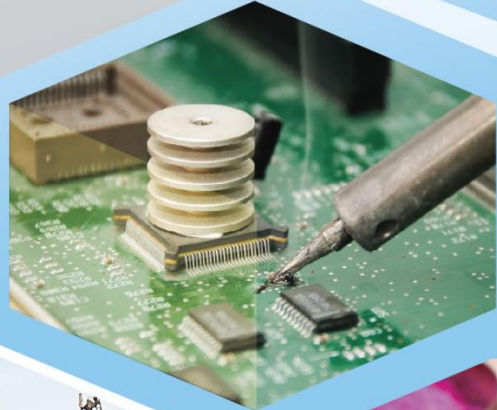




東聯化學股份有限公司  
Oriental Union Chemical Corp.

股票代號：1710  
刊印日期：2016年5月15日  
<http://mops.twse.com.tw>  
<http://www.oucc.com.tw>



# 2015年報

## Annual Report

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Title: Executive Vice President

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#### Auditors

Name: Y.W. Feng, CPA

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Overseas Securities Exchange and relevant info: N/A

#### Corporate Website

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

## Contents

One.	Message to Shareholders	1
Two.	Company Profile	
	I. Date of incorporation	5
	II. Company history	5
Three.	Corporate Governance Report	
	I. Organization	7
	II. Information on the Company's Directors, Supervisors, President, Vice Presidents, Assistant Vice President, and heads of all the Company's divisions and branch units	9
	III. Status of Corporate Governance	25
	IV. Information of CPA professional fee	44
	V. Information of CPA replacement	45
	VI. Information regarding Chairman, President, and Financial or Accounting Manager of the Company who has worked with the CPA firm which conducts the audit of the Company or affiliate to said firm in the recent year	46
	VII. Any transfer of equity interests and pledge of, or change in equity interests by a Director, Supervisor, Managerial officer, or shareholder with a stake of more than 10 percent.	47
	VIII. The top 10 shareholders and their relationships	48
	IX. The number of shares held by the Company and Company Directors, Supervisors, managerial officers and the entities directly or indirectly controlled by the Company in a single company, and calculating the consolidated shareholding percentage of the above categories.	49
Four.	Capital Overview	
	I. Capital and Shares	50
	II. Issue of corporate bonds	54
	III. Preferred stock	54
	IV. Issuance of overseas depository receipts	54
	V. Employee stock option	54
	VI. Stock issued for mergers and acquisitions	54
	VII. Implementation of capital utilization plan	54
Five.	Operation Overview	
	I. Business activities	55

	II.	Sales and marketing overview	60
	III.	Employees	66
	IV.	Environmental protection expenditure	67
	V.	Labor-management relations	68
	VI.	Major contracts	70
Six.		Finance Overview	
	I.	Condensed balance sheet, income statement, and external auditor's opinion for the last five years	72
	II.	Financial analysis for the last five years	78
	III.	Supervisor's audit report on the financial statement for the last year	84
	IV.	In the case of insolvency of the Company and its affiliates	84
	V.	Consolidated financial statements and external auditor's audit report for the recent year	85
Seven.		Review and Analysis of the Financial Position and Performance and Risk Management	
	I.	Review and analysis of the financial position	92
	II.	Analysis on financial performance	93
	III.	Review and analysis of cash flow	94
	IV.	The effect of major capital expenditure on the financial position and operation of the Company	94
	V.	Direct investment policy, the main reasons for profit or loss as well as the corrective action plan over past year, and an investment plan for next year	96
	VI.	Analysis of risk factors	96
	VII.	Other important notes	98
Eight.		Special Disclosure	
	I.	Information of affiliates	99
	II.	Private placement of securities	101
	III.	Status of Company stock held or disposed of by subsidiaries over past year and up to the date of publication of the annual report	101
	IV.	Other supplementary notes	101
	V.	Any matters of material significance that could have affected shareholder equity or securities price last year and up to the date of publication of the annual report	101

# One. Message to Shareholders

## I. Foreword

Propelled by the major economies, such as the U.S. and the euro zone, the global economy had slowly recovered in 2015. However, the rate of economic growth had declined significantly, instead of returning to stability as expected, as a result of emerging markets being affected by the tightening of U.S. monetary policy, the global oil prices, and the continuing decline in bulk commodity prices. According to the IMF's estimation, the rate of global economic growth was 3.1% in 2015 – being the lowest since 2009. In 2015, China's economic growth rate fell to 6.9%, hitting a 25-year low. Foreign trade and domestic stagnations had resulted in the significant depreciation of the Chinese RMB, and the Producer Price Index (PPI), which had fallen 43 months straight, indicated that the over-capacity problem was still unresolved in China. Owing to the economic recession of the U.S. and Europe, along with the accelerated economic decline in China, Taiwan's export trade had fallen by more than 10% compared to 2014, and, according to the latest estimation of the Chung-Hua Institution for Economic Research (CIER), the economic growth rate for Taiwan would only be 0.93% in 2015.

In 2015, with international oil prices being affected by the increase in the supply of crude oil, the US' QE exit, the strong U.S. dollar, and the lifting of crude oil export sanctions against Iran, the search for a bottom in oil prices continued, and the low oil prices had led to low prices for petrochemical products in the world. To counter U.S. condensate gasoline and crude oil exports, petroleum exporting countries in the Middle East had adopted the strategy of maintaining status quo on production to fight for market share. On the other hand, the decline in crude oil demand – a result of the slowing down of global and Chinese economic growth – had caused crude oil prices to drop further.

Compared to 2014, the profit from the company's main product – Ethylene Glycol (EG) – had improved as the drop in prices was relatively smaller due to the decrease in the supply of EG products in the first half of 2015, showing significant increase in overall profit as costs for raw materials lowered. Starting the second half of 2015, the price of ethylene glycol trended downward, falling 20% compared to the beginning of the year, as oil prices continued to drop and the downstream demand eased. In the meantime, the price of ethylene – the raw material for EG – stayed high because of halted production and work stoppages for maintenance and repairs at some ethylene cracking plants in Asia that resulted in tight supply, consequently reducing the profitability of EG. As for the company's gas products, as a result of proper production cost control and client keeping, the revenue and profit still grew steadily in spite of fierce competition and the excess of supply over demand in the market. Affected by gloomy prospects of the downstream market and excess capacity globally, the market for ethanalamine (EA) products continued to slump. For specialty ethoxylates (EODs), operations had gradually improved by establishing partnership with major international manufacturers and by actively developing overseas markets.

## II. Operating Performance Review

### (A) Industrial Safety, Health and Environmental Protection

The company placed great importance on safety, health, and environmental protection and implemented management systems and in-service trainings for all employees to take as their basic work attitude. In terms of safety, the company continued to implement the OHSAS-18001 Occupational Safety Management System and fulfilled the various safety regulations, and no major accident occurred in 2015.

With respect to environmental protection and health, a quality, healthy work environment was established. Besides continuing to implement the ISO-14001 Environmental Management System, the company also put forward the plan to improve the pollution prevention system, finding ways to increase pollution prevention efficiency. In 2015, the company was recognized by the EPA with the “Excellence Award for 2015 Outstanding Performance in Toxic Chemical Prevention, Operation and Management”. Additionally, joint ventures of the company – Oriental Petrochemical (Yangzhou) Corporation, Far Eastern Union Petrochemical (Yangzhou) Ltd., and Tong Da Gas Industries (Yangzhou) Ltd. – also maintained good safety and health records in 2015.

#### (B) Ethylene Glycol Business

Both the EG/EO plants at the Linyuan Plant underwent de-bottlenecking projects between January and February 2015 to increase production capacity. As a result, two months of output was lost for the year. In 2015, a total of 385,100 tons of MEG was produced (including the Linyuan Plant and the Far Eastern Union Yangzhou Plant) and a total of 271,492 tons was sold. Moreover, 99,656 tons of refined EO were produced, selling 23,773 tons, and 38,821 tons of DEG were produced, selling 23,629 tons. In the first half of 2015, product prices were somewhat sustained due to the shortage of supply; however, in the second half of 2015, as a result of output from the newly increased capacity, dropping oil prices and eased downstream demand, the average price of EG decreased by about 17% compared to 2014. Nevertheless, with a 25% increase in sales volume, revenue from the company’s EG business reached NT\$7,904,482,000 in 2015 – a 190% increase in profit compared to 2014..

#### (C) Gas Business

In 2015, 283,505 tons of oxygen were produced (including the Linyuan Plant and the Tong Da (Yangzhou) Gas Plant) and, aside from internal usage, 19,167 tons were sold externally. Also, 303,044 tons of nitrogen were produced and 264,406 tons were sold, as well as producing 8,088 tons and selling 7,188 tons of argon. The company’s gas plants mainly served to supply internal needs with the remaining products being sold externally to local domestic clients. In 2015, although the supply exceeded the demand in the gas market, the sales volume still rose 8% amid fierce price competition. Compared to 2014, both annual revenue and profit increased – up 4% in revenue and 85% in profit.

#### (D) Specialty Chemicals Business

In 2015, including the Linyuan Plant in Kaohsiung and the Oriental Petrochemical Plant in Yangzhou, the company produced a total of 61,866 tons of EA products and 32,494 tons of EC products – selling 64,610 tons of EA and 32,574 tons of EC respectively. The company also produced 65,650 tons of EODs, including polyethylene glycol (PEG), alcohol ethoxylates (AEO), methoxy polyethylene glycol (MPEG), and so on, while selling a total of 65,717 tons.

In 2015, owing to excess capacity in global EA production, market supply stayed abundant, resulting in sliding prices and limited profit. Conforming to the needs of major foreign and domestic clients, the OUCC maintained a balance between production and sales to stabilize the supply. For EC products, steady profit was still maintained despite a slight decrease in shipment volume, and supplier relationships had been established with major clients for the company’s EOD products produced at the Linyuan Plant, as well as continuing to expand marketing efforts overseas. In addition, the company also developed new products to meet client needs, having business expanded smoothly in 2015. With the slowing down of China’s domestic demand, the company’s joint venture, Oriental Petrochemical (Yangzhou) Corporation, successfully developed OEM business on EOD in Q4 of 2015, which would help to improve the EOD

business.

### **III. 2016 Target and Future Operating Prospects**

#### **(A) Outline of the Business Plan for 2016**

##### **(1) Ethylene Glycol Business**

For 2016, the company plans to produce 588,015 tons of MEG and 52,293 tons of DEG (including the Linyuan Plant and the Far Eastern Union Yangzhou Plant) and to sell 620,500 tons and 40,500 tons respectively. Additionally, the company is to produce 162,787 tons of refined EO, which are to be used internally as raw materials for other specialty chemicals except for the sale of 28,900 tons. In 2016, newly increased capacity in EO and EG at the Linyuan Plant would be completed, and in operation. Having completed trial runs in 2015, the scale of operations for Far Eastern Union Petrochemical Yangzhou Ltd will grow significantly with its annual EO capacity of 400,000 tons and annual EG capacity of 500,000 tons.

##### **(2) Gas Business**

In 2016, another air separation unit with an annual capacity of 200,000 tons of oxygen will be completed at the Linyuan Plant. Aside from supplying internal needs, gas operations will be further expanded. For 2016, the company plans to produce 493,939 tons of oxygen (including the Linyuan Plant and the Tong Da (Yangzhou) Gas Plant), selling 38,178 tons with the remaining being used internally. In addition, 407,682 tons of nitrogen and 18,619 tons of argon are to be produced, and 380,458 tons of nitrogen and 18,156 tons of argon are to be sold respectively.

##### **(3) Specialty Chemicals Business**

In 2016, specialty chemical plants (including the Linyuan Plant and the Oriental Petrochemical (Yangzhou) Plant) are expected to produce 90,504 tons of EA products – selling 86,554 tons, 33,596 tons of EC products –selling 33,001 tons, and 96,582 tons of EOD products (PEG, AEO, MPEG, etc.) – selling 95,009 tons. In 2016, the company still is to follow a strategy of meeting client needs in EA operations across the strait and seeks to raise sales volumes by improving manufacturing processes, by reducing production costs, and by increasing EA products' market competitiveness. Furthermore, EC products will operate under new contract in 2016, giving steady profit, and, with increasing EO raw materials, a new reactor will be set up for EOD products to boost production efficiency besides expanding production capacity. Regarding markets, the company will continue with efforts to increase overseas clients, actively look to establish partnership with the world's leading manufacturers as well as to develop new products, promoting in the application markets like commodity chemicals, textiles, the industry, the construction, and paints, to increase revenue and profit by improving the integrity of production lines. In regard to Oriental Petrochemical (Yangzhou) Corporation, it will stabilize its shipment volumes for OEM products, as well as expanding its markets with high molecular weight PEG and functional EOD transferred from the OUCC, and, after the Far Eastern Union Petrochemical (Yangzhou) Ltd is able to supply it with EO raw materials, the company's profits and losses are expected to improve significantly.

#### **(B) Future Operating Prospects**

Looking forward to 2016, with the world's economy still being affected by factors such as weak economic recovery and fluctuating oil and raw material prices, the IMF has adjusted the global economic growth downward to 3.4% for 2016, expecting slowed growth compared to 2015. On international oil prices, it will be difficult for oil prices to climb back up in the short term with OPEC members' unwillingness to cut production, Iran's joining as crude oil supplying country, and China's economic slowdown.

Although there will be quite a number of uncertainties in 2016, the company will continue to put efforts into improving manufacturing processes, lowering costs, researching and developing new specialty chemicals, and increasing competitiveness to face the challenges in the macroeconomic environment. The company had completed EO/EG de-bottlenecking projects in February 2015 to raise annual EO capacity to 360,000 tons and annual EG capacity to 300,000 tons – significantly improving the production capacity and competitiveness of EG products. Besides existing increase in production capacity, the company is also committed to researching and developing specialty chemical EODs, recruiting domestic and foreign experts for the R&D team, actively exploiting special molecular structures and developing high-end green materials, to create more differentiated, high-valued products, improving the company's technical development capability and the products' added values through diversified company development. In recent years, the company has also been active in developing EC products with recycled CO<sub>2</sub> generated during production processes as feedstock. In 2016, besides the EC plant, a gas plant and a CO<sub>2</sub> plant will be added at the Linyuan Plant to not only improve the CO<sub>2</sub> recycling rate in order to achieve the goal of conserving energy and reducing carbon emissions but to also develop new gas products for industrial, food and electronic uses in order to increase profitability.

Far Eastern Union (Yangzhou) Ltd. – the company's joint venture in Yangzhou, China – has begun EO and EG trial production for annual capacity of 400,000 tons and 500,000 tons respectively. In the future, the company will be able to integrate raw material needs, demonstrating economic scale-based competitiveness and conducting optimal, flexible operation of products across the strait, to bring the company's operational advantage into full play.

To respond to the fluctuating prosperity for the world's petrochemical industry and to reduce the impact of industrial structure, the OUCC will continue to lower costs by expanding the production scale and actively develop a variety of EODs. The company will look to increase high value-added products through strengthening research and development for innovative technologies, becoming a diversified chemical company focused on specialty chemicals and pursuing growth and profit steadily and constantly, to fulfill the OUCC's vision for sustainable operation.

Chairman of the Board 徐旭東 



## Two. Company Profile

### I. Date of incorporation: December 22, 1975

### II. Company history

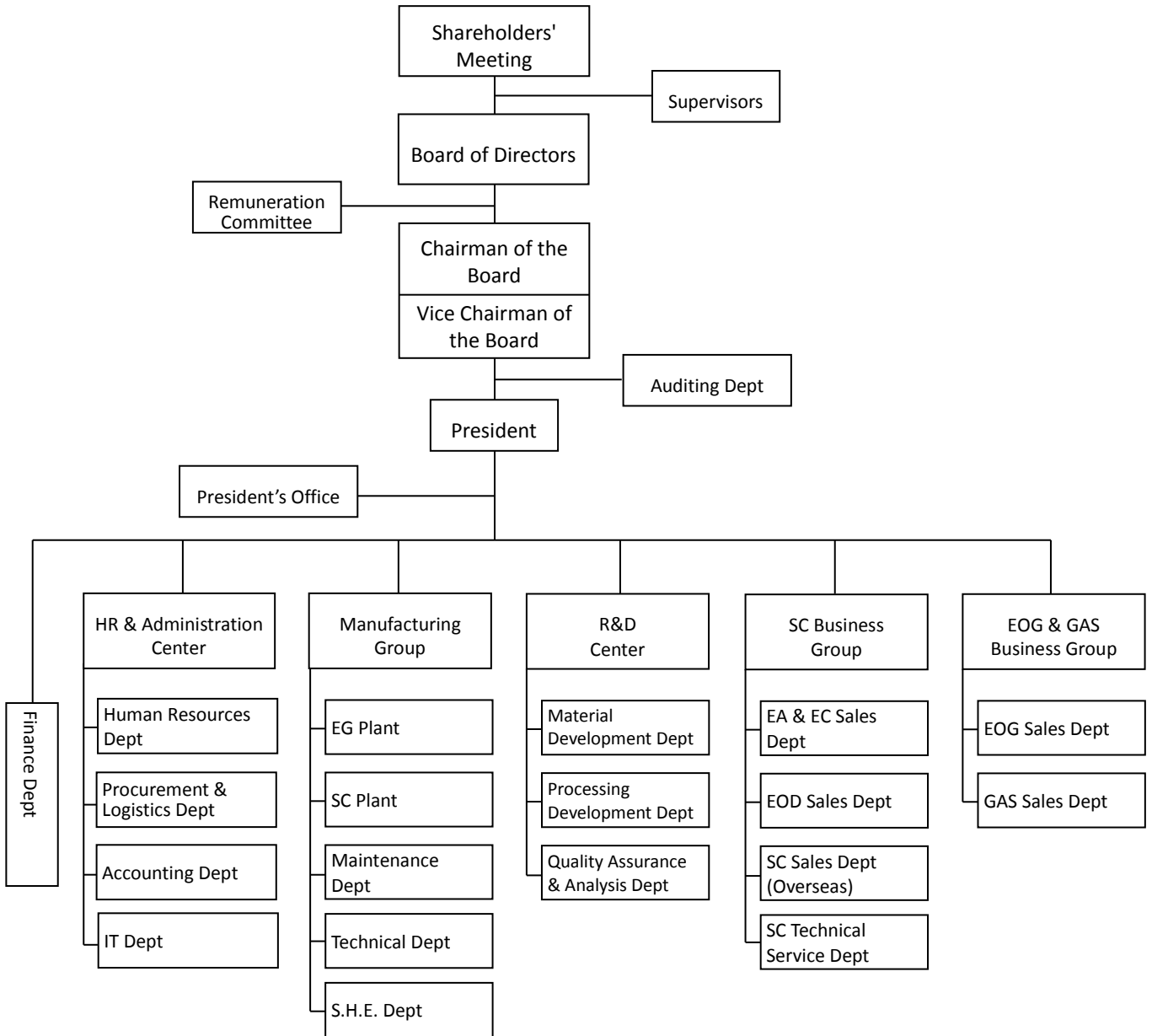
- In 1975,
  - Registration and incorporation of the Company was approved, with the shareholders including Central Investment Holding Co, Executive Yuan Development Fund, the Far Eastern Textile Corporation (now known as Far Eastern New Century), Union Carbide Corporation, USA, and the China Development Corporation; the capital was NTD\$569,250,000.
- In 1978,
  - Construction of the EG plant was completed.
- In 1982,
  - The Union Carbide Corporation, USA withdrew from the Company, and the Union Industrial GAS Company co-invested together with Central Investment Holding Co and CPC was consolidated into the Company; capital increased to NTD\$1,493,658,000.
- In 1986,
  - Office premises at Fu-Hsing N Road, Taipei City were purchased and Head Office was relocated to the premises.
- In 1987,
  - The Company was publicly listed on the Taiwan Stock Exchange on October 21.
- In 1988,
  - Land was purchased in the Chienchen District, Kaohsiung City occupying an area of about 5.704 acres at the price of about NT\$1 billion.
- In 1992,
  - An EG waste water treatment plant that meets the national standards for discharge of waste water was completed.
- In 1993,
  - Addition of the 2nd gas plant increased the output of gas products.
- In 1995,
  - About 9% of the equity of ICI Far Eastern Co Ltd (now OPTC) was acquired.
- In 1997,
  - The second LPG plant was added to increase the output of liquid nitrogen and liquid oxygen by a total of 73,000 tons each year.
- In 1998,
  - May: Reinvestment was made to establish the Ton Fu Investment Corporation, a subsidiary wholly owned by OUCC.
  - The Company's Linyuan Plant was certified under ISO-14001 (environmental protection management), and hit the unprecedented record for zero labor safety incidents for 2 million working hours consecutively.
  - December: Issue of the first secured common corporate bonds in the amount of NT\$800 million, valid for 5 years.
- In 1999,
  - January: A branch office was established in the Kaohsiung Nantz Export Zone, and an on-site gas factory was built to expand the gas operation.
  - February: Completed the debottlenecking of EO/EG to increase the output of EO and EG by about 70,000 tons and 40,000 tons per year.
- In 2000,
  - September: Implemented the SAP Enterprise Resource Planning (ERP) System.
  - December: Treasury stock, totaling 5,213 thousand shares was repurchased for the first time to maintain goodwill and shareholder equity.
- In 2001,
  - April: Completed cancellation of the treasury stock repurchased for the first time.
  - April: Repurchased treasury stock, totaling 9,995 thousand shares, for the second time, and completed the cancellation in September.
  - September: Repurchased treasury stock, totaling 7,349 thousand shares, for the third time to transfer shares to the employees.
- In 2002,
  - July: Completed the EA factory dedicated to producing MEA, DEA and TEA, with an annual output of 40,000 tons, to become the factory with the largest output in Asia.
  - July: The Company's Linyuan factory was certified under ISO-9001 (quality management).
  - September: The Company's Linyuan factory was certified under OHSAS-18001 (occupational safety & health management).
  - November: Completed the EC factory dedicated to the production of EC with an annual output of 40,000 tons. It became the EC factory with the largest output in the world and supplies raw materials to the Chi Mei ASAHI CORPORATION, a joint venture of Chi Mei Corporation and the Asahi Kasei Corporation (consolidated to form the Chi Mei Corporation on April 1, 2009) dedicated to producing PC.
- In 2003,
  - February and December: With approval of the Investment Commission, MOEA, Bermuda-based PET Far Eastern (Holding) Ltd. (PETH) and Virgin Islands-based Pacific Petrochemical (Holding) Ltd. (PPL) reinvested in the Oriental Petrochemical (Shanghai) Corporation. The company was engaged in the production and marketing of PTA. The Company acquired about 39% of the equity.

- In 2004,
  - August: Completed the transfer of Company shares, repurchased for the third time, to employees.
  - November: The Company won the most honorable award for the industry in Taiwan, the “Sustainable Industry Excellence Award”, as a symbol of sustainable development by the enterprise.
- In 2005,
  - February: Issue of common stock totaling 60,000,000 shares at NT\$28 per share by a capital increase in cash, which raised the fund to a total of NT\$1,680,000,000.
  - August: Completed the multi-functional pilot plant designed and configured independently by the Company as a base for the development of new technology for OUCC products. As well as for the basic design of production processes and test runs of new products.
- In 2006,
  - January: Acquired 20% of the equity of the Kuokuang Petrochemical Technology Company. The company schedules production of various gasoline and chemical products made from crude oil or natural gas.
- In 2008,
  - January: Completed the second EA factory with an annual output of 40,000 tons, dedicated to the production of MEA, DEA and TEA.
  - January: Completed debottlenecking EC to increase output by about 20,000 tons per year.
  - October: With the approval of the Investment Commission, MOEA, OUCC (Bermuda) Holding Ltd reinvested in the incorporation of Oriental Petrochemical (Yangzhou) Corporation. The company was primarily engaged in the production and marketing of ethanalamine, EC, AEO, PEG and MPEG.
- In 2009,
  - December: Received the “National Industrial Park Safe Partner Excellence Award – Excellent Business Unit 2009” by the Council of Labor Affairs, Executive Yuan.
- In 2010,
  - February: Subscribed for PPL shares from Yung Ding Investment Co and Core Pacific Capital Ltd, and sold PETH shares to Far Eastern New Century, and held 100% of the shares of PPL, and 39% of Oriental Petrochemical (Shanghai) Corporation indirectly.
- In 2011,
  - April: Completed the Oriental Petrochemical (Yangzhou) Corporation EA factory which has an annual output of 40,000 tons.
  - December: Completed the EOD factory, at the Linyuan Factory premises, which has an annual output of 40,000 tons.
- In 2012,
  - July: Completed the Oriental Petrochemical (Yangzhou) Corporation EOD factory which has an annual output of 60,000 tons.
  - September and December: With the approval of the Investment Commission, MOEA, Pacific Petrochemical (Holding) Ltd (PPL) reinvested in the Far Eastern Union Petrochemical (Yangzhou) Corporation. The company was primarily engaged in production and marketing of EO/EG. The Company held 50% of its shares indirectly.
- In 2013,
  - December: Revoked company registration of the Nantz branch office.
- In 2014,
  - February: With the approval of the Investment Commission, MOEA, Pacific Petrochemical (Holding) Ltd. (PPL) reinvested in the Tong Da Industrial Gas (Yangzhou) Co Ltd. The company was primarily engaged in the construction of a cryogenic ethylene tank and an Air Separation Unit (ASU).The Company held 50% of its shares indirectly.
- In 2015,
  - February: Completed re-debottlenecking projects of EO & EG, with respective output of 360,000 tons and 300,000 tons.
  - December: Completed gas plant of Tong Da Industrial Gas (Yangzhou) Co Ltd, with annual output of 800,000 tons.

### Three. Corporate Governance Report

#### I. Organization

##### (I) Organizational chart



**(II) Functions & Operations**

Department	Functions & Operations
President's Office	The President's staff unit.
HR & Administration Center	<ol style="list-style-type: none"><li>1. Management of human resources, general affairs, IT and accounting related affairs.</li><li>2. Procurement of raw materials and supplies, awarding of contracts, warehousing and transportation.</li><li>3. Taxation, budget and accounting management.</li><li>4. IT system management and implementation.</li></ol>
R & D Center	<ol style="list-style-type: none"><li>1. Process development and technical support, etc.</li><li>2. R&amp;D of EOD materials and new products, etc.</li><li>3. Analysis, testing and quality assurance.</li></ol>
EOG & GAS Business Group	<ol style="list-style-type: none"><li>1. Sale of EO and EG products (MEG and DEG , etc.) and procurement of major raw materials.</li><li>2. Sale of gas products (oxygen, nitrogen and argon gas)</li></ol>
SC Business Group	<ol style="list-style-type: none"><li>1. Sale of EA and EC</li><li>2. Sale of EOD and other specialty chemicals</li><li>3. Sale of specialty chemicals abroad and channel establishment</li><li>4. Technical support of specialty chemicals, new application development and specification formulation of new product</li></ol>
Manufacturing Group	<ol style="list-style-type: none"><li>1. Production of MEG, DEG ,EO and Gas (oxygen, nitrogen, argon gas and liquefied CO2)</li><li>2. Production of specialty chemicals of EA, EC, EOD</li><li>3. Project execution, production process improvement &amp; evaluation, and engineering related matters</li><li>4. Maintenance of instruments, machinery and electrics &amp; mechanics</li></ol>
S.H.E. Dept.	Environmental protection, labor safety and other safety-related matters
Finance Dept.	Insurance, shareholders' service, credit investigation and financial management
Auditing Dept.	Internal audit

## II. Information on the Company Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and heads of all Company Divisions and branch units:

### (I) Directors & supervisors

#### 1. Directors & Supervisors

April 11, 2015

Job title	Nationality or residence registered	Name	Date on which current position was assumed	Term of office	Commencement date of the first term	Shares held when appointed		Shares held currently		Shares held by spouses and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Other heads, directors, or supervisors as spouse or kin within the second degree		
						Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship
Chairman of the Board	R.O.C.	Douglas T. Hsu	2015.6.9	3 years	1979.2.10	1,664,781	0.19%	1,664,781	0.19%	0	0.00%	0	0.00%	Honorable PhD in Management, NCTU; Master of Arts in Economics, Columbia University, USA	Chairman of Far Eastern New Century, Asia Cement, U-Ming Marine Transport Corp, Far Eastern Department Stores and Fetnet, and Vice Chairman of Far Eastern International Bank	Vice Chairman of Board	Johnny Shih	A relative by marriage within the second degree
Vice Chairman of the Board	R.O.C.	Representative of Far Eastern New Century: Johnny Shih	2015.6.9	3 years	1988.5.18	81,217,005	9.17%	81,217,005	9.17%	0	0.00%	0	0.00%	Master in Computer Science, Columbia University, USA	Vice Chairman of Far Eastern New Century, Chairman of Everest Textile, and Director of Asia Cement and Fetnet	Chairman of Board	Douglas T Hsu	A relative by marriage within the second degree
Director	R.O.C.	Representative of Far Eastern New Century: Humphrey Cheng	2015.6.9	3 years	1991.5.30	81,217,005	9.17%	81,217,005	9.17%	0	0.00%	0	0.00%	Master in International Business, National Taiwan University	President of Administration HQ of Far Eastern New Century, Supervisor of Far Eastern International Bank, and Chairman & President of Ton Fu Investment Corporation	N/A	N/A	N/A
Director	R.O.C.	Representative of Far Eastern New Century: Kao-Shan Wu	2015.6.9	3 years	2009.6.3	81,217,005	9.17%	81,217,005	9.17%	0	0.00%	0	0.00%	Department of Chemistry, Chinese Culture University	President of Petrochemical Headquarters of New Eastern New Century; Director of Everest Textile and Oriental Petrochemical Corporation	N/A	N/A	N/A
Director	R.O.C.	Representative of Far Eastern New Century: Chung-Yueh Dai	2015.6.9	3 years	2009.6.3	81,217,005	9.17%	81,217,005	9.17%	0	0.00%	0	0.00%	Department of Business Admin. In International Trading, Tamkang University	President of Far Eastern Industries (Shanghai) Ltd and COO of Textile Operation Headquarters of Far Eastern New Century	N/A	N/A	N/A
Director	R.O.C.	Representative of Yue Ming Trading Co Ltd: Justin Tsai	2015.6.9	3 years	2014.7.1	400,000	0.05%	440,000	0.05%	0	0.00%	0	0.00%	EMBA, national Chengchi University, Dept of Chemical Engineering, Tunghai University	Directors of Oriental Petrochemical (Yangzhou) Corp., Far Eastern Union Petrochemical (Yangzhou) Ltd., Tong Da Gas Industries (Yangzhou) Ltd. and Oriental Resources Development Co, and Supervisor of KuoKuang Petrochemical Technology Co.	N/A	N/A	N/A

Job title	Nationality or residence registered	Name	Date on which current position was assumed	Term of office	Commencement date of the first term	Shares held when appointed		Shares held currently		Shares held by spouses and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Other heads, directors, or supervisors as spouse or kin within the second degree		
						Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship
Director	R.O.C.	Representative of Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation: Roy Wu	2015.6.9	3 years	2003.5.27	4,161,373 0	0.47% 0.00%	4,161,373 0	0.47% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	PhD in Materials Engineering, Monash University, Australia	Vice President of R&D Center of Far Eastern New Century Director of Oriental Resources Development Co. Ltd.	N/A	N/A	N/A
Independent Director	R.O.C.	C. T. Chan	2015.6.9	3 years	2015.6.9	0	0.00%	0	0.00%	0	0.00%	0	0.00%	High school graduated	Chairman of Yi Jinn Industrial Co. Ltd., Yi Tong Fiber Co. Ltd., Kwang Ming Silk Mill Co. Ltd., Hong Chou Fiber Industrial Co. Ltd. and Taiwan Textile Federation, and Chairman of the Board of Taiwan Man-Made Fiber Industries Association.	N/A	N/A	N/A
Independent Director	R.O.C.	Walt Cheng	2015.6.9	3 years	2015.6.9	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Chemical Engineering, National Cheng Kung University	President of the Greater China , Electronics Telecommunication Business of DuPont China Holding Co. Ltd.	N/A	N/A	N/A
Supervisor	R.O.C.	Representative of Yu Li Investment Corporation: Paul Chuang	2015.6.9	3 years	2009.6.3	4,861,781 7,997	0.55% 0.00%	4,861,781 7,997	0.55% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Department of Chemical Engineering, National Cheng Kung University	President of Oriental Petrochemical (Shanghai) Corporation	N/A	N/A	N/A
Supervisor	R.O.C.	Representative of Yu Li Investment Corporation: Eric Chueh	2012.6.5	3 years	2012.6.5	63,766,522 0	7.20% 0.00%	63,766,522 0	7.20% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	MBA, National Chengchi University	President of Oriental Petrochemical Corporation	N/A	N/A	N/A
Supervisor	R.O.C.	Representative of Asia Cement: Doris Wu	2015.6.9	3 years	2012.6.5	63,766,522 0	7.20% 0.00%	63,766,522 0	7.20% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Accounting Department, California State University	Vice President of Asia Cement Director of Der Ching Investment Corporation	N/A	N/A	N/A

# Oriental Union Chemical Corporation

## 2. Major shareholders of corporate shareholders

April 9, 2016

Name of corporate shareholders	Major corporate shareholders (shareholding %)
Far Eastern New Century Corporation	Asia Cement (24%), Oriental Institute of Technology (5%), Far Eastern Medical Foundation (4%), Far Eastern Y Z Hsu Science and Technology Memorial Foundation (3%), Yuan Ze University (3%), Cathay Life Insurance Co Ltd (3%), Shin Kong Life Insurance Co Ltd (2%), Nan Shan Life Insurance Co Ltd (2%), Douglas Tong Hsu (2%), China Life Insurance Company (2%)
Yue Ming Trading Co Ltd	Pai Ding Investment Co Ltd (47%), Yuan Ding Investment Co Ltd (45.5%), Yue Ding Industries Co Ltd (5%), Ding Ding Business Consultation Co Ltd (1%), Yuan Ding Co Ltd (1%), Yuan Ding Lease Co Ltd (0.5%)
Yu Li Investment Co Ltd	U-Ming Marine Transport Corp (68%), U-Ming Marine Transport (Singapore) Pte Ltd (32%)
Asia Cement Corporation	Far Eastern New Century (22%), Far Eastern Medical Foundation (5%), Fubon Life Insurance Co Ltd (4%), Cathay Life Insurance Co Ltd (2%), Far Eastern Department Stores (2%), Worker Pension Management Commission of Far Eastern New Century (2%), Yuan Ze University (1%), Shin Kong Life Insurance Co Ltd (1%), Labor Insurance Fund (1%), Yue Yuan Investment Co Ltd (1%)

## 3. Major shareholders who are corporations

April 9, 2016

Name of corporation	Major corporate shareholders (shareholding %)
Asia Cement Corporation	Far Eastern New Century (22%), Far Eastern Medical Foundation (5%), Fubon Life Insurance Co Ltd (4%), Cathay Life Insurance Co Ltd (2%), Far Eastern Department Stores (2%), Worker Pension Management Commission of Far Eastern New Century (2%), Yuan Ze University (1%), Shin Kong Life Insurance Co Ltd (1%), Labor Insurance Fund (1%), Yu Yuan Investment Co Ltd (1%)
Cathay Life Insurance Co Ltd	Cathay Financial Holding Co Ltd (100%)
Shin Kong Life Insurance Co Ltd	Shin Kong Financial Holding Co Ltd (100%)
Nan Shan Life Insurance Co Ltd	Ruen Chen Holdings Co Ltd investment trust account held under the Custody of First Bank (76%), Ruen Chen Investment Holding (14%), Du Ying-Tsung (3%), Ruenhwa Dyeling & Fabricating Co Ltd (0.27%), Ruentex Lease Co Ltd (0.14%), Ji Ping Investment Co Ltd (0.11%),

## Oriental Union Chemical Corporation

Name of corporation	Major corporate shareholders (shareholding %)
	Kuo Wen-Teh (0.11%), Nan Shan Life Insurance stock trust property account held under the custody of Tai Shin Bank (0.06%), Pou Chi Investment Co Ltd (0.05%), Pou Hwang Investment Co Ltd (0.05%)
China Life Insurance Co Ltd	KGI Securities (10%), Singapore Government investment account under the custody of Citibank (3%), New York City Group trust investment account under the custody of Deutsche Bank Taipei Branch (3%), Morgan Stanley investment account of Central Bank of Saudi Arabic under the custody of Chase (3%), Videoland Television Network (2%), Cathay Life Insurance Co Ltd (2%), Invesco Asia stock Fund investment account under the custody of HSBC Commercial Bank, Taipei Branch (2%), Abu Dhabi Investment Authority investment account under the custody of JPMorgan Chase Bank, Taipei Branch (1%), Labor Pension Fund under the new system (1%), Norwegian Central Bank investment account under the custody of Citibank (1%)
Far Eastern New Century	Asia Cement (24%), Oriental Institute of Technology (5%), Far Eastern Medical Foundation (4%), Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation (3%), Yuan Ze University (3%), Cathay Life Insurance Co Ltd (3%), Shin Kong Life Insurance Co Ltd (2%), Nan Shan Life Insurance Co Ltd (2%), Douglas Tong Hsu (2%), China Life Insurance Company (2%),
Fubon Life Insurance Co Ltd.	Fubon Financial Holding Co Ltd (100%)
Far Eastern Department Stores	Far Eastern New Century (17%), Asia Cement (6%), Yuan Ze University (5%), Yuan Tung Investment Co Ltd (3%), Cathay Life Insurance Co Ltd (2%), Worker Pension Fund Management Commission of Far Eastern Department Stores (2%), Yue Yuan Investment Co Ltd (2%), Oriental Securities Corp (2%), Labor Pension Fund under the new system (2%), Kai Yuan International Investment Co Ltd (1%)
Yue Yuan Investment Co Ltd	Asia Cement (30%), Yuan Ding Co Ltd (25%), Yuan Ding Investment Co Ltd (19%), U-Ming Marine Transport Corp (18%), Ding Shen Investment Co Ltd (6%), Yue Tung Investment Co Ltd (2%)
Pai Ding Investment Co Ltd	Far Eastern Department Stores (67%), Pai Yang Investment Co Ltd (33%)
Yuan Ding Investment Co Ltd	Far Eastern New Century (99.4%), An He Apparel Co Ltd (0.3%), Da Chu Chemical Fiber Co Ltd (0.3%)
Yue Ding Industries Co Ltd	Fu Da Transport Co Ltd (27%), Yue Tung Investment Co Ltd (25%), An He Apparel Co Ltd (16%), Ding Yuan International Co Ltd (13%),



## Oriental Union Chemical Corporation

Name of corporation	Major corporate shareholders (shareholding %)
	Ton Fu Investment Corporation (5%), Ya Li Precast Pre-stressed Concrete Industries Corp (4%), Da Chu Chemical Fiber Co Ltd (4%), Yuan Ding Investment Co Ltd (3%), Pai Ding Investment Co Ltd (2%), Yue Ming Trading Co Ltd (1%)
Ding Ding Business Consultation Co Ltd	Yue Tung Investment Co Ltd (40%), Da Chu Chemical Fiber Co Ltd (34%), Fu Da Transport Co Ltd (16%), Asia Engineering Enterprise Co Ltd (5%), Pai Ding Investment Co Ltd (5%)
Yuan Ding Co Ltd	Far Eastern New Century (37.1%), Asia Cement (35.5%), Der Ching Investment Corp (14.5%), Yuan Ding Investment Co Ltd (12.9%), Yue Ming Trading Co Ltd (0.02%)
Yuan Ding Lease Co Ltd	Yuan Ding Investment Co Ltd (46%), Asia Cement (44%), Far Eastern Department Stores (9%), Yue Yuan Investment Co Ltd (1%)
U-Ming Marine Transport Corp	Asia Cement (39%), Nan Shan Life Insurance Co Ltd (3%), Cathay Life Insurance Co Ltd (3%), Supervisory Board of Public Service Pension Fund (2%), Labor Insurance Fund (2%), Yuan Ding Investment Co Ltd (1%), Yue Yuan Investment Co Ltd (1%), Asia Investment Co Ltd (1%), Vanguard Emerging Markets Stock Index Fund account held under the custody of Standard Chartered Bank (1%), Ya Li Transport Co Ltd (1%),
U-Ming Marine Transport (Singapore) Pte Ltd	U-Ming Marine Transport Corp (100%)

# Oriental Union Chemical Corporation

## 5. Information of the Independence of Directors & Supervisors

May 15, 2016

Requirements	Over five years of experience and the following professional qualifications			Independence criteria (Note)										Concurrently serving as an Independent Director of another listed company
	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 activities.	1	2	3	4	5	6	7	8	9	10	
Name (Note 1)														
Douglas T Hsu			√			√				√		√	√	0
Johnny Shih			√			√				√		√		1
Justin Tsai			√			√	√	√	√	√	√	√		0
Humphrey Cheng			√			√	√			√	√	√		0
Kao-Shan Wu			√	√		√	√			√	√	√		0
Chung-Yueh Dai			√	√		√	√			√	√	√		0
Roy Wu			√	√		√	√			√	√	√		0
C. T. Chan			√	√		√	√	√		√	√	√	√	0
Walt Cheng			√	√		√	√	√	√	√	√	√	√	0
Eric Chueh			√	√		√	√	√		√	√	√		0
Paul Chuang			√	√		√	√	√		√	√	√		0
Doris Wu			√	√		√	√			√	√	√		0

Note: 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 employed by the Company or any of the Company's affiliates.
- (2) Not a director or supervisor of the Company or any of the Company's affiliates (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) Not holding over 1% of 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) Not a spouse, kin at the second pillar under the Civil Code, or a lineal blood relative within the third pillar under the Civil Code as specified in (1) through (3).
- (5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.

# Oriental Union Chemical Corporation

- (6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relationship with the Company.
- (7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provides business, legal, financial and accounting services to the Company or a spouse to the aforementioned persons. Notwithstanding, this shall not apply to the remuneration committee members who perform their duties in accordance with Article 7 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.
- (8) Not a spouse of or kin at the second pillar under the Civil Code to any other director.
- (9) Not under any of the categories stated in Article 30 of the Company Law.
- (10) No government apparatus agency, juristic person or its representative is elected under Article 27 of the Company Law.

**(II) Information on the Company Directors, Supervisors, President, Vice President, Assistant Vice President, and heads of all the Company divisions and branch units:**

April 9, 2016

Job title	Nationality	Name	Date on which current position was assumed	Shares held when appointed		Shares held by spouses and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Managers as spouse or kin within the second degree		
				Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship
President	R.O.C.	Justin Tsai	2013.1.1	0	0.00%	0	0.00%	0	0.00%	President of China Petrochemical Development Corporation., EMBA from National Cheng Chi Univ, Chemical Engineering Dept, Tunghai Univ.	Director of Oriental Petrochemical (Yangzhou), Far Eastern Union Petrochemical (Yangzhou) Ltd, Tong Da Gas Industries (Yangzhou) Ltd and Oriental Resources Development Limited  Supervisor of Kuokuang Petrochemical Technology Company	N/A	N/A	N/A
HR & Administration Center Human Resource Dept Procurement & Logistics Dept Accounting Dept IT Dept Vice President	R.O.C.	Victoria Peng	2006.9.1	228,258	0.03%	8,333	0.00%	0	0.00%	Assistant Vice President of HR & Administration Center of OUCC. Master in Economic Science of the Ohio State Univ, Economics Dept, NTU	Director of Far Eastern Union Petrochemical (Yangzhou) Ltd, Tong Da Gas Industries (Yangzhou) Ltd and Ton Fu Investment Corporation, Supervisor of Far Eastern Yihua Petrochemical (Yangzhou) Corp	N/A	N/A	N/A
EOG&GAS Business Group EOG Dept GAS Dept Vice President	R.O.C.	C.K. Tsai	2008.4.1	375,471	0.04%	276	0.00%	0	0.00%	Assistant Vice President of OUCC. Chemical Engineering Dept, National Central Univ.	Director of Oriental Petrochemical (Yangzhou) Corporation	N/A	N/A	N/A
Manufacturing Group EG Plant	R.O.C.	C. H. Lee	2012.9.1	1,386	0.00%	0	0.00%	0	0.00%	Assistant Vice President of Investment Center of OUCC Chemical	Vice President of Oriental Petrochemical (Yangzhou)	N/A	N/A	N/A

## Oriental Union Chemical Corporation

Job title	Nationality	Name	Date on which current position was assumed	Shares held when appointed		Shares held by spouses and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Managers as spouse or kin within the second degree		
				Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship
SC Plant Maintenance Dept Technical Dept S.H.E Dept Vice President										Engineering Dep., National Cheng Kung Univ.	Corporation			
Assistant Vice President of Finance Dept	R.O.C.	Judy Wang	2010.1.1	23,672	0.00%	0	0.00%	0	0.00%	Senior Manager of Finance Dept of OUCC Accounting Dept, National Cheng Chi Univ.	Manager of Finance Dept of Ton Fu Investment Corporation, Supervisor of Far Eastern Union Petrochemical (Yangzhou) Ltd, Tong Da Gas Industries(Yangzhou) Ltd and Oriental Resources Development Limited	N/A	N/A	N/A
SC Business Group EA&EC Dept EOD Dept SC Overseas SC Technical Service Assistant Vice President	R.O.C.	Michael Chang	2015.1.15	0	0.00%	0	0.00%	0	0.00%	Marketing Sales Manager of some US company and Paper company Master in Chemical Engineering, National Tsing Hua Univ.	N/A	N/A	N/A	N/A
Technical Dept R&D Center Assistant Vice President	R.O.C.	Y. S. Chang	2014.4.1	0	0.00%	0	0.00%	0	0.00%	Special Assistant of President's Office of OUCC. Master in Chemical Engineering, National Cheng Kung Univ.	N/A	N/A	N/A	N/A
HR & Admin. Center Assistant Vice	R.O.C.	Roger Lin	2015.12.1	0	0.00%	0	0.00%	0	0.00%	Special Assistance of President Office of	N/A	N/A	N/A	N/A

## Oriental Union Chemical Corporation

Job title	Nationality	Name	Date on which current position was assumed	Shares held when appointed		Shares held by spouses and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Managers as spouse or kin within the second degree		
				Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship
President										OUCC. Business Admin. Dept, NTU				
Special Assistant of President's Office (Assistant Vice President)	R.O.C.	Wen-Fan Lu	2009.9.1	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President of President's Office of Asia Cement, PhD in Chemical Engineering, Houston Univ.	N/A	N/A	N/A	N/A
Senior Manager of Auditing Dept	R.O.C.	Amy Cheng	2010.1.1	171,348	0.02%	0	0.00%	0	0.00%	Manager of Auditing Dept of OUCC. Accounting Dept, Soochow Univ.	Director of Ton Fu Investment Corporation	N/A	N/A	N/A
Senior Manager of Accounting Dept	R.O.C.	Daniel Chen	2011.9.1	84	0.00%	0	0.00%	0	0.00%	Accounting Manager of some chemical company. Master in Accounting, National Cheng Chi Univ.	Manager of Accounting Dept of Ton Fu Investment Corporation	N/A	N/A	N/A
Manager of IT Dept	R.O.C.	Akita Chen	2013.6.1	86	0.00%	0	0.00%	0	0.00%	Assistant Manager of IT Dept of OUCC. Master in Information Management, Fong Guang Univ.	N/A	N/A	N/A	N/A
Senior Manager of Procurement & Logistics Dept	R.O.C.	Larry Wang	2010.4.1	30,000	0.00%	0	0.00%	0	0.00%	Manager of Procurement & Logistics Dept of OUCC. Chemical Engineering Dept, Cheng Shiu Univ.	N/A	N/A	N/A	N/A
Senior Manager of Maintenance Dept	R.O.C.	Steven	2012.3.	159	0.00%	0	0.00%	0	0.00%	Manager of Maintenance Dept of	N/A	N/A	N/A	N/A

## Oriental Union Chemical Corporation

Job title	Nationality	Name	Date on which current position was assumed	Shares held when appointed		Shares held by spouses and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Managers as spouse or kin within the second degree		
				Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship
		Wu	16							OUCC. Master in Chemical Engineering Dept, National Cheng Kung Univ.				
Senior Director of EG Plant	R.O.C.	D. K. Yu	2012.3.16	0	0.00%	0	0.00%	0	0.00%	Director of EG Plant of OUCC, Master in Chemical Engineering, Tatung Univ.	N/A	N/A	N/A	N/A
Director of SC Plant	R.O.C.	Tom Hsu	2010.1.1	0	0.00%	0	0.00%	0	0.00%	Deputy Director of SC Plant of OUCC. Chemical Engineering Dept, National Tsing Hua Univ.	N/A	N/A	N/A	N/A
Manager of EOG Sales Dept	R.O.C.	Jason Chen	2010.1.1	0	0.00%	0	0.00%	0	0.00%	Manager of EG Sales Dept of OUCC. Master in Environmental Science, Univ. of Massachusetts	N/A	N/A	N/A	N/A
Manager of Gas Sales Dept	R.O.C.	Alan Chen	2013.6.1	0	0.00%	0	0.00%	0	0.00%	Assistant Manager of Gas Sales Dept of OUCC. Business Management Dept, Feng Chia Univ.	N/A	N/A	N/A	N/A
Manager of EOD Sales Dept	R.O.C.	Frank Lin	2012.3.16	2,229	0.00%	0	0.00%	0	0.00%	Manager of President's Office of OUCC. Master in Biotech Science, NTU	N/A	N/A	N/A	N/A

(III) Remuneration paid to Directors, Supervisors, Presidents, and Vice Presidents in the most recent year

1. Remuneration of Directors

Currency unit: NTD thousand

Job title	Name	Remuneration of Director								Remuneration in the capacity as employee												The sum of A, B, C, D, E, F and G to Earnings (Note 11)		Whether remuneration from any reinvestees other than subsidiaries is received? (J) (Note 12)							
		Remuneration (A) (Note 2)		Pension (B)		Retained Earnings Distribution (C) (Note 3)		Professional practice (D) (Note 4)		Salaries, bonus and special subsidies (E) (Note 5)		Pension (F)		Employee bonus from earnings (G) (Note 6)		Quantity of shares entitled under employee stock option (H) (Note 7)		Quantity of restricted employee new shares obtained (I) (note 13)													
		the Company	Companies included in the financial statement (Note 8)	the Company	Companies included in the financial statement (Note 8)	the Company	Companies included in the financial statement (Note 8)	the Company	Companies included in the financial statement (Note 8)	the Company	Companies included in the financial statement (Note 8)	the Company	Companies included in the financial statement (Note 8)	the Company		Companies included in the financial statement (Note 8)	the Company	Companies included in the financial statement (Note 8)	the Company	Companies included in the financial statement (Note 8)											
Director	Douglas T. Hsu	5,471	5,471	0	0	0	0	130	130	(10.25 %)	(10.25 %)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(14.64 %)	(14.74 %)	86,635			
	Representatives of Far Eastern New Century: Johnny Shih, Humphrey Cheng, Kao-Shan Wu, Chung-Yueh Dai	5,167	5,167	0	0	0	0	520	520			0	120	0	0	0	0	0	0	0	0	0	0	0	0			0	0	0	42,119
	Representatives of Yue Ming Trading Co Ltd: Justin Tsai	0	0	0	0	0	0	130	130			5,261	5,261	0	0	0	0	0	0	0	0	0	0	0	0			0	0	0	0
	Representatives of Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation: Roy Wu	0	0	0	0	0	0	130	130			0	0	0	0	0	0	0	0	0	0	0	0	0	0			0	0	0	3,877
Independent Director	C.T. Chan	600	600	0	0	0	0	152	152	(10.25 %)	(10.25 %)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Walt Cheng											0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0



Breakdown of remuneration

Breakdown of remuneration of Directors	Name of Director			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G+J)	
	the Company (Note 9)	Companies included in the financial statement (Note 10) I	the Company (Note 9)	All investees (Note 10)
Less than NT\$2,000,000	Representatives of Far Eastern New Century: Johnny Shih, Humphrey Cheng, Kao-Shan Wu, Chung-Yueh Dai Representative of Yue Ming Trading Co Ltd: Justin Tsai Representative of Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation: Roy Wu C.T. Chan, Walt Cheng	Representatives of Far Eastern New Century: Johnny Shih, Humphrey Cheng, Kao-Shan Wu, Chung-Yueh Dai Representative of Yue Ming Trading Co Ltd: Justin Tsai Representative of Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation: Roy Wu C.T. Chan, Walt Cheng	Representatives of Far Eastern New Century: Johnny Shih, Humphrey Cheng, Kao-Shan Wu, Chung-Yueh Dai Representative of Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation: Roy Wu C.T. Chan, Walt Cheng	C.T. Chan, Walt Cheng
NT\$2,000,000 (inclusive)~NT\$5,000,000	Representatives of Yue Ming Trading Co Ltd: Johnny Shih, Justin Tsai	Representatives of Yue Ming Trading Co Ltd: Johnny Shih, Justin Tsai	Representatives of Yue Ming Trading Co Ltd: Johnny Shih, Justin Tsai	Representative of Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation: Roy Wu
NT\$5,000,000 (inclusive)~NT\$10,000,000	Douglas T. Hsu	Douglas T. Hsu	Douglas T. Hsu Representative of Yue Ming Trading Co Ltd: Justin Tsai	Representative of Yue Ming Trading Co Ltd: Justin Tsai
NT\$10,000,000 (inclusive)~NT\$15,000,000				Representatives of Far Eastern New Century: Johnny Shih, Humphrey Cheng, Kao-Shan Wu, Chung-Yueh Dai
NT\$15,000,000 (inclusive)~NT\$30,000,000				i
NT\$30,000,000 (inclusive)~NT\$50,000,000				
NT\$50,000,000 (inclusive)~NT\$100,000,000				Douglas T. Hsu
NT\$100,000,000 above				
Total	9 persons	9 persons	9 persons	9 persons

- Note 1: The table identifies Directors' names separately and summarizes the remuneration of Directors. The Director who assumes President or Vice President shall complete the table - remuneration of the President and Vice President.
- Note 2: Remuneration of Directors in the recent year (including Directors' salary, duty allowance, severance pay, bonuses and rewards, *et al.*)
- Note 3: Remuneration of Directors approved by the Board of Directors prior to the shareholders' meeting in which the motion for allocation of earnings in the recent year is submitted.
- Note 4: The relevant professional practice fees of Directors in the recent year (including transportation allowance, special allowance, various allowances, dormitory and business vehicles).
- Note 5: This means the salary, duty allowance, severance pay, bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the Directors who acted as employees concurrently (including president, vice president, managerial officer and employee) in the recent year.
- Note 6: If the Directors who acted as employees concurrently (including President, Vice President, managerial officer and employee) received employee bonus in the recent year, please disclose the employee bonus approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the recent year.
- Note 7: The Company did not issue any employee stock options.
- Note 8: Please disclose the aggregate remuneration paid to the Company's Directors by all Companies included in the consolidated financial reports (including the Company).
- Note 9: The aggregate remuneration of each Director by the Company shall include the Director's name disclosed in the relevant space.
- Note 10: The aggregate remuneration paid to each of the Company's Directors by the company included into the consolidated financial reports (including the Company) shall include the Director's name disclosed in the relevant space.
- Note 11: The earnings after tax refers to the earnings after tax in the recent year. If the IFRSs are adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the recent year.
- Note 12: a.To specify whether the Company's Directors have received remuneration from reinvestees other than subsidiaries.  
b.If the Company's Directors have received remuneration from reinvestees other than subsidiaries, please include the same into Section J.  
c.The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's Directors who acted as the Directors, Supervisors or managerial officers of investees beyond subsidiaries.
- Note 13: There were no restricted employee new shares obtained by the Directors who acted as employees concurrently (including President, Vice President, managerial officer and employee) until the date of publication of the annual report.
- \* The remuneration disclosed herein is conceptually different from the income referred to in the Tax Law. Therefore, the breakdown is only intended for disclosure of information, not for taxation purposes.

# Oriental Union Chemical Corporation

## 2. Remuneration of Supervisors

Currency unit: NTD thousand

Job title	Name (Note 1)	Remuneration of supervisors						The sum of A, B and C in proportion to Earnings (Note 8)		Whether remuneration from any reinvestees other than subsidiaries is received? (Note 9)
		Remuneration (A) (Note 2)		Retained Earnings Distribution (B) (Note 3)		Professional practice (C) (Note 4)		the Company	Companies included in the financial statement (Note 5)	
		the Company	Companies included in the financial statement (Note 5)	the Company	Companies included in the financial statement (Note 5)	the Company	Companies included in the financial statement (Note 5)			
Supervisor	Representatives of Yu Li Investment Corporation: Paul Chuang, Eric Chueh	0	0	00	0	130	130	(0.33%)	(0.33%)	0
	Representative of Asia Cement: Eric Chueh, Doris Wu	0	0	0	0	260	260			11,568

### Breakdown of remuneration

Breakdown of remuneration of Supervisor	Supervisor's Name	
	Total (A+B+C)	
	the Company (Note 6)	All investees (Note 7)
Less than NT\$2,000,000	Representatives of Yu Li Investment Corporation: Paul Chuang Representative of Asia Cement: Eric Chueh, Doris Wu	Representatives of Yu Li Investment Corporation: Paul Chuang
NT\$2,000,000 (inclusive)~NT\$5,000,000		
NT\$5,000,000 (inclusive)~NT\$10,000,000		Representative of Asia Cement: Eric Chueh, Doris Wu
NT\$10,000,000 (inclusive)~NT\$15,000,000		
NT\$15,000,000 (inclusive)~NT\$30,000,000		
NT\$30,000,000 (inclusive)~NT\$50,000,000		
NT\$50,000,000 (inclusive)~NT\$100,000,000		
NT\$100,000,000 above		
Total	3 persons	3 persons

Note 1: The table identifies Supervisors' names separately and summarizes the remuneration of Supervisors.

Note 2: Remuneration of Supervisors in the recent year (including Supervisors' salary, duty allowance, severance pay, bonuses and rewards, *et al.*)

Note 3: Remuneration of Supervisors approved by the Board of Directors prior to the shareholders' meeting in which the motion for allocation of earnings in the recent year is submitted.

Note 4: The relevant professional practice fees of Supervisors in the recent year (including transportation allowance, special allowance, various allowances, dormitory and business vehicles).

Note 5: Please disclose the aggregate remuneration paid to the Company's Supervisors by all Companies included in the consolidated financial reports (including the Company).

Note 6: The aggregate remuneration of each Supervisor by the Company shall include the Supervisor's name disclosed in the relevant space.

Note 7: The aggregate remuneration paid to each Company Supervisor by the Companies included in the consolidated financial reports (including the Company) shall include the Supervisor's name disclosed in the relevant space.

Note 8: The earnings after tax refers to the earnings after tax in the recent year. If the IFRSs are adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the recent year.

Note 9: a.To specify whether the Company's Supervisors have received remuneration from reinvestees other than subsidiaries.

b.If the Company's Supervisors have received remuneration from reinvestees other than subsidiaries, please include the same into Section D.

c.The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's Supervisors who acted as the Directors, Supervisors or managerial officers of the reinvestees other than subsidiaries.

\* The remuneration disclosed herein is conceptually different from the income referred to in the Tax Law. Therefore, the breakdown is only intended for disclosure of information, not for taxation purposes.

3. Remuneration of President and Vice Presidents

Currency unit: NTD thousand

Job title	Name (Note 1)	Salary (A) (Note 2)		Pension (B)		Salaries, bonus and special subsidies (C) (Note 3)		Employee bonus allocated from earnings (D) (Note 4)				The sum of A, B, C and D in proportion to Earnings (%) (Note 9)		Quantity of shares entitled under employee stock option (Note 5)		Quantity of restricted employee new shares obtained (Note 11)		Whether remuneration from any reinvestees other than subsidiaries is received? (Note 10)	
		the Company	Companies included in the financial statement (Note 6)	the Company	Companies included in the financial statement (Note 6)	the Company	Companies included in the financial statement (Note 6)	the Company		Companies included in the financial statement (Note 6)		the Company	Companies included in the financial statement (Note 6)	the Company	Companies included in the financial statement (Note 6)	the Company	Companies included in the financial statement (Note 6)		
								Cash dividend	Stock dividend	Cash dividend	Stock dividend								
President	Justin Tsai																		
Vice President	Victoria Peng	12,285	12,405	0	0	3,282	3,282	0	0	0	0	(12.98%)	(13.08%)	0	0	0	0	0	0
	C.K. Tsai																		
	C.H. Lee																		

Breakdown of remuneration

Breakdown of remuneration of President and Vice Presidents	Name of President and Vice Presidents	
	the Company (Note 7)	All investees (Note 8) E
Less than NT\$2,000,000		
NT\$2,000,000 (inclusive)~NT\$5,000,000	Victoria Peng, C.K. Tsai, C.H. Lee	Victoria Peng, C.K. Tsai, C.H. Lee
NT\$5,000,000 (inclusive)~NT\$10,000,000	Justin Tsai	Justin Tsai
NT\$10,000,000 (inclusive)~NT\$15,000,000		
NT\$15,000,000 (inclusive)~NT\$30,000,000		
NT\$30,000,000 (inclusive)~NT\$50,000,000		
NT\$50,000,000 (inclusive)~NT\$100,000,000		
NT\$100,000,000 above		
Total	4 persons	4 persons

Note 1: The table identifies President's and Vice Presidents' names separately and summarizes the remuneration of the Presidents and Vice Presidents. The Director who assumes President or Vice President shall complete the table - remuneration of the Directors.

Note 2: Salary, duty allowance and severance pay of the President and Vice President in the recent year

Note 3: This means the bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car and other remuneration received by the President and Vice Presidents in the recent year.

Note 4: Employee bonus paid to President and Vice Presidents approved by the Board of Directors prior to the shareholders' meeting in which the motion for allocation of earnings in the recent year is submitted (including stock dividend and cash dividend).

Note 5: The Company did not issue any employee stock options.

Note 6: Please disclose the aggregate remuneration of the Company's President and Vice Presidents by all Companies included in the consolidated financial reports (including the Company).

Note 7: The aggregate remuneration of each President and Vice President by the Company shall include the President's and Vice President's names disclosed in the relevant space.

Note 8: The aggregate remuneration of each President and Vice President by the Company in the consolidated financial statements shall include the President's and Vice President's names disclosed in the relevant space.

Note 9: The earnings after tax refers to the earnings after tax in the recent year. If the IFRSs are adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the recent year.

Note 10: a.To specify whether the Company's President and Vice Presidents have received remuneration from reinvestees other than subsidiaries.

b.If the Company's President and Vice Presidents have received remuneration from reinvestees other than subsidiaries, please include the same into Section E.

c.The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's President and Vice Presidents who acted as the Directors, Supervisors or managerial officers of the reinvestees other than subsidiaries.

Note 11: There was none restricted employee new shares obtained by the Directors who acted as employees concurrently (including President, Vice President, managerial officer and employee) until the date of publication of the annual report.

Note 12: Vice President Peter Pan of Technical Dept was transferred to assume the Chief Engineer of the President's Office as of April 1, 2014. The table discloses the information about remuneration 2013.

\* The remuneration disclosed herein is conceptually different from the income referred to in the Tax Law. Therefore, the breakdown is only intended for disclosure of information, not for taxation purposes.

4. Employee bonus amount paid to managerial officers

Currency unit: NTD thousand

	Job title (Note 1)	Name (Note 1)	Stock dividend	Cash dividend	Total	Proportion to Earnings After Tax (%)
Managerial officer	President	Justin Tsai	0	0	0	0
	Vice President of HR & Administration Center	Victoria Peng				
	Vice President of Business Group	C.K. Tsai				
	Vice President of Manufacturing Group	C.H. Lee				
	Assistant Vice President of SC Business Group	Michael Chang				
	Assistant Vice President of HR & Administration Center	Roger Lin				
	Assistant Vice President of Finance Dept	Judy Wang				
	Assistant Vice President of Technical Dept, R&D Dept	Y. S. Chang				
	Special Assistant, President's Office	Wen-Fan Lu				
	Senior Manager of Accounting Dept	Daniel Chen				

Note 1: The scope of managerial officers shall be defined in the following manner, per the Board's decree under Tai-Tsai-Cheng-3-Tze No. 0920001301 dated March 27, 2003.

Note2: Pursuant to the Company Act rectified by May 2015 and the Articles of Incorporation amendment approved by the Board meeting at 17 March 2016, the company shall distribute 1%-2% of the profit as remuneration to employees and the Board of Directors & Supervisors. Due to the net loss of the company in 2015, no remuneration to employees is accrued.

**(IV) Specify and compare the remuneration of Directors, Supervisors, President and Vice Presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements over the last two years, and specify the policies, standards, combinations, and procedures of decision-making for remuneration and their relationship to business performance and future risk:**

- Specify and compare the remuneration of Directors, Supervisors, President and Vice Presidents of the Company in proportion to the earnings after tax in the entity or individual financial statement of the Company and companies included in the consolidated financial statements over the last two years:

Item	Total remuneration of Directors, Supervisors, President, and Vice Presidents in proportion to the earnings after tax:	
	the Company	Consolidated financial statements
2015	(23.56 %)	(23.76 %)
2014	35.80 %	36.01 %

# Oriental Union Chemical Corporation

2. The policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk:

The allocation ratios of the remuneration to Directors, Supervisors and employees are based on the Articles 33 of Articles of Incorporation resolved by the Board prior to reporting at the Shareholders' meeting. The remainder to be distributed may be in accordance with the actual operation status of the Company. The ratio of employee bonus to profit is fixedly set and highly related to the Company's operating performance. The remuneration distributed will be subject to the changes in allocation measure, structure and system in view of actual operation status, and to the adjustment according to reenactment of relevant statute, despite the references from associates and past experiences.

## III. Implementation of Corporate Governance

### (I) Board of Directors

1. The Board held five meetings during the recent year. The attendance record of Directors is listed below:

Job title	Name (Note 1)	Actual attendance (participation)	Attendance by proxy	Actual attendance (participation) (%) (Note 2)	Remark
Chairman of the Board	Douglas T. Hsu	5	0	100%	Reelected. Date of reelection: 2015/6/9
Vice Chairman of the Board	Representative of Far Eastern New Century: Johnny Shih	5	0	100%	Reelected. Date of reelection: 2015/6/9
Director	Representative of Far Eastern New Century: Humphrey Cheng	5	0	100%	Reelected. Date of reelection: 2015/6/9
Director	Representative of Far Eastern New Century: Kao-Shan Wu	5	0	100%	Reelected. Date of reelection: 2015/6/9
Director	Representative of Far Eastern New Century: Chung-Yueh Dai	5	0	100%	Reelected. Date of reelection: 2015/6/9
Director	Representative of Yue Ming Trading Co Ltd: Justin Tsai	5	0	100%	Reelected. Date of reelection: 2015/6/9
Director	Representative of Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation: Roy Wu	5	0	100%	Reelected. Date of reelection: 2015/6/9
Independent Director	C.T. Chan	2	1	67%	Elected. Date of election: 2015/6/9
Independent Director	Walt Cheng	3	0	100%	Elected. Date of election: 2015/6/9

Other items to be specified:

- (1) Concerning items listed in Article 14-3 of the Securities and Exchange Act as well as items in board resolutions regarding which independent Directors have voiced opposing or qualified opinions on the record or in writing, the minutes shall clearly state the meeting date, period, content of the resolution, opinions of all independent Directors, and the Company's handling of the opinions of the independent Directors: N/A
- (2) In instances where a Director's dissent due to the conflict of interest, the minutes shall clearly state the Director's name, contents of the motion and resolution thereof, reason for such dissent and the voting status: N/A
- (3) Measures undertaken during the current year and past year in order to strengthen the functions of the Board of Directors and assessment of such implementation: The important board resolutions will be notified at the Company's website to improve its information transparency and secure shareholders' equity.

Note 1: For a Director or Supervisor who is a corporation, please specify the corporate shareholder's name and its representative's name.

Note 2: (a) Where a specific Director or Supervisor may be relieved from duties before the end of the fiscal year, please specify their date of discharge in the 'Remarks' Section. Their actual attendance rate (%) to the Board session shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office.

(b) Where an election may be held for filling the vacancies of Director or Supervisor before the end of the fiscal year, please list out both the new and the discharged Directors or Supervisors. Their actual attendance rate (%) of Board meetings shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office.

### (II) Operation of the Audit Committee or the Supervisors participation on the Board of Directors

1. The Company has not yet established an Audit Committee.

## Oriental Union Chemical Corporation

2. The participation of Supervisors in the activities of the Board of Directors

The Board held five meetings in the recent year. The attendance record of Supervisors is listed below:

Job title	Name	Actual attendance	Actual attendance rate (%) (Note)	Remark
Supervisor	Representative of Yu Li Investment Corporation: Paul Chuang	5	100%	Reelected. Date of reelection: 2015/6/9
Supervisor	Representative of Asia Cement: Eric Chueh	5	100%	Reelected. Date of election: 2015/6/9
Supervisor	Representative of Asia Cement : Doris Wu	5	100%	Elected. Date of reelection: 2015/6/9

Other items to be specified:

1. The organization of Supervisors and their duties:

- (1) Communications between the Supervisors and the employees and shareholders: The Company's employees and shareholders may communicate with Supervisors at any time.
- (2) Communication between Supervisors and internal audit officers and CPA: The audit officers will submit an audit report to the Supervisors in the month following completion of the audit. The Company will also hold a Supervisors' meeting to enable the relevant officers, internal audit officers and CPA to report and fairly and openly discuss the Company's finance and business.

2. If a Supervisor, attending a meeting of the Board of Directors, states an opinion, it is necessary for the date, session, motion and resolution of the meeting of the Board of Directors be specified, and the Company's response to the opinion must be stated by the Supervisor: N/A

Note:

- (1) Where a Supervisor may be relieved of their duties before the end of the fiscal year, please specify the date of discharge in the "Remarks" Section. Their actual Board session attendance rate (%) shall be calculated on the basis of the actual number of sessions he/she attended, during his/her term of office.
- (2) Where an election has been held to fill a Supervisor vacancy before the end of the fiscal year, please list both the new and the discharged Supervisors and specify if this is: the former Supervisor, or a newly or reelected one, as well as the date the election. The supervisor's attendance rate (%) of Board sessions shall be calculated on the basis of the actual number of sessions they attended during their term of office.

**(III) Corporate Governance Execution Results and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”**

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
1. Has the Company formulated and disclosed its own corporate governance best-practice principles in accordance with “Corporate Governance Best-Practice Principles for TWSE-GTSM Listed Companies”?	V		The Company has formulated “Corporate Governance Principles” in 2014, and reviewed regularly the relevant appropriateness in accordance with the enactment. The same has also been disclosed through the Company’s website accordingly.	None
2. Shareholding Structure & Shareholders’ Rights (1)Has the Company established internal operating procedures to handle shareholder proposals, doubts, disputes, and litigation-related issues, and practically implemented such procedures?  (2)Has the Company kept the lists of its major shareholders and the ultimate owners of such major shareholders?  (3)Has the Company established risks control and firewall mechanism with its affiliates?  (4)Has the Company established the internal rules to prohibit its insiders from trading securities by using info not yet disclosed to the market?	V  V  V  V		(1)The Company has established communication channels with the investors through its website ( <a href="http://www.oucc.com.tw/index.asp">http://www.oucc.com.tw/index.asp</a> ), and dedicated spokesman and IR representative to respond to shareholders proposals, questions and to provide business consultations. (2)The Company’s Financial Dept holds, at all time, the lists of its major shareholders and such ultimate owners, and reports to update info pursuant to regulation of the listed companies. (3)The operating management and financial operation between the Company and its affiliates run independently, and are carried out in accordance with “ Regulations Governing Transactions With Related Parties”, “Procedure for Acquisition or Disposal of Assets”, “Procedure for Loaning to Others” and “ Procedure for Endorsements/Guarantees”. Adequate risks control and firewall mechanism has been established. (4)The Company has posted on its website the “Codes of Ethics” and “Best Practice Principles” established to guide and constrain the conducts of its Directors, Supervisors, Managers and employees, and advocates and applies such concepts to its day-to-day operation.	None
3. Composition and Responsibilities of the Board of Directors (1)Have the Board members formulated diverse policies and implemented them accordingly?  (2)In addition to Remuneration Committee and Audit Committee, has the Company established any other types of functional committee?	V  V		(1)The Company has established relevant diverse rules in its “Articles of Incorporation” for the Board members to follow and implement. (2)The Company has no Audit Committee yet. Besides the established Remuneration Committee, the Company’s Audit Dept. will periodically deliver the monthly audit reports to its	None  Except the Remuneration Committee, the Company has not established any other types of functional committee.

## Oriental Union Chemical Corporation

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>(3) Has the Company established Board performance assessment method and has the performance evaluated annually?</p> <p>(4) Has the Company evaluated the independence of CPAs on a regular basis?</p>	V		<p>Supervisors for review. Supervisors not only attend the Board meeting, but to be briefed with the Company's business and financial reports by its management.</p> <p>(3) The Company's Remuneration Committee has established the assessment method and hold twice a year the committee meetings to evaluate the Board members performance and review performance and remuneration of the managers.</p> <p>(4) The Company's Board has evaluated the independence and capacity of the CPAs annually based on the scale of the public accounting firm and experiences &amp; qualifications of the CPAs according to Article 47 of CPA Act and Bulliten No. 10 of Accounting Professional Ethics Codes. The assessment result has been approved by the Board.</p>	None
4. Has the Company established a communication channel, a company website dedicated to stakeholders, and responded appropriately to the social responsibility issues which are critical to stakeholders?	V		The Company has delegated a spokesman, acting spokesman, investor relations, and a company stock service agent, and also assigned a CSR section on the company website ( <a href="http://www.oucc.com.tw/tw/green.asp">http://www.oucc.com.tw/tw/green.asp</a> ) with a questionnaire and a contact email address for communication and response.	None
5. Has the Company commissioned a professional stock agent to handle shareholders affair?	V		The Company has commissioned a professional stock agent Oriental Securities Corporation to handle shareholders affairs.	None
6. Information Disclosure (1) Has the Company established a website for info disclosure on financial, business and corporate governance? (2) Has the Company also adopted other disclosure measures such as English website, dedicated personnel for collecting & disclosing of company info, implemented spokesman system, and uploaded the institutional investor conference presentations on the Company's website?	V		<p>(1) The Company has established a website (<a href="http://www.oucc.com.tw/tw/index.asp">http://www.oucc.com.tw/tw/index.asp</a>) for info disclosure on financial, business and corporate governance.</p> <p>(2) The Company has established a English website (<a href="http://www.oucc.com.tw/eng/index.asp">http://www.oucc.com.tw/eng/index.asp</a>), had President's office and relevant units in charge of info collecting and disclosing, implemented spokesman system by delegating spokesman, acting spokesman, investor relations, and provided institutional investors conference presentations on the Company's website for investors access.</p>	None
7. Has the Company's corporate governance report been self-assessed or commissioned by other professional institution? (If yes, please describe Board's opinion, self-assessed or commissioned	V		For further comprehension of the corporate governance operation of the Company and its subsidiaries, please refer to (VIII) Other information enabling a better understanding of Company corporate governance on p38-p41.	None



## Oriental Union Chemical Corporation

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
result, major deficiencies or recommendations & improvements.)				
8. Has the Company's corporate governance report been self-assessed or commissioned by other professional institution? (If yes, please describe Board's opinion, self-assessed or commissioned result, major deficiencies or recommendations & improvements.)	V		The Company has only implemented its first self-assessed corporate governance in 2014 and had the reports of 2014 & 2015 publicized both at the Market Observation Post System and the company's website: <a href="http://www.oucc.com.tw/tw/investor_m05.asp">http://www.oucc.com.tw/tw/investor_m05.asp</a> All the deficiencies have been reviewed on regular basis and the follow-up improvements have been reported to the Board.	None

### (IV) Establishment, functions, and operations of the Remuneration Committee:

#### 1. Members of the Remuneration Committee

ID	Requirements	Over five years of experience and the following professional qualifications			Independence criteria (Note 1)								Number of other public companies where the person holds the title as Remuneration Committee member	Remark
		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		
Independent Director	C. T. Chan			√	√	√	√	√	√		√	√	0	
Others	J. W. Huang			√	√	√	√	√	√	√	√	√	3	
Others	Lucia Tung			√	√	√	√	√	√	√	√	√	3	

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

- (1) Not employed by the Company or any of the Company's affiliates.
- (2) Not a Director or Supervisor of the Company or any of the Company's affiliates. 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) Not holding over 1% of 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) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).
- (5) Not a Director, Supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a Director, Supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
- (6) Not a Director, Supervisor, Manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relation with the Company.
- (7) Not a professional, owner, partner, Director, Supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the Company or a spouse to the aforementioned persons.
- (8) Not under any of the categories stated in Article 30 of the Company Law.

2. Operations of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members.  
 (2) Current term of office: June 5, 2012~June 4, 2015. The Committee held 2 (A) meetings in the recent year and the attendance of the Committee members is summarized as follows:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Convener	C. T. Chan	2	0	100%	
Member	J. W. Huang	2	0	100%	
Member	Lucia Tung	2	0	100%	

Other notes:

- If the Board of Directors does not adopt, or amends, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration ratified by the Board of Directors is superior than that suggested by the Remuneration Committee, please specify the deviation and reasons thereof): N/A
- For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: N/A

(V) Implementation of Corporate Social Responsibility

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
1. Promote the implementation of corporate governance				
(1) Has the Company established a CSR policy and assessed the effectiveness of its implementation?	V		(1) The Company has formulated its CSR policy in 2014 and started to compile its CSR report in 2015 to implement its corporate social responsibility policy.	None
(2) Does the Company hold such relevant educational training regularly?	V		(2) The Company holds regularly its CSR educational training, sends its staff to attend relevant program and also holds promoting activities from time to time via its SHE.	
(3) Has the Company established a full-time or part-time CSR promoting unit, and had the Board to authorize the in-charge top management for update report?	V		(3) The Company has established its dedicated CSR unit in 2015, with President as Chief Commissioner, President Office as Secretariat, to push each department to set its annual goal and tasks according to individual accountability, and report to the Board of its implementing status.	
(4) Has the Company established a reasonable remuneration policy, which incorporates employee performance appraisal system into its CSR policy, and set up explicitly an effective reward and discipline system?	V		(4) The Human Resources has set standards to the remuneration, employee performance appraisal, training, and reward and discipline, which are enclosed in the Company's CSR policy and its 2014 CSR report.	
2. Development of a sustainable environment				

## Oriental Union Chemical Corporation

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>(1) The Company is striving to raise its resource usage effectiveness, reduce its environmental impact and improve its use of recyclable materials.</p> <p>(2) Has the Company established an environmental management system appropriate to the characteristics of its industry?</p> <p>(3) Has the Company been mindful of the impact of climate change on its operations, and developed a strategy to reduce the emission of carbon and other greenhouse gas?</p>	V		<p>(1) The Company has procured the highly efficient catalysts for its EG plant in 2015, to raise its production efficiency and raw material consumption rate.</p> <p>(2) According to its industry characteristics, the Company has formulated the complete SHE measures, and fulfilled the "OHSAS-18001 Occupational Safety Management System" and "ISO-14001 Environmental Protection Management System" by means of 'prioritized safety, clean production, continued improvement and unanimous participation'.</p> <p>(3) The Company uses the recycled CO<sub>2</sub> from EG plant as feedstock for EC production to lessen the emission of GHG and its impact on environment. The SHE dept. has been promoting the energy saving and carbon emission reduction measures, and reviewed the implementing result of the GHS inventory.</p>	None
<p>3. Social welfare</p> <p>(1) Has the Company formulated management policies and procedures according to the related laws and int'l covenants on human rights?</p> <p>(2) Has the Company established employee grievance mechanisms and channels, and handled such grievances appropriately?</p> <p>(3) Has the Company provided its employees with a safe and healthy work environment, and regularly implemented employee safety and health education?</p> <p>(4) Has the Company established the mechanism for periodic communication with employees, to announce the status quo of circumstances which might materially affect the operation?</p>	V		<p>(1) The Company has established an appropriate system for personnel management pursuant to the labor laws and regulations.</p> <p>(2) The Company has set up the employee grievance mechanisms, and handled such grievances with appropriateness and secrecy.</p> <p>(3) In order to ensure employee safety and health effectively, the Company has set up fire protection measures, as well as a clinic on factory premises with contracted physicians, professional nursing staff and equipment. A health examination for employees is conducted each year.</p> <p>(4) The Company communicates with its personnel via internal announcements and through periodic formal and informal meetings of the departments to share the knowledge of changes in Company operations in a timely manner.</p>	None

## Oriental Union Chemical Corporation

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(5) Has the Company developed an effective career planning and training program for its employees?	V		(5)The Company has developed a complete training program for its employees according to the demand of each position.	None
(6) Has the Company established consumer rights protection policies and complaint-filing procedures in terms of R&D, purchase, production, operation and customer services?	V		(6)The Company values clients recommendations, and collects feedback from clients via questionnaire held at regular bases, or via designated email box on its website, which provides instant messages and major news of the Company.	
(7) Has the Company abode by the relevant regulations and int'l guidance in terms of the marketing and instruction of its products and services?			(7)The Company has set up its products and services related regulations pursuant to relevant stipulations and int'l guidance.	
(8) Does the Company assess the suppliers previous record of impacts on environment and society prior to business dealing?			(8) The Company conducts supplier assessment pursuant to its supplier management procedure.	
(9) Do the Company's contracts with its primary suppliers contain any immediate termination or cancellation clauses when suppliers violate their corporate social responsibility policies, and pose a significant impact on the environment and society?	V		(9) The Company's suppliers have to comply with the ethical conduct of the petrochemical industry and commit to meet the SHE policy of the Company by signing the letter of undertaking. Any incompliance or violation will lead to rectification, fine or cancellation of contract.	
4. Reinforcement of information disclosure (1) Has the Company disclosed the relevant and reliable information in regard to the corporate social responsibility through its official website or the market observation post system?	V		(1) The Company has complied with information disclosure requirements by setting up an official website ( <a href="http://www.oucc.com.tw/tw/index.asp">http://www.oucc.com.tw/tw/index.asp</a> ) where information about finance, business and corporate governance and related information is made available to the public. The Company also communicates with its stakeholders and investors through traditional channels and conferences.	None
<p>5. If the Company has established its corporate social responsibility best-practice principles in accordance with the Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies, please clearly describe the functioning of such principles and any discrepancies:</p> <p>The Company's 2014 CSR report has been publicized in 2015 after authentication by the third party SGS. A CSR committee has been set up in 2015 and dedicated by President Office, chaired by President, to promote, consolidate tasks and report to the Board.</p>				

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
6. Other important information to facilitate a better understanding of the Company's corporate social responsibility practices (such as systems and measures that the Company has adopted with respect to environmental protection, community participation, contribution and service to society, social and public interests, consumer rights and interests, human rights, safety and health, and other corporate social responsibilities and activities, and the status of implementation):				
				<p>(1) The working environment and employee's personal safety protection measures:</p> <ul style="list-style-type: none"> <li>a) To prevent occupational disasters and ensure employee safety, the Company has established "contingency plans", performs practice drills, and can take rapid and systematic measures against fire, leakage, typhoon, earthquake, war, traffic accidents, as well as for evacuation and recovery, to mitigate injury and loss as much as possible.</li> <li>b) All the substance safety data sheets for raw materials, supplies and products are available throughout the premises, and are also accessible to personnel on line to help them take any necessary corrective action and ensure their personal safety as well as that of the factory.</li> <li>c) The production process zones are equipped with fire protection equipment such as automatic sprinkler systems which may be automatic, manual or remote controlled, to ensure personal safety as well as that of the factory.</li> <li>d) Monitoring stations for combustible gas, EO, NH<sub>3</sub>, H<sub>2</sub> &amp; boiler flue gas (SO<sub>x</sub>, NO<sub>x</sub>), and waste water (COD, pH) are installed within the production areas, so that any leakage or abnormal situation may be detected and remedied/ eliminated immediately.</li> <li>e) Established procedures for hot/hazardous work, and a permit and entry system for confined space to ensure the safety of personnel and equipment.</li> <li>f) Implement contractor's safety training and requirements according to employee safety criteria to ensure the safety of personnel accessing the factory.</li> <li>g) Organize health examination for employees to detect health problems as early as possible and take prompt action to protect employee health.</li> </ul> <p>(2) S.H.E policy The Company obtained authentication of ISO-14001 in 1999, OHSAS-18001 in 2002, and regained both authentications in 2014. Oriental Petrochemical (Yangzhou) Corp. also passed the examination of mandatory clean manufacturing in 2014.</p> <p>OUCC reviews S.H.E with the highest standards: "zero accidents, zero injuries and zero pollution", to protect the ecological environment and the safety and health of employees, as well as maximizing the benefits for vendors, contractors, customers, shareholders and the general public, and to achieve the vision of sustainability.</p> <p>(3)S.H.E principles</p> <ul style="list-style-type: none"> <li>a) All employees shall take the responsibility to ensure a safe, healthy and environmentally protective environment.</li> <li>b) Injuries and occupational disease are to be avoided.</li> <li>c) All levels of supervisors are obliged to continue training employees in work safety.</li> <li>d) Employees are the most important company asset and so safety is of vital necessity.</li> <li>e) All deficiencies shall be corrected promptly.</li> <li>f) Avoidance of injury is a major employee contribution to the Company.</li> <li>g) Auditing is required.</li> <li>h) Contractors' safety and management is as important as that of the employees.</li> <li>i) Employees safety outside the Company and factory shall be taken as another high priority.</li> <li>j) The Company is obliged to continue improving clean production and to be a good neighbor in the community.</li> </ul> <p>(4) Community participation, social service and social public welfare</p> <ul style="list-style-type: none"> <li>a) The Company takes its responsibility and obligations as a member of the Taiwan Responsible Care Association very seriously and participates in regular training and other activities.</li> <li>b) As a member of the Industrial Safety and Health Association of the ROC and TIGA, the Company shares ideas and experience with the promotion of S.H.E. with other members from time to time.</li> <li>c) The Company organizes blood donation events twice a year and large numbers of personnel take part.</li> <li>d) The Company subscribes to the good-neighbor fund run jointly by several Linyuan Factories each year and sponsors local celebrations over the Lunar Year holidays, dragon boat and moon festivals, and other</li> </ul>

## Oriental Union Chemical Corporation

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>social activities (including environmental protection, economic construction and cultural observation).</p> <p>e) The Company donates MEG to the District Office as the smoke aid to the dengue fever prevention.</p> <p>f) Oriental Petrochemical (Yangzhou) Corp., Far Eastern Union Petrochemical (Yangzhou) Ltd. and Tong Da Gas Industries (Yangzhou) Ltd. establish mutual trust and neighborly relationships with Wanbor community at Yizheng, by means of organizing activities such as the World Environment Day, Visit the Lonely Elders, Enterprise Open Day, etc.</p>				
<p>7. Elaboration of the Company's products or the Corporate Social Responsibility Report according to the standards of relevant accreditation institutions, if any:</p> <p>The Company's 2015 CSR report has been under compilation, and is scheduled to be publicized in 2016 after authentication by the third party SGS. The due report can then be downloaded from the official website for review.</p>				

### (VI) Implementation of Business Conduct Policy

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>1. Establishment of business conduct policy and plan</p> <p>(1) Has the Company adhered to the business conduct policy explicitly set out in its regulations and external documents, supported by the active commitment of the board of directors and management to its implementation?</p>	V		<p>(1) The Company's codes of ethics and best-practice principles have both been publicized at the company website, and are promoted thru internal meetings and daily operation.</p>	None
<p>(2) Has the Company taken and carried out any precautionary measures, conduct guidelines, disciplines or grievance to prevent the unethical business?</p>	V		<p>(2) The Company has established the business culture in the best practice and precaution against unethical business by promoting periodical employee training and requiring the compliance and respect of the interest related party on the ethics and best practice principles. Relevant stipulations are disclosed at the company website.  <a href="http://oucc.com.tw">http://oucc.com.tw</a></p>	

## Oriental Union Chemical Corporation

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(3) Has the Company taken any precautionary measures against the high-risk unethical business activities according to Article 7-2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" ?	V		(3) The Company's precautionary measures against unethical business include: a) The standards for offer or acceptance of unjust interests. b) The procedure for offering legal political donations. c) The procedure for offer of legal charity donations or sponsorship. d) The stipulation for the avoidance of conflicts of post related interests. e) The non-disclosure stipulation on procured business confidentiality or sensitive commercial information. f) The norm and procedures for suppliers, clients and business counterparties involving in unethical business conduct. g) The procedure for the infringement of the business best practice principles. h) The discipline disposal for infringement.	None
2. Implementation of the Codes of Business Conduct (1) Does the Company access the ethical conduct records of its counterparts and specify "ethical clauses" in business contracts?	V		(1) The Company shall, on the premise, comply with the relevant laws & regulations governing listed companies to fulfill ethical business. The legitimacy of the Company's agents, vendors, clients or business counterparties will be considered before trading to avoid the occurrence of unethical business in advance. If violated, all rights and cooperation with the clients, agents, contractors, vendors or other interest-related parties will be terminated.	None
(2) Has the Company established dedicated units under supervision of the Board to promote corporate ethical management and to report accordingly to the Board of the implementation status?	V		(2) The Company's human resources dept. has set up "Code of Ethics" and "Best Practice Principles of Corporate Ethical Management", incorporated them into employment guidelines, and supervised the implementation. Such implementation status is reported regularly to the Board by auditing dept.	None

Oriental Union Chemical Corporation

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(3) Does the Company promulgate policies to prevent conflicts of interests and offer channels for reporting such conflicts?	V		(3) Should any violation of the principles be found, the personnel should proactively report to the supervisors, the management, chief internal auditor, human resources dept or other appropriate managers. The Company ensures that the ID of the whistle blower and the content of the report are preserved in confidential. Any of the Company's personnel found in violation of such shall be disciplined according to the reward and disciplinary rules of the Company. Once the personnel is dismissed by the Company due to violation, he/she shall never be employed by the Company or its affiliates.	None
(4) Has the Company established an effective operation of the accounting and internal control system, and periodically conducted internal audits by internal auditors, or audited by CPA?	V		(4) The Company's accounting and internal audit departments have set up an effective accounting and internal control system for regular review and verification on the validity, pursuant to "Regulation Regarding Establishment of Internal Control Systems by Public Companies", and the consultation from engaged int'l accounting firm. The internal auditors of the Company shall report the compliance results and have it submitted to the Board of Directors.	
(5) Does the Company periodically conduct the internal and external training on ethical management?	V		(5) To ensure of the sound ethical management, the Human Resources dept. implements its ethical management policy by conducting regular internal educational trainings to the employees in its internal management meetings.	
3. Establishment of Reporting Channels for Violations of the Codes of Business Conduct (1) Has the Company established a specific reporting and reward system through convenient channels for lodging complaints? And, does the Company assign the dedicated personnel to attend to the matter?	V		(1) The Company has established multi communication channels for reporting of the unethical business conduct. The personnel who discovers the violation of such may report to the supervisors, the management, internal auditing chief or other appropriate manager of the Company.	None



## Oriental Union Chemical Corporation

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(2) Has the Company established the standard operation procedure for investigating and proceeding of the report in a confidential manner?	v		(2)The Company's whistle-blowing methods are abided by its whistle-blowing & disciplinary rules for the violation of ethical business conduct and best practice principle, and investigated through independent channel to ensure the ID protection of the whistle blower and the content of the report.	None
(3) Does the Company adopt measures to protect whistle blowers from reprisals for having filed the complaint report?	v		(3)The Company preserves the ID of the whistle blower and the content of the report in confidential to keep the whistle blower from improper disposal.	
4. Enforcement of Information Disclosure (1) Has the Company disclosed its "Ethical Business Best-Practice Principles" and the complementation through its official website or the market observation post system?			"The Ethical Business Best-Practice Principles" and "Codes of Ethics" of the Company are fully disclosed on its official website ( <a href="http://www.oucc.com.tw/tw/investor_m02.asp">http://www.oucc.com.tw/tw/investor_m02.asp</a> ) and the market observation post system. The Best Practice Principles and its promotion have been disclosed in last year's annual report.	None
5. If the Company has established its ethical business best-practice principles in accordance with the "Ethical Business Best-Practice Principles for TWSE/GTSM Listed Companies", clearly describe the function of such principles and any discrepancies in ethical business best-practice principles:  (1) No discretion (2) Company ethical business best-practice principles and codes of ethics were enacted in accordance with the "Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies". (3) In view of the Company's sustainable development and culture, the Company, adhering to the management philosophy for integrity, transparency and responsibility, defined the policy based on ethical business, and established fair corporate governance and risk control mechanisms to create and sustain the business environment.				
6. Other important information regarding the Company's operation in ethical business best-practice, such as the reviewing and amending of the Company's business best-practice principles and so on:  (1) The Company abides by the government's regulation and engages in business transactions based on the ethical business best-practice principles in accordance with the "'Ethical Business Best-Practice Principles' and 'Codes of Ethics' for TWSE/GTSM Listed Companies". (2) Before engaging in any business transactions, the Company will consider the validity of agents, vendors, customers or other trading counterparties and whether they have an ethical business record or not. The Company will avoid engaging in transactions with any party that has an unethical business record. (3) An important contract entered between the Company and another person shall include details of compliance with ethical business policy, and also include clauses stating that should the trading partner be involved in unethical business at any time, the contract may be terminated or revoked with immediate effect.				

**(VII) Disclosure of access to Company Corporate Governance Best Practice Principles and related rules and regulations:**

1. Information on the Company website <http://www.oucc.com.tw> is periodically updated.
2. The information posted on the website is collected and maintained by dedicated personnel. The disclosed information about finance and minutes of the meetings with institutional investors will be posted on the website and be accessible to the public.

**(VIII) Other information enabling a better understanding of Company corporate governance:**

1. Employee rights and interests: The Company not only secures employees legal rights and interests pursuant to the law, but provides all sorts of welfare, on-job trainings, and pension & retirement plan.
2. Staff care: The Company provides employees with an annual health examination, employee group insurance, and safety & health training, and encourages several different club activities, offers urgent relief measures, attends to colleagues' physical and mental health and life balance through a Worker Welfare Commission.
3. Investor relations: The Company has delegated spokesman, acting spokesman, and stock service agent Oriental Securities Corporation to handle suggestions or questions from shareholders. An investor relations section has also been established at the Company's website for the delegated IRR to respond to investors enquiries.
4. Vendor relations: Apart from the formulated supplier management procedures requiring vendors compliance to the issues of environment protection, safety, health, etc. Suppliers are also requested to sign the Statement of Suppliers Collaborative Dedication to the Enhancement of Corporate Social Responsibility.
5. The rights of interested parties: The dedicated investor relations section on the website provides questionnaire and email contact for IR representative to compile and respond the critical issues from the interested parties.
6. The status of advance education of Directors and Supervisors:
  - (1) The continued advanced program of Directors and Supervisors is as follows:

Job title	Name	Date of continued education		Organizer	Course name	Hours
		from	to			
Chairman of the Board	Douglas T. Hsu	104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
Vice Chairman of the Board	Johnny Shih	104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
Director	Humphrey Cheng	104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
	Kao-Shan Wu	104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs

## Oriental Union Chemical Corporation

Job title	Name	Date of continued education		Organizer	Course name	Hours
		from	to			
Director	Kao-Shan Wu	104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
	Chung-Yueh Dai	104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
	Justin Tsai	104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
	Roy Wu	104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
	Independent Director	C.T. Chan	104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop
104.9.11			104.9.11	Taiwan Corporate Governance Association (TCGA)	Practice of Risk Management, Internal Audit and Information Management	3hrs
10.4.8.7			104.8.7	Securities & Futures Institute (SFI)	Advanced Seminar for Operational Practice of Board of Directors (incl. Independent Directors) & Supervisors	3hrs
Walt Cheng		104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
Supervisor	Paul Chuang	104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
	Eric Cheuh	104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs

## Oriental Union Chemical Corporation

Job title	Name	Date of continued education		Organizer	Course name	Hours
		from	to			
Supervisor	Doris Wu	104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs

(2) The continued advanced program of Managerial Officers is as follows:

Job title	Name	Date of continued education		Organizer	Course name	Hours
		from	to			
President	Justin Tsai	104.12.23	104.12.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
Vice President	Vicky Peng	104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
Assistant Vice President	Judy Wang	104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
Special Assistant	Wen-Fan Leu	104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
Accounting Manager	Daniel Chen	104.9.22	104.9.22	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors/ Supervisors and Corporate Governance Workshop	3hrs
		104.9.14	104.9.15	Accounting Research & Development Foundation	Professional Development Program of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12hrs

7. The implementation in risks management policy and measuring standard  
The Company's implementation in risks management and each accountable units:
- (1) Audit: Set up risks-oriented annual auditing plan, accountable for revision of the internal control system and the proceeding of auditing.
  - (2) Financial affairs: Established electronic financial platform to provide clear financial info, operation analyses and credit management review.
  - (3) The Company has established "Credit Committee", which is chaired by President and composed of the management of HR & Admin. Group, Sales Div., Finance Dept. and Auditing Dept., to review on customers status before deciding the credit ratings and allowances on regular basis. The committee is also in charge of the continual monitor and control of each credit account and account receivables, in order to achieve the target of "zero bad debt".
  - (4) IT security: IT dept. has mapped out the Company's internet security and intranet protection to lower the risks of IT security.
- Please refer to p96-p98 the Analysis of Risk Factors for more information.
8. The implementation status of customer policy: The Company adheres to a management philosophy that highlights "Sincerity, Diligence, Thrift, Prudence and Innovation", and follows up products and the

## Oriental Union Chemical Corporation

degree of service satisfaction as a reference for the continuous improvement of business strategies, and also maintains a fair and stable cooperative relationship with customers.

9. The Company's purchase of liability insurance for Directors and Supervisors: The Company's Directors and Supervisors have been conducting according to law, which has caused little risks due to mistake or neglect. In view of the cost, the Company has deemed the liability insurance unnecessary at current stage, shall submit for Board's approval should future assessment prove necessary.
10. Employees code of conduct and ethics  
"Sincerity, Diligence, Thrift, Prudence and Innovation" has not only been the management philosophy to the Company, but the principle of conduct to the employees. The Company's business operation and finance have been independent from those of the affiliates. All the business transactions between the Company and the affiliates are based on the "Stipulation of Related Party Transactions Management", "Procedures for Procuring and Disposal of Assets", "Procedures for Capital Lending to Others", "Procedures for Endorsement and Guarantee by Public Company" and the related stipulations, let alone the risks management mechanism and fire wall have been properly installed. The code of conduct and ethics of the Company were notified publicly after resolved by the Board on 21 December 2011, and submitted to the 2012 Shareholders' Meeting for approval.
  - (1) All employees joining the company shall sign the "Letter of Undertaking" which shall be included in the employees' personnel file. The Undertaking primarily declares the employees' consent to comply with Company regulations, personnel management rules and non-disclosure with respect to Company business confidentiality. The contents of public information are accessible to all employees at all times.
  - (2) The employee code of conduct and ethics is summarized as following :  
The work rules include: (1) general provisions (2) employment (3) service, vacation leave, breaks, special leave (4) application for leave (5) salary and wages (6) year-end bonus (7) safety, health, welfare, pension, occupational disaster compensation (8) discipline (9) performance and reward & punishment (10) resignation, termination of employment, lay-offs (11) retirement (12) supplementary provisions.
  - (3) The non-disclosure agreement consists of: (1) definitions of confidential information (2) non-disclosure obligation (3) legal consequence and liability of default (4) effect of termination of employment (5) concession of rights (6) applicable laws and jurisdiction.
11. The Company passed the "Procedures for the Reporting of Important Internal Information" at the 4th meeting of the Board of Directors of the 12th term on December 23, 2009. The Company has also propagated the following:
  - (1) The "Procedures for the Reporting of Important Internal Information" shall be provided to new Managers upon signing the "Letter of Undertaking".
  - (2) When reporting any changes in equity the Company should already have given the Managers the "Procedures for the Reporting of Important Internal Information" and also the relevant laws and regulations governing insider trading.
  - (3) The Company's Managers and employees shall also sign the non-disclosure agreement when they are appointed and the Company shall provide all employees with the "Procedures for the Reporting of Important Internal Information".
12. The related certificates and licenses are issued by the competent authority to the personnel related to transparency of the Company's financial information:

The R.O.C. CPA: 2 persons	The P.R.C. CPA: 1 person
The US Certified Management Accountant: 1 person	The Senior Internal Finance Manager: 1 person
International internal auditor: 7 persons	International internal control self-assessment specialist: 1 person
PMP international project specialist: 1 person	Basic proficiency test on Corporate Internal Controls: 2 persons
The R.O.C. bookkeeper: 3 persons	Wealth management planner: 3 persons
Trust personnel: 3 persons	Securities investment analyzer: 2 persons
Securities specialist: 3 persons	Futures specialist: 1 person
Senior securities specialist: 4 persons	

(IX) Status of internal control system

1. Internal Control declaration

**Oriental Union Chemical Corporation Ltd.  
Declaration of the International Control System**

Date: Mar 17, 2016

The Company inspected the 2015 internal control system autonomously with the following results:

- I. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it has been established accordingly. The purpose of its establishment was to reasonably ensure the fulfillment of effective operation and efficiency (including profit, performance, and protection of assets safety), and the reliability, timeliness, transparency and regulatory compliance of financial reports.
- II. The internal control system design has inherent limitations. No matter how perfect such control is, it can only provide reasonable assurance of the fulfillment of the three objectives referred to above. The effectiveness of such an internal control system could be influenced by changes of the environment and other circumstances. Therefore, the Company internal control system has been designed with a self-monitoring mechanism so that corrective action will be activated immediately upon the identification of any nonconformity.
- III. The Company has assessed the effectiveness of the design and implementation of the internal control system in accordance with criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria defined in "the Regulations" include five elements that depend on the management control process: (1) environment controls, (2) risk assessment, (3) control processes, (4) information and communications, and (5) supervision. Each of the five elements is then divided into sub-categories. Please refer to "the Regulations" for details.
- IV. The Company has implemented criteria for inspection of the internal control system referred to above to ascertain its effectiveness, design and implementation.
- V. The Company, based on the inspection results referred to above, declared (on December 31, 2015) that the internal control system, including the supervision and management of subsidiaries, is reasonably effective and achieves the objectives of operation and efficiency, the financial report is of reliability, timeliness, transparency and regulatory compliance.
- VI. The Declaration of Internal Control System is the main content of the Company's annual report and published prospectus. Any false statement and concealment of the published content referred to above involves liability set out in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- VII. The Declaration of the Internal Control System was resolved at a meeting of the Board of Directors on March 17, 2016 with no objections by any of the nine attending Directors. The contents of the declaration have been accepted without objection.

Oriental Union  
Chemical Corporation Ltd.

Chairman: Douglas T. Hsu \_\_\_\_\_

President: Justin Tsai \_\_\_\_\_



徐旭東



蔡錫津



## Oriental Union Chemical Corporation

2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: N/A
- (X) **Punishment of the Company or its internal personnel in accordance with the law, punishment of internal personnel by the Company for violating internal control system regulations, main deficiencies, and improvements during the recent year and up to the date of publication of this annual report: N/A**
- (XI) **Resolutions reached at a meeting of shareholders or by the board of directors during the recent year and up to the date of publication of this annual report:**

### 1. Shareholders Meeting

Meeting time	Major resolution	Status
2015.6.9	<p><u>Report</u></p> <p>(1) Business report 2014 (2) Financial report 2014 (3) The supervisors' review report 2014 (4) Amendments to the " Rules for Directors' Meetings"</p> <p><u>Recognition</u></p> <p>(1) Approval of the Company's financial statement 2014 (2) Approval of the Company's dividends distribution 2014 (NT\$1.0 in cash per share)</p> <p><u>Discussion</u></p> <p>(1) Amendments to the "Procedure for Capital Lending to Others" (2) Reelection of Directors &amp; Supervisors by end of tenure (3) The release of relevant Directors from the non-competition restriction under the Article 209 of Company Law</p>	<p>Approved and proceeded accordingly.</p> <p>July 10, 2015 was set as the ex-dividend date, and cash dividend was distributed on July 30, 2015.</p> <p>Approved and proceeded accordingly.</p> <p>The 7 new Board of Directors, 2 Independent Directors and 3 Supervisors of the 14 term were under approval of registration by letter of MOEA, ref. no 10401128080 dated 6 July 2016.</p> <p>Approved and proceeded accordingly.</p>

### 2. Board of Directors Meeting

Term of the Board	Meeting time	Major resolution
12th meeting of 13th term	2015.3.18	<p>Approval of 2014 financial statement (including consolidated reports). Approval of dividends distribution 2014 Approval of the Company financial statement 2014 Approval of the "Declaration of Internal Control System" 2014 Approval of amendments to the Company "Procedure for Capital Lending to Others". Approval of the reelection of Directors &amp; Supervisors by end of tenure. Approval of proposal for convening 2015 shareholders' annual general meeting. Approval of proposal for the 2015 operating and capital budget. Approval of proposal for the deferral of unfulfilled EC contract volume 2014 of Chimei Corporation till 2015.</p>
13th meeting of 13th term	2015.4.28	<p>Approval of the candidate qualification of Directors and Supervisors. Approval of the release of relevant Directors from the non-competition restriction under the Article 209 of Company Law. Approval of the independence and competence assessment of the newly assigned CPA from Q1/2015.</p>

## Oriental Union Chemical Corporation

Term of the Board	Meeting time	Major resolution
		Approval of the Company's acquisition of common shares of OPYC, with total monetary amount NTD360,174,350
1st meeting of 14th term	2015.6.9	Approval of the employment of the President Approval of the employment of the Managers Approval of the release of relevant Managers from the non-competition restriction under the Article 209 of Company Law. Approval of the appointment of the Remuneration Committee's members
2nd meeting of 14th term	2015.8.13	Approval of amendments to the Company's "Codes of Ethics" and "Best Practice Principles"
3rd meeting of 14th term	2015.11.10	Approval of the Company's 2016 capital expenditure budget Approval of the Company's EOD capacity expansion Approval of the Company's indirect investment of US\$10M in OPYC via OUCC (Bermuda) Holding Ltd. Approval of the Company's "Procedure for temporary stop and resumption of business transaction" Approval of the Company's 2016 internal auditing plan Approval of the Company's EC contract to be cosigned with Chimei Corp. Approval of the Company's remuneration to Independent Directors and Remuneration Committee members. Approval of the change of the Company's organization structure and personnel
4th meeting of 14th term	2016.3.17	Approval of amendments to the Company's "Articles of Incorporation". Approval of 2015 financial statement (including consolidated reports). Approval of proposal for the offset of the 2015 deficit of the Company Approval of proposal for the cash dividend distribution from capital surplus Approval of the Company financial statement 2015 Approval of the "Declaration of Internal Control System" 2015 Approval of proposal for convening 2016 shareholders' annual general meeting. Approval of proposal for the 2016 operating and capital budget
5th meeting of 14th term	2016.5.9	Approval of the change of the Company's organization structure and personnel

(XII) Recorded or written statements of dissent made by any Director or Supervisor to important resolutions passed by the Board of Directors during the recent year and up to the date of publication of this annual report: N/A

(XIII) Summary of discharge and resignation of parties relating to the annual report (Chairman, President, Chief Accountant, Financial Officer, Chief Internal Auditor and R&D Officer) in the recent year and up to the date of publication of this annual report:

Title	Name	Date of Recruiting	Date of Discharge	Reason for Resignation or Discharge
Assistant Vice President	C.C. Lin	2008/09/08	2016/01/20	Position adjustment

#### IV. CPA Professional Fee

##### (I) Breakdown of CPA professional fee

###### 1. CPA information

Firm Name	CPA Name	Duration of Audit	Remark
Deloitte Touche Taiwan	Y. W. Fan, CPA   C. B. Shih, CPA	2015.01.01~2015.12.31	



# Oriental Union Chemical Corporation

## 2. CPA professional fee

Price Range		Fees	Audit Fees	Non-Audit Fees	Total
1	Less than NT\$2,000 thousand			√	
2	NT\$2,000 thousand (inclusive)~NT\$4,000 thousand		√		√
3	NT\$4,000 thousand (inclusive)~NT\$6,000 thousand				
4	NT\$6,000 thousand (inclusive)~NT\$8,000 thousand				
5	NT\$8,000 thousand (inclusive)~NT\$10,000 thousand				
6	NT\$10,000 thousand (inclusive) or above				

Currency unit: NTD thousand

Firm Name	CPA Name	Audit Fees	Non-Audit Fees					Duration of Audit	Remark
			System design	Commercial and Industrial Registration	Human Resource	Others (Note 1)	Subtotal		
Deloitte Touche Taiwan	Y. W. Fan & C. B. Shih	2,900	0	0	0	60	60	2014.01.01 ┆ 2014.12.31	Note 1: Consultation fee NT\$30k for the review of investment application document to the IC of MOEA, and taxation correction service fee NT\$30k.

- (II) In the case of a change of CPA firm and the audit fees for the year of the change are less than those of the previous year, please specify the audit fees before and after the change, and the reasons for the change: N/A
- (III) In the case of the audit fees being 15% less than that of the previous year, please specify the audit fees before and after the change, and the reasons for the change: N/A

## V. CPA Replacement

### (I) Former CPA

2014 : N/A

2015 :

Date of change	April 28, 2015		
Reasons for the change and descriptions	The former external auditors were H. W. Tai, CPA and C. B. Shih, CPA of Deloitte Taiwan. Due to the business arrangement of the Firm, Y. W. Fan, CPA and C. B. Shih, CPA of the Firm succeeded to the external auditors as from Q1 in 2015.		
Termination by the appointer or CPA or rejection of the appointment	Client Status	CPA	Appointer
	Voluntary termination of the appointment	N/A	N/A
	Rejection (renewal) of appointment	N/A	N/A
Audit report with opinion other than those audited reports with an unqualified opinion issued in the recent two years, and reasons for issue of the report.	N/A		
Dissidence with the issuer?	Yes	Accounting principles or practices	
		Disclosure of financial statement	
		Scope or step of audit	

Oriental Union Chemical Corporation

		Others
	N/A	√
	Notes	
Other notes to be disclosed (Those to be disclosed referred to Article 10-5-1-4 of the Standards)	N/A	

**(II) Successive CPA**

2014 : N/A

2015 :

Firm Name	Deloitte Taiwan
CPA Name	Y. W. Fan
Date of appointment	Approved at the Directors' meeting on April 28, 2015
The accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report, prior to the formal engagement of the successive certified public accountant	N/A
The successive certified public accountant's written opinion regarding the matters on which the Company did not agree with the former certified public accountant	N/A

**(III) The written response of the former CPA to Article 10-5-1 and Article 10-5-2-3 of the Standards: N/A**

**VI. Information regarding the Chairman, President, and Financial or Accounting Manager of the Company who has worked with the CPA firm which conducts the Audit of the Company or an affiliate of said firm in the recent year: N/A**

**VII. Any transfer of equity interests and pledge of, or change in equity interest, by a Director, Supervisor, managerial officer, or shareholder with a stake of more than 10 percent.**

**(I) Shareholding variation of Directors, Supervisors, Managerial Officers and major shareholders**

Unit: share

Job title (Note 1)	Name	2015		Ending April 9	
		Shares increase (decrease)	Pledge shares increase (decrease)	Shares increase (decrease)	Pledge shares increase (decrease)
Chairman	Douglas T. Hsu	0	0	0	0
Director	Far Eastern New Century	0	0	0	0
Director	Yue Ming Trading Company	0	0	0	0
Director	Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation	0	0	0	0
Independent Director	C. T. Chan	0	0	0	0
Independent Director	Walt Cheng	0	0	0	0
Supervisor	Yu Li Investment Corporation	0	0	0	0
Supervisor	Asia Cement	0	0	0	0
Managerial officer	Justin Tsai	0	0	0	0
Managerial officer	Victoria Peng	0	0	0	0
Managerial officer	C. K. Tsai	0	0	0	0
Managerial officer	C. H. Lee	0	0	0	0
Managerial officer	Judy Wang	0	0	0	0
Managerial officer	Michael Chang	0	0	0	0
Managerial officer	Y. S. Chang	0	0	0	0
Managerial officer	Roger Lin (Note 2)	0	0	0	0
Managerial officer	Wen Fan Leu	0	0	0	0
Managerial officer	Daniel Chen	0	0	0	0
Managerial officer	Peter Pan (Note 3)	0	0	0	0
Managerial officer	C. C. Lin (Note 4)	0	0	0	0

Note 1: The scope of managerial officers shall be defined according to the Securities and Futures Bureau decree under Tai-Tsai-Cheng-3-Tze No. 0920001301 dated March 27, 2003.

Note 2: Roger Lin was officially recruited starting December 1, 2015.

Note 3: Peter Pan was officially discharged starting February 1, 2016.

Note 4: C.C. Lin was officially discharged starting January 20, 2016.

**(II) Shareholding transferred (while the counterparty is a related party): N/A**

**(III) Shareholding pledged: N/A**

VIII. Top 10 shareholders and their relationships:

9 April, 2016 unit: share

Name	Current shareholding		Spouses and minor children's shareholding		Shareholding in name of others		Name, relationship of top 10 shareholders being the related party as spouse or kin within the second tier under the Civil Code (Note 3 )		Remark
	Quantity of shares	Share holding	Quantity of shares	Share holding	Quantity of shares	Share holding	Name	Relationship	
Yuan Ding Investment Co Ltd  Representative: Douglas T. Hsu	81,430,684  1,664,781	9.19%  0.19%	0  0	0%  0%	0  0	0%  0%	Far Eastern New Century Asia Cement Corp Yu Yuan Investment Co Ltd  N/A	Note 2, Note 3 Note 1, Note 3 Note 1  N/A	
Far Eastern New Century  Representative: Douglas T. Hsu	81,217,005  1,664,781	9.17%  0.19%	0  0	0%  0%	0  0	0%  0%	Yuan Ding Investment Co Ltd Asia Cement Corp Yuan Tung Investment Co Ltd Kai Yuan International Investment Co Ltd Ding Yuan Investment Co Ltd  N/A	Note 1, Note 3  Note 1, Note 2, Note3 Note 1 Note 1, Note 3 Note 1  N/A	
Asia Cement Corp  Representative: Douglas T. Hsu	63,766,522  1,664,781	7.20%  0.19%	0  0	0%  0%	0  0	0%  0%	Far Eastern New Century Yuan Ding Investment Co Ltd Yu Yuan Investment Co Ltd Yuan Tung Investment Co Ltd Kai Yuan International Investment Co Ltd Ding Yuan International Co Ltd  N/A	Note 1, Note 2, Note 3 Note 2, Note 3 Note 1 Note 2 Note 2 Note 2  N/A	
Cathay Life Insurance Co Ltd Representative: H. T. Tsai	50,812,000  0	5.74%  0%	0  0	0%  0%	0  0	0%  0%	N/A  N/A	N/A  N/A	
Yuan Tung Investment Co Ltd Representative: C. C. Wang	49,705,396  0	5.61%  0%	0  0	0%  0%	0  0	0%  0%	Far Eastern New Century Asia Cement Corp  N/A	Note 2 Note 1  N/A	
Nan Shan Life Insurance Co Ltd Representative: Y. T. Du	36,485,500  0	4.12%  0%	0  0	0%  0%	0  0	0%  0%	N/A  N/A	N/A  N/A	
Kai Yuan International Investment Co Ltd Representative: Humphrey Cheng	34,701,173  941	3.92%  0%	0  0	0%  0%	0  0	0%  0%	Far Eastern New Century Asia Cement Corp  N/A	Note 2, Note 3 Note 1  N/A	
Yu Yuan Investment Corporation Representative: W. K. Chou	33,224,017  0	3.75%  0%	0  0	0%  0%	0  0	0%  0%	Asia Cement Corp Yuan Ding Investment Co Ltd  N/A	Note 2 Note 2  N/A	
Ding Yuan International Co Ltd Representative: M. H. Tsai	27,710,495  0	3.13%  0%	0  0	0%  0%	0  0	0%  0%	Far Eastern New Century Asia Cement Corp  N/A	Note 2 Note 1  N/A	
Fubon Life Insurance Co Ltd Representative : B. Y. Cheng	26,000,000  0	2.94%  0%	0  0	0%  0%	0  0	0%  0%	N/A  N/A	N/A  N/A	

Note 1: The investees who are evaluated under the equity method

Note 2: The investors whose investment in the Company is evaluated under the equity method.

Note 3: The company of which the chairman or president is the chairman or president of another company, where a spouse or kin within the second tier is employed.

Oriental Union Chemical Corporation

**IX. The number of shares held by the Company and Company Directors, Supervisors, managerial officers and the entities directly or indirectly controlled by the Company in a single company, and calculating the consolidated shareholding percentage of the above categories.**

April 9, 2016 unit: 1000 shares

Investee (note)	Invested by the Company		Invested by Directors, Supervisors, management, and enterprises controlled by the Company directly or indirectly		Combined Investment	
	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding
Tong Fu Investment Corporation	114,299	100%	0	0%	114,299	100%
Pacific Petrochemical (Holding) Ltd	134	100%	0	0%	134	100%
OUCC (Bermuda) Holding Ltd	30	100%	0	0%	30	100%
Oriental Resources Development Limited	14,675	30%	0	0%	14,675	30%
Kuokuang Petrochemical Technology Company	10,946	20%	0	0%	10,946	20%

Note: The corporation which is evaluated under the equity method.

### Four. Capital Overview

#### I. Capital and Shares

##### (I) Source of Capital

Unit: NTD thousand, 1000 shares

Year/Month	Issuing Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Others
2000/07	10	560,000	5,600,000	511,115	5,111,150	Recapitalization of capital surplus: 379,972		Note 1
						Capital increase in cash: 30,000		Note 2
2001/04	10	560,000	5,600,000	505,902	5,059,020	Cancelled treasury stock: 52,130		Note 3
2001/09	10	560,000	5,600,000	495,907	4,959,070	Cancelled treasury stock: 99,950		Note 4
2003/07	10	560,000	5,600,000	535,596	5,355,961	Recapitalization of retained earnings : 97,712		Note 5
						Recapitalization of capital surplus: 299,179		
2004/07	10	820,000	8,200,000	616,467	6,164,669	Recapitalization of capital surplus: 808,708		Note 6
2005/02	10	820,000	8,200,000	676,467	6,764,669	Capital increase in cash: 600,000		Note 7
2005/09	10	820,000	8,200,000	746,554	7,465,544	Recapitalization of capital surplus: 700,875		Note 8
2006/07	10	820,000	8,200,000	770,721	7,707,212	Recapitalization of capital surplus: 241,668		Note 9
2007/07	10	820,000	8,200,000	787,486	7,874,864	Recapitalization of capital surplus: 167,652		Note 10
2008/08	10	820,000	8,200,000	805,185	8,051,846	Recapitalization of capital surplus: 176,982		Note 11
2012/08	10	1,000,000	10,000,000	885,703	8,857,031	Recapitalization of capital surplus: 805,185		Note 12

Note 1: (89) Tai-Tsai-Cheng (1) No. 28043 dated March 30, 2000

Note 2: (89) Tai-Tsai-Cheng (1) No. 31633 dated April 25, 2000

Note 3: (90) Tai-Tsai-Cheng (3) No. 109337 dated March 9, 2001

Note 4: (90) Tai-Tsai-Cheng (3) No. 143329 dated July 19, 2001

Note 5: (92) Tai-Tsai-Cheng (1) No. 0920126972 dated June 18, 2003

Note 6: (93) Tai-Tsai-Cheng (1) No. 0930123783 dated June 28, 2004

Note 7: (93) Ching-Kuan-Cheng (1) No. 0930145975 dated October 19, 2004

Note 8: (94) Ching-Kuan-Cheng (1) No. 0940123773 dated June 14, 2005

Note 9: (95) Ching-Kuan-Cheng (1) No. 0950124903 dated June 19, 2006

Note 10: (96) Ching-Kuan-Cheng (1) No. 0960032441 dated June 27, 2007

Note 11: (97) Ching Kuan-Cheng (1) No. 09701200670 dated August 13, 2008

Note 12: Ching-Kuan-Fa-Tze No. 1010027826 dated June 22, 2012

Unit: share

Type of share	Authorized Capital Stock			Remark
	Outstanding Shares (listed)	Unissued Shares	Total	
common stock	885,703,029	114,296,971	1,000,000,000	—

# Oriental Union Chemical Corporation

## (II) Self-Registration System: Nil

## (III) Composition of Shareholders

April 9, 2016

Composition of Shareholders Quantity	Government apparatus	Financial organization	Other juridical persons	Individuals	Foreign institution or foreigner	Total
Number of persons	15	29	116	61,871	136	62,167
Shares held when appointed	18,327,055	127,777,975	458,919,899	236,679,773	43,998,327	885,703,029
Shareholding	2.07%	14.43%	51.81%	246.73%	4.96%	100%

## (IV) Distribution Profile of Share Ownership

April 9, 2016

Shareholders Ownership	Number of Shareholders	Number of Shares Owned	Shareholding
1~999	999	31,352	0.89%
1,000~	5,000	21,440	5.52%
5,001~	10,000	4,781	3.95%
10,001~	15,000	1,751	2.38%
15,001~	20,000	844	1.71%
20,001~	30,000	795	2.20%
30,001~	50,000	601	2.64%
50,001~	100,000	324	2.60%
100,001~	200,000	143	2.28%
200,001~	400,000	58	1.86%
400,001~	600,000	17	0.95%
600,001~	800,000	9	0.68%
800,001~	1,000,000	8	0.83%
1,000,001 and above	44	633,385,151	71.51%
Total	62,167	885,703,029	100.00%

## (V) Major Shareholders

April 9, 2016 unit: share

Major Shareholders	Quantity of shares	Total shares owned	Shareholding ownership %
Yuan Ding Investment Co Ltd		81,430,684	9.19%
Far Eastern New Century		81,217,005	9.17%
Asia Cement Corp		63,766,522	7.20%
Cathay Life Insurance Co Ltd		50,812,000	5.74%
Yuan Tung Investment Co Ltd		49,705,396	5.61%
Nan Shan Life Insurance Co Ltd		36,485,500	4.12%
Kai Yuan Int'l Investment Co Ltd		34,701,173	3.92%
Yu Yuan Investment Co Ltd		33,224,017	3.75%
Ding Yuan International Co Ltd		27,710,495	3.13%
Fubon Life Insurance Co Ltd		26,000,000	2.94%

Note: 1. Top 10 shareholders  
2. A total of 885,703,029 shares

**(VI) Market Price, Net Value, Earnings and Dividends per Common Share**

Year Item		2014	2015	From 1 Jan 2016 to 31 Mar 2016	
		Market price per share	Highest	32.20	29.90
	Lowest	21.00	19.60	18.80	
	Average	28.19	24.74	20.72	
Net value per share	Before distribution	19.03	17.24	17.03	
	After distribution	18.02	(Note 1)	—	
Earnings per share (Note 2)	Weighted average shares (Note 3)	871,949 thousand shares	871,949 thousand shares	871,949 thousand shares	
	Before adjustment	0.13	(0.14)	(0.11)	
	After adjustment	0.13	(Note 1)	—	
Dividends per share (Note 1)	Cash dividend		1.00	0.50	—
	Stock dividend	From retained earnings (NT\$)	—	—	—
		From capital surplus (NT\$)	—	—	—
	Accumulated undistributed dividends		—	—	—
Analysis on investment return	Price/Earnings Ratio (Note 4)	216.85	(176.71)	—	
	Price/Dividend Ratio (Note 5)	28.19	49.48	—	
	Cash dividend yield (Note 6)	3.55%	2.02%	—	

Note 1: The 2014 allocation of earnings: cash dividend of NT\$1 per share

The 2015 allocation of earnings: The motion of cash dividend of NT\$0.5 per share from cash surplus resolved by the Board is to be confirmed after approval at the general shareholders' meeting 2016.

Note 2: Based on the weighted average of outstanding shares and the quantity of shares after retroactive adjustment of earnings and recapitalization of capital surplus.

Note 3: As of 2002, the Company applied the Statement of Financial Accounting Standards No. 30 "Accounting Standards for Treasury Stock" and identified the parent company's stock held by a subsidiary as treasury stock.

Note 4: Price/Earnings Ratio=Average Closing Price Per Share in current year/Earnings Per Share

Note 5: Price/Dividend Ratio=Average Closing Price Per Share in current year/Cash Dividend Per Share.

Note 6: Cash Dividend Yields=Cash Dividend Per Share/Average Closing Price Per Share in current year.

**(VII) Dividend Policy and Implementation Status**

- The Company's stock dividend shall be allocated per the proportion set in the Company's Articles of Incorporation, aiming for the stable maintenance of stock dividends, with consideration of the changes in the outlook of Company business, and the life cycles of the various products or services, which have an impact on the future capital needs and taxation. Unless the need should arise for improvement of the financial structure and reinvestment, production expansion or other major capital expenditure, the cash dividend shall be no less than 10% of the total of the stock dividend and shareholder bonuses distributed in the same year.

As of the example of the last three years, the cash dividend allocated have been in compliance with the Company's Articles of Incorporation, i.e. no less than 10% of the total of the stock dividend and shareholder bonuses, such is as the follows:

Unit: NTD per share

Year	Net earnings per share (A)	Cash dividend from retained earnings (B)	Cash dividend from capital surplus (C)	Total cash dividend (D)=(B)+(C)	Cash dividend distribution rate (B+C)/D
2012	1.45	1.20	0	1.20	100%
2013	0.13	1.00	0	1.00	100%
2014	(0.14)	0	0.50	0.50	100%

- Dividend allocation proposal to be approved at the shareholders meeting 2015

The dividend allocation proposal resolved at the Board of Directors meeting at March 17, 2016 was to distribute NT\$ 0.5 per share with the capital surplus NT\$442,851,515 after approval by the shareholders meeting.



**(VIII) Effect on Business Performance and EPS resulting from Stock Dividend distribution proposed by the 2016 Shareholders' meeting: N/A**

**(IX) Remunerations for Employees, Directors and Supervisors:**

1. Pursuant to Article No. 34 of the Company Articles of Incorporation regarding the above it is stated as below:

Article 34 –

If the Company retains earnings at the end of the fiscal year, after income tax has been paid and the accumulated losses from past years been offset pursuant to the law, and with the 10% legal reserves as well as any special reserve set aside as regulated; then any balance, plus accumulated earnings undistributed from the previous year and a withholding subject to the overview of the business, will be allocated as set out in the manner below:

60% as a stock dividend;  
1% as remuneration for Directors and Supervisors;  
2% as employee bonuses;  
37% as shareholders bonuses.

According to the Company Act amended in May 2015, the object of dividend and bonuses allocation is confined to the shareholders only, no inclusion of the employees. Followed by the amended Company Act, the Company's proposed amendment to the Articles of Incorporation was resolved by the Board of Directors on 17 March 2016 and yet to be approved at Shareholders' Meeting on 7 June 2016.

2. Any discrepancy in accounting, between the estimated base and actual calculation and allocation of the bonuses and the stock dividends shall be transacted pursuant to the aforementioned amendment of the Company Act and Articles of Incorporation. There were no estimated remunerations to the employees, Directors and Supervisors due to the net loss in 2015.
3. The proposed remuneration allocation resolved at a Directors' Meeting:
  - (a) The cash dividend/stock dividend to be allocated to employees, Directors and Supervisors are:  
Pursuant to the aforementioned amendment of the Company Act and Articles of Incorporation, there were no estimated remunerations to the employees, Directors and Supervisors due to the net loss in 2015.
  - (b) The discrepancy, cause and treatment thereof, between estimation and actual allocation of bonuses to employees and Directors/Supervisors resolved at a meeting of the Directors:  
Pursuant to the aforementioned amendment of the Company Act and Articles of Incorporation, there were no estimated remunerations to the employees, Directors and Supervisors due to the net loss in 2015.
  - (c) Proposed percentage of employee stock dividend over the aggregate of earnings after tax and total employee bonus: N/A
  - (d) Proposed EPS to be distributed as bonuses to employees and Directors/Supervisors: NT\$0.13 (bonuses to employees and Directors/Supervisors have been deducted from earnings in the current period).
4. 2014 remunerations to employees and Directors/Supervisors:
  - (a) The actual employee bonuses and remuneration of Directors/Supervisors allocated from the earnings in 2014 were identical with the initial proposal approved at the Directors' Meeting:  
Cash dividend to employees NT\$18,261,918  
Remuneration of Directors/Supervisors NT\$9,130,959
  - (b) The discrepancy, cause and treatment thereof, between estimation and actual allocation of employee bonus and remuneration of Directors/Supervisors resolved in 2014: Same

**(X) Repurchase of Company Stock**

## Oriental Union Chemical Corporation

None in the recent year and up to the date of publication of the annual report.

**II. Issue of Corporate Bonds: Nil**

**III. Preferred Stock: Nil**

**IV. Issuance of Overseas Depository Receipts: Nil**

**V. Employee Stock Options: Nil**

**VI. Stock Issued for Mergers and Acquisitions: Nil**

**VII. Implementation of Capital Utilization Plan**

The issue or private placement of securities not yet completed in the quarter before the date of publication of the annual report, or plans completed in the recent three years with no return on investment: None

## Five. Operation Overview

### I. Business Activities

#### (I) Business scopes

1. The Company's business lines are stated as following:

C801010	Basic chemical industry
C801020	Petrochemical engineering raw material manufacture
C801060	Synthetic rubber manufacture
C801100	Synthetic resin and plastics manufacture
C802060	Animal medication manufacture
CB01010	Machinery & equipment manufacture
F107070	Animal medication wholesale
F107200	Chemical raw material wholesale
F113010	Machinery wholesale
F401010	International trading
I103060	Management consultation
I501010	Product design
IC01010	Drug inspection
JE01010	Leasing
C802041	Western medicine manufacturing
ZZ99999	Any business unprohibited or restricted by laws or regulations, except for those that require special permission

2. Weight of consolidated company operations

Currency unit: NTD thousand

	2014		2015	
	Turnover	Operation ratio (%)	Turnover	Operation ratio (%)
EG	7,942,106	56	7,904,482	57
Gas	696,000	5	724,276	5
SC	5,470,685	39	5,257,792	38
Others	17,543	—	37,925	—
Total	14,126,334	100	13,924,475	100

3. Major business operations

- (1) Manufacture and sale of MEG, EO and DEG, etc.
- (2) Manufacture and sale of oxygen, nitrogen and argon and liquid gas products
- (3) Manufacture and sale of such specialty chemicals as EA, EC, AEO, PEG, MPEG, TA, and TM, etc.

4. New products under development

To meet with customers' requirements, the Company is developing the high-valued added EO derivatives to be applied to functional textiles, UV cure monomers, PU, commodity chemicals and industrial auxiliaries, etc.

#### (II) Industrial overview

1. EG

(1) Industrial overview and development

The polyester industry in China still relies on import of EG in bulk quantities each year. Although the output of EG in China exceeds 5,000,000 tons already, the demand of down-stream supplier still cannot be fulfilled at the moment, or in the near future. The import of EG is expected to be remained at approx. 9,000,000 tons a year.

(2) Correlation between up-, mid- and down-stream

The total global demand for ethylene was about 160 million tons in 2015, of which about 15% was used for the production of EO and EG. The market supply in 2016 is expected to dwindle as Japan and Korea, the East Asia major exporting suppliers incline to adjust and prioritize their domestic needs by cutting short of the export.

## Oriental Union Chemical Corporation

However, based on the increase of import demand for ethylene in China followed by the expansion of down-stream products, and the launches of new capacity of US crackers and down-cost ethylene from shale gas starting 2018, the future supply of ethylene is expected to be plentiful.

In 2015, the global consumption of EG was about 26 million tons, of which 88% was primarily used in chemical fiber, polyester for bottles and film slitter, etc.

### (3) Product development trend and competition

With their strength in cost, the Middle Eastern countries have developed a down-stream petrochemical industry with some successful worldwide marketing. However, there will be no additional EG capacity in the Middle East until 2019, while US shale gas technology exceeds in slashing costs of the ethylene down-stream derivatives, such as PE for the first stage then comes the ethylene glycol by 2018; and, while China is ever working hard on the development of CTMEG, which requires still further improvement and refinement of technique to achieve quality. OUCC will adjust its EG output and continue developing high value-added EOD to raise its overall profit level.

## 2. Gas

### (1) Industrial overview and development

In 2015, the domestic gas market demand dwindled under the overall impact of the flagging economy, while market supply exceeded demand due to the dumping of low priced liquid gas argon from China. It is expected that the market demand of the first half of 2016 may remain uncovered from the previous year, so may the price of liquid gas remain competitive. In contrast to the first half, the demand in the second half shall improve as the economic downturn is expected to alleviate.

### (2) Correlation between up-, mid- and down-stream

The Company's gas output not only meets the internal demands of its EG, EA and EC plants, oxygen and nitrogen from the Company are also supplied to customers in the Linyuan and Da Fa industrial parks, while the other liquid products are supplied to the electronics, petrochemical, medical care, food, steel and metal processing markets. In order to promptly respond to customer needs, the gas plant is equipped with a storage capacity of more than 10,500 tons of liquid gas, and offers customers on-site facilities for direct supplies thru pipelines.

To further strengthen the Company's promise to customer's safety by elevating its SHE level, the Company has completed the installation of the remote liquid level metering /pressure transmission systems at the customers' end in 2015, which monitor remotely at all times the usage status of customers to provide customers with more satisfactory and professional services.

The oxygen of Tong Da Industrial Gas (Yangzhou) Co. Ltd. is supplied to the Far Eastern Union Petrochemical (Yangzhou) Ltd. for the production of EO, and the nitrogen is supplied to the customers in the Industrial Zone thru pipelines, while liquid gas products, such as oxygen, nitrogen, argon and the like are sold to Air Liquide Shanghai as well as to the customers of the Eastern China.

### (3) Product development trend and competition

The Company gas plant has an efficient air separation unit installed, and this produces highly competitive products of excellent quality. The oxygen produced by the Company is primary for internal usage, with some quantity available for domestic sale. Furthermore, along with the expansion of EO production, the Company will also establish a gas factory with annual production capacity of 200,000 tons in 2016 to meet internal demand, and expand the scale of its gas operations.

## 3. SC

### (1) Industrial overview and development

#### EA :

The consolidated companies' production capacity of EA totaled 120,000 tons, including 40,000 tons of EA from the Oriental Petrochemical (Yangzhou) Corporation, abbreviated as OPYC. The EA from OUCC Linyuan is commonly used by down-stream dealers for electronics solvents, detergents, resins, printing ink, textiles and cement, and is also exported to Asia-Pacific, Europe and the US. Amongst these, MEA provide a better and more adaptive supply of electronics solvents, while TEA users are now finally exempt from the restraining and complicated procedures for the import of CWC and can obtain a stable supply of raw material to further secure their competitiveness in the detergents, cosmetics and concrete

additives industries on the international market. Domestic market demand for electronics solvents and cement additives in China remain stable. The global demand for EA is expected to total 1,850,000 tons in 2016, an increase of 3% over the 1,800,000 tons in 2015. The demand from China is about 430,000 tons, with a growth rate of 7% (including a new demand for Ethylene Amine). With a newly launched EA capacity of 150,000 tons in the Middle East by the end of 2016, EA supply then shall be with more ease, the Company will promote marketing via stable channels to seek optimal profit.

### **EC :**

EC is mainly used by polycarbonate (PC) producers as a raw material for compact discs and other composite plastics which make demand stable. The Company EC plant has been built with the largest annual production capacity in the world – 60,000 tons. The plant uses a non-phosgene environmental protective production process using its own EO and recycled CO<sub>2</sub> as feedstocks, by which means the Company is able to reduce its GHG emission and this is recognized by the environmental protection institutions as well as society.

### **EOD :**

The Company's EOD production capacity along with OPYC's 60,000 tons total 100,000 tons. EOD products of the Company consist of AEO, which may be applied to synthetic detergents and formula, PEG to cosmetics, textile auxiliaries and electronic chemicals, MPEG be used in concrete water reducers and paper pulp auxiliaries, TA as auxiliaries in pesticides and textiles, and TM used in UV curing resin, all of which are primarily supplied to the down-stream commodity related industries such as detergents, electronic chemicals, synthetic resins, textile and cement additives. In recent years, the demand of EOD, as an important indicator to economic growth, has continued to boost in Asia, especially in the emerging markets in China and South East Asia, following the escalating of the people's consumption level. In addition to the domestic market, the Company is also proactively developing overseas markets for EOD, enhancing cooperation relationships with leading international manufacturers, and undertaking market launch of some value-added new products, to increase operating revenue and profit.

The EOD plant of the Oriental Petrochemical (Yangzhou) Corporation is engaged in the manufacture of major products including AEO, PEG and MPEG. Following the rapid economic development and upgraded standard of living in China, the demand for the surfactant raw material, AEO, as an ingredient of specialty chemicals such as detergents and shampoo, has been increasing. To increase the utilization of production capacity, the EOD plant of OPYC has worked with down-stream AES customers, whose major customers include the top three AES suppliers in China. With growing demand in public construction such as high speed rail in recent years, OPYC is able to provide its MPEG to down-stream clients of polycarboxylate cement water reducer, as demand of MPEG/HPEG/TPEG speeds up, while PEG is provided to wafer cutting and other industries. Future of OPYC can be expected.

To meet the demands of the Asian customers and the growing market of household commodity chemicals, the Company is undertaking the capacity expansion at both Linyuan and Yangzhou, which will expand EOD total capacity to 200,000 tons per annum and at the same time increase the weight of SC operations by transforming into SC materials, a milestone of new product markets establishment from the Company's years of investment in the research & development and management technics.

## (2) Correlation between up-, mid- and down-stream

### **EA :**

With EO as its major feedstock, the cost of EA has become tightly linked to the ethylene market, the up-stream of EO. EA has a variety of applications, primarily as a surfactant in household detergents, electronics solvents, wood preservatives, taurine, insecticides and herbicides, textiles and cement auxiliaries. This is particularly the case in electronics solvents, and specialty chemical auxiliaries, fluorescent whitening agents, insecticides and herbicides and cement auxiliaries. The EA market has been very useful and stable in Asia Pacific, the Middle East, Africa and Europe, in terms of sales promotion.

### **EC :**

## Oriental Union Chemical Corporation

The Company EC plant is made with safe, eco-friendly and competitive production process using its own production of EO and recycled CO<sub>2</sub>, and mainly produced to satisfy the stable demand of the down-stream PC supplier, Chi Mei.

### **EOD :**

With EO as its major feedstock, the cost of EOD is also intensively related to the ethylene market the up-stream of EO. EOD is widely used by mid- and down-stream markets such as detergent, textile auxiliary, food processing, medicine, construction and electronics.

### (3) Product development trend and competition

#### **EA :**

For the time being, the Company is the only domestic producer of EA, whose feedstock EO is also from own production, which makes the product very competitive. The stable demand for EO by the electronics industry in Taiwan, results in the Company owning a 60% share of the domestic market. The Company's output of EA is sufficient to meet the domestic demand as well as exports to Asia, Europe and America. The Company's primary rivals include Nippon Shokubai (Japan), Optimal-Petronas (Malaysia), Thai Ethanolamines (Thailand), Kayan (Saudi Arabia), and some other manufacturers in China, Europe and America. The Company's sales objective of 2016 aims at enhancing marketing through domestic and overseas channels to maintain stable demand and supply relations and achieve a higher production rate.

On other hand, the EO feedstock of OPYC relies on the supply from Far Eastern Union Petrochemical (Yangzhou) Ltd. starting 2016. Though the demand for EA in China continues to grow, the EA market is being overrun by competition. To achieve a higher production rate and reduce cost, it is necessary to secure a sustainable relationship between supply and demand.

#### **EC :**

Due to the stable market demand for PC, EC is under steady development. Despite of PC, EC can also be applied to electrolyte of lithium battery, diesel additive, polyether polyols for PU, and so on. With its strength in safe production and eco-friendliness, EC development is with great potential.

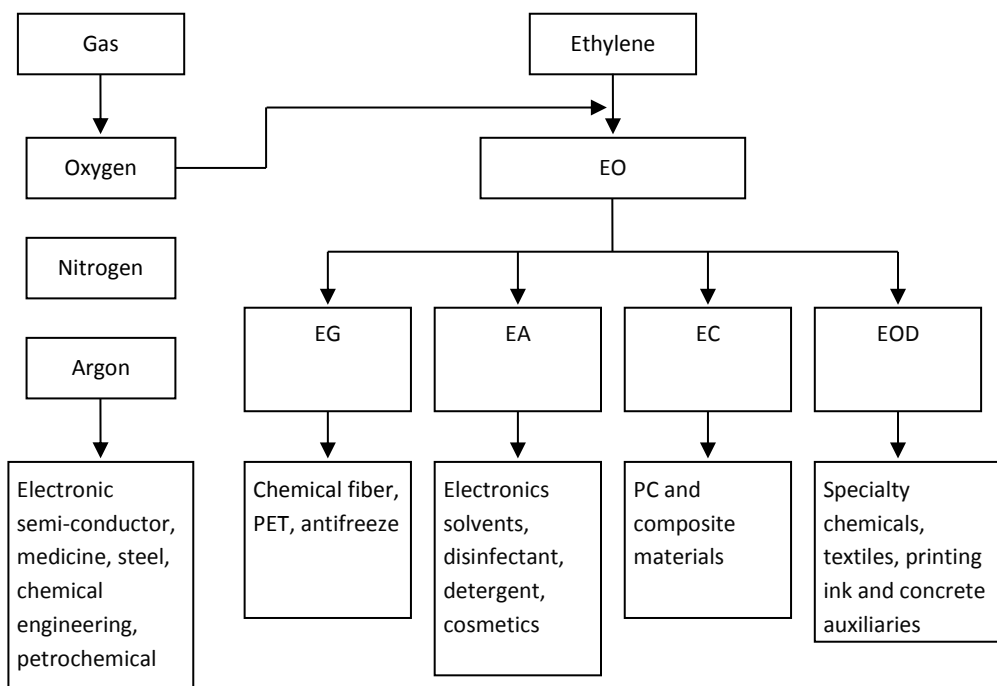
#### **EOD :**

The cost advantage of EOD plant due to self-owned feedstock EO and advanced processing equipment has resulted in high quality product with far lower than average impurity content and strengthened the market competitiveness of EOD. Only that the domestic market scale is small and restricted. Current EOD is prioritized to be steadily supplied to domestic customers of detergent and textile auxiliary, then to be exported to China, South East Asia, New Zealand and Australia. On account of the rapid growth in China economic, product demand in commodity like detergent and cleaning remains also growing followed by the booming of consumption capability. And, the market becomes over supplied as new capacity continues to launch. At the same time, more imported products from abroad with much lower cost have joined in to compete and decreased the margin.

EOD plant of OPYC shall remain high operation rate to endeavor in marketing and developing new products. To expand the business territory, a product questionnaire and pre-marketing promotion have been well planned, in hope of developing more new customers.

### (4) Industry overview

## Oriental Union Chemical Corporation



### (III) Technology and R&D overview

The Company has always paid great attention to R&D, and allots a substantial yearly budget for the purpose. The budget for 2014 was 132,812 thousand NTD. R&D expenditure in 2015 was 134,459 thousand NTD and 33,223 thousand NTD in Q1/2016.

With EG as the Company's prime product and EO as its precursor, which of the latter is not easy to store or transport, the Company has since concentrated on the development and production of EO derivatives. Given the risk of the economic circulation of raw material to a commodity such as EG, the development of EOD has become a top priority for OUCC as its transformation into a Specialty Chemical company, based on the premise of diversified business and risk management. Among the customized EOD products newly launched in 2015, there are the new water reducer monomer (HPEG2400), refined PEG series (PEG-r) and PO series derivatives, etc., which have all been well reviewed by down-stream customers. In the future, the Company will continue to release more customized fine-quality EOD products on existing bases to meet customer requirements.

### (IV) Long- and short-term business development plans

#### 1. EG operations

Short term: To elevate current equipment reliability and production rate to satisfy domestic market demand.

Long term: To evaluate and plan for the security of energy resources in the territory where the energy is competitive, with the aim of expanding the core business base.

#### 2. GAS operations

Short term: (1) To enhance sales ratio of gas products

(2) Product differentiation: To develop new gas applications to meet with customer's respective requirements.

Long term: To review the status of demand in the domestic gas market and evaluate the feasibility of additional gas exportation operations.

#### 3. SC operations

Short term: The Company shall expand product market share and export ratio besides strengthening cooperative relation with international leading manufacturer to administer the improvement

of its brand exposure and quality management at the same time, while maintaining strategic collaborative partnership in developing customization of other down-stream EO derivatives to be mutually competitive through collaborative supply chain.

Long term: To proceed with plans for the diversified development of new SC and fine chemicals to enlarge the sales weight of the SC operations and to bestow more value upon the brand.

## II. Sales and Marketing Overview

### (I) Market Analysis

#### 1. Major products vs sales territories vs competitors and market share

##### (1) EG :

The MEG, DEG and EO from the EG plant were primarily produced for the domestic market. The domestic market share of EG is 20%.

##### (2) GAS :

The sale of industrial gas is also mainly for the domestic market. Domestic market share is 8%.

##### (3) EA :

The main sales territories for EA include Taiwan, Asia Pacific, the Middle East, Africa, Europe and America.

The EA of the Oriental Petrochemical (Yangzhou) Corporation primarily sells to Eastern China, where the market demand is the largest and customs duty and freight make imported product less competitive. Upon the completion of Far Eastern Union Petrochemical (Yangzhou) Ltd. in 2016, whose EO production can be provided directly to OPYC, EA competitiveness of OPYC can be further improved.

##### (4) EC :

The EC supplied to Chi Mei for the production of PC is primarily used as advanced plastic materials for compact disks. As the two PC production lines of Chi Mei under good operation and further development on the way, the consumption of EC may remain growing.

##### (5) EOD :

The AEO, PEG, MPEG, TA, and TM from the EOD plant have extensive application and accounted for the 40% of domestic market share in 2015. Apart from the domestic market, the EOD products were also exported to Southern and Northern China, and South East Asia. Export rate is 40 %.

The AEO, PEG and MPEG from the OPYC EOD plant goes mostly to Eastern China, while the rest goes to Northern and Southern China. At the moment, the EOD operation rate is above 90%, while the overall market share is 5%.

#### 2. Future market overview

##### (1) EG :

The total domestic output was approx. 2,350,000 tons, imports 170,000 tons, exports 1,400,000 tons, and domestic demand 1,100,000 tons in 2015. The demand in 2015 was 100,000 tons more than that of 2014.

##### (2) EO :

The demand for EOD grows by 4% or more each year. The Company's EO sales volume totaled 24,000 tons in 2015, after fulfilling internal demand for EA, EC, and EOD.

##### (3) DEG :

The domestic demand is approx. 50,000 tons, while the supply is more than 100,000 tons. Export is necessary for the balance of DEG domestic market.

##### (4) GAS :



## Oriental Union Chemical Corporation

The Company competes with Air Products San Fu, Linde LienHwa, Air Liquide Far Eastern and Taipei Oxygen and Gas. The Company will establish a new ASU in 2016 to expand business ratio and area through extended pipeline, and develop new gas product applications to extend business operations through industry-academy cooperation.

(5) EA :

As the sole domestic manufacturer of EA, 40% of production volume goes to the domestic market, which used to rely totally on imports. The remaining 60% will be exported to Asia Pacific, the Middle East, Africa, Europe and America.

(6) EOD :

With various down-stream applications to household industry such as detergent, textile auxiliary, coating resins, concrete water reducers, and so on, future growth of EOD is expected to follow the pace of economic development. The Company is seeking long-term cooperation with leading SC manufacturers to further expand its domestic market share; 40% of production will go to the domestic market and 60% to Southern and Northern China, South East Asia and the Middle East.

### 3. Advantages/Disadvantages and Countermeasure in Competitiveness and Future Development

(1) Advantages :

- (a) With the highly efficient catalyst now in use, the efficiency of the EG plant has been improving remarkably each year resulting in the saving of feedstock ethylene and oxygen as well as energy consumption. In addition, the high-purity EO production equipment is not only used to produce EA and EC, but also for the newly developed high value-added EOD.
- (b) With the steady domestic demand for oxygen to stabilize production costs, the gas remains unaffected by the external economy which is a unique situation amongst domestic gas producers.
- (c) To effectively reduce energy consumption, improve the quality and competitiveness of the product, EA plant No. 2 has adopted newly developed low water revamp process.
- (d) Due to that TEA is under the control of CWC of the United Nations and domestic production has relieved local TEA users of the almost inextricable and complicated import application procedures, the domestic demand and supply continue to grow.
- (e) In addition to its use as feedstock for electrolyte of lithium battery and composite material, the production of EC under the environmentally protective non-phosgene process and the use of GHG CO<sub>2</sub> as feedstock, have earned the recognition of society and environmental protection institutions. EC is supplied under contract to satisfy the PC marketing requirement of the down-stream customer, Chi Mei.
- (f) The cost advantage of EOD plant due to self-owned feedstock EO and advanced processing equipment has resulted in high quality product with far lower than average impurity content, which is highly regarded by the customers.

(2) Disadvantages and countermeasures :

- (a) With CPC as major supplier of ethylene, import is necessary when there is a shortage.
- (b) To deal with the disadvantages of the costly transportation and customers inventory monitoring, the Company has completed installation of remote monitoring system at customer's storage tank to ensure stable supply and improve service quality.

## (II) Applications and production processes of the major products

### 1. Applications of major products

- (1) MEG: this is the raw material for polyester fiber, antifreeze, dehumidifiers, engineering plastics, PET bottles and brake fluid.
- (2) DEG: is the raw material for dehumidifiers, lubricants, dye leveler, PU and unsaturated polyester resins as well as a solvent and grinding aid.

## Oriental Union Chemical Corporation

- (3) EO: is the major feedstock for EG, glycol ether, EA and non-ionic surfactants and disinfectants.
- (4) Oxygen: is used in the aerospace industry, metal processing, the papermaking and glass industries, chemistry and pharmaceuticals, industrial welding and cutting, waste water treatment, incineration, hospitals and fisheries, etc.
- (5) Nitrogen: is mainly used in refineries, the glass, electronics and semi-conductor industries, the plastics industry, in food preservation and packaging, low-temperature cutting, the chemical industry, metal heat treatment, pharmaceuticals, low-temperature surgery, in printing, metal, rubber and livestock industries as well as in medical research.
- (6) Argon: is used in welding, the aerospace industry, lighting, window heat insulation, the electronics and semi-conductor industry, the metal and alloy manufacturing industry and in laser production and the processing industry.
- (7) CO<sup>2</sup>: is used in welding, fire extinguisher, electronics and semi-conductor industries, frozen foods and dry ice cleaning, etc.
- (8) MEA: is used in disinfection, is an anti-diarrheic, a fluorescent whitening agent, a surfactant, an anti-corrosive agent, and is used in detergents, paints, and in acid gas scrubbing and as an electronics solvent.
- (9) DEA: is used in insecticides and herbicides, corrosion inhibitors, as a crosslink agent, an engine antirust agent, in detergents, as a surfactant, and in acid gas scrubbing.
- (10) TEA: is used for cutting, cooling and as an anti-corrosion agent in metal processing; emulsion and neutralization in the cosmetics industry; as a grinding aid in cement processing; as a concrete water reducer, and as a surfactant and electroplate bonder.
- (11) EC: is used in the production of PC which is then used for the production of compact discs and other engineering plastics.
- (12) PEG: is used as a fluorescent brightener in electroplating; in moistening and concentration for cosmetics; as a soldering flux, and as a mold release agent in rubber processing.
- (13) AEO: is a shampoo ingredient, a lubricant and anti-corrosion additive; is used in textiles; is a moisturizer or dispersant used in the preparation of colored dyes; it is also used in pesticides and as a stabilizer in synthetic latex processing.
- (14) MPEG: is extensively used in construction, as a raw material for poly-carboxylate cement water reducers, as a thickening agent and lubricant in textiles and specialty chemical processes. It is also used as a pharmaceutical substrate for emulsifying ointment, as a rinsing agent and in suppositories.
- (15) TA: is non-ionic in an alkali or neutral mediator, and cationic in an acid mediator. They have excellent emulsification properties. Extensively used in pesticides, the leather and textile industries, metal processing and plastics engineering, in pesticides, emulsifiers and metal anti-corrosion agents.
- (16) TM: Ethoxylated Trimethylolpropane is a tri-functional alcohol with quaternary structure and is a colorless transparent liquid at normal temperatures. TM is frequently used as a cross linker in polyurethanes, a precursor for free radical radiation curing monomers and oligomers.

### 2. Production processes

- (1) EG plant: After preheating, ethylene goes through the sulfur removal and acetylene removal units and is injected into the recycle gas loop, oxygen is also injected before it is passed over the silver catalyst where ethylene and oxygen react to form ethylene oxide (EO), carbon dioxide (CO<sub>2</sub>) and water. EO in the reaction product gases is separated from the recycle gas in the main absorber by water and pumped to the EO stripper and EO recovery system to produce crude EO. Part of this is purified to high purity EO in the HPEO column by removal of aldehydes while the rest of the crude EO is mixed with process water and reacts to glycols in the glycol reactor. The glycol water mixture passes through multiple effect evaporators to remove water. The concentration and purification columns remove impurities to produce high quality mono-, di-, and tri-ethylene glycol (MEG, DEG, TEG) products.
- (2) Air separation plant: Air is filtered to remove particulates and dust, compressed by the main air compressor passed through molecular sieves to remove water, CO<sub>2</sub>, and light hydrocarbons by adsorption. The purified dry air passes through primary heat exchangers to reach liquefying

temperature and enters the fractionation column where it is split into high purity oxygen (O<sub>2</sub>), nitrogen (N<sub>2</sub>) and argon (Ar). Liquid products (LO<sub>2</sub>, LN<sub>2</sub>, LAr) are produced by compression-expansion of the gaseous O<sub>2</sub>/N<sub>2</sub>/Ar in the liquefiers.

- (3) EA plant: EO reacts with ammonia in the ammonia water solution to ethanol-amine mixture. The mixture goes through ammonia and water removal processes and enters the vacuum distillation columns which produce mono- di-, tri- ethanol amines (MEA, DEA, TEA) and heavy TEA (TEAH) products.
- (4) EC plant: EO and CO<sub>2</sub> react to ethylene carbonate (EC) in liquid EC under catalysis in the high pressure reactor. The EC product mixture from the reactor is subjected to vacuum distillation to reach high purity.
- (5) EOD plant: EO reacts with various initiators such as methanol, fatty alcohols, DEG, fatty amines, trimethylpropanol and so on in the high pressure autoclaves to produce different Ethoxylates (MPEG, AEOs, PEG, TA, and TM). The batch reaction process undergoes catalyst addition, moisture removal, reaction, curing and neutralization steps in the facility which includes pre-treatment, reaction and post treatment vessels.

### (III) Supply of major feedstock

1. Major feedstock of the EG Plant:
  - (1) Ethylene: is primarily supplied by CPC in Taiwan. Any shortages are covered by imports mainly from North East Asia and the Middle East.
  - (2) Oxygen: supplied by the Company gas plant.
2. Gas feedstock is atmospheric air.
3. Feedstock of the EA plant:
  - (1) EO: Supplied by the OUCC EG plant. OPYC is supplied mainly by Far Eastern Union Petrochemical (Yangzhou) Ltd. in 2016, while the rest is provided by local suppliers.
  - (2) Liquid ammonia: OUCC supplied by the Taiwan Fertilizer Co. OPYC is from the local producer.
4. Feedstock of the EC Plant: the EO and CO<sub>2</sub> are both provided by the Company EG plant.
5. Major feedstock of the EOD plant:
  - (1) EO: from the OUCC EG plant. OPYC is supplied mainly by Far Eastern Union Petrochemical (Yangzhou) Ltd. in 2016, while the rest is provided by local suppliers.
  - (2) Fatty alcohols: OUCC is supplied by the Kao Group or other importers. OPYC is from Eastern China supplier.

**(IV) The major suppliers and customers over the last two years**

1. The major suppliers over the last two years

Item	2014				2015				Ending Q1 of 2016			
	Name	Amount	Percentage of total net purchase [%]	Affiliation with the issuer	Name	Amount	Percentage of total net purchase [%]	Affiliation with the issuer	Name	Amount	Percentage of total net purchase up to Q1 of the current year [%]	Affiliation with the issuer
1	CPC	5,860,684	49	N/A	MITSUI & CO LTD	4,815,798	32	N/A	MITSUI & CO LTD	1,511,133	36	N/A
2	MITSUI & CO LTD	1,381,110	12	N/A	CPC	4,007,351	27	N/A	CPC	1,302,012	31	N/A
3	East-China Company, SINOPEC Chemical Commercial Holding Company Limited	1,310,933	11	N/A	East-China Company, SINOPEC Chemical Commercial Holding Company Limited	951,090	6	N/A	Others	1,428,605	33	
4	Others	3,288,136	28		Others	5,361,634	35					
5	Net purchase	11,840,863	100		Net purchase	15,099,873	100		Net purchase	4,241,750	100	

Note 1: Suppliers accounting for 10% or more of the Company's total purchase amount over the last two years, and the respective purchase amount and percentage.

2. The major customers over the last two years

Item	2014				2015				Ending Q1 of 2016			
	Name	Amount (Note 2)	Percentage of total net purchase [%]	Affiliation with the issuer	Name	Amount (Note 2)	Percentage of total net purchase [%]	Affiliation with the issuer	Name	Amount (Note 3)	Percentage of total net sales up to Q1 of the current year [%]	Affiliation with the issuer
1	Tainan Spinning Co Ltd	1,592,660	11	N/A	Tainan Spinning Co Ltd	1,346,133	10	N/A	Shinkong Synthetic Fibers Corporation	289,246	8	N/A
2	Shinkong Synthetic Fibers Corporation	1,521,334	11	N/A	Shinkong Synthetic Fibers Corporation	1,321,132	9	N/A	Tainan Spinning Co Ltd	274,991	8	N/A
3	Others	11,012,340	78		Others	11,257,210	81		Others	2,871,363	84	
	Net sales	14,126,334	100		Net sales	13,924,475	100		Net sales	3,435,600	100	

Note 1: Customers accounting for 10% or more of the Company's total sale amount in either of the last two years, and the respective sales and percentage.

3. Cause: The major customers remained unchanged in 2015 and 2014.

#### (V) Output volume and value over the last two years

Unit: quantity: ton  
Value: NTD thousand

Major products	2014			2015		
	Productivity	Output	Output value	Productivity	Output	Output value
EG series	408,600	367,598	9,148,527	1,374,000	596,321	12,306,327
Gas series	593,560	488,606	685,911	1,393,560	594,637	936,634
EA series	120,000	57,152	2,732,498	140,000	62,866	2,326,946
EC series	101,250	76,569	873,305	101,250	66,898	668,972
EOD series	100,000	55,522	1,620,597	100,000	65,650	1,826,532

Note: Output volume and value of consolidated companies

#### (VI) Sales volume and value over the last two years

Unit: quantity: ton  
Value: NTD thousand

Major products	Year	2014				2015			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Q'ty	Amount	Q'ty	Amount	Q'ty	Amount	Q'ty	Amount
EG series		278,808	7,928,310	324	13,796	295,491	7,239,110	31,120	665,371
Gas series		268,989	696,000	-	-	279,494	692,618	14,267	31,658
EA series		15,766	782,507	35,245	1,610,813	17,035	695,411	47,576	1,690,498
EC series		56,130	1,415,243	275	11,508	48,919	1,012,749	295	11,511
EOD series		13,739	609,327	41,357	1,041,287	14,846	548,866	50,870	1,298,758
Others		-	17,543	-	-	-	37,345	-	580
Total		633,432	11,448,930	77,201	2,677,404	652,785	10,226,099	144,128	3,698,376

Note: Sales volume and value of consolidated companies

### III. Employees

April 30, 2016

Year		2014	2015	2016 (Note)
Number of employees		675	700	696
Average age		38.07	37.86	37.83
Average seniority		8.74	8.46	8.54
Education Background %	Doctor	1.04%	1.43%	1.44%
	Master	12.74%	14.00%	14.37%
	Bachelor	68.74%	68.86%	68.25%
	Sr. High school or below	17.48%	15.71%	15.94%

Note: The information of consolidated companies is valid up to the date of publication of the annual report (April 30, 2016)

#### IV. Environmental protection expenditure

##### 1. Incurred loss and punishment due to contamination of environment in recent year

Item	Year	2014	2015	Ending 15 May, 2016
Contamination classified		Air Pollution Rule	Air Pollution Rule, Waste Container Labelling Rule	N/A
Authorized Unit		Kaohsiung City Government	Kaohsiung City Government	N/A
Compensatory amount or discipline		NTD100,000	NTD206,000	N/A
Other losses		N/A	N/A	N/A

Oriental Petrochemical (Yangzhou) Corp., Far Eastern Union Petrochemical (Yangzhou) Ltd. and Tong Da Gas Industries (Yangzhou) Ltd.: No loss or punishment incurred due to contamination of environment.

##### 2. Environmental protection management

###### 1. Operator permit application for anti-pollution facility :

The Company Linyuan premises has acquired a fixed pollutant operators permits for 8 production processes pursuant to the Law. Oriental Petrochemical (Yangzhou) Corp. premises has acquired the pollutant permit pursuant to the Law.

###### 2. Water pollutant emission: The Company and the Oriental Petrochemical (Yangzhou) Corp. and Far Eastern Union Petrochemical (Yangzhou) Ltd. have installed waste water treatment yards that comply with the government emission standards, and the emission is discharged to the joint waste water treatment plant of the industrial park.

###### 3. Dedicated environmental protection personnel:

- (1) Personnel dedicated to air pollution: Three Class-A dedicated workers are delegated.
  - (2) Personnel dedicated to water pollution: Two Class-A dedicated workers and two Class-B workers are delegated.
  - (3) Personnel dedicated to toxic substances: The Company has delegated four trained competent Class-A workers dedicated to toxic substances.
  - (4) Personnel dedicated to waste goods: The Company has delegated one Class-A dedicated worker.
  - (5) The Oriental Petrochemical (Yangzhou) Corp. has retained three workers who have been conferred the environmental protection management personnel certificate by the provincial government in China and ten workers who have been conferred the environmental protection operator permit by the city government in China.
  - (6) The Far Eastern Union Petrochemical (Yangzhou) Ltd. has retained 11 workers who have been conferred the waste water disposal certificate of the national vocational qualification level V.
4. The Company has acquired ISO-14001 certification (Environmental Protection Management) as well as OHSAS-18001 certification (Occupational Safety & Health Management), and implements the measures according to the relevant system. Oriental Petrochemical (Yangzhou) Corp. passed the mandatory clean production inspection in 2014.
5. The Company has installed 18 underground water monitoring wells. No underground water pollution was found in samples taken in 2015.
6. Anti-pollution equipment: The Company installed two sets of RTO (Regenerative Thermal Oxidizer), and 1 set of CO (Catalytic Oxidizer), while Oriental Petrochemical (Yangzhou) Corp. installed two scrubbing towers. All emission concentration appeared normal. Far Eastern Union Petrochemical (Yangzhou) Ltd. installed 1 set of each DFTO (Direct Fired Thermal Oxidizer) and CO.

##### 3. Future countermeasures and expenditure

###### 1. To be adopted plan and countermeasures:

- (1) To strengthen the operation management of the anti-pollution facility, to ensure of the compliance of pollutant emission pursuant to the regulation.
  - (2) To enhance the operative capability of the anti-pollution facility by monitoring the management of operation and maintenance, to eliminate the occurrence of accident.
  - (3) To promote the industrial waste reduction plan, to diminish the generation of waste water/gas/good, through development and improvement of technology in processing.
  - (4) Review and advance all the measurements for water and energy saving, and CO<sub>2</sub> reduction.
2. Future and on-going expenditures in environmental protection and the improvement anticipated
- In order to lessen the emission of VOC, to prevent the cross contamination of mixing rain/waste water/soil, so to increase the recycle of waste gas and diminish polluted soil treatment, relevant investing projects amount NTD131 million, which include ethylene recycle system, paving and rain/polluted water diversion revamp, waste gas compressor renewal, reduction revamp of organic polluted soil dehydration of the waste water treatment plant.
- To enhance the waste gas recovery, the Oriental Petrochemical (Yangzhou) Corp. plans to invest RMB 760,000 for the revamp of EOD waste gas scrubbing tower. Far Eastern Union Petrochemical (Yangzhou) Ltd. and Tong Da Gas Industries (Yangzhou) Ltd. are to invest RMB 150,000 for the leakage examination and repair in 2016, which is expected to lessen the emission of VOC.

#### **4. Implementation of GHG reduction**

1. Implementation
  - (1) To use the highly efficient catalyst in processing has reduced the CO<sub>2</sub> generated.
  - (2) The application of EA#2 Low Water Revamp has reduced energy unit consumption of steam.
2. Proceeded measures
  - (1) To install a purification plant for recycle CO<sub>2</sub> with investment of NTD320 million.
  - (2) To promote a variety of energy saving measures, such as highly efficient motor to achieve the goal of energy saving and CO<sub>2</sub> reduction.
  - (3) The ERU system, Ethylene Recovery Unit, can also recycle CO<sub>2</sub>.

#### **5. The implementation of RoHS and its effect on investors' interests and rights:**

The Company has confirmed that no lead or cadmium ever used as ingredient, or in formula or processing pursuant to RoHS.

### **V. Labor-management relations**

#### **1. Employee fringe benefits and implementation:**

1. The Company has established the Worker's Welfare Commission and contributes to welfare benefits in accordance with the Law, calls meetings periodically, attends to worker welfare affairs and organizes various welfare activities. Badminton, softball and fishing clubs have been founded, academic subsidy and travel allowance are provided, and annual health examination for all employees is provided as well as an employee group insurance scheme.
2. Continuing education and training
 

The Company values the training and development of human resources, and supports and invests in employee education and training. This improves expertise and skill and upgrades Company efficiency and competitiveness. The Company plans and provides employees with the chance to continue their education and training each year by attending competency and executive management development talent programs. These include financial accounting, marketing and computer courses planned by the HR Development Center of Far Eastern New Century, a Group member. The various departments may also recommend that colleagues attend on-job training, labor safety training and training for licenses organized by the governmental apparatus and social organizations. These internal education and training seminars will be continued to enrich employee expertise and achieve the substantial goal for "to learn in order to practice". In 2015 the total number of internal and external education training hours was 11,128.



### 3. Retirement system

The Company has established a Labor Pension Supervisory Committee to review and monitor the utilization of pensions. The Committee will contribute the pension reserve into a special and exclusive account maintained at the Trust Dept of the Bank of Taiwan, on a monthly basis and pay employee pensions as required to ensure the interests and rights of retired employees.

As of July 1, 2005, employees who chose the pension system under the "Labor Pension Act" shall pay a deposit of 6% of the insured value to the personal pension account at the Labor Insurance Bureau on a monthly basis.

### 4. Labor-management agreements and employee interests and rights protection measures

The labor-management policies are made in accordance with the relevant laws and regulations and implemented fairly. Additions or amendments to the labor terms and conditions may be implemented after labor-management negotiations to protect the interests and rights of the employees.

## 2. Labor-management disputes and response

The Company management rules and systems are well-founded. All measures will be executed in a fair and reasonable manner. The employees may express their opinion and seek communication and resolution of any disputes through the periodic worker-management meetings. Both the workers and management may interact peacefully in the spirit of coexistence and mutual prosperity.

## 3. The work environment and employee personal safety protection measures

1. To prevent occupational accidents and disasters and protect the safety of employees, the Company has defined various "urgent contingency plans" and carries out regular drills and has reactive measures in place to handle fire, leakage, typhoon, earthquake, war, traffic accidents, evacuation and recovery, and to limit and mitigate injury and loss caused by an accident or disaster as far as possible and as fast and systematically as possible and also to provide timely reports.
2. The substance safety data sheets for raw materials, supplies and products throughout the factory are accessible to personnel at all times, as well as being posted on-line. This ensures that all personnel have the knowledge, references and the relevant information necessary to take the proper corrective action to ensure the safety of employees and the factory.
3. The production process zones are all equipped with such fire protection equipment and sprinkler systems which may be automatic, manual or remote controlled to ensure the safety of employees and the factory. Auto fire extinguishing systems (F-200) are installed at the 12 sets of MCC to secure the safety of the electronics facility.
4. Monitoring stations for combustible gas, EO, NH<sub>3</sub>, H<sub>2</sub> and boiler flue gas (SO<sub>x</sub>, NO<sub>x</sub>), and waste water (COD, pH) are installed inside the production areas, so that any leakage or abnormal situation may be detected and remedied or eliminated immediately.
5. A hot/hazardous work permit procedure has been established and a permit system and procedure for entry into confined spaces has also been introduced to ensure the safety of personnel and equipment.
6. Safety training for contractors and the safety training requirement for each of their employees has been introduced to ensure the safety of all personnel accessing or passing through the factory area.
7. Health examinations for employees have been set up for the early detection of any health problems so that any necessary treatment may be given as soon as possible.

## VI. Major contracts

Nature	Client	Duration	Summary Content	Restricted clause
<b>(I) Oriental Union Chemical Corporation</b>				
Supply contract	Far Eastern New Century	2016.3-2019.2	EG purchase and sales agreement	Renewed automatically within six months prior to expiration if neither raises an objection.
	Shinkong Synthetic Fibers Corporation	2016-2018		Renewed automatically within six months prior to expiration if neither raises an objection.
	Tainan Spinning Co Ltd	2016		Renewed automatically within three months prior to expiration if neither raises an objection.
	Sino-Japan Chemical Co Ltd	2016-2018	EO purchase and sales agreement	Renewed automatically within six months prior to expiration if neither raises an objection.
	Chimei-Asahi Corporation (Note)	2000-2015	EC purchase and sales agreement	Both parties are engaged in the exclusive purchase and sale of EC.
	Chimei-Asahi Corporation (Note)	2000-2015	Commissioned production of EC with supported production technology	Confidential information about technology shall not be disclosed or transferred.
	CPC	2016	Ethylene Supply Contract	N/A
Mitsui & Co Ltd	2016	Ethylene Supply Contract	N/A	
Long-term loan	Hua Nan Bank	2015-2017	Bank loan	N/A
	Taiwan Cooperative Bank	2015-2018	Bank loan	
	The Export-Import Bank of the ROC	2013-2018	Bank loan	
	Chang Hwa Bank	2016-2018	Bank loan	
	Bank of America	2015-2017	Bank loan	
	Sumitomo Mitsui Banking Corporation	2015-2017	Bank loan	
	Far Eastern International Bank	2016-2019	Bank loan	
	Mega Bank	2015-2017	Bank loan	
	Industrial Bank of Taiwan	2015-2017	Bank loan	
	Land Bank of Taiwan	2015-2017	Bank loan	
CTBC Bank	2016-2017	Bank loan		
<b>(II) Pacific Petrochemical (H) Ltd</b>				
Long-term loan	Mega Bank	2015-2017	Bank loan	N/A
<b>(II) OUCC (Bermuda) Holding Ltd</b>				
Long-term loan	KGI Bank	2015-2017	Bank loan	N/A
	Chang Hwa Bank	2016-2018	Bank loan	
	Sumitomo Mitsui Banking Corporation	2015-2017	Bank loan	
<b>(IV) Oriental Petrochemical (Yangzhou) Corporation</b>				
Supply Contract	East-China Company, SINOPEC Chemical	2016	EO Supply Contract	N/A

Nature	Client	Duration	Summary Content	Restricted clause
	Commercial Holding Company Ltd			
Long-term loan	Bank of America	2012-2015	Bank loan	N/A
<b>(V) Far Eastern Union Petrochemical (Yangzhou) Ltd</b>				
Supply Contract	Petrochina Kunlun Gas Co Ltd	2015-2018	Gas Supply Contract	N/A
	Mitsui & Co	2016	EO Supply Contract	
Sales Contract	Shanghai Lianghong Int'l Trading Co Ltd	2016	EG purchase & sales agreement	N/A
	Jiangsu Guowang High-tech Fiber Co Ltd	2016	EG purchase & sales agreement	
Long-term loan	CTBC Bank Shanghai Branch	2016	Bank loan	N/A
<b>(VI) Tong Da Gas Industries (Yangzhou) Ltd</b>				
Sales Contract	Air Liquide Shanghai	2015-2030	Liquid gas purchase & sales agreement	N/A
	Far Eastern Union Petrochemical (Yangzhou) Ltd	2016-2016	Gas purchase & sales agreement	

Note: Consolidated into Chimei Corporation on April 1, 2009

## Six. Finance Overview

### I. Condensed balance sheet, income statement, and external auditor's opinion for the last five years

#### (I) Condensed balance sheet and comprehensive income statement – IFRSs

##### 1. Condensed balance sheet – IFRSs

##### (1) Consolidated balance sheet

Currency unit: NTD thousand

Item	Year		Financial information for the last five years					Financial information available up to March 31, 2016 (Note 1)
	2011	2012	2013	2014	2015			
Current assets		4,206,687	4,441,546	7,373,058	8,630,400		8,102,291	
Property, plant and equipment		6,882,640	6,750,362	15,784,100	17,759,516		17,975,879	
Intangible assets		15,900	17,163	20,007	28,027		26,132	
Other assets		10,873,295	12,784,395	12,295,285	11,736,498		11,565,231	
Total assets		21,978,522	23,933,466	35,472,450	38,154,441		37,669,533	
Current liabilities	Before distribution	4,302,162	3,546,957	6,201,539	8,100,791		8,941,805	
	After distribution	5,365,006	4,609,801	7,087,242	Note 2		Note 2	
Non-current liabilities		1,271,570	3,281,600	9,624,629	12,233,644		11,171,501	
Total liabilities	Before distribution	5,573,732	6,828,557	15,826,168	20,334,455		20,116,306	
	After distribution	6,636,576	7,891,401	16,711,871	Note 2		Note 2	
Equity attributable to the parent company	N/A	16,404,790	17,164,909	16,595,044	15,031,090		14,845,441	
Capital stock		8,857,031	8,857,031	8,857,031	8,857,031		8,857,031	
Capital surplus		1,304,893	1,321,398	1,337,902	1,351,656		1,351,656	
Retained earnings	Before distribution	6,311,944	6,511,790	5,547,811	4,499,473		4,404,501	
	After distribution	5,249,100	5,448,946	4,662,108	Note 2		Note 2	
Other equities		118,720	662,488	1,040,098	510,728		420,051	
Treasury stock		(187,798)	(187,798)	(187,798)	(187,798)		(187,798)	
Non-controlling interest		—	—	3,051,238	2,788,896		2,707,786	
Total equities	Before distribution	16,404,790	17,164,909	19,646,282	17,819,986		17,553,227	
	After distribution	15,341,946	16,102,065	18,760,579	Note 2		Note 2	

Note 1: The financial statement for Q1 of 2016 was reviewed by the external auditor.

Note 2: The motion for allocation of earnings 2015 had not yet been resolved by a shareholders' meeting.

## (2) Individual balance sheet

Currency unit: NTD thousand

Item	Year	Financial information for the last five years				
		2011	2012	2013	2014	2015
Current assets			2,409,677	1,976,738	2,253,330	2,821,999
Property, plant and equipment			4,966,258	4,835,021	5,986,816	6,627,557
Intangible assets			14,055	15,441	9,896	7,192
Other assets			11,695,518	14,260,459	15,881,958	14,840,754
Total assets			19,085,508	21,087,659	24,132,000	24,297,502
Current liabilities	Before distribution		1,843,312	2,245,748	3,055,248	1,387,944
	After distribution		2,906,156	3,308,592	3,940,951	(Note)
Non-current liabilities			837,406	1,677,002	4,481,708	7,878,468
Total liabilities	Before distribution		2,680,718	3,922,750	7,536,965	9,266,412
	After distribution		3,743,562	4,985,594	8,422,659	(Note)
Capital stock			8,857,031	8,857,031	8,857,031	8,857,031
Capital surplus			1,304,893	1,321,398	1,337,902	1,351,656
Retained earnings	Before distribution		6,311,944	6,511,790	5,547,811	4,499,473
	After distribution		5,249,100	5,448,946	4,662,108	(Note)
Other equities			118,720	662,488	1,040,098	510,728
Treasury stock			(187,798)	(187,798)	(187,798)	(187,798)
Total equities	Before distribution		16,404,790	17,164,909	16,595,044	15,031,090
	After distribution		15,341,946	16,102,065	15,709,341	(Note)

Note: The motion for allocation of earnings 2015 had not yet been resolved by a shareholders' meeting.

## 2. Condensed comprehensive income statement – IFRSs

### (1) Consolidated comprehensive income statement

Currency unit: NT\$ thousand, other than EPS, which shall be stated at NT\$

Item \ Year	Financial information for the last five years					Financial information available up to March 31, 2016 (Note 1)
	2011	2012	2013	2014	2015	
Operating revenue		13,410,837	15,433,937	14,126,334	13,924,475	3,435,600
Gross profit		1,918,559	2,262,550	1,165,385	1,360,697	224,280
Operating income		1,301,041	1,628,662	386,474	534,656	43,819
Non-operating revenue and expense		4,626	(89,895)	(342,658)	(880,102)	(203,205)
Profit before income tax		1,305,667	1,538,767	43,816	(345,446)	(159,386)
Net income		1,147,394	1,265,296	64,006	(314,617)	(136,182)
Other comprehensive income (net after tax)		(150,235)	541,162	521,401	(639,730)	(130,577)
Total comprehensive income	N/A	997,159	1,806,458	585,407	(954,347)	(266,759)
Net income attributable to parent company		1,147,394	1,265,296	116,525	(119,952)	(94,972)
Net income attributable to non-controlling interest		—	—	(52,519)	(194,665)	(41,210)
Total comprehensive income attributable to parent company		997,159	1,806,458	482,489	(692,005)	(185,649)
Total comprehensive income attributable to non-controlling interest		—	—	102,918	(262,342)	(81,110)
EPS (Note 2)		1.32	1.45	0.13	(0.14)	(0.11)

Note 1: The financial statement for Q1 of 2016 was reviewed by the external auditor.

Note 2: Based on the EPS after the retroactive adjustment on earnings and recapitalization of surplus.

### (2) Individual comprehensive income statement

Currency unit: NT\$ thousand, other than EPS, which shall be stated at NT\$

Item \ Year	Financial information for the last five years				
	2011	2012	2013	2014	2015
Operating revenue		12,271,756	13,729,130	12,420,607	11,762,073
Gross profit		2,274,721	2,414,447	1,307,437	1,485,123
Operating income		1,745,302	1,849,271	718,222	891,561
Non-operating revenue and expense		(457,942)	(310,504)	(622,280)	(1,053,321)
Profit before income tax	N/A	1,287,360	1,538,767	95,942	(161,760)
Net income		1,147,394	1,265,296	116,525	(119,952)
Other comprehensive income (net after tax)		(150,235)	541,162	365,964	(572,053)
Total comprehensive income		997,159	1,806,458	482,489	(692,005)
EPS (Note 1)		1.32	1.45	0.13	(0.14)

Note 1: Based on the EPS after the retroactive adjustment on earnings and recapitalization of surplus.

**(II) Condensed balance sheet and income statement - ROC GAAP**

1. Condensed balance sheet – IFRSs

(1) Consolidated balance sheet

Currency unit: NTD thousand

Item	Year	Financial information for the last five years				
		2011	2012	2013	2014	2015
Current assets		4,581,835	4,202,318			
Fund and investment		8,259,570	8,228,753			
Fixed assets		6,967,366	6,882,640			
Intangible assets		218,348	216,866			
Other assets		1,639,707	1,627,719			
Total assets		21,666,826	21,158,296			
Current liabilities	Before distribution	4,034,328	4,454,495			
	After distribution	5,644,697	5,517,339			
Long-term liabilities		454,125	261,360			
Other liabilities		865,730	715,786			
Total liabilities	Before distribution	5,354,183	5,431,641			
	After distribution	6,964,552	6,494,485			
Capital stock		8,051,846	8,857,031			N/A (Note)
Capital surplus		1,319,631	1,344,647			
Retained earnings	Before distribution	5,786,732	4,523,932			
	After distribution	3,371,178	3,461,088			
Cumulated translation adjustment		166,757	(51,096)			
Unrealized gain (loss) from financial assets		151,045	224,561			
Unrealized revaluation increment		985,545	985,545			
Unrecognized net loss on pension cost		(58,557)	(67,609)			
Treasury stock		(90,356)	(90,356)			
Minority interest		—	—			
Total shareholders' equities	Before distribution	16,312,643	15,726,655			
	After distribution	14,702,274	14,663,811			

Note: The Company has adopted the IFRSs as of 2013. Please refer to the financial statements prepared in accordance with the IFRSs.

## (2) Individual balance sheet

Currency unit: NTD thousand

Item	Year	Financial information for the last five years				
		2011	2012	2013	2014	2015
Current assets		2,295,479	2,409,677	N/A (Note)		
Fund and investment		9,697,639	9,312,424			
Fixed assets		5,093,833	4,966,258			
Intangible assets		4,307	14,055			
Other assets		1,568,738	1,562,868			
Total assets		18,659,996	18,265,282			
Current liabilities	Before distribution	1,481,623	1,822,841			
	After distribution	3,091,992	2,885,685			
Long-term liabilities		—	—			
Other liabilities		865,730	715,786			
Total liabilities	Before distribution	2,347,353	2,538,627			
	After distribution	3,957,722	3,601,471			
Capital stock		8,051,846	8,857,031			
Capital surplus		1,319,631	1,344,647			
Retained earnings	Before distribution	5,786,732	4,523,932			
	After distribution	3,371,178	3,461,088			
Cumulated translation adjustment		166,757	(51,096)			
Unrealized gain (loss) from financial assets		151,045	224,561			
Unrealized revaluation increment		985,545	985,545			
Unrecognized net loss on pension cost		(58,557)	(67,609)			
Treasury stock		(90,356)	(90,356)			
Total shareholders' equities	Before distribution	16,312,643	15,726,655			
	After distribution	14,702,274	14,663,811			

Note: The Company has adopted the IFRSs as of 2013. Please refer to the financial statements prepared in accordance with the IFRSs.



## 2. Condensed income statement - ROC GAAP

### (1) Consolidated income statement

Currency unit: NT\$ thousand, other than EPS, which shall be stated at NT\$

Item \ Year	Financial information for the last five years				
	2011	2012	2013	2014	2015
Operating revenue	14,934,221	13,424,701	N/A (Note 1)		
Gross profit	3,262,186	1,992,857			
Operating gain	2,587,518	1,366,259			
Non-operating revenue and gain	1,038,370	312,801			
Non-operating expense and loss	111,577	367,911			
Profit before income tax	3,514,311	1,311,149			
Net income	2,882,823	1,152,754			
Net profit attributable to parent company	2,882,823	1,152,754			
Net profit attributable to non-controlling interest	—	—			
EPS (Note 2)	3.31	1.32			

Note 1: The Company has adopted the IFRSs as of 2013. Please refer to the financial statements prepared in accordance with the IFRSs.

Note 2: Based on the EPS after the retroactive adjustment on earnings and recapitalization of surplus.

### (2) Individual income statement

Currency unit: NT\$ thousand, other than EPS, which shall be stated at NT\$

Item \ Year	Financial information for the last five years				
	2011	2012	2013	2014	2015
Operating revenue	13,874,758	12,271,756	N/A (Note 1)		
Gross profit	3,564,645	2,274,721			
Operating income	2,984,101	1,736,222			
Non-operating revenue and gain	555,723	257,913			
Non-operating expense and loss	79,741	701,293			
Profit before income tax	3,460,083	1,292,842			
Net income	2,882,823	1,152,754			
EPS (Note 2)	3.31	1.32			

Note 1: The Company has adopted the IFRSs as of 2013. Please refer to the financial statements prepared in accordance with the IFRSs.

Note 2: Based on the EPS after the retroactive adjustment on earnings and recapitalization of surplus.

### (III) CPA Name and audit opinion

Year	CPA Name	Audit opinion
2011	H. W. Tai & Y. W. Fan	Unqualified opinion
2012	H. W. Tai & C. P. Shih	Unqualified opinion
2013	H. W. Tai & C. P. Shih	Unqualified opinion
2014	H. W. Tai & C. P. Shih	Unqualified opinion
2015	Y. W. Fan & C. P. Shih	Unqualified opinion

## II. Financial analysis for the last five years

### (I) Financial analysis – IFRSs

#### 1. Consolidated financial analysis

Item		Year	Financial analysis for the last five years					March 31, 2016 (Note 1)
			2011	2012	2013	2014	2015	
Financial structure (%)	Liabilities to assets	N/A		25.36	28.46	44.62	53.30	53.40
	Long-term fund for property, plant and equipment		256.83	302.90	185.45	169.23	159.81	
Liquidity analysis (%)	Current ratio		97.78	125.22	118.89	106.54	90.61	
	Quick ratio		57.40	91.40	78.59	54.07	46.03	
	Interest coverage ratio		2,779.34	3,360.65	142.11	(3.07)	(102.10)	
Operation performance analysis	Receivables turnover (times)		14.67	17.40	15.46	12.28	9.06	
	Average collection days		24.88	20.97	23.60	29.72	40.29	
	Inventory turnover (times)		12.30	14.02	13.93	7.63	6.27	
	Payables turnover (times)		10.27	11.29	7.72	3.51	5.66	
	Average inventory turnover days		29.67	26.03	26.20	47.83	58.21	
	Property, plant and equipment turnover (times)		1.94	2.26	1.25	0.83	0.77	
	Total assets turnover (times)		0.60	0.67	0.48	0.38	0.36	
Profitability	ROA (%)	5.34	5.67	0.41	(0.66)	(0.30)		
	ROE (%)	6.87	7.54	0.34	(1.68)	(0.77)		
	Ratio to paid-in capital (%)	Operating gain	14.69	18.39	4.36	6.04	0.49	
		Net profit before tax	14.74	17.37	0.49	(3.90)	(1.80)	
	Net income margin (%)	8.56	8.20	0.45	(2.26)	(3.96)		
	EPS (NT\$) (Note 2)	1.32	1.45	0.13	(0.14)	(0.11)		
Cash flow (%)	Cash flow ratio (%)	33.61	81.67	(7.05)	3.98	0.41		
	Cash flow adequacy ratio (%)	77.35	91.76	46.62	35.56	23.16		
	Cash flow reinvestment ratio (%)	(0.55)	6.42	(3.94)	(1.42)	0.10		
Leverage	Operating leverage	2.87	3.03	6.15	4.93	10.21		
	Financial leverage	1.04	1.03	1.37	2.68	1.25		
		<p>The cause of changes of more than 20% in financial rates over the last two years:</p> <ol style="list-style-type: none"> <li>1. The decrease in quick ratios resulted from an increase in inventory and current liabilities in 2015.</li> <li>2. The decrease in the interest coverage ratio resulted from a decrease in net profit before tax and an increase in interest expense in 2015.</li> <li>3. The decrease in receivables turnover and increase in average collection days resulted from an increase of bills receivable from the product sales during trial operation of the subsidiaries in China.</li> <li>4. The decrease in inventory turnover and increase in average turnover days resulted from an increase in inventory from the product sales during trial operation of the subsidiaries in China.</li> <li>5. The decrease in receivables turnover resulted from an increase of the payables in 2015.</li> <li>6. The decrease in property, plant, equipment and total assets turnover resulted from a decrease in 2015 revenue and an increase in property, plant, equipment and total assets.</li> <li>7. The decrease in ROA, ROE, ratio of net profit before tax to paid-in capital, net income margin and EPS resulted from the huge loss of 2015 net profit.</li> <li>8. The increase in operating gain to paid-in capital ratio resulted from an increase in 2015 operating gain.</li> <li>9. The increase in cash flow ratio and cash flow reinvestment ratio resulted from an increase in net cash inflow from 2015 operating activities.</li> <li>10. The decrease in cash flow adequacy ratio resulted from a decrease in net cash flow from last five years operating activities and an increase in expenditures.</li> <li>11. The increase in operating leverage resulted from an increase in 2015 consolidated variable costs and expenses.</li> <li>12. The increase in financial leverage resulted from an increase in 2015 consolidated interest expenses.</li> </ol>						

Note 1: The financial statement for Q1 of 2015 was reviewed by the external auditor.

Note 2: Based on the EPS after the retroactive adjustment on earnings and recapitalization of surplus.

## 2. Individual financial analysis

Item		Year	Financial analysis for the last five years				
		2011	2012	2013	2014	2015	
Financial structure (%)	Liabilities to assets		14.05	18.60	31.23	38.14	
	Long-term fund for property, plant and equipment		347.19	389.70	352.05	345.67	
Liquidity analysis (%)	Current ratio		130.73	88.02	73.75	203.32	
	Quick ratio		69.51	53.80	35.33	150.03	
	Interest coverage ratio		31,777.17	12,208.65	333.42	(137.88)	
Operation performance analysis	Receivables turnover (times)		13.42	15.48	13.87	15.33	
	Average collection days		27.19	23.58	26.32	23.80	
	Inventory turnover (times)		13.89	15.25	15.54	16.91	
	Payables turnover (times)		9.96	10.19	9.25	10.60	
	Average inventory turnover days		26.28	23.93	23.49	21.58	
	Property, plant and equipment turnover (times)		2.44	2.80	2.30	1.86	
	Total assets turnover (times)		0.64	0.68	0.55	0.49	
Profitability	ROA (%)	N/A	5.97	6.35	0.64	(0.32)	
	ROE (%)		6.87	7.54	0.69	(0.76)	
	Ratio to paid-in capital (%)	Operating gain		19.71	20.88	8.11	10.07
		Net profit before tax		14.53	17.37	1.08	(1.83)
	Net income margin (%)		9.35	9.22	0.94	(1.02)	
	EPS (NT\$) (Note)		1.32	1.45	0.13	(0.14)	
Cash flow (%)	Cash flow ratio (%)		86.60	127.14	11.43	124.87	
	Cash flow adequacy ratio (%)		97.71	112.23	85.03	84.16	
	Cash flow reinvestment ratio (%)		(0.06)	6.63	(2.42)	2.68	
Leverage	Operating leverage		2.19	2.48	3.27	2.89	
	Financial leverage		1.00	1.01	1.06	1.08	
<p>The cause of changes of more than 20% in financial rates over the last two years:</p> <ol style="list-style-type: none"> <li>1. The increase in liabilities to assets resulted from an increase in loan in 2015.</li> <li>2. The increase in current ratio and quick ratios resulted from an increase in cash and cash equivalents, and a decrease in short-term loan in 2015.</li> <li>3. The decrease in the interest coverage ratio resulted from a decrease in net profit before tax and an increase in interest expense in 2015.</li> <li>4. The decrease in ROA, ROE, net profit before tax to paid-in capital ratio, net income margin and EPS resulted from a decrease in 2015 net income margin.</li> <li>5. The decrease in operating gain to paid-in capital ratio resulted from an increase in 2015 operating gain.</li> <li>6. The increase in cash flow ratio resulted from an increase in net cash flow from 2015 operating activities and a decrease in short-term loan.</li> <li>7. The increase in cash flow reinvestment ratio resulted from an increase in net cash inflow from 2015 operating activities.</li> </ol>							

Note: Based on the EPS after the retroactive adjustment on earnings and recapitalization of surplus.

### The financial analysis formula:

1. Financial structure
  - (1) Liabilities to assets = Total liabilities/total assets
  - (2) Long-term fund for property, plant and equipment = (total equity + non-current liabilities)/net property, plant and equipment
2. Liquidity analysis
  - (1) Current ratio = current assets/current liabilities
  - (2) Quick ratio = (current assets-inventory-prepaid expense)/current liabilities
  - (3) Interest coverage ratio = earnings before interest and tax/interest expenses
3. Operation performance analysis
  - (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales/ average accounts receivable (including accounts receivable and notes receivable resulting from operation)
  - (2) Average collection days = 365/accounts receivable turnover
  - (3) Inventory turnover = cost of sales/average inventory
  - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = cost of sales/ average accounts payable (including accounts payable and notes payable resulting from operation)
  - (5) Average inventory turnover days = 365/inventory turnover
  - (6) Property, plant and equipment turnover = net sales/average net property, plant and equipment
  - (7) Total assets turnover rate = net sales/average total assets
4. Profitability
  - (1) ROA = [net income +interest expense\*(1-tax rate)]/average total assets.
  - (2) ROE = net income/average total equity
  - (3) Net income margin = net income/net sales
  - (4) Earnings Per Share = (income attributable to parent company –preferred stock dividend)/ weighed average number of shares outstanding
5. Cash flow
  - (1) Cash flow ratio = Net cash flow from operating activities/current liabilities
  - (2) Cash flow adequacy ratio = Net cash flow from operating activities over the last five years/ (capital expenditures + increase in inventory + cash dividends) over the last five years
  - (3) Cash flow reinvestment ratio = (Net cash flow from operating activities-cash dividends)/ (gross property, plant and equipment + long-term investment + other non-current assets + working capital)
6. Leverage:
  - (1) Operating leverage = (Net sales-variable operating costs and expenses)/operating income
  - (2) Financial leverage = Operating income/ (operating income-interest expenses)

## (II) Financial analysis for the last five years - ROC GAAP

### 1. Consolidated financial analysis

Item		Year	Financial analysis for the last five years					
			2011	2012	2013	2014	2015	
Financial structure (%)	Liabilities to assets		24.71	25.67	N/A (Note 1)			
	Long-term fund for fixed assets		253.07	242.69				
Liquidity analysis (%)	Current ratio		113.57	94.34				
	Quick ratio		85.71	55.13				
	Interest coverage ratio		12,434.81	2,790.59				
Operation Performance analysis	Receivables turnover (times)		18.30	14.68				
	Average collection days		19.95	24.86				
	Inventory turnover (times)		20.67	12.24				
	Average inventory turnover days		17.66	29.82				
	Payables turnover (times)		13.17	11.45				
	Fixed assets turnover (times)		2.52	1.94				
	Total assets turnover (times)		0.76	0.63				
Profitability	ROA (%)		14.78	5.57				
	ROE (%)		18.69	7.20				
	Ratio to paid-in capital (%)	Operating income (%)		32.14		15.43		
		Pre-tax income (%)		43.65		14.80		
	Net income margin (%)		19.30	8.59				
	EPS (NT\$) (Note 2)		3.31	1.32				
Cash flow (%)	Cash flow ratio (%)		85.06	29.95				
	Cash flow adequacy ratio		98.62	76.68				
	Cash flow reinvestment ratio		5.92	(0.99)				
Leverage	Operating leverage		1.91	2.75				
	Financial leverage		1.01	1.04				
Descriptions of changes of more than 20% in financial rates over the last two years: N/A								

Note 1: The Company has adopted the IFRSs as of 2013. Please refer to the financial analysis made in accordance with the IFRSs.

Note 2: Based on the EPS after the retroactive adjustment on earnings and recapitalization of surplus.

## 2. Individual financial analysis

Item		Year	Financial analysis for the last five years				
			2011	2012	2013	2014	2015
Financial structure (%)	Liabilities to assets		12.58	13.90	N/A (Note 1)		
	Long-term fund to fixed assets		326.94	323.54			
Liquidity analysis(%)	Current ratio		154.93	132.22			
	Quick ratio		106.36	69.48			
	Multiple of interest protection		119,578.00	31,912.06			
Operation Performance analysis	Receivables turnover (times)		16.99	13.41			
	Average collection days		21.48	27.21			
	Inventory turnover (times)		20.89	13.89			
	Average inventory turnover days		17.47	26.27			
	Payables turnover (times)		14.53	11.16			
	Fixed assets turnover (times)		3.24	2.44			
	Total assets turnover (times)		0.80	0.66			
Profitability	ROA (%)		16.66	6.26			
	ROE (%)		18.69	7.20			
	Ratio to paid-in capital (%)	Operating income (%)		37.06		19.60	
		Pre-tax income (%)		42.97		14.60	
	Net income margin (%)		20.78	9.39			
	EPS (NT\$) (Note 2)		3.31	1.32			
Cash flow (%)	Cash flow ratio (%)		227.66	87.27			
	Cash flow adequacy ratio		117.98	97.51			
	Cash flow reinvestment ratio		5.39	(0.08)			
Leverage	Operating leverage		1.72	2.20			
	Financial leverage		1.00	1.00			
Descriptions of changes of more than 20% in financial rates over the last two years: N/A							

Note 1: The Company has adopted the IFRSs as of 2013. Please refer to the financial analysis made in accordance with the IFRSs.

Note 2: Based on the EPS after the retroactive adjustment on earnings and recapitalization of surplus.

### The financial analysis formula:

1. Financial structure
  - (1) Liabilities to assets = Total liabilities/ total assets
  - (2) Long-term fund to fixed assets = (total shareholders' equity + long-term liabilities)/ net fixed assets
2. Liquidity analysis
  - (1) Current ratio = current assets/ current liabilities
  - (2) Quick ratio = (current assets-inventory-prepaid expense)/ current liabilities
  - (3) Interest coverage ratio = earnings before interest and tax/ interest expenses
3. Operation performance analysis
  - (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales/ average accounts receivable (including accounts receivable and notes receivable resulting from operation)
  - (2) Average collection days = 365/ receivable turnover
  - (3) Inventory turnover = cost of sales/ average inventory
  - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = cost of sales/ average accounts payable (including accounts payable and notes payable resulting from operation)
  - (5) Average inventory turnover days = 365/ inventory turnover
  - (6) Total fixed assets turnover rate = net sales/ net total fixed assets
  - (7) Total assets turnover rate = net sales/ average total assets
4. Profitability
  - (1) ROA = [net income + interest expense\*(1-tax rate)]/ average total assets.
  - (2) ROE = net income/ net average shareholders' equity
  - (3) Net income margin = net income/ net sales
  - (4) Earnings Per Share = (net profit after tax – preferred stock dividend)/ weighed average number of shares outstanding
5. Cash flow
  - (1) Cash flow ratio = Net cash flow from operating activities/current liabilities
  - (2) Cash flow adequacy ratio = Net cash flow from operating activities over the last five years/ (capital expenditures + increase in inventory + cash dividends) over the last five years
  - (3) Cash flow reinvestment ratio = (Net cash flow from operating activities-cash dividends)/ (gross fixed assets + long-term investment + other assets + working capital)
6. Leverage:
  - (1) Operating leverage = (Net sales-variable operating costs and expenses)/ operating income
  - (2) Financial leverage = Operating income/ (operating income-interest expenses)

### III. Supervisor's Audit Report on the Financial Statement for the Last Year

#### The Accounts Report 2015 audited by Supervisors

The preparation of the 2015 business report, financial statement, and motion for the offset of 2015 deficits of the Company is the responsibility of the Board of Directors, in which the financial statement audited by Y. W. Fan, CPA and C. P. Shih, CPA of Deloitte & Touche with an audit report was issued.

In our opinion, the said report, statement and motion for the offset of 2015 deficits are presented fairly; therefore, a report is furnished in accordance with Article 219 of Company Law.

To:

The General Shareholders' Meeting 2016

Supervisor: Paul Chuang



Supervisor: Eric Chueh



Supervisor: Doris Wu



March 17, 2016

### IV. In the case of insolvency of the Company and its affiliates: N/A



## V. Consolidated financial statements and external auditor's audit report for the recent year

(For the complete financial statements, please see the attachment to the annual report or view the MOPS on <http://mops.twse.com.tw/>)

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Oriental Union Chemical Corporation

We have audited the accompanying consolidated balance sheets of Oriental Union Chemical Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in 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 consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oriental Union Chemical Corporation and its subsidiaries as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated 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 Oriental Union Chemical Corporation as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified report.

March 17, 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.*

# ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 2,639,717	7	\$ 3,066,613	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	47,249	-	39,845	-
Available-for-sale financial assets - current (Notes 4 and 8)	59,676	-	61,805	-
Notes receivable, net (Notes 4 and 11)	680,306	2	114,445	1
Trade receivables, net (Notes 4 and 11)	597,179	2	712,245	2
Trade receivables - related parties (Notes 4, 11 and 30)	65,728	-	97,317	-
Other receivables (Notes 4, 11 and 30)	289,920	1	781,581	2
Inventories (Notes 4 and 12)	2,177,119	6	1,116,365	3
Prepayments for lease (Note 17)	11,040	-	11,309	-
Other prepayments	243,248	1	212,133	1
Prepayments for purchase	153,847	-	66,189	-
Other current assets (Note 18)	<u>1,665,371</u>	<u>4</u>	<u>1,093,211</u>	<u>3</u>
Total current assets	<u>8,630,400</u>	<u>23</u>	<u>7,373,058</u>	<u>21</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current (Notes 4, 8 and 29)	1,725,011	5	2,181,117	6
Financial assets measured at cost - non-current (Notes 4 and 9)	3,216,188	8	2,856,014	8
Debt investment with no active market - non-current (Notes 4, 10, 30 and 31)	57,091	-	56,862	-
Investments accounted for using equity method (Notes 4 and 14)	2,918,999	8	3,603,225	10
Property, plant and equipment (Notes 4 and 15)	9,185,579	24	6,230,845	18
Construction in progress (Note 15)	8,573,937	22	9,553,255	27
Investment properties (Notes 4, 16 and 27)	1,991,902	5	1,991,985	6
Intangible assets (Note 4)	28,027	-	20,007	-
Deferred tax assets (Notes 4 and 24)	387,799	1	180,982	-
Long-term prepayments for lease (Note 17)	472,756	1	495,035	1
Other non-current assets (Note 18)	<u>966,752</u>	<u>3</u>	<u>930,065</u>	<u>3</u>
Total non-current assets	<u>29,524,041</u>	<u>77</u>	<u>28,099,392</u>	<u>79</u>
<b>TOTAL</b>	<u>\$ 38,154,441</u>	<u>100</u>	<u>\$ 35,472,450</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 2,757,021	7	\$ 3,595,710	10
Trade payables	1,542,478	4	775,462	2
Trade payables - related parties (Note 30)	62,892	-	4,665	-
Other payables (Notes 20 and 30)	626,308	2	1,254,073	4
Other payables - related parties (Notes 20 and 30)	2,855,220	8	28,200	-
Current tax liabilities (Notes 4 and 24)	131,541	-	56,467	-
Current portion of long-term borrowings (Note 19)	-	-	411,450	1
Other current liabilities (Note 20)	<u>125,331</u>	<u>-</u>	<u>75,512</u>	<u>1</u>
Total current liabilities	<u>8,100,791</u>	<u>21</u>	<u>6,201,539</u>	<u>18</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 19)	11,184,128	29	8,560,437	24
Deferred tax liabilities (Notes 4 and 24)	573,266	2	564,748	2
Deferred revenue - non-current (Note 4)	159,965	-	173,871	-
Accrued pension liabilities (Notes 4 and 21)	225,871	1	176,770	1
Guarantee deposits	44,900	-	96,457	-
Other non-current liabilities	<u>45,534</u>	<u>-</u>	<u>52,346</u>	<u>-</u>
Total non-current liabilities	<u>12,233,664</u>	<u>32</u>	<u>9,624,629</u>	<u>27</u>
Total liabilities	<u>20,334,455</u>	<u>53</u>	<u>15,826,168</u>	<u>45</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 22)</b>				
Common stock	<u>8,857,031</u>	<u>23</u>	<u>8,857,031</u>	<u>25</u>
Capital surplus	<u>1,351,656</u>	<u>4</u>	<u>1,337,902</u>	<u>4</u>
Retained earnings				
Legal reserve	2,457,931	7	2,446,343	7
Special reserve	1,911,129	5	1,911,129	6
Unappropriated earnings	130,413	-	1,190,339	3
Total retained earnings	<u>4,499,473</u>	<u>12</u>	<u>5,547,811</u>	<u>16</u>
Other equities				
Exchange differences on translating foreign operations	339,930	1	496,962	1
Unrealized gain (loss) on available-for-sale financial assets	170,798	-	543,136	2
Total other equities	<u>510,728</u>	<u>1</u>	<u>1,040,098</u>	<u>3</u>
Treasury stock	<u>(187,798)</u>	<u>-</u>	<u>(187,798)</u>	<u>(1)</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>2,788,896</u>	<u>7</u>	<u>3,051,238</u>	<u>8</u>
Total equity	<u>17,819,986</u>	<u>47</u>	<u>19,646,282</u>	<u>55</u>
<b>TOTAL</b>	<u>\$ 38,154,441</u>	<u>100</u>	<u>\$ 35,472,450</u>	<u>100</u>

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

# ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Sales revenue (Notes 4 and 30)	\$ 13,887,130	100	\$ 14,108,791	100
Other operating revenue	<u>37,345</u>	-	<u>17,543</u>	-
Total operating revenues	<u>13,924,475</u>	<u>100</u>	<u>14,126,334</u>	<u>100</u>
<b>OPERATING COSTS</b>				
Cost of goods sold (Notes 12, 23 and 30)	<u>12,563,778</u>	<u>90</u>	<u>12,960,949</u>	<u>92</u>
<b>GROSS PROFIT</b>	<u>1,360,697</u>	<u>10</u>	<u>1,165,385</u>	<u>8</u>
<b>OPERATING EXPENSES (Notes 23 and 30)</b>				
Selling and marketing expenses	379,172	3	348,357	2
General and administrative expenses	312,410	2	297,896	2
Research and development expenses	<u>134,459</u>	<u>1</u>	<u>132,658</u>	<u>1</u>
Total operating expenses	<u>826,041</u>	<u>6</u>	<u>778,911</u>	<u>5</u>
<b>PROFIT FROM OPERATING</b>	<u>534,656</u>	<u>4</u>	<u>386,474</u>	<u>3</u>
<b>NON-OPERATING INCOME AND EXPENSE</b>				
Interest income (Note 4)	45,802	-	65,243	-
Rental income (Note 4)	31,130	-	37,621	-
Dividend income (Note 4)	88,804	1	74,775	1
Other income (Notes 4 and 30)	92,950	1	103,380	1
Gain on disposal of investments (Note 4)	62,665	-	181,273	1
Foreign currency exchange gain (Note 4)	(435,309)	(3)	26,135	-
Gain on financial assets at fair value through profit (Note 4)	2,464	-	9,293	-
Other expenses	(76,397)	-	(71,451)	(1)
Interest expense (Note 23)	(85,408)	(1)	(68,712)	-
Share of losses of associates and joint ventures (Note 4)	<u>(606,803)</u>	<u>(4)</u>	<u>(700,215)</u>	<u>(5)</u>
Total non-operating income and expenses	<u>(880,102)</u>	<u>(6)</u>	<u>(342,658)</u>	<u>(3)</u>
<b>(LOSS) PROFIT BEFORE INCOME TAX</b>	(345,446)	(2)	43,816	-
<b>INCOME TAX BENEFIT (Notes 4 and 24)</b>	<u>(30,829)</u>	<u>-</u>	<u>(20,190)</u>	<u>-</u>
<b>NET (LOSS) PROFIT</b>	<u>(314,617)</u>	<u>(2)</u>	<u>64,006</u>	<u>-</u>

(Continued)

# ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Actuarial loss arising from defined benefit plans	\$ (51,067)	-	\$ (13,437)	-
Share of other comprehensive income of associates and joint ventures	(296)	-	(495)	-
Income tax relating to components of other comprehensive income	8,680	-	2,286	-
Exchange differences on translating foreign operations	(157,527)	(1)	372,588	3
Unrealized (loss) gain from available-for-sale financial assets	(372,338)	(3)	(20,160)	-
Share of other comprehensive income of associates and joint ventures	<u>(67,182)</u>	<u>(1)</u>	<u>180,619</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(639,730)</u>	<u>(5)</u>	<u>521,401</u>	<u>4</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ (954,347)</u>	<u>(7)</u>	<u>\$ 585,407</u>	<u>4</u>
<b>NET PROFIT (LOSS) ATTRIBUTED TO:</b>				
Owners of the Corporation	<u>\$ (119,952)</u>	<u>(1)</u>	<u>\$ 116,525</u>	<u>1</u>
Non-controlling interests	<u>\$ (194,665)</u>	<u>(1)</u>	<u>\$ (52,519)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTED TO:</b>				
Owners of the Corporation	<u>\$ (692,005)</u>	<u>(5)</u>	<u>\$ 482,489</u>	<u>3</u>
Non-controlling interests	<u>\$ (262,342)</u>	<u>(2)</u>	<u>\$ 102,918</u>	<u>1</u>
<b>EARNINGS (LOSS) PER SHARE (Note 25)</b>				
Basic	<u>\$ (0.14)</u>		<u>\$ 0.13</u>	
Diluted	<u>\$ (0.14)</u>		<u>\$ 0.13</u>	

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

(Concluded)

**ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Corporation						Other Equities		Treasury Stock	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus		Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) from Available-for-sale Financial Assets			
		Paid-in Capital in Excess of Par Value	Treasury Stock	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2014	\$ 8,857,031	\$ 1,090,760	\$ 230,638	\$ 2,319,813	\$ 1,911,129	\$ 2,280,848	\$ 99,192	\$ 563,296	\$ (187,798)	\$ -	\$ 17,164,909
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(6,014)	-	-	-	-	(6,014)
BALANCE AT JANUARY 1, 2014 AS RESTATED	8,857,031	1,090,760	230,638	2,319,813	1,911,129	2,274,834	99,192	563,296	(187,798)	-	17,158,895
Appropriation of 2013 earnings											
Legal reserve	-	-	-	126,530	-	(126,530)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,062,844)	-	-	-	-	(1,062,844)
Balance after appropriations	<u>8,857,031</u>	<u>1,090,760</u>	<u>230,638</u>	<u>2,446,343</u>	<u>1,911,129</u>	<u>1,085,460</u>	<u>99,192</u>	<u>563,296</u>	<u>(187,798)</u>	<u>-</u>	<u>16,096,051</u>
Net profit (loss) for the year ended December 31, 2014	-	-	-	-	-	116,525	-	-	-	(52,519)	64,006
Other comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	-	(11,646)	397,770	(20,160)	-	155,437	521,401
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	-	104,879	397,770	(20,160)	-	102,918	585,407
Change in capital surplus from dividends distributed to subsidiary	-	-	16,504	-	-	-	-	-	-	-	16,504
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	2,948,320	2,948,320
BALANCE AT DECEMBER 31, 2014	8,857,031	1,090,760	247,142	2,446,343	1,911,129	1,190,339	496,962	543,136	(187,798)	3,051,238	19,646,282
Appropriation of 2014 earnings											
Legal reserve	-	-	-	11,588	-	(11,588)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(885,703)	-	-	-	-	(885,703)
Balance after appropriations	<u>8,857,031</u>	<u>1,090,760</u>	<u>247,142</u>	<u>2,457,931</u>	<u>1,911,129</u>	<u>293,048</u>	<u>496,962</u>	<u>543,136</u>	<u>(187,798)</u>	<u>3,051,238</u>	<u>18,760,579</u>
Net loss for the year ended December 31, 2015	-	-	-	-	-	(119,952)	-	-	-	(194,665)	(314,617)
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	(42,683)	(157,032)	(372,338)	-	(67,677)	(639,730)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	(162,635)	(157,032)	(372,338)	-	(262,342)	(954,347)
Change in capital surplus from dividends distributed to subsidiary	-	-	13,754	-	-	-	-	-	-	-	13,754
BALANCE AT DECEMBER 31, 2015	<u>\$ 8,857,031</u>	<u>\$ 1,090,760</u>	<u>\$ 260,896</u>	<u>\$ 2,457,931</u>	<u>\$ 1,911,129</u>	<u>\$ 130,413</u>	<u>\$ 339,930</u>	<u>\$ 170,798</u>	<u>\$ (187,798)</u>	<u>\$ 2,788,896</u>	<u>\$ 17,819,986</u>

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

# ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) profit before income tax	\$ (345,446)	\$ 43,816
Adjustments for:		
Depreciation expenses	595,115	519,636
Amortization expenses	24,061	25,298
Reversal of recognized on trade receivables	(1,466)	(100)
Gain on financial assets at fair value through profit	(2,464)	(9,293)
Interest expenses	85,408	68,712
Interest income	(45,802)	(65,243)
Dividend income	(88,804)	(74,775)
Share of loss of associates and joint ventures	606,803	700,215
Loss on disposal of property, plant and equipment	2,356	2,840
Gain on disposal of investment, net	(67,886)	(181,273)
Write-down of inventories	-	71,444
Reversal of write-down of inventories	(927)	-
Net loss on foreign currency exchange	284,612	75,409
Amortization of prepayment for leases	10,806	8,362
Changes in operating assets and liabilities		
Financial assets held for trading	(8,057)	23,345
Notes receivable	(565,746)	(50,355)
Trade receivables	116,417	115,000
Trade receivable - related parties	31,589	(84,533)
Other receivables	459,075	34,303
Inventories	(1,058,690)	(446,412)
Prepayments	(101,821)	(37,978)
Other current assets	(572,160)	(732,826)
Trade payables	767,016	(192,710)
Trade payables - related parties	58,227	3,514
Other payables	95,588	57,169
Other current liabilities	49,819	(40,293)
Accrued pension liabilities	(1,966)	4,943
Deferred revenue	(10,040)	(9,718)
Cash generated from (used in) operations	315,617	(171,503)
Interest received	65,527	41,895
Dividend received	88,804	79,091
Interest paid	(76,514)	(55,407)
Income tax paid	(70,855)	(331,318)
Net cash generated from (used in) operating activities	<u>322,579</u>	<u>(437,242)</u>

(Continued)

# ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	\$ (6,466)	\$ -
Proceeds on sale of available-for-sale financial assets	163,366	561,198
Increase in debt investments with no active market	(229)	-
Decrease in debt investments with no active market	-	16,234
Purchase of financial assets measured at cost	(360,174)	(360,175)
Acquisition for investments accounted for using equity method	-	(414,987)
Net cash generate from acquisition of subsidiaries	-	1,088,818
Payments for property, plant and equipment	(17,098)	(25,966)
Proceeds from disposal of property, plant and equipment	366	-
Payments for intangible assets	(12,874)	(4,460)
Increase in other non-current assets	(51,083)	(939)
Increase in unfinished construction and held for verify business facilities	(3,560,076)	(6,581,278)
Increase in other prepayment assets	<u>-</u>	<u>(1,629)</u>
Net cash used in investing activities	<u>(3,844,268)</u>	<u>(5,723,184)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayments of) proceeds from short-term borrowings	(1,559,031)	1,758,231
Proceeds from long-term borrowings	6,435,904	6,896,150
Repayments of long-term borrowings	(3,700,587)	(636,418)
(Decrease) increase in guarantee deposits	(51,557)	11,146
Increase in other payables - related parties	2,830,787	-
(Decrease) increase in other non-current liabilities	(6,812)	26,518
Dividends paid to owners of the Corporation	(871,949)	(1,046,340)
Change in non-controlling interest	<u>-</u>	<u>624,072</u>
Net cash generated from financing activities	<u>3,076,755</u>	<u>7,633,359</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>18,038</u>	<u>113,028</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(426,896)	1,585,961
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,066,613</u>	<u>1,480,652</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,639,717</u>	<u>\$ 3,066,613</u>

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

(Concluded)

## Seven.

### Review and analysis of the financial position and performance and risk management

#### I. Financial position review

##### Review and analysis of consolidated financial position

Currency unit: NTD thousand

Item \ Year	2015	2014	Variance	
			Amount	%
Current assets	\$ 8,630,400	\$ 7,37,058	\$ 1,257,342	17
Property, plant and equipment	17,759,516	15,784,100	1,975,416	13
Intangible assets	28,027	20,007	8,020	40
Other assets	11,736,498	12,295,285	( 558,787)	( 5)
Total assets	38,154,441	35,472,450	2,681,991	8
Current liabilities	8,100,791	6,201,539	1,899,252	31
Non-current liabilities	12,233,664	9,624,629	2,609,035	27
Total liabilities	20,334,455	15,826,168	4,508,287	28
Capital stock	8,857,031	8,857,031	0	0
Capital surplus	1,351,656	1,337,902	13,754	1
Retained earnings	4,499,473	5,547,811	( 1,048,338)	( 19)
Other equities	510,728	1,040,098	( 529,370)	( 51)
Treasury stock	( 187,798)	( 187,798)	0	0
Interest attributable to parent company	15,031,090	16,595,044	( 1,563,954)	( 9)
Non-controlling interest	2,788,896	3,051,238	( 262,342)	( 9)
Total equities	17,819,986	19,646,282	( 1,826,296)	( 9)

Note: The causes of changes in analysis of more than 20%:

- 1.The increase in intangible was resulted from the increase of intangible assets of subsidiary in 2015.
- 2.The increase in current, non-current and total liabilities was resulted from the increase of loan in 2015.
- 3.The decrease in other equities was a result of the decline in the unrealized gain from available-for-sale financial assets.



## II. Financial performance analysis

### Analysis on consolidated financial performance

Currency unit: NTD thousand

	2015	2014	Increase (decrease)	Ratio (%)
Operating revenue	\$ 13,924,475	\$ 14,126,334	(\$ 201,859)	( 1)
Operating cost	12,563,778	12,960,949	( 397,171)	( 3)
Gross profit	1,360,697	1,165,385	195,312	17
Operating expenses	826,041	778,911	47,130	6
Operating income	534,656	386,474	148,182	38
Non-operating revenue and expense	( 880,102)	( 342,658)	( 537,444)	157
Profit before income tax	( 345,446)	43,816	( 389,262)	( 888)
Income tax benefit	( 30,829)	( 20,190)	( 10,639)	53
Net profit	( 314,617)	64,006	( 378,623)	( 592)
Other comprehensive income	( 639,730)	521,401	( 1,161,131)	( 223)
Total comprehensive income	( 954,347)	585,407	( 1,539,754)	( 263)
Net income attributable to Mother Company	( 119,952)	116,525	( 236,477)	—
Net income attributable to non-controlling interest	( 194,665)	( 52,519)	( 142,146)	—
Total comprehensive income attributable to Mother company	( 692,005)	482,489	( 1,174,494)	—
Total comprehensive income attributable to non-controlling interest	( 262,342)	102,918	( 365,260)	—
<p>1. Notes to increase/decrease:</p> <p>(1) The increase in operating income was resulted from the gross margin improvement due to price decline of major feedstock ethylene.</p> <p>(2) The decrease in non-operating revenue and expenses was resulted from the increase in the share of losses of associates and joint ventures in 2015.</p> <p>(3) The increase in income tax benefit was a result of a decrease in income tax expenses and an increase in deferred tax assets due to the loss before income tax in 2015.</p> <p>(4) The increase in net loss was resulted from the increase in the share of losses of associates and joint ventures in 2015.</p> <p>(5) The increase in total comprehensive income was resulted from an increase in the unrealized gain from available-for-sale financial assets, and a decrease in the exchange differences on the translating foreign operations.</p> <p>2. The crucial factors of 2016 sales volume forecast, and the continuous growth or decline reflected from such forecast are based on the follows: The optimal production rates of EG, GAS and Specialty Chemicals are to follow the overall operation strategy of the Company, to create the optimal profits. (Please refer to “Message to Shareholders” for detail).</p>				

### III. Cash flow review and analysis

#### (I) Analysis of change in cash flow of last year

Currency unit: NTD thousand

Year	Balance of cash – beginning	Net cash flow from operating activities over the year	Cash outflow over the year	Surplus (deficit)	Remedy for deficit in cash	
					Investment plan	Financing plan
2015	3,066,613	322,579	749,475	2,639,717	-	-

1. Analysis of changes in cash flow
  - (1) Operating activities: primarily operating capital inflow and receipt of cash dividend.
  - (2) Investment activities: primarily capital expenditure and equity investment.
  - (3) Financing activities: primarily for the increase of loan and distribution of cash dividend.
2. Analysis of liquidity:
 

Analysis of liquidity (Please refer to the cash flow analysis referred to in the financial analysis for the last five years):

The decrease in cash flow reinvestment ratio in the most recent year from the previous year was a result of the net cash inflow from operating activities lessened in 2015.

#### (II) Analysis of change in cash flow of next year

Currency unit: NTD thousand

Year	Balance of cash – beginning	Net cash flow from operating activities over the year	Cash outflow over the year	Surplus (deficit)	Remedy for deficit in cash	
					Investment plan	Financing plan
2016	2,639,717	2,160,000	2,953,000	1,846,717	-	-

1. Analysis of changes in cash flow
  - (1) Cash flow from operating activities: It is expected that the net cash inflow from operating activities will be 2,160,000 thousand NTD this year.
  - (2) Projected cash outflow: primarily from the projects expenditures and cash dividend distribution; it is expected that the cash outflow from investment and financing activities will be 2,953,000 thousand NTD in 2016.
2. Remedy for deficit in cash: N/A

### IV. The effect of major capital expenditure on the financial position and operation of the Company

#### (I) Status of utilization of major capital expenditure and source of capital

##### Domestic capital expenditure

Currency unit: NTD thousand

Item	Project	Actual source of capital	Est. date of completion	Total capital expenditure	Status of capital utilization			
					2013	2014	2015	2016 estimated
(1)	RTO-1 renovation project	Own capital and financing	2016.6	\$60,000	—	\$23,807	\$6,949	\$29,244
(2)	EO capacity expansion and construction of new ASU #3 plant	Own capital and financing	2016.5	\$2,250,000	\$184,648	\$1,129,231	\$576,149	\$359,972
(3)	Construction of new CO2 #3 plant	Own capital and financing	2016.6	\$320,000	—	—	\$194,346	\$125,654
(4)	Construction of new Ethylene Recovery Unit	Own capital and financing	2016.6	\$50,000	—	—	\$231	\$49,769

## Overseas capital expenditure

Currency unit: RMB thousand

Item	Project	Actual source of capital	Est. date of completion	Total capital expenditure	Status of utilization of capital				
					2012	2013	2014	2015	2016 estimated
(1)	Far Eastern Union Petrochemical (Yangzhou) Ltd project of EG & HPEO	Own capital and financing	2016.6	\$2,182,710	\$8,738	\$291,379	\$761,711	\$370,271	\$750,611
(2)	Tong Da Gas Industries(Yangzhou) Ltd project of cryogenic ethylene tank and air separation plant	Own capital and financing	2015.12	\$620,163	—	—	\$339,222	\$193,669	\$87,272
(3)	Oriental Petrochemical (Yangzhou) Corp project of EOD technical innovation & expansion	Own capital and financing	2016.12	\$49,000	—	—	—	\$20,661	\$28,339

## (II) Projected potential effects

1. Analysis of effects of the capital expenditures:

### Domestic capital expenditure

- (1) RTO-1 Renovation project

The renovation of Regenerative Thermal Oxidizer (RTO), a spare equipment of environmental protection, is to deal with the emission of VOC waste gas from EO production.

- (2) EO capacity expansion and construction of new ASU #3 plant

The additional EO reactor for EO debottlenecking will increase output by approx. 120,000 tons per year. An Air Separation Unit (ASU) will also be set up to provide the oxygen needed. Upon completion, the problem of insufficient EO raw material will be resolved and enough will be available for the production of high value-added EOD.

- (3) Construction project for new CO2 III plant

After completion of new CO2 plant, the increased waste CO2 emission after EG re-debottlenecking can be recycled and produced to expand the Company's liquid CO2 product volume as well as profit.

### Overseas capital expenditure

- (1) Far Eastern Union Petrochemical (Yangzhou) Ltd, project for MEG and high-purity EO

Investment in construction of EG and high-purity EO facility at Far Eastern Union Petrochemical (Yangzhou) Ltd (including the relevant utilities) aims to supply local EG market. The high-purity EO may be supplied to the Oriental Petrochemical (Yangzhou) Corporation directly to reduce the product cost since EO outsourcing will no longer be needed.

- (2) Tong Da Gas Industries (Yangzhou) Ltd, project for the cryogenic ethylene tank and air separation plant

Tong Da Gas Industries (Yangzhou) Ltd provides ethylene tank service and oxygen as raw materials to Far Eastern Union Petrochemical (Yangzhou) Ltd, and also sells industrial gas products such as oxygen/nitrogen/argon gas and liquid to local market.

- (3) Oriental Petrochemical (Yangzhou) Corp, project of EOD technical innovation & expansion

The investment in new equipment, including relevant public facilities, aims to increase the EOD product category and volume, as well as profit.

2. The proposed capital expenditure would help to secure the source of raw material, stability and safety of the plant's operation. There would be no adverse effect on the financial position and operation of the Company.

## **V. Direct investment policy, the main reasons for profit or loss as well as the corrective action plan over past year, and an investment plan for next year**

### **(I) Reinvestment policy**

The Company has invested indirectly in the business of EO, EG, GAS and storage tank in China, via its holding company, to diversify company operations, enhance its competitiveness and expand market share in China.

### **(II) The main reasons for profit or loss and the corrective action plan over past year (2015)**

The share of losses by reinvestment in 2015 was mainly owing to the slump of PTA market, of which supply over demand remains unchanged. Nevertheless, the remedy of a turnaround can be attributed as follows:

1. The large scale of PTA expansion is coming to an end by 2016.
2. The raising demands in industrial safety and environmental protection in China have forced the producers, which fail to meet the standard requirements, to shut down operation, by which means help solve the overcapacity and maintain the balance in supply and demand.
3. Some sole PTA manufactures have been compelled to seal inefficient product line, shut down plant, or reorganize in the past three years on account of the extremity of PTA market, lack of downstream channel for deinventory, or under suffering of enormous losses.
4. In favor of competitors' backing out, the management team of reinvested PTA plant has been dedicated to lowering the controllable cost, increasing fine clients, and collaborating in the development of high value-added products in polyester industry with the Group.

### **(III) Substantial investment plans for next year**

The Company intends to acquire common shares of Oriental Petrochemical (Yangzhou) Corporation in a total amount of USD10 million.

## **VI. Analysis of risk factors**

### **(I) Impact of interest and exchange rate changes and inflation for last year, and the future**

1. The impact of interest and exchange rate changes on Company income, and future countermeasures:

In view of the divergent economic trends and monetary policies globally, the Central Bank is expected to maintain its current monetary policy with limited interest rate volatility. However, to lower the probable volatility risk of interest rate due to the global economic changes, the Company adopts various days structure for short-term operation, and targets mid- and long-term interest rates, along with financing tools planning of fixed interest rate, in hopes of reducing the effects on the rising interest rate from the future economic changes and the increase in the Company's financing costs. To cut down the overall financing costs, the Company will retain observation on the trend of interest rate and implement long- and short-term financial planning.

2. The impact of foreign exchange rate changes on Company income, and future countermeasures:

The Company and its joint-venture company adopt natural hedging for foreign currency assets and liabilities due to the import & export operation. Same strategy will be adhered in the future to retain the evaluation of exchange gain and loss caused by exchange rate changes within reasonable level to reduce possible impact on the income of the Company and its joint-venture.

3. The impact of inflation on Company income, and future countermeasures:

According to the data of Directorate-General of Budget, Accounting & Statistics, national economic growth in 2015 is 0.75%, CPI growth rate -0.31%, while CPI growth rate of March 2016 is 2.00% and 2016 growth rate is expected to be 1.47%, with no apparent inflation. With respect to the overall in 2016, USA has released the info of lifting interest rate, while economy in China is slowing down. Japan and Europe adhere to the QE policy, keeping low interest rate, so to decrease the inflation risk and boost the economy. In the future, the Company will not only carry out energy-saving and production process improvement projects to reduce cost, but also to engage in the development of high gross margin products to enhance competitiveness and reduce the impact of inflation on Company income.

### **(II) Policy on high-risk, high-leverage investments, loans, endorsements and guarantees, financial derivative transactions, and other major causes of profit or loss, and future countermeasures:**

1. The Company did not engage in any high-risk, high-leverage investments or financial derivatives transactions over past year.

- The Company defined its "Procedure for Loaning to Others" and "Procedure for Endorsements/Guarantees" in accordance with the "Regulations Governing the Loan of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated and enforced by the competent authority, and this was submitted to the Company Board of Directors and the shareholders' meeting. To comply with risk control and protect the Company from any adverse results, "Procedure for Loaning to Others" and "Procedure for Endorsements/ Guarantees" ratified by the Board of Directors and shareholders' meeting will be followed accordingly.

### (III) Future R&D plans and expected R&D expenditure:

In 2016, the Company will strive to develop new EOD/POD product lines and direct R&D towards the following areas:

- R&D major capital expenditure projects as follows:

Currency unit: NTD thousand

Name of Project	Expected Result	Projected completion date	Budget (NT\$)
Development of a continuous alkene epoxidation process technology	Improving the catalytic activity of TSCC-1& TSCC-2 (Conv. of CHP > 97%)	2016/12	5,000
Development of alcoholate benzene ester synthesis technology	Synthesis of benzene dicarboxylic acid ester derivatives used in polyester resin modification	2016/12	3,000
Development of polyether polyols with low unsaturation, high activity and high molecular weight	Using the Lewis acid-type catalytic to synthesize low unsaturated degree polyether products used in polyurethane modification	2016/12	10,000
Polyether alcohol-base conversion of derivational reaction	Synthesizing a variety of polyether amino compounds used in epoxy and PU industrial	2016/12	2,000
Continue to develop customized high value-added specialty chemicals	Synthesizing a variety of synthesis alcohol ethoxylated, UV-curing resin of polyether, and EO/PO copolymer surfactants with low foam	2016/12	6,000

- Major factors critical to successful R&D:

- (1) The Ti active site is thermal sensitive. Ti-SiO<sub>2</sub> catalyst will lose its activity after heat treatment. The key point is to overcome the challenges in catalytic activity decrease resulting from the heat treatment.
- (2) Technology of isolation and purification of benzene dicarboxylic acid ester derivatives.
- (3) New technology of synthesis of high reactive catalysts

### (IV) Changes in important policies and the legal environment at home and abroad, and the effect on Company financial status and operation, and countermeasures:

- Company management will closely monitor the changes in important policies and the legal environment at home and abroad, and have the professional entity provide suggestions and countermeasures.
- In addition to the insurance for assets risk transfer, the Company conducts regular reviews on customers' status prior to deciding the credit ratings and allowances in the Credit Committee, to lower the risk exposure in terms of finance.
- To urge Taiwan to apply International Financial Reporting Standards (IFRSs), The Financial Supervisory Commission of the Executive Yuan has required that the listed companies shall, commencing 2015, prepare their financial statements in accordance with the IFRSs translated and released by the Accounting Research and Development Foundation as of 2014.

### (V) Technological and industrial changes, and their effect on the financial status and operation of the Company, and countermeasures:

Based on the original foundation, the Company shall promote the new model of water reducer monomer HPEG2400, the refined low-usage-catalyst PEG-r and PAHs series, which are functionally customized products.

The Company has endeavored to transform itself into a SC company to disperse the business risk, especially in the light of the recent and rapid economic growth on the Mainland. This has increased the average per capita income, and the demand for personal care products, detergents, medical care, civil engineering and textile is now substantial. In consideration of the source of raw materials, the Company has established EOD plants in Taiwan and Yangzhou, China, planning to introduce new PO manufacturing process and develop high profit POD products. The present plant in China is primarily engaged in the production of EO derivatives, while Taiwan plant is in producing high value-added products, as a joint development of the Company towards diversification.

**(VI) The Impact of changes in corporate identity on Company crisis management, and countermeasures:**

The Company steadfastly adheres to an enterprise spirit that highlights "Sincerity, Diligence, Thrift, Prudence and Innovation", and fulfills all their corporate social responsibilities including environmental protection, responsible care and good neighborliness. The business crisis has not resulted in any change of corporate identity.

**(VII) The expected benefits and possible risks of merger or acquisition, and countermeasures:**

The Company has had no plans for merger or acquisition in recent years.

**(VIII) Expected benefits and possible risks of facility expansion, and countermeasures:**

Please refer to the statement regarding the effects of major capital expenditure on the financial position and operation of the Company over the last year referred to on Pages 94~95 of the annual report.

**(IX) The risks from centralized purchasing or selling, and countermeasures**

The primary supply of Ethylene, the raw material of the main Company products (EO/EG) comes from CPC in Taiwan. To ensure a stable source of material, the Company maintains a long-term stable cooperative relationship with CPC, and is seeking proactively other foreign source supply to reduce the risks attendant to single centralized purchase, to maintain normal production and sales.

Most of the Company's products are sold on the Taiwan market, and surplus is exported to other territories. These territories and industries have been adequately dispersed and there is no likelihood of centralization.

**(X) The impact and risk associated with large share transfers or changes in shareholdings of Directors, Supervisors, or shareholders who hold more than 10% of the Company's shares, and countermeasures: N/A**

**(XI) The impact and risk associated with changes in management rights, and countermeasures: N/A**

**(XII) Litigation and non-litigation matters which might materially affect shareholder equity or the price of securities: N/A**

**(XIII) Other substantial risks: N/A**

**VII. Other important notes: N/A**

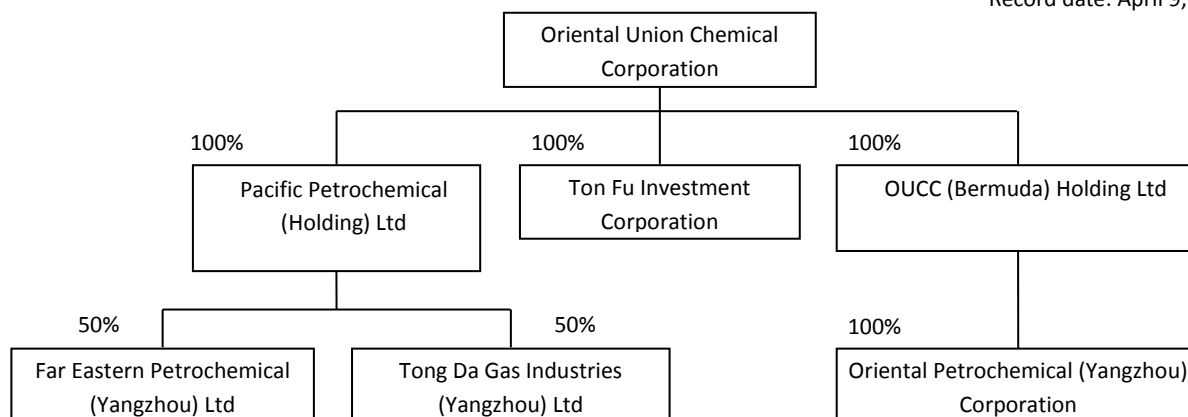
## EIGHT. Special Disclosure

### I. Information of affiliates

#### (I) Consolidated financial report on affiliates

1. Organizational chart of affiliations:

Record date: April 9, 2016



2. Profiles of affiliates

Currency unit: NT\$ thousand, unless otherwise noted

Name	Date of incorporation	Address	Paid-in capital	Principal business or product lines
Tong Fu Investment Corporation	May 1998	13F, No. 101, Fuhsing N Road, Taipei City	NTD1,142,993	Investment
Pacific Petrochemical (Holding) Ltd	October 2002	P O Box 3140, Road Town, Tortola, British Virgin Islands	US\$ 134	Investment
OUCC (Bermuda) Holding Ltd	September 2007	Ram Re House, 2 <sup>nd</sup> Flr, 46 Reid Street, Hamilton, HM 12, Bermuda	US\$ 30	Investment
Oriental Petrochemical (Yangzhou) Corporation	July 2008	No. 8, Ya Tung Road, Yi Cheng City, Yangzhou	US\$60,000	Production and sale of EA, EC, AEO, PEG and MPEG
Far Eastern Union Petrochemical (Yangzhou) Ltd	May 2012	No. 8, Ya Tung Road, Yi Cheng City, Yangzhou	US\$132,200	Production of chemical engineering products (EG, MEG, DEG, TEG and EO)
Tong Da Gas Industries (Yangzhou) Ltd	December 2013	No. 8, Ya Tung Road, Yi Cheng City, Yangzhou	US\$67,000	Construction of cryogenic ethylene tank and air separation unit

3. Business lines covered by the industries engaged in by affiliates: Please see the profile of affiliates.

4. The profiles of Directors, Supervisors and Presidents of affiliates.

Unit: share; %  
Record date: April 11, 2016

Name	Job title	Name or representative	Shares held when appointed	
			Quantity of shares (share)	Shareholding (%)
Tong Fu Investment Corporation	Director Supervisor President	Oriental Union Chemical Corporation Humphrey Cheng (Chairman), Victoria Peng, Amy Cheng C. S. Tu Humphrey Cheng	114,299,328	100
Pacific Petrochemical (Holding) Ltd	Director	Oriental Union Chemical Corporation Douglas T. Hsu (Chairman), Johnny Shih, Justin Tsai, K.S. Wu, Humphrey Cheng	134,423	100
OUCC (Bermuda) Holding Ltd	Director	Oriental Union Chemical Corporation Douglas T. Hsu (Chairman), Johnny Shih, Justin Tsai, K.S. Wu, Humphrey Cheng	39,508	100
Oriental Petrochemical (Yangzhou) Corporation	Director Supervisor President	OUCC (Bermuda) Holding Ltd Humphrey Cheng (Chairman) Justin Tsai, Peter Pan, C.K.Tsai, R H. Shao, K.J. Chen, and James Chou Brian Lee James Chou	—	100
Far Eastern Union Petrochemical (Yangzhou) Ltd	Director Supervisor President	Far Eastern Petrochemical (Holding) Ltd. Humphrey Cheng (Chairman), K.S. Wu Pacific Petrochemical (H) Ltd. Justin Tsai, Victoria Peng, James Chou Judy Wang, Mike Wu James Chou	—	50
Tong Da Gas Industries (Yangzhou) Ltd	Director Supervisor President	Far Eastern Petrochemical (Holding) Ltd. Humphrey Cheng (Chairman), K.S. Wu Pacific Petrochemical (H) Ltd. Justin Tsai, Victoria Peng, James Chou Judy Wang, Mike Wu James Chou	—	50

5. Overview of affiliates operation:

Currency unit: NT\$ thousand,  
unless otherwise noted  
Record date: December 31, 2015

Name	Paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income	Net Income	EPS (NT\$)
Tong Fu Investment Corporation	1,142,993	1,282,487	545	1,281,942	51,099	48,426	51,322	0.45
Pacific Petrochemical (H) LTD.	4,188	6,079,858	381,907	5,697,951	0	(37,166)	(829,596)	(6,171.54)
OUCC Bermuda (H) LTD.	1,243	1,709,237	834,379	874,858	0	(627)	(417,021)	(10,555.34)
Oriental Petrochemical (Yangzhou) Corporation	1,799,600 RMB396,766	2,637,216 521,707	1,904,524 376,762	732,692 144,945	1,763,598 346,018	(260,985) (51,205)	(347,286) (68,138)	N/A
Far Eastern Union Petrochemical (Yangzhou) LTD.	3,916,584 RMB816,111	12,608,870 2,494,347	9,145,074 1,809,123	3,463,796 685,224	329,221 64,593	(159,407) (31,276)	(422,396) (82,874)	N/A
Tong Da Gas Industries (Yangzhou) LTD.	2,027,982 RMB411,474	2,969,752 587,490	855,756 169,290	2,113,996 418,200	219,320 43,031	38,171 8,165	33,066 6,488	N/A



**(II) Consolidated financial statement of affiliates**

Declaration of consolidated financial statement of affiliates

The companies to be included by the Company in the consolidated financial statements of affiliates in accordance with the “Regulations Governing Preparation of Consolidated Financial Statements of Public Companies and Their Affiliates” are identical to those included in the consolidated financial statements of the parent company and subsidiaries prepared under IFRS 10. In any case, the information to be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of the parent company and subsidiaries. Therefore, the Company has not prepared separate consolidated financial statements for affiliates.

Declarant:

Company name: Oriental Union Chemical Corporation

Responsible person: Douglas T. Hsu



March 17, 2016

**(III) Affiliate report: N/A**

**II. Private placement of securities: N/A**

**III. Status of Company stock held or disposed of by subsidiaries over past year and up to the date of publication of the annual report:**

Currency unit: NTD thousand; share; %

Name of subsidiary	Paid-in capital	Source of capital	the Company's shareholding	Date of acquisition or disposal	Quantity of shares and amount	Quantity of shares from disposal and amount	Investment income	Quantity of shares held up to the date of publication of the annual report and amount	Status of pledge	Amount of endorsement/guarantee made by the Company for a subsidiary	Amount loaned by the Company to a subsidiary
Ton Fu Investment Corporation	1,142,993	—	100%	—	—	—	—	Quantity of shares 13,754 thousand shares  Amount 268,203 thousand	—	2015/12/31: 400,000  2016/5/15: 400,000	—

**IV. Other supplementary notes: N/A**

**V. Any matters of material significance that could have affected shareholder equity or securities price last year and up to the date of publication of the annual report, pursuant to the regulation of Article 26-3-2 of Securities Laws: N/A**

**Oriental Union Chemical  
Corporation**



**Chairman of the Board**

徐旭東 