



Taiwan Hon Chuan Enterprise Co., Ltd.

Annual Report 2015



Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>

<http://www.honchuan.com.tw>

Printed on May 12, 2016

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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4. Auditors

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Auditors : Yen, Hsiao-Fang 、 Tseng, Done-Yuin

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5. Overseas Securities Exchange : None

6. Website: www.honchuan.com.tw

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1. Letter to Shareholders

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

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

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

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

Chairman :

Dai, Hung-Chuan

President :

Tsao, Hsih-Chung

Chief Accounting officer :

Cheng, Ya-wen

1.2 Business Report

1.2.1 2015 Operating Result

1.2.1.1 2015 Execution of Business Plans

Consolidated revenue : NT\$ 16,578,377 thousand, reduction of 3.76% from 2014;
consolidated income before tax : NT\$ 1,031,083 thousand, reduction of 9.65%
from 2014; consolidated income after tax : NT\$ 886,141 thousand, reduction of
5.25% from 2014; earning per share (EPS) : NT\$3.26.

1.2.1.2 Budget Performance

Taiwan Hon Chuan Enterprise Co., Ltd (Hereinafter referred to as “Hon Chuan” or
“the Company”) did not disclose financial forecasts in 2015.

1.2.1.3 Financial Results and Profitability Analysis

Item		2015	2014
Finance Structure (%)	Debt to Assets Ratio	55.34	60.03
	Long-Term Capital to Fixed Assets, Machinery and Equipment Ratio	98.75	93.00
Solvency (%)	Current Ratio	77.21	70.30
	Quick Ratio	51.22	43.02
	Interest Coverage (times)	5.34	5.65
Profitability (%)	Return on Assets	3.85	4.33
	Return on Equity	7.18	8.27
	Pre-tax Profit to Paid-in Capital Ratio	33.28	43.92
	Net Margin	5.35	5.43
	Earnings Per Share (NT\$)	3.26	3.72

1.2.1.4 Research and Development

To ensure a leading position in technology, HON CHUAN not only applies the most advanced technologies and equipments from overseas but also cooperates with several R&D institutions, providing continuous training to R&D personnel. The R& D achievement for 2015 was as follows:

- (1) Mass production of 42mm pull-off closure with TPE liner
- (2) Implementation of TPE liner for metal lug closures
- (3) Development of FSB 63mm metal lug closure
- (4) Mass production of 1810 BPKS one-piece plastic closure for cold-filling
- (5) Mass production of 30 x 35mm hologram hot-stamping ROPP closure
- (6) Development of 1881 one-piece closure with unbreakable tamper-evident band
- (7) Development of 1881 one-piece closure for CSD
- (8) Development of multi-layered PE shrinkable films
- (9) Application of PET films with low shrinkage
- (10) Development of PET one- or multi-layered barrier bottles
- (11) Development of Bag in Box

1.2.2 Outlines of Business Plans

1.2.2.1 Business Objectives

1. Strengthen core competency.
 - (1) Actively promote In-House (Plant-Within-a-Plant) strategic coalitions with clients and provide high-quality packaging materials to scale up the business and achieve win-win situation for both HON CHUAN and clients.
 - (2) Continuously expand mid- or long-term strategic cooperation with clients.
 - (3) Strengthen business structure to achieve a high-efficiency operating environment.
 - (4) Continuously provide all kinds of employee training and actively recruit talents for business globalization and development.
2. Take action for globalization – foothold in Taiwan, harvest in Asia, aim to the world
 - (1) Establish headquarters to integrate resources.
 - (2) Apply innovative R&D technology to increase product value.
 - (3) Build strategic alliances with global giants. Apply experiences from Taiwan to China and Southeast Asia. Integrate resources and expand markets.

1.2.2.2 Sales Forecast and Sales Policy

1. The projected sales volume for 2016 is outlined as follows :

Unit : thousand pcs/kg/bottle/box

Major Products	Sales Volume
Plastic Closures	23,504,494
PET Bottles	6,562,657
Labels	4,613,582
Aluminum Closures	639,192
Tobacco&Liquor Packaging	2,071
Beverage Filling OEM	1,731,961
TR Filling OEM	59,848
Metal Lug Caps	320,638
Others	107,425
Totals	37,541,868

2. HON CHUAN made sales forecasts according to the market movements, considering supply and demand in beverage and food industry and taking into account of changes in products and clients mix in recent years.

1.2.2.3 Key Production and Sales Strategies

- 1.R&D: We aggressively approach new products, cultivate new customers, put equal emphasis on customer and product orientations, and develop innovative packaging materials to meet customers' requests and industry trends.
- 2.Manufacture: We cooperate with upstream material suppliers to secure high quality and sources of materials. We also strengthen the production management system, improve production lines, and automate production linkage. We establish computerized production and management feedback system and initiate cooperation with domestic and foreign organizations to improve production technology and equipment process to ensure a leading position in technology.
- 3.Sales: To cope with business expansion, we aggressively establish complete international marketing channels and logistics management and develop a robust supply and marketing system with world-leading beverage manufacturers.
- 4.Operations: We cultivate all-rounded talents to cope with challenges in the next century, capturing industrial trends and develop new products that adapt to the constant changing market demands.

1.2.3 Future development strategy

1.2.3.1 New product development

We develop new packaging materials and aggressively develop lighter bottles, single-sheet plastic caps, eco trademarks, eco-friendly materials, PET beer bottles and plastic beer bottle caps to create corporate value with innovations and improve the company's core competitiveness.

We introduce new technologies including 3D printing, QR code, digital printing, laser security wrap, and PVC-free TPE composite materials to enhance product safety and improve product competitiveness.

1.2.3.2 Continuously promote in-house and long-term strategic cooperation contracts

In-housing enables customers to save capital expenditures on equipments and reduce transportation cost on packaging materials and warehouse costs. To Hon Chuan, streamline production can secure revenue and create a formidable barrier to entry for competitors. Through the price adjustment mechanism, we can avoid the risk of profit erosion as material prices fluctuate. Long-term strategic cooperation contracts can create a win-win situation for both customers and Hon Chuan as we help our customers quickly increase market share and guarantee Hon Chuan stable revenue and profit return.

1.2.3.3 Vertical integration of multiple services

Whether in Taiwan, mainland China, or Southeast Asia, we can provide 4-in-1 services that include bottle caps, bottle labels, PET bottles, and beverage filling so that our customers can focus on R&D, marketing, and brand channel, thus create a perfect partnership.

1.2.4 The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

1.2.4.1 External competitive environment

In Taiwan, the beverage market is extremely competitive. As over one hundred new beverages are released every year, beverage companies must continuously release new products to maintain competitive strength and secure market share. As the leader of beverage packaging materials in Taiwan, we have the highest market share in bottle caps, bottle labels, and PET bottles. We continuously develop packaging materials with new functionality, new visuality, and new style to minimize the cost of packaging materials for beverage companies and increase the added value of their products, so that they can maintain their competitive strength in the market.

1.2.4.2 Regulatory environment

In terms of the legal environment, the Legislative Yuan already largely amended relevant laws in 2005 to increase several legal requirements for corporate governance. In response to such legal environmental change, we have begun proactively to study measures for strengthening corporate governance and other ancillary measures.

1.2.4.3 Macroeconomic conditions

We are in the fast moving consumer goods (FMCG) business; therefore, revenue is closely related with the demographic size and national GDP. As the birth-rate in Taiwan has been falling recently, an ageing society with population decline is expected in the future, which would limit the growth momentum of the FMCG market. This will indirectly influence our revenue growth. To mitigate the relevant impacts, apart from aggressively internationalizing our business, we implement vertical integration to expand the scope of our products and services to improve competitiveness and maintain revenue growth by offering all-rounded services to our key customers.

2. Company Profile

2.1 Company Profile

2.1.1 Date of incorporation : July 15, 1969

2.1.2 Company history :

Year	Milestones
1969	➤ “Hon Chuan Industrial Limited Company “ with capital of NT\$ 600,000 was established in Chang Hwa City.
1982	➤ Moved to Shiou Shuei, Chang Hwa County due to continued expansion, and was renamed as Hon Chuan Enterprise Co., Ltd.
1983	➤ Expanded product lines to include Aluminum closures, Colored shrinkable labels
1984	➤ Became a certified supplier of Aluminum caps and Labels in Taiwan for Coca Cola, Pepsi Cola, 7-up and other international beverage companies
1987	➤ Acquired land and factory in Taichung Industrial Park
1988	➤ Moved into Taichung Industrial Park to further expand production.
1990	➤ Tsao Hsih- Chung, CEO, was awarded for 13 th Model of Entrepreneurs Prize
1991	<ul style="list-style-type: none"> ➤ Renamed as Hon Chuan Metal Development Co., Ltd. ➤ By introducing High-speed Aluminum Cap Machine from Italy and Gravure Machine from UK, Hon Chuan became the largest closure manufacturer in Taiwan. ➤ Awarded as “Excellent Taxpayer” and “Golden Dragon Award in Precise Machinery” ➤ Added Metal Lug Cap with Safety Button into product line by introducing UK advanced equipment and technology
1992	<ul style="list-style-type: none"> ➤ Acquired Taichung 2nd Plant ➤ Started to develop Plastic cap, Deluxe Aluminum closure, Open pull caps ➤ Awarded as “ Excellence in harmony between Labor and Capital”
1993	➤ Started to produce Deluxe Aluminum closure for deluxe wine by introducing automated European equipment
1994	<ul style="list-style-type: none"> ➤ Added multi-purpose bioriented polyolefin shrinkable film into product line by importing European manufacturing technologies ➤ Acquired Plastic cap equipment and introduced overseas advanced technology ➤ Acquired Open Pull Cap Equipment for the use of Juice and function drinks
1995	➤ Won a series of awards including “Outstanding Management,” ”Product Development,” ”Exportation” and “Industry Automation” from R.O.C Packaging Association
1996	<ul style="list-style-type: none"> ➤ Our high quality plastic cap was approved and recognized by Coca Cola and Hon Chuan became the unique supplier ➤ won this award. Received ISO 9002 accreditation
1998	➤ Started to Manufacture battery casing and accurate electronic parts

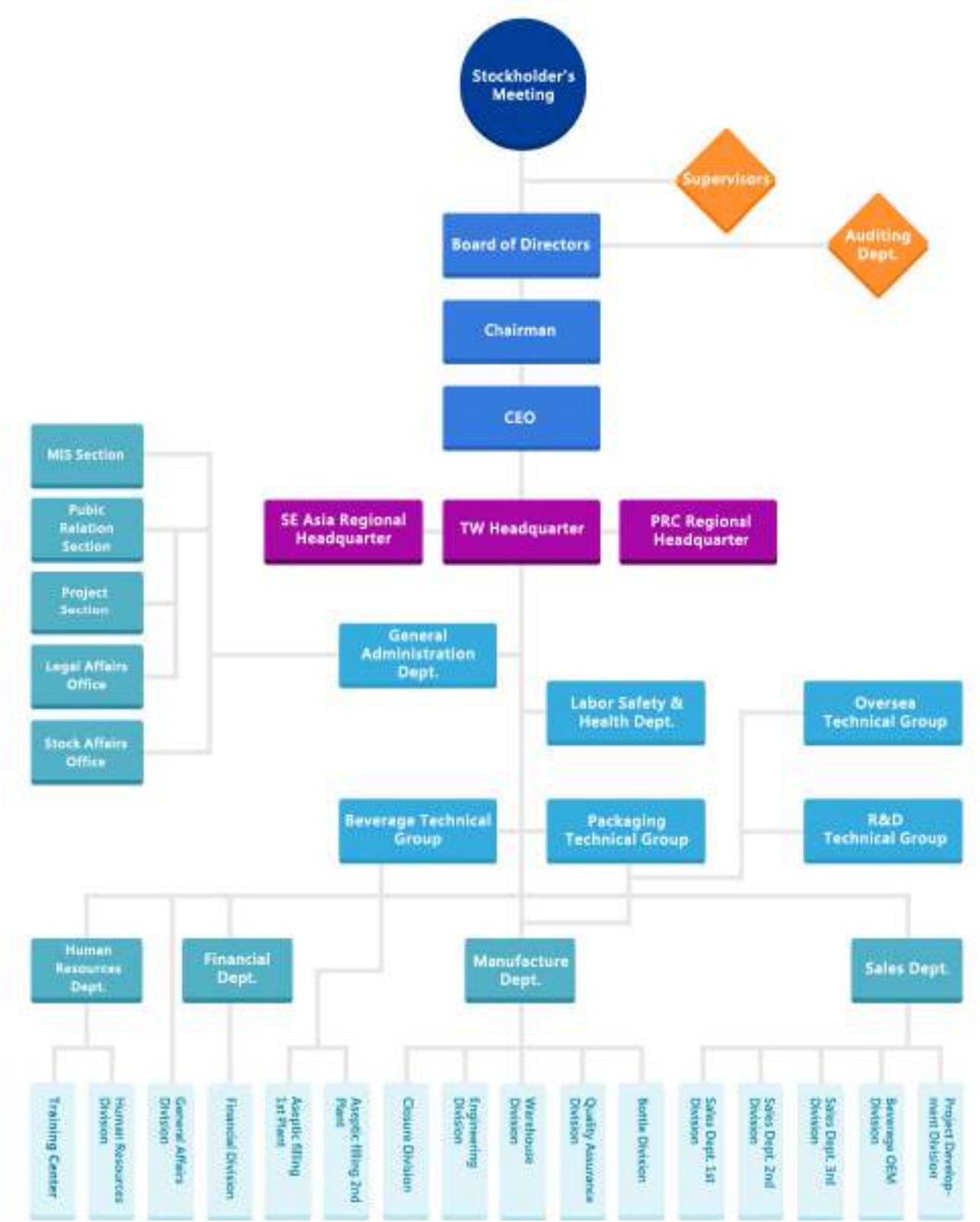
1999	➤ Renamed as “Taiwan Hon Chuan Enterprise Co., Ltd.” to strive for international recognition
2000	➤ Expanded the facilities to produce PET bottles so that customer can acquire PET bottles in additions to plastic caps, aluminum closures and colored labels on a one-stop shopping basis.
2001	<ul style="list-style-type: none"> ➤ Listed on the Taiwan Stock Exchange on March 2, ➤ Produced Anti-Static Materials and passed TFT-LCD customers’ certification ➤ Awarded “Outstanding Industry” by National Industry Awards
2002	<ul style="list-style-type: none"> ➤ Acquired the shares of Suzhou Hon Chuan to develop Great China market ➤ Received ISO 9001:2000 accreditation
2003	➤ Established “Hon Chuan (China) Holdings Co., Ltd.” under which subsidiaries in Suzhou, Changsha, Taiyuan and Jinan were set up to tap into China market.
2004	<ul style="list-style-type: none"> ➤ Set up In-House Bottling Lines at Uni-President, Yang Mei Plant and Uni-President, Rui Fang Plant. ➤ Incorporated “Hon Chuan (Asia) Holdings Co., Ltd.,” which invested Hon Chuan (Thailand) plant, Hon Chuan FD plant, Hon Chuan (Indonesia) plant to explore South East Asia Market ➤ Established headquarter in Taiwan, overseeing the operations in Taiwan, China and South-East Asia.
2005	➤ Set up Ningbo Hon Chuan to manufacture battery casing and accurate electronic parts in China
2006	<ul style="list-style-type: none"> ➤ Set up 4 mineral water production lines in Suzhou Hongxing, Changsha Hon Chuan, Jinan Hon Chuan and Taiyuan Hon Chuan ➤ Established Taichung 1st Aseptic Filling Plant at Chungkang Export Processing Zone for aseptic co-packing businesses.
2007	➤ Established “Hon Chuan (Vietnam) Ltd.” to explore Vietnam market.
2008	➤ Set up PET blowing production lines at Coke Cola, Taoyuan plant (In House) and Chen Kou Wei, Long Cyuan plant (In House)
2009	<ul style="list-style-type: none"> ➤ Set up Qingxin Hon Chuan at Guangdong, China to provide caps, preforms and beverage OEM service ➤ Built Tainan plant to provide beverage OEM service for Coke Cola
2010	<ul style="list-style-type: none"> ➤ Established HeySong Chungli (In-house) Plant and Kuang Chuan Jiayi (In-house) Plant ➤ Established Hon Chuan Indonesia Futami (In house) Plant ➤ Established Xian Coca Cola (In house) plant to provide preforms and water OEM service ➤ Established Kunming (In house) plant and Lanzhou (In house) plant for Pepsi China ➤ Won the 20th National Quality Award as recognition for Hon Chuan’s high product quality and excellent operational management.
2011	<ul style="list-style-type: none"> ➤ Set up In-house plastic cap production line at Jing Mai Liang Company in China. ➤ Built Vietnam plant and Malaysia plant to produce plastic cap and

	<p>preform for local market.</p> <ul style="list-style-type: none"> ➤ Established In-house blowing bottle plant to cooperate with Cocoland Company in Malaysia. ➤ HON CHUAN set up the 2nd aseptic filling beverage plant in Taichung.
2012	<ul style="list-style-type: none"> ➤ Built aseptic filling beverage plant in Zhangzhou, China.
2013	<ul style="list-style-type: none"> ➤ Received recognition from the Industrial Development Bureau. ➤ Awarded SGS ISO-9001 certificate for International Quality of Assurance System and Quality of Sustainability Award. ➤ Set up the 3rd aseptic filling beverage plant in Taichung. ➤ Set up Chuzhou (In House) plant in Anhui, China ➤ Set up Hon Chuan Myanmar plant
2014	<ul style="list-style-type: none"> ➤ Set up aseptic filling beverage (In House) plant in Xiantao, Hubei, China ➤ Set up Aseptic filling plant in Surabaya in Indonesia. ➤ Started a joint venture, Honly plant, with the local beverage producer in Cambodia. ➤ Awarded for Occupational safety Investment in Traditional Industries awarded by Ministry of Labor.
2015	<ul style="list-style-type: none"> ➤ Actively developed new products like hologram aluminum closure, digital printing plastic cap, digital printing label, QR code products, thermochromics label, bag in box and PVC free LUG cap to add values ➤ Built up Auto Storage/Retrieval Warehouse at headquarter and aseptic filling beverage 2st plant ➤ Established In-house blowing bottle plant to cooperate with Foodstar Company in Thailand. ➤ Awarded for Excellence Occupational Safety and Health from Health Promotion Administration, Ministry of Health and Welfare.

3. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

Department	Functions
General Administration Dept.	Responsible for planning and execution of business objectives, internal control systems, performance analysis, ERP systems and project management.
Auditing Dept.	Ensure the effectiveness of internal control system, comprehensiveness of corporate governance, and the accuracy of financial and accounting data.
Sales Dept.	Responsible for formulating and implementing marketing strategies, maintaining customer's relationship as well as new customer development, and achieving sales targets.
Manufacture Dept.	Responsible for product manufacturing, production capacity allocation, inventory menegement and transportation scheduling
Financial Dept.	Responsible for the summarization and supply of accounting information, management and operation of finance and investment, cost calculation and stockholding services.
Packaging Technical Group	Responsible for Integration of manufacturing, technology, R&D, QC, and relative affaires in packaging material sector
Beverage Technical Group	Responsible for Integration of manufacturing, technology, R&D, QC, and relative affaires in beverage OEM sector
Human Resource Dept.	Responsible for Human resource planning, recruitment, training, , career planning, employee's welfare, relationship, etc
Labor Safety & Health Dept.	Responsible for planning and execution of industrial safety , sanitation, environmental protection

3.2 Information regarding directors, supervisors, management team and branch managers :

3.2.1 Information regarding Directors and Supervisors :

3.2.1.1 Information regarding Directors and Supervisors :

April 30, 2016

Title	Nationality	Name	Date of Election (Inauguration)	Term of office	First elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	R.O.C.	Dai, ung-Chuan	2014.06.18	3 years	1996.10.4	1,804,712	0.69%	3,711,286	1.27%	716,619	0.24%	0	0	1)Bachelor Degree in Civil Engineering, National Taiwan University, Taiwan 2) Master Degree in Structural Engineering, University of California, Berkeley, U.S.A. 3)MBA, Columbia University, U.S.A. 4)A Chartered Structural and Civil Engineer in ROC.	1)Chairman of Hon Chuan Investment Co., Ltd. 2)Chairman of Hon Tong Investment Co., Ltd. 3)Director of Ren Sun Construction Co., Ltd	Director Vice President	Dai, Hung-I Cheng, Ya-wen	Brother Spouse
Director	R.O.C.	Tsao, Hsin-Chuan	2014.06.18	3 years	1982.03.22	2,380,243	0.92%	4,329,243	1.48%	1,283,064	0.44%	0	0	1)The recipient of the13th China Youth Career Initiation Honor Award 2)Graduated from Enterprise Management refresher courses 3)Wharton School of the University of Pennsylvania, U.S.A. 4)The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2000	1) President of HON CHUAN 2) Chairman of Hsieh-Yueh Development Co., Ltd.	Supervisor	Tsao, Yu-Yu	Daughter
Director	R.O.C.	Liu, Yun-Chung	2014.06.18	3 years	1911.04.20	597,350	0.23%	689,303	0.24%	98,641	0.03%	0	0	1)EMBA, Beijing University, China 2)The Outstanding Enterprise Manager Award Of R.O.C in 1996 3)The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2002 4)The Distinguished Alumni Award of National Chin-Yi University of Technology in 2010	Vice President of HON CHUAN	—	—	—
Director	R.O.C.	Chang, Chun-Shu	2014.06.18	3 years	1993.12.17	2,657,234	1.02%	2,667,234	0.91%	416,089	0.14%	0	0	Graduated from National Taichung Institute of Commerce, Taiwan	—	—	—	—
Director	R.O.C.	Lin, Chuan-Nui	2014.06.18	3 years	1993.12.17	2,880,203	1.11%	2,830,795	0.97%	677,739	0.23%	0	0	Graduated from National Taichung Institute of Commerce, Taiwan	—	—	—	—

Title	Nationality	Name	Date of Election (Inauguration)	Term of office	First elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	R.O.C.	Dai, Hung-I	2014.06.18	3 years	1996.10.4	3,400,434	1.31%	5,307,008	1.81%	1,473,467	0.50%	0	0	1)Bachelor Degree in Architecture, Tamkang University, Taiwan 2)Master Degree in urban design, University of Sydney, Australia 3)A Chartered Architect in ROC. 4)A Member of urban design committee of the Taichung City Government	Chairman of Hon Yi Investment Co., Ltd., Hon Sun Investment Co., Ltd. and Ren Sun Construction Co., Ltd.	Chairman Vice President	Dai, Hung-Chuan Cheng, Ya-wen	Brother Relationship in law
Director	R.O.C.	China Development Industrial Bank	2014.06.18	3 years	1995.11.30	1,477,626	0.57%	751,086	0.26%	0	0	0	0	—	—	—	—	—
	R.O.C.	Representative : Cheng, Chien-Hua (Note)				0	0	0	0	0	0	0	0	Master's degree in Institute of Technology Management, National Tsing Hua University	1)Manager of China Development Financial Holding Corporation. 2) Representative of Beauty Essentials International Ltd.			
Supervisor	R.O.C.	Lin, Chun-Chin	2014.06.18	3 years	1999.04.20	85,317	0.03%	141,529	0.05%	2,497	0	0	0	1)Bachelor Degree in Accounting, National Taiwan University, Taiwan 2)Partner of EnWise CPAs &Co.	Partner of EnWise CPAs &Co.	—	—	—
Supervisor	R.O.C.	Tsao, Yu-Yu	2014.06.18	3 years	2012.06.15	1,025,379	0.39%	2,177,414	0.74%	0	0	0	0	Graduated from University of Victoria, Canada	Director of Hsih-Yueh Development Co., Ltd.	President	Tsao, Hsin-Chuan	Father
Supervisor	R.O.C.	Hsih-Yueh Development Co., Ltd.	2014.06.18	3 years	2012.06.15	698,579	0.27%	1,113,115	0.38%	0	0	0	0	Graduated from China Medical University, Taiwan	1)President of Honda Manpower Agency Co., Ltd 2)Chairman of Mediation Committee of the Changhua City Government	—	—	—
	R.O.C.	Representative : Hsu, Cheng-Chuan				935	0	1,078	0	3,000	0	0	0					

Note : : China Development Industrial Bank changed its representative from Mr. Hsu Wen Cheng to Cheng, Chien-Hua on August 31, 2015.

3.2.1.2 Major shareholders of Institutional Shareholders :

December 31, 2015

Institutional shareholders	Major shareholders of institutional shareholders	Shareholding ratio
China Development Industrial Bank	China Development Financial Holding Corporation	100%

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders	Shareholding ratio
China Development Financial Holding Corporation	1. Hsing Wen Investment Co., Ltd.	4.29%
	2. China Life Insurance Co., Ltd.	3.71%
	3. Fubon Life Insurance Co., Ltd.	3.01%
	4. Jing Kwan Investment Co., Ltd.	2.75%
	5. KGI Securities Co., Ltd.	2.00%
	6. Standard Chartered Bank in custody for Vanguard Emerging Markets Stock Index Fund	1.72%
	7. Government of Singapore	1.65%
	8. Cathay Life Insurance Co., Ltd.	1.42%
	9. Bank of Taiwan	1.36%
	10. Bureau of Labor Funds	1.11%

3.2.1.3 Criteria for Expertise and Independence of Directors and Supervisors :

Name	Qualifications	Meet One of the Following Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)										Concurrently Serving as an Independent Director / Number of Other Public Companies
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department elated to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Dai, Hung-Chuan			✓	✓					✓	✓	✓		✓	✓	0
Tsao, Hsin-Chuan				✓					✓	✓	✓		✓	✓	0
Liu, Yun-Chung	✓			✓			✓		✓	✓	✓	✓	✓	✓	0
Chang, Chun-Shu				✓	✓				✓	✓	✓	✓	✓	✓	0
Lin, Chuan-Nui				✓	✓				✓	✓	✓	✓	✓	✓	0
Dai, Hung-I			✓	✓					✓	✓	✓		✓	✓	0
China Development Industrial Bank Representative: Cheng, Chien-Hua (Note 1)				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Lin, Chun-Chin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tsao, Yu-Yu				✓	✓		✓		✓	✓	✓		✓	✓	0
Hsih-Yueh Development Co., Ltd. Representative : Hsu, Cheng-Chuan				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0

Note1 : China Development Industrial Bank has changed its representative form August 31, 2015.

Note2 : A “✓” is marked in the space beneath a condition number when a director or supervisor has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

- (1) Not an employee of the Company or any of its affiliated companies.
- (2) Not a director or supervisor of any of the Company's affiliates. The same does not apply, however, in case where the person is an independent director of the parent company or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, or a spouse thereof. The establishment of a remuneration committee for listed or over-the-counter market trading companies, as well as members of the remuneration committee exercising the powers of Article 7 in the performance of their duties, are not subject to the above restrictions.
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (9) Not been a person of any conditions defined in Article 30 of the Company Code.
- (10) Not a government, institutional person or its representative as defined in Article 27 of the Company Code.

3.2.2 Information Regarding Management Team :

April 30, 2016

Title (Note)	Nationality	Name	Date of Inauguration	Shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Concurrent Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation ship
President	R.O.C.	Tsao, Hsih-Chung	79.6.1	4,329,243	1.48%	1,283,064	0.44%	0	0	1)The recipient of the13th China Youth Career Initiation Honor Award 2)Graduated from Enterprise Management refresher courses 3)Wharton School of the University of Pennsylvania, U.S.A. 4)The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2000	Chairman of Hsih-Yueh Development Co., Ltd.	-	-	-
Vice President	R.O.C.	Liu, Yun-Chang	82.3.1	689,303	0.24%	98,641	0.03%	0	0	1)EMBA, Beijing University, China 2)The Outstanding Enterprise Manager Award Of R.O.C in 1996 3)The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2002 4)The Distinguished Alumni Award of National Chin-Yi University of Technology in 2010	-	-	-	-
Sales Dept. Executive Vice President	R.O.C.	Pai, Wen- Pin	82.6.1	12,693	0	0	0	0	0	1) Graduated from Mingdao high school. 2)Completed a Management course at Tunghai University	-	-	-	-
Sales Dept. Vice President	R.O.C.	Tseng, Wen-Hua	103.3.1	663	0	81,000	0.03%	0	0	1) Graduated from National Chin-yi University of Technology. 2)Completed a Marketing Management course at Tunghai University	-	-	-	-
Financial Dept. Senior Vice President	R.O.C.	Cheng, Ya-wen	97.1.1	716,619	0.24%	3,711,286	1.27%	0	0	1) Graduated from Dep. Economics, National Taiwan University. 2) Master of Accounting at University of Illinois at Urbana Champaign. 3)CPA of Taiwan, U.S. and Australia	Director of Hon Chuan Investment Co., Ltd. and Hon Tong Investment Co., Ltd.	-	-	-
Packaging Technical Group Vice President	R.O.C.	Lee, Chin-Hsiung	103.3.1	1,299	0	16,769	0.01%	0	0	1) Graduated from Dep. Electronics, National United University. 2)Completed a Management course at Asia University	-	-	-	-
Beverage Technical Group Vice President	R.O.C.	Lu, Jen-Yao	103.3.1	0	0	3,000	0	0	0	1) Completed an EMBA course at National Cheng Kung University. 2) Section manager of Uni President Co. Ltd. 3)Product Director of HEK group China	-	-	-	-
Sales Dept. Vice President (Note)	R.O.C.	Lai, Shen-Yuan	105.3.29	3,159	0	0	0	0	0	1) Graduated from Dep. Sociology, National Taiwan University. 2)Special Assistant of Chainan construction Co., Ltd.	-	-	-	-
Auditing Dept. Senior Assistant Vice President	R.O.C.	Hsieh, Hung-Lung	98.8.11	613	0	799	0	0	0	1) Graduated from Dep. Industrial Management, National Taiwan University of Science and Technology. 2) MBA of National Yunlin University of Science and Technology. 3)1st Taiwan industrial excellence manager Award.	-	-	-	-

Title (Note)	Nationality	Name	Date of Inauguration	Shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Concurrent Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation ship
Sales Dept. Senior Assistant Vice President	R.O.C.	Fang, Yu-Lung	98.1.1	1,153	0	1,000	0	0	0	1) Graduated from Dep. Chemical Engineering, Shu-te University. 2) Sales Manager of The Key Industrial Co., Ltd.	-	-	-	-
Aseptic Filling Plant Senior Assistant Vice President	R.O.C.	Lee, Ching-Hsiang	98.7.1	0	0	0	0	0	0	1) Graduated from Dep. Chemical Engineering, National Taipei University of Technology. 2) Technical/Application Specialist of Tetra Pak. 3) Manufacturing section manager of Concord Chemical Industrial Co., Ltd.	-	-	-	-
Aseptic Filling Plant Senior Assistant Vice President	R.O.C.	Lu, Ching Chou	101.3.1	0	0	0	0	0	0	1) Graduated from Dep. Mechanical Engineering, National United University. 2) Completed a Management course at Tunghai University.	-	-	-	-
General Administration Dept. Senior Assistant Vice President	R.O.C.	Yen, Ching-Chuan	94.9.6	29,685	0.01%	0	0	0	0	1) Graduated from Dep. Chemical Engineering, Tunghai University. 2) Vice General Manager of Daodi international Co., Ltd	-	-	-	-
Financial Dept. Senior Assistant Vice President	R.O.C.	Chuang, Kuei-Ching	97.2.1	18,507	0.01%	0	0	0	0	1) Graduated from Dep. Accountancy, Chungyu Institute of Technology. 2) Completed a Financial Management Training Program course at Tunghai University.	-	-	-	-
R&D Technical Dept. Assistant Vice President	R.O.C.	Hung, Min-Hsiung	102.10.8	33,344	0.01%	104,048	0.04%	0	0	1) Graduated from Dep. Electronics, Mingdao high school. 2) Completed a Management Training Program course at Tunghai University.	-	-	-	-
Sales Dept. Assistant Vice President	R.O.C.	Ting, Chih-Hao	102.5.1	25,041	0.01%	0	0	0	0	Graduated from Dep. Management, Feng Chia University.	-	-	-	-
Manufacture Dept. Assistant Vice President	R.O.C.	Tsao, Chien-Hsia	102.10.8	24,372	0.01%	11,000	0	0	0	Graduated from Chia Nan University.	-	-	-	-

Note : On March, 29, 2016, Board of Directors approved that Mr. Lai, Shen-Yuan was promoted from Senior Assistant Vice President to Vice President.

3.2.3 Remuneration of Directors, Supervisors, President, and Vice President

3.2.3.1 Remuneration of Directors

December 31, 2015
Unit: NT\$ thousands

Title	Name	Remuneration for Directors								Total of A, B, C and D as % of Net Profit		Compensation Earned as Employee of HON CHUAN or HON CHUAN Subsidiary Affiliates												A · B · C · D · E · F and G as % of Net Profit		Compensation Received from Non-consolidated From HON CHUAN Affiliates
		Salary (A)		Pension (B)(Note1)		Compensation (C)		Allowance (D)				Salary, Bonus etc. (E)		Pension (F)		Employee Profit Sharing (G)				Employee Stock Option (H)		Exercisable Employee Restricted Stock (I)				
		From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities			From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN		From All Consolidated Entities		From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	
										Cash	Stock							Cash	Stock							
Chairmen	Dai, Hung-Chuan	0	0	0	0	7,641	15,983	0	0	0.81%	1.68%	9,709	18,052	114	114	2,254	0	2,254	0	—	—	—	—	2.08%	3.84%	—
Director and President	Tsao, Hsh-Chung																									
Director	Lin, Chuan-Nui																									
Director	Tai, Hung-I																									
Director	China Development Industrial Bank (Representative : Cheng, Chien-Hua) (Note 2)																									
Director	Chang, Chun-Shu																									
Director	Liu, Yun-Chang																									

Note 1 : Pension was recorded as expenses and appropriated in 2015.

Note 2 : China Development Industrial Bank changed its representative from Mr. Hsu Wen Cheng to Cheng, Chien-Hua on August 31, 2015.

Range of Remuneration	Names of Directors			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities
NT\$0 ~ NT\$2,000,000	Dai, Hung-Chuan Tsao, Hsih-Chung Lin, Chuan-Nui Tai, Hung-I China Development Industrial Bank Chang, Chun-Shu Liu, Yun-Chang	Lin, Chuan-Nui Tai, Hung-I China Development Industrial Bank Chang, Chun-Shu Liu, Yun-Chang	Lin, Chuan-Nui Tai, Hung-I China Development Industrial Bank Chang, Chun-Shu	Lin, Chuan-Nui Tai, Hung-I China Development Industrial Bank Chang, Chun-Shu
NT\$2,000,000 ~ NT\$4,999,999	0	0	Dai, Hung-Chuan Liu, Yun-Chang	Liu, Yun-Chang
NT\$5,000,000 ~ NT\$9,999,999	0	Tsao, Hsih-Chung Dai, Hung-Chuan	Tsao, Hsih-Chung	Dai, Hung-Chuan
NT\$10,000,000 ~ NT\$14,999,999	0	0	0	Tsao, Hsih-Chung
NT\$15,000,000 ~ NT\$29,999,999	0	0	0	0
NT\$30,000,000 ~ NT\$49,999,999	0	0	0	0
NT\$50,000,000 ~ NT\$99,999,999	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	7	7	7	7

3.2.3.2 Remuneration of Supervisors

December 31, 2015
Unit: NT\$ thousands

Unit: NT\$ thousands

Title	Name	Remuneration for Supervisors						Total of A, B and C as % of Net Profit		Compensation Received from Non-consolidated From HON CHUAN Affiliates
		Salary (A)		Compensation (B)		Allowance (C)				
		From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	
Supervisor	Lin, Chun-Chih	0	0	900	900	0	0	0.09%	0.09%	None
Supervisor	Tsao, Yu-Yu									
Supervisor	Hsih-Yueh Development Co., Ltd. (Representative : Hsu, Cheng-Chuan)									

Range of Remuneration	Names of Supervisors	
	Total Remuneration (A+B+C)	
	From HON CHUAN	From All Consolidated Entities
NT\$0 ~ NT\$2,000,000	Lin, Chun-Chih Tsao, Yu-Yu Hsih-Yueh Development Co., Ltd.	Lin, Chun-Chih Tsao, Yu-Yu Hsih-Yueh Development Co., Ltd.
NT\$2,000,000 ~ NT\$4,999,999	0	0
NT\$5,000,000 ~ NT\$9,999,999	0	0
NT\$10,000,000 ~ NT\$14,999,999	0	0
NT\$15,000,000 ~ NT\$29,999,999	0	0
NT\$30,000,000 ~ NT\$49,999,999	0	0
NT\$50,000,000 ~ NT\$99,999,999	0	0
Over NT\$100,000,000	0	0
Total	3	3

3.2.3.3 Compensation of President, and Vice Presidents

December 31, 2015
Unit: NT\$ thousands

Unit: NT\$ thousands

Title	Name	Salary(A)		Pension (B)		Special allowances (C)		Profit Sharing- Employee Bonus (D)				Total of A, B,C and D as % of Net Profit		Employee Stock Option		Exercisable Employee Restricted Stock		Compensation Received from Non-consolidated From HON CHUAN Affiliates
		From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN		From All Consolidated Entities		From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend							
President	Tsao, Hsih-Chung	17,352	24,837	231	231	0	0	2,539	0	2,539	0	1.83%	2.62%	—	—	—	—	—
Vice President	Liu, Yun-Chang																	
Vice President	Pai, Wen- Pin																	
Vice President	Tseng, Wen-Hua																	
Vice President	Cheng, Ya-wen																	
Vice President	Lee, Chin-Hsiung																	
Vice President	Lu, Jen-Yao																	

Note : The Company has accrued pension expenses for 2015 and made pension contributions totaling NTD231 thousand (including NTD67 thousand under the new system and NTD164 thousand under the old system).

Range of Compensation	Names of President and Vice Presidents	
	From HON CHUAN	From All Consolidated Entities
NT\$0 ~ NT\$2,000,000	0	0
NT\$2,000,000 ~ NT\$4,999,999	Liu, Yun-Chang Pai, Wen- Pin Tseng, Wen-Hua Cheng, Ya-wen Lu, Jen-Yao Lee, Chin-Hsiung	Liu, Yun-Chang Tseng, Wen-Hua Lu, Jen-Yao Lee, Chin-Hsiung
NT\$5,000,000 ~ NT\$9,999,999	Tsao, Hsih-Chung	Cheng, Ya-wen Pai, Wen- Pin
NT\$10,000,000 ~ NT\$14,999,999	0	Tsao, Hsih-Chung
NT\$15,000,000 ~ NT\$29,999,999	0	0
NT\$30,000,000 ~ NT\$49,999,999	0	0
NT\$50,000,000 ~ NT\$99,999,999	0	0
Over NT\$100,000,000	0	0
Total	7	7

3.2.3.4 Employees' Profit Sharing Bonus Paid to Management Team

December 31, 2015

Unit: NT\$ thousands

	Title	Name	Stock	Cash	Total Employees' Profit Sharing Bonus	Total Employees' Profit Sharing Bonus Paid to Management Team as a % of 2015 Net Profit
Management Team	President	Tsao, Hsih-Chung	None	12,249	12,249	1.29%
	Vice President	Liu, Yun-Chang				
	Sales Dept. Executive Vice President	Pai, Wen- Pin				
	Sales Dept. Vice President	Tseng, Wen-Hua				
	Financial Dept. Senior Vice President	Cheng, Ya-wen				
	Packaging Technical Group Vice President	Lee, Chin-Hsiung				
	Beverage Technical Group Vice President	Lu, Jen-Yao				
	Sales Dept. Vice President (Note)	Lai, Shen-Yuan				
	Chief Auditor	Hsieh, Hung-Lung				
	Sales Dept. Senior Assistant Vice President	Fang, Yu-Lung				
	Aseptic Filling Plant Senior Assistant Vice President	Lee, Ching-Hsiang				
	Aseptic Filling Plant Senior Assistant Vice President	Lu, Ching Chou				
	General Administration Dept. Senior Assistant Vice President	Yen, Ching-Chuan				
	Financial Dept. Senior Assistant Vice President	Chuang, Kuei-Ching				
	R&D Technical Dept. Assistant Vice President	Hung, Min-Hsiung				
	Sales Dept. Assistant Vice President	Ting, Chih-Hao				
	Manufacture Dept. Assistant Vice President	Tsao, Chien-Hsia				

Note : On March, 29, 2016, Board of Directors approved that Mr. Lai, Shen-Yuan was promoted from Senior Assistant Vice President to Vice President.

3.2.4 Analyze the ratio of the total remuneration paid to the Company's directors, supervisors, President, and Vice President in the last two years by the Company and all the consolidated subsidiaries to the net income in the proprietary or individual financial report. Explain the remuneration policy, standards, and combinations, remuneration determination procedures, and the relevance of operating performance and future risks :

1. The percentage of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company,

relative to net income.

Title	Total Remuneration as % of 2015 Net Profit		Total Remuneration as % of 2014 Net Profit	
	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities
Directors	2.08%	3.84%	2.00%	3.72%
Supervisors	0.09%	0.09%	0.09%	0.09%
President, and Vice Presidents	1.83%	2.62%	2.30%	3.10%

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and correlation with business performance.

(1)According to the amended Article no.28 of Article of Corporation, if the Company is profitable, Company shall set aside at a maximum of 3% of the profit as remuneration to directors and supervisors. This amended article was proposed by Board of Directors and has yet to be resolved in the shareholders' meeting held in June 22, 2016.

(2)The above remuneration is determined mainly based on the Company's earnings, while taking into account each individual's participation, contribution and performance, as well as the level of remuneration paid by peers.

3.3 Corporate governance practices and status of compliance

3.3.1 Operations of the Board of Directors :

The Board held 7 meetings (A) in 2015 with the attendance record of Board members as follows :

Title	Name	Actual attendance (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Dai, Hung-Chuan	7	0	100	Re-elected from 2014.6.18
Director	Tsao, Hsih-Chung	6	0	86	Re-elected from 2014.6.18
Director	Liu, Yun-Chang	6	1	86	Re-elected from 2014.6.18
Director	Chang, Chun-Shu	6	0	86	Re-elected from 2014.6.18
Director	Lin, Chuan-Nui	5	0	71	Re-elected from 2014.6.18
Director	Tai, Hung-I	6	0	86	Re-elected from 2014.6.18

Title	Name	Actual attendance (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remarks
Director	China Development Industrial Bank Representative : Hsu, Wen Cheng	4	0	80	Re-elected from 2014.6.18 (new representative since 104.8.31 , required Attendance:5)
Director	China Development Industrial Bank Representative : Cheng, Chien-Hua	2	0	100	Re-elected from 2014.6.18 (new representative since 2015.8.31 , required attendance :2)
Supervisor	Lin, Chun-Chih	7	0	100	Re-elected from 2014.6.18
Supervisor	Tsao, Yu-Yu	0	0	0	Re-elected from 2014.6.18
Supervisor	Hsih-Yueh Development Co., Ltd. Representative : Hsu, Cheng-Chuan	7	0	100	Re-elected from 2014.6.18

Other required information:

1. If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified: None
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Measures taken to strengthen the functionality of the board: The Board of Directors has established a Remuneration Committee to assist the board in carrying out its various duties. The objectives to strengthen the functions of board of directors in recent years include:
 - (1) Build up and maintain corporate image and pay attention to social responsibility.
 - (2) Supervise and manage any risks faced by the Company and ensure the Company to comply with related regulations.
 - (3) Stipulate effective and reasonable internal control system.
 - (4) Continuously update corporate website to maintain the latest business and financial information for shareholders

3.3.2 Operations of the Audit Committee and the participation of supervisors in the Board operation :

1. Audit Committee: The Company does not have an Audit Committee.
2. The Board held 7 meetings (A) in 2015 with the attendance record of supervisors as follows :

Title	Name	Actual attendance (B)	Actual attendance Rate (%) (B/A)	Remarks
Supervisor	Lin, Chun-Chih	7	100	Re-elected from 2014.6.18
Supervisor	Tsao, Yu-Yu	0	0	Re-elected from 2014.6.18
Supervisor	Hsih-Yueh Development Co., Ltd. Representative : Hsu, Cheng-Chuan	7	100	Re-elected from 2014.6.18

Other required information :

1. The composition and duties of supervisors :

1.1 Communication between the supervisors and the staff and shareholders of the Company :

- (1) Supervisors can come to the Company and communicate with employees from time to time.
- (2) The Company holds Board of Meetings and Shareholders' Meeting on a regular basis.

1.2 Communication between the supervisors and the chief internal auditor and accountants :

- (1) Supervisors communicate with external auditor about financial situation from time to time.
- (2) The chief internal auditor submits internal audit reports and worksheets to each supervisor for review after audit procedures are conducted on a regular basis.
- (3) The chief internal auditor attends board meetings and reports progress of ongoing audit tasks.

2. Concerning the statement made by the supervisors in the board meeting, the board meeting date, period, content of the resolution, board resolutions, and the Company's handling of the opinions of the supervisors should be clearly stated in the minutes of meeting : None.

3.3.3 The Company's implementation of corporate governance and its deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause :

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description	
1. Has the Company developed and disclosed corporate governance guidelines based on TWSE regulation?	V		The Company has drawn up "Corporate Governance Best Practice Principles" based on TWSE regulation. The principle is passed in the board meeting on November 12 th 2015 and later being presented in the shareholder meeting in June 2016. The Company has disclosed on its official website (www.honchuan.com.tw) and the Market Observation Post System important management policies regarding protecting shareholders' rights, enhancing the responsibilities of the board of directors and functions of shareholders, respecting stakeholders' rights, elevating information transparency and so forth.	Conform to Corporate Governance Best Practice Principles.
2. Shareholding Structure & Shareholders' Rights: (1) Has the Company developed and implemented internal operating processes in managing shareholders' advice, doubt, argument and lawsuit? (2) Does the Company possess a list of major shareholders and a list of owners of these major shareholders? (3) Has the Company established and implemented with its affiliates risk management and firewall system? (4) Does the Company have a code of conduct to prevent the trading of company's stock by insiders with access to nonpublic information?	V		1. The Company has designated spokesperson and Acting Spokesperson for handling shareholders' proposal, doubts, disputes and other related matters. 2. The Company has professional stock transfer agency and designated department such as Investor Relations, Legal Department, to handle shareholders' suggestions, doubts, disputes and litigation. 3. It is included in the Company's internal control system. Personnel doing business within affiliates are considered as independent third party so as to prevent abnormal trading. 4. The Company has created proper management procedures to prevent insider trading.	Conform to Corporate Governance Best Practice Principles. Conform to Corporate Governance Best Practice Principles. Conform to Corporate Governance Best Practice Principles. Conform to Corporate Governance Best Practice Principles.

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description	
3. Composition and Responsibilities of the Board of Directors: (1) Has the Board of Directors developed and implemented diverse corporate policies? (2) Besides existing Remuneration Committee and Audit Committee, is the company voluntarily setting up other committees? (3) Does the company have performance evaluation policy for the Board of Directors? Is the evaluation being conducted annually? (4) Does the Company evaluate certified public accountants' level of independence regularly?	V		5. The directors and the supervisors of the Company have professional industry background and practical experiences in business management, and they participate in further studies irregularly. 6. The Company has set up remuneration committee and call meetings regularly in accordance with the regulations. All committees are in good operation. 7. The operation of the board of directors is obeyed by laws, corporate articles and shareholder resolutions. 8. The Company's CPA is appointed by the board resolution.	Conform to Corporate Governance Best Practice Principles. Conform to Corporate Governance Best Practice Principles. Conform to Corporate Governance Best Practice Principles. Conform to Corporate Governance Best Practice Principles.
4. Has the Company formed channel of communication with stakeholders, set up stakeholders section on the website, and responded properly to social issues of which they are concerned?	V		The Company has created effective communication channel with stakeholders including banks, creditors, employees, customers and suppliers.	Conform to Corporate Governance Best Practice Principles.
5. Does the Company assign professional agencies in handling its stock affairs?	V		The Company has professional stock transfer agency to service shareholders and register department to handle related business.	Conform to Corporate Governance Best Practice Principles.
6. Information Disclosure: (1) Has the Company set up website to disclose financial and management information? (2) Does the Company have any other way of information disclosure, such as setting up an English website, appointing professional personnel to collect and disclose information, fully implementing corporate spokesperson policy and disclosing investor conference details on the website?	V		The Company has set up official website to provide instant company information, finance and business performance and corporate governance information, which is also available in Market Observation Post System. The Company has spokesperson and designated personnel to collect related information of the Company.	Conform to Corporate Governance Best Practice Principles.

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description	
7. Does the Company hold other important information regarding status of corporate governance, includes, but not limited to, employee rights & care, investor relation, supplier relation, rights of interested parties, extension education for director and supervisor, risk management policy, risk measurement standard, customer policy, liability insurance for directors and supervisors ?	V		<ol style="list-style-type: none"> 1. Employees' rights: the Company has set up the Employee Welfare Committee to protect employees' rights and well-established personnel training and promotion system. 2. Employee care: the Company has mature employee complaint system and personnel education training, providing employee dormitory and activity center in the hope of contributing to every employee's physical and mental health. 3. Investor relations: the Company has created official website to provide instant company information and also make it available in Market Observation Post System. The Company has spokesperson to handle related matters. 4. Supplier relations 、 stakeholders' rights: The Company has maintained efficient communication channel with its suppliers and stakeholders, including banks, creditors, employees and customers. 5. Further studies of the board of directors and supervisors: the directors and the supervisors of the Company have professional industry background and practical experiences of business management, and they participate in further studies irregularly. 6. Implementation of risk management policies and risk measuring standards: the Company has established robust risk management policies for every cycle in the internal control system and has been executing strictly. 7. Execution of client policy: the Company focuses on improving quality and vertical integration, providing complementary measures in every aspect for customers to devoting to their own-brand managing and channel expanding, and thus being competitive in the markets. 8. Purchasing of liability insurance for the board of directors and supervisors: the Company has purchased liability insurances for the board of directors and supervisors. 	Conform to Corporate Governance Best Practice Principles.

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies
	Yes	No	Description	
8. Does the Company prepare its own corporate governance report or assign the duty to professional institution? If so, please elaborate on the Board's comment, evaluation result, drawback, feedback and improvement.		V	The Company has included the operation of the board of directors and the remuneration committee in the internal auditing process, and there is no significant deficiency.	The Company is planning to prepare its own governance report so as to conform to the law.

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee :

3.3.4.1 Professional Qualifications and Independence Analysis of Remuneration Committee Members

Identity	Name	Over five years of experience and the following professional qualifications			Independence criteria (Note 1)								Serving as a Remuneration Committee member of another public company	Remarks (Note 2)
		University teaching in areas of commerce, law, finance, accounting or related corporate business	Working as a judge, attorney, lawyer, accountant or other positions that require professional certification	Work experience in commerce, law, finance, accounting or related corporate experiences	1	2	3	4	5	6	7	8		
Others	Gong, Ying-Zhong			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	-
Others	Liu, Zi-Xing			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	-
Others	Huang, Xiang-Ying	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-

Note 1 : A “✓” is marked in the space beneath the respective column when a director or supervisor has met that condition during the two-year prior to election and during his or her period of service; the conditions are as follows :

- (1) Not employed by the Company or an affiliated business.
- (2) Not a director or supervisor of the Company or its affiliated company. This restriction does not apply to independent directors of subsidiaries in which the company or its parent company directly or indirectly holds over 50% of the shareholder voting rights.
- (3) Company shares or being a top-10 natural person shareholder in one's own name, held by a spouse or underage child, or held by nominee agreement.
- (4) Neither a spouse, second-degree relative, nor a fifth degree direct relative of the persons listed under the previous three items.
- (5) Neither a director, supervisor or employee of an institutional shareholder directly owning more than 5% of the company's outstanding shares, nor one of the company's top-five institutional shareholder.
- (6) Neither a director, supervisor, manager or shareholder holding more than a 5% stake in certain companies or institutions that have a financial or business relationship with the Company.
- (7) Not a professional who provides commercial, legal, financial, and accounting services or consulting to the Company or its affiliated companies, proprietor, partner, owner of a company or an institution, partner, director (executive), supervisor (executive), manager, and their spouses.
- (8) Standing does not match any of the scenarios described in Article 30 of the Company Law.

Note 2 : Please indicate whether the member who is a director complies with the requirement of Article 6 Paragraph 5 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter.”

3.3.4.2 Attendance of Members at Remuneration Committee Meetings

- (1) There are three members in Remuneration Committee of the Company.
- (2) Current term of office: June 18, 2014 ~ June 17, 2017.

A total of 2 (A) Remuneration Committee meetings were held in 2015. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Gong,Ying-Zhong	2	0	100%	Re-elected on 2014.6.18
Committee Member	Liu,Zi-Xing	2	0	100%	Re-elected on 2014.6.18
Committee Member	Huang,Xiang-Ying	2	0	100%	Elected on 2014.6.18

Other required information :

1. If the Board of Directors does not accept or amend the suggestions of the Remuneration Committee, please state the Board meeting date, term, the motions, content of the resolutions of the Board, and the Company's handling the opinions proposed by the Remuneration Committee : None.
2. For resolutions reached by the Remuneration Committee regarding which independent directors have voiced opposing or qualified opinions on the record or in writing, the Remuneration Committee meeting date, period, content of the resolution, opinions of all members, and the handling of the opinions of the members : None.

3.3.5 Corporate Social Responsibility :

Item	Implementation Status			Reason for Deviations from Corporate Social Responsibility Best- Practice Principles for TWSE Listed Companies
	Yes	No	Description	
<p>1. Corporate Governance Implementation:</p> <p>(1) Does the Company have corporate social responsibility policy and performance evaluation? If so, are the effect measured?</p> <p>(2) Does the Company regularly hold training program for social responsibility?</p> <p>(3) Has the Company set up specialized/non-specialized division in charge of social responsibility handled by senior managers authorized by the Board? If so, does the division report to the Board?</p> <p>(4) Has the Company established reasonable remuneration policy, combined performance evaluation system with social responsibility policy, and set up effective employee performance appraisal system?</p>	V		<p>1. Our company has stipulated corporate social responsibility practical principle in accordance with Corporate Government Best Practice Principles for TWSE/GTSM Listed Companies which has been approved by board meeting, and it would be presented at the stockholders' meeting held in June, 2016 as well. Our company has also established Safety and Hygiene committee to prevent the accident in related working process.</p> <p>2. Push Self-protection System, Responsibility Care System, Contractors Management, Toxic Chemical Substances Control, Transportation safety management. The purpose is to reach zero occupational hazards, protect our employees and the publics.</p> <p>3. Our company has established "Human Resource development committee and the educational training is also held regularly to cultivate each kind of professional personnel and raised their working skills as well as management abilities.</p> <p>4. The employee's performance examination has been introduced to clarify the standard of being awarded and punished, and it also facilitates our company management.</p>	In conformity with corporate social responsibility practical principle.
<p>2. Environmental Sustainability and Responsibility:</p> <p>(1) Is the Company committed to enhancing efficiency of resource use and using renewable materials with less environmental impact?</p> <p>(2) Has the Company developed environmental protection policy suitable for its industry characteristics?</p> <p>(3) Is the Company aware of the impact</p>	V		<p>1. We aggressively introduce light-weighting products in closure and PET bottle to reduce the material consumption and carbon emissions.</p> <p>2. By launching innovative business model, In-House, to reduce the energy consumption for packaging and transportation, carbon emissions also decreases.</p> <p>3. Adopting easy-tearing line label design to facilitate PET</p>	In conformity with corporate social responsibility practical principle.

Item	Implementation Status			Reason for Deviations from Corporate Social Responsibility Best- Practice Principles for TWSE Listed Companies
	Yes	No	Description	
environmental changes has on its operating activities? Does the Company monitor greenhouse emission and design CO2 reduction strategy?			<p>bottle recycling work which also purify the recycling materials.</p> <p>4. By doing the following actions of reconsidering, reducing, redesigning, recycling, recovering, and reusing, we do our best to protect environment as a part of the residence on earth.</p> <p>5. Our main research and development direction is to reduce the packaging material to keep up with the trend of light-weighting, recycling, and carbon footprint.</p>	
<p>3. Keeping social justice:</p> <p>(1) Has the Company designed management policy and procedure in compliance with international human right and related regulation?</p> <p>(2) Has the Company set up channel for complaints for its employees? Does the company handle complaint with care?</p> <p>(3) Does the Company provide its employees with safe & sanitary workplace and regular health educational training?</p> <p>(4) Has the Company developed employee communication mechanism? Does the Company inform employees of any operational changes that might impact them?</p> <p>(5) Does the Company offer career development training program to employees?</p> <p>(6) Does the Company's consumer protection policy cover areas such as research & development, purchasing, production, processes, and service?</p> <p>(7) Does the Company comply with international standards regarding marketing strategy and label of its products and services?</p> <p>(8) Does the Company take into consideration suppliers' past record of negatively impacting the society and environment?</p> <p>(9) Does the Company include in its contract articles</p>	V		<p>1. Our company provides labor healthy insurance and allocate corporate pension plan to secure our employees' benefit.</p> <p>2. Our company set up the general manager's mailbox to provider our employee a smoother channel of communication between managers and employees. Those issues will be raise during company's monthly regular meeting.</p> <p>3. We established Occupational Safety department to promote the related policies, and founded Infirmary to assist our employee's healthy management.</p> <p>4. Our company convenes a regular conference for all employees, and the top management will share some important information about operational performance and future direction with the employees. The employees are also free to talk in the reserved presentation section.</p> <p>5. Our company provides the occupational development plan according to the educational training system.</p> <p>6. Our company pays much attention on consumer's benefit. We set up a unitary window to take care of the customer's complaint which will be handled immediately.</p> <p>7. Our company acquired FSSC22000 and some</p>	In conformity with corporate social responsibility practical principle.

Item	Implementation Status			Reason for Deviations from Corporate Social Responsibility Best- Practice Principles for TWSE Listed Companies
	Yes	No	Description	
stipulating the termination of contract if the suppliers conduct any act against corporate social responsibility policy?			international corporation's food safety system certificate, such as Coca-Cola and Pepsi, etc....., We will continue to maintain the quality to satisfy customer's need. 8. While we introduce a new supplier, the investigation will be made to avoid those companies who do not obey CSR policy. 9. Our CSR system will be planed and adjusted to fit the changes of CSR system development and corporate environment whether internationally and domestically.	
4. Enhancing Information Disclosure: (1) Does the Company disclose corporate social responsibility information on the website and Market Observation Post System?	√		Our CSR implementation has been disclosed in the annual report and company website.	In conformity with corporate social responsibility practical principle.
5. Please explain reason for deviation between Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies and the company's implementation status : None. Our corporate social responsibility practical principle has been approved by board meeting, and it would be presented at the stockholders' meeting held in June, 2016 as well.				
6. Other helpful information in understanding corporate social responsibility : <ul style="list-style-type: none"> The numbers of our recruitment toward physically and mentally challenged workers and aboriginal workers has exceeded the quota in law. In addition, we have been awarded for the prize of exceeding quota of disables recruitment and excellent employment for public goods by Taichung city government. We are the only Greater China group supplier awarded "Excellent Effort in Corporate Social Responsibility" from Coca-Cola. We regularly apply activities of blood donation to respond to the concept of "giving blood saves lives" The Company and employee donated whether money or drinks to the area which had damaged by the natural disaster(ex: 9/21 earthquake, 8/8 flood, Sichuan earthquake, 3/31 earthquake in Japan, gas explosion in Kaohsiung; and donated to the charity irregularly, such as TCBC, Red Cross, World Vision, CCF and others. After our aseptic filling plant and packaging museum had been completed, we could provide everyone to visit, and fulfill the educational function of the society. Providing a safe and friendly environment and take care of the employees' healthiness, and achieved many awards from HPA, EPZA, Labor Affairs Bureau of Taichung, Minister of Labor, and achieved to the certification of OHSAS 18001 and TOSHMS. Our employee and the families all participated the activity of Volunteer Day which held by Topkey Foundation on Nov. 7th, 2015. 				
7. Please illustrate if the Corporate Social Responsibility Report has been certified : None.				

3.3.6 Ethical Corporate Management :

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
<p>1. Establishing ECM Best-Practice Principles policy and practice:</p> <p>(1) Has the Company disclosed ethical corporate management policy and conduct in its internal regulations and external papers, as well as implementation promises made by management team and the Boards?</p> <p>(2) Has the Company formulated unethical behavior preventive measures listed with clarity operating process, code of conduct, violation punishment and appeal process? Are the measures being fully implemented?</p> <p>(3) Has the Company taken preventive measures for operating activities with higher risk of unethical behavior stipulated by ECM Best-Practice Principles for TWSE/GTSM Listed Companies Article 7 Paragraph 2?</p>	V		<p>1. We made the principle of ethical management and guidelines, and had been approved on Nov. 12th, 2016 by the Board. The Articles could be found on our official website (www.honchuan.com.tw) to describe the policy and method. The policy and the prevention cause will be made by the Audit Department, and report to the Board regularly.</p> <p>2. Through the principle of ethical management and guidelines and the internal regulation, we have and conduct the specification of discipline and appeal. And also prohibited our employee and supplier to receive the rebate and gift, and should have a report after receive the payment. The employee will be punished and will cancel the relationship with the supplier if violated.</p> <p>3. In order to fulfill the principle, we establish the effective system of accounting and internal control; the internal auditor will audit regularly to see if the system had been followed.</p>	Same as the principle of ethical management and guidelines
<p>2. Implementation of ECM Best-Practice Principles:</p> <p>(1) Does the Company evaluate trading counterparties' ethical record and include articles of ethical conduct in the contract?</p> <p>(2) Has the Company set up specialized unit to promote ethical corporate management? If so, does the unit report to the Board of Directors its execution status regularly?</p> <p>(3) Has the Company established policy to prevent conflict of interest, provide petition channel and execute implementation?</p> <p>(4) Has the Company established an effective accounting system and internal control system of</p>	V		<p>1. Before we conduct the business activity, we had evaluated the necessary ethical record, and had the contract with our customer and set the ethical clause.</p> <p>2. We don't have the specific department to boost the ethical management; each department will make their effort to fulfill the responsibility.</p> <p>3. The handbook for our employee also described that the employee are prohibited to collect the payment and should have a report after receive the payment. We also prohibit that the company cannot have any transaction with fixed person or employee's relatives to avoid the damage of the company's benefit.</p>	Same as the principle of ethical management and guidelines

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
best practices? If so, is it audited by internal auditors or accountant agency regularly? (5) Does the Company hold internal and external ethical corporate management training course regularly?			4. We'll have the training and education to our directors, supervisors, managers, and employees regularly.	
3. Impeachment policy (1) Has the Company create a practical impeachment and reward system, and nominated the ad hoc person to handle the case? (2) Has the Company developed standardized investigation process and confidential agreement? (3) Does the Company have protection mechanism for the impeacher who report violation cases?	V		1. We have general manager's mail box, and let our clients, suppliers and employees to report or appeal. 2. We have made the related specification in the internal system, and described the discipline and the system of appeal clearly when violate the principle of the ethical management. 3. The reporter's identification and the report will be totally secured, and will be investigated by the designated person.	Same as the principle of ethical management and guidelines
Enhancing Information Disclosure: (1) Does the Company disclose ECM Best-Practice Principles details and its execution result on its website and Market Observation Post System?	V		1. We enclose our business culture and the direction of management on our website, and will show the condition of the ethical management on the annual report. 2. We have Administration Department to collect and publish the company's information, establish and report the information of the spokesman by following the rule.	Same as the principle of ethical management and guidelines
5. Please illustrate if ECM Best-Practice Principles execution results deviate from ECM Best-Practice Principles for TWSE/GTSM Listed Companies : None. The principle of ethical management and guidelines had been approved on Nov. 12 th , 2016 by the Board, and will have a report at shareholder's meeting in June.				
6. Other helpful information in understanding ECM Best-Practice Principles such as changes made to ethical management principles : <ul style="list-style-type: none"> ● In order to fulfill the foundation of ethical management, we followed the Company Act, Securities and Exchange Act, Commercial Account Law, the regulation of TWSE/GTSM Listed Companies and other related business law. ● Rules of Procedure for Board of Directors Meetings have the system of interest avoidance, it prohibited someone who had the interest relationship between himself or his representative can't engage the discussion and vote at the meeting. ● We have Operating Procedure for Preventing Insider Trading to prohibit the directors, supervisors, managers and employees cannot disclose the internal material information to anyone. We will have the training and education to our directors, supervisors, managers and employees regularly. 				

3.3.7 Corporate Governance Guidelines and Regulations:

In order to fulfill the management system of Board, the function of supervision and strength the management function, we had established the Regulation of Board of Directors Meetings by following Regulations Governing Procedure for Board of Directors Meetings of Public Companies. Besides, Rules of Procedure for Shareholders Meetings, Remuneration Committee Charter were all published on the official website and MOPS.

3.3.8 Other Important Information Regarding Corporate Governance: :

All Directors and Supervisors have industrial background and management skills and their continuing education in 2015 was as follows :

Title	Name	Date of Election	Date	Host by	Training/Speech Title	Duration
Director	Dai, Hung-Chuan	2014.6.18	2015.9.18	Taiwan Institute of Directors	Industry 4.0 Future Distribution	3 hours
Director	Dai, Hung-Chuan	2014.6.18	2015.11.11	Taiwan Institute of Directors	The 4 th Chinese Family Businesses Forum.	3 hours
Director	Hsih-Yueh Development Co., Ltd. (Representative : Hsu, Cheng-Chuan)	2014.6.18	2015.4.16	Taiwan Academy of Banking and Finance	Corporate Governance forum: Corporate future competitiveness: Corporate social responsibilities (CSR)	3 hours
Director	China Development Industrial Bank (Representative : Cheng, Chien-Hua)	2014.6.18	2015.10.27	Securities and Futures Institute	M&A development and case study.	3 hours
Director	China Development Industrial Bank (Representative : Cheng, Chien-Hua)	2014.6.18	2015.10.27	Securities and Futures Institute	Operation structure and related board of directors and supervisors authority between the parent company and its subsidiary.	3 hours
Supervisor	Lin, Chun-Chih	2014.6.18	2015.3.19	R.O.C. CPAs Association	Tax saving of REIT and Testamentary Trust	6 hours
Supervisor	Lin, Chun-Chih	2014.6.18	2015.12.16	R.O.C CPAs Association	New hourly wages and corporate pension plan	3 hours

3.3.9The implementation of the internal control system :

3.3.9.1 Statement of Internal Control System

Taiwan Hon Chuan Enterprise Co., Ltd. Statement of Internal Control System

Date : March 29, 2016

Based on the findings of a self-assessment, Taiwan Hon Chuan Enterprise Co., Ltd. (HON CHUAN) states the following with regard to its internal control system during the year 2015:

1. HON CHUAN's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and HON CHUAN takes immediate remedial actions in response to any identified deficiencies.
3. HON CHUAN evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. HON CHUAN has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, HON CHUAN believes that, on December 31, 2015, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement will be an integral part of HON CHUAN's Annual Report for the year 2015 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 29, 2016, with none of the six attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Hon Chuan Enterprise Co., Ltd.

Chairman : Dai, Hung-Chuan

President : Tsao, Hsih-Chung

3.3.9.2 If a CPA is commissioned to review internal control system specifically, the review report should be disclosed: None.

3.3.10 The Company and its internal staff being punished lawfully, the punishment given by the Company to the violators of internal control system, major nonconformity, and the improvement in the most recent year and up to the publication of the annual report: None.

3.3.11 The material resolutions reached in the shareholders' meeting and board meeting in the most recent year and up to the publication of the annual report :

3.3.11.1 Major Shareholder Resolutions :

Date of Meeting	Summary of Important Proposals	Execution
June 29, 2015	<ol style="list-style-type: none"> 1. Acknowledged the 2014 business report and consolidated financial statements 2. Status report about the first domestic unsecured convertible bond issued by the Company 3. Approved the decision to establish the Company's Ethical behavior principles of directors, supervisors and managers 4. Approved the appropriation of 2014 earnings. 5. Approved the amendments to the Company's "Articles of Incorporation." 	<ol style="list-style-type: none"> 1. N/A 2. Bondholders applied for redemption totaling 4,245 units upon the maturity of three years in July 2014. 3. N/A 4. Approved August 2, 2015 as record date for payment of 2014 cash dividend 5. N/A

2. Major Board of Director Resolutions :

Date of Meeting	Major Proposals
March 11, 2015	<ol style="list-style-type: none"> 1. Approved the decision to launch cash capital increase of 50, 000 thousand common shares 2. Approved the decision to change external auditors. 3. Approved capital injection from Taiwan Hon Chuan to Hon Chuan Holding Limited, then Hon Chuan Holding Limited to HC (Asia) Holdings Co., Ltd. and from HC (Asia) Holdings Co., Ltd. to HONLY INTERNATIONAL CO., LTD. 4. Approved the decision to set up and invest HONLY ENTERPRISE CO.,LTD. through HONLY INTERNATIONAL CO., LTD.
March 31, 2015	<ol style="list-style-type: none"> 1. Acknowledged the 2014 business report and consolidated financial statements 2. Approved to hold Shareholders' Meeting on June 29, 2015 3. Decided the offering price for 2014 cash capital increase 4. Approved amendments to the Company's "Articles of Incorporation."
May 8, 2015	<ol style="list-style-type: none"> 1. Acknowledged the consolidated financial statements for the 1st quarter of 2015 2. Approved the appropriation of 2014 earnings 3. Approved increase (decrease) of corporate guarantee for subsidiaries

Date of Meeting	Major Proposals
June 29, 2015	<ol style="list-style-type: none"> 1. Approved the record date for payment of 2014 cash dividend 2. Approved set-up of Hon Yun Internet Technology Co., Ltd. with authorized capital of NT\$10,000 thousand dollars and Taiwan Hon Chuan holds 55% shareholding.
August 11, 2015	<ol style="list-style-type: none"> 1. Acknowledge the consolidated financial statements for the first half year of 2015 2. Approved the decision to buy back the Company's shares. 3. Approved increase (decrease) of corporate guarantee for subsidiaries
October 13, 2015	<ol style="list-style-type: none"> 1. Approved the decision to buy back the Company's shares. 2. Approved the proposed invest in the first unsecured convertible bond issued by TCI CO., LTD.
November 12, 2015	<ol style="list-style-type: none"> 1. Acknowledge the consolidated financial statements for the 3th quarter of 2015 2. Approved internal audits' plan for 2016 3. Approved the amendments to the Company's "Articles of Incorporation." 4. Approved the decision to establish the proposal for Company's capabilities to self-prepare financial statements 5. Approved the decision to establish the Company's operational procedures for applications for halt and resumption of trading 6. Approved the decision to establish the Company's procedures for performance evaluation of Directors 7. Approved the decision to establish the Company's Corporate Governance Best Practice Principles 8. Approved the decision to establish the Company's Ethical Corporate Management Best Practice Principles 9. Approved the establishment of the Company's Corporate Social Responsibility Best Practice Principles 10. Approved the decision to establish the Company's Procedures for Handling Material Information
February 4, 2016	<ol style="list-style-type: none"> 1. Approved the cancellation of buy-back shares totaling 16,969 thousand shares. 2. Approved increase (decrease) of corporate guarantee for subsidiaries
March 29, 2016	<ol style="list-style-type: none"> 1. Approved the compensation of employees and remuneration of directors and supervisors. 2. Acknowledged the 2015 business report and consolidated financial statements 3. Approved the appropriation of 2015 earnings. 4. Approved to hold Shareholders' Meeting on June 22, 2016 5. Approved the amendments to the Company's "Articles of Incorporation." 6. Approved the acquisition of Hon Chuan (Africa) Holdings Co., Ltd. 60%'s ownership in Hon Shi (Samoa) Holdings Limited 7. Approved the status regarding proposal for Company's capabilities to self-prepare financial statements 8. Approved increase (decrease) of corporate guarantee for subsidiaries
May 12, 2016	<ol style="list-style-type: none"> 1. Acknowledge the consolidated financial statements for the 1th quarter of 2016 2. Approved the capital injection of Hon Shi (Samoa) Holdings Limited 3. Approved the increase (decrease) of corporate guarantee for subsidiaries

3.3.12 The contents of the board resolutions regarding which independent directors have voiced opposing or qualified opinions on the record or in writing in the most recent year or up to the publication of the annual report : None.

3.3.13 The resignation or dismissal of the Company's Chairman, President, Accounting Officer, Finance Office, Internal Audit Director, and R&D Director in the most recent year or up to the publication of the annual report : None.

3.4 Information Regarding the Company's Audit Fee and Independence :

3.4.1 Non-audit fees paid to CPA, accounting firm and affiliated companies thereof that amount to more than 1/4 of audit fees : **None.**

3.4.2 Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year : **None.**

3.4.3 Reduction of audit fees by more than 15% compared to the previous year : **None.**

CPA Firm	Name of CPAs		Audit Period	Remark
Deloitte & Touche	Yen, Hsiao-Fang	Tseng, Done-Yuin	2015.01.01~2015.12.31	

Unit : NT\$ thousands

Amount range		Fees		Audit fees	Non-audit fees	Total
1	Less than \$2,000 thousand				✓	
2	\$2,000 thousand (inclusive) ~ \$4,000 thousand					
3	\$4,000 thousand (inclusive) ~ \$6,000 thousand			✓		✓
4	\$6,000 thousand (inclusive) ~ \$8,000 thousand					
5	\$8,000 thousand (inclusive) ~ \$10,000 thousand					
6	More than \$10,000 thousand (inclusive)					

3.5 Replacement of CPAs :

3.5.1 Regarding former CPA

Date of change	November 4, 2014		
Reason of change	Internal adjustments within the certifying accounting firm.		
Describe whether the Company terminated or the CPA did not accept the appointment	<div>Parties</div> <div>Status</div>	CPA	The Company
	Termination appointment	N/A	N/A
	No longer accepted (continued) appointment	N/A	N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			other
	None	✓	
	Remarks/specify details:		
Other Revealed Matters	None		

3.5.2 Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Yen, Hsiao-Fang Tseng, Done-Yuin (Note)
Date of appointment	November 4, 2014
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

Note : The change of financial statement auditor was the result of an internal job rotation that took place within Deloitte accounting firm from Yen, Hsiao-Fang and Cheng,Te-Jun to Yen, Hsiao-Fang and Tseng, Done-Yuin.

3.6 The Company's Chairman, President, and Finance or Accounting Officer have held a position in the independent auditing firm or its affiliates over the past year : None.

3.7 Changes in the shares held and pledged by directors, supervisors, managers, and major shareholders holding over 10% of outstanding shares in the most recent year and up to the publication of the annual report :

3.7.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders :

Unit : Share

Title	Name	2015		As of April 30, 2016	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Chairman	Dai, Hung-Chuan	1,706,574	0	0	0
Director and President	Tsao, Hsih-Chung	624,000	0	0	0
Director	Lin, Chuan-Nui	(49,408)	0	0	0
Director	Liu, Yun-Chang	91,953	0	0	0
Director	Tai, Hung-I	1,706,574	0	0	0
Director	China Development Industrial Bank Representative : Cheng, Chien-Hua (Note)	(155,540)	0	(571,000)	0
Director	Chang, Chun-Shu	10,000	0	0	0
Supervisor	Lin, Chun-Chih	36,212	0	0	0
Supervisor	Hsih-Yueh Development Co., Ltd. Representative : Hsu, Cheng-Chuan	414,536	0	0	0
Supervisor	Tsao, Yu-Yu	722,035	975,000	0	119,000
Executive Vice President	Pai, Wen- Pin	1,693	0	0	0
Chief internal Auditor/ Senior Assistant Vice President	Hsieh, Hung-Lung	81	0	0	0
Vice President	Tseng, Wen-Hua	0	0	0	0
Senior Vice President	Cheng, Ya-wen	200,000	0	0	0
Vice President	Lee, Chin-Hsiung	173	0	0	0
Vice President	Lu, Jen-Yao	0	0	0	0
Vice President	Lai, Shen-Yuan (Note 2)	421	0	0	0

Senior Assistant Vice President	Lee, Ching-Hsiang	0	0	0	0
Senior Assistant Vice President	Yen, Ching-Chuan	3,960	0	0	0
Senior Assistant Vice President	Lu, Ching Chou	0	0	0	0
Assistant Vice President	Hung, Min-Hsiung	4,448	0	0	0
Assistant Vice President	Tsao, Chien-Hsia	3,251	0	0	0
Assistant Vice President	Ting, Chih-Hao	25,000	0	0	0
Senior Assistant Vice President	Chuang, Kuei-Ching	457	0	0	0
Senior Assistant Vice President	Fang, Yu-Lung	153	0	0	0

Note 1 : China Development Industrial Bank changed its representative from Mr. Hsu Wen Cheng to Cheng, Chien-Hua on August 31, 2015.

Note 2 : On March, 29, 2016, Board of Directors approved that Mr. Lai, Shen-Yuan was promoted from Senior Assistant Vice President to Vice President.

3.7.2 The counterparty of the equity transfer or equity pledge is a related party: None.

3.8 The Top-10 shareholders who are the spouses or relatives within second-degree to each other :

April 24, 2016

Name	Shareholding of the Principal		Shareholdings by spouse and underage children		Shareholding by nominee arrangement		Spouse, relative of second degree or closer, and relationships among top 10 Shareholders.		Remark
	Shares	%	Shares	%	Shares	%	name	relationship	
Chunghwa Post Co., Ltd.	10,540,964	3.60 %	0	0	0	0	None	None	
Tsao Hung-Yu	6,429,134	2.20%	0	0	0	0	Tsao, Hsih-Chung	Father and son	
Tai, Hung-I	5,307,008	1.81%	1,473,467	0.50%	0	0	Hon Yi Investment Co., Ltd., Dai, Hung-Chuan	Chairman Brothers	
China Life Insurance Co., Ltd.	4,766,910	1.63%	0	0	0	0	None	None	
Tsao, Hsih-Chung	4,329,243	1.48%	1,283,064	0.44%	0	0	Tsao Hung-Yu	Father and son	
Hon Yi Investment Co., Ltd.	4,103,453	1.40%	0	0	0	0	Tai, Hung-I	Chairman	
Dai, Hung-Chuan	3,711,286	1.27%	716,619	0.24%	0	0	Tai, Hung-I	Brothers	
Hon Chuan Investment Co., Ltd.	3,381,123	1.15%	0	0	0	0	Dai, Hung-Chuan	Chairman	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,225,496	1.10%	0	0	0	0	None	None	
Dai, Jong Cheng	3,130,922	1.07%	0	0	0	0	None	None	

3.9 Ownership of Shares in Affiliated Enterprises:

December 31, 2015

Unit : share ; %

Affiliated Enterprises (Note1)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Share	%	Share(Note2)	%	Share(Note2)	%
Hon Chuan Holding Limited	277,196,725	100%	—	—	277,196,725	100%
Hon Chuan (China) Holding Co.,Ltd.	—	—	98,150,376	82.67%	98,150,376	82.67%
Kai Gang Industries Limited	—	—	907,201,807	82.67%	907,201,807	82.67%
Hon Hsing (Samoa) Holding Limited	—	—	126,006,000	82.67%	126,006,000	82.67%
Hon Chuan Enterprise (Suzhou) Company Limited	—	—	(Note2)	82.67%	(Note2)	82.67%
Honly Holding Co.,Ltd.	—	—	7,020,000	60%	7,020,000	60%
Hon Chuan Food Packing (Qingxin) Co.,Ltd.	—	—	(Note2)	82.67%	(Note2)	82.67%
Hon Chuan Food Packing (Zhangzhou) Co.,Ltd.	—	—	(Note2)	82.67%	(Note2)	82.67%
Hon Chuan Food Packing (Chuzhou) Co.,Ltd.	—	—	(Note2)	82.67%	(Note2)	82.67%
Hon Chuan Food Packing (Xiantao) Co.,Ltd.	—	—	(Note2)	82.67%	(Note2)	82.67%
Suzhou Hongxin Food Packing Co.,Ltd.	—	—	(Note2)	82.67%	(Note2)	82.67%
Hon Chuan Enterprise (Changsha) Co.,Ltd.	—	—	(Note2)	82.67%	(Note2)	82.67%
Hon Chuan Food Packing (Jinan) Co.,Ltd.	—	—	(Note2)	82.67%	(Note2)	82.67%
Hon Chuan Food Packing (Taiyuan) Co.,Ltd.	—	—	(Note2)	82.67%	(Note2)	82.67%
Hon Chuan Technologies (Ningbo) Co., Ltd.	—	—	(Note2)	100%	(Note2)	100%
HC (Asia) Holdings Co.,Ltd.	—	—	158,722,505	100%	158,722,505	100%

Hon Chuan Malaysia Sdn. Bhd.	—	—	81,259,900	100%	81,259,900	100%
Hon Chuan Vietnam Co.,Ltd.	—	—	(Note2)	100%	(Note2)	100%
PT Hon Chuan Indonesia	—	—	78,984,413	100%	78,984,413	100%
Hon Chuan (Thailand) Co.,Ltd.	—	—	137,000,000	100%	137,000,000	100%
Hon Chuan FD Packaging Co.,Ltd.	—	—	12,666,225	65%	12,666,225	65%
Hon Chuan (Myanmar) Co.,Ltd.	—	—	89,720,368	70%	89,720,368	70%
Honly International Co.,Ltd.	—	—	490	49%	490	49%
Honly Food & Beverage Co.,Ltd.	—	—	6,000,000	60%	6,000,000	60%
Shanghai Danmao Trading Co.,Ltd.	—	—	(Note2)	25.61%	(Note2)	25.61%

Note 1 : These are long term investments accounted for using equity method by the Company.

Note 2 : It is not applicable for limited companies.

4. Capital Overview

4.1 Capital and Shares :

4.1.1 Sources of capital

4.1.1.1 History of Capitalization

April 24, 2016
Unit : Share/NT\$

Month / year	Issuing price	Authorized capital		Paid-in capital		Remark	
		Shares	Amount	Shares	Amount	Source of capital	Pay for stock shares with property other than cash
05.2015	10	350,000,000	3,500,000,000	309,847,879	3,098,478,790	Capitalization by cash NT\$ 500,000,000	None
02.2016	10	350,000,000	3,500,000,000	292,878,879	2,928,788,790	Cancellation of buy-back shares NT\$169,690,000	None

4.1.1.2 Type of Stock

April 24, 2016 Unit : Share

Type	Shares	Authorized Capital			Remark
		Issued Shares	Un-issued Shares	Total	
Common shares		292,878,879	57,121,121	350,000,000	Listed stock

4.1.2.3 Information for Shelf Registration : None.

4.1.2 Shareholder structure

April 24, 2016 Unit : person/share

Structure of Shareholder	Government institutions	Financial institutions	Other juristic person	Natural person	Foreign institution & foreigners	Total
QTY						
Number of persons	1	29	107	29,969	151	30,257
Shareholding	20	17,155,800	37,789,790	212,863,816	25,069,453	292,878,879
Shareholding ratio	-	5.86%	12.90%	72.68%	8.56%	100%

4.1.3 Status of Ownership Dispersion

4.1.3.1 Common shares :

April 24, 2016 Unit : person/share

Shareholding class	Number of shareholders	Shareholding	Shareholding ratio (%)
1 ~ 999	6,995	1,201,388	0.41%
1,000 ~ 5,000	17,044	35,674,797	12.18%
5,001 ~ 10,000	2,980	22,601,519	7.72%
10,001 ~ 15,000	1,199	14,843,337	5.07%
15,001 ~ 20,000	597	10,756,992	3.67%
20,001 ~ 30,000	527	12,986,008	4.43%
30,001 ~ 40,000	259	9,095,791	3.11%
40,001 ~ 50,000	145	6,588,116	2.25%
50,001 ~ 100,000	247	17,201,803	5.87%
100,001 ~ 200,000	119	15,894,173	5.43%
200,001 ~ 400,000	63	16,874,720	5.76%
400,001 ~ 600,000	18	8,632,548	2.95%
600,001 ~ 800,000	16	10,802,687	3.69%
800,001 ~ 1,000,000	8	6,887,636	2.35%
Over 1,000,001 To be grouped discretionally	40	102,837,364	35.11%
Total	30,257	292,878,879	100%

4.1.3.2 Preferred shares : None.

4.1.4 List of major shareholders

April 24, 2016

Name of major shareholders	Shares	Shareholding	Shareholding ratio (%)
Chunghwa Post Co., Ltd.		10,540,964	3.60%
Tsao Hung-Yu		6,429,134	2.20%
Tai, Hung-I		5,307,008	1.81%
China Life Insurance Co., Ltd.		4,766,910	1.63%
Tsao, Hsih-Chung		4,329,243	1.48%
Hon Yi Investment Co., Ltd.		4,103,453	1.40%
Dai, Hung-Chuan		3,711,286	1.27%
Hon Chuan Investment Co., Ltd.		3,381,123	1.15%
JPMorgan Chase Bank N.A.Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		3,225,496	1.10%
Dai, Rong Cheng		3,130,922	1.07%

4.1.5 Market price, net worth, earnings, and dividends of per share

Item \ Year			2014	2015	As of March31, 2016
Market price per share	Max.		68.7	68	48.41
	Min.		45.2	42.80	44.20
	Average		58.94	55.98	47.29
Net worth per share	Before distribution		40.88	41.09	41.45
	After distribution		-	-	-
Earnings per share	Weighted average shares	Before adjustment	259,847,879	290,686,986	292,878,879
		After adjustment	259,847,879	(Note1)	(Note1)
	Earnings per share	Before adjustment	3.72	3.26	0.71
		After adjustment	3.72	-	-
Dividend per share	Cash dividend		2.2	(Note1)	(Note1)
	Stock dividend	Stock Dividend from Retained earnings	-	(Note1)	(Note1)
		Stock Dividend from additional paid-in capital	-	(Note1)	(Note1)
	Cumulative un-paid dividend		-	-	-
Return on investment analysis	Price-Earnings (P/E) Ratio		15.84	16.67	-
	Profit Ratio		26.88	-	-
	Cash Dividend Yield		3.72%	-	-

Note 1: Appropriation of 2015 earnings had already been passed by the board of directors on March 29, 2016; the proposal will be raised for ratification during 2016 Shareholders' Meeting.

4.1.6 Dividend Policy and Distribution

4.1.6.1 Dividend Policy of the Amended Article of Incorporation resolved by Board of Directors' Meeting in November 12, 2015 is as follows:

- (1) If the Company is profitable, it shall set aside no less than 1% of the profit as employee compensation. Employee's compensation maybe distributed in the form of shares or in cash, and employees qualified to receive such compensation may include employees from affiliates companies who meet certain qualifications.

Company shall set aside at a maximum of 3% of the profit as remuneration to directors and supervisors. The issues relevant to distribution of employee compensation and Director Compensation shall be set by resolutions of the Board of Directors. If the Company has accumulated losses, it shall first deduct the accumulated losses, and then calculate the compensation from the remaining amount.

- (2) Upon closing of accounts, if there shall be any net profit, the Company shall first pay the corporate income tax in accordance with law, make up the losses for the preceding years, then set aside a legal reserve of 10% of the net profit unless the statutory surplus reserve has reached the total capital and then set aside or rotate special reserves; Any further remaining amount shall be added to the unallocated surplus from the prior year as shareholder dividend and bonus. The Board of Directors shall draft a proposal to distribute the surplus, which shall be approved at a shareholders' Meeting.

The dividend policy of the Company shall be made according to the Company's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Company may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated un-appropriated earnings are less than 10% of capital, the Company may decide not to distribute dividend. The shareholders dividend shall be in the form of cash dividends or stock dividend. More than (or equal to) 50% of the total amount of shareholders' dividend shall be in the form of cash dividends.

4.1.6.2 Motion for allocation of dividend to shareholders resolved at the directors' meeting has been proposed to the 2016 Annual shareholders' meeting for ratification

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

4.1.6.3 Give detailed explanations if major change of dividend policy is anticipated :
N/A.

4.1.7 Impact to Business Performance and EPS resulting from Stock Dividend Distribution: Not applicable.

4.1.8 Employees' Compensation and Directors' and Supervisors' Remuneration :

4.1.8.1 Employees' Compensation and directors'/supervisors' remuneration policies as stated in the Articles of Incorporation :

On November 12, 2015, the Board of Directors approved an amendment to the 28th Article of the Company's Articles of Incorporation and has proposed to 2016 shareholders' meeting for ratification. The Amended Article of Incorporation regarding Employees' Compensation and directors'/supervisors' remuneration is as follows:

If the Company is profitable, it shall set aside no less than 1% of the profit as employee compensation. Employee's compensation maybe distributed in the form of shares or in cash, and employees qualified to receive such compensation may include employees from affiliates companies who meet certain qualifications. Company shall set aside at a maximum of 3% of the profit as remuneration to directors and supervisors.

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

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

4.1.8.2 Basis for estimating employees' compensation, directors'/supervisors' remuneration and stock dividends, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid :

If a different amount is resolved during the shareholders' meeting, the difference shall be treated as a change in accounting estimates and recognized as gains or losses in the year resolved.

4.1.8.3 2015 employees' compensation and directors'/supervisors' remuneration proposal passed by the board of directors :

- (1) Disclose the amount, causes and treatments for any differences that arise between the amount proposed and the amount estimated in the year it was recognized as an expense :

The Company proposes to distribute 1.8% or NT\$ 20,240,705 as 2015 employees' compensation and 0.76% or NT\$ 8,540,682 as directors' remuneration. The payment would be made in cash. There were no differences between the amount proposed and the amount estimated in the year it was recognized as an expense.

- (2) The percentage of proposed employee bonus paid in shares, relative to the sum of standalone after-tax net income plus total employee bonus: not applicable (no employee bonus is paid in shares)

4.1.8.4 Actual distribution of 2014 employees' compensation and directors'/supervisors' remuneration:

Units : NT

Items	2014			
	Recorded amount	Actually paid	Difference	Remarks
employees' compensation	23,333,000	23,030,000	303,000	Recorded as Other revenue
directors'/supervisors' remuneration	8,695,913	8,695,913	o	-

The amounts actually paid in 2014 for employee bonus and directors'/supervisors' remuneration were the same as the recorded amounts.

4.1.9 Shares Buyback Execution Report :

April 24, 2016

Number of Transactions	1 st Share Buy-back Status	2 nd Share Buy-back Status
Purpose of the share Buy-back	To stabilize stock price by maintaining company credibility and shareholders rights.	To stabilize stock price by maintaining company credibility and shareholders rights.
Buy-back period	2015.08.24 to 2015.10.08	2015.11.10 to 2015.12.11
Price range of Buy-back shares	NT\$42.80~NT\$50.50	NT\$48.64~NT\$50.63
Number of buy-back shares	7,436,000 shares of Common stock	9,533,000 shares of Common stock
Total amount for buy-back shares	NTD 361,190,457	NTD 474,144,323
Number of Buy-back shares that have been cancelled and transferred	Common stock: 7,436,000 shares	Common stock: 9,533,000 shares
Accumulated Number of buy-back shares	-	-
Accumulated Number of buy-back shares as a percentage of total issued shares	-	-

4.2 Issuance of Corporate Bonds :

4.2.1 Issuance of Corporate Bonds

Type of Corporate Bond		The First Domestic Unsecured Convertible Bonds in 2011
Issuing Date		July 15, 2011
Denomination		NT\$100,000
Listing		N/A
Offering Price		Par
Total Amount		NT\$1 billion
Coupon		0% coupon
Tenor and Maturity Date		Five years ; Maturity Date: July 15, 2016
Guarantor		None
Trustee		First Commercial Bank ,Trust Division
Underwriter		Yuanta Securities Co., Ltd.
Legal Counsel		Hon Der Law Firm Lu, Kung Der Lawyer
Auditor		Deloitte & Touche CPA: Tseng, Done-Yuin 、Cheng, Te- Jun
Repayment		100% principal repayment upon maturity, except for redemption or conversion of convertible bonds provided in the agreement.
Outstanding		NT\$575,500 thousand dollars
Redemption or Early Repayment Clauses		Please refer to Article 18 of Terms and Conditions of the Bonds.
Covenants		Please refer to Article 7 of Terms and Conditions of the Bonds.
Credit Rating		N/A
Other rights of Bond Holders	Amount of Converted or Exchanged Common Shares , ADRs or other Securities	On July, 2014, bondholders applied for redemption at the end of third year with total number of 4,245 units totaling NT\$ 424,500 thousand dollars.
	Terms or Conditions	Please refer to the Article 9 and 10 of Terms and Conditions of the Bonds.
Dilution Effect and Other Adverse Effect on Existing Shareholders		The purpose of this issuance is for building new factory, purchase of production equipment, investment in subsidiaries and increase of working capital. And according to the analytic reports prepared by Yuanta Securities Co., Ltd., this issuance of corporate convertible bonds has very limited dilution on current shares and has no adverse impact on existing shareholders equity.
Custodian		None

4.2.2 Information of Corporate Bonds

Type of Corporate Bonds		The First Domestic Unsecured Convertible Bonds in 2011	
Item	Year	2015	As of April 30, 2016
Market Price	Highest	103.60	99.85
	Lowest	98.15	99.10
	Average	100.06	99.29
Convert Price		Convert Price has been adjusted to NT\$71.90 since August 2, 2015	Convert Price has been adjusted to NT\$71.90 since August 2, 2015
Issue Date and Convert Price at Issue Date		Issue Date : July 15, 2011 Convert Price at Issue Date : NT\$96.4	
Method of Conversion		Issuance of new shares	

4.2.3 Exchangeable Bond : None.

4.2.4 Shelf Registration : None.

4.2.5 Bond with Warrants : None.

4.3 Preferred Shares : None.

4.4 Global Depository Receipts : None

4.5 Employee Warrants : None.

4.6 Subscription of New Shares by Employees and Restricted Shares : None.

4.7 Mergers, Acquisitions and Spin-off : None.

4.8 Financing plans and Implementation

For the period as of the quarter preceding the date of printing of the annual report, with respect to public issue that were completed in the most recent 3 years was the cash capital increase carried out in 2014. The details of the plan and the implementation of this cash capital increase is as follows:

4.8.1 Content of Plan

1. Date of approval by governing agency: October 30, 2014
2. Total fund required for this plan: NT\$2,600,000 thousand.
3. Source of Funds :

(1) Regarding this cash capital increase, 50,000 thousand new shares were issued at NT\$10 par value, at the offering price of \$52 per share, estimated to raise NT2,600,000 thousand.

(2) When the Issue price of this cash capital increase is adjusted due to the fluctuation of stock market and the fund is not completely raised, the Company would reduce the amount for repayment of bank loans. Whereas the fund is raised above expectation, the Company would use the proceeds to repay the bank loans.

4. Items of plans and Estimated schedule of fund application

In NT thousand dollars

Items of plans	Expected completion date	Total fund required	Estimated schedule of fund application
			4 th quarter, 2014
repayment of bank loan	4 th quarter, 2014	2,600,000	2,600,000
Total		2,600,000	2,600,000

Note : This capital increase was approved by Financial Supervisory Commission, R.O.C. (Taiwan) with letter no. 1030042045 on October 30, 2014 and was approved to extend another three months with letter no. 1040000046 on January 7, 2015

5. Expected benefits :

The fund totaling NT\$2,600,000 thousand is used to repay the bank loan to reduce interest expenses and fortify financial structure. By using current interest rate, it is estimated to reduce interest expense of NT\$1,832 thousand dollars for 2014 and saves NT\$43,974 annually in subsequent years.

6. Any Change relating to this Cash Capital Increase : None.

7. Date of Public Disclosure: October 30, 2014

4.8.2 Implementation

Status of execution for 2014 cash capital increase

In NT thousand dollars : %

Items of plan	Status of execution		Up to 2st Quarter, 2015
repayment of bank loans	Disbursement	Expected	2,600,000
		Actual	2,600,000
	Status	Expected	100%
		Actual	100%

Note : This capital increase was granted by Financial Supervisory Commission, R.O.C. to extend another three months for public offering with letter no. 1040000046 on January 7, 2015. The Company completed the rights issue at the end of April, 2015 and repaid the bank loans on May 8, 2015.

4.8.3 Comparison of estimated benefits and real benefits

In NT thousand dollars

<div> <div>year</div> <div>Item</div> </div>		2013 (before rights issue)	Jan-Aug,2014 before rights issue)	Jan-March,2015 (before rights issue)	April-June,2015 (after rights issue)
Basic financial information	Current assets	2,230,017	3,129,718	2,193,402	2,714,646
	Current liabilities	2,222,663	4,007,561	3,000,776	3,189,898
	Total debt	5,890,955	7,430,426	6,419,774	5,317,976
	Sales revenue	7,365,859	5,436,190	1,495,778	1,982,312
	Interest expense	62,970	50,786	19,192	15,230
	EPS(NT\$ dollor per share) (note)	4.27	3.79	0.97	1.40
Financial structure	Debt ratio (%)	23.43	41.85	37.71	29.54
	Long term investment/fixed assets (%)	236.06	266.76	285.30	301.55
Ability to repay debt	Current ratio (%)	108.8	78.1	73.09	85.10
	Quick ratio (%)	65.28	56.44	38.91	50.91

Source of data : 2013 Audited non-Consolidated financial Statements, 2015 1st Quartered Reviewed non-Consolidated financial Statements, 2015 2st Quartered Reviewed non-Consolidated financial Statements and Jan-Aug, 2015 management accounts of the Company.

Note : For Jan-Aug, 2014, the figure was pretax EPS.

The proceeds from this cash capital increase were used to repay the bank loan in the second quarter of 2015 and reduced interest expenses by NT\$ 3,962 thousand in the second quarter, compared with that in the first quarter. And the debt ratio fell from 41.85% at the end of August, 2014 to 37.71% at the end of first quarter, 2015 and reduced further to 29.54% at the end of the second quarter, 2016. Both current ratio and quick ratio improved by 85.10% and 50.91% respectively, compared to the figures at the first quarter of 2015, representing that improved short-term repayment capabilities, reduction in interest expenses and better financial structure.

5. OPERATION HIGHLIGHTS

5.1 Business Activities

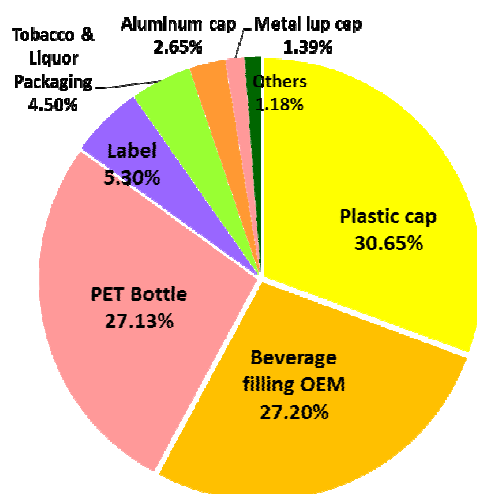
5.1.1 Business Scope

5.1.1.1 Major Business of Hon Chuan :

1. C805010 Plastic Sheets, Pipes and Tubes Manufacturing.
2. C805990 Other Plastic Products Manufacturing.
3. C110010 Beverage Manufacturing.
4. C102010 Dairy Products Manufacturing.
5. CB01010 Machinery and Equipment Manufacturing.
6. CB01990 Other Machinery Manufacturing Not Elsewhere Classified.
7. F206030 Retail Sale of Die.
8. F206010 Retail Sale of Ironware.
9. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified.
10. CA02010 Metal Architectural Components Manufacturing.
11. CA02060 Metal Containers Manufacturing.
12. C801100 Synthetic Resin & Plastic Manufacturing.
13. C701010 Printing.
14. C805020 Plastic Sheets & Bags Manufacturing.
15. C805030 Plastic Made Grocery Manufacturing.
16. CC01090 Batteries Manufacturing.
17. CC01080 Electronic Parts and Components Manufacturing.
18. F401010 International Trade.
19. F102030 Wholesale of Tobacco Products and Alcoholic Beverages.
20. F102040 Wholesale of Nonalcoholic Beverages.
21. F401171 Alcohol Drink Import.
22. C801010 Basic Industrial Chemical Manufacturing.
23. F213080 Retail Sale of Machinery and Equipment.
24. F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified.
25. CA01990 Other Non-ferrous Metal Basic Industries.
26. CZ99990 Other Industrial Products Manufacturing Not Elsewhere Classified.
27. IZ06010 Cargoes Packaging.
28. F103010 Wholesale of Animal Feeds.
29. F202010 Retail sale of Animal Feeds.
30. F107050 Wholesale of Manure.
31. F207050 Retail Sale of Manure.
32. F121010 Wholesale of food additives.
33. F221010 Retail of food additives.
34. F102180 Wholesale of Ethanol.
35. F203030 Retail Sale of Ethanol.
36. F203020 Retail Sale of Tobacco and Alcoholic Drinks.
37. F401161 Tobacco Products Import.
38. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

5.1.1.2 Major products and Revenue distribution

Major products of 2015 sales :



Unit: NT\$ thousands

2015	Net Sales	%
Plastic cap	5,082,032	30.65%
Beverage filling OEM	4,509,534	27.20%
PET Bottle	4,497,475	27.13%
Label	878,141	5.30%
Tobacco&Liquor Packaging	745,281	4.50%
Aluminum cap	439,846	2.65%
Metal lug cap	230,135	1.39%
Others	195,933	1.18%
Total	16,578,377	100.00%

5.1.1.3 Information of the Group Segments

Products		ITEM
Cap Products	Aluminum cap	Aluminum closure for hot-fill, carbonated drink, functional beverage, chicken essence, compulsive vacuum closure, open pull cap, deluxe aluminum closure with pen liner, Metal cap (box), aluminum cap (box), aluminum cap for I.V. injection bottle
	Plastic cap	Plastic cap for carbonated drink, mineral water, hot fill drink & aseptic drink.
	Metal lug cap	Metal lug cap with safety button.
Label Products		PVC/OPS/PET shrinkable colorful label, OPP clear based & white based colorful label, LDPE shrinkable film for multipack.
PET Bottle/Preform Products		PET bottle for water product, PET bottle for aseptic product, PET bottle for CSD product, HR PET bottle, HPR PET bottle. Preform.
Beverage Filling OEM		PET Aseptic /Hot-fill/TR beverage filling OEM
Tobacco&Liquor Packaging Products		White acetate tow filter rod, Tipping paper, Cigarette paper, Plug wrap paper, Shrinkable BOPP film, High wet strength aluminum vacuum metallized paper, High wet strength coated paper, Malt, Environmentally-friendly liner.
Other Products		LDPE shrinkable film for multipack.

5.1.1.4 New products development:

1. Development of 1810 BPKS one-piece plastic closure for cold-filling
2. Development of packaging materials for large volume bottled water
3. Development of top hologram hot-stamping and side hot stamping ROPP Closures
4. Development of 3D UV ink shrinkable films.

5.1.2 Market and Sales Conditions

5.1.2.1 The Current Status and the Development of the Industry

According to the 2015 annual report by ITIS, Taiwan's Beverage Industry belongs in the domestic demand oriented industry with a highly concentrated market, and the top eight manufacturers make up for over 70% of the entire market scale; furthermore, in the aspect of the packaging materials, the product containers are diversified as new packaging materials continue to be brought forth through the old ones, and this has become one of the main sources of product differentiation.

As a whole, Taiwan's Beverage Industry is a stable and mature industry, and according to the 2015 Food Industry Year Book by the Food Industry Research and Development Institute, the scale of the beverage market was pointed out to be approximately 51.6 billion dollars. Due to the fact that the industry technology is maturing, the competition in the overall beverage market has become relatively fierce, so all competitors in the market need to invest lots of efforts in the aspects of marketing and product innovation. In addition, in the recent years, the society has placed great emphasis on food safety; our company is actively reinforcing the supplier's source management, applying the SAP system to completely track each product's traceability, and strictly controlling the product quality for you.

It is already the global trend for the beverage packaging to develop towards lightweight, eco-friendly, carbon footprint and carbon labeling, etc. In the recent years, in the domestic market, due to factors such as competition, etc., the relevant industry operators have had limited investment in the new type of production lines; therefore, with the existing packaging equipment, the reduction of packaging material has become the major development. In the recent years, our company, through the cooperation with the leading brands in the beverage market, has controlled the mainstream products in the market, so our revenues have still maintained a sustainable growth.

Our company's major product categories are hereby analyzed as the follows:

(1) Cap Products

The closure is an important part of food and beverage packaging, and is also the customer's first contact with the product; the closure has the characteristics to keep the products airtight and to stabilize the quality, and it also has the functions in terms of pilfer-proof opening and safety, so it is extensively used in the bottled products with content. Therefore, the closure is the upstream industry for food industry, beverage industry, chemical industry, pharmaceutical industry and pickles industry, and is also the key product for the packaging of bottled containers.

The early developments of the closure involved the use of cork materials, SPTE (Steel Plated-Tin, Electrolytic) crown closure and iron spiral closure, and they were all imported from places such as Japan and Germany, etc. With the introduction of cap production technology, there are about 30 to 40 cap production operators, and so far, they have gradually developed products such as long neck aluminum closures, carbonated beverage aluminum closures, hot-fill aluminum closures, injection aluminum closures, medicine bottle closures, open pull ring covers, metal lug closure with safety button, and plastic closures, etc. However, as the majority of manufacturers are unable to continue their investments in R&D and quality improvement, they would withdraw from the cap market due to lack of

competitiveness. Additionally, there are higher barriers to enter the domestic cap manufacturing industry with the characteristics of economies of scale, so the market is highly concentrated.

As the closure plays an important part in the beverage packaging industry, upwardly connecting the metal and plastic raw material industry, downwardly closely related to the beverage industry, the change of demand intensity in the downstream consumption market would directly affect the market demand for closures; and the booming of beverage industry has higher and higher requirements for product packaging, and which also drives the demand for cap products. And cap products stand in a key position in the beverage packaging industry, so the development trend of the beverage industry would directly affect the demand for cap products.

In the cap product market, the demand is stable and showing a growing trend, except for the fact when the packaging materials change, the structure of cap product category would also change accordingly; overall, the use of plastic closures increases proportionally. Even though aluminum closures are partially replaced by plastic closures, it is mainly used in alcohols and functional beverages, and its demand is steadily growing; and the proportional demand for metal lug closures has not changed very much.

(2) Label Products

Plastic colorful labels are mainly used in the external packaging of food and beverage, such as beverage, food, chemical drugs and dairy products, etc. The functions are high elongate strength, impact-resistance, oil-proof, water repellent, etc., so the shiny and remarkable labels can also, at the same time, bring out the products' sense of value to attract consumers; so the color and gloss control are extremely important for the printing of plastic colorful labels. According to the different materials, plastic colorful labels can be categorized into PET shrinkable colorful labels, OPP colorful labels, OPS shrinkable colorful labels, PET +PS co-extrusion shrinkable colorful labels, PVC colorful labels and PLA shrinkable colorful labels.

Conventionally, paper was pasted onto the PET bottles and glass bottles to identify or label the product description. As paper materials are not humidity-resistant, can easily fall off, and would appear to be corroded or turn yellow over a longer storage time, they are not excellent material for external packaging. And the materials used for colorful labels are PET, OPP, etc., they not only have extremely good hot-shrinkable property and can be pasted unto products in various shapes, but also have features such as not falling off easily and with bright appearance, so they are extensively used by all kinds of beverage and food and replace the traditional paper materials.

As the plastic material has features such as impact-resistance, oil-proof, water-repellence, soaking resistance, water temperature resistance, and etc., plastic colorful labels have a more extensive range of applications than does the general labels printed on paper, and can increase the sense of value for packaged products. Therefore, plastic colorful labels play a very important role in the packaging material for the basic commodity industry. Along with the economic development of Taiwan and the increase of gross national income, consumers' taste for the products'

packaging selection also gets higher. And for the industry operators in the beverage, food and general supplies industries, while facing the fierce competition in the market, they also have higher demands for the design and requirements of the product packaging materials, so the plastic colorful labels have become one of the indispensable packaging materials. In the recent years, the plastic colorful labels have been paired with PET bottles, PE bottles, PVC bottles and other various types of bottle and jars as supporting marketing to highlight the image and value of packaged products.

(3) Multilayer LDPE Shrinkable Film

The original monolayer film has poor homogeneity and cannot highlight the properties of the materials. In order to meet the client's requirement specifications, special raw materials of higher unit prices need to be added, and the effects are limited and cannot achieve both elongate strength and shrinkage ratio at the same time. Recently, multilayer LDPE shrinkable films were implemented: for materials LDPE, LLDPE, mLLDPE and HDPE, the elongate strength and shrinkage ratio can be adjusted between the layers according to the clients' specification requirements, and the homogeneity is better and the properties required for each layer can be highlighted, and the recycled materials can also be added into the middle layer to reduce the raw material costs.

(4) PET Bottles

PET bottles' technical trends of the functions such as transparency, lightweight, good preservability, emphasized heat-resistance, reseal ability, pressure-resistance, etc., make them grow continuously in the soft drinks market. Today, PET bottles have become the mainstream packaging for beverages (please refer to the figure below for the Evolution of Packaging Materials in the World). Many kinds of beverages that need to be sterilized at high temperature in order to be filled, such as flavored water, juice, dairy products, tea drinks, sports drinks, etc. have also started, one after the other, to be packaged in PET bottles, so PET bottles have just become the mainstream packaging material for beverage products.

As PET bottles have properties that can reduce environmental pollution and energy wasting, at the rise of environmental awareness like today, they have gradually replaced the conventional packaging materials. With functions such as heat-resistance, pressure-resistance and etc., in the recent years, they have replaced various types PVC bottles, Tetra Pak, aluminum cans, tin cans, glass bottles, etc., and have become the packaging material with the most growth potential.

The Evolution of Packaging Materials in the World

Evolution	Glass Bottles (About 250 years)	Metal Cans (About 200 years) Aluminum cans (About 60 years)	Carton Box & Aseptic Pack (About 60 years)	PET Bottles (About 30 years)
Advantages	*Good Permeability * Heat Resistance and Wear Resistance	*Light-blocking *High Temperature Resistance * Not easy to break or damage	*Low cost, lightweight *Low shipping costs	* Low cost * Recyclable, can be used repeatedly * Form is easy to shape, diversified shapes
Disadvantage	*Heavier, easy to break or damage *Higher shipping costs	*Poor Chemical Stability * Easy to have peculiar smell	*Fixed form * Easy to be crushed, damaged and deformed	*Shorter shelf life, less than 6 months
Range of Applications	*Alcohols, etc.	*Carbonated drinks, beer etc.	*Dairy products, juice, Tea drinks, etc.	*1 st Generation – bottled water (30 years) *2 nd Generation – carbonated drinks (25 years) *3 rd Generation – heat-resistant crystallized bottles (20 years) *4 th Generation – beer (already a small amount available in the market, moving towards universal development)

(5) Beverage Filling

The aseptic beverage plants adopt the newest generation of French Sidel beverage aseptic filling equipment, and can produce low acid beverages (products such as tea, coffee, milk tea, etc.)

The features of the aseptic PET bottle filling:

- ① The weight of the PET bottles used accounts for 60% of the hot-fill lines, with lower material costs.
- ② In addition to high acid products, low acid products can also be filled.
- ③ The filling temperature is room temperature, so the flavor of the

products can be maintained.

- ④ The products can be stored in room temperature.
- ⑤ The products need to be strictly controlled from raw materials, packaging materials to manufacturing process, so the consumers have more quality assurance.
- ⑥ A more extensive range of products can be packaged.
- ⑦ Higher level of processing technology.

5.1.2.2 The correlation among the upstream, midstream and downstream of the industry:

Our company's business is mainly in the packaging materials, and due to the fact that the packaging methods for various downstream products are different, our product categories also appear to be diversified. The materials and the manufacturing processes of each product are quite different due to the different requirements of the downstream manufacturers. Therefore, we would only explain the correlations among the upstream, midstream and downstream of the industries for our main products, such as cap category, label category, PET bottles and beverage filling, etc.

(1) Cap Category

① Raw Material Suppliers

The upstream supplier of closures provides the closure manufacturers the raw materials required for the production of the products, and the raw materials are generally divided into two types: one is the metal material industry, and the other is the plastic material industry. Among them, the metal material operators provide materials required to produce closures, such as aluminum sheets, iron sheets and SPTE, etc.; the plastic material operators would provide all types of plastic materials, such as plastic grains, Polyester grains, etc., for the production of all types of plastic closures.

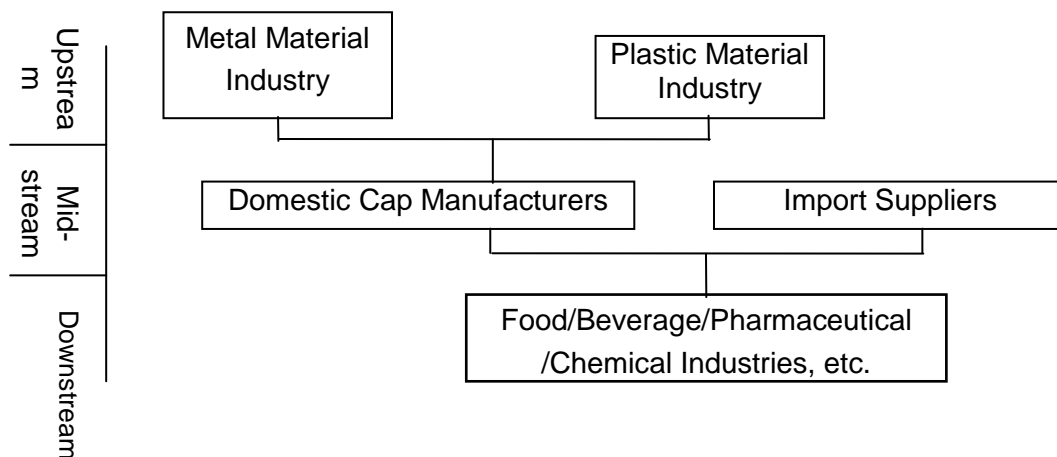
② The Manufacturers and the Import Suppliers

The closure manufacturers are the production operators that integrate raw materials, technology and production equipment; and the import suppliers are the vendors that import all types of closures from abroad in order to meet the domestic demand.

③ The Procurement User or the Final Demander

This type of operators usually belongs in the food industry, beverage industry, pharmaceutical and chemical industries, etc., and their demand for the specification category of closures varies according to the types of products. The types of closures required for all industries can be broadly divided into functional aluminum closures, biotech aluminum closures, high temperature resistant aluminum closures, alcohol long neck aluminum closures, plastic closures and metal lug closures, etc.

The relationships among the closure manufacturers and sellers are as follows:



(2) Label Category

① Raw Material Suppliers

The upstream raw material suppliers of labels belong in the plastic material industry, and the materials can be divided into POLYETHYLENE TEREPHTHALATE (hereinafter referred to as PET), ORIENTED POLYSTYRENE (hereinafter referred to as OPS), POLYVINYL CHLORIDE (hereinafter referred to as PVC) and ORIENTATION POLYPROPYLENE (hereinafter referred to as OPP), and other eco-friendly materials (such as ORIENTATION PET, C-PET, OPS and PLA shrinkable film), to provide the raw materials for shrinkable films in order to supply for the production of labels.

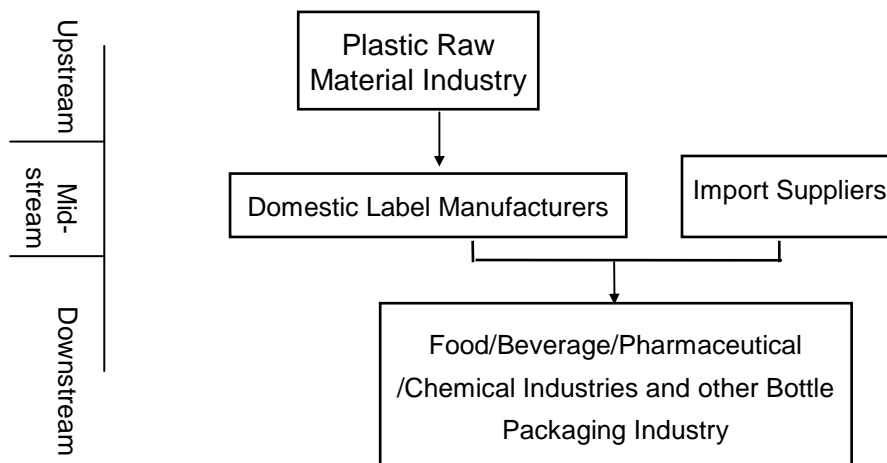
② The Manufacturers and the Import Suppliers

Domestically, there are many manufacturers that produce label products, so the competition is fierce in the market; in addition to the domestic labels, our country also imports labels from abroad annually to supply for the demand in the domestic market.

③ The Procurement User or the Final Demander

Labels are mainly used in the external packaging for food, beverage, pharmaceuticals, chemicals and other bottles.

The relationships among the label manufacturers and sellers are as follows:



(3) PET Bottles

① Raw Material Suppliers

The upstream raw material suppliers of PET bottles belong in the plastic material industry, and the material is Polyester grains, the major raw material for PET bottles.

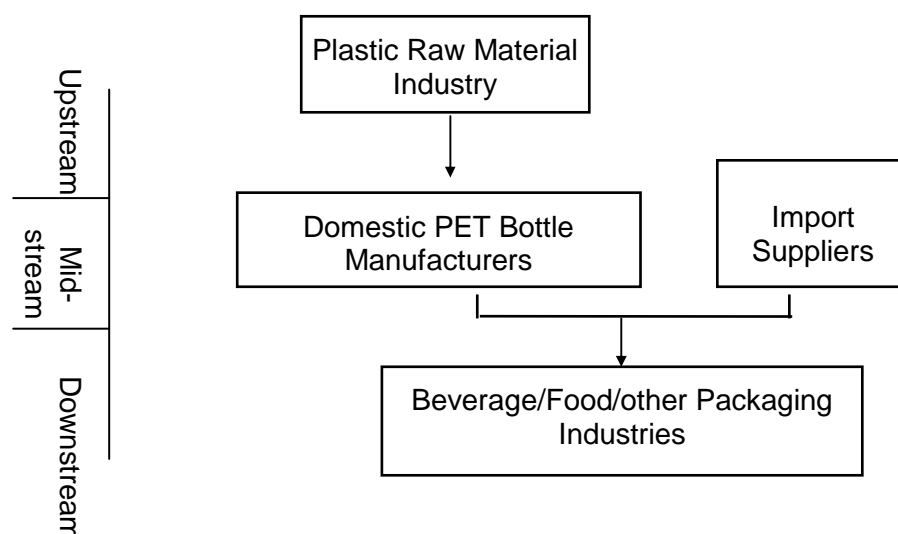
② The Manufacturers and the Import Suppliers

Domestically, there are quite a few PET bottle manufacturers, and their experience and technology are maturing; our country also imports PET bottles from abroad annually to supply for the demand in the domestic market.

③ The Procurement User or the Final Demander

PET bottles are considerably used in low temperature and hot-fill juice, tea, mineral water, and sports drinks.

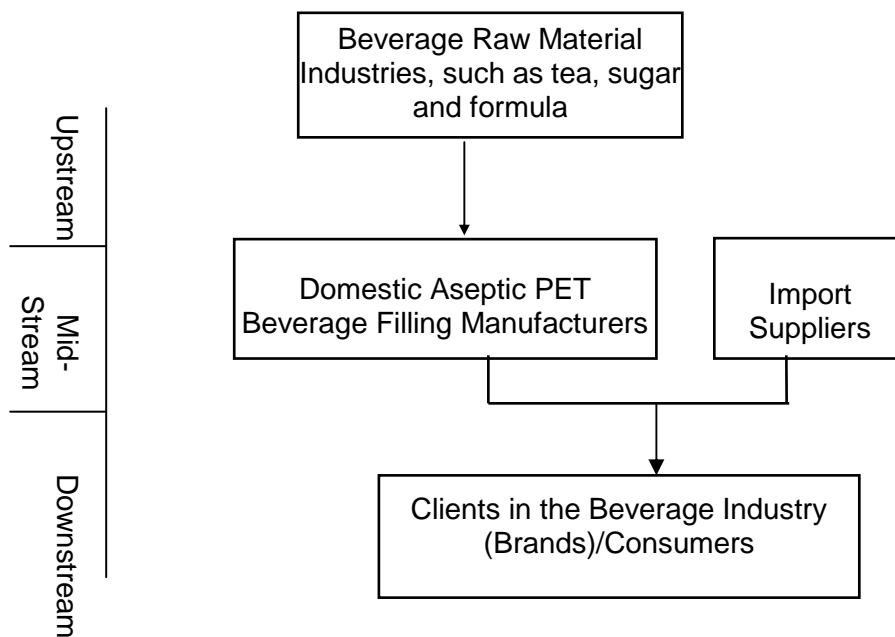
The relationships among the PET bottles manufacturers and sellers are as follows:



(4) Beverage Filling

The clients entrust our company for beverage OEM, so we can form a strategic cooperation of work specialization; the clients can provide us the professional R&D formula and raw material suppliers, and HON CHUAN can provide high quality and sufficient packaging and filling OEM services, so the clients can dedicate themselves to the brand marketing and channel development of beverages. The integration of two parties can complement each other and create an impressive synergy.

The relationships among the Beverage Filling manufacturers and sellers are as follows:



5.1.2.3 The Development Trends and Competitive Situations of the Major Products

(1) The Development Trends of the Products

① Cap Category

As closure is an indispensable part of beverage packaging, the development trends in the cap industry are closely related to the development trends in the beverage packaging industry. The development trends of beverage packaging are analyzed as follows:

a. The Sales Overview of the Beverage Industry

The beverage industry develops rapidly in our country, and there are great varieties of beverage products. As there are many product brands, the degree of substitutability for one another is very high, and as the target markets for all manufacturers are very close, the competition is very fierce. Therefore, more emphasis is placed on the importance of closures in the overall beverage packaging function and design. In the recent years, QR CODE was also introduced to provide the clients more diversified marketing activities, and at the same time to acquire the collection and statistical analysis of large data, along with the latest aluminum closure stamping anti-fraud technology, new type eco-friendly liner style PTE pull closures and lug closure, in order to increase the competitiveness of beverage products in the market.

b. The Packaging Trends of Beverage Products

Currently, the beverage packaging, commonly seen in the market, according to the materials, can be divided into four categories, including paper packaging, plastic packaging, metal packaging and glass packaging. As for the opinion which category of packaging material is suitable for which beverage packaging method, following the continuous improvement of the material technology, has changed greatly. However, as the packaging material must match the product characteristics and consumption patterns of the beverage itself, each type of packaging material still has different market shares in all kinds of beverage market segments. Nevertheless, plastic and glass material packaging can also use plastic closures or metal closures, and the key is determined by the characteristics of the beverage products themselves; metal packaging, due to its material characteristics, are mainly used in metal closures and closures bottles, and the cap products it can also use are aluminum closures and SPTE (Steel Plated-Tin, Electrolytic) closures.

- a. Our people have upgraded their concept for health care, so the demand for biotech type healthy food is also increasing day by day; as the products require the feature of high temperature sterilization, the market demand for aluminum closure will be driven up again in the future.

The market shares of PET bottles packaging in the beverage market is increasing and it is currently the mainstream packaging material. Furthermore, when it is paired with the same material plastic closures, during the recycling process, the PET bottle, as a whole, can be recycled completely, and this further enhances the added value of PET bottle packaging. With the development prospects that the market share of PET bottle packaging continues to increase and that the beverage packaging tends to continuously

get smaller bottles, plastic cap products are the mainstream in the market.

② Label Category

Since 2007, the Environmental Protection Bureau has been vigorously promoting for the beverage industry to change the labels from the previous PVC material to a material that is suitable for recycling and eco-friendly. Our company has fully cooperated in the label conversion to the eco-friendly replacement labels material PET and OPS, etc. and also the design of labels that are easy to remove.

Nowadays, Environmental Protection Administration, in response to the price fluctuations of the international raw materials and to promote the eco-friendly design for container products, has further considered the overall objective and subjective factors, by revising the container recycling cleaning and processing fees to be effective on July 1, 2012; and for those who adopt easy to remove design for PET containers labels, there were programs to provide them with preferential fees, in order to stabilize the resource recovery fund and the operation of the recycling and processing system, and to enhance the benefits from recycling and processing waste containers. For those who still use containers with PVC material attachments, twice of the processing fees would be imposed on them, as the expectation is for the beverage plants to replace the PVC shrinkable films with PET shrink labels and increase the use of easy to tear lines.

In 2014, approximately 90% of the market used PET labels, and the rest of 10% used OPS or other materials.

③ PET Bottles

In the recent years, PET bottles have gained a pivotal position in the development of the beverage industry, according to the survey by relevant research institute, such as Canadian Ltd., half of the soft drinks globally adopt PET as the packaging material.

PET first appeared in the United States, and later was promoted in Europe and Asia, and further became a global packaging material, as the application and function of PET kept growing, it is now extensively used in the beverage market. Among the very many types of packaging, the usage of PET bottles has been the fastest growing. Soft drinks and mineral water are the two kinds of beverages that use the PET bottles the most globally. Many brewers have even started to identify the feasibility of PET bottled beers, as, in addition to glass bottles, PET bottles can also be used to enrich the packaging style of beers to cater to some special occasions.

PET bottles have features such as lightweight, good preservability, convenience to use and ship, and when it is paired with the same material plastic closures, during the recycling process, the PET bottle, as a whole, can be recycled completely, and this further enhances the added value of PET bottle packaging. Furthermore, as PET bottles have properties that can reduce environmental pollution and energy wasting, at the rise of environmental awareness like today, they have gradually replaced the conventional packaging materials. Therefore, at the present stage, PET bottles have become the mainstream packaging material for global beverage products.

④Beverages Filling

During the aseptic filling manufacturing process, the products would undergo an ultra-high temperature sterilization of 130°C instantaneously and then after rapid cryogenic cooling, they are sent directly for filling at the PET filling machine in the clean room, and the process can fully preserve the aroma and flavor of tea. The advantages of aseptic filling method are not only of sterilization function but also ensuring the original flavor and aroma of products, so it is suitable for sensitive beverage. Its shelf life is longer than hot filling method and filling at room temperature then sterilization, so the development of aseptic filling is the milestone of the development technology for PET bottles. As PET aseptic filling has functions such as sterilization and keeping the original aroma and flavor of products, in addition, in the recent years, the booming of tea drinks, fruit & vegetable juice and coffee beverage, etc. globally has helped PET gradually gain the market recognition, and its growth is expected to continue to rise up.

(2) The Competition Situation of All Types of Products

As our company's cap category products are of excellent quality and complete specifications, and we can provide a complete set of comprehensive services to our clients, so we are in a leading manufacturer position in the domestic cap market. In the recent years, as PET bottles have become the mainstream in the beverage packaging market, our company can not only produce the PET bottles that are suitable for high temperature filling or beverage that required high temperature processing (such as carbonated beverage, tea drinks, juice and etc.), but also can further develop aseptic PET bottles and be the OEM of aseptic filling beverage at higher technical levels. As our company can provide our clients related packaging materials such as PET bottles, closures, labels, etc., and can provide filling OEM services for the clients; our comprehensive services can let clients save costs with one-stop shopping, so the competitiveness has increased greatly.

5.1.3 Technology and R&D Overview

The R&D expenses invested and the technology or products successfully developed in the recent fiscal year and up to the annual report printing date: :

Unit : NT\$ thousands

Year	R&D Fee	R&D Achievements
2015	63,577	<ol style="list-style-type: none"> 1. 42mm pull ring closure TPE thermoplastic elastomer liner went into mass production. 2. Lug closure TPE thermoplastic elastomer liner went into mass production.
As of March 31, 2016	16,358	<ol style="list-style-type: none"> 3. FSB 63mm lug closure was developed. 4. 1810 SPKS one-piece cold-fill plastic closure went into mass production. 5. 30×35 mm stamping laser anti-fraud aluminum closure went into mass production. 6. 1881 one-piece spiral link closure was developed. 7. 1881 one-piece soft drink closure was developed. 8. Multilayer PE shrinkable film product was developed. 9. Low shrinkage PET shrinkable film product was developed and applied. 10. PET (monolayer, multilayer) barrier bottle was developed. 11. Bag in Box was developed.

5.1.4 Long-Term and Short-Term Business Development Plans

5.1.4.1 Short-Term Business Development Plans:

- (1) Apply routine management, reinforce personnel training, sales & marketing capabilities, depth management and the concept of cost of sales, to enhance the competitiveness.
- (2) Actively research and develop all types of niche products to maintain the leading position in the market.
- (3) Adopt the winning strategy by fulfilling our role in the industry, paying attention to customer services, satisfying the customers and making the customers feel touched, in order to gain the trust of the customers, and actively develop the domestic and international markets.
- (4) Emphasize on the external market mechanism, get closer to customers' needs, and reinforce the upgrade of all management core competencies internally.

5.1.4.2 Long-Term Business Development Plans:

- (1) Diversified operation, commitment to vertical integration, to establish product differentiation and competitive advantage.
- (2) Actively cooperate with major international brand, and establish global action arrangements.
- (3) Continuously promote the IN-HOUSE innovative commercial business model to domestic and international customers, and build long-term stable cooperative relationships with the customers by providing packaging materials of high quality and low costs, in order to ensure the company's future growth and profitability.
- (4) Sign the supply contracts that guarantee both prices and quantities, adjust OEM prices with the price fluctuations of the raw material to ensure the company's revenues and profits, and at the time, assist the customers broaden their market shares, to achieve win-win co-operations.

5.2. Markets and the Overview of Production and Sales

5.2.1 Market Analysis

5.2.1.1 The Sales (Providing) Regions of the Major Products (Services)

Our company's major products in year 2015 were: all types of aluminum closures, plastic closures, lug closures, labels, performs, PET bottles, beverage filling, and etc., and for the markets, except for Mainland China, Thailand, Malaysia, Cambodia, Indonesia, Vietnam and Myanmar where there were mainly considered local domestic sales, we sold to the remaining

countries by export.

5.2.1.2 The Market Share of the Major Products in the Domestic Market

Item		Sales of Domestic Market (NT\$ Thousand)	Market share (%)
Closure Products	Aluminum Caps	650,000	68%
	Plastic Caps	1,100,000	60%
	Metal Lup caps	280,000	61%
PET Bottles		2,252,000	52%
Labels		1,050,000	36%

5.2.1.3 The Future Market Supply and Demand and Growth

The major products of our company are closures, labels, PET bottles and beverage filling, and etc., and the future market supply and demand and growth for each major product are explained as follows:

(1) Cap Category

The cap products include all kinds of materials such as aluminum closures, lug closures, plastic closures, etc., and the range of application covers industries such as beverage industry, food industry, alcohols, and etc.; under the demand for packaging material diversification and small-scale bundled sales, the sales volume of the overall cap category is estimated to show a stable growth trend.

(2) Label Category

By coordinating with PET bottles the company is actively developing, and by developing the trends of supplying the clients' need with bundled sales and all large labels, the sales volume is predicted to grow slightly.

(3) PET Bottles

As the modern people pay more and more attention to healthy appeals (including tea beverage, juice beverage, etc.) with a growing trend every year, plus the two-day weekend system, the consumers now have more leisure time for outing, so relatively, the convenience to carry personally and the PET bottles that can transform the shapes of containers have become the trends for packaging bottles.

(4) Beverage Filling

The future packaging trend in Taiwan's beverage market is

predicted to be aseptic filling oriented, and this will also be the common trend around the world. There is a lot of room for growth in the future beverage market, so HON CHUAN will increase market share with strategic alliance.

5.2.1.4 Competitive Niche

- (1) It is our company's business model to continuously innovate, focus on the clients and provide customer-oriented services.

Our company grasps the market development trends and customer service needs in each stage, from the single-item sales (closures or labels or PET bottles), to all-in-one packaging sales (closures + labels + PET bottles), to full bundled package sales (closures + labels + PET bottles + filling OEM + packaging + warehousing), to manufacturing as a service (OEM with materials included, ODM, resident inspector coalition services, etc.), to provide satisfactory services to the clients.

- (2) Actively broaden the market share with the IN-HOUSE model:

- ① HON CHUAN Enterprise, with more than 40 years' excellent technology and credibility guarantee, in addition to providing the three-in-one products and services consisting of closures, PET bottles, labels, in order to serve the clients, to enhance clients' market competitiveness, and to establish closer partnership with the clients, has further actively created resident inspection IN-HOUSE strategic alliances with the clients.
- ② The IN-HOUSE model refers to HON CHUAN investing in the PET bottle blowing equipment and have them installed right inside the clients' plants and have them connected with the clients' filling machine for production, and the closures, labels, preforms, and etc. are also provided by HON CHUAN.

The advantages of IN-HOUSE coalition production are as follows:

- Ensure the sufficient supply and uniformity specification of the PET bottles.
 - The adoption of the most advanced equipment can enhance production efficiency and reduce defect ratio.
 - Coalition production provides more assurance in terms of quality control and safety and health than the purchased bottles.
 - With coalition production, the production of lightweight PET bottles can be realized to economize on raw material costs and environmental recycling expenses.
- ③ Re-Evolution of IN-HOUSE model: To extend the services from installing the original closures, preforms, and glass-blowing equipment to beverage filling equipment, to provide the clients the full bundled package and services, including injection at the front end, bottle blowing, to filling at the final end.
- (3) Our company thinks highly of putting the spirit of "Innovation" into action, and actively research and develop all types of new niche products and new niche technology to elevate the product functionality

and added value, such as anti-fraud aluminum closures, aluminum closures stamping/transfer printing, digital print plastic closures, laser QR code plastic closures, thermal sensitive ink labels, PVC Free lug closures, and to serve the clients' needs and guarantee our company's leadership position.

- (4) Provide comprehensive services to our clients, through vertical integration and bundled sales, to strengthen customer relations.
- (5) The industry is with the vision for growth, so we actively move towards international development.
- (6) With the foundation such as Taiwan's talent advantage and the management teams, etc., we actively develop the markets in Greater China and Southeast Asia, and the growth potential can be expected.
- (7) HON CHUAN Enterprise adopts the winning strategy by focusing on the present industry, paying attention to customer services, diversifying operation, committing to vertical integration and product differentiation, practicing the strategy to cooperate with major brands, emphasizing on the external market mechanism, getting closer to customers' needs, and strengthening to enhance all management core competencies internally as the direction to put in our efforts.

5.2.1.5 The Favorable factors and Unfavorable Factors of the Development Prospect and the Countermeasures

Items	Favorable Factors	Unfavorable Factors	Countermeasures
1. The future development situations of business operations	<ol style="list-style-type: none"> 1. The products have eco-friendly appeals and are easy to be accepted by the consumers, so the future prospects look good. 2. Actively develop the international market and expand export business. 3. With the bundling and integration of packaging materials, the clients are provided with even more convenient services. 	There is labor shortage, so the wage costs are increasing.	<ol style="list-style-type: none"> 1. Actively improve existing machinery and equipment and strive to move towards the direction of high level of automation. Cooperate with China Productivity Center to carry out the improvement of production processes, and conduct the research of material formula with Plastics Industry Development Center to enhance output efficiency. 2. To respond to the demand for labor by introducing part of foreign laborers to help with production and to improve the situations with labor shortage and wage increases.
2. The sales status of the major products	1. The packaging products we produced spread around an extensive range, so by the same token, we can satisfy our clients' need for all kinds of packaging	Our company's products belong in the packaging industry. Even though our products	1. To establish the R&D department, actively recruit talents, and apply foreign technology in order to improve professional qualities

Items	Favorable Factors	Unfavorable Factors	Countermeasures
	<p>materials; as the extensive range of products can be applied to the use of various types of packaging containers, the business risks can be diversified.</p> <p>2. The equipment for the major products aluminum closures, plastic closures, and lug closures have high utilization rates, and their productions have reached the scale of mass production, so the costs can be effectively reduced and the products have great price competitiveness.</p> <p>3. It has leading advantages in terms of technology and the marketing system, and has been granted the patents for all kinds of cap products in Taiwan, Mainland China, Japan and USA, etc., so the product synergy can be put into action.</p>	<p>do not change as rapidly as the electronic products, the packaging products do change rapidly as the consumption habits change quickly; we need to constantly develop new products to satisfy the clients' demand for diversification.</p>	<p>and product standards.</p> <p>2. Constantly pay attention to the market trends, and participate in exhibitions overseas to collect relevant information.</p>
3. Our position in the industry	<p>1. Our products are the leading brands domestically, received certification from international well-known beverage plants, and have vast marketing channels.</p> <p>2. We have leading R&D technology, high degree of facility automation, and good process capabilities, so we are in the leading position of the industry</p>	<p>There are quite a few small plants and which could easily result in pricing competition of products.</p>	<p>1. Develop products with high added value and high quality.</p> <p>2. Actively develop the international markets, constantly develop new products and become the leader in the integrated packaging industry.</p>
The supply status of the major raw materials	<p>All the suppliers of our company's major raw materials are domestic or foreign well-known manufacturers, (such as C.S. Aluminum Corporation, Formosa Oil, Korean HYOSUNG), and we maintain good long-term cooperative relationships with all of the suppliers.</p>	<p>The increase of raw material prices causes the increase of costs.</p>	<p>Sign long-term purchase contracts with both domestic and foreign well-known manufacturers to ensure price stability.</p> <p>Actively develop alternative materials and formula to reduce the costs.</p>
5. Financial condition	<p>The financial structure of our company is sound with good solvency, and the short-term capital turnover is also good, the</p>	<p>Our company constantly invests in new products and needs to</p>	<p>As our company is a public listed company, the fund-raising channels from the capital market are increased,</p>

Items	Favorable Factors	Unfavorable Factors	Countermeasures
	ratio of long-term capital to fixed assets has also achieved a reasonable level, and the sales and profitability both show stable growth.	purchase new equipment, so we need a considerable amount of capital.	and this will be beneficial for our company's long-term stable development.

5.2.2 The Important Applications and the Production Processes of the Major Products

5.2.2.1 The Important Applications of the Major Products:

(1) Aluminum Cap Category:

The products include hot-fill temperature resistant aluminum closures, carbonated beverage aluminum closures, injection pilfer-proof aluminum closures, chicken essence bottle closures, pull ring covers, long neck anti-fraud aluminum closures, biotechnology category, functional beverage, etc., and the wide variety are applicable for the demand of all types of products, such as healthy food, alcohols, medicines, healthy food, etc.; each item of product has pilfer-proof function, so the safety of the products is guaranteed; the domestic monopoly bureau, and all major beverage, food, and pharmaceutical manufacturers are our clients.

(2) Plastic Cap Category:

They are made of special synthetic PP and PE plastic materials, with better anti-impact effect and heat resistance than other plastic materials. They are available in all types of specifications, such as 28 m/m, 30 m/m, 38 m/m, 45 m/m, lightweight plastic closures, etc., and the leakage angle of the new style patented design is greater than its breakage angle, so it can effectively protect the quality and safety of the content. So far, we have developed, on our own, a variety of different specifications for lightweight closures, such as BUV type, BP type, BHUV type, BHC type, BHP type, BHA type, BC type, YPL type, 1881 type, 3025 type, KBPV type, BPKS type, etc., and we have been granted several patent rights and were approved by Coca-Cola & Pepsi-Cola international to be qualified; they are extensively used for products such as mineral water, carbonated beverages, hot-fill beverages, etc., and there is great development potential with excellent prospects.

(3) Lug Cap Category:

They are applicable for all types of products, such as pickles and healthy food, as the most advanced food-grade eco-friendly rubber and liner are used and they can resist high temperature treatment and maintain the standard degree of vacuum; with the vacuum safety button, there is an additional layer of safety assurance for the products.

(4) Label Category:

They are suitable external packaging for soft drinks, beverage, mineral water, chemicals, food, instant noodles, medicines, etc.; with great elongate strength, impact resistance, oil-proof, water repellence, the shiny and remarkable labels can increase the sense of value for products.

(5) PET Bottles:

They can be used for mineral water, carbonated beverage, high temperature sterilization and hot fill beverage, and the range is extensive, such as mineral water, flavored water, tea drinks, juice, coffee, sports drinks, juice flavored soft drinks, dairy products, etc.

(6) Beverage Filling:

In addition to high acid products, low acid products can also be filled (tea, coffee, dairy products, etc.), so the consumers are provided with products with good flavor and safety; as the production process is room temperature filling, so the packaging container (PET bottles) can be lightweight, and which reduces the costs and has more eco-friendly effects.

5.2.2.2 The Production Processes of the Major Products:

(1) Aluminum Cap Category

Aluminum sheet → raw material aluminum sheet – coating & printing → automatic slitting → automatic cap pressing → automatic knurling → high frequency liner forming → computer visual inspection → finished product

(2) Plastic Cap Category

Material casting → injection, press molding → shape modifying → cutting → printing → liner forming → computer visual inspection → finished product

(3) Lug Cap Category

Printing and coating iron sheet → cap pressing → pre-rolling → gluing and forming → oven → computer visual inspection → finished product

(4) Label Category

Draft creation → copperplate → printing → automatic inspection machine → slitting → center-seal and gusset → slicing → inspection → finished product

(5) PET Bottles

Raw material continuous drying treatment → preform injection and molding → automatic inspection machine → preform crystallization (applicable for hot-fill beverage) → automatic inspection machine → glass blowing → automatic inspection machine → labeling → inspection → finished product

(6) Beverage Filling:

Material casting→blending→sterilization→aseptic filling→ capping→
labeling→jet printing→finished product

5.2.3 The Supply Status of the Major Raw Materials: :

Major Products	Major Raw Material	Major Soppier	
Aluminum Caps	Major Raw Materials	Major Suppliers	Supply Situation
Plastic Caps	Aluminum sheets	CSAC 、Laminazione sottile spa	Good
Metal Lug Caps	PP chips 、 PE chips 、 Liner 、 Slip agent	Samsung 、 USI 、 Min Yen 、 Shin 、 Kuan Yeh 、 Nantex 、 LCY 、 Hyosung 、 Basell 、 Formosa plastics	Good
Labels	SPTE	Sumitomo 、 Uni-president	Good
PET Bottles	PET film、PVC film、OPP film 、 Pearlized film 、 Ink	SKC 、 kolon 、 Far Eastern 、 Poly 、 Topglow 、 Chugace 、 Guangdong Decro 、 General Ink 、 YC 、 Champoin Ink & Paint 、 Sungbo	Good
Beverage Filling OEM	PET resins	Formosa Antomobile(Nan Ya) 、 Sun Vic (Nan Yan) 、 Shinkong 、 Far Eastern 、 Lealea	Good

5.2.4 List of Major Suppliers/ Customers in one of the past two years

5.2.4.1 List of Major Suppliers :

List of Major Suppliers with over 10% of the total Purchases in one of the last two years :

Unit: NT\$ Thousands

	2014				2015				As of March 31,2016			
Item	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase (%)	Relationship with the issuer	Name	Amount	Percentage of the last quarter of the year (%)	Relationship with the issuer
1	A	1,274,672	13%	None	A	1,071,463	13%	None	A	175,028	9%	None
2	Others	8,703,828	87%	None	Others	7,476,664	87%	None	Others	1,795,156	91%	None
	Net Purchase	9,978,500	100%		Net Purchase	8,548,127	100%		Net Purchase	1,970,184	100%	

5.2.4.2 List of Major Customers :

List of Major Customers with over 10% of the total sales in one of the last two years :

Unit: NT\$ Thousands

	2014				2015				As of March 31,2016			
Item	Name	Amount	Percentage of the annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of the last quarter of the year (%)	Relationship with the issuer
1	X	4,564,681	27%	None	X	2,962,749	18%	None	Y	530,304	14%	None
2	Y	2,320,598	13%	None	Y	2,244,800	13%	None	X	526,286	13%	None
3	Others	10,341,195	60%	None	Others	11,370,828	69%	None	Others	2,820,089	73%	None
	Net Sales	17,226,474	100%		Net Sales	16,578,377	100%		Net Sales	3,876,679	100%	

5.2.5 Production over the Last Two Years :

Unit: 1,000 pcs; 1,000 boxes; NT\$ Thousand

Year Category	Unit	2015			Unit	2016		
		Capacity	Quantity	Value		Capacity	Quantity	Value
PET Bottle	pcs	8,709,774	3,921,440	4,794,876	pcs	10,818,089	4,170,638	4,381,496
Beverage OEM	pcs	2,852,074	1,071,764	4,431,018	pcs	3,306,250	1,025,714	3,528,559
Cap	pcs	35,889,825	16,697,734	3,514,862	pcs	51,758,592	26,472,874	5,028,596
Label	pcs	8,345,242	2,901,744	827,470	pcs	12,115,687	2,836,052	1,181,395
Tobacco&Liquor Packaging		-	3,446	984,970		61,960	16,549	747,287
Aluminum Cap	pcs	819,060	567,826	307,093	pcs	819,060	549,595	292,570
Metal Lug Cap	pcs	268,056	217,640	148,006	pcs	268,056	216,349	155,612
TR Filling OEM	box	100,000	61,714	342,710	box	100,000	60,382	341,842
Other		61,960	36,643	97,871		-	278	55,256
Total				15,448,876				15,712,613

5.2.6 Net Sales over the Last Two Years :

Unit: 1,000 pcs; 1,000 boxes; NT\$ Thousand

Year Category	Unit	2015				Unit	2016			
		Domestic		Overseas			Domestic		Overseas	
		Quantity	Value	Quantity	Value		Quantity	Value	Quantity	Value
PET Bottle	pcs	2,853,902	4,023,872	205,509	736,735	pcs	2,857,823	3,743,243	470,379	766,324
Beverage OEM	pcs	1,030,336	4,974,770	225	1,882	pcs	1,022,376	4,084,974	1,209	9,606
Cap	pcs	14,991,374	3,950,068	887,814	328,101	pcs	17,869,767	4,743,781	1,124,273	326,286
Label	pcs	2,701,076	849,571	81,624	27,759	pcs	2,602,836	839,695	116,325	50,000
Tobacco&Liquor Packaging		2,127	437,185	1,322	599,406		1,667	309,124	583	436,156
Aluminum Cap	pcs	518,620	440,417	43,918	30,643	pcs	475,790	389,578	72,149	48,787
Metal Lug Cap	pcs	185,247	179,323	34,074	40,867	pcs	179,013	173,852	46,199	56,283
TR Filling OEM	box	61,709	410,391	-	-	box	60,371	414,954	-	-
Other		7,387	170,073	1,463	25,411		247	175,324	12	10,410
Total			15,435,670		1,790,804			14,874,525		1,703,852

5.3 Human Resources

Human resources information in the last two years and up to the date of printing this annual report:

As of March 31, 2016

Year		2014		2015		March 31, 2016	
Number of Employees	Direct	2,557		2,499		Number of Employees	
	Indirect	1,717		2,026			
	Total	4,274		4,525			
Average Age		31		32.07		31.22	
Average Years of Service		3.8		4.04		4.02	
Education	Ph.D.	1	0.02%	Education	Ph.D.	1	0.02%
	Masters	69	1.61%		Masters	69	1.61%
	Bachelor's Degree	1,524	35.66%		Bachelor's Degree	1,524	35.66%
	Senior High School	1,842	43.1%		Senior High School	1,842	43.1%
	Below Senior High School	838	19.61%		Below Senior High School	838	19.61%

5.4 The Measures for Environmental Protection and Employee Safety and Health

1. Actively engage in employee safety and health accident prevention, emergency response and fire safety
 - (1) Safety and health patrol; periodic plant safety and health patrol and inspection by the supervising staff and professional safety and health personnel.
 - (2) Set automatic inspection plans and implement the automatic inspection on all safety and health machinery and equipment.
 - (3) Develop safety and health handbooks and distribute to every employee, so it can provide them the reference to apply and to truly follow the related precautions; hopefully all kinds of possible accidents and injuries can be prevented and the occurrence of accidents can be reduced.
 - (4) Each year, our company sets the training program for occupational safety and health education, and implements according to the

occupational safety and health education training program. For the general safety education training, the entire staff, the new hires and before change of jobs, they would receive the safety and health education training required for each job, and the training time, according to job attributes, would be 3-6 hours, so the employees would have the awareness for safety and health operation procedures in order to reduce the occurrence of occupational hazards.

(5) Our company implements, according to the “fire protection program” we developed, the actions required for fire management, relevant for our company, in order to achieve the goals of the prevention of fire, earthquake and other disasters, protection of life and safety and the reduction of accidents.

(6) As for the fire safety training for all plant and office employees, our company conducts two fire drills every year, four hours each time, to reinforce the employees’ fire safety knowledge and their capability to respond to accident prevention.

2. Apply the improvement of working environment, and effectively enhance the working environment safety and health promotion; we received the Healthy Workplace Navigation Award of Year 2015 and the Merit Workplace Health Initiation Certification and Health Navigation Award of Year 2015 issued by the Ministry of Health and Welfare.

(1) Implement 6S competition activities inside the plant to promote a clean environment in the plant, and set up the Safety and Health Committee meetings to improve working environment to effectively enhance the working environment safety inside the plant.

(2) Our company, surpassing the Occupational Safety and Health Act, regardless of workers’ age, conducts physical examinations every year; in addition, according to laws and regulations, for work of special nature, we follow the related provisions of the Labor Health Protection Rules to conduct special physical examinations annually (such as: implementation of hearing tests for noise operations).

(3) Our company, in accordance with the laws and regulations, periodically commissions licensed professional work environment monitoring company to perform work operation environment monitoring, and according to the sampling strategy, plans and performs work environment monitoring twice annually, to assess whether the concentration of hazards at work environment meets the requirements of laws and regulations. With the work environment monitoring report, the workers would know their workplace is within the value of allowed range, so the workers can work with peace of mind.

(4) Our company, in accordance with the laws and regulations, periodically commissions occupational safety and health doctors for in-plant inquiry services and assessment of working environment, once a month, to care for the employees’ physical and mental health.

3. Promote specific achievements including self-protection system, accountability care system, contractor management, toxic chemical substance management and transportation safety management, etc.

(1) Self-Protection System:

According to the existing condition of the plant, incorporate all the tasks into the safety and health code of practice, and revise periodically. And request all employees to understand the provisions of the code of practice, and conduct the related tasks according to the provisions.

(2) Accountability Care System:

In order to avoid unnecessary injuries, after joining the company, all employees would receive a series of education training and personal coaching, before they can officially start working on the production line; there are also personnel in charge of all production lines, and they are responsible for the safety of all the personnel, products and machinery, etc. on the production line, and they report to the unit supervisor at any time.

(3) Contractor Management:

To prevent the contractor's construction resulting in accident or fire and threatening company employee lives and property loss, our company sets "P-009 Contractor Management Measures", so the contracting department would be responsible to set the responsibilities and obligations of the contracting safety responsibility management, in the related contracts, with the construction contracting firms, and holds annual pre-operation safety and health education training and the joint operation protocol organization formulation meeting, to prevent the contractors from having any accidents during operation.

(4) Toxic Chemical Substance Management:

Our company uses class 4 toxic chemical substances, and according to the law, a dedicated personnel for toxic chemical substances is not required. The quantity used in the previous month shall be declared before the 10th day of each month.

4. Apply the Establishment and Execution of Occupational Safety and Health Management System

(1) Promote the establishment of OHSAS18001&CNS15506

occupational safety and health management system, so the company employees, in the working environment, would comply with the management items of the occupational safety and health management system, and adopt the P, D, C, a management cycles to enhance the level of work safety and reduce the occurrence rate of occupational accidents.

(2) Develop safety and health management plans and use the plan to employ effective and suitable management methods to be the basis for workplace and equipment inspection, in order to maintain the safety of the lives of employees and the equipment and to prevent the accidents from occurring.

(3) For hot work operation control, before the operation, the plant personnel and contracting personnel should apply for hazardous operation permit; during the hot work operation, where the spark could spread over, there should not be any inflammable or other

operation of inflammable, with fire extinguishing facility placed aside and additional specific personnel employed to monitor the fire during the entire production process; after the operation, the fire source should be checked to ensure it is put out completely.

(4) Certificate Training

According to the law and regulation, send personnel to trainings, and set up relevant dedicated personnel and relevant certificates, such as first aid personnel, organic solvent operation supervisor, forklift operators, fixed crane personnel, fire prevention management personnel...etc.

Relevant certificates:

- ▲ Occupational safety and health management personnel, total 12 people.
- ▲ Occupational safety and health nurses, total 2 people.
- ▲ Organic operation supervisor certificate, total 4 people.
- ▲ Fire prevention management personnel, total 2 people.
- ▲ First-aid personnel, total 22 people.
- ▲ Specific chemical substance operation supervisor, 1 person.
- ▲ Forklift operation certificate, total 138 people.
- ▲ Fixed forklift (over 3 tons) certificate, 21 people.
- ▲ Small boiler operator, 4 people.

5. Establish the Department of Occupational Safety and Health according to Occupational Safety and Health Act: established the Department of Occupational Safety and Health on March 6, 2012.

5.5 Labor Relations

5.5.1 The employee welfare measures, continuing education, training, retirement systems and the implementation situations, the agreement between the employees and the employers, and the status of the employees' rights and interest maintenance measures:

Since the company was founded in 1969, we have treated our employees with honesty and have regarded our employees as assets and partners to grow together, through the welfare measures, to enrich and stabilize the employees' lives, and good education training, to establish good relationships of mutual trust and interdependence with the employees.

To nurture the company for sustainable business development, in 2012, the personnel division was promoted to be the human resources department, and a training center was established to actively cultivate the talents needed for the future, and the employee education training measures, normative education training system and training norms were also established as the basis to conduct training and to reserve professional management talents.

There are three categories in our company's year 2015 education training courses, and their names and the implementations status are as follows:

Name of courses	Number of courses	Total participants	Total hours
Professional	195	2,889	10,090
management	54	1,995	7,952
Labor safety	118	5,969	7,358
Total	367	10,853	25,400

All employees of our company, in accordance with laws, participate in the labor insurance and national health insurance; and, in accordance with the Labor Standards Act, we established the Supervisory Committee of Business Entities' Labor Retirement Reserve and set aside retirement reserve every month, as the preparation for labor retirement; other types of our employment conditions also comply with the required standards of the Labor Standards Act. The Employees' Welfare Committee would, from time to time, hold various welfare activities and subsidize employees' weddings and funerals. Improve the education training system, enhance employees' professional skills and personal growth; good working environment would enable employees to work with peace of mind.

5.5.2 In the most recent fiscal year and up to the end of the annual report printing date, the loss suffered as a result of labor disputes, and the possible amounts and countermeasures for the possible occurrences now and in the future :

So far, there has been no occurrence of labor dispute circumstances.

5.6 Major Contracts

March 31, 2016

Agreement	Counterparty	Period	Major Contents	Restrictions
Sales	Taipei Tobacco plant	2013.05.16~ 2015.05.15	Filter rod	None
Sales	Feng-yuan/Taipei Tobacco plant	2013.05.09~ 2015.05.08	Filter rod	None
Sales	Taipei Tobacco plant	2013.06.11~ 2015.06.10	Filter rod	None
Sales	Taipei Tobacco plant	2013.06.13~ 2015.06.12	Filter rod	None
Sales	Taipei Tobacco plant	2013.05.16~ 2015.05.15	Filter rod	None
Sales	Taipei Tobacco plant	2013.11.06~ 2015.11.05	Filter rod	None
Sales	Taipei Tobacco plant	2013.10.18~ 2015.10.17	Tipping paper	None

Agreement	Counterparty	Period	Major Contents	Restrictions
Sales	Taiwan Liquor and Tabacco Corporation	2014.03.05~ 2015.09.04	Aluminum closure	None
Sales	Taiwan Liquor and Tabacco Corporation	2014.04.30~ 2015.07.29	Filter rod	None
Sales	Kinmen Kaoliang Liquor Inc.	2014.03.28~ 2015.12.31	Aluminum closure	None
Sales	Kinmen Kaoliang Liquor Inc.	2014.12.02~ 2015.03.31	Aluminum closure	None
Sales	Taiwan Liquor and Tabacco Corporation	2014.09.16~ 2015.09.15	Wet silica gel	None
Sales	Taiwan Liquor and Tabacco Corporation	2014.06.27~ 2015.09.26	Filter rod	None
Sales	Taipei Tobacco plant	2014.05.07~ 2016.05.06	Tipping paper	None
Sales	Jhunan Brewery	2014.08.13~ 2016.04.30	Film	None
Sales	Taiwan Liquor and Tabacco Corporation	2014.12.08~ 2016.06.07	BOPP Film	None
Sales	Taiwan Liquor and Tabacco Corporation	2014.10.30~ 2016.01.29	Plug wrap paper	None
Sales	Taipei Tobacco plant	2014.09.09~ 2015.09.08	Filter rod	None
Sales	Taipei Tobacco plant	2014.09.23~ 2016.09.22	Filter rod	None
Sales	Wurih Brewery	2014.10.29~ 2016.04.28	Film	None
Sales	Feng-yuan Tabacco	2014.12.11~ 2016.12.10	Filter rod	None
Sales	Nantou Winery	2015.03.13~ 2017.03.12	Oak barrel	None
Sales	Taiwan Liquor and Tabacco Corporation	2015.02.10~ 2016.08.09	Aluminum closure	None
Sales	Taipei Tobacco plant	2015.02.26~ 2017.02.25	Tipping paper	None
Sales	Taipei Tobacco plant	2015.02.17~ 2017.02.16	BOPP Film	None
Sales	Taipei /Nui-Pu Tobacco plant	2015.05.13~ 2016.11.12	Filter rod	None

Agreement	Counterparty	Period	Major Contents	Restrictions
Sales	Taipei /Feng-yuan Tobacco plant	2015.04.07~ 2016.10.06	Filter rod	None
Sales	Taipei Tobacco plant	2015.06.02~ 2017.06.01	Tipping paper	None
Sales	Taipei Tobacco plant	2015.05.25~ 2017.05.24	Tipping paper	None
Sales	Nui-Pu Tobacco plant	2015.08.29~ 2017.02.28	Tipping paper	None
Sales	Taiwan Liquor and Tobacco Corporation	2015.07.21~ 2017.01.20	Casein Adhesive & Glues	None
Sales	Wurih Brewery	2015.11.12~ 2017.06.11	Film	None
Long-term loan agreement	Land bank and other joint banks in syndication loan	2013.12.30~ 2018.12.30	Repayment of bank loans and increase of working capital	Yes
Long-term loan agreement	Land bank and other joint banks in syndication loan	2013.03.08~ 2018.03.08	capital expenditures, repayment of bank loans and increase of working capital	Yes

6. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet and Comprehensive Income Statement

6.1.1.1 Condensed Consolidated Balance Sheet -- IFRS

Unit: NT\$ thousands

Year Item		Financial data within the last 5 years (Note 1)					As of March 31, 2016 (Note 1)
		2011	2012	2013	2014	2015	
Current assets		—	5,966,046	7,417,713	7,951,069	8,067,666	8,311,886
Property, plant, and equipment		—	14,179,711	16,963,110	19,139,083	18,796,260	18,384,295
Intangible assets		—	78,811	78,928	77,698	76,484	73,473
Other assets		—	878,348	899,435	2,029,116	2,177,210	2,268,526
Total assets		—	21,102,916	25,359,186	29,196,966	29,117,620	28,974,941
Current Liabilities	Before distribution	—	7,486,331	8,812,180	11,309,968	10,448,772	9,731,168
	After distribution	—	8,265,875	9,461,800	11,991,633	(Note 2)	9,731,168
Noncurrent liabilities		—	3,131,091	5,602,626	6,217,608	5,665,851	6,015,124
Total liabilities	Before distribution	—	10,617,422	14,414,806	17,527,576	16,114,623	15,746,292
	After distribution	—	11,396,966	15,064,426	18,209,241	(Note 2)	15,746,292
Shareholder's equity attributable to parent company		—	9,562,919	9,945,006	10,623,481	11,945,505	12,140,749
Capital stock		—	2,598,479	2,598,479	2,598,479	3,098,479	2,928,789
Additional paid-in capital		—	3,283,868	3,283,868	3,283,868	5,412,868	5,127,397
Retained earnings	Before distribution	—	3,803,291	4,133,366	4,446,978	4,713,939	4,542,084
	After distribution	—	3,023,747	3,483,746	3,765,313	(Note 2)	4,542,084
Other equity		—	(122,719)	(70,707)	294,156	(444,446)	(457,521)
Treasury stock		—	—	—	—	(835,335)	—
Non-controlling equity		—	922,575	999,374	1,045,909	1,057,492	1,087,900
Total equity	Before distribution	—	10,485,494	10,944,380	11,669,390	13,002,997	13,228,649
	After distribution	—	9,705,950	10,294,760	10,987,725	(Note 2)	13,228,649

Note 1 : The Company has adopted IFRS since 2012. For 2011 financial statements, please refer to consolidated concise balance sheet. All yearly financial information has been audited, except for financial information as of March 31, 2015 being reviewed by CPA

Note 2 : The 2015 distributions of earnings financial statements have yet to be resolved in a shareholders' meeting.

6.1.1.2 Condensed Consolidated Balance Sheet—ROC GAAP

Unit: NT\$ thousands

Unit: NT\$ thousands

Item \ Year		Financial data within the last 5 years (Note 1)				
		2011	2012	2013(Note2)	2014(Note2)	2015(Note 2)
Current assets		7,442,936	5,979,922	—	—	—
Fund and investment		8,100	44,982	—	—	—
Fixed assets		13,623,454	14,660,223	—	—	—
Intangible assets		364,940	498,164	—	—	—
Other assets		79,065	81,521	—	—	—
Total assets		21,518,495	21,264,812	—	—	—
Current liabilities	Before distribution	6,052,419	7,460,730	—	—	—
	After distribution	6,831,963	8,240,274	—	—	—
Long-term liabilities		3,633,279	2,964,190	—	—	—
Other liabilities		133,118	146,058	—	—	—
Total liabilities	Before distribution	9,818,816	10,570,978	—	—	—
	After distribution	10,598,360	11,350,522	—	—	—
Capital stock		2,598,479	2,598,479	—	—	—
Additional paid-in capital		3,315,659	3,315,659	—	—	—
Retained earnings	Before distribution	3,253,715	3,625,361	—	—	—
	After distribution	2,474,171	2,845,817	—	—	—
Unrealized gains/losses on financial instruments		435	—	—	—	—
Cumulative Translation Adjustment		268,460	145,741	—	—	—
Unrealized revaluation increment		86,019	86,019	—	—	—
Net loss not recognized as pension cost		—	—	—	—	—
Total shareholder's equity	Before distribution	11,699,679	10,693,834	—	—	—
	After distribution	10,920,135	9,914,290	—	—	—

Note 1 : 2011-2012 financial statements were audited by Certified Public Accountants.

Note 2 : 2013-2015 consolidated financial statements are prepared in accordance with IFRSs, so that no Taiwan-GAAP version was prepared.

6.1.1.3 Condensed Consolidated Comprehensive Income Statement -- IFRS

Unit: NT\$ thousands

Item \ Year	Financial data within the last 5 years					As of March 31, 2016 (Note 1)
	2011	2012	2013	2014	2015	
Operating income	—	15,584,967	16,605,620	17,226,474	16,578,377	3,876,679
Gross profit	—	2,855,002	2,896,799	2,800,934	3,065,672	692,737
Operating profit or loss	—	1,568,884	1,436,049	1,149,533	1,264,115	298,936
Non-Operating income and expenses	—	(74,021)	(78,534)	(8,349)	(233,032)	(33,249)
Net income before tax	—	1,494,863	1,357,515	1,141,184	1,031,083	265,687
Net income form Continuing Operations	—	1,235,873	1,130,253	935,284	886,141	208,802
Income (or Loss) form Discontinued Operations	—	—	—	—	—	—
Net Income (Loss)	—	1,235,873	1,130,253	935,284	886,141	208,802
Other Comprehensive Income (Loss) (After-Tax)	—	(180,720)	122,834	415,743	(869,561)	(12,117)
Total Comprehensive Income (Losses)	—	1,055,153	1,253,087	1,351,027	16,580	196,685
Net Income Attributable to the Parent	—	1,138,895	1,110,310	966,212	948,965	208,319
Net Income Attributable to Non-Controlling Interests	—	96,978	19,943	(30,928)	(62,824)	483
Total Comprehensive Income Attributable to the Parent	—	1,016,695	1,161,631	1,328,095	210,024	195,244
Total Comprehensive Income Attributable to Non-Controlling Interests	—	38,458	91,456	22,932	(193,444)	1,441
Earnings per Share(NT\$)	—	4.38	4.27	3.72	3.26	0.71

Note 1 : The Company has adopted IFRS since 2012. For 2011 financial statements, please refer to consolidated concise income statement. All yearly financial information has been audited, except for financial information as of March 31, 2015 being reviewed by CPA.

6.1.1.4 Condensed Consolidated Comprehensive Income Statement –ROC GAAP

Unit : NT\$ thousands

Item \ Year	Financial data within the last 5 years (Note 1)				
	2011	2012	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)
Operating income	13,693,187	15,584,967	—	—	—
Gross profit	2,746,440	2,855,002	—	—	—
Operating profit	1,570,138	1,581,179	—	—	—
Non-Operating income	215,206	101,654	—	—	—
Non-Operating expenses	(194,349)	(175,675)	—	—	—
Pre-tax income from continuing operations	1,590,995	1,507,158	—	—	—
After-tax income from continuing operations	1,238,212	1,151,190	—	—	—
Profit/Loss from discontinued operations	—	—	—	—	—
Extraordinary gains/losses	—	—	—	—	—
Accumulated adjustments due to changes of accounting principles	—	—	—	—	—
Net Income	1,238,212	1,151,190	—	—	—
Earnings per Share(NT\$)	5.00	4.43	—	—	—

Note 1 : 2011-2012 financial statements were audited by Certified Public Accountants.

Note 2 : 2013-2015 consolidated financial statements are prepared in accordance with IFRSs, so that no Taiwan-GAAP version was prepared.

6.1.2 Condensed Non-Consolidated Balance Sheet and Income Statement

6.1.2.1 Condensed Non-Consolidated Balance Sheet—IFRS

Unit: NT\$ thousands

Item \ Year		Financial data within the last 5 years (Note 1)				
		2011	2012	2013	2014	2015
Current assets		—	2,080,772	2,230,017	2,109,244	2,741,611
Fixed assets machinery and equipment(Note 1)		—	4,446,693	5,088,933	4,927,412	4,750,140
Intangible assets		—	20,601	14,483	8,802	5,654
Other assets		—	5,940,517	8,502,528	9,861,732	10,084,786
Total assets		—	12,488,583	15,835,961	16,907,190	17,582,191
Current liabilities	Before distribution	—	1,912,400	2,222,663	2,704,531	2,488,911
	After distribution	—	2,691,944	2,872,283	3,386,196	(Note 2)
Non-current liabilities		—	1,013,264	3,668,292	3,579,178	3,147,775
Total liabilities	Before distribution	—	2,925,664	5,890,955	6,283,709	5,636,686
	After distribution	—	3,705,208	6,540,575	6,965,374	(Note 2)
Equity attributable to owners of the parents		—	9,562,919	9,945,006	10,623,481	11,945,505
Capital		—	2,598,479	2,598,479	2,598,479	3,098,479
Capital reserve		—	3,283,868	3,283,868	3,283,868	5,412,868
Retained earnings	Before distribution	—	3,803,291	4,133,366	4,446,978	4,713,939
	After distribution	—	3,023,747	3,483,746	3,765,313	(Note 2)
Other equity		—	(122,719)	(70,707)	294,156	(444,446)
Treasury stock		—	—	—	—	(835,335)
Non-controlling equity		—	—	—	—	—
Total equity	Before distribution	—	9,562,919	9,945,006	10,623,481	11,945,505
	After distribution	—	8,783,375	9,295,386	9,941,816	(Note 2)

Note 1 : The Company has adopted IFRS since 2012. For 2011 financial statements, please refer to Condensed Non-consolidated balance sheet – ROC GAAP. All yearly financial information has been audited by certified public accountants.

Note 2 : 2015 distributions of earnings financial statements have yet to be resolved in a shareholders' meeting.

6.1.2.2 Condensed Non-Consolidated Balance Sheet—ROC GAAP

Unit : NT\$ thousands

Item \ Year		Financial data within the last 5 years (Note 1)				
		2011	2012	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)
Current assets		3,167,733	2,083,176	—	—	—
Funds & Long-term investments		3,908,675	5,724,618	—	—	—
Fixed assets		4,251,370	4,793,161	—	—	—
Other assets		55,798	57,171	—	—	—
Total assets		11,383,576	12,658,126	—	—	—
Current Liabilities	Before distribution	870,936	1,886,799	—	—	—
	After distribution	1,650,480	2,666,343	—	—	—
Long-term liabilities		916,289	934,127	—	—	—
Other liabilities		73,584	65,941	—	—	—
Total liabilities	Before distribution	1,860,809	2,886,867	—	—	—
	After distribution	2,640,353	3,666,411	—	—	—
Capital		2,598,479	2,598,479	—	—	—
Capital reserve		3,315,659	3,315,659	—	—	—
Retained earnings	Before distribution	3,253,715	3,625,361	—	—	—
	After distribution	2,474,171	2,845,817	—	—	—
Unrealized gains (loss) from financial products		435	—	—	—	—
Accumulated translation adjustments		268,460	145,741	—	—	—
Unrealized revaluation increment		86,019	86,019	—	—	—
Net loss not recognized as pension cost		—	—	—	—	—
Total equity	Before distribution	9,522,767	9,771,259	—	—	—
	After distribution	8,743,223	8,991,715	—	—	—

Note 1 : 2011-2012 financial statements were audited by Certified Public Accountants.

Note 2 : 2013-2015 consolidated financial statements are prepared in accordance with IFRSs, so that no Taiwan-GAAP version was prepared.

6.1.2.3 Condensed Non-Consolidated Comprehensive Income Statement – IFRS

Unit : NT\$ thousands

Item \ Year	Financial data within the last 5 years				
	2011	2012	2013	2014	2015
Operating income	—	7,052,837	7,365,859	7,851,416	7,167,803
Gross profit	—	1,581,616	1,684,354	1,726,960	1,670,918
Operating Profit	—	966,465	971,169	931,447	842,112
Non-Operating income and expenses	—	351,789	291,024	204,789	254,487
Net income before tax	—	1,318,254	1,262,193	1,136,236	1,096,599
Net income from continuing operations (After-tax)	—	1,138,895	1,110,310	966,212	948,965
Income (or loss) from Discontinued operations	—	—	—	—	—
Net income (loss)	—	1,138,895	1,110,310	966,212	948,965
Other comprehensive income (loss) (After-tax)	—	(122,200)	51,321	361,883	(738,941)
Total comprehensive	—	1,016,695	1,161,631	1,328,095	210,024
Net Income Attributable to Non-Controlling Interests	—	1,138,895	1,110,310	966,212	948,965
Total Comprehensive Income Attributable to the Parent	—	—	—	—	—
Total Comprehensive Income Attributable to the Parent	—	1,016,695	1,161,631	1,328,095	210,024
Total Comprehensive Income Attributable to Non-Controlling Interests	—	—	—	—	—
Earnings per Share(NT\$)	—	4.38	4.27	3.72	3.26

Note 1 : The Company has adopted IFRS since 2012. For 2011 financial statements, please refer to condensed non-consolidated Income Statement – ROC GAAP. All yearly financial information has been audited by certified public accountants.

6.1.2.4 Condensed Non-Consolidated Income Statement—ROC GAAP

Unit : NT\$ thousands

Item \ Year	Financial data within the last 5 years (Note 1)				
	2011	2012	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)
Operating income	6,500,405	7,053,837	—	—	—
Gross profit	1,720,379	1,581,616	—	—	—
Operating profit	1,080,921	978,760	—	—	—
Non-Operating income	295,262	383,292	—	—	—
Non-Operating expenses	14,589	31,503	—	—	—
Pre-tax income from continuing operations	1,361,594	1,330,549	—	—	—
After-tax income from continuing operations	1,238,212	1,151,190	—	—	—
Profit/Loss from discontinued operations	—	—	—	—	—
Extraordinary gains/losses	—	—	—	—	—
Accumulated adjustments due to changes of accounting principles	—	—	—	—	—
Net Income	1,238,212	1,151,190	—	—	—
Earnings per Share(NT\$)	5.00	4.38	—	—	—

Note 1 : 2011-2012 financial statements were audited by Certified Public Accountants.

Note 2 : 2013-2015 consolidated financial statements are prepared in accordance with IFRSs, so that no Taiwan-GAAP version was prepared.

6.1.3 The name and opinion of the independent auditor within the last 5 year

Year	Name of CPA Firm Name of CPAs	Auditor's opinions
2011	Deloitte & Touche Cheng, Te-Jun 、Chiang, Shu-Chin (Note 1)	Modified Unqualified opinion
2012	Deloitte & Touche Yen, Hsiao-Fang 、Cheng, Te- Jun (Note 2)	Modified Unqualified opinion
2013	Deloitte & Touche Yen, Hsiao-Fang 、Cheng, Te-Jun	Modified Unqualified opinion
2014	Deloitte & Touche Yen, Hsiao-Fang 、Tseng, Done-Yuin (Note 3)	Modified Unqualified opinion
2015	Deloitte & Touche Yen, Hsiao-Fang 、Tseng, Done-Yuin	Modified Unqualified opinion

Note 1 : Change of certified public accountant (CPA) from Tseng, Done-Yuin 、Cheng, Te- Jun to Cheng, Te- Jun 、Chiang, Shu-Chin were due to internal adjustments within Deloitte & Touche, the certifying accounting firm.

Note 2 : Change of certified public accountant (CPA) from Cheng, Te- Jun 、Chiang, Shu-Chin to Yen, Hsiao-Fang 、Cheng, Te- Jun were due to internal adjustments within Deloitte & Touche, the certifying accounting firm.

Note 3 : Change of certified public accountant (CPA) from Yen, Hsiao-Fang 、Cheng, Te- Jun to Yen, Hsiao-Fang 、Tseng, Done-Yuin were due to internal adjustments within Deloitte & Touche, the certifying accounting firm.

6.2 Five-Year Financial Analysis

6.2.1 Financial Analysis – IFRS (Consolidated)

Analysis Item \ Year		Financial analysis within the last 5 years (Note 1)					As of March 31, 2016 (Note 1)
		2011	2012	2013	2014	2015	
Finance Structure	Debt to Assets Ratio(%)	—	50.31	56.84	60.03	55.34	54.34
	Long-Term Capital to Fixed Assets, Machinery and Equipment Ratio(%)	—	94.85	97.00	93.00	98.75	104.21
Solvency	Current Ratio (%)	—	79.69	84.18	70.3	77.21	85.42
	Quick Ratio (%)	—	52.12	52.34	43.02	51.22	55.75
	Interest Coverage	—	10.78	8.11	5.65	5.34	5.54
Operating Ability	Accounts Receivable Turnover (times)	—	7.67	7.95	7.67	6.72	5.57
	Average Collection Days	—	48	46	48	54	65.52
	Inventory Turnover (times)	—	7.86	7.48	7.07	7.22	7.43
	Accounts Payable Turnover (times)	—	16.31	17.61	18.44	18.92	16.12
	Average Inventory Turnover Days	—	46	49	52	51	49.12
	Fixed Assets, Machinery and Equipment Turnover (times)	—	1.10	0.98	0.9	0.88	0.84
	Total Assets Turnover (times)	—	0.74	0.65	0.59	0.57	0.54
Profitability	Return on Assets (%)	—	6.52	5.69	4.33	3.85	0.92
	Return on Equity (%)	—	11.16	10.55	8.27	7.18	1.59
	Pre-tax Profit to Paid-in Capital Ratio (%)	—	57.53	52.24	43.92	33.28	9.07
	Net Margin (%)	—	7.93	6.81	5.43	5.35	5.39
	Earnings Per Share (NT\$)(Note 1)	—	4.38	4.27	3.72	3.26	0.71
Cash Flow	Cash Flow Ratio (%)	—	38.03	25.32	22.05	30.3	4.93
	Cash Flow Adequacy Ratio (%)	—	68.55	57.04	50.67	61.49	64.47
	Cash Flow Re-investment Ratio (%)	—	9.11	5.29	6.05	7.57	1.43
Leverage	Operating Leverage	—	2.01	2.21	2.64	2.6	2.78
	Financial Leverage	—	1.11	1.15	1.27	1.23	1.24

Explanation of variations exceeding 20% :

1. Decrease of Pre-tax income to paid-in capital : mainly due to increase of paid in capital from cash capital increase in 2015.
2. Increase of Cash flow ratio and Cash reinvestment ratio: mainly due to decrease in prepaid expenses and increase of repayment of bank loan in 2015.
3. Increase Cash flow adequacy ratio: mainly due to decrease in capital investments in subsidiaries in 2015.

Note 1 : The Company has adopted IFRS since 2012. For 2011-2012 financial statements, please refer to consolidated financial analysis— ROC GAAP. All yearly financial information has been audited by certified public accountants.

Note 2 : The ratio is based upon the 2011 consolidated financial statements using ROC GAAP.

6.2.2 Financial Analysis – IFRS (Non-consolidated)

Analysis Item \ Year		Financial analysis within the last 5 years (Note 1)				
		2011	2012	2013	2014	2015
Finance Structure	Debt to Assets Ratio(%)	—	23.43	37.2	37.17	32.06
	Long-Term Capital to Fixed Assets, Machinery and Equipment Ratio(%)	—	236.06	266.06	286.8	316.38
Solvency	Current Ratio (%)	—	108.8	100.33	77.99	110.15
	Quick Ratio (%)	—	65.28	53.14	40.49	72.89
	Interest Coverage	—	65.39	21.04	15.28	18.39
Operating Ability	Accounts Receivable Turnover (times)	—	7.12	8.2	9.23	7.79
	Average Collection Days	—	51	45	40	47
	Inventory Turnover (times)	—	7.72	7.69	7.76	7.55
	Accounts Payable Turnover (times)	—	12.68	12.77	13.17	11.38
	Average Inventory Turnover Days	—	47	48	47	48
	Fixed Assets, Machinery and Equipment Turnover (times)	—	1.58	1.45	1.59	1.51
	Total Assets Turnover (times)	—	0.56	0.47	0.46	0.41
Profitability	Return on Assets (%)	—	9.69	8.16	6.31	5.81
	Return on Equity (%)	—	11.96	11.26	9.4	8.41
	Pre-tax Profit to Paid-in Capital Ratio (%)	—	50.73	48.57	43.73	35.39
	Net Margin (%)	—	16.15	15.07	12.31	13.24
	Earnings Per Share (NT\$)(Note 1)	—	4.38	4.27	3.72	3.26
Cash Flow	Cash Flow Ratio (%)	—	73.85	61.14	49.63	54.12
	Cash Flow Adequacy Ratio (%)	—	64.86	48.99	45.57	47.21
	Cash Flow Re-investment Ratio (%)	—	4.57	3.36	3.81	3.4
Leverage	Operating Leverage	—	3.67	3.68	4.34	4.3
	Financial Leverage	—	1.02	1.07	1.09	1.08
Explanation of variations exceeding 20%: 1.Increase of Current ratio : Mainly due to early retirement of partial corporate bonds in 2014. 2.Increase of Quick ratio: Mainly due to early redemption of partial corporate bonds in 2014. 3.Increase of Interest coverage ratio : mainly due to early retirement of partial syndication loan from the proceeds of cash capital increase in 2015.						

Note 1 : The Company has adopted IFRS since 2012. For 2011 financial statements, please refer to individual Financial Analysis-ROC GAAP. The Company has adopted IFRS since 2012. All yearly financial information has been audited by certified public accountants.

The calculation formula of financial analysis :

1. Capital Structure Analysis

- (1) Debt Ratio = Total Liabilities / Total Assets
- (2) Long-Term Capital to Fixed Assets, Machinery and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

- (1) Average Collection Turnover = Net Sales / Average Trade Receivables
- (2) Average Collection Turnover Days = 365 / Receivables Turnover Rate
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Inventory Turnover Days = 365 / Inventory Turnover Rate
- (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
- (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

- (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
- (2) Return on Equity Attributable to Shareholders of the Parent = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent
- (3) Net Margin = Net Income / Net Sales
- (4) Earnings per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

- (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
- (2) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

6.2.3 Financial Analysis – ROC GAAP (Consolidated)

Analysis item \ Year		Financial data within the last 5 years				
		2011	2012	2013	2014	2015
Finance Structure	Debt to Assets Ratio(%)	45.63	49.71	—	—	—
	Long-Term Capital to Fixed Assets, Machinery and Equipment Ratio(%)	112.55	93.16	—	—	—
Solvency	Current Ratio (%)	122.97	80.15	—	—	—
	Quick Ratio (%)	87.85	52.56	—	—	—
	Interest Coverage	11.38	10.86	—	—	—
Operating Ability	Accounts Receivable Turnover (times)	7.57	7.67	—	—	—
	Average Collection Days	48	47	—	—	—
	Inventory Turnover (times)	6.71	7.86	—	—	—
	Accounts Payable Turnover (times)	14.97	16.31	—	—	—
	Average Inventory Turnover Days	54	46	—	—	—
	Fixed Assets, Machinery and Equipment Turnover (times)	1.09	1.1	—	—	—
	Total Assets Turnover (times)	0.71	0.73	—	—	—
Profitability	Return on Assets (%)	7.87	6.55	—	—	—
	Return on Equity (%)	13.06	11.15	—	—	—
	Ratio to Paid-in Capital(%)	60.43	60.85	—	—	—
	Operation Income Pre-tax Profit	61.23	58	—	—	—
	Net Margin (%)	10.01	8.01	—	—	—
Cash Flow	Earnings Per Share (NT\$)(Note 1)	5	4.38	—	—	—
	Cash Flow Ratio (%)	39.49	37.93	—	—	—
	Cash Flow Adequacy Ratio (%)	64.91	68.39	—	—	—
	Cash Flow Re-investment Ratio (%)	7.12	8.93	—	—	—
Leverage	Operating Leverage	1.88	2.01	—	—	—
	Financial Leverage	1.11	1.11	—	—	—
Explanation of variations exceeding 20% : Not Applicable.						

Note 1 : 2011-2012 financial statements have been audited by certified public accountants.2013-2015 consolidated financial statements are prepared in accordance with IFRSs version, so that no Taiwan-GAAP version was prepared.

6.2.4 Financial Analysis – ROC GAAP (Non-consolidated)

Analysis Item \ Year		Financial data within the last 5 years				
		2011	2012	2013	2014	2015
Finance Structure	Debt to Assets Ratio(%)	16.35	22.81	—	—	—
	Long-Term Capital to Fixed Assets, Machinery and Equipment Ratio(%)	245.55	223.35	—	—	—
Solvency	Current Ratio (%)	363.72	110.41	—	—	—
	Quick Ratio (%)	262.32	68.64	—	—	—
	Interest Coverage	94.33	65.99	—	—	—
Operating Ability	Accounts Receivable Turnover (times)	6.71	7.12	—	—	—
	Average Collection Days	54	51	—	—	—
	Inventory Turnover (times)	6.37	7.72	—	—	—
	Accounts Payable Turnover (times)	12.42	12.68	—	—	—
	Average Inventory Turnover Days	57	47	—	—	—
	Fixed Assets, Machinery and Equipment Turnover	1.53	1.47	—	—	—
	Total Assets Turnover (times)	0.57	0.56	—	—	—
Profitability	Return on Assets (%)	12.35	9.72	—	—	—
	Return on Equity (%)	14.62	11.93	—	—	—
	Ratio to Paid-in Capital(%)	Operation Income	41.6	37.67	—	—
		Pre-tax Profit	52.4	51.2	—	—
	Net Margin (%)	19.05	16.32	—	—	—
	Earnings Per Share (NT\$)(Note 1)	5	4.38	—	—	—
Cash Flow	Cash Flow Ratio (%)	147.81	74.63	—	—	—
	Cash Flow Adequacy Ratio (%)	72.45	65.37	—	—	—
	Cash Flow Re-investment Ratio (%)	4.22	4.47	—	—	—
Leverage	Operating Leverage	2.78	3.63	—	—	—
	Financial Leverage	1.01	1.02	—	—	—
Explanation of variations exceeding 20% : Not Applicable.						

Note 1 : 2011-2012 financial statements have been audited by certified public accountants.2013-2015 consolidated financial statements are prepared in accordance with IFRSs version, so that no Taiwan-GAAP version was prepared.

The calculation formula of financial analysis :

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-Term Capital to Fixed Assets, Machinery and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover = Net Sales / Average Trade Receivables

(2) Average Collection Turnover Days = 365 / Receivables Turnover Rate

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Inventory Turnover Rate

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Equity Attributable to Shareholders of the Parent = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent

(3) Net Margin = Net Income / Net Sales

(4) Earnings per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

6.3 Supervisors' Audit Report in the most recent year

Taiwan Hon Chuan Enterprise Co., Ltd.

Supervisors' Audit Report

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

To

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

Taiwan Hon Chuan Enterprise Co., Ltd.

Supervisor : Lin, Chun-Chih

Supervisor : Tsao, Yu-Yu

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

May 6, 2016

6.4 Financial Statements of the most recent year

INDEPENDENT AUDITORS' REPORT

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

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

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

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

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

March 29, 2016

Notice to Readers

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

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

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

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

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

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

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2015		2014	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (862,180)	(5)	\$ 411,954	2
Unrealized gain on available-for-sale financial assets	<u>(7,042)</u>	<u>-</u>	<u>6,769</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>\$ (869,561)</u>	<u>(5)</u>	<u>\$ 415,743</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 16,580</u>	<u>-</u>	<u>\$ 1,351,027</u>	<u>8</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 948,965	6	\$ 966,212	5
Non-controlling interests	<u>(62,824)</u>	<u>(1)</u>	<u>(30,928)</u>	<u>-</u>
	<u>\$ 886,141</u>	<u>5</u>	<u>\$ 935,284</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 210,024	1	\$ 1,328,095	8
Non-controlling interests	<u>(193,444)</u>	<u>(1)</u>	<u>22,932</u>	<u>-</u>
	<u>\$ 16,580</u>	<u>-</u>	<u>\$ 1,351,027</u>	<u>8</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 3.26</u>		<u>\$ 3.72</u>	
Diluted	<u>\$ 3.20</u>		<u>\$ 3.62</u>	

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

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

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

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

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

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

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,031,083	\$ 1,141,184
Adjustments for:		
Depreciation and amortization expenses	2,026,906	1,882,512
Finance costs	237,735	245,236
Unrealized net loss (gain) on foreign currency exchange	146,332	30,547
Net loss (gain) on fair value change of financial assets and	(62,568)	(23,803)
Compensation cost of share-based payment transaction	34,000	-
Loss (gain) on disposal of property, plant and equipment	27,998	(15,123)
Net loss (gain) on disposal of investment	(16,461)	-
Impairment loss recognized on non-financial assets	15,894	16,342
Impairment loss recognized on property, plant and equipment	13,886	-
Loss (gain) recognized on associates under equity method	13,080	5,716
Impairment loss recognized (reversal of impairment loss) on	12,080	2
Others	(446)	(1,534)
Net changes in operating assets and liabilities		
Financial assets held for trading	32,678	10,393
Notes receivable	9,686	8,753
Trade receivables	(214,008)	(173,854)
Inventories	394,184	146,694
Other current assets	77,408	(345,945)
Notes payable	(15,666)	(11,633)
Trade payables	(86,575)	(87,168)
Other current liabilities	(48,860)	98,953
Net defined benefit liabilities	(6,590)	(6,519)
Cash generated from operations	3,621,776	2,920,753
Interest paid	(214,491)	(215,143)
Income tax paid	(241,401)	(211,530)
Net cash generated from operating activities	<u>3,165,884</u>	<u>2,494,080</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(766,310)	(3,421,031)
Decrease in prepayments for equipment	(1,752,637)	(1,124,962)
Proceeds from disposal of property, plant and equipment	91,967	149,403
Proceeds from sale of available-for-sale financial assets	61,686	-
Purchase of available-for-sale financial assets	(45,225)	(12,124)
Purchase of financial assets measured at cost	(15,000)	-
Decrease in refundable deposits	(1,875)	(253)
Proceeds of the return of capital on financial assets measured at cost	879	-
Acquisition of associates	-	(48,539)

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2015	2014
Proceeds from disposal of debt investments with no active market	\$ -	\$ 40,000
Other investing activities	<u>(36,697)</u>	<u>28,886</u>
Net cash used in investing activities	<u>(2,463,212)</u>	<u>(4,388,620)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	(3,758,695)	(1,530,306)
Proceeds from long-term borrowings	3,086,000	2,197,029
Proceeds from issue of ordinary shares	2,595,000	-
Proceeds from (repayments of) short-term borrowings	(852,335)	2,121,622
Payments for buy-back of ordinary shares	(835,335)	-
Dividends paid to owners of the Corporation	(681,665)	(649,620)
Changes in non-controlling interests	223,727	36,324
Payments for increase of interests in subsidiaries	(72,751)	-
Dividends paid to non-controlling interests	(18,700)	(12,721)
Repayments of corporate bonds	<u>-</u>	<u>(424,500)</u>
Net cash generated from (used in) financing activities	<u>(314,754)</u>	<u>1,737,828</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(31,772)</u>	<u>87,442</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	356,146	(69,270)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,065,813</u>	<u>2,135,083</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,421,959</u>	<u>\$ 2,065,813</u>

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

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

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taiwan Hon Chuan Enterprise Co., Ltd. (the “Corporation”) was incorporated in 1969. It manufactures and sells various packing materials for the food and beverage industries (such as aluminum closures, plastic caps, metal caps, labels, bioriented polyolefin shrinkable films, low density polyethylene (LDPE), shrinkable films, and polyethylene terephthalate (PET) bottles) and automatic sealer machines. It also manufactures and sells packing materials for electronic parts (such as anti-static sheets or bags), precision instrument cases, and caps for batteries.

The Corporation became a public company in August 1993 under the approval of the Securities and Futures Bureau (SFB) under the Financial Supervisory Commission. The Corporation’s shares have been traded on the Taiwan Stock Exchange since March 2, 2001.

The consolidated financial statements are presented in the Corporation’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 29, 2016.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Group’s accounting policies:

- 1) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other

comprehensive income are grouped on the same basis. Under previous IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss is remeasurements of the defined benefit plans and the actuarial gain and loss of associates (and joint ventures) accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates and joint ventures accounted for using the equity method. The application of the above amendments did not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

2) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under previous IAS 19 and accelerates the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Remeasurement of the defined benefit plans is presented separately as other equity.

Furthermore, the interest cost and expected return on plan assets used in previous IAS 19 were replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

b. New IFRSs in issue but not yet endorsed by the FSC

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of	To be determined by IASB

Assets between an Investor and its Associate or Joint Venture”	
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
	(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014
	(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

IFRS 9 “Financial Instruments”

1) Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, if any, recognized in profit or

loss. Interest revenue is recognized in profit or loss by using the effective interest method;

- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

2) The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 13, Table 8 and Table 9 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts

for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective

basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation. If not, corporate assets are allocated to the smallest group of cash-generating units.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss

recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 28.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more

events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is

recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 28.

b) Recognition of financial liabilities

The difference between the carrying amount of the financial liability recognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds and liability component of preferred stock

The component parts of compound instruments (convertible bonds and liability component of preferred stock) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and

equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic

benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

n. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term; contingent rents arising are recognized as an expense in the period in which they are incurred.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Share-based payment arrangements

Employee share options granted to employee and others providing similar services

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences

can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the

cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Income taxes

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

c. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Fair value measurements and valuation processes

If some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group determines whether to engage third party qualified valuers or self-determine the appropriate valuation techniques for fair value measurements.

Where Level 1 inputs are not available, the Group or engaged valuers would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in note 28.

e. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

f. Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand and petty cash	\$ 4,405	\$ 3,682
Checking accounts and demand deposits	1,906,667	1,221,614
Cash equivalent		
Time deposits with original maturities less than three months	<u>510,887</u>	<u>840,517</u>
	<u>\$ 2,421,959</u>	<u>\$ 2,065,813</u>

The market rate intervals of cash in bank, at the end of the reporting period were as follows:

	December 31	
	2015	2014
Bank balance	0%-13%	0%-8%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2015	2014
Financial assets held for trading		
Derivative financial assets		
Foreign exchange forward contracts	<u>\$ 19,226</u>	<u>\$ -</u>
Financial liabilities held for trading		
Derivative financial liabilities		
Interest swap contracts	<u>\$ -</u>	<u>\$ 11,267</u>

Outstanding foreign exchange forward contracts were as follows:

	Currency	Maturity Date	Notional Amount
<u>December 31, 2015</u>			
Buy	USD/EUR	2016.06.17	USD221/EUR200
	CNY/USD	2016.03.01	CNY32,395/USD5,000
	CNY/USD	2016.03.07	CNY64,800/USD10,000
	CNY/USD	2016.09.14	CNY16,325/USD2,500
	CNY/USD	2016.09.14	CNY48,975/USD7,500
	CNY/USD	2016.09.19	CNY65,200/USD10,000

The Group did not have outstanding foreign exchange forward contracts as of December 31, 2014.

The Group entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and thus did not qualify for hedge accounting.

Outstanding interest swap contracts as of December 31, 2014 were as follows:

Contract Amount	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
US\$10,000	2015.09.24	Year 1: 0.30%, year 2: 1.49%, year 3: 1.90%, year 4: 2.30%, year 5: 2.45%	USD 3M Libor, Quarterly fixing and payment
US\$10,000	2015.10.07	Year 1: 0.30%, year 2: 1.20%, year 3: 1.70%, year 4: 2.00%, year 5: 2.30%	USD 3M Libor, Quarterly fixing and payment

The Group did not have outstanding interest swap contracts as of December 31, 2015.

The Group entered into interest swap contracts to manage exposures to exchange rate fluctuations of foreign bank loans. However, those contracts did not meet the criteria of hedge effectiveness and thus did not qualify for hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NONCURRENT

	December 31	
	2015	2014
Overseas stock of publicly quoted entity	\$ <u>11,250</u>	\$ <u>19,340</u>

The Group invested THB13,000 thousand in Ichitan group public company limited (“Ichitan Company”) in Thailand in April 2015 for cooperating to expand the market in the future.

9. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT

	December 31	
	2015	2014
Domestic unlisted common shares	\$ 31,446	\$ 17,325
Overseas unlisted preferred shares	<u>8,645</u>	<u>8,645</u>
	<u>\$ 40,091</u>	<u>\$ 25,970</u>

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2015	2014
<u>Current</u>		
Corporate bonds	\$ <u>40,440</u>	\$ <u>-</u>

Non-Current

Corporate bonds	\$ _____	\$ <u>40,592</u>
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The Group bought US\$1,127 thousand of 3-year corporate bonds issued by Garden Fresh (HK) Fruit & Vegetable Co., Limited (“Garden Fresh”) with a coupon rate of 0% and effective interest rate of 3.57% in July 2012. The corporate bonds were originally recorded under non-current assets, but were reclassified as current assets because they will mature within one year from balance sheet date.

11. TRADE RECEIVABLES - NET

	December 31	
	2015	2014
Trade receivables from unrelated parties	\$ 2,401,963	\$ 2,197,473
Less: Allowance for impairment loss	<u>(40,314)</u>	<u>(29,810)</u>
	<u>\$ 2,361,649</u>	<u>\$ 2,167,663</u>

The average credit period for sales of goods was 30 to 90 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss was recognized against trade receivables over aged 90 days based on estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

	December 31	
	2015	2014
Less than 90 days	\$ 2,351,729	\$ 2,098,120
91-180 days	28,110	67,838
More than 181 days	<u>22,124</u>	<u>31,515</u>
	<u>\$ 2,401,963</u>	<u>\$ 2,197,473</u>

The above aging schedule was based on the invoice date.

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

	Collectively Assessed for Impairment
Balance at January 1, 2014	\$ 28,241
Add: Impairment losses recognized on trade receivables	2
Less: Amounts written off as uncollectible	(42)
Effect of exchange rate changes	<u>1,609</u>
Balance at December 31, 2014	29,810
Add: Impairment losses recognized on trade receivables	12,080
Effect of exchange rate changes	<u>(1,576)</u>
Balance at December 31, 2015	<u>\$ 40,314</u>

Age of individually impaired trade receivables was as follows:

	December 31	
	2015	2014
Less than 90 days	\$ -	\$ -
91- 180 days	647	1,140
More than 181 days	<u>39,667</u>	<u>28,670</u>
	<u>\$ 40,314</u>	<u>\$ 29,810</u>

The above aging of trade receivables before deducting the allowance for impairment loss was prepared based on the invoice date.

12. INVENTORIES

	December 31	
	2015	2014
Finished goods	\$ 446,578	\$ 490,596
Work in process	223,907	215,568
Raw materials and supplies	1,031,153	1,272,362
Inventories in transit	<u>47,417</u>	<u>11,055</u>
	<u>\$ 1,749,055</u>	<u>\$ 1,989,581</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 was \$13,512,705 thousand and \$14,425,540 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2015 and 2014 included inventory write-downs of \$15,894 thousand and \$16,342 thousand, respectively.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Businesses	% of Ownership	
			December 31	
			2015	2014
The Corporation	Hon Chuan Holding Limited ("Samoa Hon Chuan")	Overseas reinvested holding company and international trade	100	100
Samoa Hon Chuan	Hon Chuan (China) Holding Co., Ltd. ("Hon Chuan China")	Overseas reinvested holding company	76.84	76.84
Samoa Hon Chuan	HC (Asia) Holding Co., Ltd. ("Hon Chuan Asia")	Overseas reinvested holding company and international trade	100	100
	Hon Chuan Technologies (Ningbo) Co., Ltd. ("Ningbo Hon Chuan")	Manufacture and sale of packing materials for electronic components and caps for batteries	100	100
Hon Chuan China	Kai Gang Industries Limited ("Kai Gang")	Overseas reinvested holding company	100	100
	Hon Hsing (Samoa) Holding Limited ("Samoa Hon Hsing")	Overseas reinvested holding company	100	100

Hon Chuan Asia	Hon Chuan (Thailand) Co., Ltd. ("Hon Chuan Thailand")	Manufacture and sale of plastic caps and PET bottles	100	100
	PT Hon Chuan Indonesia ("Hon Chuan Indonesia")	Manufacture and sale of plastic caps and PET bottles	100	100
	Hon Chuan (Myanmar) Co., Ltd. ("Hon Chuan Myanmar")	Manufacture and sale of plastic caps and PET bottles	70	70
	Hon Chuan Vietnam Co., Ltd. ("Hon Chuan Vietnam")	Manufacture and sale of plastic caps and PET bottles	100	100
	Hon Chuan Malaysia Sdn. Bhd. ("Hon Chuan Malaysia")	Manufacture and sale of plastic caps and PET bottles	100	100
	Honly Holding Co., Ltd. ("Samoa Honly")	Overseas reinvested holding company and international trade	60	60
	Honly International Co., Ltd. ("Honly")	Overseas reinvested holding company and international trade	49	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership December 31	
			2015	2014
Kai Gang	Hon Chuan Enterprise (Suzhou) Company Limited ("Suzhou Hon Chuan")	Manufacture and sale of various plastic caps, labels and aluminum closures	100	100
	Hon Chuan Food Packing (Qingxin) Co., Ltd. ("Qingxin Hon Chuan")	Manufacture and sale of various plastic caps, labels, PET bottles and beverage packaging service	100	100
	Hon Chuan Food Packing (Zhangzhou) Co., Ltd. ("Zhangzhou Hon Chuan")	Manufacture and sale of PET bottles and beverage packaging service	100	100
	Hon Chuan Food Packing (Chuzhou) Co., Ltd. ("Chuzhou Hon Chuan")	Manufacture and sale of various plastic caps and PET bottles	100	100
	Hon Chuan Food Packing (Xiantao) Co., Ltd. ("Xiantao Hon Chuan")	Manufacture and sale of plastic caps, PET bottles and beverage packaging service	100	100
Samoa Hon Hsing	Suzhou Hongxin Food Packing Co., Ltd. ("Suzhou Hongxin")	Manufacture and sale of plastic caps, PET bottles and beverage packaging service	100	100
	Hon Chuan Food Packing (Taiyuan) Co., Ltd. ("Taiyuan Hon Chuan")	Manufacture and sale of plastic caps, PET bottles and beverage packaging service	100	100
	Hon Chuan Enterprise (Changsha) Co., Ltd. ("Changsha Hon Chuan")	Manufacture and sale of plastic caps, PET bottles and beverage packaging service	100	100
	Hon Chuan Food Packing (Jinan) Co., Ltd. ("Jinan Hon Chuan")	Manufacture and sale of plastic caps and PET bottles	100	100
Hon Chuan Thailand	Hon Chuan FD Packaging Co., Ltd. ("Hon Fu Thailand")	Manufacture and sale of plastic caps, labels and PET bottles	65	65
Samoa Honly	Honly Food & Beverage Co., Ltd. ("Cambodia Honly")	Beverage packing service	100	100
Suzhou Hongxin	Quanhe Investment (Suzhou) Co., Ltd. ("Quanhe")	Equity investment	100	-
	Hon Chuan Food Packing (Anyang) Co., Ltd. ("Anyang Hon Chuan")	Sale of PE/PET packaging, food packaging	60	-

Quanhe	Anyang Hon Chuan	Sale of PE/PET packaging, food packaging	40	-
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(Continued)

The Corporation has the practical ability to direct the relevant activities of Honly; therefore, the Corporation has control over Honly.

The Group's ownership in Anyang Hon Chuan increased from 40% to 100% in November 2015, and Anyang Hon Chuan is included in the consolidated financial statements.

The subsidiaries reported in the consolidated financial statements were based on the financial statements audited by auditors for the same year.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2015	2014
Hon Chuan China	23.16%	23.16%

See Table 8 and Table 9 for the information on place of incorporation and principal place of business.

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Hon Chuan China and Hon Chuan China's subsidiaries:

	December 31	
	2015	2014
Current assets	\$ 2,926,462	\$ 3,764,063
Non-current assets	10,363,867	10,992,865
Current liabilities	(8,277,799)	(9,097,006)
Non-current liabilities	<u>(588,399)</u>	<u>(553,075)</u>
Equity	<u>\$ 4,424,131</u>	<u>\$ 5,106,847</u>
Equity attributable to:		
Owners of the Company	\$ 3,734,236	\$ 4,246,853
Non-controlling interests of Hon Chuan China	<u>689,895</u>	<u>859,994</u>
	<u>\$ 4,424,131</u>	<u>\$ 5,106,847</u>
	For the Year Ended December	
	2015	2014
Revenue	<u>\$ 5,971,664</u>	<u>\$ 5,929,054</u>
Loss for the year	\$ (238,499)	\$ (164,259)
Other comprehensive income for the year	(604,950)	(25,727)

	For the Year Ended December	
	2015	2014
Total comprehensive income for the year	\$ (843,449)	\$ (189,986)
Loss attributable to:		
Owners of the Company	\$ (183,263)	\$ (126,217)
Non-controlling interests of Hon Chuan China	(55,236)	(38,042)
	\$ (238,499)	\$ (164,259)
Total comprehensive income attributable to:		
Owners of the Company	\$ (648,107)	\$ (145,986)
Non-controlling interests of Hon Chuan China	(195,342)	(44,000)
	<u>\$ (843,449)</u>	<u>\$ (189,986)</u>

	For the Year Ended December	
	31	
	2015	2014
Net cash flow from:		
Operating activities	\$ 1,137,248	\$ 842,984
Investing activities	(666,396)	(1,933,885)
Financing activities	<u>(1,112,339)</u>	<u>985,098</u>
Net cash outflow	<u>\$ (641,487)</u>	<u>\$ (105,803)</u>

14. INVESTMENT ACCOUNTED FOR BY THE EQUITY METHOD

	December 31	
	2015	2014
<u>Associates</u>		
Unlisted company		
Shanghai Danmao Trading Co., Ltd. ("Danmao Company")	<u>\$ 32,501</u>	<u>\$ 45,729</u>

As the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

	December 31	
	2015	2014
<u>Name of Associates</u>		
Danmao Company	33.33%	33.33%

Refer to Table 9 for the nature of activities, principle place of business and country of incorporation of the associates.

The summarized financial information below represents amounts shown in the associates' financial

statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Danmao Company

	December 31	
	2015	2014
Current assets	\$ 101,082	\$ 134,204
Non-current assets	1,830	2,045
Current liabilities	<u>(5,409)</u>	<u>939</u>
Equity	<u>\$ 97,503</u>	<u>\$ 137,188</u>
Proportion of the Group's ownership	33.33%	33.33%
Equity attributable to the Group	<u>\$ 32,501</u>	<u>\$ 45,729</u>
Carrying amount	<u>\$ 32,501</u>	<u>\$ 45,729</u>
	For the Year Ended December 31	
	2015	2014
Operating revenue	<u>\$ 17,574</u>	<u>\$ 4,546</u>
Net loss for the year	<u>\$ (36,903)</u>	<u>\$ (17,148)</u>

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>						
Balance at January 1, 2015	\$ 668,136	\$ 5,262,861	\$ 18,387,105	\$ 5,088,255	\$ 2,275,626	\$ 31,681,983
Additions	219	13,733	138,886	129,668	484,820	767,326
Disposals	-	(23,931)	(257,305)	(48,372)	-	(329,608)
Effect of foreign currency exchange differences	(12,037)	(120,020)	(425,204)	(97,836)	(50,921)	(706,018)
Reclassified	<u>58,798</u>	<u>136,472</u>	<u>2,143,158</u>	<u>633,122</u>	<u>(1,448,218)</u>	<u>1,523,332</u>
Balance at December 31, 2015	<u>\$ 715,116</u>	<u>\$ 5,269,115</u>	<u>\$ 19,986,640</u>	<u>\$ 5,704,837</u>	<u>\$ 1,261,307</u>	<u>\$ 32,937,015</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2015	\$ -	\$ 1,070,644	\$ 8,716,733	\$ 2,755,523	\$ -	\$ 12,542,900
Disposals	-	(3,629)	(179,539)	(29,012)	-	(212,180)
Impairment loss	-	-	-	13,886	-	13,886
Depreciation expense	-	209,408	1,325,924	454,189	-	1,989,521
Effect of foreign currency exchange differences	-	(22,510)	(125,389)	(45,473)	-	(193,372)
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 1,253,913</u>	<u>\$ 9,737,729</u>	<u>\$ 3,149,113</u>	<u>\$ -</u>	<u>\$ 14,140,755</u>

Carrying amount at January 1, 2015	<u>\$ 668,136</u>	<u>\$ 4,192,217</u>	<u>\$ 9,670,372</u>	<u>\$ 2,332,732</u>	<u>\$ 2,275,626</u>	<u>\$ 19,139,083</u>
Carrying amount at December 31, 2015	<u>\$ 715,116</u>	<u>\$ 4,015,202</u>	<u>\$ 10,248,911</u>	<u>\$ 2,555,724</u>	<u>\$ 1,261,307</u>	<u>\$ 18,796,260</u>
<u>Cost</u>						
Balance at January 1, 2014	\$ 673,015	\$ 4,448,838	\$ 16,320,242	\$ 4,565,731	\$ 1,627,133	\$ 27,634,959
Additions	-	52,792	297,802	137,583	2,825,243	3,313,420
Disposals	(13,985)	(86,308)	(456,490)	(112,197)	-	(668,980)
Effect of foreign currency exchange differences	9,106	158,228	730,971	153,370	85,743	1,137,418
Reclassified	-	689,311	1,494,580	343,768	(2,262,493)	265,166
Balance at December 31, 2014	<u>\$ 668,136</u>	<u>\$ 5,262,861</u>	<u>\$ 18,387,105</u>	<u>\$ 5,088,255</u>	<u>\$ 2,275,626</u>	<u>\$ 31,681,983</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2014	\$ -	\$ 834,430	\$ 7,466,865	\$ 2,370,554	\$ -	\$ 10,671,849
Disposals	-	(3,482)	(345,322)	(90,199)	-	(439,003)
Depreciation expense	-	199,708	1,262,712	392,473	-	1,854,893
Effect of foreign currency exchange differences	-	39,988	332,478	82,695	-	455,161
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 1,070,644</u>	<u>\$ 8,716,733</u>	<u>\$ 2,755,523</u>	<u>\$ -</u>	<u>\$ 12,542,900</u>
Carrying amount at January 1, 2014	<u>\$ 673,015</u>	<u>\$ 3,614,408</u>	<u>\$ 8,853,377</u>	<u>\$ 2,195,177</u>	<u>\$ 1,627,133</u>	<u>\$ 16,963,110</u>
Carrying amount at December 31, 2014	<u>\$ 668,136</u>	<u>\$ 4,192,217</u>	<u>\$ 9,670,372</u>	<u>\$ 2,332,732</u>	<u>\$ 2,275,626</u>	<u>\$ 19,139,083</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Building	
Main buildings	20-60 years
Electrical power equipment	10-50 years
Other	10-50 years
Machinery equipment	3-20 years
Other assets	2-25 years

Refer to Note 30 for the carrying amount of property, plant and equipment pledged by the group to secure borrowings granted to the Group.

16. OTHER ASSETS

	December 31	
	2015	2014
Office supplies	\$ 437,316	\$ 369,840
Prepayments for lease	367,407	360,010
Tax refund receivable	294,892	410,105
Prepaid expenses and prepayment for purchases	198,738	380,605
Refundable deposits	36,492	35,416
Restricted assets (Note 30)	32,870	-
Other receivables	17,536	99,474

Others	<u>326,866</u>	<u>290,763</u>
	<u>\$ 1,712,117</u>	<u>\$ 1,946,213</u>
Current	\$ 1,314,954	\$ 1,558,627
Non-current	<u>397,163</u>	<u>387,586</u>
	<u>\$ 1,712,117</u>	<u>\$ 1,946,213</u>

As of December 31, 2015 and 2014, prepaid lease payments mainly include legitimate land use rights of subsidiaries in Mainland China, Hon Chuan Vietnam, Hon Chuan Myanmar and Hon Chuan Indonesia which are located in China, Vietnam and Indonesia.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2015	2014
<u>Unsecured borrowings</u>		
Bank loans for working capital	\$ 7,952,301	\$ 7,514,756
Loans for purchasing raw materials	59,301	200,823
<u>Secured borrowings</u>		
Collateral loans (Note 30)	<u>-</u>	<u>800,000</u>
	<u>\$ 8,011,602</u>	<u>\$ 8,515,579</u>
<u>Rate of interest per annum (%)</u>		
Collateral loans	-	1.09
Bank loans for working capital	0.97-1.60	0.84-1.51
Loans for purchasing raw materials	0.26-1.81	1.15-1.37

b. Long-term borrowings

	December 31	
	2015	2014
Bank loans for working capital	\$ 5,246,885	\$ 5,240,185
Collateral loans (Note 30)	<u>-</u>	<u>599,316</u>
	5,246,885	5,839,501
Less: current portion of long-term loans	<u>(262,600)</u>	<u>(804,404)</u>
	<u>\$ 4,984,285</u>	<u>\$ 5,035,097</u>

Rate of interest per annum (%)

Bank loans for working capital	1.05-1.80	0.97-1.69
Collateral loans	-	1.69

The Corporation entered into a secured loan agreement with a syndicate of banks led by Land Bank of Taiwan Co., Ltd. for repayment of short-term bank loans, procure fund for future investment and increase operating fund. Under the agreement, the Corporation should maintain certain financial ratios, as listed below, based on the numbers in the Corporation's annual financial statements.

- 1) Current ratio - at least 100% of financial statements.
- 2) Debt ratio - maximum of 200% of financial statements.
- 3) Interest coverage ratio - at least 300% of financial statements.
- 4) Tangible assets - at least \$7,000,000 thousand of financial statements.

If the Corporation could not maintain certain financial ratios, it must improve financial ratios and provide documents certified by the Corporation's auditor within five months of next year starting May 1. If the Corporation maintained these financial ratios within the grace period, there will be no violation of the agreement. However, the Corporation should pay interest at annual rate plus 0.2% from May 1 next year to the date it actually completed the improvement.

Samoa Hon Chuan entered into a syndicate term loan agreement led by Land Bank of Taiwan Co., Ltd. for repayment of short-term bank loans, procure fund for future investment fund and increase operating fund. The Corporation provided financial guarantees for Samoa Hon Chuan in the syndicated term loan agreement. Under the agreement, the Corporation should maintain some financial ratios, as listed below, based on the numbers in the Corporation's consolidated financial statements.

- 1) Current ratio - at least 80% of consolidated financial statements.
- 2) Debit ratio - maximum of 200% of consolidated financial statements.
- 3) Interest coverage ratio - at least 500% of consolidated financial statements.

If the Corporation could not maintain certain financial ratios, it must improve financial

ratios and provide documents certified by the Corporation's auditor within five months of next year starting April 1. If the Corporation improved these financial ratios within the grace period, there will be no violation of the agreement. However, the Corporation should pay interest at annual rate plus 0.2% from April 1 next year to the date it actually completed the improvement.

18. BOND PAYABLE

	December 31	
	2015	2014
Unsecured domestic convertible bonds	\$ 575,500	\$ 575,500
Less: Bonds discount	<u>(5,953)</u>	<u>(16,829)</u>
	569,547	558,671
Less: Current portion	<u>(569,547)</u>	<u>-</u>
Non-current	<u>\$ -</u>	<u>\$ 558,671</u>

On July 15, 2011, the Corporation issued 5-year unsecured, zero-coupon convertible bonds with a face value of \$1,000,000 thousand. The effective interest was 1.9467%. Bondholders may request the Corporation to convert the bonds into the Corporation's common shares at \$96.4 per share between August 16, 2011 and July 15, 2016, (barring the year in which registration of share transfer is suspended) or buy back the bonds on July 15, 2015 at 100% of their face value.

Between August 16, 2011 and June 5, 2016, if the closing price of the Corporation's shares reaches 30% of the conversion price for 30 consecutive trading days or when less than 10% of the bonds had been redeemed, bought back or converted, the Corporation may redeem the remaining bonds by cash at face value. Upon maturity, the Corporation should redeem the remaining bonds at 100% of their face value.

As of July 15, 2014, the bondholders had requested the Corporation to redeem the bonds of 4,245 shares and the Corporation had paid \$424,500 thousand for a period of five consecutive trading days. Under the agreement, the bonds payable were classified as non-current liabilities as of July 15, 2015.

As of December 31, 2015, bonds had not been converted into common shares. As of December 31, 2015, conversion price was adjusted according to regulated formula and was reset at \$71.9 per share.

19. LIABILITY COMPONENT OF PREFERRED STOCKS

	December 31	
	2015	2014
Convertible preferred stock	\$ 607,263	\$ 585,525
Less: liability component of preferred stocks discount	<u>(33,199)</u>	<u>(49,608)</u>
Non-current	<u>\$ 574,064</u>	<u>\$ 535,917</u>

Hon Chuan China issued participating preferred shares with subscription price of US\$18,500 thousand in August, 2007. As participating and cumulative shares, each preferred share has voting right equivalent to the number of ordinary share into which it is convertible. The preferred shares would convert into ordinary shares automatically before initial public offering (IPO) of Hon Chuan China or 10 years after the preferred shares were issued or, in certain period, should be redeemed by Hon Chuan China.

Dividends on liability component of preferred stock were \$35,263 thousand and \$32,618

thousand for the years ended December 31, 2015 and 2014, respectively (Note 23).

20. OTHER LIABILITIES

	December 31	
	2015	2014
Payable for salaries	\$ 199,567	\$ 198,377
Payable for purchase of equipment	130,444	190,919
Payable for bonus to employees	20,241	23,333
Payable for annual leave	18,052	16,783
Deferred revenue	14,335	17,158
Payable for remuneration of directors and supervisors	8,541	8,696
Others	<u>491,431</u>	<u>653,534</u>
	<u>\$ 882,611</u>	<u>\$ 1,108,800</u>
Current	\$ 868,278	\$ 1,091,642
Non-current	<u>14,333</u>	<u>17,158</u>
	<u>\$ 882,611</u>	<u>\$ 1,108,800</u>

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group’s subsidiary in China, Indonesia, Vietnam, Thailand, Malaysia, Myanmar and Cambodia are members of a state-managed retirement benefit plan operated by the government of China, Indonesia, Vietnam, Thailand, Malaysia, Myanmar and Cambodia. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	\$ 148,855	\$ 145,927
Fair value of plan assets	<u>(108,555)</u>	<u>(99,445)</u>
Net defined benefit liability	<u>\$ 40,300</u>	<u>\$ 46,482</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	\$ 143,364	\$ (93,955)	\$ 49,409
Service cost			
Current service cost	1,786	-	1,786
Net interest expense (income)	<u>2,775</u>	<u>(1,876)</u>	<u>899</u>
Recognized in profit or loss	<u>4,561</u>	<u>(1,876)</u>	<u>2,685</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(334)	(334)
Actuarial (gain) loss - changes in demographic assumptions	(19)	-	(19)
Actuarial (gain) loss - changes in financial assumptions	(96)	-	(96)
Actuarial (gain) loss - experience adjustments	<u>4,040</u>	<u>-</u>	<u>4,040</u>
Recognized in other comprehensive income	<u>3,925</u>	<u>(334)</u>	<u>3,591</u>
Contributions from the employer	-	(9,203)	(9,203)
Benefits paid	<u>(5,923)</u>	<u>5,923</u>	<u>-</u>
Balance at December 31, 2014	<u>145,927</u>	<u>(99,445)</u>	<u>46,482</u>
Service cost			
Current service cost	1,690	-	1,690
Net interest expense (income)	<u>3,038</u>	<u>(2,148)</u>	<u>890</u>
Recognized in profit or loss	<u>4,728</u>	<u>(2,148)</u>	<u>2,580</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(496)	(496)
Actuarial (gain) loss - changes in demographic assumptions	985	-	985
Actuarial (gain) loss - changes in financial assumptions	4,924	-	4,924
Actuarial (gain) loss - experience adjustments	<u>(5,005)</u>	<u>-</u>	<u>(5,005)</u>
Recognized in other comprehensive income	<u>904</u>	<u>(496)</u>	<u>408</u>
Contributions from the employer	-	(9,170)	(9,170)
Benefits paid	<u>(2,704)</u>	<u>2,704</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 148,855</u>	<u>\$ (108,555)</u>	<u>\$ 40,300</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	2014
Discount rate	1.750%	2.125%
Expected rate of salary increase	1.500%	1.500%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2015	2014
Discount rate(s)		
0.25% increase	\$ (3,337)	\$ (3,558)
0.25% decrease	\$ 3,456	\$ 3,691
Expected rate(s) of salary increase		
0.25% increase	\$ 3,354	\$ 3,604
0.25% decrease	\$ (3,255)	\$ (3,491)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	\$ 9,170	\$ 9,204
The average duration of the defined benefit obligation	12 years	13 years

22. EQUITY

a. Share capital

	December 31	
	2015	2014
Number of shares authorized (in thousands)	<u>350,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>309,848</u>	<u>259,848</u>
Shares issued	<u>\$ 3,098,479</u>	<u>\$ 2,598,479</u>

On October 9, 2014, the Corporation's board of directors resolved to issue 50,000 thousand ordinary shares, with a par value of \$10 each, for tentative consideration of \$52 per share. On October 30, 2014, the above transaction was approved by the FSC, and on January 7, 2015, the FSC approved to extend the period of raising capital for 3 months until April 29, 2015. The subscription base date was determined at April 28, 2015 by the board of directors on March 11, 2015. On April 28, 2015, the deadline for raising cash capital, the share capital was increased to \$2.6 billion.

b. Capital surplus

	December 31	
	2015	2014
Arising from issuance of common shares	\$ 5,212,598	\$ 3,117,598
Arising from employee share options	148,820	114,820
Arising from share warrants	<u>51,450</u>	<u>51,450</u>
	<u>\$ 5,412,868</u>	<u>\$ 3,283,868</u>

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's paid-in capital and once a year).

The capital surplus from long-term investments, employee stock options and share warrants may not be used for any purpose.

c. Appropriation of earnings and dividend policy

The Corporation's Articles of Incorporation provide that the annual net income after paying income tax should be used first to make up for prior years' losses and set aside 10% as a legal reserve. The residual earnings, net of (i) the remuneration of all directors and supervisors of up to 3%; (ii) employee bonus of at least 1%; and (iii) special reserve, if necessary, will be distributed as dividends; (iv) the remaining is stockholder bonus distributed in proportion to owned shares.

Under the dividend policy in the Articles of Incorporation, at least 50% of dividends paid or distributed should be in the form of stock during the Corporation's growth stage. When

the Group reaches mature stage, the percentage of cash dividends should be at least 50% of the total dividends.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Corporation's Articles of Incorporation had been proposed by the Corporation's board of directors on November 12, 2015 and are subject to the resolution of the shareholders in their meeting to be held on June 22, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to c. Employee benefits expense in Note 23.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's capital surplus. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's capital surplus, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2014 and 2013 had been approved in the shareholders' meetings on June 2015 and 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT\$) For the Year Ended December 31	
	2014	2013	2014	2013
Legal reserve	\$ 96,621	\$ 111,031		
Cash dividends	681,665	649,620	\$2.2	\$2.5

The appropriations of earnings for 2015 had been proposed by the Corporation's board of directors on March 29, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 94,896	
Special reserve	22,656	
Cash dividends	585,758	\$ 2

The appropriations of earnings for 2015 are subject to the resolution of the shareholders' meeting to be held on June 22, 2016.

d. Special reserves

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Corporation appropriated to the special reserve an amount of \$352,668 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

e. Treasury shares

Purpose of Buy-Back	Shares Cancelled (In Thousands of Shares)
Number of shares at January 1, 2015	-
Increase during the year	16,969
Decrease during the year	<u>-</u>
Number of shares at December 31, 2015	<u>16,969</u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The Corporation's board of directors proposed February 4, 2016 to be the date for cancellation of treasury shares and also the base date of capital reduction.

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Other gains and losses

	For the Year Ended December 31	
	2015	2014
Gain on valuation of financial assets	\$ 62,568	\$ 23,803
Interest income	31,271	44,369
Gain (loss) on disposal of property, plant and equipment	(27,998)	15,123
Gain on disposal of investments	16,461	-
Loss recognized on associates under equity method	(13,080)	(5,716)
Miscellaneous income	<u>21,159</u>	<u>24,713</u>
	<u>\$ 90,381</u>	<u>\$ 102,292</u>

b. Finance costs

	For the Year Ended December 31	
	2015	2014
Interest on bank	\$ 191,596	\$ 197,816
Interest on convertible preferred stock (Note 19)	35,263	32,618
Interest on convertible bonds	<u>10,876</u>	<u>14,802</u>
	<u>\$ 237,735</u>	<u>\$ 245,236</u>

c. Employee benefits expense, depreciation and amortization expenses

	For the Year Ended December 31					
	2015			2014		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll expense	\$ 1,086,885	\$ 489,212	\$ 1,576,097	\$ 1,048,330	\$ 393,736	\$ 1,442,066
Labor and health insurance expense	43,652	17,663	61,315	43,373	16,667	60,040
Pension expense	22,922	68,441	91,363	22,029	56,780	78,809
Other employee benefits expense	35,315	66,755	102,070	35,105	66,703	101,808
Depreciation expenses	1,861,429	128,092	1,989,521	1,745,643	109,250	1,854,893
Amortization expenses	7,760	29,625	37,385	6,159	21,460	27,619

The existing Articles (2014) of Incorporation of the Corporation stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates no less than 1% and no higher than 3%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$23,333 thousand and \$8,696 thousand, respectively, representing 2.68% and 1%, respectively, of the base net income.

In compliance with the Company Act as amended in May 2015, the Corporation proposed amendments to its Articles of Incorporation to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were \$20,241 thousand and \$8,541 thousand, respectively, representing 1.80% and 0.76%, respectively, of the base net profit. The employees' compensation and remuneration to directors and supervisors in cash for the year ended December 31, 2015 have been approved by the Corporation's board of directors on March 29, 2016 and are subject to the resolution and adoption of the amendments to the Corporation's Articles of Incorporation by the shareholders in their meeting to be held on June 22, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June, 2015 and 2014, respectively, were as follows:

Cash Dividends	For the Year Ended December 31	
	2014	2013
Bonus to employees	\$ 23,333	\$ 23,391

Remuneration of directors and supervisors	8,696	9,993
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There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors proposed by the board of directors and approved in the shareholders' meetings on June, 2015 and 2014 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Corporation's board of directors in 2016 and bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

24. TAXES

a. Major components of tax expense recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current tax		
In respect of the current year	\$ 175,115	\$ 192,598
Income tax expense of unappropriated earnings	18,494	34,897
In respect of prior periods	2,046	7,624
Deferred tax		
In respect of the current year	<u>(50,713)</u>	<u>(29,219)</u>
Income tax expense recognized in profit or loss	<u>\$ 144,942</u>	<u>\$ 205,900</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2015	2014
Income tax expense calculated at the statutory rate	\$ 145,379	\$ 201,295
Nondeductible expenses in determining taxable income	786	4,106
Permanent differences-others	(30,651)	(34,590)
Tax-exempt income	8,888	(7,432)
Additional income tax on unappropriated earnings	18,494	34,897
Adjustments for prior year's tax	<u>2,046</u>	<u>7,624</u>
Income tax expense recognized in profit or loss	<u>\$ 144,942</u>	<u>\$ 205,900</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2016 appropriations of earnings is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

For the Year Ended December 31, 2015				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Accrued expenses	\$ 14,719	\$ (14,719)	\$ -	\$ -
Inventories	4,824	2,467	-	7,291
Defined benefit obligation	8,759	(500)	69	8,328
Other	(8,212)	27,113	-	18,901
Tax losses	<u>71,865</u>	<u>64,938</u>	<u>-</u>	<u>136,803</u>
	<u>\$ 91,955</u>	<u>\$ 79,299</u>	<u>\$ 69</u>	<u>\$ 171,323</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ 24,283
Others	<u>-</u>	<u>28,586</u>	<u>-</u>	<u>28,586</u>
	<u>\$ 24,283</u>	<u>\$ 28,586</u>	<u>\$ -</u>	<u>\$ 52,869</u>
For the Year Ended December 31, 2014				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Accrued expenses	\$ 9,361	\$ 5,358	\$ -	\$ 14,719
Inventories	311	4,513	-	4,824
Defined benefit obligation	9,080	(932)	611	8,759
Other	6,216	(14,428)	-	(8,212)
Tax losses	<u>37,315</u>	<u>34,550</u>	<u>-</u>	<u>71,865</u>
	<u>\$ 62,283</u>	<u>\$ 29,061</u>	<u>\$ 611</u>	<u>\$ 91,955</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ 24,283
Others	<u>158</u>	<u>(158)</u>	<u>-</u>	<u>-</u>

<u>\$ 24,441</u>	<u>\$ (158)</u>	<u>\$ -</u>	<u>\$ 24,283</u>
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- c. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2015 and 2014, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$233,932 thousand and \$328,716 thousand, respectively.

- d. Information about unused loss carry-forward and tax-exemption

As of December 31, 2015, the approved tax-exempt expansion projects were as follows:

Expansion Projects	Tax-exempt Period
Capitalization of earnings (stock dividend) in 2008 and cash funded expansion in 2009	December 2013 to December 2017

As of December 31, 2015 under the local regulations of Qingxin Hon Chuan, Suzhou Hon Chuan, Suzhou Hongxin, Xiantao Hon Chuan and Chuzhou Hon Chuan, their loss carryforwards may be offset against future taxable income.

- e. Integrated income tax

	December 31	
	2015	2014
Unappropriated earnings		
Unappropriated earnings generated before January 1, 1998	\$ 100,487	\$ 100,487
Unappropriated earnings generated on and after January 1, 1998	<u>3,104,820</u>	<u>2,934,480</u>
	<u>\$ 3,205,307</u>	<u>\$ 3,034,967</u>
Imputation credits accounts	<u>\$ 397,541</u>	<u>\$ 338,361</u>
	For the Year Ended December 31	
	2015	2014
	(Expected)	(Actual)
Creditable ratio for distribution of earnings	15.26%	14.95%

- f. Income tax assessments

Income tax returns of the Corporation through 2013 have been examined and cleared by the tax authorities.

25. EARNINGS PER SHARE

	Net profit attributable to owner of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2015</u>			
Basic	\$ 948,965	290,687	<u>\$ 3.26</u>
Dilutive effects - employees' compensation or bonus to employees	-	625	
Domestic convertible bonus	<u>9,027</u>	<u>8,004</u>	
Dilutive	<u>\$ 957,992</u>	<u>299,316</u>	<u>\$ 3.20</u>

For the year ended December 31, 2014

Basic	\$ 966,212	259,848	<u>\$ 3.72</u>
Dilutive effects - bonus issue to employees	-	590	
Domestic convertible bonus	<u>12,286</u>	<u>10,119</u>	
Dilutive	<u>\$ 978,498</u>	<u>270,557</u>	<u>\$ 3.62</u>

Since the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of land and plant with lease terms between 5 and 10 years. The Group does not have a bargain purchase option to acquire the leased land and plant at the expiry of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Not later than 1 year	\$ 49,213	\$ 50,842
Later than 1 year and not later than 5 years	125,802	125,415
Later than 5 years	<u>67,289</u>	<u>90,482</u>
	<u>\$ 242,304</u>	<u>\$ 266,739</u>

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Total
<u>December 31, 2015</u>			
Available-for-sale financial assets overseas stock of publicly quoted entity	\$ 11,250	\$ -	\$ 11,250
Financial assets at fair value through profit or loss (FVTPL) Foreign exchange forward contracts	\$ -	\$ 19,226	\$ 19,226
<u>December 31, 2014</u>			
Available-for-sale financial assets overseas stock of publicly quoted entity	\$ 19,340	\$ -	\$ 19,340
Financial liabilities at FVTPL Interest swap contracts	\$ -	\$ 11,267	\$ 11,267

There were no transfers between Level 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
------------------------------	--

Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivatives - interest swap contracts	Discounted cash flow. Future cash flows are estimated based on observable interest exchange rates at the end of the reporting period and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

b. Categories of financial instruments

	December 31	
	2015	2014
<u>Financial assets</u>		
FVTPL	\$ 19,226	\$ -
Available-for-sale financial assets	11,250	19,340
Loans and receivables		
Cash and cash equivalents	2,421,959	2,065,813
Financial assets measured at cost	40,091	25,970
Debt investments with no active market	40,440	40,592
Notes receivable and trade receivable	2,522,032	2,337,048
<u>Financial liabilities</u>		
FVTPL	-	11,267
Amortized cost		
Short-term borrowings	8,011,602	8,515,579
Notes payable and trade payable	659,036	769,438
Bonds payable (including current portion)	569,547	558,671
Long-term borrowing (including current portion)	5,246,885	5,839,501
Preferred stock liabilities	574,064	535,917

c. Financial risk management objectives

The Group's major financial instruments included equity and debt investments, trade receivable, trade payables, bonds payable, borrowings and preferred stock liabilities. The Group's Corporate Treasury function manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's Corporate Treasury function evaluates quarterly if the use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits was reviewed by the internal auditors on a

continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

Foreign currency risk

The Group and several subsidiaries of the Corporation had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts. The use of financial derivatives would reduce the influence of foreign exchange risk but could not completely eliminate the risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows:

	December 31	
	2015	2014
<u>Assets</u>		
USD	\$ 32,790	\$ 18,039
EUR	1,261	162
<u>Liabilities</u>		
USD	89,626	114,039
EUR	2,663	11,946

The Group was mainly exposed to the USD and EUR.

The Group's sensitivity to a 1% increase and decrease in NTD (the functional currency) against the relevant foreign currencies represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The sensitivity analysis included external borrowings as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. Assuming a 1% movement in the levels of the NTD against the USD, the pre-tax profit for the years ended December 31, 2015 and 2014 would have changed by decreasing \$18,739 thousand and increasing \$30,458 thousand, respectively. Assuming a 1% movement in the levels of the NTD against the EUR, losses before income tax for the years ended December 31, 2015 and 2014 would have changed by decreasing \$503 thousand and increasing \$4,533 thousand, respectively.

Interest rate risk

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2015	2014
Fair value interest rate risk		
Financial assets	\$ 40,440	\$ 40,592
Financial liabilities	1,143,611	1,094,588
Cash flow interest rate risk		
Financial liabilities	13,258,487	14,355,080

The Group was exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. In order to achieve this result, the Group entered into interest rate swaps to hedge its exposures to changes in fair values of the borrowings.

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.125% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been raised by 0.125% higher and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2015 and 2014 would decrease by \$17,708 thousand and \$16,672 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- The amount of contingent liabilities in relation to financial guarantee issued by the Group.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Corporation consider that the Group's credit risk was significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of trade receivables. The Group's concentrations of credit risk regarding top 5 customers were 52% and 47% in total trade receivables as of December 31, 2015 and 2014, respectively. No other concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2015 and 2014, the Corporation had available unutilized short-term bank loan facilities of \$6,805,794 thousand and \$4,764,741 thousand, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

	Less Than 1 Year	1-5 Years	Total
<u>December 31, 2015</u>			
Non-derivative financial liabilities			
Borrowings	\$ 8,274,202	\$ 4,984,285	\$13,258,487
Non-interest bearing liabilities	659,036	-	659,036
Bonds payable	569,547	-	569,547
Preferred stock liabilities	<u>-</u>	<u>574,064</u>	<u>574,064</u>
	<u>\$ 9,502,785</u>	<u>\$ 5,558,349</u>	<u>\$15,061,134</u>
<u>December 31, 2014</u>			
Non-derivative financial liabilities			
Borrowings	\$ 9,319,983	\$ 5,035,097	\$14,355,080
Non-interest bearing liabilities	769,438	-	769,438
Bonds payable	-	558,671	558,671
Preferred stock liabilities	<u>-</u>	<u>535,917</u>	<u>535,917</u>
	10,089,421	6,129,685	16,219,106
Derivative financial liabilities			
Interest swap contracts	<u>11,267</u>	<u>-</u>	<u>11,267</u>
	<u>\$10,100,688</u>	<u>\$ 6,129,685</u>	<u>\$16,230,373</u>

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which were related parties of the Corporation, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Sales of goods

	For the Year Ended December 31	
	2015	2014
Net sales		
Others	<u>\$ 13,535</u>	<u>\$ 2,641</u>
Rental expenses (recorded under manufacturing or operation expenses)		
Others	<u>\$ 3,760</u>	<u>\$ 3,736</u>

The price of sales to related parties and collection terms approximated those for third parties.

The Group has leased warehouse from related parties. The rent is based on the rates of neighboring properties.

	December 31	
	2015	2014
Accounts receivable		
Others	<u>\$ 1,899</u>	<u>\$ 469</u>
Other payables (recorded under other current liabilities)		
Others	<u>\$ 31,586</u>	<u>\$ 35,740</u>

b. Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Short-term benefits	\$ 48,235	\$ 51,236
Post-employment benefits	<u>480</u>	<u>515</u>
	<u>\$ 48,715</u>	<u>\$ 51,751</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and the deposit for inviting tenders:

	December 31	
	2015	2014
Property, plant and equipment	\$ 1,508,880	\$ 1,631,895
Restricted assets (recorded under other current assets)	<u>32,870</u>	<u>-</u>
	<u>\$ 1,541,750</u>	<u>\$ 1,631,895</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2015 and 2014 were as follows:

- As of December 31, 2015 and 2014, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$129,914 thousand and \$136,936 thousand, respectively.
- Unrecognized commitments are as follows:

December 31

	2015	2014
Acquisition of property, plant and equipment	<u>\$ 607,397</u>	<u>\$ 889,065</u>

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31						
2015			2014			
Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	
<u>Financial assets of monetary items</u>						
USD	\$ 45,629	32.83	\$ 1,497,772	\$ 15,590	31.65	\$ 493,433
RMB	305,013	5.06	1,541,836	282,691	5.17	1,462,193
THB	715,285	0.91	654,202	529,672	0.96	512,194
<u>Financial liabilities of monetary items</u>						
USD	244,261	32.83	8,017,867	322,627	31.65	10,211,136
RMB	254,026	5.06	1,284,097	177,596	5.17	918,597
THB	131,033	0.91	119,843	153,564	0.96	148,497
EUR	2,665	35.88	95,620	11,946	38.47	459,545

The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
2015			2014	
Exchange Rate	Net Foreign Exchange Gain (Loss)		Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	5.10	\$ (166,652)	4.93	\$ (10,410)
USD	31.74	64,482	30.31	100,320
IDR	0.0024	(39,777)	0.0026	31,037
THB	0.93	<u>33,921</u>	0.94	<u>6,280</u>
		<u>\$ (108,026)</u>		<u>\$ 127,227</u>

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint

controlled entities). (Table 3)

- 4) Marketable securities acquired and disposed at costs or prices at least \$300 million or 20% of the paid-in capital. (Table 4)

- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
 - 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 5)
 - 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 6)
 - 9) Trading in derivative instruments. (Note 7)
 - 10) Intercompany relationships and significant intercompany transactions. (Table 7)
 - 11) Information on investees. (Table 8)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 7)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 7)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (Table 7)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (Table 7)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Domestic - Manufacture and sale in Taiwan.
- Asia - Manufactures and sale in Asia other than Taiwan.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Domestic	Asia	Adjustment and Elimination	Total
<u>For the Year ended December 31, 2015</u>				
Revenues from external customers	\$ 7,129,659	\$ 9,448,718	\$ -	\$ 16,578,377
Inter-segment revenues	38,144	36,030	(74,174)	-
Segment revenues	<u>\$ 7,167,803</u>	<u>\$ 9,484,748</u>	<u>\$ (74,174)</u>	<u>\$ 16,578,377</u>
Segment income	<u>\$ 842,112</u>	<u>\$ 422,003</u>		\$ 1,264,115
Financial costs				(237,735)
Foreign exchange gain				(85,678)
Other gains and losses				<u>90,381</u>
Profit before tax				<u>\$ 1,031,083</u>
<u>For the Year ended December 31, 2014</u>				
Revenues from external customers	\$ 7,818,474	\$ 9,408,000	\$ -	\$ 17,226,474
Inter-segment revenues	32,942	41,939	(74,881)	-
Segment revenues	<u>\$ 7,851,416</u>	<u>\$ 9,449,939</u>	<u>\$ (74,881)</u>	<u>\$ 17,226,474</u>
Segment income	<u>\$ 931,447</u>	<u>\$ 218,086</u>		\$ 1,149,533
Financial costs				(245,236)
Foreign exchange gain				134,595
Other gains and losses				<u>102,292</u>
Profit before tax				<u>\$ 1,141,184</u>

Inter-segment revenues were accounted for according to market price.

Segment profit represented the profit before tax earned by each segment without interest income, gain or loss on disposal of property, plant and equipment, exchange gain or loss, valuation gain or loss on financial instruments, loss recognized on associates under equity method, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2015	2014
Packaging materials	\$11,127,629	\$10,607,356
Beverages (included bottle filling and OEM)	4,509,534	5,387,043
Others	<u>941,214</u>	<u>1,232,075</u>
	<u>\$16,578,377</u>	<u>\$17,226,474</u>

c. Geographical information

The Group operates in three principal geographical areas –Taiwan, China and Southeast Asia.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2015	2014	2015	2014
Taiwan	\$ 7,129,659	\$ 7,818,474	\$ 4,936,183	\$ 5,120,572
China	5,965,495	5,907,078	10,174,536	10,855,694
Southeast Asia	2,387,637	2,660,097	5,684,070	5,046,044
Others	<u>1,095,586</u>	<u>840,825</u>	<u>-</u>	<u>-</u>
	<u>\$ 16,578,377</u>	<u>\$ 17,226,474</u>	<u>\$ 20,794,789</u>	<u>\$ 21,022,310</u>

Non-current assets exclude financial instruments and deferred tax assets.

d. Information on major customers

Single customers that contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
Names	2015	2014
Customer A	\$ 2,962,749	\$ 4,564,681
Customer B	2,244,800	2,320,598

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO RELATED ENTITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of Dollars, Unless Otherwise Specified)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
1	Samoa Hon Chuan	Suzhou Hongxin	Receivable from related parties	Yes	\$ 131,300 (US\$ 4,000)	\$ -	\$ -	1.83%-2.54%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 3,951,742	\$ 3,951,742
		Hon Chuan China	Receivable from related parties	Yes	3,094,839 (US\$ 94,283)	2,969,021 (US\$ 90,450)	2,969,021 (US\$ 90,450)	1.82%-2.16%	Short-term financing	-	Operating Capital	-	-	-	3,951,742	3,3951,742
		Zangzhou Hon Chuan	Receivable from related parties	Yes	131,300 (US\$ 4,000)	-	-	2.33%-2.54%	Short-term financing	-	Operating Capital	-	-	-	3,951,742	3,3951,742
		Taiyuan Hon Chuan	Receivable from related parties	Yes	259,318 (US\$ 7,900)	-	-	1.83%-2.54%	Short-term financing	-	Operating Capital	-	-	-	3,951,742	3,3951,742
		Qingxin Hon Chuan	Receivable from related parties	Yes	65,650 (US\$ 2,000)	-	-	1.83%-2.54%	Short-term financing	-	Operating Capital	-	-	-	3,951,742	3,3951,742
		Kai Gang	Receivable from related parties	Yes	262,600 (US\$ 8,000)	98,475 (US\$ 3,000)	98,475 (US\$ 3,000)	1.82%-2.16%	Short-term financing	-	Operating Capital	-	-	-	3,951,742	3,3951,742
		Samoa Hong Hsing	Receivable from related parties	Yes	98,475 (US\$ 3,000)	98,475 (US\$ 3,000)	98,475 (US\$ 3,000)	1.82%-2.16%	Short-term financing	-	Operating Capital	-	-	-	3,951,742	3,3951,742
		Chuzhou Hon Chuan	Receivable from related parties	Yes	131,300 (US\$ 4,000)	131,300 (US\$ 4,000)	131,300 (US\$ 4,000)	2.33%-2.66%	Short-term financing	-	Operating Capital	-	-	-	3,951,742	3,3951,742
		Xiantao Hon Chuan	Receivable from related parties	Yes	131,300 (US\$ 4,000)	98,475 (US\$ 3,000)	98,475 (US\$ 3,000)	2.38%-2.66%	Short-term financing	-	Operating Capital	-	-	-	3,951,742	3,3951,742
2	Kai Gang	Qingxin Hon Chuan	Receivable from related parties	Yes	590,850 (US\$ 18,000)	393,900 (US\$ 12,000)	393,900 (US\$ 12,000)	1.83%-2.66%	Short-term financing	-	Operating Capital	-	-	-	2,240,428	2,240,428
		Hon Chuan China	Receivable from related parties	Yes	636,805 (US\$ 19,400)	636,805 (US\$ 19,400)	636,805 (US\$ 19,400)	1.82%-2.16%	Short-term financing	-	Operating Capital	-	-	-	2,240,428	2,240,428
		Zangzhou Hon Chuan	Receivable from related parties	Yes	164,125 (US\$ 5,000)	-	-	1.83%-2.66%	Short-term financing	-	Operating Capital	-	-	-	2,240,428	2,240,428
3	Samoa Hong Hsing	Hon Chuan China	Receivable from related parties	Yes	525,200 (US\$ 16,000)	525,200 (US\$ 16,000)	525,200 (US\$ 16,000)	1.82%-2.16%	Short-term financing	-	Operating Capital	-	-	-	2,121,516	2,121,516
		Taiyuan Hon Chuan	Receivable from related parties	Yes	65,650 (US\$ 2,000)	-	-	1.83%-2.54%	Short-term financing	-	Operating Capital	-	-	-	2,121,516	2,121,516
4	Hon Chuan Asia	Hon Chuan Indonesia	Receivable from related parties	Yes	144,430 (US\$ 4,400)	144,430 (US\$ 4,400)	144,430 (US\$ 4,400)	1.74%-2.42%	Short-term financing	-	Operating Capital	-	-	-	2,255,669	2,255,669
		Hon Chuan Vietnam	Receivable from related parties	Yes	32,825 (US\$ 1,000)	-	-	1.74%-2.33%	Short-term financing	-	Operating Capital	-	-	-	2,255,669	2,255,669
		Hon Chuan Malaysia	Receivable from related parties	Yes	49,238 (US\$ 1,500)	-	-	1.74%-2.28%	Short-term financing	-	Operating Capital	-	-	-	2,255,669	2,255,669
		Honly	Receivable from related parties	Yes	30,279 (US\$ 922)	30,279 (US\$ 922)	30,279 (US\$ 922)	2.42%	Short-term financing	-	Operating Capital	-	-	-	2,255,669	2,255,669
5	Suzhou Hon Chuan	Qingxin Hon Chuan	Receivable from related parties	Yes	25,275 (RMB 5,000)	25,275 (RMB 5,000)	25,275 (RMB 5,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	482,400	482,400
		Xiantao Hon Chuan	Receivable from related parties	Yes	63,188 (RMB 12,500)	63,188 (RMB 12,500)	63,188 (RMB 12,500)	4.35%	Short-term financing	-	Operating Capital	-	-	-	482,400	482,400
		Zangzhou Hon Chuan	Receivable from related parties	Yes	20,220 (RMB 4,000)	20,220 (RMB 4,000)	20,220 (RMB 4,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	482,400	482,400
		Chuzhou Hon Chuan	Receivable from related parties	Yes	26,792 (RMB 5,300)	26,792 (RMB 5,300)	26,792 (RMB 5,300)	4.35%	Short-term financing	-	Operating Capital	-	-	-	482,400	482,400
6	Changsha Hon Chuan	Qingxin Hon Chuan	Receivable from related parties	Yes	227,475 (RMB 45,000)	227,475 (RMB 45,000)	227,475 (RMB 45,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	440,976	440,976
		Zangzhou Hon Chuan	Receivable from related parties	Yes	10,110 (RMB 2,000)	10,110 (RMB 2,000)	10,110 (RMB 2,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	440,976	440,976
		Chuzhou Hon Chuan	Receivable from related parties	Yes	80,880 (RMB 16,000)	80,880 (RMB 16,000)	80,880 (RMB 16,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	440,976	440,976

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
7	Suzhou Hongxin (Note 3)	Xiantao Hon Chuan	Receivable from related parties	Yes	\$ 22,242 (RMB 4,400)	\$ 22,242 (RMB 4,400)	\$ 22,242 (RMB 4,400)	4.35%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 480,859	\$ 480,859
8	Jinan Hon Chuan (Note 3)	Qingxin Hon Chuan (Note 3)	Receivable from related parties	Yes	156,705 (RMB 31,000)	156,705 (RMB 31,000)	156,705 (RMB 31,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	508,148	508,148
		Zangzhou Hon Chuan (Note 3)	Receivable from related parties	Yes	65,715 (RMB 13,000)	65,715 (RMB 13,000)	65,715 (RMB 13,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	508,148	508,148
		Xiantao Hon Chuan	Receivable from related parties	Yes	27,803 (RMB 5,500)	27,803 (RMB 5,500)	27,803 (RMB 5,500)	4.35%	Short-term financing	-	Operating Capital	-	-	-	508,148	508,148

Note 1: The financing for operation should not exceed the amount of transaction amounts; the short-term financing should not exceed 40% of the latest net assets of the subsidiaries.

Note 2: The maximum amount is 40% of the latest net assets of the subsidiaries

Note 3: Offshore subsidiaries whose voting share are 100% held, directly or indirectly, by the Company will not be subjected to the restriction on 40% of the latest net assets of the Company.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.

Note 5: Significant intercompany accounts and transactions have been eliminated.
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TABLE 2

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of Dollars, Unless Otherwise Specified)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 1 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Samoa Hon Chuan	(Note 4)	\$ 6,241,371	\$ 3,216,850 (US\$ 98,000)	\$ 3,216,850 (US\$ 98,000)	\$ 2,842,645 (US\$ 86,600)	\$ -	26	\$ 12,482,742	Y	-	-
		Hon Chuan China	(Note 4)	6,241,371	3,380,975 (US\$ 103,000)	3,380,975 (US\$ 103,000)	2,226,520 (US\$ 67,830)	-	27	12,482,742	Y	-	-
		Hon Chuan Asia	(Note 4)	6,241,371	1,871,025 (US\$ 57,000)	1,871,025 (US\$ 57,000)	1,246,821 (US\$ 37,984)	-	15	12,482,742	Y	-	-
		Qingxin Hon Chuan	(Note 4)	6,241,371	98,475 (US\$ 3,000)	98,475 (US\$ 3,000)	-	-	1	12,482,742	Y	-	Y
		Taiyuan Hon Chuan	(Note 4)	6,241,371	164,125 (US\$ 5,000)	164,125 (US\$ 5,000)	114,888 (US\$ 3,500)	-	1	12,482,742	Y	-	Y
		Samoa Hon Hsing	(Note 4)	6,241,371	623,675 (US\$ 19,000)	623,675 (US\$ 19,000)	449,703 (US\$ 13,700)	-	5	12,482,742	Y	-	-
		Kai Gang	(Note 4)	6,241,371	1,148,875 (US\$ 35,000)	1,148,875 (US\$ 35,000)	525,200 (US\$ 16,000)	-	9	12,482,742	Y	-	-
		Suzhou Hongxin	(Note 4)	6,241,371	164,125 (US\$ 5,000)	164,125 (US\$ 5,000)	114,888 (US\$ 3,500)	-	1	12,482,742	Y	-	Y
		Jinan Hon Chuan	(Note 4)	6,241,371	328,250 (US\$ 10,000)	328,250 (US\$ 10,000)	246,188 (US\$ 7,500)	-	3	12,482,742	Y	-	Y
		Xiantao Hon Chuan	(Note 4)	6,241,371	164,125 (US\$ 5,000)	164,125 (US\$ 5,000)	-	-	1	12,482,742	Y	-	Y
1	Suzhou Hon Chuan	Changsha Hon Chuan	(Note 4)	6,241,371	151,650 (RMB 30,000)	-	-	-	-	12,482,742	-	-	Y
		Jinan Hon Chuan	(Note 4)	6,241,371	101,100 (RMB 20,000)	-	-	-	-	12,482,742	-	-	Y
2	Suzhou Hongxin	Suzhou Hon Chuan	(Note 4)	6,241,371	50,550 (RMB 10,000)	50,550 (RMB 10,000)	-	-	-	12,482,742	-	-	Y
3	Changsha Hon Chuan	Jinan Hon Chuan	(Note 4)	6,241,371	101,100 (RMB 20,000)	-	-	-	-	12,482,742	-	-	Y
		Suzhou Hon Chuan	(Note 4)	6,241,371	101,100 (RMB 20,000)	-	-	-	-	12,482,742	-	-	Y
4	Jinan Hon Chuan	Suzhou Hon Chuan	(Note 4)	6,241,371	101,100 (RMB 20,000)	-	-	-	-	12,482,742	-	-	Y
		Changsha Hon Chuan	(Note 4)	6,241,371	151,650 (RMB 30,000)	-	-	-	-	12,482,742	-	-	Y

Continued)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 1 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On behalf of Companies in Mainland China
		Name	Relationship										
5	Suzhou Hon Chuan, two subsidiaries	Suhou Hongxin, two subsidiaries	(Note 4)	\$ 6,241,371	\$ 75,825 (RMB 15,000)	\$ -	\$ -	\$ -	-	\$ 12,482,742	-	-	Y
6	Hon Chuan Thailand	Hon Fu Thailand	(Note 4)	6,241,371	54,876 (THB 60,000)	54,876 (THB 60,000)	18,424 (THB 20,144)	-	-	12,482,742	-	-	-

- Note 1: The maximum is 50% of the net assets of the Corporation and subsidiaries in the latest financial report.
- Note 2: The maximum is 100% of the net assets of the Corporation and subsidiaries in the latest financial report.
- Note 3: The maximum amount of the total guarantee for all group entities is 100% of the net assets of the Corporation and subsidiaries.
- Note 4: Investees which the Corporation directly and indirectly holds more than 50% percent of the voting shares.
- Note 5: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.

(Concluded)

TABLE 3**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2015****(In Thousands of Dollars, Unless Otherwise Specified)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2015			
				Shares	Carrying Value	Percentage of Ownership (Note 1)	Fair Value (Note 1)
The Corporation	<u>Capital Stock</u>						
	Globaltec Technology Partner Venture Capital Corp.	-	Financial assets measured at cost - noncurrent	644,656	\$ 1,446	2	\$ 1,446
	Lightel Technologies Inc.	-	Financial assets measured at cost - noncurrent	551,051	8,645	2	8,645
	CDIB CME Fund Ltd.	-	Financial assets measured at cost - noncurrent	3,000,000	30,000	2	30,000
Samoa Hon Chuan	<u>Corporate Bonds</u>						
	Green Fresh	-	Debt investments with no active market - current	-	40,440 (US\$ 1,232)	-	40,440 (US\$ 1,232)
Hon Chuan Thailand	<u>Capital Stock</u>						
	Ichitan Company	-	Available-for-sale financial assets - noncurrent	1,000,000	11,250 (THB 12,300)	0.08	11,250 (THB 12,300)

Note 1: The fair value of the securities held was based on cost as established at the date of acquisition.

Note 2: Information on investees, please see Tables 8 and 9.

Note 3: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.

TABLE 4

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands, Except Number of Shares)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Ending Balance	
					Shares	Amount (Note 1)	Shares	Amount	Shares	Amount (Notes 1 and 3)
The Corporation	Samoa Hon Chuan	Investments accounted for using equity method	-	Parent - subsidiary	252,196,725	\$ 9,640,422	25,000,000	\$ 770,617	277,196,725	\$ 9,853,487
Samoa Hon Chuan	Hon Chuan Asia	Investments accounted for using equity method	-	Parent - subsidiary	132,022,505	5,421,804 (US\$ 165,173)	26,700,000	876,428 (US\$ 26,700)	158,722,505	5,983,374 (US\$ 182,281)

- Note 1: Amount includes investment income/loss recognized under equity method and cumulative translation adjustment.
- Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.
- Note 3: Significant intercompany accounts and transactions have been eliminated.

TABLE 5

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND INVESTEEES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)**

Purchaser or Seller	Related Party	Nature of Relationship with the Purchaser or Seller	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Note
			Purchase or Sale	Amount (Note)	% to Total	Collection Terms	Unit Price	Collection Terms	Ending Balance	% to Total	
Hon Chuan Thailand	Hon Chuan Asia	Parent - subsidiary	(Sale)	\$ (258,326)	(16)	T/T 180 days	\$ -	-	\$ 53,191	16	
Hon Chuan Asia	Hon Chuan Thailand	Parent - subsidiary	Purchase	258,326	26	T/T 180 days	-	-	(53,191)	(57)	

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 6**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2015
(In Thousands of Dollars, Unless Otherwise Specified)

Company Name	Related Party	Relationship	Ending Balance (Note 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Samoa Hon Chuan	Hon Chuan China	(Note 1)	\$ 2,969,021 (US\$ 90,450)	-	\$ -	Depend on the operation	\$ -	\$ -
	Chuzhou Hon Chuan	(Note 1)	131,300 (US\$ 4,000)	-	-	Depend on the operation	-	-
Kai Gang	Qingxin Hon Chuan	(Note 1)	393,900 (US\$ 12,000)	-	-	Depend on the operation	-	-
	Hon Chuan China	(Note 1)	636,805 (US\$ 19,400)	-	-	Depend on the operation	-	-
Samoa Hon Hsing	Hon Chuan China	(Note 1)	525,200 (US\$ 16,000)	-	-	Depend on the operation	-	-
Hon Chuan Asia	Hon chuan Indonesia	(Note 1)	144,430 (US\$ 4,400)	-	-	Depend on the operation	-	-
Changsha Hon Chuan	Qingxin Hon chuan	(Note 1)	227,475 (RMB 45,000)	-	-	Depend on the operation	35,385 (RMB 7,000)	-
Jinan Hon Chuan	Qingxin Hon chuan	(Note 1)	156,705 (RMB 31,000)	-	-	Depend on the operation	-	-
Hon Chuan Asia	Hon Chuan Myanmar	(Note 1)	362,154 (US\$ 11,033)	-	-	Depend on the operation	-	-
Samoa Honly	Cambodia Honly	(Note 1)	138,307 (US\$ 4,213)	-	-	Depend on the operation	-	-
Hon Chuan China	Xiantao Hon Chuan	(Note 1)	329,324 (US\$ 10,033)	-	-	Depend on the operation	-	-

Note 1: Please see Note 13.

Note 2: Significant intercompany accounts and transactions have been eliminated.

TABLE 7

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
0	The Corporation	Hon Chuan Asia and its subsidiaries	1	Sales	\$ 30,821	T/T 180 days	-
		Hon Chuan Asia and its subsidiaries	1	Purchase	30,293	T/T 180 days	-
		Hon Chuan Asia and its subsidiaries	1	Technical service revenue	25,747	Depend on working capital sufficiency	-
		Hon Chuan China and its subsidiaries	1	Sales	7,323	T/T 180 days	-
		Hon Chuan China and its subsidiaries	1	Purchase	5,738	T/T 180 days	-
		Hon Chuan China and its subsidiaries	1	Technical service revenue	22,529	Depend on working capital sufficiency	-
1	Samoa Hon Chuan	Hon Chuan China and its subsidiaries	3	Receivable from related parties	3,395,746	Depend on working capital sufficiency	12
		Hon Chuan China and its subsidiaries	3	Interest receivable	17,966	Depend on working capital sufficiency	-
		Hon Chuan China and its subsidiaries	3	Interest revenue	74,692	Depend on working capital sufficiency	-
2	Hon Chuan Asia	Among Hon Chuan Asia's subsidiaries	3	Receivable from related parties	174,709	Depend on working capital sufficiency	1
		Among Hon Chuan Asia's subsidiaries	3	Accounts receivable	475,332	T/T 180 days	2
		Among Hon Chuan Asia's subsidiaries	3	Accounts Payable	76,303	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Purchase	404,210	T/T 180 days	2
		Among Hon Chuan Asia's subsidiaries	3	Sales	626,716	T/T 180 days	4
		Among Hon Chuan Asia's subsidiaries	3	Realized gross profit	10,354	-	-
		Hon Chuan China and its subsidiaries	3	Purchase	6,169	T/T 180 days	-
3	Hon Chuan Thailand	Among Hon Chuan Asia's subsidiaries	3	Accounts receivable	16,757	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Sales	3,373	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Purchase	83,887	T/T 180 days	1
		Among Hon Chuan Asia's subsidiaries	3	Accounts Payable	22,742	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Other income	14,060	Depend on working capital sufficiency	-
4	Hon Fu Thailand	Among Hon Chuan Asia's subsidiaries	3	Accounts receivable	20,793	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Sales	23,268	T/T 180 days	-
5	Hon Chuan Malaysia	Among Hon Chuan Asia's subsidiaries	3	Sales	23,552	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Purchase	1,323	T/T 180 days	-
6	Hon Chuan Indonesia	Among Hon Chuan Asia's subsidiaries	3	Purchase	4,989	T/T 180 days	-
7	Hon Chuan Vietnam	Among Hon Chuan Asia's subsidiaries	3	Sales	8,681	T/T 180 days	-
8	Samoa Honly	Among Hon Chuan Asia's subsidiaries	3	Sales	14,923	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Other unearned revenue	122,525	Depend on working capital sufficiency	-
		Among Hon Chuan Asia's subsidiaries	3	Purchase	8,766	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Accounts Receivable	15,782	T/T 180 days	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
9	Hon Chuan China	Nibno Hon Chuan	3	Accounts payable	\$ 58,905	Depend on working capital sufficiency	-
		Among Hon Chuan China's subsidiaries	3	Other receivable	329,324	Depend on working capital sufficiency	1
		Among Hon Chuan China's subsidiaries	3	Payable from related parties	1,162,005	Depend on working capital sufficiency	4
		Among Hon Chuan China's subsidiaries	3	Realized gross profit	16,852	-	-
		Among Hon Chuan China's subsidiaries	3	Interest expense	22,331	Depend on working capital sufficiency	-
		Among Hon Chuan China's subsidiaries	3	Sales of property, plant and equipment	43,862	Depend on working capital sufficiency	-
10	Kai Gang	Among Hon Chuan China's subsidiaries	3	Receivable from related parties	393,900	Depend on working capital sufficiency	1
		Among Hon Chuan China's subsidiaries	3	Interest revenue	16,689	Depend on working capital sufficiency	-
11	Suzhou Hon Chuan	Among Hon Chuan China's subsidiaries	3	Sales	70,555	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Purchase	19,223	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Other receivable	30,330	Depend on working capital sufficiency	-
		Among Hon Chuan China's subsidiaries	3	Manufacturing expense	31,208	Depend on working capital sufficiency	-
		Among Hon Chuan China's subsidiaries	3	Purchase of property, plant and equipment	15,794	Depend on working capital sufficiency	-
		Among Hon Chuan China's subsidiaries	3	Receivable from related parties	135,474	Depend on working capital sufficiency	-
12	Suzhou Hongxing	Among Hon Chuan China's subsidiaries	3	Purchase	20,456	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Sales	74	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Receivable from related parties	22,242	Depend on working capital sufficiency	-
13	Jinan Hon Chuan	Among Hon Chuan China's subsidiaries	3	Sales	7,107	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Purchase	52,685	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Other revenue	12,794	Depend on working capital sufficiency	-
		Among Hon Chuan China's subsidiaries	3	Receivable from related parties	250,222	Depend on working capital sufficiency	1
14	Taiyuan Hon Chuan	Among Hon Chuan China's subsidiaries	3	Purchase	3,943	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Sales	21,814	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Sales of property, plant and equipment	44,220	Depend on working capital sufficiency	-
15	Changsha Hon Chuan	Among Hon Chuan China's subsidiaries	3	Sales	1,322	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Other receivable	13,299	Depend on working capital sufficiency	-
		Among Hon Chuan China's subsidiaries	3	Purchase	1	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Receivable from related parties	318,464	Depend on working capital sufficiency	1
16	Qingxin Hon Chuan	Among Hon Chuan China's subsidiaries	3	Purchase	6,064	T/T 180 days	-
17	Zangzhou Hon Chuan	Among Hon Chuan China's subsidiaries	3	Sales	22,826	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Purchase	2,539	T/T 180 days	-

Note 1: Relationship of counterparty; (1) parent company to subsidiary; (2) subsidiary to parent company; (3) subsidiary to subsidiary.

Note 2: Significant intercompany accounts and transactions have been eliminated.

(Concluded)

TABLE 8

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2015			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 4)	Note
				December 31, 2015	December 31, 2014	Shares	%	Carrying Amount (Note 4)			
The Corporation	Samoa Hon Chuan	Samoa	Overseas reinvested holding company and international trade	\$ 8,477,415	\$ 7,706,796	277,196,725	100	\$ 9,853,487	\$ 180,301	\$ 180,301	Subsidiary
Samoa Hon Chuan	Hon Chuan China	Cayman Island	Overseas reinvested holding company	3,681,849 (US\$ 112,166)	3,681,849 (US\$ 112,166)	91,230,576	76.84	3,734,238 (US\$ 113,762)	(238,487) (US\$ 7,514)	(Note 1)	Indirect subsidiary
	Hon Chuan Asia	Cayman Island	Overseas reinvested holding company and international trade	5,266,345 (US\$ 160,437)	4,389,917 (US\$ 133,737)	158,722,505	100	5,983,374 (US\$ 182,281)	338,147 (US\$ 10,654)	(Note 1)	Indirect subsidiary
Hon Chuan China	Kai Gang	Hong Kong	Overseas reinvested holding company	4,610,600 (US\$ 140,460)	4,610,600 (US\$ 140,460)	1,097,377,292	100	5,458,633 (US\$ 166,295)	(76,142) (US\$ 2,399)	(Note 1)	Indirect subsidiary
	Samoa Hong Hsing	Samoa	Overseas reinvested holding company	4,136,147 (US\$ 126,006)	4,136,147 (US\$ 126,006)	126,006,000	100	5,170,594 (US\$ 157,520)	(33,643) (US\$ 1,060)	(Note 1)	Indirect subsidiary
Hon Chuan Asia	Hon Chuan Thailand	Thailand	Manufacture and sale of plastic caps and PET bottles	1,362,172 (US\$ 41,498)	1,362,172 (US\$ 41,498)	137,000,000	100	2,242,637 (US\$ 68,321)	227,854 (US\$ 7,179)	(Note 1)	Indirect subsidiary
	Hon Chuan Indonesia	Indonesia	Manufacture and sale of plastic caps and PET bottles	2,594,357 (US\$ 79,036)	2,342,228 (US\$ 71,355)	78,984,413	100	2,198,848 (US\$ 66,987)	(70,334) (US\$ 2,216)	(Note 1)	Indirect subsidiary
	Hon Chuan Vietnam	Vietnam	Manufacture and sale of plastic caps and PET bottles	820,625 (US\$ 25,000)	656,500 (US\$ 20,000)	-	100	935,545 (US\$ 28,501)	119,116 (US\$ 3,753)	(Note 1)	Indirect subsidiary
	Hon Chuan Malaysia	Malaysia	Manufacture and sale of plastic caps and PET bottles	856,700 (US\$ 26,099)	856,700 (US\$ 26,099)	81,259,900	100	659,060 (US\$ 20,078)	46,720 (US\$ 1,472)	(Note 1)	Indirect subsidiary
	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps and PET bottles	275,730 (US\$ 8,400)	137,865 (US\$ 4,200)	89,720,368	70	181,686 (US\$ 5,535)	(5,745) (US\$ 181)	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	230,432 (US\$ 7,020)	-	7,020,000	60	208,701 (US\$ 6,358)	(32,374) (US\$ 1,020)	(Note 1)	Indirect subsidiary
	Honly	Cambodia	Overseas reinvested holding company and international trade	28,952 (US\$ 882)	-	490	49	28,295 (US\$ 862)	(1,397) (US\$ 44)	(Note 1)	Indirect subsidiary
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of plastic caps, labels, pp bottles and PET bottles	115,845 (THB 126,662)	115,845 (THB 126,662)	12,666,225	65	250,224 (THB 273,589)	20,855 (THB 22,365)	(Note 1)	Indirect subsidiary
Samoa Honly	Cambodia Honly	Cambodia	Beverage packaging service	196,950 (US\$ 6,000)	-	6,000,000	100	163,009 (US\$ 4,966)	(30,914) (US\$ 974)	(Note 1)	Indirect subsidiary

Note 1: Not applicable.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.

Note 3: Information on investments in mainland China, please see Table 9.

Note 4: Significant intercompany accounts and transactions have been eliminated.

TABLE 9

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of Dollars, Unless Otherwise Specified)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment (Note 1)	Investment Gain (Loss) (Notes 3 and 7)	Carrying Amount as of December 31, 2015 (Notes 3 and 7)	Accumulated Repatriation of Investment Income as of December 31, 2015
					Outward	Inward						
Suzhou Hon Chuan	Manufacture and sale of various plastic caps, labels and aluminum closures	\$ 672,584 (US\$ 20,490)	(Note 1)	\$ 493,491 (US\$ 15,034)	\$ -	\$ -	\$ 493,491 (US\$ 15,034)	\$ (33,612)	76.84%	\$ (25,827)	\$ 910,768	\$ -
Qingxin Hon Chuan	Manufacture and sale of various plastic caps, labels, PET bottles and beverage	1,739,725 (US\$ 53,000)	(Note 1)	298,904 (US\$ 9,106)	-	-	298,904 (US\$ 9,106)	(190)	76.84%	(146)	1,445,061	-
Zhangzhou Hon Chuan	Development, manufacture and sales of beverages	1,313,000 (US\$ 40,000)	(Note 1)	96,735 (US\$ 2,947)	-	-	96,735 (US\$ 2,947)	10,569	76.84%	8,121	959,069	-
Suzhou Hongxin	Manufacture and sale of plastic caps, PET bottles and beverage packaging services	1,509,950 (US\$ 46,000)	(Note 1)	734,131 (US\$ 22,365)	-	-	734,131 (US\$ 22,365)	(158,028)	76.84%	(121,429)	922,345	-
Jinan Hon Chuan	Manufacture and sale of plastic caps and PET bottles	951,925 (US\$ 29,000)	(Note 1)	121,617 (US\$ 3,705)	-	-	121,617 (US\$ 3,705)	89,377	76.84%	68,677	971,554	-
Changsha Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage packaging services	607,263 (US\$ 18,500)	(Note 1)	192,584 (US\$ 5,867)	-	-	192,584 (US\$ 5,867)	9,553	76.84%	7,341	849,426	-
Taiyuan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage packaging services	1,083,225 (US\$ 33,000)	(Note 1)	248,551 (US\$ 7,572)	-	-	248,551 (US\$ 7,572)	21,424	76.84%	16,462	1,243,102	-
Ningbo Hon Chuan	Manufacture and sale of packing materials for electronic components and caps for	114,888 (US\$ 3,500)	(Note 1)	114,888 (US\$ 3,500)	-	-	114,888 (US\$ 3,500)	1,206	100%	1,206	70,968	-
Chuzhou Hon Chuan	Manufacture and sale of various plastic caps and PET bottles	328,250 (US\$ 10,000)	(Note 1)	-	-	-	-	(31,263)	76.84%	(24,022)	203,245	-
Xiantao Hon Chuan	Manufacture and sale of various plastic caps and PET batteries	492,375 (US\$ 15,000)	(Note 1)	-	-	-	-	(40,118)	76.84%	(30,827)	319,395	-
Danmao Company	Manufacture and sale of various plastic caps and PET bottles	151,650 (RMB 30,000)	(Note 2)	-	-	-	-	(36,903)	25.61%	(9,451)	24,972	-
Quanhe	Equity investment	30,330 (RMB 6,000)	(Note 6)	-	-	-	-	(1,140)	76.84%	(876)	22,437	-
Anyang Hon Chuan	Sale of PE/PET packaging food packaging	75,825 (RMB 15,000)	(Note 6)	-	-	-	-	(2,845)	76.84%	(515)	56,097	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 2,300,901 (US\$70,096)	\$7,258,691(US\$221,133)	(Note 4)

Note 1: The Corporation invested in China through third parties.

Note 2: The Corporation invested in China through Suzhou Hon Chuan.

Note 3: The Corporation recognized its equity in the investee's net income on the basis of financial statements audited by the CPA member firm of the Corporation's auditors, except those of Ningbo Hon Chuan.

Note 4: The regulation refers to "Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs.

Note 5: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.

Note 6: The Corporation invested in China through Suzhou Hongxin. In November 2015, the ownership of Anyang Hon Chuan was increased from 40% to 100%.

Note 7: Significant intercompany accounts and transactions have been eliminated, except those of Danmao Company.

6.5 Financial difficulties, if any, encountered by the Company and its affiliated companies in the most recent year and up to the publication of the annual report, and its impact on the Company's financial status: None.

7. Review and Analysis of Financial Conditions and Performance and Risk Management

7.1 Financial status :

Financial status analysis using “Consolidated” financial statements

Unit : NT\$ thousands

Item \ Year	2015	2014	Different		Analysis
			Amount	%	
Current assets	8,067,666	7,951,069	116,597	1.47	
Property, plant, and equipment	18,796,260	19,139,083	(342,823)	(1.79)	
Intangible assets	76,484	77,698	(1,214)	(1.56)	
Other assets	2,177,210	2,029,116	148,094	7.30	
Total assets	29,117,620	29,196,966	(79,346)	(0.27)	
Current liabilities	10,448,772	11,309,968	(861,196)	(7.61)	
Noncurrent liabilities	5,665,851	6,217,608	(551,757)	(8.87)	
Total liabilities	16,114,623	17,527,576	(1,412,953)	(8.06)	
Capital stock	3,098,479	2,598,479	500,000	19.24	
Additional paid-in capital	5,412,868	3,283,868	2,129,000	64.83	1
Retained earnings	4,713,939	4,446,978	266,961	6.00	
Non-controlling equity	1,057,492	1,045,909	11,583	1.11	
Other equity	(444,446)	294,156	(738,602)	(251.09)	2
Treasury shares	(835,335)	0	(835,335)	100.00	3
Total equity	13,002,997	11,669,390	1,333,607	11.43	

Explanation of variations exceeding 20%: :

1. Additional paid-in capital: Changes were due to the increase of paid-in capital arising from rights issue.
2. Other Equity: Changes were mainly due to an increase in foreign exchange translation loss while converting financial statements of foreign operations.
3. Treasury shares: Changes were due to the implementation of buying back the Company's shares for two times

7.2 Analysis of Operation Results :

7.2.1 Operating results analysis (Consolidated)

Unit : NT\$ thousands

Item \ Year	2015	2014	Different		Analysis
			Amount	%	
Net Sales	16,578,377	17,226,474	(648,097)	(3.76)	
Cost of Goods Sold	13,512,705	14,425,540	(912,835)	(6.33)	
Gross Profit	3,065,672	2,800,934	264,738	9.45	
Operating Expenses	1,801,557	1,651,401	150,156	9.09	
Profit from Operations	1,264,115	1,149,533	114,582	9.97	
Non-Operating Income and Expenses	(233,032)	(8,349)	(224,683)	2,691.14	1
Profit before Income Tax	1,031,083	1,141,184	(110,101)	(9.65)	
Income Tax Benefit (Expenses)	144,942	205,900	(60,958)	(29.61)	2
Net Income	886,141	935,284	(49,143)	(5.25)	
Other Comprehensive Income	(869,561)	415,743	(1,285,304)	(309.16)	3
Total Comprehensive Income	16,580	1,351,027	(1,334,447)	(98.77)	

Explanation of variations exceeding 20%: :

1. Non-Operating Income and Expenses: Changes were mainly due to loss on foreign currency exchange.
2. Income Tax Expense: changes were mainly due to decrease in earnings of some China subsidiaries.
3. Other comprehensive income: Changes were mainly due to an increase in currency translation differences while converting financial statements of foreign operations.

7.2.2 Forecasts of sales volumes and supportive sources, its impact on the Company's financial and operational situations and action plan:

Our forecasts of sales volumes is based upon industrial tendency, demand and supply conditions in food and beverage sectors, taking into consideration of sales of various products and clients' changes. For the coming year, we do not foresee any material changes and can properly cope with financial and business situations.

7.3 Analysis of Cash Flow :

7.3.1 Liquidity Analysis within the last 2 years :

Item \ Year	2015	2014	Different (%)
Cash Flow Ratio (%)	30.30	22.05	37.41
Cash Flow Adequacy Ratio (%)	61.49	50.67	21.35
Cash Flow Re-investment Ratio (%)	7.57	6.05	25.13
Analysis of change in cash flow in the current year : 1. Cash Flow Ratio and Cash Flow Re-investment Ratio: Changes were due to the decrease in prepaid expense, and decrease in short-term loan. 2. Cash Flow Adequacy Ratio : Changes were due to decrease in investment in fixed assets and capital injection in subsidiaries .			

7.3.2 Cash liquidity analysis for next year :

Unit : NT\$ thousands

Cash balance – beginning (1)	Estimated annual net cash flow from operating activities (2)	Estimated annual cash outflow (3)	Cash Balance (deficit) (1) + (2) - (3)	Contingency plans for insufficient cash	
2,421,959	4,041,466	4,189,074	2,274,351	Investment plan	Financial Plan
				-	-
1. Analysis of change in cash flow in the current year : (1) net cash inflow from operating activities : This is mainly due to expected profits from business activities . (2) net cash outflow from investing activities: This is mainly due to expected plant and equipment acquired in the current period. (3) net cash outflow from financing activities : This is mainly due to a expected decrease in bank borrowings, and repayment of corporate bond. 2. Financing of cash deficits : Not applicable.					

7.4 The impact of material capital expenditure on financial business in the most recent year :

7.4.1 Major Capital Expenditure and its Source of Capital

Unit : NT\$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure	
				2015	2016
Hon Chuan	Equity fund & Bank loan	Finish before the third quarter of 2016	3,637,282	2,144,171	648,546

7.4.2 Impact on the financial an business conditions

In view of more attention centered on the packaging material and environmental awareness by consumers nowadays, the Company proactively develops asptic filling technology, which streamlines the whole production cycle from producing packaging material, filling the contents of beverage, to complete packing for shipment. This provide our clients with comprehensive and competitive service that reduce the risk of defect during delivery of bottles and closures and decrease the inputs of capital, time and human resources from our clients. The Company plans to extend asptic filling production from Taiwan to China and South-East Asia market, building up our competitiveness in the global market.

As a result of the severe competition in great China market, we not only consistently sign long-term contracts with famous beverage manufacturers but also explore possible opportunities in the emerging markets through proprietorship or joint venture to produce beverage and packaging materials. The niche market strategy is expected to lead the Company into a new milestone.

7.5 Reinvestment policy in the most recent year, the reasons for profit or loss resulted, its improvement plan, and next year's investment plan :

Analysis of reinvestment

Unit : NT\$ thousands

Explanation Item	Amount (Note)	Policy	The reasons for profit or loss resulted	Improvement Plan	Other investment plan in the future
Hon Chuan Holding Limited	8,838,544	Expand great China and South East Asia markets	Overall financial performance is profitable, although individual companies have different performance.	Two markets are still in the fast-growing stages and are expected to grow in a steady pace.	It depends on the real operational performance.

Note : For the investments exceeding 5% of authorized capital up to March 31, 2016

7.6 Risk analysis and evaluation :

7.6.1 Interest rates, exchange rates, and inflation, their impact on the Company's profit or loss, and future countermeasures :

7.6.1.1 The Impacts of interest rates, in the most recent fiscal year, on the company's profit and loss, and the future countermeasures:

In 2015, various important American economic data indicated signs of economic recovery, and The Federal Reserve System (FED) announced the interest rate hike by a quarter percent, and the market generally considered that interest rate had hit the bottom and the time for a rebound had come; the US Dollar Libor rates in Taiwan region is affected by not only the international US Dollar Capital Libor rates but also by the Taipei US Dollar Libor rates (Taifx). As the market sentiment expected the liquidity of US Dollar would be tightening, the Taifx started to surge. Our company would continue to stay tuned for the trend of the interest rate fluctuation and conduct relevant countermeasures.

7.6.1.2 The Impacts of exchange rates in the most recent fiscal year on the company's profit and loss, and the future countermeasures:

Our company has set up subsidiaries and plants in Mainland China and Southeast Asian countries, so the export and outsourcing percentages are lower. The major exchange gains and losses are mainly the exchange gains and losses generated from the holdings of financial assets and debts valued in foreign currencies. Apart from adopting the natural hedging strategy by holding foreign debts to balance the foreign currency asset position, we also closely observe the international finance and exchange rate fluctuations, and timely grasp the trend of exchange rate fluctuations, in accordance with "Procedures for Financial Derivatives Transactions" to engage in hedging and timely avoid the risks associated with exchange rate fluctuations.

7.6.1.3 The Impacts of inflation, in the most recent fiscal year, on the company's profit and loss and the future countermeasures:

As the Company and subsidiaries, in the recent years, continued to develop the signing of mid and long-term strategic cooperation contracts with our clients, and this type of contract adopts floating prices to flexibly adjust the product prices, so the risks associated with the raw material price fluctuation can be reduced; and the Company and subsidiaries actively engage in lightweight products to economize on material costs and dedicate to cost down, to moderate the threat brought from inflation.

The following information is provided as a reference and comparison for the above-mentioned risks :

Unit : NT\$ thousands

Item / Year	2015	2014
Net foreign exchange gain (loss)	(85,678)	134,595
Unrealized gain or loss on financial available-for sale	—	—
Net Sales	16,578,377	17,226,474
Profit from Operations	1,264,115	1,149,533
Profit before Income Tax	1,031,083	1,141,184
Interest revenue	31,271	44,369
Interest expense (Note 1)	237,735	245,236

Note 1: The interest expenses for 2014 and 2015 include the interests expenses recognized from first domestic unsecured convertible bonds issued by our company, which were NTD 14,802 thousand and 10,876 thousand dollars respectively.

7.6.2 The policies to engage in high-risk, high-leverage investments, lending funds to others, endorsements and guarantees, and the transactions of derivative products, the main reasons for profits and losses, and the future countermeasures:

1. Our company has never engaged in any high-risk or high-leverage investments. In addition, providing endorsements/guarantees and engaging in derivative transactions are all in response to the operation needs and are handled according to the Company's "Regulations Governing the Acquisition and Disposal of Assets", "Operational Procedures for Lending Funds to Others", "Operational Procedures for Endorsements/Guarantees" and "the Procedures for Engaging in Derivatives transactions".
2. The transactions of derivatives products the Company and subsidiaries engaged in were to achieve the purposes of the risk aversion arising from foreign currency exchange rate fluctuation and the interest rate risks arising from the bank loans adopting floating interest rates, and the relevant transactions were handled according to "Regulations Governing the Acquisition and Disposal of Assets" and "the Procedures for Engaging in Derivatives transactions", and were fully disclosed in our financial statements.

The net profits (losses) generated from engaging in the transaction of derivative products by the Company were as follows :

Unit : NT\$ thousands

Item	2015	2014
Gain (or Loss) on valuation of financial asset	62,568	23,803

7.6.3 Future Research and Development (R&D) Plans and the R&D expenses expected to be invested:

For long-term development and quality improvement, the Company combines and integrated R&D technical team to reinforce our core competitiveness, sets up R&D technical group, cultivates professional talents, invests in R&D and technical tasks, uses the advanced equipment and information to develop products, collects the latest domestic and foreign packaging materials and beverage processing technologies, to meet our clients' needs in the market.

In 2016, our company is expected to invest in the R&D expenditures equivalent to what was invested in the previous fiscal year; in the future, we will continue to invest in technology R&D to upgrade our competitive advantage. For the R&D plans in the most recent fiscal year please refer to page 61.

7.6.4 The Impacts of changes of the important domestic and foreign policies and laws on the company's finance and business, and the countermeasures:

Our company and subsidiaries pay constant attention to the information of the important domestic and foreign policies and law changes, to provide to the management level as reference, to cooperate and implement, so there are no significant impacts on the Company's finance or business.

7.6.5 The Impacts of Technology Changes and Industry Changes on Our company's Finance and Business, and the Countermeasures:

The Company and subsidiaries pay attention to the technology changes and technical development and evolution in our industry at all times, plus that we also constantly improve product quality and manufacturing processes, grasp the latest development trends in the industry, through close cooperation process with the clients, and adopt prudent financial management strategies to maintain our market competitiveness. In the future, the Company and subsidiaries will continue to pay attention to the change situation of the relevant technology in our industry, that we will also continue to upgrade our R&D capabilities, actively broaden the future market application fields, evaluate the impacts on our company's operation and make corresponding adjustment, to reinforce our company's and subsidiaries' business development and financial condition, so technology changes and industry changes have had no significant impacts on the Company and subsidiaries so far.

7.6.6 The Impacts of Change of Corporate Image on the Enterprise Crisis Management and the Countermeasures:

The major clients of the Company and subsidiaries are mostly world-class international giants, and for many years, the Company and subsidiaries have adhered to the principles of business integrity and fulfilling our role in the industry, and pay attention to corporate image, so we could establish a professional image in the industry and win the affirmative reputation from the international giants. The

Company and subsidiaries consider the promotion of social economy, upgrade of environmental prosperity and protection of employee welfare to be our priorities. As for the laws and regulations set by the competent authorities, we also strictly comply with. So far, the Company and subsidiaries have good corporate image and there has been no significant changes that would result in the circumstances of enterprise crisis management.

7.6.7 The Expected Benefits and Possible Risks to Engage in Mergers and Acquisitions (M&A) and the Countermeasures:

The Company and subsidiaries do not have plans to merge with or acquire other companies, and when we do have M&A plans in the future, we will carefully assess and consider the merger synergy in order to guarantee the existing shareholders' equities.

7.6.8 The Expected Benefits and Possible Risks to Expand the Plants and the Countermeasures:

1. Expected Benefits:

In view that currently consumers have increase their degree of attention on the quality and eco-friendly property of packaging materials, the Company and subsidiaries, in the recent years, have more actively developed aseptic filling technology and combined aseptic beverage filling technology, to form the integrated complete manufacturing process from the production of packaging materials to filling of beverage content, to provide the clients the comprehensive services with price competitiveness. The completely finished beverage products are shipped in whole boxes, so the wear and tear risks associated with the shipping of packaging materials purchased by the clients, and the capital, time and manpower, etc. wasted, setting up their own plants to perform filling operation, are effectively reduced. Currently, the Company and subsidiaries plan to extend the production territory of aseptic beverage filling from Taiwan, where the parent company is located, to Southeast Asian markets, in order to reinforce the competitive advantage, of our company and subsidiary, in the international market.

The Company has also constantly developed the emerging markets with growth potential, either by sole ownership or joint venture, to produce and sell beverage and the packaging materials. Recently, there have been successively several markets that have reached the periods of fruitful results to be harvested, and the planning strategy for this niche market is expected to lead our company to move towards another epoch-making milestone.

2. Possible Risks and Countermeasures:

- (1) During the project construction period, the construction area causes inconvenience for the entering and exiting of personnel and vehicles and the goods allocation costs are also increased; and our company's countermeasures include hiring 24-hour full time security guards to monitor the entering and exiting of personnel and vehicles, separating passenger lanes completely from the driveways, and coordinating with supervision and occasional inspection by the Company's Labor Safety and Health department and the government's occupational safety unit.
- (2) To prevent the construction progress from going behind schedule, our company stipulates the construction progress in the contract with the contractors, sets the penalties, reviews weekly and adopts improvement

measures, and saves the meeting minutes to facilitate the subsequent follow-up, to ensure the construction to be completely on schedule.

7.6.9 The Risks Faced with Concentrated Procurement and Sales, and the Countermeasures:

The Company and subsidiaries maintain flexibility in terms of the procurement of bulk raw materials by purchasing from several suppliers, so there is no risks arising from over concentration.

In terms of sales, our clients are mostly well-known domestic food and beverage giants with lower credit risks, in addition, the Company and subsidiaries continue to develop new clients and form partnership relationship with both domestic and foreign well-known food and beverage giants. So far there has been no risks arising from concentrated sales.

7.6.10 The impacts and risks arising from a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or changes hands and the countermeasures: None.

7.6.11 The impacts and risks arising from the change of management rights and the countermeasures: not applicable.

7.6.12 Litigation and Non-Litigation Events:

1. The company's significant litigations, non-litigations, and administrative litigations, which the judgments are already determined or still pending, of which the result could have material impacts on the shareholders' equities or the securities prices, the disputed facts, target amounts, the litigation starting dates, the main litigating parties, and the processing status up to the annual report printing date should be disclosed: None.
2. The significant litigations, non-litigations, and administrative litigations involving the company's directors, supervisors, general manager, actual principal, major shareholders with shareholding ratio reaching and above 10% and the affiliated companies, which the judgments have already ruled or are still pending, of which the result could have material impacts on the shareholders' equities or the securities prices, the disputed facts, target amounts, the litigation starting dates, the main litigating parties, and the processing status up to the annual report printing date should be disclosed.

(1) Director: China Development Industrial Bank (hereinafter referred to as "Development Industrial Bank")

① Far Eastern Air Transport (hereinafter referred to as "Far Eastern") had an outbreak of financial crisis in Feb. 2008; and after the case was investigated, the prosecutor prosecuted nine people, including Mr. Hu, Mr. Cui, Mr. Chen, etc. As Mr. Hu was once assigned by the Development Industrial Bank to be the Director Representative of Far Eastern, Far Eastern brought a criminal case with supplementary civil action against Mr. Hu and Development Industrial Bank, and requested a joint and several damage compensations of NTD 677,199 thousand dollars plus legal interests.

The judgment for the Far Eastern criminal case was pronounced on Sept 28, 2012, and Mr. Hu was acquitted, so the criminal court directly pronounced the judgment to dismiss Far Eastern's supplementary civil

action against the Development Industrial Bank. However, Far Eastern was dissatisfied, and requested to the prosecutor to file for an appeal for the criminal case against Mr. Hu and also file for an appeal for the supplement civil action, and requested a joint and several compensations of NTD 660,000 thousand dollars plus legal interests. On Jan 28, 2016, the ruling of this case by the Taiwan High Court Criminal Division determined Mr. Hu to be innocent and ruled to dismiss Far Eastern's appeal for the supplement civil action against the Development Industrial Bank; nevertheless, these two judgments are still not yet confirmed, so we are still uncertain about the final results of the case. Furthermore, in July 2013, Far Eastern filed another legal action against YAGEO Corporation, Fontainebleau Co., Ltd., Yong Chun Co., Ltd. and Development Industrial Bank, and claimed that the defendants, during their terms serving as the directors or Supervisors of Far Eastern, did not entirely fulfill their due diligence to be good administrators and caused the illegal appropriation of Far Eastern, and requested a compensation to Far Eastern for NTD 100,000 thousand Dollars plus legal interests. The Taipei District Court ruled against Far Eastern on Dec 30, 2014; Far Eastern was dissatisfied and filed for another appeal. This case is currently on trial by the Taiwan High Court.

- ② The Development Industrial Bank undertook a credit default swap contract linked to American subprime mortgage collateralized debt obligation with Morgan Stanley in April 2007; as Morgan Stanley had false sales to cause significant losses to the bank, the Development Industrial Bank filed a civil action against Morgan Stanley on July 15, 2010, claiming the contract was void ab initio and requested compensation. This case is currently on trial by American New York Court, and so we are still uncertain about the final result of the case.

The above are the significant litigations, non-litigations, or administrative litigations involving our company's Corporate Director, China Development Industrial Bank, in the last two most recent fiscal years and up to the annual report printing date, the judgments are either ruled or are still pending, and the result, so far, have had no material impacts on the shareholders' equities or the securities prices.

7.6.13 Other important risks or countermeasures: None.

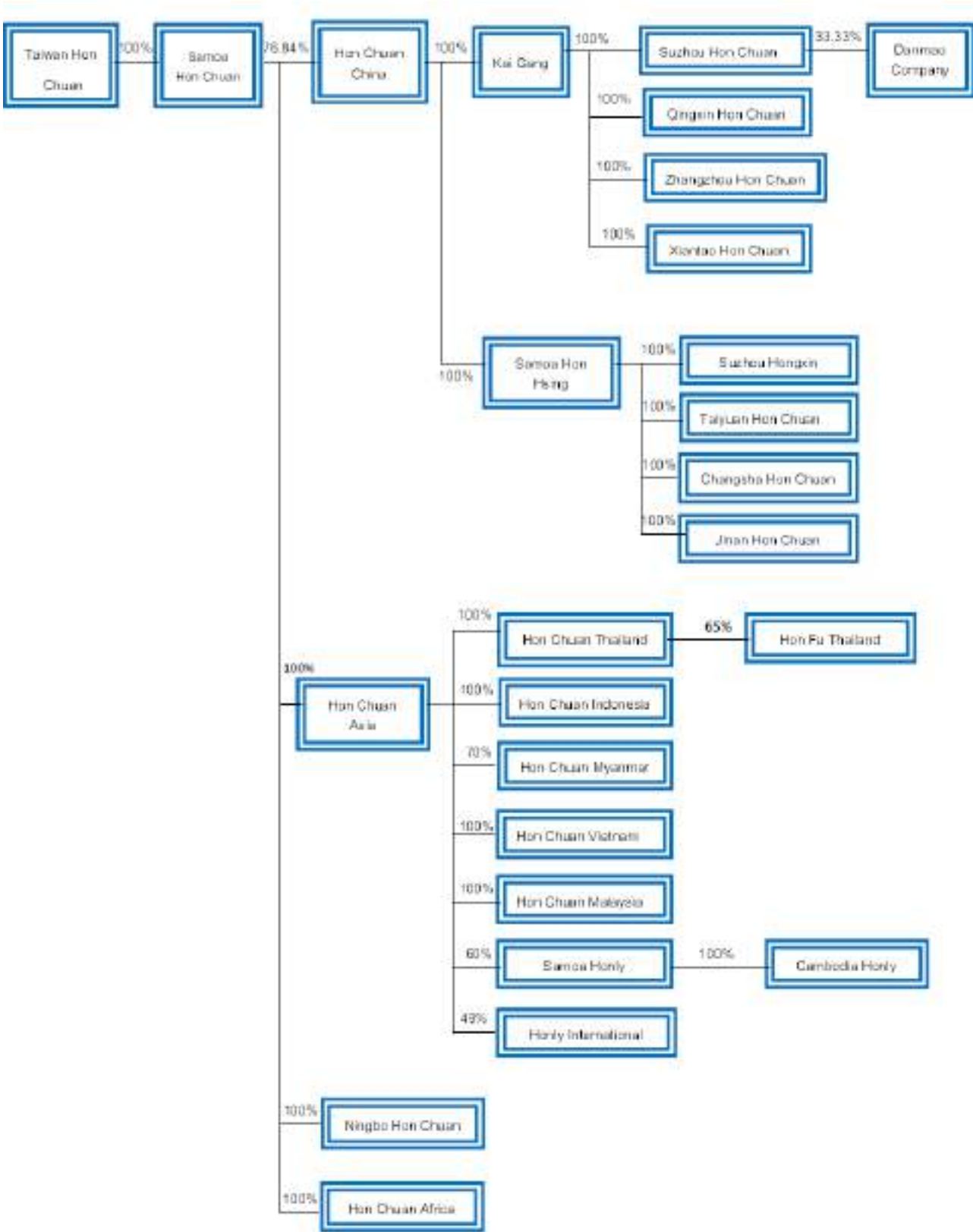
7.7 Other important matters: None.

8. Special Disclosures

8.1 Summary of Affiliated Enterprises

8.1.1 Business Report of affiliated Companies

8.1.1.1 HON CHUAN Affiliated Companies Chart : As of December 31,2015



8.1.1.2 HON CHUAN Affiliated Companies :

Unit : \$

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business / Production Items
Hon Chuan Holding Limited	March 15, 2002	TrustNet Chambers, Lotemau Centre, P.O.Box 1225, Apia SAMOA	USD \$ 252,196,725	Equity Investment
Hon Chuan (China) Holding Co., Ltd.	January 10, 2003	The Grand Pavilion Commerical Centre, Oleander Way, 802 West Bay Road, Grand Cayman, KY1-1208, Cayman Island	USD \$ 11,872,181	Equity Investment
Kai Gang Industries Limited	January 29, 1991	Suit 1801-5, 18/F, Tower 2., China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	USD \$ 141,462,424	Equity Investment
Hon Hsing (Samoa) Holding Limited	June 18, 2002	TrustNet Chambers, Lotemau Centre, P.O.Box 1225, Apia SAMOA	USD \$ 126,006,000	Equity Investment
Hon Chuan (Africa) Holdings Co., Ltd.	July 10, 2015	TrustNet Chambers, Lotemau Centre, P.O.Box 1225, Apia SAMOA	-	Equity Investment
Hon Chuan Enterprise (Suzhou) Company Limited	September 10, 1993	No.58 Yingbin Road, Luzhi Economic Development Zone Wuzhong Area, Suzhou City, China	USD \$ 20,490,000	Manufacture and sale of plastic caps, labels and PET film service
Hon Chuan Food Packing (Qingxin) Co., Ltd.	May 18, 2009	No.M-05B YingFu Industrial Park, Taiping Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	USD \$ 53,000,000	Manufacture and sale of plastic caps, labels ,PET bottles and beverage packaging service
Suzhou Hongxin Food Packing Co., Ltd.	May 23, 2002	No.58-8 Yingbin Road, Luzhi Economic Development Zone Wuzhong Area, Suzhou City, China	USD \$ 46,000,000	Manufacture and sale of plastic caps, PET bottles and beverage packaging service
Hon Chuan Enterprise (Changsha) Co., Ltd.	December 2, 2002	Chuangye Road, Ningxiang Economic Development Zone, Changsha City Hunan Province, China	USD \$ 18,500,000	Manufacture and sale of plastic caps, PET bottles and beverage packaging service
Hon Chuan Food Packing (Jinan) Co., Ltd.	January 10, 2003	Mingshui Economic Development, Shandong Province, China	USD \$ 29,000,000	Manufacture and sale of plastic caps, PET bottles and beverage packaging service

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business / Production Items
Hon Chuan Food Packing (Taiyuan) Co.,Ltd.	December 11, 2002	NO.129 State Level Tai Yuan Development Zone Shan Xi China	USD \$ 33,000,000	Manufacture and sale of plastic caps, PET bottles and beverage packaging service
Hon Chuan Food Packing (Zhangzhou) Co.,Ltd.	March 21, 2012	Xingtai Industrial Park of Changtai Economic Development Zone, Zhangzhou City, Fujian province ,PRC	USD \$ 40,000,000	Manufacture and sale of plastic caps, PET bottles and beverage packaging service
Hon Chuan Food Packing (Chuzhou) Co.,Ltd.	October 16, 2013	No.1 Fuyang Road · Chengbei Industrial Park, Chuzhou City, Anhui Province,PRC	USD \$ 10,000,000	Manufacture and sale of plastic caps and PET bottles
Hon Chuan Food Packing (Xiantao) Co.,Ltd.	February 18, 2014	NO.59, GOLD ROAD WEST, XIANTAO,HUBEI, CHINA	USD \$ 15,000,000	Manufacture and sale of plastic caps, PET bottles and beverage packaging service
Hon Chuan Technologies (Ningbo) Co., Ltd.	May 8, 2004	Ningbo Free Trade Zone, Southern District No. 11 standard factory, China	USD \$ 3,500,000	Manufacture and sale of battery case
Shanghai Danmao Trading Co.,Ltd.	May 20, 2014	Room168,Building 6, NO.5999 Beisong Highway,Chedun Town , Songjiang Area,Shanghai	RMB \$30,000,000	Sale of food and beverage
HC (Asia) Holdings Co.,Ltd.	June 2, 2005	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box32052, Grand Cayman, KY1-1208, Cayman Island	USD \$ 132,022,505	Equity Investment
Hon Chuan (Thailand) Co.,Ltd.	July 12, 2004	101/116 Moo20,Khlong Nung,Khlong Luang,Pathum 12120,Thailand	THB \$ 1,370,000,000	Manufacture and sale of plastic caps, labels and PET bottles
Hon Chuan FD Packaging Co.,Ltd.	January 17, 2005	695/4M001,Banbund-Bankai Rd,Klongkew,Banbung Chonburi 20220 Thailand.	THB \$ 194,865,000	Manufacture and sale of labels and PET bottles
PT Hon Chuan Indonesia	September 29, 2004	Desa Walahar Kec.Klari Kabupaten Krawang Indonesia	IDR\$564,300,785,050	Manufacture and sale of plastic caps and PET bottles

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business / Production Items
Hon Chuan Vietnam Co.,Ltd.	October 17, 2007	No. 29, VSIP II Street 7, Vietnam-Singapore Industrial Park II, Hoa Phu Ward, Thu Dau Mot Town, Binh Duong Province, Vietnam	VND\$404,335,500,000	Manufacture and sale of plastic caps and PET bottles
Hon Chuan Malaysia Sdn. Bhd.	August 11, 2010	PT.29469, Lengkok Teknologi 3, Kawasan Perindustrian Tech Park @ Enstek,71760 Bandar Enstek, Negeri Sembilan Darul Khusus.	MYR \$ 81,259,900	Manufacture and sale of plastic caps and PET bottles
Hon Chuan (Myanmar) Co.,Ltd.	June 27, 2013	Plot No.B-5, Mingaladon Industrial Park, Mingaladon Township, Yangon Region, The Republic of the Union of Myanmar.	MMK \$3,848,195,400	Manufacture and sale of plastic caps and PET bottles
Honly Holding Co.,Ltd.	January 30, 2014	The Registered office of the Company is Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.	USD \$7,020,000	Equity Investment
Honly International Co.,Ltd.	January 30, 2015	No.44,National Road NO 4,Group 5. Phum Trapeang Kol,sangkat Kantouk,Khan Po Sen Chey,Phnom Penh,Cambodia	USD \$1,802,608	Equity Investment
Honly Food & Beverage Co.,Ltd.	July 21,2014	House #44, Street National Road 4, Group5, Trapeang Kol village, Kantouk commune, Po Sen Chey district, Phnom Penh.	USD \$6,000,000	Manufacture and sale of beverage packaging service

Data of Common Shareholders of Treated-as Controlled Companies and Affiliates: None.

8.1.1.3 Affiliated company's Operating Results :

Unit : NT\$ thousands

Company Name	Paid-in Capital (Note 1)	Total Assets (Note 1)	Total Liabilities (Note 1)	Total Equity (Note 1)	Sales (Note 2)	Gross Profit(Loss) (Note 2)	Net Profit(Loss) For the year (Note 2)
Hon Chuan Holding Limited	9,098,983	13,253,097	3,399,450	9,853,647	0	(3,375)	180,301
Hon Chuan (China) Holding Co.,Ltd.	389,704	10,931,866	6,507,737	4,424,129	15,762	(34,429)	(238,499)
Kai Gang Industries Limited	4,643,504	6,036,444	625,249	5,411,195	0	(178)	(76,137)
Hon Hsing (Samoa) Holding Limited	4,136,147	5,719,544	548,964	5,170,580	0	(18)	(34,766)
Honly Holding Co.,Ltd.	384,053	355,211	7,387	347,824	26,260	(1,490)	(32,382)
Hon Chuan Enterprise (Suzhou) Company Limited	672,584	1,313,331	128,051	1,185,280	687,514	(36,076)	(33,606)
Suzhou Hongxin Food Packing Co.,Ltd.	1,509,950	1,385,926	185,575	1,200,351	540,346	(190,800)	(158,019)
Hon Chuan Enterprise (Changsha) Co.,Ltd.	607,263	1,145,712	40,265	1,105,447	445,608	(4,101)	9,565
Hon Chuan Food Packing (Jinan) Co.,Ltd.	951,925	1,580,875	316,505	1,264,370	901,671	114,999	89,373
Hon Chuan Food Packing (Taiyuan) Co.,Ltd.	1,083,225	2,095,695	477,931	1,617,764	1,158,636	17,765	21,411
Hon Chuan Food Packing (Qingxin) Co.,Ltd.	1,739,725	3,080,996	1,200,383	1,880,613	1,435,938	(6,586)	(205)
Hon Chuan Food Packing (Zhangzhou) Co.,Ltd.	1,313,000	1,344,439	96,289	1,248,150	439,271	3,705	10,564
Hon Chuan Food Packing (Chuzhou) Co.,Ltd.	328,250	519,559	255,052	264,507	230,987	(41,490)	(31,268)
Hon Chuan Food Packing (Xiantao) Co.,Ltd.	492,375	877,770	462,103	415,667	183,690	(73,091)	(40,120)
Shanghai Danmao Trading Co.,Ltd.	151,649	0	0	151,649	0	0	0
Hon Chuan Technologies (Ningbo) Co., Ltd.	114,888	71,486	519	70,967	0	(1,016)	(1,192)
HC (Asia) Holdings Co.,Ltd.	5,210,066	7,332,288	1,362,926	5,969,362	1,131,592	27,353	338,162
Hon Chuan (Thailand) Co.,Ltd.	1,253,002	2,398,518	138,356	2,260,162	1,599,413	214,595	227,842

Company Name	Paid-in Capital (Note 1)	Total Assets (Note 1)	Total Liabilities (Note 1)	Total Equity (Note 1)	Sales (Note 2)	Gross Profit(Loss) (Note 2)	Net Profit(Loss) For the yea (Note 2)
Hon Chuan FD Packaging Co.,Ltd.	178,224	418,342	28,501	389,841	368,838	22,412	20,855
PT Hon Chuan Indonesia	1,611,006	2,628,521	424,568	2,203,953	438,364	51,789	(70,327)
Hon Chuan Vietnam Co.,Ltd.	720,955	980,240	26,361	953,879	688,803	117,154	118,936
Hon Chuan Malaysia Sdn. Bhd.	596,651	717,348	48,626	668,722	435,501	59,710	46,716
Hon Chuan (Myanmar) Co.,Ltd.	96,506	670,681	387,459	283,222	25,851	(9,442)	(5,753)
Honly International Co.,Ltd.	59,171	123,755	66,021	57,733	0	(2,135)	(1,384)
Honly Food & Beverage Co.,Ltd.	198,747	308,917	145,964	162,953	8,696	(29,769)	(30,900)

(Note 1) Foreign exchange rates for balance sheet amounts are as follows : USD=32.825NT 、RMB=5.055NT 、THB=0.9146 NT 、RP=0.002425 NT 、 VND=0.001405 NT 、MYR=7.3425 NT 、MMK=0.02508 NT 、 KHR=0.00810 NT

(Note 2) Foreign exchange rates for income statement amounts are as follows : USD=31.739 NT 、RMB=5.1004 NT 、THB=0.9325 NT 、RP=0.00238 、 VND=0.0014NT 、MYR=7.838NT 、MMK=0.02714NT 、 KHR=0.00781NT

8.1.1.4 Business scope converging by all affiliated companies : Please refer to the basic information of affiliated companies •

8.1.1.5 Give explanations if there is mutual connections between affiliated companies : None •

8.1.1.6 Directors, Supervisors and Presidents of HON CHUAN's Affiliated Companies :

Unit : Share / %

Company	Title	Name or Representative	Shareholding	
			Share(Note)	%
Hon Chuan Holding Limited	Director	Lin, Chuan-Nui 、 Dai, Hung-Chuan 、 Tsao, Hsih-Chung (Representative of Taiwna Hon Chuan Enterprise Co., Ltd.)	277,196,725	100%
Hon Chuan (China) Holding Co., Ltd.	Director	● Dai, Hung-Chuan 、 Tsao, Hsih-Chung 、 Liu, Yun-Chang 、 Lin, Chuan-Nui (Representative of Hon Chuan Holding Limited)	91,230,576	76.84%
		● Tai, Hung-I (Representative of Trans Victory Trading Limited)	6,919,800	5.83%
		● Makedream Investment Holding Limited	20,571,429	17.33%
Kai Gang Industries Limited	Director	Lin, Chuan-Nui 、 Dai, Hung-Chuan 、 Tsao, Hsih-Chung (Representative of Hon Chuan (China) Holding Co., Ltd.)	1,097,377,292	100%
Hon Hsing (Samoa) Holding Limited	Director	Lin, Chuan-Nui 、 Dai, Hung-Chuan 、 Tsao, Hsih-Chung (Representative of Hon Chuan (China) Holding Co., Ltd.)	126,006,000	100%
Hon Chuan Enterprise (Suzhou) Company Limited	Director	Chang, Yueh-Chueh 、 Liu, Yun-Chang 、 Lin, Mei-Hsiu (Representative of Kai Gang Industries Limited)	-	100%
Hon Chuan Food Packing (Qingxin) Company Limited	Director	Fang, Yu-Lung 、 Liu, Yun-Chang 、 Lu, Wen-Tsan (Representative of Kai Gang Industries Limited)	-	100%
Suzhou Hong Xin Food Packing Company Limited	Director	Tsao, Yu-Yu 、 Lin, Mei-Hsiu 、 Liu, Yun-Chang (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Suzhou Hong Xin Food Packing Company Limited	Director	Chang, Chun-Shu 、 Tsao Hsin-Wen 、 Liu, Yun-Chang (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Food Packing (Jinan) Company Limited	Director	Yen, Ching-Chuan 、 Liu, Yun-Chang 、 Lu, Wen-Tsan (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Food Packing (Taiyuan) Company Limited	Director	Liu, Yun-Chang 、 Tsao, Yu-Yu 、 Yen, Ching-Chuan (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Food Packing (Zhangzhou) Company Limited	Director	Yen, Ching-Chuan 、 Liu, Yun-Chang 、 Lu, Wen-Tsan (Representative of Kai Gang Industries Limited)	-	100%
Hon Chuan Food Packing (Chuzhou) Company Limited	Director	Lu, Wen-Tsan 、 Liu, Yun-Chang 、 Fang, Yu-Lung (Representative of Kai Gang Industries Limited)	-	100%
Hon Chuan Food Packing (Xiantao) Company Limited	Director	Lu, Wen-Tsan 、 Liu, Yun-Chang 、 Fang, Yu-Lung (Representative of Kai Gang Industries Limited)	-	100%

Hon Chuan Technologies (Ningbo) Co., Ltd.	Director	Lin, Lu 、Hsu, Mu-Tsao 、Wang, Yao-Zong (Representative of Hon Chuan Holding Limited)	-	100%
HC (Asia) Holdings Co., Ltd.	Director	Dai, Hung-Chuan 、Tsao, Hsih-Chung (Representative of Hon Chuan Holding Limited)	158,722,505	100%
Hon Chuan (Thailand) Co., Ltd.	Director	Dai, Hung-Chuan 、Tsao, Hsih-Chung 、 Pai, Wen- Pin 、Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.)	137,000,000	100%
Hon Chuan FD Packaging Co., Ltd.	Director	<ul style="list-style-type: none"> ● Dai, Hung-Chuan 、Tsao, Hsih-Chung 、 Pai, Wen- Pin 、Lai, Shen-Yuan (Representative of Hon Chuan (Thailand) Co., Ltd.) ● Kasem Deemaitree 、Mrs.Chintana Assodrmitee (Representative of F&D) 	12,666,225 6,820,275	65% 35%
PT Hon Chuan Indonesia	Director	Dai, Hung-Chuan 、Tsao, Hsih-Chung 、 Pai, Wen- Pin 、Lai, Shen-Yuan 、Liu, Yun-Chang (Representative of HC (Asia) Holdings Co., Ltd.)	78,984,413	100%
Hon Chuan Vietnam Co., Ltd.	Director	Dai, Hung-Chuan 、Tsao, Hsih-Chung 、 Pai, Wen- Pin 、Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.)	-	100%
Hon Chuan Malaysia Sdn. Bhd.	Director	Dai, Hung-Chuan 、Tsao, Hsih-Chung 、 Pai, Wen- Pin 、Lai, Shen-Yuan 、 Ting,Chih-Hao (Representative of HC (Asia) Holdings Co., Ltd.)	81,259,900	100%
Hon Chuan (Myanmar) Co., Ltd.	Director	<ul style="list-style-type: none"> ● Dai, Hung-Chuan 、Tsao, Hsih-Chung 、 Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.) ● Daw Zin Mar Cho 、Daw Aye Mya Aung (Representative of Pack Master Co., Ltd.) 	89,720,368 27,812,210	70% 30%
Honly Holding Co., Ltd.	Director	<ul style="list-style-type: none"> ● Dai, Hung-Chuan 、Tsao, Hsih-Chung (Representative of HC (Asia) Holdings Co., Ltd.) ● Chiu, Hsien-Tsai 	7,020,000 4,680,000	60% 40%
Honly International Co., Ltd.	Director	<ul style="list-style-type: none"> ● Dai, Hung-Chuan 、Tsao, Hsih-Chung 、 Cheng, Ya-wen 、Tai, Hung-I 、Tsao Hung-Yu (Representative of HC (Asia) Holdings Co., Ltd.) ● Chin Savy 	490 510	49% 51%
Honly Food & Beverage Co., Ltd.	Director	<ul style="list-style-type: none"> ● Tsao, Hsih-Chung 、Dai, Hung-Chuan 、 Pai, Wen- Pin 、 Chang. Yu-Hung (Representative of HC (Asia) Holdings Co., Ltd.) ● Chiu, Hsien-Tsai 、Chin Savy 、Chiu, Pin-Hao 	3,600,000 2,400,000	60% 40%

Hon Chuan (Africa) Holdings Co., Ltd.	Director	Dai, Hung-Chuan 、Tsao, Hsih-Chung (Representative of Hon Chuan Holding Limited)	-	100%
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Note : Except for Hon Chuan Malaysia Sdn. Bhd., other limited companies do not issue shares.

**8.1.2 Independent Auditor's HON CHUAN and Affiliated Enterprises
Consolidated Financial Statements : Please refer to Page 第 107 頁
至 第 190 頁 。**

8.1.3 Representation letter about Consolidated Financial Statements of Affiliated Enterprises

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. as of and for the year ended December 31, 2015, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Hon Chuan Enterprise Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Taiwan Hon Chuan Enterprise Co., Ltd.

Dai, Hung Chuan

Chairman

March 29, 2016

8.1.4 Relationship report : Not applicable.

8.2. The status of issuing private placement securities in the most recent year and up to the publication of the annual report : None.

8.3 Acquisition or disposal of the Company's stock shares by subsidiaries in the most recent year and up to the publication of the annual report : None.

8.4 Other necessary supplementary notes : None.

9. The occurrence of any events as stated in Section 3 Paragraph 2 in Article 36 of the Securities Exchange Act that had significant impact on shareholders' equity or securities prices in the most recent year and up to the publication of the annual report : None.

Taiwan Hon Chuan Enterprise Co., Ltd.

Chairman : Dai, Hung-Chuan