

*(The translated document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.)*

**Pou Chen Corporation**  
**2018 Annual Shareholders' Meeting Minutes**  
**(Translation)**

**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

**Total outstanding shares of the Company:** 2,946,787,213 shares.

**Total shares represented by Shareholders' presented in person or by proxy:** 2,559,542,853 shares.  
(Including 2,258,370,471 votes casted electronically)

**Percentage of shares held by Shareholders' present in person or by proxy:** 86.85%

**Chairperson:** Chan, Lu-Min, the chairman of the Board of Directors

**Recorder:** Ho, Ming-Kun

**Directors:** Lu, Chin-Chu, Representative of Ever Green Investments Corporation (Director), Tsai, Pei-Chun (Director), Tsai, Min-Chieh, Representative of Tzong Ming Investments Co., Ltd. (Director), Tsai, Ming-Lun, Representative of Sheachang Enterprise Corporation (Director), Ho, Yue-Ming, Representative of Lai Chia Investments Co., Ltd. (Director), Chen, Bor-Liang (Independent Director), Chiu, Tien-I (Independent Director)

As the aggregate shareholding of the shareholders present in person or by proxy constituted a quorum, the chairperson called the meeting to order.

**Chairperson Remarks:** (Omitted)

**A. Report Items**

1. 2017 Business and Financial Report: please refer to Appendix I.
2. The Audit Committee's Review Report on the 2017 Financial Statements: please refer to Appendix II.
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 6-32). The 2017 Business Report and Financial Statements are hereby submitted for ratification.

RESOLVED, that the 2017 Business Report and Financial Statements be and hereby were accepted as submitted.

Voting Results: Shares represented at the time of voting: 2,559,542,853votes.

Voting results*	% of the total represented share present
Votes in favor: 2,244,381,501 votes (1,943,713,781votes)	87.68%
Votes against: 2,047,804votes (2,047,804votes)	0.08%
Votes abstained: 313,113,548votes (312,608,886votes)	12.23%

\*including votes casted electronically (numbers in brackets)

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 shares. 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.

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>	( 280,862,291)
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 allocated by the Company is based on the net deductions from the 2017 shareholder equity (including exchange differences on translating foreign operations and unrealized losses of available-for-sale financial assets).

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

RESOLVED, that the above proposal be and hereby was approved as proposed.

Voting Results: Shares represented at the time of voting: 2,559,542,853votes.

Voting results*	% of the total represented share present
Votes in favor: 2,248,049,582votes (1,947,381,862votes)	87.83%
Votes against: 7,268,923votes (7,268,923votes)	0.28%
Votes abstained: 304,224,348votes (303,719,686votes)	11.88%

\*including votes casted electronically (numbers in brackets)

### 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.

Result of the election: The independent Directors with votes received was as followed:

ID Number	Name	Votes received
D10144****	Chen, Huan-Chung	1,975,314,664

**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

RESOLVED, that the above proposal be and hereby was approved as proposed.

Voting Results: Shares represented at the time of voting: 2,559,542,853votes.

Voting results*	% of the total represented share present
Votes in favor: 2,170,375,104votes (1,869,707,384votes)	84.79%
Votes against: 451,280votes (451,280votes)	0.01%
Votes abstained: 388,716,469votes (388,211,807votes)	15.18%

\*including votes casted electronically (numbers in brackets)

**D. Extraordinary Motions:** None

**E. Adjournment Time:** The meeting was adjourned at 10:01 a.m.

## 2017 Business and Financial Reports

### 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).

Schedule 1: Consolidated Financial Statements

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

Year		2017		2016		+(-)%
		Amount	%	Amount	%	
Item						
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		2017		2016		+(-)%
		Amount	%	Amount	%	
Item						
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%)
Basic earnings per share		4.38		4.43		

Schedule 2

(In NT\$ thousands)

Year		2017		2016	
		Amount	%	Amount	%
Primary business					
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 business 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 brand 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 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.



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## 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 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.

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 AND SUBSIDIARIES

CONSOLIDATED 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)	\$ 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
<b>Total current assets</b>	<b>154,667,365</b>	<b>51</b>	<b>151,320,571</b>	<b>51</b>
<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
<b>Total non-current assets</b>	<b>147,237,065</b>	<b>49</b>	<b>142,569,290</b>	<b>49</b>
<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
<b>Total current liabilities</b>	<b>84,461,024</b>	<b>28</b>	<b>74,732,364</b>	<b>26</b>
<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	-
<b>Total non-current liabilities</b>	<b>59,063,460</b>	<b>20</b>	<b>56,146,793</b>	<b>19</b>
<b>Total liabilities</b>	<b>143,524,484</b>	<b>48</b>	<b>130,879,157</b>	<b>45</b>
<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)
<b>Total equity attributable to owners of the Company</b>	<b>83,615,378</b>	<b>27</b>	<b>75,705,144</b>	<b>26</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>74,764,568</b>	<b>25</b>	<b>87,305,560</b>	<b>29</b>
<b>Total equity</b>	<b>158,379,946</b>	<b>52</b>	<b>163,010,704</b>	<b>55</b>
<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)

	2017		2016	
	Amount	%	Amount	%
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>	<b><u>\$ 22,450,113</u></b>	<b><u>8</u></b>	<b><u>\$ 19,689,716</u></b>	<b><u>7</u></b>
<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>
	<b><u>\$ 21,730,590</u></b>	<b><u>8</u></b>	<b><u>\$ 23,001,919</u></b>	<b><u>8</u></b>
<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>
	<b><u>\$ 22,450,113</u></b>	<b><u>8</u></b>	<b><u>\$ 19,689,716</u></b>	<b><u>7</u></b>
<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)

**POU CHEN CORPORATION AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation Foreign Operation	Unrealized Loss on Available-for-sale Financial Assets				
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	\$ 85,233,554	\$ 154,803,667	
Appropriation of 2015 earnings (Note 26)	-	-	953,156	6,297,042	(953,156)	-	-	-	-	-	
Legal reserve	-	-	-	-	(6,297,042)	-	-	(4,420,181)	-	(4,420,181)	
Special reserve	-	-	-	-	(4,420,181)	-	-	-	-	(4,420,181)	
Cash dividends	-	-	953,156	6,297,042	(11,670,352)	-	-	(4,420,181)	-	-	
Net income for the year ended December 31, 2016	-	-	-	-	13,057,050	-	-	13,057,050	9,944,869	23,001,919	
Other comprehensive (loss) income for the year ended December 31, 2016	-	-	-	-	(379,519)	(1,911,713)	180,932	(2,110,293)	(1,201,910)	(3,312,203)	
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	12,677,531	(1,911,713)	180,932	10,946,752	8,742,959	19,689,716	
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(93,840)	-	-	-	-	-	(93,840)	-	(93,840)	
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	2,295	-	-	-	-	-	2,295	-	2,295	
Change in non-controlling interests	-	-	-	-	-	-	-	-	(6,270,953)	(6,270,953)	
Change in equity for the year ended December 31, 2016	-	(91,545)	953,156	6,297,042	1,007,172	(1,911,713)	180,932	6,435,031	1,779,006	8,207,027	
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	87,303,560	165,010,704	
Appropriation of 2016 earnings (Note 26)	-	-	1,505,705	1,730,773	(1,505,705)	-	-	-	-	-	
Legal reserve	-	-	-	-	(1,730,773)	-	-	(4,420,181)	-	(4,420,181)	
Special reserve	-	-	-	-	(4,420,181)	-	-	-	-	(4,420,181)	
Cash dividends	-	-	1,505,705	1,730,773	(7,456,652)	-	-	(4,420,181)	-	-	
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	12,921,606	8,808,984	21,730,590	
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,507)	(4,899,702)	4,618,840	(666,362)	1,385,892	719,323	
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	4,618,840	12,255,237	10,194,876	22,450,113	
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(47,650)	-	-	-	-	-	(47,650)	-	(47,650)	
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	(7,579)	-	-	-	-	-	(7,579)	-	(7,579)	
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 26)	-	130,407	-	-	-	-	-	130,407	-	130,407	
Change in non-controlling interests	-	-	-	-	-	-	-	-	(22,735,865)	(22,735,865)	
Change in equity for the year ended December 31, 2017	-	75,128	1,305,705	1,730,773	5,079,440	(4,899,702)	4,618,840	7,910,234	(12,540,992)	(4,630,758)	
BALANCE AT DECEMBER 31, 2017	\$ 29,467,872	\$ 4,615,341	\$ 12,518,889	\$ 13,636,368	\$ 37,294,138	\$ (1,790,529)	\$ (12,126,701)	\$ 83,615,378	\$ 74,764,568	\$ 158,379,946	

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
CASH FLOWS FROM OPERATING ACTIVITIES		
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	<u>16,808,648</u>	<u>15,705,925</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
<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
	<u>(10,668,186)</u>	<u>(13,842,327)</u>
<b>Net cash used in investing activities</b>		
<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	(22,735,868)	(6,970,953)
	<u>(12,154,857)</u>	<u>(3,699,872)</u>
<b>Net cash used in financing activities</b>		
<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:

	<u>December 31</u>	
	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)



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## 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 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.



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.*

**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	-
<b>Total current assets</b>	<b>7,863,357</b>	<b>7</b>	<b>7,541,527</b>	<b>7</b>
<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	-
<b>Total non-current assets</b>	<b>107,805,113</b>	<b>93</b>	<b>97,985,834</b>	<b>93</b>
<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	-
<b>Total current liabilities</b>	<b>14,887,657</b>	<b>13</b>	<b>10,210,516</b>	<b>10</b>
<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	-
<b>Total non-current liabilities</b>	<b>17,165,435</b>	<b>15</b>	<b>19,611,701</b>	<b>18</b>
<b>Total liabilities</b>	<b>32,053,092</b>	<b>28</b>	<b>29,822,217</b>	<b>28</b>
<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)
<b>Total equity</b>	<b>83,615,378</b>	<b>72</b>	<b>75,705,144</b>	<b>72</b>
<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)

	Retained Earnings			Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Other Equity			Total Equity
	Share Capital	Capital Surplus	Legal Reserve						Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	
BALANCE AT JANUARY 1, 2016	\$ 29,467,872	\$ 4,631,708	\$ 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)	-	-	-	-	-	-	(4,420,181)
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	953,136	6,297,042	(11,670,352)	-	-	-	-	-	-	(4,420,181)
Net income for the year ended December 31, 2016	-	-	-	-	13,057,050	-	-	13,057,050	-	-	-	13,057,050
Other comprehensive (loss) income for the year ended December 31, 2016	-	-	-	-	(379,519)	-	-	(379,519)	-	(1,911,713)	180,939	(2,110,293)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	12,677,531	-	-	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
Changes in equity for the year ended December 31, 2016	-	(91,545)	953,136	6,297,042	(1,007,172)	-	-	6,297,042	-	(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	3,109,175	(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)	-	-	-	-	-	-	(4,420,181)
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	1,305,705	1,730,773	(7,456,652)	-	-	-	-	-	-	(4,420,181)
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	12,921,606	-	-	-	12,921,606
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,507)	-	-	(385,507)	-	(4,899,702)	4,618,840	(666,362)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	-	-	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	-	-	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	\$ (1,790,529)	\$ (12,126,701)	\$ 83,615,318				

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	<u>(1,408,536)</u>	<u>(1,810,011)</u>
<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>	<b>658,791</b>	<b>(63,800)</b>
<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)



## 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

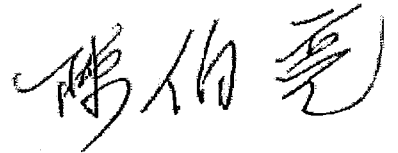
## Audit Committee's Review Report on Profit Distribution Plan

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:



Chen, Bor-Liang

Date : April 30, 2018