



Stock Code : 9904

寶成工業股份有限公司

POU CHEN CORPORATION

# Handbook for the 2018 Annual General Shareholders' Meeting

**Notice to readers**

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



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## **I. Meeting Procedure**

**Pou Chen Corporation**  
**2018 Annual General Shareholders' Meeting Procedure**

1. Call the Meeting to Order
2. Chairperson Remarks
3. Report Items
4. Ratifications
5. Election Matter
6. Other Matters
7. Extraordinary Motions
8. Adjournment



## II. Meeting Agenda

### **Pou Chen Corporation** **2018 Annual General Shareholders' Meeting Agenda**

**Date and Time:** June 15, 2018 (Friday) at 9:30 a.m.

**Location:** Conference room on the 3<sup>rd</sup> floor of the Company's office building in the Fu Hsin Industrial Park located at No. 2, Fu-Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan

#### **Chairperson Remarks**

##### **A. Report Items**

1. 2017 Business and Financial Report. (please refer to pages 3-30 )
2. The Audit Committee's Review Report on the 2017 Financial Statements. (please refer to pages 31-32 )
3. Report on the 2017 Distribution of Employees' Compensation and Directors' Remuneration. (please refer to page 33 )

##### **B. Ratifications**

1. Ratification of the 2017 Business Report and Financial Statements. (please refer to page 33 )
2. Ratification of the proposed 2017 profit distribution plan. (please refer to pages 33-34 )

##### **C. Election Matter**

By election of one independent director of the Company. (please refer to page 35)

##### **D. Other Matters**

Proposal for release the Director of the Company from non-competition restrictions.  
(please refer to page 35)

##### **E. Extraordinary Motions**

##### **F. Adjournment**

**A. Report Items**

**1. 2017 Business and Financial Report**

**a. Business Report**

**i. Operational Review**

The Company's non-consolidated revenue in 2017 was NT\$11.7 billion, the consolidated revenue was NT\$278.6 billion, which reflects an increase of 1.36% compared to the previous year (2016: NT\$274.9 billion), and the net income attributed to owners of the Company was NT\$12.9 billion, a slight decrease of 1.04% compared to the previous year (2016: NT\$13.0 billion). (Schedule 1 and Schedule 1-1)

**(1) Operating revenue**

The Company's consolidated revenue was generated from its two core businesses: manufacturing of shoes, and retailing of sporting goods and brand licensing business, accounting for 67% and 33% of consolidated revenue respectively. (Schedule 2)

The Company's consolidated revenue in 2017 increased by NT\$3.7 billion compared to the previous year, primarily benefited from the steady performance of the Company's manufacturing business, while the growth of its retailing of sporting goods and brand licensing business was attributed to the expansion of its sales network and improved operational efficiency.

**(2) Income from operations**

Attributed to the continual growth of its consolidated revenue and concerted effort in improving operational efficiency of manufacturing business, the Company's consolidated gross profit in 2017 was NT\$73.1 billion, which reflects an increase of 3.82% compared to the previous year (2016: NT\$70.4 billion). As for operating expenses, selling and distribution expenses increased when compared to the previous year due to the expansion of sales network for retailing of sporting goods and brand licensing business, as well as the upgrade and optimization of stores. Hence, consolidated operating margin decreased from 6.4% to 6.1%. Consolidated income from operations in 2017 decreased 4.03% to NT\$17.1 billion compared to the previous year (2016: NT\$17.8 billion).

**(3) Net income and Earnings per share**

The net income attributable to owners of the Company in 2017 slightly decreased by NT\$100 million compared to the previous year, resulting in EPS of NT\$4.38 which was a slight decrease of NT\$0.05 compared to the previous year (2016: NT\$4.43).



# POU CHEN CORPORATION

## Schedule 1: Consolidated Financial Statements

(in NT\$ thousands, except earnings per share)

Year Item		2017		2016		+(-)%
		Amount	%	Amount	%	
Operating revenue		278,631,872	100%	274,895,346	100%	1.36%
Gross profit		73,068,324	26%	70,382,794	25%	3.82%
Income from operations		17,068,098	6%	17,785,183	6%	(4.03%)
Income before income tax		24,817,504	9%	26,279,802	9%	(5.56%)
Net income for the year		21,730,590	8%	23,001,919	8%	(5.53%)
Net income attributable to	Owners of the Company	12,921,606	5%	13,057,050	5%	(1.04%)
	Non-controlling interests	8,808,984	3%	9,944,869	3%	(11.42%)
Earnings per share (Basic)		4.38		4.43		

## Schedule 1-1: Separate Financial Statements

(in NT\$ thousands, except earnings per share)

Year Item		2017		2016		+(-)%
		Amount	%	Amount	%	
Operating revenue		11,704,905	100%	12,294,428	100%	(4.80%)
Gross profit		3,982,222	34%	3,834,602	31%	3.85%
Income from operations		478,923	4%	244,462	2%	95.91%
Income before income tax		13,343,958	114%	13,790,027	112%	(3.23%)
Net income for the year		12,921,606	111%	13,057,050	106%	(1.04%)
Earnings per share (Basic)		4.38		4.43		

## Schedule 2

(in NT\$ thousands)

Year Primary business		2017		2016	
		Amount	%	Amount	%
Manufacturing of shoes		185,597,169	67%	194,830,122	71%
Retailing of sporting goods and brand licensing business		92,101,627	33%	78,880,234	29%
Other		933,076	-	1,184,990	-
Total		278,631,872	100%	274,895,346	100%

## **ii. Research and Development**

In 2017, the Company invested 2.3% of its consolidated revenue in research & development (R&D). R&D items include making production processes more flexible, developing an optimized system with automated production equipment connected to the IoT, incorporating and improving new production models and new manufacturing technologies, in order to constantly improve operational efficiency and productivity. The Company has established an independent R&D team and development Center for each of its major customers. The Company works closely with its customers in the stages of product development up to the completion of the product-prototype development, using its technical capabilities and abundant practical experience as well as innovative elements and materials, so as to provide customers with high quality footwear products, innovative services, and solutions.

## **iii. Corporate Social Responsibility**

As a socially and environmentally responsible corporate citizen, the Company actively implements corporate social responsibility while in pursuit of creating profit and seeking business performance. The Company values the rights and interests of its stakeholders, including customers, employees, investors, suppliers, and the community and continues to promote the following activities:

### **(1) Environmental Protection, Energy Conservation, and Carbon Reduction**

Facing environmental sustainability issues, the Company continues to implement the effective operation of environmental pollution prevention mechanisms, promote clean production, and reduce the environmental impact of production processes, as well as to strength the efficiency and recycling ratio of energy and resource usage through an energy monitoring system and energy-efficient equipments. The Company will further expand renewable energy applications to meet international trends and customers' expectations.

### **(2) Safety and Health Management**

The Company has refined its risk management by adopting safety designs and professional review in the process of factory constriction, equipment procurement, or maintenance and renovation; testing and acceptance procedures have also been strengthened to ensure requirements are met. The Company will continue to strengthen occupational hazard prevention, improve the environmental and occupational health and safety management mechanism, implement equipment improvement projects, and provide employees with a safer and healthier workplace.

### **(3) Compliance Management**



The Company coordinates internal functional units to continue improving internal inspection mechanism and responsible production. The Company utilizes third party resources to strengthen internal business functions and enhance professional competencies, and identifies the risks relating to environment safety and health and labor affairs within factories from an objective perspective. Continual improvement and follow-up is carried out to reduce the probability of severe accidents. In addition, the Company achieves autonomous management of its factories by setting up designated units and supervision mechanisms to enhance the management performance of its factories.

#### 4. Friendly Workplace

The Company has set up and maintains an effective communication platform to regularly track and analyze the issues of concerns to the employees, and developed a variety of caring channels for employees to improve interactions and mutual understanding. By organizing employee activities and friendly workplace promotions, the Company elucidates its core values, improves internal solidarity and organizational identity, promotes harmonious employee relations, and builds a friendly workplace.

#### iv. 2018 Business Plan

##### (1) Operating Guidelines

###### ■ Footwear Manufacturing

###### (a) Upgrade production and continue to strengthen business capabilities

Continue to implement measures for manufacturing excellence, expand the scope of automated production, improve technological innovation, enhance production efficiency, and increase the flexibility and diversity of manufacturing. Meanwhile, the Company will strengthen internal lean management and properly control production cost to accumulate competitiveness.

###### (b) Leverage local advantages to optimize capacity allocation

Vietnam, Indonesia, and China accounted for 45%, 36%, and 17% of the Company's total shoe production respectively in 2017, whereas Cambodia, Bangladesh, and Myanmar accounted for 2%. The Company will continue to focus on Vietnam, Indonesia, and China as its main production bases in 2018, and enhance the production optimization capabilities of the production bases in various regions. The Company will also continue to maximize the flexibility its production allocation in response to customer orders, as well as changes in the industry environment.

###### (c) Strengthen strategic cooperation with customers and provide innovative solutions



The Company will actively transform from the role of OEM to a provider of manufacturing services, and strive to become the first choice of customers. The Company will increase investments in improving manufacturing technologies and adopting innovative production models. And based on a customer-centric and value-oriented business philosophy, the Company will comprehensively provide innovative services and total solutions from technology development, flexible production, smart manufacturing, to supply chain diversification.

(d) Integrate supply chain resources to build unique values

The Company responds to development trends in the footwear industry, and offers product portfolios in coordination with customers' projects, so that it can quickly respond to and properly meet market demand. The Company will continue to effectively integrate and optimize supply chain resources, engage suppliers in material innovation and process upgrade, and establish a sustainable supply chain. The Company hopes to thus improve overall operating efficiency and create new added value in the industrial chain.

■ Retailing of Sporting Goods and Brand Licensing

(a) Refine retail management to strengthen the Company's organizational constitution

The Company plans to continue expanding its sales network in 2018, and will prioritize improving its internal management performance. Clearly defined key performances indicators are established using a numerical goal management model, and serve as a basis for continual tracking and review of business performance. Procurement strategies and promotion activities are formulated based on market characteristics and inventory and logistics management will be strengthened to improve management efficiency.

(b) Improve omni-channel capabilities and create a differentiated business model.

The Company makes active efforts to achieve omni-channel development, including the operation of mono - brand stores, multi brands stores, sports cities, and online sales. Overall sales and channel efficiency will be further improved through continual investment in the optimization of information systems, mobile devices, and network technology. Furthermore, the Company utilizes different experiential elements and new technologies to provide customers with unique shopping services, and also to create diverse channels and business models to attract different market segments.

(c) Stay current with market trends and enrich the product portfolio.

As consumers are favoring personalized and more diverse products, the Company



is constantly improving its product portfolio from sporting goods to leisure wear to create and guide demand. The Company is a distributor and agent for numerous international brands, and will therefore continue to strengthen its local business strategy and marketing plans, so as to raise brand awareness and increase sales. Furthermore, the Company will continue to seek opportunities for working with even more international brands.

(d) Promote sports services and take on a new attitude towards LOHAS.

The Company will plan and organize a series of major sports events, including jogging, marathon, basketball, and baseball, striving to make sports a part of daily life. The Company will increase interactions and build connections with citizens through promotions of sports services 365 days a year, and comprehensively improve consumers' experience, which will enable the effective sales of services and products.

(2) Future Outlook

Looking forward to 2018, the global economy is expected to continue the stable growth in 2017. However, the monetary policies of major countries are returning to normal, trade protectionism is on the rise, rapid developments are being made in technology, sustainability issues are attracting great attention, and the consumer market is rapidly changing. These will all bring challenges and uncertainty to industrial development.

When facing uncertainties of the external business environment, the Company pays close attention and makes active responses as it continues to focus on the two core businesses: footwear manufacturing and retailing of sporting goods and brand licensing business. The Company exerts every effort to attract and retain talents, implement corporate governance, and fulfill its corporate social responsibilities, and is continually strengthening its competitive advantage to achieve sustainable development with equal emphasis on quality and quantity.

With regard to footwear manufacturing, the Company will continue to make its production more flexible, increase the level of automation, further integrate supply chain resources, and provide more valuable products, services, and comprehensive solutions to strengthen its strategic cooperation with customers. At the same time, the Company is constantly searching for new opportunities and breakthroughs in the footwear supply chain, and is accumulating manufacturing abilities to reinforce its leading position in the industry.

For retailing of sporting goods and brand licensing, we will continue to strengthen business management, carry out business transformation, maintain business flexibility and engage in even more innovation and trials, so as to respond to the

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ever-changing consumer demand, preferences, and shopping habits. We will also continue to improve omni-channel capabilities and strengthen the interactions and communications with consumers in the full year both online and offline. By establishing a value sports services platform, we will continue to provide refined sports-related content and services, and further integrate product sales with these services to seize growth opportunities in Greater China's sporting goods market.

Chan, Lu- Min



Chairman of the Board

Lu, Chin- Chu



President

Ho, Ming-Kun



Head of Accounting Dept.



b. Financial Report

i Consolidated Financial Statements and Independent Auditors' Report

**Deloitte.**

**勤業眾信**

勤業眾信聯合會計師事務所  
10596 台北市民生東路三段156號12樓

Deloitte & Touche  
12th Floor, Hung Tai Financial Plaza  
156 Min Sheng East Road, Sec. 3  
Taipei 10596, Taiwan

Tel :+886 (2) 2545-9988  
Fax:+886 (2) 4051-6888  
www.deloitte.com.tw

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Pou Chen Corporation

**Opinion**

We have audited the accompanying consolidated financial statements of Pou Chen Corporation (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (refer to in the Other Matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance 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 and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following are the key audit matters of the consolidated financial statements of the Group as of and for the year ended December 31, 2017:

Write-down of Inventory

As of December 31, 2017, the carrying amount of finished goods for the retail products included in the inventories was \$25,363,734 thousand. For the related disclosures, refer to Notes 4, 5 and 12 to the consolidated financial statements.

The determination of net realizable value required evaluation of the condition of the product market sales and quality and assessed obsolete and slow-moving inventory; the evaluation involved significant judgments and estimations made by management. Therefore, the write-down of inventory is regarded as a key audit matter of the 2017 consolidated financial statements.

We obtained the inventory valuation sheets prepared by the management, selected samples of estimated selling prices and traced them to the recent sales records to assess the rationale of the net realizable value determined by the management. In addition, we selected samples from the inventory aging report prepared by the management to verify the correctness of its classification and the reasonableness of the amount of inventory write-downs.

### Impairment of Goodwill

As of December 31, 2017, goodwill allocated to the manufacturing and marketing of footwear materials and the retail and distribution of sportswear products of the Group amounted to \$5,460,722 thousand and \$2,454,932 thousand, respectively. For the related disclosures, refer to Notes 4, 5 and 20 to the consolidated financial statements.

The management evaluated the impairment of the assets above based on their recoverable amount. The recoverable amount is determined according to the forecast of the trading performance and future cash flows and the discount rate. The test of impairment involved significant judgments and estimations made by management. As a result, the impairment of goodwill is regarded as a key audit matter of the 2017 consolidated financial statements.

Our audit procedures in response to this key audit matter were to evaluate the reasonableness of the significant assumptions, evaluation model, and basic information of the impairment test used by management and to recalculate the impairment.

### **Other Matter**

The Group's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method based on its financial statements which were audited by other auditors. Our opinion, insofar as it relates to the Group's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2017 and 2016, the carrying value of the investments were \$16,659,984 thousand and \$8,912,633 thousand of the total assets which constituted 5.52% and 3.03% of the Group's consolidated total assets, respectively. For the years ended December 31, 2017 and 2016, the share of profit of the associate were \$3,775,090 thousand and \$4,255,105 thousand which constituted 15.21% and 16.19% of the income before income tax, respectively.

We have also audited the parent company only financial statements of Pou Chen Corporation as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.





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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kenny Hong and Ker-Chang Wu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2018

### 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.*



# POU CHEN CORPORATION

## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017		2016	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 34,108,353	11	\$ 35,635,653	12
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,096,915	-	1,110,141	-
Available-for-sale financial assets - current (Notes 4 and 8)	14,590,513	5	13,875,320	5
Held-to-maturity financial assets - current (Notes 4 and 9)	1,359,820	1	972,124	-
Debt investments with no active market - current (Notes 4 and 10)	372,848	-	793,924	-
Notes receivable (Notes 4 and 11)	54,953	-	22,743	-
Notes receivable from related parties (Notes 4, 11 and 38)	64	-	17	-
Accounts receivable (Notes 4 and 11)	36,805,201	12	38,073,679	13
Accounts receivable from related parties (Notes 4, 11 and 38)	61,539	-	54,156	-
Other receivables (Notes 4 and 11)	3,665,966	1	4,328,034	2
Inventories - manufacturing and retailing (Notes 4 and 12)	47,776,580	16	40,709,470	14
Inventories - construction (Notes 4 and 12)	4,777,895	2	4,895,683	2
Prepayments for leases (Note 4)	138,455	-	152,980	-
Non-current assets held for sale (Notes 4 and 13)	23,659	-	1,386,879	-
Other current assets (Notes 4 and 14)	9,834,604	3	9,309,768	3
Total current assets	154,667,365	51	151,320,571	51
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	582,701	-	328,492	-
Available-for-sale financial assets - non-current (Notes 4 and 8)	1,146,061	-	908,711	-
Held-to-maturity financial assets - non-current (Notes 4 and 9)	4,286,504	1	5,191,289	2
Financial assets measured at cost - non-current (Notes 4 and 15)	495,121	-	592,550	-
Debt investments with no active market - non-current (Notes 4, 10 and 39)	40,029	-	35,205	-
Investments accounted for using equity method (Notes 4 and 17)	40,826,193	14	39,108,525	13
Property, plant and equipment (Notes 4 and 18)	71,517,038	24	71,464,806	25
Investment properties (Notes 4, 19 and 39)	2,247,431	1	2,309,447	1
Goodwill (Notes 4 and 20)	8,691,600	3	9,103,660	3
Other intangible assets (Notes 4 and 21)	3,703,027	1	2,850,439	1
Deferred tax assets (Notes 4 and 29)	1,418,577	1	861,151	-
Long-term prepayments for leases (Note 4)	5,575,528	2	5,575,613	2
Other non-current assets (Notes 4 and 14)	6,707,255	2	4,239,402	2
Total non-current assets	147,237,065	49	142,569,290	49
<b>TOTAL</b>	<b>\$ 301,904,430</b>	<b>100</b>	<b>\$ 293,889,861</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 22)	\$ 33,448,199	11	\$ 24,031,120	8
Short-term bills payable (Note 22)	2,966,334	1	2,544,755	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	232,577	-	915,676	-
Notes payable (Notes 4 and 23)	51,547	-	19,526	-
Notes payable to related parties (Notes 4, 23 and 38)	11,250	-	26,809	-
Accounts payable (Notes 4 and 23)	12,730,775	4	13,189,428	4
Accounts payable to related parties (Notes 4, 23 and 38)	1,126,538	-	1,450,017	1
Other payables (Note 24)	26,027,401	9	25,218,684	9
Current tax liabilities (Notes 4 and 29)	2,497,360	1	1,574,657	1
Liabilities directly associated with non-current assets held for sale (Notes 4 and 13)	-	-	1,067,765	-
Current portion of long-term borrowings (Note 22)	750,000	-	-	-
Other current liabilities	4,619,043	2	4,693,927	2
Total current liabilities	84,461,024	28	74,732,364	26
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 22)	54,461,632	18	50,363,126	17
Deferred tax liabilities (Notes 4 and 29)	1,121,029	1	1,774,228	1
Long-term payables (Note 24)	151,364	-	159,330	-
Net defined benefit liabilities (Notes 4 and 25)	3,284,204	1	3,810,791	1
Other non-current liabilities	45,231	-	39,318	-
Total non-current liabilities	59,063,460	20	56,146,793	19
Total liabilities	143,524,484	48	130,879,157	45
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 26)</b>				
Share capital				
Common shares	29,467,872	10	29,467,872	10
Capital surplus	4,615,341	1	4,540,163	2
Retained earnings				
Legal reserve	12,518,889	4	11,213,184	4
Special reserve	13,636,368	5	11,905,595	4
Unappropriated earnings	37,294,138	12	32,214,698	11
Total retained earnings	63,449,395	21	55,333,477	19
Other equity	(13,917,230)	(5)	(13,636,368)	(5)
Total equity attributable to owners of the Company	83,615,378	27	75,705,144	26
<b>NON-CONTROLLING INTERESTS</b>	74,764,568	25	87,305,560	29
Total equity	158,379,946	52	163,010,704	55
<b>TOTAL</b>	<b>\$ 301,904,430</b>	<b>100</b>	<b>\$ 293,889,861</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 26, 2018)



## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 38)	\$ 278,631,872	100	\$ 274,895,346	100
OPERATING COSTS (Notes 25, 28 and 38)	<u>205,563,548</u>	<u>74</u>	<u>204,512,552</u>	<u>75</u>
GROSS PROFIT	<u>73,068,324</u>	<u>26</u>	<u>70,382,794</u>	<u>25</u>
OPERATING EXPENSES (Notes 25 and 28)				
Selling and marketing expenses	30,051,746	11	26,038,771	9
General and administrative expenses	19,517,193	7	19,366,648	7
Research and development expenses	<u>6,431,287</u>	<u>2</u>	<u>7,192,192</u>	<u>3</u>
Total operating expenses	<u>56,000,226</u>	<u>20</u>	<u>52,597,611</u>	<u>19</u>
INCOME FROM OPERATIONS	<u>17,068,098</u>	<u>6</u>	<u>17,785,183</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 28)	4,131,649	2	4,181,557	1
Other gains and losses (Note 28)	(179,369)	-	(642,987)	-
Finance costs (Note 28)	(1,986,075)	(1)	(1,316,016)	-
Share of the profit of associates and joint ventures (Notes 4 and 17)	<u>5,783,201</u>	<u>2</u>	<u>6,272,065</u>	<u>2</u>
Total non-operating income and expenses	<u>7,749,406</u>	<u>3</u>	<u>8,494,619</u>	<u>3</u>
INCOME BEFORE INCOME TAX	24,817,504	9	26,279,802	9
INCOME TAX EXPENSE (Notes 4 and 29)	<u>(3,086,914)</u>	<u>(1)</u>	<u>(3,277,883)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>21,730,590</u>	<u>8</u>	<u>23,001,919</u>	<u>8</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 25)	(494,241)	-	(441,804)	-
Share of the other comprehensive loss of associates and joint ventures	(40,298)	-	(26,353)	-

(Continued)

**POU CHEN CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2017</b>		<b>2016</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (3,497,789)	(1)	\$ (3,059,800)	(1)
Unrealized gain on available-for-sale financial assets	1,033,280	-	1,473,111	-
Share of the other comprehensive income (loss) of associates and joint ventures	<u>3,718,571</u>	<u>1</u>	<u>(1,257,357)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>719,523</u>	<u>-</u>	<u>(3,312,203)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 22,450,113</u>	<u>8</u>	<u>\$ 19,689,716</u>	<u>7</u>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 12,921,606	5	\$ 13,057,050	5
Non-controlling interests	<u>8,808,984</u>	<u>3</u>	<u>9,944,869</u>	<u>3</u>
	<u>\$ 21,730,590</u>	<u>8</u>	<u>\$ 23,001,919</u>	<u>8</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 12,255,237	4	\$ 10,946,757	4
Non-controlling interests	<u>10,194,876</u>	<u>4</u>	<u>8,742,959</u>	<u>3</u>
	<u>\$ 22,450,113</u>	<u>8</u>	<u>\$ 19,689,716</u>	<u>7</u>
<b>EARNINGS PER SHARE (Note 30)</b>				
Basic	<u>\$ 4.38</u>		<u>\$ 4.43</u>	
Diluted	<u>\$ 4.37</u>		<u>\$ 4.29</u>	

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

(With Deloitte & Touche audit report dated March 26, 2018)

(Concluded)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)

The accompanying notes are an integral part of the consolidated financial statements.  
With Deloitte & Touche audit report dated March 26, 2018)



## POU CHEN CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(In Thousands of New Taiwan Dollars)**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax for the year	\$ 24,817,504	\$ 26,279,802
Adjustments for:		
Depreciation expenses	8,895,832	8,427,917
Amortization expenses	689,903	365,488
(Reversal of) provision for impairment of accounts receivable	(141,115)	65,832
Net gain on fair value change of financial instruments at fair value through profit or loss	(956,473)	(781,268)
Finance costs	1,986,075	1,316,016
Interest income	(605,978)	(530,490)
Dividends income	(856,941)	(874,208)
Compensation cost of employee share options	142,912	58,890
Share of profit of associates and joint ventures	(5,783,201)	(6,272,065)
Net loss on disposal of property, plant and equipment	821,180	251,490
Net gain on disposal of investment properties	(14,199)	-
Net gain on disposal of investments	(37,984)	(31,530)
Net gain on disposal of subsidiaries, associates and joint ventures	(480,603)	(70,892)
Recognized of impairment loss	161,865	272,723
Gain from bargain purchase - acquisition of subsidiaries	(2,320)	-
Changes in operating assets and liabilities		
Financial instruments held for trading	615,937	(289,872)
Notes receivable	(32,210)	(10,522)
Notes receivable from related parties	(47)	3
Accounts receivable	1,409,593	(4,342,889)
Accounts receivable from related parties	(7,383)	23,950
Other receivables	648,793	(600,687)
Inventories	(6,949,322)	653,189
Other current assets	(524,836)	(19,551)
Other operating assets	(153,730)	186,924
Notes payable	32,021	(1,811)
Notes payable to related parties	(15,559)	11,729
Accounts payable	(458,653)	(2,240,828)
Accounts payable to related parties	(323,479)	(416,266)
Other payables	605,563	(660,928)
Other current liabilities	(74,884)	311,553
Net defined benefit liabilities	(1,020,828)	13,860
Other operating liabilities	(7,966)	(17,857)
Cash generated from operations	22,379,467	21,077,702
Interest paid	(1,878,472)	(1,297,091)
Income tax paid	(3,692,347)	(4,074,686)
Net cash generated from operating activities	16,808,648	15,705,925

(Continued)

## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets design at FVTPL	\$ (595,200)	\$ -
Proceeds on sale of financial assets design at FVTPL	11,654	379,743
Acquisition of debt investments with no active market	(687,838)	(766,383)
Proceeds on sale of debt investments with no active market	1,104,090	1,360,722
Acquisition of held-to-maturity financial assets	(672,677)	(5,024,724)
Proceeds on held-to-maturity financial assets	1,007,080	49,960
Acquisition of financial assets measured at cost	(4,085)	(12,191)
Proceed on sale of financial assets measured at cost	99,891	99,844
Acquisition of associates and joint ventures	(115,283)	(118,514)
Proceeds from disposal of associates and joint ventures	1,825,208	12,467
Net cash outflow on acquisition of subsidiaries	52,647	-
Net cash outflow (inflow) on disposal of subsidiaries	175,411	(37,557)
Acquisition of property, plant and equipment	(15,107,635)	(13,569,790)
Proceeds from disposal of property, plant and equipment	531,478	1,760,564
Increase in refundable deposits	(173,888)	(201,540)
Acquisition of intangible assets	(22)	-
Acquisition of investment properties	(978)	(57,094)
Proceeds from disposal of investment properties	86,103	-
Increase in prepayments for equipment	(2,140,235)	(1,284,269)
Acquisition of long-term prepayments for leases	(15,469)	(59,313)
Proceeds from disposal of long-term prepayments for leases	25,542	75,693
Interest received	618,857	402,892
Dividends received	3,307,163	3,141,728
Cash dividends from reduction of capital surplus from associates	-	5,435
Net cash used in investing activities	<u>(10,668,186)</u>	<u>(13,842,327)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	9,417,079	8,322,367
Proceeds from short-term bills payable	422,000	-
Repayments of short-term bills payable	-	(45,500)
Proceeds from long-term borrowings	5,156,200	-
Repayments of long-term borrowings	-	(586,500)
Increase in guarantee deposits	5,913	895
Cash dividend	(4,420,181)	(4,420,181)
Change in non-controlling interests	<u>(22,735,868)</u>	<u>(6,970,953)</u>
Net cash used in financing activities	<u>(12,154,857)</u>	<u>(3,699,872)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>4,443,590</u>	<u>(305,479)</u>

(Continued)



## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (1,570,805)	\$ (2,141,753)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>35,679,158</u>	<u>37,820,911</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 34,108,353</u>	<u>\$ 35,679,158</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2017 and 2016:

	December 31	
	2017	2016
Cash and cash equivalents in consolidated balance sheets	\$ 34,108,353	\$ 35,635,653
Cash and cash equivalents included in a disposal group held for sale	<u>-</u>	<u>43,505</u>
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 34,108,353</u>	<u>\$ 35,679,158</u>

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

(With Deloitte & Touche audit report dated March 26, 2018)

(Concluded)



ii Separate Financial Statements and Independent Auditors' Report



勤業眾信

勤業眾信聯合會計師事務所  
10596 台北市民生東路三段156號12樓

Deloitte & Touche  
12th Floor, Hung Tai Financial Plaza  
156 Min Sheng East Road, Sec. 3  
Taipei 10596, Taiwan

Tel: +886 (2) 2545-9988  
Fax: +886 (2) 4051-6888  
www.deloitte.com.tw

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Pou Chen Corporation

### Opinion

We have audited the accompanying financial statements of Pou Chen Corporation (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matter

Key audit matter is a matter that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. The following is the key audit matter of the financial statements for the year ended December 31, 2017.

#### Impairment Assessment Goodwill on of Investments Accounted for Using Equity Method

We draw attention to Notes 4, 5 and 15 to the financial statements, which describes that any excess of the cost of investment over the fair value of the net identifiable assets of investee is recognized as goodwill. The management performs impairment test of goodwill in accordance with IAS 36.



The management evaluates impairment of an asset by estimating the recoverable amount of such asset based on forecast sales, estimated future cash flows, and discount rate. Impairment test involves the management's critical estimations and judgments. Therefore, we consider impairment assessment of goodwill of investments accounted for using equity method is a key audit matter for the year ended December 31, 2017.

For this key audit matter, we evaluated the reasonableness of the significant assumptions, the basis of the evaluation model, the rationality of the basic information, and the amount of impairment.

#### **Other Matter**

The Company's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method and were based on its financial statements which were audited by other auditors. Our opinion, insofar as it relates to the Company's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2017 and 2016, the carrying value of the investments were \$16,659,984 thousand and \$8,912,633 thousand of the total assets which constituted 14.4% and 8.45% of the Company's total assets, respectively. For the years ended December 31, 2017 and 2016, the share of profit of the associate were \$3,775,090 thousand and \$4,255,105 thousand which constituted 28.29% and 30.86% of the income before income tax, respectively.

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

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

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

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

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

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



## Handbook for the 2018 Annual General Shareholders' Meeting

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kenny Hong and Ker-Chang Wu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2018

Notice to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.*

# Handbook for the 2018 Annual General Shareholders' Meeting

## POU CHEN CORPORATION

### BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,199,584	1	\$ 540,793	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	131,915	-
Available-for-sale financial assets - current (Notes 4 and 8)	4,685,590	4	4,468,517	4
Debt investments with no active market - current (Notes 4 and 9)	-	-	90,493	-
Notes receivable (Notes 4 and 10)	54,923	-	21,253	-
Notes receivable from related parties (Notes 4, 10 and 31)	64	-	17	-
Accounts receivable (Notes 4 and 10)	48,466	-	29,504	-
Accounts receivable from related parties (Notes 4, 10 and 31)	1,445,747	2	1,854,777	2
Other receivables (Notes 4 and 10)	257,958	-	266,973	-
Inventories (Notes 4 and 11)	38,650	-	76,257	-
Other current assets (Notes 4 and 12)	132,375	-	61,028	-
Total current assets	7,863,357	7	7,541,527	7
<b>NON-CURRENT ASSETS</b>				
Held-to-maturity financial assets - non-current (Notes 4 and 13)	282,432	-	285,872	1
Financial assets measured at cost - non-current (Notes 4 and 14)	61,000	-	61,000	-
Investments accounted for using equity method (Notes 4 and 15)	100,234,720	87	90,991,502	86
Property, plant and equipment (Notes 4 and 16)	4,859,896	4	4,503,791	4
Investment properties (Notes 4 and 17)	2,039,425	2	1,976,031	2
Deferred tax assets (Notes 4 and 25)	3,510	-	50,938	-
Other non-current assets (Notes 4 and 12)	324,130	-	116,700	-
Total non-current assets	107,805,113	93	97,985,834	93
<b>TOTAL</b>	<b>\$ 115,668,470</b>	<b>100</b>	<b>\$ 105,527,361</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 18)	\$ 9,275,200	8	\$ 6,515,000	6
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	206,060	-	113,284	-
Notes payable (Notes 4 and 19)	47,850	-	16,676	-
Notes payable to related parties (Notes 4, 19 and 31)	11,211	-	25,724	-
Accounts payable (Notes 4 and 19)	1,123,244	1	1,324,640	1
Accounts payable to related parties (Notes 4, 19 and 31)	44,428	-	101,253	-
Other payables (Note 20)	2,352,183	2	1,394,239	2
Current tax liabilities (Notes 4 and 25)	1,006,020	1	606,668	1
Current portion of long-term borrowings (Note 18)	750,000	1	-	-
Other current liabilities	71,461	-	113,032	-
Total current liabilities	14,887,657	13	10,210,516	10
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 18)	16,250,000	14	17,000,000	16
Deferred tax liabilities (Notes 4 and 25)	125,106	-	801,343	1
Net defined benefit liabilities (Notes 4 and 21)	752,580	1	1,789,168	1
Other non-current liabilities (Note 15)	37,749	-	21,190	-
Total non-current liabilities	17,165,435	15	19,611,701	18
Total liabilities	32,053,092	28	29,822,217	28
<b>EQUITY (Notes 4 and 22)</b>				
Share capital				
Common shares	29,467,872	25	29,467,872	28
Capital surplus	4,615,341	4	4,540,163	4
Retained earnings				
Legal reserve	12,518,889	11	11,213,184	11
Special reserve	13,636,368	12	11,905,595	11
Unappropriated earnings	37,294,138	32	32,214,698	31
Total retained earnings	63,449,395	55	55,333,477	53
Other equity	(13,917,230)	(12)	(13,636,368)	(13)
Total equity	83,615,378	72	75,705,144	72
<b>TOTAL</b>	<b>\$ 115,668,470</b>	<b>100</b>	<b>\$ 105,527,361</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 26, 2018)



## POU CHEN CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 31)	\$ 11,704,905	100	\$ 12,294,428	100
OPERATING COSTS (Notes 24 and 31)	<u>7,736,216</u>	<u>66</u>	<u>8,461,282</u>	<u>69</u>
GROSS PROFIT	3,968,689	34	3,833,146	31
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>13,533</u>	<u>-</u>	<u>1,456</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>3,982,222</u>	<u>34</u>	<u>3,834,602</u>	<u>31</u>
OPERATING EXPENSES (Notes 21 and 24)				
Selling and marketing expenses	68,949	1	69,745	-
General and administrative expenses	1,785,903	15	2,054,693	17
Research and development expenses	<u>1,648,447</u>	<u>14</u>	<u>1,465,702</u>	<u>12</u>
Total operating expenses	<u>3,503,299</u>	<u>30</u>	<u>3,590,140</u>	<u>29</u>
INCOME FROM OPERATIONS	<u>478,923</u>	<u>4</u>	<u>244,462</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 31)	670,751	6	530,857	4
Other gains and losses (Note 24)	(1,424,361)	(12)	(123,499)	(1)
Finance costs (Note 24)	(313,483)	(3)	(338,342)	(3)
Share of the profit of subsidiaries and associates (Notes 4 and 15)	<u>13,932,128</u>	<u>119</u>	<u>13,476,549</u>	<u>110</u>
Total non-operating income and expenses	<u>12,865,035</u>	<u>110</u>	<u>13,545,565</u>	<u>110</u>
INCOME BEFORE INCOME TAX	13,343,958	114	13,790,027	112
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(422,352)</u>	<u>(3)</u>	<u>(732,977)</u>	<u>(6)</u>
NET INCOME FOR THE YEAR	<u>12,921,606</u>	<u>111</u>	<u>13,057,050</u>	<u>106</u>

(Continued)

## POU CHEN CORPORATION

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 21)	\$ (206,462)	(2)	\$ (272,105)	(2)
Share of the other comprehensive loss of subsidiaries and associates	(179,045)	(1)	(107,414)	(1)
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	217,073	2	349,438	3
Share of the other comprehensive loss of subsidiaries and associates	<u>(497,935)</u>	<u>(5)</u>	<u>(2,080,212)</u>	<u>(17)</u>
Other comprehensive loss for the year, net of income tax	<u>(666,369)</u>	<u>(6)</u>	<u>(2,110,293)</u>	<u>(17)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 12,255,237</u>	<u>105</u>	<u>\$ 10,946,757</u>	<u>89</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 4.38</u>		<u>\$ 4.43</u>	
Diluted	<u>\$ 4.37</u>		<u>\$ 4.29</u>	

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

(With Deloitte & Touche audit report dated March 26, 2018)

(Concluded)



POU CHEN CORPORATION

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Other Equity: Unrealized (Loss) Income on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2016	\$ 29,467,872	\$ 4,651,708	\$ 10,260,048	\$ 5,608,553	\$ 31,207,526	\$ 5,020,886	\$ (16,926,480)	\$ 69,270,113
Appropriation of 2015 earnings (Note 22)	-	-	953,136	-	(953,136)	-	-	-
Legal reserve	-	-	-	6,297,042	(6,297,042)	-	-	-
Special reserve	-	-	-	-	(4,420,181)	-	-	(4,420,181)
Cash dividends	-	-	-	-	-	-	-	-
	-	-	953,136	6,297,042	(11,670,359)	-	-	(4,420,181)
Net income for the year ended December 31, 2016	-	-	-	-	13,057,050	-	-	13,057,050
Other comprehensive (loss) income for the year ended December 31, 2016	-	-	-	-	(379,519)	(1,911,713)	180,939	(2,110,293)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	12,677,531	(1,911,713)	180,939	10,946,757
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 22)	-	(93,840)	-	-	-	-	-	(93,840)
Share of changes in equities of subsidiaries (Notes 4 and 22)	-	2,295	-	-	-	-	-	2,295
Change in equity for the year ended December 31, 2016	-	(91,545)	953,136	6,297,042	1,007,172	(1,911,713)	180,939	6,435,031
BALANCE AT DECEMBER 31, 2016	29,467,872	4,540,163	11,213,184	11,905,595	32,214,698	3,109,173	(16,745,541)	75,705,144
Appropriation of 2016 earnings (Note 22)	-	-	1,305,705	-	(1,305,705)	-	-	-
Legal reserve	-	-	-	1,730,773	(1,730,773)	-	-	-
Special reserve	-	-	-	-	(4,420,181)	-	-	(4,420,181)
Cash dividends	-	-	1,305,705	1,730,773	(7,456,659)	-	-	(4,420,181)
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	12,921,606
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,507)	(4,899,702)	4,618,840	(666,369)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	4,618,840	12,255,237
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 22)	-	(47,650)	-	-	-	-	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 22)	-	(7,579)	-	-	-	-	-	(7,579)
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 22)	-	130,407	-	-	-	-	-	130,407
Change in equity for the year ended December 31, 2017	-	75,178	1,305,705	1,730,773	5,079,440	(4,899,702)	4,618,840	7,910,234
BALANCE AT DECEMBER 31, 2017	\$ 29,467,872	\$ 4,615,341	\$ 12,518,889	\$ 13,636,368	\$ 37,294,138	\$ (11,790,529)	\$ (12,126,701)	\$ 83,615,378

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

(With Deloitte & Touche audit report dated March 26, 2018)

## POU CHEN CORPORATION

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 13,343,958	\$ 13,790,027
Adjustments for:		
Depreciation expenses	261,758	244,682
Net gain on fair value change of financial instruments at FVTPL	(60,430)	(105,337)
Finance costs	313,483	338,342
Interest income	(27,010)	(17,197)
Dividends income	(275,865)	(288,827)
Share of the profit of subsidiaries and associates	(13,932,128)	(13,476,549)
Net loss on disposal of property, plant and equipment	21,149	296
Net loss on disposal of associates	-	4,277
Realized gain on the transactions with subsidiaries	(13,533)	(1,456)
Unrealized loss on foreign currency exchange	3,203	12,826
Changes in operating assets and liabilities		
Financial instruments held for trading	285,121	81,056
Notes receivable	(33,670)	(10,036)
Notes receivable from related parties	(47)	-
Accounts receivable	(18,962)	(2,444)
Accounts receivable from related parties	409,030	(352,267)
Other receivables	6,437	(56,429)
Inventories	37,607	(9,803)
Other current assets	(71,095)	(4,409)
Other operating assets	(24,766)	(3,119)
Notes payable	31,174	(2,931)
Notes payable to related parties	(14,513)	10,644
Accounts payable	(201,396)	(101,109)
Accounts payable to related parties	(56,825)	33,319
Other payables	850,727	96,253
Other current liabilities	(41,571)	43,607
Net defined benefit liabilities	(1,243,050)	(325,390)
Cash used in operations	(451,214)	(101,974)
Interest paid	(305,514)	(330,411)
Income tax paid	(651,808)	(1,377,626)
Net cash used in operating activities	(1,408,536)	(1,810,011)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of debt investments with no active market	-	(97,412)
Proceeds on sale of debt investments with no active market	90,493	401,524
Acquisition of held-to-maturity financial assets	-	(298,823)
Acquisition of associates under equity method	(82,000)	-
Acquisition of property, plant and equipment	(604,314)	(354,469)
Proceeds from disposal of property, plant and equipment	64,548	5,237
Increase in refundable deposits	(1,964)	(84)
Increase in prepayments for equipment	(13,974)	(178,832)

(Continued)



**POU CHEN CORPORATION**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

	2017	2016
Increase in other prepayments	(226,594)	-
Interest received	29,825	13,903
Dividends received	4,471,593	4,862,609
Cash dividends from reduction of capital surplus from associates	<u>-</u>	<u>3,503</u>
Net cash generated from investing activities	<u>3,727,613</u>	<u>4,357,156</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	2,760,200	1,808,500
Proceeds from long-term borrowings	-	12,500,000
Repayments of long-term borrowings	-	(12,500,000)
Cash dividend	(4,420,181)	(4,420,181)
Increase in guarantee deposits	-	736
Decrease in guarantee deposits	<u>(305)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,660,286)</u>	<u>(2,610,945)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	658,791	(63,800)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>540,793</u>	<u>604,593</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 1,199,584</u>	<u>\$ 540,793</u>

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

(With Deloitte & Touche audit report dated March 26, 2018)

(Concluded)



2. The Audit Committee's Review Report on the 2017 Financial Statements

**Audit Committee's Review Report**

The Board of Directors has prepared and submitted the Company's 2017 business report and financial statements. Commissioned by the Board of Directors, the CPA firm Deloitte & Touch has audited the financial statements and issued an audit report relating to the Financial Statements.

These have been reviewed by the Audit Committee as conforming to relevant laws and regulations. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this Report.

To:

2018 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:



Chen, Bor-Liang

Date : March 26, 2018



**Audit Committee's Review Report on Profit Distribution Plan**

The Board of Directors has prepared and submitted the 2017 profit distribution plan. This has been reviewed by the Audit Committee as conforming to relevant laws and regulations. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this Report.

To:

2018 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

A handwritten signature in black ink, appearing to read '陳伯亮' (Chen Bor-Liang).

Chen, Bor-Liang

Date : April 30, 2018

3. Report on the 2017 Distribution of Employees' Compensation and Directors' Remuneration

- a. The Company's profit is NT\$13,714,241,619 in 2017 ("profit" shall mean the income before income tax less Employees' compensation and Directors' remuneration). It is proposed that 1.8% and 0.9% of the profit, which is equal to NT\$246,856,000 and NT\$123,428,000, will be allocated as employees' compensation and Directors' remuneration. The distribution shall be made in cash.
- b. The above amount is consistent with the estimate for the fiscal year.

**B. Ratifications**

1. Ratification of the 2017 Business Report and Financial Statements (submitted by the Board of Directors)

The Audit Committee of the Company has reviewed the 2017 Business Report and the 2017 Financial Statements (including consolidated and separate balance sheets, statements of comprehensive income, statements of changes in equity and statements of cash flows) audited by independent certified public accountants, Hong Kuo-Tyan and Wu, Ker-Chang, of Deloitte & Touche (please refer to pages). The 2017 Business Report and Financial Statements are hereby submitted for ratification.

Resolution:

2. Ratification of the proposed 2017 profit distribution plan (submitted by the Board of Directors)

- a. The Company's 2017 net income is NT\$12,921,605,671 and the proposed 2017 profit distribution plan is set forth below.
- b. The Board of Directors proposed to distribute cash dividends in the amount of NT\$ 5,893,574,426 to the shareholders according to their share ownership at NT\$2 for per share. The Chairman of the Board is authorized to set the record date, payment date and other relevant matters after such proposal is approved at the shareholders' meeting.
- c. If the cash distribution ratio change is affected by further changes in number of the total issued and outstanding shares of the Company, it is proposed that the Chairman of the Board be authorized to make any adjustments as necessary according to the Company Act or relevant regulations.

Resolution:



# POU CHEN CORPORATION

## Pou Chen Corporation 2017 Profit Distribution Plan

	(in NT\$)
Beginning balance of retained earnings	\$ 24,758,039,410
Less gains from actuarial losses retained as earnings <sup>1</sup>	( 385,506,860)
Beginning unappropriated retained earnings after adjustment	24,372,532,550
Net income for 2017	12,921,605,671
Less 10% legal reserve	( 1,292,160,567)
Less special reserve allocated <sup>2</sup>	( 280,860,291)
Retained earnings available for distribution	35,721,115,363
Distribution item	
Shareholders dividend - cash dividend (NT\$2 /share) <sup>3</sup>	5,893,574,426
Balance of retained earnings of 2017	\$ 29,827,540,937

Chan, Lu-Min



Chairman of the Board

Lu, Chin-Chu



President

Ho, Ming-Kun



Head of Accounting Dept.

<sup>1</sup> The Company adopts IAS 19: Employee Benefits to recognize gains as a result of actuarial losses (which is transferred from OCI to retained earnings)

<sup>2</sup> Special reserve appropriated by the Company is based on the net deductions from the 2017 shareholders' equity (including exchange differences on translating foreign operations and unrealized losses of available-for-sale financial assets).

<sup>3</sup> Shareholders dividends distributed based on the 2,946,787,213 shares outstanding as of April 17, 2018

### C. Election Matter

1. By-election of one independent director of the Company.
  - a. Pursuant to Article 15 of the Company's Articles of Incorporation of the Company, the Company shall have no less than three independent directors, consisting no less than one fifth of the total number of board of Directors' seats. The Company will re-elected one independent director because Mr. Chen, Jung-Tung was death. The new independent director will hold office upon election from June 15, 2018 to June 14, 2019.
  - b. The election of the independent director shall follow the candidate nomination system. The list of the nominated candidate had been approved by the Board of Directors on April 30, 2018 is as follows:

#### Pou Chen Corporation

#### List of independent Director Candidate (proposed by the Board of Directors)

Name	Education	Experience	Share Ownership
Chen, Huan-Chung	Department of Industrial Mangement, National Taiwan University of Science and Technology	<u>Current</u> Partner of Wang Tong & Co., CPAs Independent Non-executive Director of Pou Sheng International (Holdings) Limited  <u>Past</u> Supervisor of Pou Chen Corporation Vice President of E.Sun Bills Finance Corporation	0

c. Hereby submitted for election.

Results of the election:

### D. Other Matters

1. Proposal for release the Director of the Company from non-competition restrictions.  
(proposed by the Board of Directors)
  - a. Pursuant to Article 209 of the Company Act, a director engaging activities either for himself or on behalf of another person that are within the scope of the Company's business, shall explain at the shareholders' meeting the essential details of such activities and obtain the shareholders' approval for engaging in such activities.
  - b. Proposal for release the prohibition on the independent director of the Company from participation in competitive business as follow:

Independent Director	Released Restriction
Chen, Huan-Chung	Independent Non-executive Director of Pou Sheng International (Holdings) Limited

Resolution:



POU CHEN CORPORATION

**E.Extraordinary Motions**

**F.Adjournment**

### III. Appendix

#### Appendix 1

## POU CHEN CORPORATION Articles of Incorporation

Adopted by shareholders' meeting on June 15, 2017

### Section I General Provisions

- Article 1** The name of company shall be Pou Chen Corporation (寶成工業股份有限公司) (the "Company"). The Company is duly organized in accordance with the Company Act of Taiwan.
- Article 2** The business to be operated by the Company is as follows:
- (1) CK01010 Footwear Manufacturing.
  - (2) C301010 Yarn Spinning Mills.
  - (3) C302010 Knit Fabric Mills.
  - (4) C303010 Non-woven Fabrics Mills.
  - (5) C306010 Outerwear Knitting Mills.
  - (6) C307010 Apparel, Clothing Accessories and Other Textile Product Manufacturing.
  - (7) C399990 Other Textile Products Manufacturing.
  - (8) C801120 Manmade Fiber Manufacturing.
  - (9) CJ01010 Hat Manufacturing.
  - (10) F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products.
  - (11) F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products.
  - (12) F113010 Wholesale of Machinery.
  - (13) F213080 Retail Sale of Machinery and Equipment.
  - (14) CC01080 Electronic Parts and Components Manufacturing.
  - (15) CC01120 Data Storage Media Manufacturing and Duplicating.
  - (16) F119010 Wholesale of Electronic Materials.
  - (17) F219010 Retail Sale of Electronic Materials.
  - (18) F401010 International Trade.
  - (19) I199990 Other Consultancy (consultation on shoe-manufacturing techniques).



(20) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

**Article 2-1** Investments in other businesses by the Company may be exempt from the maximum investment restriction under Article 13 of the Company Act.

**Article 3** The Company may act as a guarantor of another party if required for its business purposes.

**Article 4** The Company is headquartered in Chang Hwa County. If required, the Company may establish factories or branches in Taiwan or overseas by board of Directors resolution.

**Article 5** Deleted.

## Section II Shares

**Article 6** The registered share capital of the Company shall be forty five billion New Taiwan Dollars (NT\$ 45,000,000,000), divided into four billion-and-five hundred million (4,500,000,000) shares at a par value of exactly ten New Taiwan Dollars (NT\$ 10) per share. Among the Company's above share capital, three hundred million shares in the amount of three billion New Taiwan Dollars (NT\$ 3,000,000,000) shall be reserved for issuance upon the exercise of any employee stock options, equity warrants issued with preferred shares or equity warrant bonds. The board of Directors is authorized to issue the unissued shares in installments in Taiwan or overseas depending on actual needs in accordance with the Company Act and relevant laws and regulations.

**Article 6-1** Upon resolution adopted by two thirds or more of the votes of shareholders present at the shareholders' meeting that is attended by shareholders representing more than half of the total issued and outstanding shares of the Company, the Company may buy back its shares and transfer such shares to its employees at a price lower than the average price of all shares bought back by the Company, or issue employee stock options with the exercise price lower than the closing price of the issuing date.

**Article 7** The Company's shares shall be registered and numbered, bear the signatures or personal seals of at least three Directors, and be issued upon certification by the competent authority or its designated registration agency. The Company may issue shares without certificates, or issue one certificate for the total number of shares newly issued at the time which shall be registered or deposited with a central securities depository.

**Article 8** The Company's shareholder shall register his/her/its name, address, chop specimen card and the national ID card number/business administration number, and any changes to such information, with the Company or the stock agency for records. The shareholder shall affix his/her/its specimen chop for purpose of receiving stock dividends and bonuses or exercising shareholders' rights in writing.



## Handbook for the 2018 Annual General Shareholders' Meeting

- Article 9** Unless otherwise prescribed by laws or securities regulations, the Company Act and other relevant laws shall apply to the Company's shareholder's share transfer, share loss report, inheritance of shares, gratuitous giving of shares, loss report or change of the chop, or report of change of address.
- Article 10** Registration for the transfer of shares shall not be done within sixty days preceding the date of the annual general meeting of shareholders', thirty days preceding the date of any shareholders' special meeting or five days preceding the designated reference date for the distribution of dividends, bonus or other interests.

### Section III Shareholders' Meeting

- Article 11** There are two types of shareholders' meeting: annual general meeting of shareholders and special meeting of shareholders. The annual general meeting of shareholders shall be convened at least once a year within six months after the end of every fiscal year. Except as otherwise provided for by the Company Act, special meetings of shareholders shall be convened as necessary by the board of Directors.
- Article 11-1** Prior to the annual general meeting of shareholders, the Company shall determine and announce the procedures, location, time period, and other matters relating to accepting shareholders' proposals in accordance with Article 172-1 of the Company Act.
- Article 12** When the Company convenes shareholders' meetings, the shareholders may exercise their voting rights in writing or by way of electronic transmission. A shareholder who is unable to attend the shareholders' meeting may appoint another person to attend as his/her/its proxy in accordance with Article 177 of the Company Act by using the proxy form provided by the Company to set forth the scope of authorization. Except as otherwise prescribed by the Company Act, the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies as promulgated by the regulatory authority shall apply to attendance by proxy.
- Article 13** Except as otherwise prescribed by laws, each share of the Company is entitled to one vote.
- Article 14** Except as otherwise required by the Company Act, a proposal shall be adopted with the approval of more than half of the votes of the shareholders present at the shareholders' meeting attended by shareholders representing more than half of the total issued and outstanding shares of the Company.

### Section IV Directors

- Article 15** The Company shall have nine Directors. The board of Directors shall be elected from a list of nominated candidates at the shareholders' meeting for a term of three years. Re-elected Directors may serve consecutive terms. The shareholding ratio of all Directors collectively shall be subject to rules provided by the securities regulatory authority.



At least three Directors and at least one fifth of all incumbent Directors shall be independent Directors. Regulations governing independent Directors' professional qualifications, shareholding, holding of concurrent positions, as well as assessment of independence, procedures of nomination and other related matters shall be adopted by the regulatory authority.

**Article 16** The board of Directors shall consist of Directors. The chairman of the board shall be elected from and among the Directors by the approval of more than half of the Directors present at a meeting attended by at least two thirds of the Directors holding office, and a vice chairman may be elected in the same manner if the Company's business so requires. The chairman of the board shall have the authority to represent the Company.

**Article 16-1** The Company may pay compensation to Directors performing duties for the benefit of the Company regardless of the Company's profit performance. The board of Directors is authorized to determine, according to the general standards adopted by the industry, Directors' compensation based on the level and value of contributions to the Company's operations.

**Article 17** The board of Directors' meeting shall be convened at least once every quarter of each year.

In calling a board of Directors' meeting, a notice setting forth the item(s) to be discussed at the meeting shall be given to each Director at least seven days prior to the scheduled meeting date, unless in the event of emergency, Directors' meeting may be convened at any time.

Conventions of meetings under the preceding paragraph may be done in writing or by facsimile or electronically.

Except as otherwise prescribed by laws, any resolution of the board of Directors shall only be adopted with the approval by more than half of the Directors present at the meeting attended by more than half of all Directors.

A Director who has personal interests in any of the items on the meeting agenda shall disclose the material aspects of such personal interest at the meeting.

When board of Directors' meetings are held by means of video conference, the Directors participating in such meetings via webcam shall be deemed to have attended the meetings in person. If a Director is unable to attend a meeting for any reason, such Director may appoint another Director as his or her proxy by using a letter of appointment setting forth the scope of authorization with respect to each subject to be discussed at the meeting. A Director may only be appointed as proxy by one other Director.

The Company's board of Directors may establish different types of functional committees.

**Article 17-1** The Company may acquire liability insurance for its Directors.

**Article 18** The powers and duties of the board of Directors are as follows:

- (1) To approve the appointment and removal of officers.
- (2) To determine the establishment and dissolution of subsidiaries and branches.
- (3) To propose and discuss the amendments to the Articles of Incorporation.
- (4) To review budgets and final accounts.
- (5) To review and supervise the implementation of annual business plan.
- (6) To propose and discuss the offer of all or material parts of the Company's assets for assignment under "dian," sale, lease, pledge, mortgage or any other disposal.
- (7) To approve the Company's long-term investments in other businesses.
- (8) To propose and discuss the profit distribution and loss offset.
- (9) To determine the increase or decrease of capital.
- (10) To approve the Company's staffing quota and compensation structure.
- (11) To select and engage independent auditors.
- (12) To approve material contracts.
- (13) To conduct any matter other than those that shall be resolved at shareholders' meetings under the Company Act or the Articles of Incorporation.

**Article 19** The Company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall consist of independent Directors only. The audit committee and members of the committee shall be responsible for performing duties as prescribed for Supervisors' by the Company Act, Securities and Exchange Act and other regulations.

#### **Section V Officers and Staff**

**Article 20** The Company may have a president and other officers, the appointment, removal, and compensation of whom shall be subject to Article 29 of the Company Act.

**Article 21** Deleted.

#### **Section VI Accounting**

**Article 22** The fiscal year of the Company shall begin on January 1 and end on December 31 of each year. After each fiscal year, the board of Directors shall prepare the following reports and submit the reports to the annual general shareholders' meeting for ratification in accordance with the legally mandated procedures:



- (1) Business report.
- (2) Financial statements.
- (3) Proposal for Distribution of profits or Deficit Compensation.

**Article 23** The Company shall appropriate 1 to 5% of the profit of the fiscal year (profit shall mean the income before income tax less Employees' compensation and Directors' remuneration) for employees' compensation and may appropriate no higher than 3% of the same profit as Directors' remuneration. Such employees' compensation may be in the form of stock or cash by the resolution of the board of Directors. Employees eligible for such compensation may include those of the Company's subsidiaries meeting certain conditions.

In the presence of accumulated loss, the Company shall allocate an amount to recover such loss before appropriating any employees' and Directors' remuneration in accordance with the ratios prescribed by the preceding paragraph.

**Article 23-1** The Company's annual net profits should be appropriated as follows:

- (1) For paying taxes.
- (2) For offsetting deficits.
- (3) For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC.
- (4) The total of any remaining profits after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then distributed the remainder as proposed according to stock ownership proportion.

Profits may be distributed after taking into consideration financial, business and operational factors. The distribution of profits shall be proposed by the board of Directors, and submitted to the shareholders' meeting for approval. The ratio of distribution shall be not less than 30% of the net income for each fiscal year, and a portion for cash dividend shall be not less than 30% of total distribution. If there are material changes in the operating environment, the Company can adjust the ratio and amounts of distribution of profits.

#### **Section VII Miscellaneous**

**Article 24** Matters not addressed in these Articles of Incorporation shall be governed by the Company Act.

**Article 25** These Articles of Incorporation are adopted on August 15, 1969. The first amendment was made on April 18, 1971. The second amendment was made on

November 26, 1972. The third amendment was made on July 15, 1973. The fourth amendment was made on August 20, 1974. The fifth amendment was made on February 8, 1976. The sixth amendment was made on August 1, 1976. The seventh amendment was made on June 15, 1977. The eighth amendment was made on December 25, 1977. The ninth amendment was made on February 26, 1978. The tenth amendment was made on November 24, 1978. The eleventh amendment was made on December 31, 1981. The twelfth amendment was made on March 18, 1982. The thirteenth amendment was made on June 10, 1984. The fourteenth amendment was made on September 30, 1984. The fifteenth amendment was made on April 10, 1985. The sixteenth amendment was made on July 15, 1985. The seventeenth amendment was made on November 2, 1987. The eighteenth amendment was made on April 30, 1988. The nineteenth amendment was made on April 20, 1989. The twentieth amendment was made on August 7, 1989. The twenty-first amendment was made on April 10, 1990. The twenty-second amendment was made on April 12, 1991. The twenty-third amendment was made on May 18, 1992. The twenty-fourth amendment was made on May 25, 1993. The twenty-fifth amendment was made on May 27, 1994. The twenty-sixth amendment was made on May 31, 1995. The twenty-seventh amendment was made on May 13, 1997. The twenty-eighth amendment was made on April 21, 1998. The twenty-ninth amendment was made on June 22, 2000. The thirtieth amendment was made on April 10, 2001. The thirty-first amendment was made on June 12, 2002. The thirty-second amendment was made on June 12, 2003. The thirty-third amendment was made on June 9, 2004. The thirty-fourth amendment was made on June 14, 2005. The thirty-fifth amendment was made on June 14, 2005. The thirty-sixth amendment was made on June 14, 2006. The thirty-seventh amendment was made on April 24, 2007. The thirty-eighth amendment was made on June 13, 2008. The thirty-ninth amendment was made on June 16, 2009. The fortieth amendment was made on June 17, 2010. The forty-first amendment was made on June 15, 2012. The forty-second amendment was made on June 14, 2013. The forty-third amendment was made on June 12, 2015. The forty-fourth amendment was made on June 15, 2016. The forty-fifth amendment was made on June 15, 2017. These Articles of Incorporation and any amendments thereafter shall become effective upon resolution at the shareholders' meeting.



## **POU CHEN CORPORATION**

### **Rules and Procedures of Shareholder Meetings**

Adopted by shareholders' meeting on June 15, 2016

#### **Article 1 (Applicable Laws and Regulations)**

Except as otherwise provided in relevant laws or Pou Chen Corporation (the "Company")'s Articles of Incorporation, the Company's shareholders' meetings shall be held in accordance with these Rules and Procedures of Shareholders' Meetings (these "Rules and Procedures").

#### **Article 2 (Convention of Shareholders' Meeting and Meeting Notice)**

Except as otherwise provided in relevant laws, the Company's shareholders' meetings shall be convened by the board of Directors.

The Company shall make the meeting notice, proxy form, short title for ratification proposals, discussion proposals and election or removal of Directors, and other explanatory information into electronic files and submit such files onto the Market Observation Post System (the "MOPS") website thirty days before the regular shareholders' meeting or fifteen days before the special shareholders' meeting. The Company shall also make the handbook for shareholders' meetings and other supplementary materials into electronic files and submit these files onto the MOPS website twenty one days before the regular shareholders' meeting or fifteen days before the special shareholders' meeting. The Company shall prepare the handbook for shareholders' meetings and other supplementary materials fifteen days before the shareholders' meeting for shareholders to ask for at any time, exhibit these documents in the Company and the professional agency appointed by the company to handle the share-related affairs for the company, and distribute such documents at the shareholders' meeting.

The reasons for convening the shareholders' meeting shall be indicated in the notice and the announcement to the shareholders; and the notice may be delivered by means of electronic transmission with prior consent from the recipient(s).

Matters pertaining to election or removal of Directors, amendments to the Articles of Incorporation, dissolution, merger, spin-off, or any matters as set forth in Article 185 Paragraph 1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the reasons for convening the shareholders' meeting, and shall not be brought up as extemporary motions.



Shareholders holding 1% or more of the total number of outstanding shares of the Company may propose to the Company a proposal at regular shareholders' meetings, provided that only one matter is allowed in such a proposal, and proposals with more than one matter will not be included in the agenda. In addition, if there are any of the circumstances listed in Paragraph 4, Article 172-1 of the Company Act in the proposal raised by a shareholder, the board of Directors may choose not to list such a proposal in the agenda.

Prior to the date on which share transfer registration is suspended before the convention of the regular shareholders' meeting, the Company shall publish an announcement stating the place and the time period for shareholders to submit proposals to be resolved at the meeting; and the time period for accepting such proposals shall not be less than ten days.

The number of words in the proposal proposed by a shareholder shall be no more than three hundred words, and any proposal with more than three hundred words will not be included in the agenda. A shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting where the proposal is to be resolved and shall take part in the discussion of such a proposal.

The Company shall, prior to delivering the meeting notice, inform all the shareholders who have submitted proposals of whether their proposals are accepted, and shall list in the meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not listed in the agenda of the meeting, the reasons for not listing such proposals shall be explained by the board of Directors at the shareholders' meeting.

### **Article 3 (Attending Shareholders' Meetings by Proxy and Authorization)**

A shareholder may appoint, per meeting, another person to attend as his/her/its proxy by using the proxy form provided by the Company to set forth the scope of authorization.

A shareholder may only use one proxy form and appoint one proxy only, and shall serve such proxy form to the Company no later than five days prior to the meeting date of the shareholders' meeting. In the event that two or more proxy forms are received from one shareholder, the first proxy form served to the Company shall prevail, unless an explicit statement to revoke the previous proxy form is made in the proxy form that is later served to the Company.

After the service of the proxy form to the Company, in the event that the shareholder issuing the said proxy form intends to attend the shareholders' meeting in person or to exercise the voting rights in writing or by way of electronic transmission, a written notice to rescind the proxy form shall be filed with the Company two days prior to the date of the shareholders' meeting, or otherwise the voting rights exercised by the



authorized proxy at the meeting shall prevail.

**Article 4 (Principles for the Venues and Times of Shareholders' Meetings)**

The shareholders' meeting shall be held at the Company's place of business or any other place that is convenient for the shareholders to attend and appropriate to convene such meeting, and shall commence at a time no earlier than 9:00 a.m. and no later than 3:00 p.m. The decision of the place and time for the meeting shall be made taking the independent Directors' opinions into full consideration.

**Article 5 (Preparation of Attendance Register and other Documents)**

The Company shall set forth in the meeting notice the time and place for shareholders to sign in, and any other matters to be noted by the Shareholders.

The time for shareholders to sign in under the preceding paragraph shall begin at least thirty minutes earlier than the meeting commencement time. There shall be a conspicuous sign to indicate the place for shareholders to sign in, and sufficient and proper personnel shall be at such place to handle relevant matters.

Shareholder or their proxies (hereinafter "Shareholders") may only attend the meeting with his/her/its attendance card, sign-in card or other attendance identification papers. The solicitor of proxies shall also bring his/her identity document for further check.

The Company shall prepare an attendance register for shareholders or their proxies (hereinafter "Shareholders") to sign in, which may be substituted with the sign-in card submitted by Shareholders attending the meeting.

The Company shall deliver to Shareholders attending the meeting the handbook for the meeting, the annual report, the attendance card, a slip of paper for comments, voting ballots and other meeting information. Where there are proposals to elect the Directors at meetings, the Company shall also deliver the election ballots to Shareholders attending such meetings.

When Shareholders are governments or legal persons, there may be multiple representatives attending the meeting on behalf of such Shareholders. In the event that a legal person attends a meeting as a proxy, there may only be one representative appointed by such legal person.

**Article 6 (Chairperson and Attendees of Shareholders' Meeting)**

For the shareholders' meeting convened by the board of Directors, such meeting shall be chaired by the chairman of the board. In case the chairman is on leave or cannot exercise his authority for any reason, the vice chairman shall act on his behalf. In case there is no vice chairman, or the vice chairman is also on leave or unable to exercise his authority for any reason, the chairman shall designate one of the Directors to act on his behalf. In the absence of such designation, the Directors shall elect from



among themselves an acting chairman to act on the chairman's behalf.

A Director shall have served as a Director in the Company for six months or more to act on behalf of the chairman in accordance with the preceding paragraph. The same should apply to the situation where the chairman is the representative of a Director that is a legal person.

When the shareholders' meeting is convened by the board of Directors, it is advised that the chairman of the board of Directors preside at such meeting, having more than half of the Directors and at least one member from each of the functional committees present at the meeting. The attendance shall be recorded in the minutes of the shareholders' meeting.

If the shareholders' meeting is convened by a person with the authority to convene other than the board of Directors, such person shall act as the chairman at that meeting; provided, however, if there are more than one person with the authority to convene, the chairman for the meeting shall be appointed from among them.

The Company may designate legal counsel, certified public accountants, and other relevant personnel to attend the shareholders' meetings in a non-voting capacity.

**Article 7 (Records of Process of Shareholders' Meeting)**

The Company shall tape record and videotape, without interruption, the whole process of Shareholders' signing in, the meeting and casting and counting of the ballots.

The tape-recorded and videotaped records shall be kept for at least one year, provided that where there is litigation brought by the shareholder pursuant to Article 189 of the Company Act, such records shall be kept until the litigation ends.

**Article 8 (Share Number Calculation for Attendance at Shareholders' Meetings and Convention of Meetings)**

The attendance of shareholders' meetings shall be calculated based on the number of shares held by Shareholders attending such meetings, which shall be determined according to the attendance register or the sign-in cards submitted by Shareholders, adding the number of voting shares where voting rights are exercised by means of written notice or electronic transmission.

Upon the scheduled meeting time, the chairman shall call the meeting to order. The chairman may adjourn the meeting if the number of shares of the Shareholders present do not exceed half of the total number of issued and outstanding shares, which meeting may be postponed up to two times, with the total adjournment time not exceeding one hour. If, after two postponements, the number of shares present still does not meet one-third of the total issued and outstanding shares, the chairman shall



cancel the meeting.

If, after two postponements in accordance with the preceding paragraph, the number of shares of the Shareholders present still does not meet the aforementioned threshold but represent one-third or more of the total issued and outstanding shares, tentative resolutions may be adopted in accordance with Article 175 of the Company Act, and a shareholders' meeting shall be convened within one month after the meeting in which the tentative resolutions were adopted.

If, before the meeting in which the tentative resolutions are adopted is adjourned, the number of shares present reaches more than half of the total issued and outstanding shares, the chairman may re-submit the tentative resolution for approval at the meeting in accordance with Article 174 of the Company Act.

**Article 9 (Discussion of Proposals)**

Agendas for shareholders' meetings shall be set by the board of Directors if such meetings are convened by the board of Directors. Unless otherwise resolved by resolution at the shareholders' meetings, the meetings shall be carried out in accordance with the scheduled agenda.

The preceding paragraph shall apply *mutatis mutandis* to meetings convened by any person, other than the board of Directors, with the authority to convene such meeting.

In respect of the scheduled agenda referred to in the preceding two paragraphs, the chairman may not, absent a resolution, unilaterally announce the adjournment of the meeting before all of the items on such agenda (including ad hoc motions) have been resolved. If the chairman announces its adjournment in violation of the Rules and Procedures, other Directors of the board shall promptly assist the Shareholders present to elect, in accordance with legal procedures, one person to act as chairman to continue the meeting with more than half of the votes of the Shareholders present.

For proposals and amendments to the proposals and ad hoc motions proposed by the Shareholders, the chairman shall ensure there is adequate opportunity for explanation and discussion. If the chairman believes that the discussion for a proposal has reached a level where a vote may be called, the chairman may announce to end such discussion and call for a vote.

**Article 10 (Speeches of Shareholders)**

Before Shareholders make speeches, such Shareholders shall submit a slip of paper, noted with such Shareholders' shareholder account number (or the attendance card number) and account name, summarizing his/her/its comments, for the chairman to determine the speaking order.

Attending Shareholders who submit slips but does not speak at a shareholders' meeting is deemed to have not spoken; in the event of any inconsistency between the contents of a Shareholder's speech and those recorded on the slip, the contents of the Shareholder's speech shall prevail.

Unless otherwise agreed to by the chairman, a Shareholder may speak on a single proposal up to two times, each time no more than five minutes in length. The chairman may stop the speech of any Shareholder that is in violation of relevant rules or exceeds the scope of their proposal.

When an attending Shareholder is speaking at the meeting, no other Shareholder shall interrupt the speech of the speaking Shareholder unless otherwise permitted by the chairman and such speaking Shareholder; the chairman shall stop any such violations.

When a Shareholder that is a legal person appoints two or more representatives to attend the shareholders' meeting, only one representative may speak on any given proposal.

After a speech is given by the attending Shareholder, the chairman may personally or designate relevant personnel to respond.

**Article 11 (Calculation of Voting Shares and Conflict of Interests)**

The voting in the shareholders' meeting shall be determined based on the number of shares.

The shares held by Shareholders without voting rights shall not be counted in the number of total issued and outstanding shares when adopting a resolution at the shareholders' meeting.

Shareholders with personal interests in the matter under discussion at a shareholders' meeting, which may impair the interests of the Company, shall neither vote nor exercise the voting rights on behalf of another Shareholder.

The number of shares in which such Shareholders may not exercise their voting rights in accordance with the preceding paragraph shall not be counted in the number of votes of Shareholders present at the meeting.

Except for trust enterprises or stock agencies approved by the competent authority for securities, if a person is entrusted by two or more Shareholders, the proxy votes by such person shall not exceed 3% of the total issued and outstanding shares of the Company; and any votes in excess of the foregoing will not be counted.

**Article 12 (Methods for Resolving Proposal, Supervising Casting of Ballots and Counting Ballots)**

Except for restricted shares or shares without voting rights under Article 179 Paragraph 2 of the Company Act, each Shareholder is entitled to one vote per share.



When shareholders' meetings are held by the Company, voting rights may be exercised in writing or by way of electronic transmission. The Company shall set forth the methods to exercise voting rights in the shareholders' meeting notice when the shareholders are to exercise such rights in writing or by way of electronic transmission. A Shareholder who exercises his/her/its voting rights at a shareholders' meeting in writing or by way of electronic transmission shall be deemed to have attended the meeting in person, provided that such Shareholder shall be deemed to have waived his/her/its voting rights in respect of any ad hoc motions and the amendments to the original proposals at the said shareholders' meeting, and thus it is advised that the Company does not propose an ad hoc motion or amend the original proposal.

Where Shareholders elect to exercise their voting rights in writing or by way of electronic transmission, their declaration of intent shall be served to the Company two days prior to the scheduled meeting date, provided that if two or more declarations of the same intention are served to the Company, the first declaration of such intention shall prevail, unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

If a Shareholder who has exercised his/her/its voting rights in writing or by way of electronic transmission intends to attend a shareholders' meeting in person, he/she/it shall serve another declaration of intent to rescind his/her/its previous declaration of intent under the preceding paragraph two days prior to the meeting date and in the same manner used in exercising his/her/its voting rights. In the absence of a timely rescission of the previous declaration of intent, the voting rights exercised in writing or by way of electronic transmission shall prevail. If a shareholder has exercised his/her/its voting rights in writing or by way of electronic transmission, and has also authorized a proxy to attend the shareholders' meeting on his/her/its behalf, then the voting rights exercised by the authorized proxy for the said shareholder shall prevail.

Except as otherwise required by the Company Act or the Articles of Incorporation of the Company, a proposal is adopted with the approval of more than half of the vote rights of the Shareholders present. Upon the voting, the chairman or the personnel designated by the chairman shall announce the total number of votes of Shareholders present, and then the Shareholders shall cast their ballots. The Company shall key in the results of the Shareholders' for or against votes and their waivers to the MOPS website on the shareholders' meeting date after such shareholders' meeting.

In the event that there is an amendment or replacement proposal to the original proposal, the chairman shall decide on the order in which such proposals will be voted in, along with the original proposal, provided that if one of such proposals has been adopted, the other proposals will be deemed to have been vetoed and no further

voting shall be necessary.

The person(s) supervising the casting of the ballots and the person(s) counting the ballots shall be designated by the chairman, provided that the person(s) supervising the casting of the ballots shall be a Shareholder.

The counting of ballots for voting or election at the shareholders' meeting shall be conducted in an open area within the shareholders' meeting room. After the counting is completed, the voting results shall be announced on the spot, including the number of votes, and records shall be made.

**Article 13 (Election Matters)**

Where there is a proposal to elect Directors, the election shall be conducted in accordance with the Company's Rules for Election of Directors, and the results of the election shall be announced on the spot, including the list of Directors elected and the number of votes they are elected with.

The ballots for the election under the preceding paragraph shall be sealed by the personnel supervising the casting of ballots, with such personnel's signature on the seal, and shall be kept properly for at least one year, provided that where there is litigation brought by the Shareholder pursuant to Article 189 of the Company Act, these ballots shall be kept until the litigation ends.

**Article 14 (Minutes of Shareholders' Meetings and Signatures)**

Resolutions adopted at shareholders' meetings shall be made into minutes, which shall be signed by or affixed with seal of the chairman of the shareholders' meetings and distributed to all of the Shareholders within 20 days after the shareholders' meetings. The distribution of the shareholders' meetings minutes may be done by way of electronic transmission.

The Company may distribute the shareholders' meetings minutes under the preceding paragraph by public announcement on the MOPS website.

Minutes of the shareholders' meetings shall record the date and place of the shareholders' meetings, name of the chairman, and the method for adopting resolutions, as well as summaries and results of proceedings. Minutes of the shareholders' meetings shall be kept indefinitely for as long as the Company is in existence.

**Article 15 (External Announcement)**

The number of shares solicited by solicitors and represented by proxies shall be expressly disclosed, in the form of statistical tables in compliance with relevant rules, in the shareholders' meeting room by the Company on the shareholders' meeting date.

In the event that the resolutions adopted at the shareholders' meeting are material



information under relevant laws or the rules provided by the Taiwan Stock Exchange, the Company shall submit the content of such resolutions to the MOPS website within the specified time period.

**Article 16 (Maintenance of Order during Shareholders' Meeting)**

The meeting staff handling shareholders' meeting affairs shall wear an identification card or arm-band.

The chairman may direct the picket staff or security personnel to help maintain order at shareholders' meetings. When helping maintain order, the picket staff or security personnel shall wear arm-bands with the words "picket staff" on them or identification cards.

Where there is sound amplifying equipment provided in the shareholders' meeting, the chairman may stop any shareholder who is not speaking with the sound amplifying equipment provided by the Company.

In the event that the shareholder is in violation of the Rules and Procedures, disobeys the corrections by the chairman, interrupts the process of the shareholders' meeting and refuses to stop such actions after being told to stop, the chairman may direct the picket staff or security personnel to ask such shareholder to leave the shareholders' meeting room.

**Article 17 (Intermission and Continuance of Shareholders' Meeting)**

The chairman may, at his or her discretion, set time for recess during the shareholders' meeting. In the event of any uncontrollable matters, the chairman may decide to adjourn the meeting tentatively, and announce the time to continue the meeting depending on the circumstances.

In the event that the shareholders' meeting place cannot be perused but the items to be discussed on the scheduled agenda (including ad hoc motions) have not all been resolved, the Shareholders may resolve to continue the shareholders' meeting in another place.

The Shareholders may adopt a resolution to postpone or continue the shareholders' meeting within five days in accordance with Article 182 of the Company Act.

**Article 18 (Approval Level)**

These Rules and Procedures and any amendments shall become effective upon resolution at a shareholders' meeting.

Appendix 3

**POU CHEN CORPORATION**  
**Rules for Election of Directors**

Adopted by shareholders' meeting on June 15, 2016

**Article 1** The election of the Directors of Pou Chen Corporation (the "Company") shall comply with the Rules for Election of Directors (the "Rules") unless otherwise provided by the laws or the Company's Articles of Incorporation.

**Article 2** The election of the Directors of the Company shall consider the composition of the board of Directors, formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics and development needs, including but not limited to these two general criteria:

1. Basic criteria and personal values including gender, age, nationality and culture background.
2. Professional knowledge and skills: a professional background (e.g. law, accounting, industry, finance, marketing, technology), professional skills, and industry experience, and the knowledge, skills and experience necessary to perform their duties.

All members of the board of Directors shall possess skills in the following areas:

1. Ability to exercise sound business judgment
2. Ability to perform accounting and financial analysis
3. Business administration skills
4. Ability to conduct crisis management
5. Knowledge of the industry
6. A global market perspective
7. Leadership skills
8. Decision-making skills

A spousal or familial relationship within the second degree kinship may not exist among more than half of the board of Directors' seats.

The board of Directors shall consider adjusting its composition based on the results of the performance evaluations.

**Article 3** The qualifications and election of independent Directors of the Company shall comply with Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies and Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.

**Article 4** The Directors of the Company election shall adopt the candidate nomination system according to Article 192-1 of the Company Act. In reviewing the





qualifications, education and experience of the candidates, and whether there are circumstances set forth in Article 30 of the Company Act involved, the Company shall not require any shareholder who nominates a candidate to provide additional documentation other than as prescribed in Article 192-1 of the Company Act, and shall furnish the results of their review to shareholders to allow well qualified Directors to be elected.

If the number of Directors falls below five due to the removal of one or more Directors of the Company for any reason, the Company shall elect new Directors to fill such vacancies at its next shareholders' meeting. If the vacancies of the board of Directors reaches one third of the total number of the board of Directors' seats prescribed in its Articles of Incorporation, the Company shall call a special shareholders' meeting within 60 days from the occurrence of such event and elect Directors to fill the vacancies.

If the number of independent Directors falls below what is required under Article 14-2, Paragraph 1 of the Securities and Exchange Act or the related provisions of the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, an election shall be held at the next shareholders' meeting to fill such vacancy. In the event where all the independent Directors are removed, the Company shall call a special shareholders' meeting within 60 days from the occurrence of such event to elect new independent Directors to fill the vacancies.

**Article 5** The Directors of the Company election shall adopt the cumulative voting system. The number of votes exercisable in respect of each share shall be the same as the number of Directors to be elected, and the total number of votes per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates.

**Article 6** The board of Directors shall prepare the ballots in the number equal to the number of Directors to be elected, with the number of votes being noted on the ballots; and distribute the ballots to the shareholders who are present at the shareholders' meeting. The name of the voters may be represented by the attendance number printed on their ballots.

**Article 7** The Company's Directors shall be elected in accordance with the number of Directors to be elected specified in the Company's Articles of Incorporation. The number of votes received by the independent Directors and non-independent Directors shall be calculated separately. A candidate to whom the ballots cast represent the highest number of votes shall be deemed an elected Director or independent Director. If two or more candidates receive the same number of votes, which consequently exceeds the number of Directors or independent Directors to be elected, such candidates who received the same



number of votes shall draw lots to decide the winner; if such candidate(s) is(/are) not present, the chairman shall draw lots on behalf of the candidate(s).

**Article 8** Before the election begins, the chairman shall designate a number of persons to count the ballots and a number of persons that are shareholders of the Company to supervise the casting of the ballots, each of which shall then respectively perform their relevant functions accordingly. A ballot box prepared by the board of Directors shall be examined in public by persons supervising the casting of the ballots before the ballots are cast.

**Article 9** In the event that the candidate is a shareholder of the Company, the voters voting for such a candidate shall fill in the candidate column on the ballot such candidate's account name and shareholder account number. In the event that the candidate is not a shareholder of the Company, the voters voting for such a candidate shall fill in the candidate column on the ballot such candidate's name and personal identification documents number. In the event that the candidate is a government or a corporate shareholder, the voters voting for such a candidate shall fill in the candidate column on the ballot with the name of such government or such corporate shareholder, or the name of such government or such corporate shareholder together with the name of such government's or such corporate shareholder's representative; when there are multiple representatives, the names of all representatives shall be listed.

**Article 10** A ballot is deemed void if any of the following circumstances apply:

1. Any ballot is cast without using the ballot prepared by the board of Directors.
2. Any blank ballot is cast.
3. Any ballot with illegible writing rendering it unrecognizable; or any ballot with corrections, is cast.
4. Where the candidate voted for is a shareholder of the Company, and such candidate's account name and shareholder account number filled in in the ballot is inconsistent with that on the shareholder registry; or if the candidate voted for is not a shareholder of the Company and his name and personal identification documents number are incorrect.
5. Any ballot which is filled in with characters other than the account name (or name), account number (or personal identification documents number) and number of votes cast.
6. The name of the candidate voted for is identical to that of another shareholder, and no account number or personal identification documents number of the candidate is filled in on the ballot to identify such candidate.



**Article 11** The ballots shall be counted during the shareholders' meeting immediately after they have been cast and the results shall be announced by the chairman at such shareholders' meeting, including the names of the Directors elected and the number of votes received.

The ballots in the preceding paragraph shall be sealed and signed by the persons supervising the casting of the ballots and kept for at least one year; provided, however, ballots concerning an action filed by a shareholder according to Article 189 of the Company Act shall be kept until the process has been concluded.

**Article 12** The board of Directors of the Company shall deliver a written notification to each of the elected Directors.

**Article 13** The Rules and any amendments thereafter shall become effective upon resolution at the general meeting of shareholders.

Appendix 4

## POU CHEN CORPORATION

### Shareholdings of All Directors

Effective Date: April 17, 2018

Title	Name	Registered shares in Shareholders Roster	Shareholding (%)
Chairman	PC Brothers Corporation Representative: Chan, Lu-Min	213,280,710	7.24%
Director	Tsai, Pei-Chun	4,177,779	0.14%
Director	Tzong Ming Investments Co., Ltd. (Representative: Tsai, Min-Chieh)	6,340,933	0.22%
Director	Ever Green Investments Corporation (Representative: Lu, Chin-Chu)	23,216,045	0.79%
Director	Sheachang Enterprise Corporation (Representative: Tsai, Ming-Lun)	4,413,010	0.15%
Director	Lai Chia Investments Co., Ltd. (Representative: Ho, Yue-Ming)	2,677,700	0.09%
Independent Director	Chen, Bor-Liang	3,374	0.00%
Independent Director	Chiu, Tien-I	0	0.00%
Shareholdings of all Directors (excluding Independent Directors)		254,106,177	8.62%

(1) The Company's paid-in capital (as of April 17, 2018) is NT\$29,467,872,130. The number of outstanding shares is 2,946,787,213.

(2) The statutory minimum shareholding requirement for all Directors: 70,722,893 shares.

#### Appendix 5    **The Impact of Stock dividend Issuance on Business Performance, EPS, and Shareholder Return Rate**

The Company has no plan for the free allotment of shares for this fiscal year. This item does not apply.