.

## Appendix 6

# **Namchow Chemical Industrial CO., LTD.**

## Procedure for Endorsement and Guarantee

### I. Purpose

The Endorsement and Guarantee undertaken by the Company shall be governed by This Procedure.

### II. Scope of application

Endorsement and Guarantee as referred to in This Procedure shall include:

#### (I) Endorsement and guarantee for financing:

1. Financing of customer cheque by discount.
2. Endorsement and guarantee in favor of a third party for financing.
3. Issuance of financial instrument by the Company as surety for a non-financial institution for purpose of financing.

#### (II) Endorsement and guarantee for duties: Endorsement and guarantee for tariff payment of the Company or in favor of a third party.

#### (III) Other types of endorsement and guarantee: other types of endorsement and guarantee that cannot be classified into the aforementioned 2 categories.

The Company may pledge movables or real property as lien, mortgage in favor of a third party for financing in accordance with This Procedure.

### III. The beneficiaries of endorsement and guarantee

The beneficiaries of endorsement and guarantee undertaken by the Company shall be confined to the following companies. This provision may be waived if endorsement and guarantee is undertaken in reciprocity with an industry peer for the contracting of works, or investment in joint venture in proportion to the investment made by the shareholders.

- (I) Companies engaged in business transactions with the Company.
- (II) Companies where the Company directly or indirectly hold more than 50% of their equity shares with voting rights.
- (III) Companies that directly or indirectly hold more than 50% of the equity shares with voting rights of the Company.
- (IV) Endorsement and guarantee among the companies where the Company directly or indirectly hold more than 50% of their equity shares with voting rights.

### IV. The limit of endorsement and guarantee

- (I) The limit of endorsement and guarantee undertaken by the Company shall be limited to

the net worth of the Company in current period. The limit of endorsement and guarantee undertaken by the Company in favor of particular enterprise shall be limited to the net worth of the Company in current period.

- (II) Companies with more than 90% of their equity shares directly or indirectly held by the Company may act in favor of one another in endorsement and guarantee and the amount shall not exceed 10% of the net worth of the Company. This provision could be waived for wholly-owned subsidiaries of the Company.
- (III) The total amount of endorsement and guarantee undertaken by the Company and subsidiaries shall be limited to the net worth of the Company in current period. The amount of endorsement and guarantee undertaken in favor of particular enterprise shall not exceed the net worth of the Company in current period.

#### V. Procedure for Endorsement and Guarantee

- (I) The treasury of the Company shall review the eligibility of the applicants, and to check if the limit granted is relevant with This Procedure and reach the level required for declaration. The risk inherent to endorsement and guarantee shall also be assessed and the findings shall be tracked on record. If the amount falls within the allowable limits, the Chairman shall make decision for approval on the basis of the credit standing and financial position of the applicants.
- (II) The treasury of the Company shall prepare a registry for tracking the endorsement and guarantee for record. Upon the resolution of the Board for approval, the beneficiaries of endorsement and guarantee, the amount, the date of endorsement and guarantee, and items subject to cautious review shall be traced on record.
- (III) The internal auditors shall conduct audit on the operation procedure of endorsement and guarantee and the implementation in compliance with This Procedure quarterly and keep record. In the event of material violation of This Procedure, notify the Supervisor in writing at once.
- (IV) The treasury of the Company shall prepare a statement on new entries and settlement of endorsement and guarantee and related details monthly for tracking and for declaration, and conduct evaluation and recognize sufficient amount of provision for contingent loss of endorsement and guarantee quarterly. The detail shall be disclosed in the financial statements and as reference for the external auditors.
- (V) In the event of situation change, to the extent that the beneficiaries of endorsement and guarantee are no longer relevant with the standard prescribed in This Procedure or the amount of endorsement and guarantee exceeds the required limit, the treasury shall prepare an improvement plan and settle the amount in excess of the limit within designated period at the approval of the Chairman, and forward the plan to the Supervisor.
- (VI) Before the expiration of endorsement and guarantee, the treasury of the Company shall actively notify the enterprises under guarantee to repossess the promissory notes retained

by the banks or the creditors, and cancel related indentures of endorsement and guarantee.

## VI. Detailed Review Procedure

In processing endorsement and guarantee, the treasury of the Company shall review and evaluate the following, and keep the findings on record:

- (I) Understand the relation between the beneficiaries of endorsement and guarantee and the Company, the purpose of the loan, the association with the business of the Company, or the importance of their operation to the Company, and evaluate the necessity and rationality of endorsement and guarantee with reference to the limit and available balance.
- (II) Obtain the annual reports, financial statements, and related information of the beneficiaries, conduct analysis of their operation, financial position, credit standing, and the sources of funds for retirement of loan for assessing possible risks.
- (III) Conduct analysis of the balance of the Company in endorsement and guarantee in proportion to the net worth, liquidity and cash flow status, and the review result from (I) and (II) to assess the effect of operation risk, financial position, and shareholders' equity of the Company.
- (IV) Evaluate if it is necessary for requesting collaterals from the beneficiaries of endorsement and guarantee depending on the nature of guarantee and the credit standing of the beneficiaries and also the results of evaluation in (I)~(III), and appraise the value of the collaterals on a quarterly basis to ensure relevance with the balance of endorsement and guarantee. Where necessary, request the beneficiaries for additional collaterals.

## VII. Procedure for control of endorsement and guarantee in favor of subsidiaries

- (I) If specific subsidiary elects to undertake endorsement and guarantee in favor of the others, the Company shall give directive to such subsidiary to institute the "Procedure for Endorsement and Guarantee" in accordance with the "Criteria for Financing and Endorsement and Guarantee by Public Companies" promulgated by Financial Supervisory Commission (hereinafter referred to as "FSC"), and follow the procedure in financing.
- (II) If specific subsidiary of the Company elects to undertake endorsement and guarantee in favor of the others, follow its "Internal Control" and "Procedure for Endorsement and Guarantee". The internal audit function of the Company shall include the endorsement and guaranteed undertaken by subsidiaries as an item for monthly audit. The audit findings shall be considered necessary for report to the Board and Supervisors as an integral part of the audit report.
- (III) If specific subsidiary of the Company is not a public company, and the balance of endorsement and guarantee of this subsidiary to the others meet the standard set forth in

II of this provision that declaration is necessary, such subsidiary shall notify the Company on the day of deed and the Company shall declare the status at designated website as required.

- (IV) If a subsidiary where the Company directly or indirectly holds more than 90% of its equity shares with voting rights elects to undertake endorsement and guarantee in favor of the others, the resolution of the Board of the Company for approval shall be necessary. This provision could be waived for direct or indirect wholly-owned subsidiary of the Company with 100% voting rights.

#### VIII. Decision-making and gate approval

- (I) The Company may undertake endorsement and guarantee in accordance with V of This Procedure subject to the final approval of the Board. For the benefit of time, the Board shall authorize the Chairman with decision latitude for total amount and amount to particular enterprise within specific limit, and report to the nearest session of the Board for ratification.
- (II) In case the endorsement and guarantee amount exceeds the limit as specified in This Procedure for business needs and is in compliance with the terms and conditions under This Procedure, report to the Board for consent with the countersignatures of at least half of the Directors for guarantee of the amount in excess of the limit in case of loss, and amend This Procedure and report to the Shareholders' Meeting for ratification. If the Shareholders' Meeting does not agree with the change, the amount in excess of the limit must be settled within specific period.

#### IX. Custody and Procedure for Specimen Seal

- (I) The Company shall use the specimen seal on file of the Ministry of Economic Affairs for registration of incorporation for endorsement and guarantee. This seal shall be kept by designated personnel at the approval of the Board and any replacement of the keeper shall be subject to the approval of the Board. The specimen seal shall be listed as an item for transfer in case of rotation of duties.
- (II) Upon the resolution of the Board or the approval of the Chairman, the documents pending of the affixing of the specimen seal shall be subject to the approval of the head of treasury of the Company before forwarding to the keeper of the specimen seal for affixing.
- (III) For guarantee in favor of a foreign company, the letter of guarantee issued by the Company shall be affixed with the authorized signature of the Chairman or the President.

#### X. Procedure for Declaration

- (I) Before the 10th day of each month, the treasury of the Company shall pass the information on the balance of endorsement and guarantee of the Company and



subsidiaries covering the last month to the accounting function of the Company, and shall declare the balance simultaneously with the revenue status by the monthly deadline for declaration.

- (II) Further to the declaration of the amount of endorsement and guarantee on a monthly basis, the treasury of the Company shall notify the accounting function with attachment of related information if any of the following related to the endorsement and guarantee in favor of others by the Company and subsidiaries is applicable, and proceed to declaration within 2 days thereafter.
1. The total amount of endorsement and guarantee exceeds 50% of the net worth of the Company as stated in the financial statements covering the most recent period.
  2. The amount of endorsement and guarantee to particular enterprise exceeds 20% of the net worth of the Company as stated in the financial statements covering the most recent period.
  3. The additional amount of endorsement and guarantee in favor of particular enterprise exceeds NTD10 million and the total of endorsement and guarantee, long-term investment and loan balance exceeds 30% of the net worth of the Company as stated in the financial statements covering the most recent period.
  4. Additional amount of endorsement and guarantee exceeding NTD30 million or 5% of the net worth of the Company as stated in the financial statements covering the most recent period.

## XI. Penalty

If the personnel of the Company related to the processing of financing the others violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated a reference for the annual performance evaluation of related personnel.

- (I) Violation of the gate approval rule: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (II) Violation of the review procedure: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (III) Violation of the requirement for declaration: verbal warning will be given for the initial offense, written warning will be issued for a second offense. For repeated

offenses of offense in severity, the personnel concerned shall be transferred to other duties.

- (IV) The supervisors of the offenders shall also be subject to punishment except those who can justify their position of failure to take preventive action.
- (V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders' Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.

## XII. Miscellaneous

- (I) In case the Company undertakes endorsement and guarantee in favor of a subsidiary which net worth falls below 1/2 of the paid-in capital, the treasury of the Company shall keep track on the financial position, business and credit standing of the beneficiary quarterly. In the event of significant change, report to the Chairman at once and take appropriate measures as instructed. If the shares issued by the subsidiary bears no face value or the face value is not NTD10, the paid-in capital shall be calculated on the basis of equity capital plus capital reserve net of premium of issuance.
- (II) This Procedure shall be subject to the resolution of the Board with circulation to the Supervisor and presentation before the Shareholders' Meeting for ratification so as to come into effect. In case of adverse opinion from the Directors on record or in written declaration, the information on the adverse opinions shall be circulated to the Supervisor and presented before the Shareholders' Meeting for discussion. The same procedure is applicable to any amendment thereto.

## Appendix 7

### Namchow Chemical Industrial CO., LTD.

#### Guidelines for Electing Board Directors and Supervisors

- I. The election of Directors and Supervisors of the Company shall be governed by This Procedure.
- II. In the election of Directors and Supervisors, holder of each share shall be entitled to the voting right of electing the equivalent seats of Directors and Supervisors or they may concentrate the votes on particular candidate or distribute the votes to different candidates.
- III. The Board shall prepare the ballots equivalent to the seats of Directors and Supervisors to be elected and fill in the weight before circulating to the shareholders.
- III-1. Starting from 2016, shareholders may exercise their voting rights electronically. How to exercise the voting right is to follow the requirements of the Company Act and the competent authority.
- IV. Before the balloting, the Charmian shall appoint the observers and vote counters to perform their assigned duties.
- V. The Board shall prepare the ballot box for the election of Directors and Supervisors. The observers shall inspect the box before balloting.
- VI. If a candidate in the election is a shareholder, voters shall put down the account title and account number of the candidate in the field of “candidate” on the ballot. If the candidate is not a shareholder, specify the name and ID number of the candidate. If the candidate is a governmental or institutional shareholder, however, name of the government or institution shall be provided in the column for the account name of the candidate. The name of the government or institution and the name of its representative may also be provided. When there are several representatives, the names of all of them shall be provided.
- VII. The Company adopts the nomination system for the election of Independent Directors. Election of Directors and Independent Directors should be held simultaneously and the votes shall be counted on the candidates to the seats on the scene.
- VIII. A ballot shall be void is any of the following occurs:
  - (I) The use of unqualified ballots.
  - (II) Cast the vote with blank ballot.
  - (III) The writing on the ballot is blurred that cannot be identified.
  - (IV) If the candidate inscribed on the ballot is a shareholder, the information on account title and account number is not relevant with the record of the shareholders roster. If the candidate inscribed on the ballot is not a shareholder, the information on name and ID number is not relevant with the record of shareholders roster.
  - (V) Wording on the ballot other than the account title (name) or account number (ID number) of the candidate and the number of votes assigned.
  - (VI) Failed to fill in the account title (name) or account number (ID number) of the candidate on the ballot.
  - (VII) Two or more candidates were put on the same ballot.
- IX. Directors and Supervisors of the Company shall be elected from candidates with full legal competence by the Shareholders’ Meeting and elected to the seats specified in the Articles

of Incorporation on the basis of the voting result whereby candidates won the majority of the votes will be elected to the seats in the order of Independent Directors, Non-Independent Directors, or Supervisors.

When one is elected director and supervisor at the same time according to Paragraph 1, he/she should decide whether he/she wants to be the director or the supervisor while the vacancy is to be filled by another person elected in the shareholders meeting.

- X. The ballot box will be opened and the votes will be counted on the scene immediately after the balloting is completed. The Chairman will announce the outcome of the election immediately.
- XI. The election will be nullified if being held in defiance of Article 26-3- (3)~(4).
- XII. The qualification and election to office of Independent Directors shall be governed by the Securities and Exchange Act, and the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” of Financial Supervisory Commission.
- XIII. The Board of the Company will give notice of election to office to the Directors and Supervisors elected to the seats.
- XIV. Anything not covered by The Guidelines shall be governed by the Company Act, the Articles of Incorporation of the Company and other applicable laws.
- XV. The Guidelines shall come into effect at the approval of the Shareholders’ Meeting. The same procedure is applicable to any amendment thereto.

## Appendix 8

### Namchow Chemical Industrial CO., LTD.

#### Procedure for the Acquisition or Disposition of Assets

##### **Chapter VI General Provision**

##### **I. Purpose and legal reference:**

This Procedure is instituted pursuant to Article 36-1 of the Securities and Exchange Act and the “Criteria for Acquisition and Disposition of Assets by Public Companies” and for the strengthening of asset management and information transparency.

##### **II. Assets for application:**

- (I) Investment of stocks, government bonds, corporate bonds, bank debentures, fund securities, depository receipts, call (put) warrants, beneficiary certificates, and asset-backed securities.
- (II) Property (including lands, housing and structures, investment property, right of land use) and equipment.
- (III) Membership cards.
- (IV) Patents, copyrights, trademark, franchise, and other intangible assets.
- (V) Derivatives: Forwards contracts, option contracts, futures contracts, leverage contracts, and swap contracts the value of which is derived from its underlying assets, interest rate, exchange rate, index or other form of interests. Forward contracts as referred to do not include insurance contracts, performance contracts, post-delivery service contracts, long-term lease contract and long-term buy-sell contracts.
- (VI) Assets acquired or disposed from merger, spinoff, acquisition and acceptance of assigned shares: assets acquired or disposed through merger, spinoff, or acquisition in accordance with the Corporate Merger and Acquisition Act, Financial Holding Company Act, Financial Institutions Mergers Act or other applicable laws, or the issuance of new shares for acceptance of the shares assigned from other companies pursuant to Article 156-8 of the Company Act.
- (VII) Other major assets.

##### **III. Evaluation Procedure:**

- (I) In the acquisition or disposition of securities or engagement in derivative trade, the treasury and accounting of the Company shall conduct analysis of related return and possible risk. In the acquisition or disposition of real property and other assets, related functional departments shall map out the capital expenditure plan and proceed to feasibility study on the purpose and expected return on acquisition or disposition of assets. For acquisition or disposition with related parties, proceed to Chapter II of This

Procedure on the assessment of the rationality of the terms and conditions of the transactions.

- (II) The Company shall, before the day of deed for the acquisition or disposition of securities, obtain the audited or reviewed financial statements of the target companies or related information as reference for appraisal. If the transaction amount exceeds 20% of the paid-in capital of the Company or NTD300 million, retain a certified public accountant for presentation of opinion on the rationality of the transaction price before the day of deed. If the CPA elects to adopt reporting of an expert, follow the instruction of The Statement of Auditing Standard No. 20 released by the Accounting Research and Development Foundation of the Republic of China (hereinafter referred to as “ARDF”). If there is an active market for the securities with open quotation, or the Financial Supervisory Commission (FSC) specified otherwise, this requirement can be waived.
- (III) If the acquisition or disposition of membership cards or intangible assets by the Company exceeding 20% of the paid-in capital of the Company or NT\$300 million, consult a certified public accountant for an opinion on the rationality of the transaction price before the day of deed and proceed to Statement of Auditing Standard No. 20 released by the Accounting Research and Development Foundation unless otherwise the transaction is conducted with government agencies
- (IV) For the acquisition or disposition of property or equipment exceeding 20% of the paid-in capital of the Company or NTD300 million, obtain the appraisal report issued by professional appraisers before the day of deed and proceed to the appraisal process of This Procedure.
- (V) In pursuing corporate merger, spinoff, acquisition or acceptance of assigned shares, consult a certified public accountant, legal attorney, or securities underwriting to present opinions on the rationality of the ratio of share swap, acquisition price, and the cash dividend or other assets paid to shareholders before the day of deed, and present to the Board for discussion.
- (VI) The Company shall comply with the following in the determination of the price for the acquisition or disposition of assets or for reference further to the aforementioned appraisal by professional appraisers, certified public accountants, and other experts:
  - 1. In the acquisition or disposition of securities traded in the centralized market or OTC market, decision could be made on the basis of the price or the equity shares or bonds.
  - 2. In the acquisition or disposition of securities not traded in the centralized market or OTC market, consider the net value per share, technology and profitability, potential for development, market interest rate, coupon rate, and the credit standing of the debtors, and also the bid price of most recent transaction as reference for decision-making.
  - 3. In the acquisition or disposition of membership cards, consider possible return and

the most recent bid price for the transaction. For the acquisition or disposition of patents, copyrights, trademark, franchise, and other intangible assets, consult international or market customs and practices, the service period, and the effect on the technological level and business of the Company.

4. In the acquisition or disposition of property or equipment, consult the posted present value, appraised present value, the actual transaction price or book value of property in the neighborhood, and the quotation of the suppliers. For acquisition or disposition of property with related parties, conduct evaluation as stated in Chapter II of This Procedure to assess the rationality of the transaction price.
5. For the engagement in derivative trade, consult the trading condition of the futures market and the trends of the exchange rate and interest rate.
6. In merger, spinoff, acquisition or acceptance of assigned shares, consider the nature of business, net value per share, asset value, technology and profitability, production capacity and potential for growth.

(VII) The calculation of the amount as stated in (II), (III), and (IV), proceed to V (II). The period of one year as referred to shall be the duration from the day of deed moving backward for one year in retrospect. This period could be waived if the appraisal reports issued by professional appraisers or opinions from certified public accountants are available.

#### IV. Operation Procedure:

##### (I) Authorized limit and gate approval

1. Securities: The Chief Financial Officer shall be authorized to proceed to trade pursuant to Article VII of This Procedure. If the transaction meets the standard required for declaration as stated in Article V, report to the Chairman on the day after the trade for record, and present before the nearest session of the Board for ratification. For the acquisition or disposition of stocks, corporate bonds not traded in the centralized market or the OTC market, private placement securities, that the amount meets the standard required for declaration, the resolution of the Board for approval in advance is necessary. Investment in Mainland China shall be subject to the consent of the Shareholders' Meeting or execution by the Board at the authorization of the Shareholders' Meeting, and petitioned with the Board of Investment of MOEA for approval before proceeding.
2. Derivative Trade
  - (1) Hedge trade: trade may be conducted in line with the change in the business value and risk position by personnel designated by the Chairman with single transaction or accumulated transactions falling below USD20 million (including the equivalent of other currencies).
  - (2) Non-hedge trade: For reducing risk, single transaction or accumulated transactions fall below USD6 million (including the equivalent of other

currencies) may be conducted by designated personnel under authorization subject to the approval of the Chief Financial Officer.

- (3) The authorized personnel must be made known to the banks for facilitating the monitoring and management of the service banks in identification of the authorization of personnel.
- (4) The aforementioned derivative trade conducted under authorization shall be reported to the Board.
3. Related party transactions: Prepare related information as stated in Chapter II of This Procedure, and present to the Board for approval and the Supervisors for ratification before proceeding to signing the trade contracts and effecting of payment.
4. Merger, spinoff, acquisition or acceptance of assigned shares: proceed to Chapter IV of This Procedure for action and prepared the required materials. Merger, spinoff, acquisition shall be subject to the approval of the Shareholders' Meeting in advance unless the law provides otherwise. The acceptance of assigned shares shall be subject to the approval of the Board.
5. Others: Comply with the internal control system and gate approval in the operation. If the transaction amount meets the standard required for declaration as stated in Article V, the approval of the Board in advance is necessary except for the acquisition or disposition of business equipment, which could be reported to the Board for ratification in the afterward. The resolution for approval by the Shareholders' Meeting is necessary if any of the situations in Article 185 of the Company Act is applicable.

(II) Executor and transaction process

The treasury of the Company shall be the executor of securities investment and derivative trade. Real property and other assets shall be executed by the users or related functional departments. Merger, spinoff, acquisition, and acceptance of assigned shares shall be conducted by the functional unit designated by the Chairman. Upon successful evaluation as required by law and approval, the executor shall proceed to the acquisition or disposition of assets by entering into related agreements, making or receiving payment, delivery and inspection for acceptance, and referred to related process under the internal control system depending on the nature of the assets. Related party transactions, derivative trade, and merger, spinoff, acquisition or acceptance of assigned shares shall proceed to Chapter II ~IV of This Procedure.

V. Declaration Procedure:

- (I) If any of the following is applicable to the acquisition or disposition of assets by the Company, follow the format and content as stated in the attached table (Attachment 2-8) by nature of the asset, and disclose related information at the designated website of FSC for declaration within 2 days after the day of deed.
  1. Acquisition of property from related parties, or disposition of property to related



parties, or disposition of other assets beyond property exceeding 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million. This provision is waived for the trading of government bonds, R/P and R/S bonds, subscription or redemption of domestic money market funds.

2. Proceed to merger, spinoff, acquisition or acceptance of assigned shares.
3. Engagement in derivative trade with loss from all contracts or individual contracts exceeding the upper limit as stated in Chapter III, Article XIV-IV of This Procedure.
4. Further to the aforementioned asset trade, or investment in Mainland China, the amount of transaction exceeds 20% of the paid-in capital of the Company or NT\$300 million. Except under the following situations:
  - (1) Trading of government bonds.
  - (2) Trading of R/P and R/S bonds, subscription or redemption of domestic money market funds.
  - (3) The assets acquired or disposed are business equipment and the counterparties of trade are not related parties and the transaction amount fall below NT\$500 million.
  - (4) For acquisition of real property through the commissioning of construction on proprietary land, commissioning of construction on leased land, joint venture in construction with sharing of the finished premises, joint venture in construction with sharing of ownership, joint venture in construction with separate sale of finished premises and the expected investment of the Company falls below NT\$500 million.

(II) The amount of the aforementioned transactions shall be calculated in the method specified below:

1. The amount of each transaction.
2. The amount of transaction for the acquisition or disposition of the same target with particular counterparty in one year on an accumulative basis.
3. The amount of transaction for the acquisition or disposition (accumulated separately) of the property of particular development project in one year on an accumulative basis.
4. The amount of transaction for the acquisition or disposition (accumulated separately) of particular security

(III) One year as referred to in preceding paragraphs shall be the duration from the day of deed moving backing for one year in retrospect. The portion already declared could be exempted from the calculation.

(IV) The Company shall provide information on the derivative trade conducted by the Company and subsidiaries which are not domestic public companies by the end of the previous month in the format as shown in the table, and declare the information with the designated website of FSC by the 10th day of the month.

- (V) In the event of error or missing in the content of declaration that correction is necessary, a new round of declaration is required.
- (VI) If any of the following is applicable to the declaration as stated in (I), declare at the designated website of FSC within 2 days after the day of deed:
1. Alteration, termination, or discharge of the contracts for transactions previously entered into.
  2. The merger, spinoff, acquisition or acceptance of assigned shares cannot be accomplished as scheduled.
  3. Change in the content of information previously declared.

#### VI. Procedure for appraisal of assets

With the exception of transactions with government agencies, commission for construction on proprietary lands, commission for construction on leased land or the acquisition or disposition of business machinery and equipment, all other transactions in acquisition or disposition of assets exceeding 20% of the paid-in capital of the Company or NT\$300 million shall be accompanied by an appraisal report issued by professional appraisers (the particulars inscribed in the appraisal reports are exhibited in Attachment 1) before the day of trade and shall be in compliance with the following requirements: The certification document issued by court may be used in lieu of the appraisal reports or opinions from certified public accountants if the acquisition or disposition of assets were conducted through court auction.

- (I) If for specific reason that limited price, designated price or special price shall be used as reference for setting the transaction price, present the case before the Board for resolution in advance. The same procedure is applicable to any subsequent change of the conditions of transactions.
- (II) If the transaction amount exceeds NT\$1,000 million, the appraisal reports from at least two professional appraisers is necessary.
- (III) If any of the following is applicable to the appraisal result, consult with a certified public accountant for presenting a substantive opinion on the reason of the variance and the appropriateness of the transaction price in accordance with the Statement of Auditing Standard No. 20 unless the appraised value is higher than the transaction price as in acquisition of assets or lower than the transaction price as in disposition of assets.
1. The appraisal result varied with the transaction amount by more than 20%.
  2. The appraisal results from at least two professional appraisers varied by more than 10%.
- (IV) The date of the appraisal reports issued by the professional appraisers shall not be longer than a period of 3 months from the day on which contract is signed for the transaction. If the posted present value of the same period is applicable and the duration is less than 6 months, the original professional appraisers issuing the reports shall present an opinion.

#### VII. Scope and limit of investment

Further to the acquisition of assets for business purpose, the Company and subsidiaries may also invest in property and securities not for business purpose. The limit of investment and restriction is specified below.

- (I) Total investment in property not for business use shall not limited to 50% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.
- (II) Total investment in securities shall not exceed 100% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.
- (III) The investment in particular security shall not exceed 100% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.

VIII. The control of acquisition or disposition of assets by subsidiaries:

- (I) Subsidiaries of the Company shall also institute the “Procedure for the Acquisition or Disposition of Assets” in conformity to the “Criteria for Acquisition and Disposition of Assets by Public Companies” and properly implement the procedure after passing by the Board with circulation to the Supervisors and the Shareholders’ Meeting for ratification. The same procedure is applicable to any amendment thereto.
- (II) The acquisition or disposition of assets by subsidiaries shall be conducted in compliance with their respective “Internal Control System” and “Procedure for the Acquisition and Disposition of Assets”. The auditing function of the Company shall include the operation of acquisition and disposition of assets conducted by the subsidiaries as key monthly audit items, and shall report to the Board and the Supervisors of the audit findings as an integral part of the audit report.
- (III) If the subsidiaries of the Company are not public companies, and the acquisitions or disposition of assets of these subsidiaries meet the standard required for declaration as stated in Article V, notify the Company on the day of deed and the Company shall declare with FSC at designated website. The standard required for declaration at 20% of the paid-in capital or 10% of the total assets shall be based on the paid-in capital or total assets of the Company.

IX. Penalty:

If the personnel of the Company related to the acquisition or disposition of assets violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated a reference for the annual performance evaluation of related personnel.

- (I) Violation of the gate approval rule: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (II) Violation of the review procedure: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (III) Violation of the requirement for declaration: verbal warning will be given for the initial offense, written warning will be issued for a second offense. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (IV) The supervisors of the offenders shall also be subject to punishment except those who can justify their position of failure to take preventive action.
- (V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders' Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.

## **Chapter VII Related Party Transactions**

### **X. Determination of related parties**

Related parties shall be determined on the basis of the definition set forth in the Criteria for the Compilation of Financial Statements by Securities Issuers with de facto and de jure relation considered.

- X-1. The acquisition or disposition of assets between the Company and related parties shall be in compliance with Chapter I and this Chapter of This Procedure in the decision-making process and rationality of the terms and conditions of the transactions. If the amount involved exceeds 10% of the total assets of the Company, the appraisal reports from professional appraisers or opinions from certified public accountants shall be required.

The amount of transaction shall be calculated in accordance with Article III- (VII).

### **XI. Resolution Procedure:**

In the acquisition of property from related parties, or disposition of property to related parties, or disposition of other assets beyond property exceeding 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million, the executor shall prepare related information for presenting to the Board and the Supervisory for ratification before entering into agreements or effective payment. This provision is waived for the trading of government bonds, R/P bonds, subscription or redemption of money market funds:

- (I) The purpose, necessity and expected return from the acquisition or disposition of

assets.

- (II) The reasons of choosing related parties as the counterparties in the transactions.
- (III) In the acquisition of assets from related parties, the information on the rationality of the terms and conditions of trade in the exclusionary clause of Article XII or Article XIII.
- (IV) The original price and date of acquisition of the asset by the related parties, the counterparties of trade, and relation with the Company and the related parties.
- (V) The projection of cash income and expense on a monthly basis in the year ahead from the month of entering into agreement, and the assessment of the necessity and the rationality of the use of fund.
- (VI) The appraisal reports issued by professional appraisers and the opinion of certified public accountants as required to obtain in the previous article.
- (VII) The aforementioned transaction amount shall be calculated in accordance with Article V- (II). One year as referred to shall be the duration of one year from the day of deed moving backward for one year in retrospect. The portion already declared is exempted from the calculation.

## XII. Assessing the rationality of the conditions for trade

For acquisition of real property from related parties, assess the rationality of the cost of transaction in accordance with the following method and consult with certified public accountants for presenting substantive opinion, except that the property acquired by related parties is through succession or donation, or, the acquisition of assets by related parties was longer than 5 years ago, or entering into agreement on joint construction with related parties through the commissioning of construction on proprietary land or on leased land.

- (I) The addition of necessary cost of capital and the cost to be borne by the buyer by the related parties. Necessary cost of capital as referred to shall be calculated at the weighted average interest rate for financing in the year of purchasing the property but no more than the upper limit for lending by non-financial institutions.
- (II) If the related party has sought financing from a financial institution with pledge of the property, it shall be the total value appraised by the financial institution for lending. However, the accumulated value of load drawn to the related party with the pledge of the property shall at least be 70% of the total appraised value for lending and the term of loan shall at least be one year. This provision is not applicable if either side of the parties is a related party.
- (III) For the joint purchase of particular subject land and premises, the cost of transactions on the land and premises shall be appraised separately as stated in (I) and (II).

## XIII. Action to be taken if the imputed cost falls below the transaction price:

If the appraisal result indicated the cost of transaction falls below the transaction price, proceed to (III) unless the following is applicable with the presentation of objective evidence,

the appraisal reports from professional appraisers and the opinions of certified public accountants on rationality of the transaction.

(I) If the related party acquired empty land or leased land for construction, at least one of the following shall be satisfied with proof:

1. Appraisal on the empty land shall be conducted in the manner as stated in the previous article. For premises, the sum of the construction cost plus reasonable construction profit for the related party is higher than the transaction price. Reasonable construction profit is the average gross margin of the construction segment of the related party in the last three years, or the gross margin for the construction industry announced by Ministry of Finance covering the most recent period, whichever is lower.
2. The case of successful transaction in other stories of the same building or immediate area within one year with non-related parties. The floor area shall approximate the subject premises and the conditions of transaction shall be justifiable for the stories and area taken for comparison under the customs and practices of real property trade.
3. The case of leasing to non-related parties of other stories in the same subject premises, and the conditions for transaction shall be justifiable for the stories taken for comparison under the customers and practices of real property leasing.

(II) The Company shall prove that the purchase of real property from related parties shall be relevant with the transactions of real property trade conducted by non-related parties under similar terms and conditions of trade in the immediate area and in similar size within one year.

Successful cases of transaction in the immediate area shall refer to the location in the same block or neighboring block and the distance from the subject premises is less than 500 m in perimeter, or the similar level of announced present value. Similar size or floor area shall be the floor area of the premises concerned in the transaction with non-related parties not falling below 50% of the floor area of the subject premises. One year shall be the duration from the day of deed for the acquisition of real property moving backward for one year in retrospect.

If the cost of transaction under appraisal falls below the transaction price in the acquisition of property from related parties, and the situations in I are not applicable, proceed to the following:

- (I) Recognize the difference between the transaction price and the estimated cost of property trade as special reserve pursuant to Article 41 -1 of the Securities and Exchange Act, and shall not distribute to shareholders or capitalize into new shares. Special reserve as recognized may be utilized in circumstances under which assets were purchased a high price with recognition of loss from falling price or disposition or with appropriate compensation or resumption to original condition, or is justifiable with proof of objective evidence and at the consent of Financial Supervisory Commission.
- (II) Supervisors shall act in accordance with Article 218 of the Company Act.
- (III) The situations as stated in (I) and (II) shall be reported to the Shareholders' Meeting and

the details shall be disclosed in the annual report or prospectus.

If evidence implicating the acquisition of property from related parties by the Company has not been conducted in arm's length, proceed to the aforementioned procedure.

## **Chapter VIII The control of derivative trade**

### **XIV. The principles and policy of trade**

- (I) Type of trade: The Company may undertake a variety of derivatives for trading, including forward contracts, options contracts, interest rate and exchange rate swaps, futures, and the composite contracts of the aforementioned products. The engagement in other forms of derivative trade shall be subject to the resolution of the Board for approval in advance.
- (II) Business or hedge strategy: The Company is engaged in derivative trade for hedge and non-hedge (for trading purpose) trade. The strategy shall be aiming at the hedge of operation risk and the choice of derivatives shall be targeted at the hedging of the risks deriving from the operation of the Company such as revenues and expenditures in foreign currencies, assets or liabilities denominated in foreign currencies. In the event of change in the objective environment, engage in "non-hedge" derivative trade on due time so as to bring in more revenue or mitigate loss from operation for the Company. In addition, the counterparties of trade should preferably be the financial institutions in business relation with the Company to avoid possible credit risk. Before the engagement in trade, differentiate if the trade is for hedging or for profit seeking. This shall be the foundation for bookkeeping and accounting.
- (III) Trade limit:
  - 1. Hedge trade: the net exposure of consolidated assets and liabilities (including anticipated net exposure in the future) shall be the upper limit of trade.
  - 2. Non-hedge trade: up to USD6 million. Before proceeding to trade, the dealer shall present a report on the trend of foreign exchange rate and the content shall include the analysis of the trend in the foreign exchange market and the recommended means of trade subject to the final approval of the management.
- (IV) Upper limit of loss for overall position or particular contract
  - 1. Hedge trade: The upper limit of loss shall not exceed 10% of the overall position or the amount of particular contract, and the total loss in one year on an accumulative basis shall not exceed USD500,000.
  - 2. Non-hedge trade: Establish the cut loss point after setting the position to avoid excessive loss. The cut loss point shall be up to 10% of the contract amount and the overall cut loss point shall not exceed USD500,000 in one year on an accumulative basis.
- (V) Segregation of authority and responsibility
  - 1. The dealers: they are the personnel of the Company responsible for the conduct of

derivative trade and should be appointed by the Chief Financial Officer. The dealers shall be responsible for the formulation of trade strategy, implementation of the instruction for trade, and the disclosure of transaction risk in the future. In addition, they shall provide information to related department for reference in real-time.

2. Accounting function: Accounting shall be responsible for the confirmation of trade and do the bookkeeping as required and keep the transaction records, conduct evaluation at fair value on the position in holding at regular intervals, and provide the information to the designated dealers. In addition, they shall disclose the detail of derivative trade in the financial statements.

3. Treasury of the Company: they are responsible for the settlement of derivative trade.

(VI) Guide for performance evaluation

1. Hedge trade: the cost of exchange (interest) rate in book and the capital gains or loss from derivative trade shall be the basis for the evaluation of performance. Evaluation shall be conducted at least twice a month and the findings shall be presented to the management as reference.

2. Trade for defined purpose

The capital gain or loss shall be the basis for performance evaluation, which shall be conducted at least once a week. The findings shall be presented to the management as reference.

## XV. Risk Management

The scope and measures for the management of risk deriving from derivative trade of the Company are specified as follows:

- (I) Consideration of credit risk: the counterparties should be financial institutions and futures brokers in good standing, in business relation with the Company, and can provide professional information.
- (II) Consideration of market risk: the fluctuation of market price for derivatives may cause loss and uncertainty. The cut loss point shall be duly observed after establishing the position of trade.
- (III) Consideration of liquidity risk: for the liquidity of the derivatives, the institutions involved in the transactions must be equipped with adequate facilities, information, and trading capacity and can conduct trade in any market.
- (IV) Consideration of operation risk: the limit of authorization, operation procedure must be duly observed to avoid operation risk.
- (V) Consideration of legal risk: in entering into agreements with financial institutions, try to adopt the internationally standardized format in documentation as far as possible to avoid legal risk.
- (VI) Consideration of product risk: the internal dealers must have a wealth of the professional knowledge of the derivative trade the Company engaged in to avoid loss from misleading use of derivatives.



- (VII) Consideration of cash delivery risk: the authorized dealers must duly observe the authorized limit of trade, and pay attention to the cash flow of the Company regularly to ensure sufficient cash for settlement of trade in delivery.
- (VIII) The duties of dealing, confirmation, and delivery shall be performed by different persons.
- (IX) The confirmation staff shall confirm with the service bank the content of the transaction statement or proof by correspondence regularly, and check if the total amount of transaction is controlled within the upper limit under This Procedure.
- (X) The assessment, monitoring, and control of risks shall be performed by personnel in departments other than those specified in (VIII) and reported to the Board or senior corporate officers who are not in charge of trading or decision of the position.
- (XI) The position in holding must be assessed at least once a week. For hedge trade for business needs, assessment shall be made at least twice a month. The assessment report shall be submitted to the senior officer at the authorization of the Board.

#### XVI. Internal Audit System:

- (I) The internal auditors of the Company shall understand if the internal control over derivative trade is appropriate at regular intervals, and shall conduct monthly audit on the procedure of derivative trade to ensure they are conducted in compliance with the internal code of the Company. The audit findings shall be compiled into audit report. In the event of materiality as detected, report to the Chairman and the senior officer designated by the Board at once with notification to the Supervisors in writing.
- (II) The internal auditors of the Company shall include derivative trade as an audit item, and shall declare with Financial Supervisory Commission on the audit findings of the year by the end of February in the next year, and also the status of corrective action and preventive action taken for the rectification of defects no later than the end of May of the next year.

#### XVII. The method of routine audit and handling nonconformities:

- (I) Conduct monthly or weekly assessment on derivative trade, and put together the information on the income status and naked exposure or non-hedge trade in each month or each week, and submit the detail to the senior officer authorized by the Board and the Chairman as reference for management performance evaluation and risk assessment.
- (II) The senior officer designated by the Board shall pay close attention to the monitoring and control of the risk deriving from derivative trade at all times. The Board shall assess the performance of derivative trade to make sure they are congruent with the business strategy and risk tolerance of the Company.
- (III) The senior officer designated by the Board shall manage derivative trade in accordance with the following principles:
  1. Assess if the risk management policy currently in effect is appropriate and is relevant

with the “Criteria for Acquisition or Disposition of Assets by Public Companies” and This Procedure.

2. Monitor the trade and the income status, and take necessary action to respond to any unusual transactions and situations with report to the Board at once.

(IV) The Company shall keep track on derivative trade in a registry specifying the type of derivative trade, the amount of trade, the date of Board resolution, the monthly or weekly assessment reports, and the routine assessment of the Board and the senior officer authorized by the Board.

## **Chapter IX Merger, Spinoff, Acquisition or acceptance of assigned shares**

XVIII. In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall call for session of the Board for resolution, and consult with certified public accountants, legal attorneys, or securities underwriters for presenting opinions on the rationality of the ratio of share swap, acquisition price, and the distribution of cash or other assets to shareholders, and present to the Board for discussion and resolution.

XIX. In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall document the content of important contracts and related matters for disclosure to shareholders before the convention of Shareholders’ Meeting, and also the aforementioned opinions from the experts and notice of Shareholders’ Meeting to shareholders as reference for decision on the merger, spinoff, or acquisition. This provision is waived if the convention of Shareholders’ Meeting for resolution of the merger, spinoff, or acquisition are not required by law. If any of the companies participating in the merger, spinoff, or acquisition cannot call for their Shareholders’ Meeting, to make decision, or the motion of merger, spinoff, or acquisition is rejected by their Shareholders’ Meetings, the Company shall disclose the reasons, subsequent action, and the expected date of Shareholders’ Meeting at once.

XX. Unless the law specified otherwise or at the prior consent of FSC, the Company shall call for its session for Shareholders’ Meeting for resolution of the merger, spinoff, or acquisition on the same day as other companies participating in the merger, spinoff, or acquisition to make decision. In participating in the acceptance of assigned shares, the Company shall call for the session of the Board on the same days as other companies participating in the assignment.

The Company shall keep the complete documented record on merger, spinoff, acquisition or acceptance of assigned shares for 5 years as reference.

(I) Basic information on personnel: this will include the executors of the plans for merger, spinoff, acquisition or acceptance of assignment before the disclosure of information, including their occupational titles, names, ID card numbers (passport numbers as in the case of foreign nationals).

(II) Date of materiality: including the signing of statement of intent or MOU, appointment

of financial or legal counsels, signing of contracts, and date of Board session.

- (III) Essential documents and minutes of meeting on record: this will include the plans of merger, spinoff, acquisition or acceptance of assignment, essential contracts and minutes of Board session on record.

The Company shall , within 2 days after the resolution of the motions on merger, spinoff, acquisition or acceptance of assigned shares, report the information as stated in (I) and (II) to FSC in designated format via the Internet system.

In case some of the participants in the merger, spinoff, acquisition or acceptance of assigned shares of the Company are not listed in TWSE or GTSM, the Company shall follow (II) and (III) in handling the contracts binding the Company and these participants.

#### XXI. Ratio of share swap and acquisition price:

The ratio of share swap in merger, spinoff, acquisition or acceptance of assigned shares or the acquisition price shall not be changed unless the following is applicable:

- (I) Raising capital by issuing new shares, offering of convertible corporate bonds, release of stock dividend, offering of corporate bonds with stock options, preferred shares with stock options, subscription warrants, or any other equity securities.
- (II) Disposition of major assets of the Company that influences the financial position and operation status of the Company.
- (III) Occurrence of severe disaster, significant change in technology and others that influence the shareholders' equity or stock price of the Company.
- (IV) Any company participating in the merger, spinoff, acquisition or acceptance of assigned shares proceed to repurchase treasury shares as provided by law.
- (V) Significant change in the number of participants in the merger, spinoff, acquisition or acceptance of assigned shares.
- (VI) Others conditions that could be altered as stated in the contracts, and has been disclosed.

#### XXII. Inscription of the Contracts

In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall explicitly state the rights and obligations of the participants, the conditions for changing the ratio of share swap or acquisition price, and specify the following in the contracts.

- (I) Handling breach of contract.
- (II) The principles for handling equity securities or treasury shares already acquired by the acquiree or the spin-off operation.

- (III) The principles and quantity of treasury shares for that the participants may repurchase as provided by law after the day of share swap ratio calculation.
- (IV) The responses to change in the number of participants.
- (V) Expected progress of the plan and date of completion.
- (VI) If the progress falls behind schedule, the scheduled date of Shareholders' Meeting as provided by law and related procedure for responding to the situation.

XXIII. Important to the Company in participating in merger, spinoff, acquisition or acceptance of assigned shares:

- (I) Parties requesting for participation or acknowledgment of the merger, spinoff, acquisition or acceptance of assigned shares shall undertake confidentiality in writing, and shall not disclose the content of plan before the information is publicly disclosed, and shall not purchase the stocks or equity securities issued by related companies in the name of the party itself or in the name of a third party.
- (II) In case the Company desires to engage in merger, spinoff, acquisition or acceptance of assigned shares after the information on the merger, spinoff, acquisition or acceptance of assigned shares is disclosed, repeat the procedure or act of legality in the original merger, spinoff, acquisition, or acceptance of assigned shares unless otherwise the number of participants decreased, and the Shareholders' Meeting has already resolved to grant the Board with additional empowerment that a new round of Shareholders' Meeting for resolution is necessary.
- (III) If any of the participants in the merger, spinoff, acquisition or acceptance of assigned shares is not a public company, the Company shall enter into an agreement with such company and proceed to Article XXI and the preceding two sections of This Procedure.

## **Chapter X Other important notice**

XXIV. In the acquisition or disposition of assets, the Company shall keep related contracts, minutes of meeting on record, registries, appraisal reports, the professional opinions from certified public accountants, legal attorneys, or securities underwriters for at least 5 years unless the law provided otherwise.

XXV. The appraisal reports or the professional opinions of certified public accountants, legal attorneys, or securities dealers shall not be issued by professional appraisers and their appraisal personnel, certified public accountants, legal attorneys or securities dealers shall not be related parties to the Company.

XXVI. In the acquisition or disposition of assets by the Company in accordance with This Procedure or as required by applicable laws that the approval of the Board is necessary, the Company shall keep record on all adverse opinions of the Directors on record or in written declaration, if applicable, and circulate to the Supervisors. And shall fully consider the opinions of all Independent Directors, and keep the opinions in agreement or disagreement

with the motions as minutes of meeting on record.

XXVII. This Procedure shall be subject to the approval of the Board with circulation to the Supervisors for review, and the final approval of the Shareholders' Meeting to cause into effect. The same procedure shall be applicable to any amendment thereto. If the Directors expressed adverse opinions on record or in written declaration, circulate related information to the Supervisors. And shall fully consider the opinions of all Independent Directors, and keep the opinions in agreement or disagreement with the motions as minutes of meeting on record.

XXVIII. The requirement of 10% of the total assets as stated in This Procedure shall be calculated on the basis of the total assets as stated in the separate or consolidated financial statements compiled in accordance with the Criteria for the Compilation of Financial Statements by Securities Issuers.

## Appendix 9

### Namchow Chemical Industrial CO., LTD.

Spinoff day: April 2 2017

#### Roster of Directors and Supervisors

Title	Name	Date elected	Number of shares held at the time of election			Number of shares currently held			Remarks
			Type	Number of shares	% in contemporary issuance	Type	Number of shares	% in contemporary issuance	
Chairman	Chen Fei-Lung	June 10, 2015	Common stock	33,874,934	11.52%	Common stock	33,814,934	11.50%	
Vice Chairman	Chen Fei-Peng	June 10, 2015	Common stock	35,792,995	12.17%	Common stock	36,920,995	12.55%	
Director	Lucky Royal Co., Ltd. Representative: Lee Kan-Wen	2015.06.10	Common stock	46,041,259	15.65%	Common stock	46,041,259	15.65%	
Director	Hwa Zhin Co., Ltd. Representative: Chen Cheng-Wen	2016.06.10	Common stock	646,884	0.22%	Common stock	656,884	0.22%	
Independent Director	Chen Ting-Kuo	June 10, 2015	Common stock	0	0.00%	Common stock	0	0.00%	
Independent Director	Lin Chin-Shi	June 10, 2015	Common stock	0	0.00%	Common stock	0	0.00%	
Supervisor	Namchow Chemical Industrial CO., LTD. Employee Welfare Committee	105.06.08	Common stock	4,908,960	1.67%	Common stock	4,908,960	1.67%	
Supervisor	Wu Ting-Chen	105.06.08	Common stock	10,713	0.00%	Common stock	10,713	0.00%	
Total			Common stock	121,275,745		Common stock	122,353,745		

Total shares issued on June 10, 2015: 294,132,962

Total shares issued on June 08, 2016: 294,132,962

Total shares issued on April 02, 2017: 294,132,962

Note: Legal shares that all directors of the company combined should hold: 12,000,000 shares until April 2 2017. 117,434,072

Note: Legal shares that all supervisors of the company combined should hold: 1,200,000 shares until April 2 2017. 4,919,673

Shares held by Independent Directors are not counted as a portion of the shares held by Directors.