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**Pou Chen Corporation
2019 Annual Shareholders' Meeting Minutes
(Summary Translation)**

Date and Time: June 13, 2019 (Thursday) at 9:30 a.m.

Location: Conference room on the 3rd 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: 2,531,168,146 shares.
(Including 2,135,423,075 votes casted electronically)

Percentage of shares held by Shareholders' present in person or by proxy: 85.89%

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

Recorder: Ho, Ming-Kun

Directors: Tsai, Pei-Chun (Director), Lu, Chin-Chu, Representative of Ever Green Investments Corporation (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), Chen, Huan-Chung (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. 2018 Business and Financial Report: please refer to Appendix I.
2. The Audit Committee's Review Report on the 2018 Financial Statements: please refer to Appendix II.
3. Report on the 2018 Distribution of Employees' Compensation and Directors' Remuneration.
 - a. The Company's profit is NT\$11,932,010,580 in 2018 ("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\$214,776,000 and NT\$107,388,000, 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 2018 Business Report and Financial Statements (proposed by the Board of Directors)

The Audit Committee of the Company has reviewed the 2018 Business Report and the 2018 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, Wu, Ker-Chang and Hong Kuo-Tyan, of Deloitte & Touche (please refer to Appendix 1). The 2018 Business Report and Financial Statements are hereby submitted for ratification.

RESOLVED, that the 2018 Business Report and Financial Statements be and hereby were accepted as submitted.

Voting Results: Shares represented at the time of voting: 2,531,168,146 votes.

Voting results*	% of the total represented share present
Votes in favor: 2,159,675,726 votes (1,777,223,441 votes)	85.32%
Votes against: 6,636,214 votes (6,636,214 votes)	0.26%
Votes abstained: 364,856,206 votes (351,563,420 votes)	14.41%

*including votes casted electronically (numbers in brackets)

2. Ratification of the proposed 2018 profit distribution plan (proposed by the Board of Directors)
 - a. The Company's 2018 net income is NT\$10,708,645,905 and the proposed 2018 profit distribution plan is set forth below.
 - b. The Board of Directors proposed to distribute cash dividends in the amount of NT\$ 4,420,180,819 to the shareholders according to their share ownership at NT\$1.5 for per share, rounded down to the nearest New Taiwan Dollar. Shareholder dividends under NT\$1 shall be recognized as "Other Income" of the Company.
 - c. 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. If the cash distribution ratio changes which result in changes in number of the total issued and outstanding shares of the Company, it is proposed that the Chairman of the Board be authorized by the shareholders' meeting to make any adjustments as necessary.

Pou Chen Corporation
2018 Profit Distribution Plan

	(in NT\$)
Beginning unappropriated retained earnings	\$ 29,827,540,937
Effect of retrospective application of IFRS 9	292,111,810
Beginning unappropriated retained earnings as restated	30,119,652,747
Adjustment arising from investments accounted for equity method	(2,403,242,212)
Less: actuarial losses reflected in retained earning ¹	(64,539,350)
Unappropriated retained earnings after adjustment	27,651,871,185
Net income of 2018	10,708,645,905
Less: 10% legal reserve	(1,070,864,591)
Less: special reserve ²	(8,376,138,440)
Retained earnings available for distribution as of 2018	28,913,514,059
Distribution item:	
Shareholders dividend - cash dividend (NT\$1.5 /share) ³	4,420,180,819
Unappropriated retained earnings	\$ 24,493,333,240

Chan, Lu-Min



Chairman of the Board

Lu, Chin-Chu



President

Ho, Ming-Kun



Head of Accounting Dept.

¹ The Company adopts IAS 19 "Employee Benefits" to recognize actuarial losses of defined benefit plan (which is recognized in other comprehensive income is reflected immediately in retained earnings.)

² Special reserve appropriated by the Company is based on the net deductions from 2018 equity (including exchange differences on translating foreign operations, unrealized losses on financial assets at fair value through other comprehensive income and share of the other comprehensive loss of associate).

³ Shareholders dividends distributed are computation of 2,946,787,213 shares outstanding as of April 15, 2019.

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

Voting Results: Shares represented at the time of voting: 2,531,168,146 votes.

Voting results*	% of the total represented share present
Votes in favor: 2,171,053,808 votes (1,788,601,523 votes)	85.77%
Votes against: 6,812,132 votes (6,812,132 votes)	0.26%
Votes abstained: 353,302,206 votes (340,009,420 votes)	13.95%

*including votes casted electronically (numbers in brackets)

C. Discussion

1. Discussion on the amendments to the Company's "Articles of Incorporation".

(proposed by the Board of Directors)

- a. To amend the Company's "Articles of Incorporation" to reflect regulatory amendments of Company Act and in fulfillment of the Company's operational needs.
- b. Comparisons of pre-amended and amended "Articles of Incorporation" are set forth below.

	Amended Provisions	Pre-amended Provisions	Commentary
Article 6-2	<u>The Company transfers its treasury shares to employees, issues employee stock option certificates, issues restricted shares for employee, and reserves the issuance of common shares in cash for employees to subscribe, which could be entitled to the qualified employees of subsidiaries of the Company meeting certain specific requirements. The board of Directors is authorized to decide the conditions and the subscription.</u>		Amended as Company Act and the Company's management operations to add this article.
Article 7	<u>The Company's shares shall be registered, bear the signatures or personal seals of the Director representing the Company, and shall be duly certified or authenticated by the bank which</u>	<u>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</u>	Amended as the Company Act.

	Amended Provisions	Pre-amended Provisions	Commentary
	<p><u>is competent to certify shares under the laws.</u> The Company may issue shares without certificates which shall be registered with a central securities depository.</p>	<p><u>designated registration agency.</u> The Company may issue shares without certificates, <u>or issue one certificate for the total number of shares newly issued at the time</u> which shall be registered <u>or deposited</u> with a central securities depository.</p>	
Article 17	<p>The board of Directors' meeting shall be convened at least once every quarter of each year.</p> <p>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.</p> <p>Conventions of meetings under the preceding paragraph may be done in writing or by facsimile or electronically.</p> <p>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.</p> <p>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.</p> <p><u>Where the spouse, a blood relative within the second degree of kinship of a director, or any</u></p>	<p>The board of Directors' meeting shall be convened at least once every quarter of each year.</p> <p>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.</p> <p>Conventions of meetings under the preceding paragraph may be done in writing or by facsimile or electronically.</p> <p>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.</p> <p>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.</p> <p>When board of Directors' meetings are held by means of video conference, the Directors</p>	Amended as the Company Act to add the sixth item.

	Amended Provisions	Pre-amended Provisions	Commentary
	<p><u>company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</u></p> <p>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.</p> <p>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.</p> <p>The Company's board of Directors may establish different types of functional committees.</p>	<p>participating in such meetings via webcam shall be deemed to have attended the meetings in person.</p> <p>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.</p> <p>The Company's board of Directors may establish different types of functional committees.</p>	
Article 23-1	<p>The Company's annual net profits should be appropriated as follows:</p> <ol style="list-style-type: none"> (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 	<p>The Company's annual net profits should be appropriated as follows:</p> <ol style="list-style-type: none"> (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. (1) The total of any remaining 	Amended as Company Act and the Company's management operations.

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>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.</p> <p><u>The board of Directors proposes an earnings distribution in the form of new shares shall be approved following the resolution of the shareholders' meetings. Distribution of dividends and bonuses or distribution of the legal reserve and capital surplus in whole or in part by cash shall be resolved by a majority vote at a meeting attended by more than two thirds of the total number of directors, and such distribution shall be reported at the shareholders' meeting.</u></p> <p>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</p>	<p>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.</p> <p>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.</p>	

	Amended Provisions	Pre-amended Provisions	Commentary
	environment, the Company can adjust the ratio and amounts of distribution of profits.		
Article 25	These Articles of Incorporation was adopted on August 15, 1969. The first amendment was made on April 18, 1971..... <u>The forty-sixth amendment was made on June 13, 2019.</u> These Articles of Incorporation and any amendments thereafter shall become effective upon resolution at the shareholders' meeting.	These Articles of Incorporation was adopted on August 15, 1969. The first amendment was made on April 18, 1971..... 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.	Date of Amendment added.

Voting Results: Shares represented at the time of voting: 2,531,168,146 votes.

Voting results*	% of the total represented share present
Votes in favor: 2,154,376,236 votes (1,771,923,951 votes)	85.11%
Votes against: 6,736,822 votes (6,736,822 votes)	0.26%
Votes abstained: 370,055,088 votes (356,762,302 votes)	14.61%

*including votes casted electronically (numbers in brackets)

2. Discussion on the amendments to the Company's "Procedures for Acquisition and Disposal of Assets". (proposed by the Board of Directors)
 - a. To amend the Company's "Procedures for Acquisition and Disposal of Assets" in accordance with certain provisions of the "Regulation Governing the Acquisition and Disposal of Assets by Public Companies" as amended and promulgated by the Financial Supervisory Commission on November 26, 2018 Letter No. Financial-Supervisory-Securities-Coporate-1070341072 and in fulfillment of the Company's operational needs.
 - b. Comparisons of pre-amended and amended "Procedures for Acquisition and Disposal of Assets" are set forth below.

	Amended Provisions	Pre-amended Provisions	Commentary
Article 3	Scope of Assets 1. Securities: including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing	Scope of Assets 1. Securities: including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing	1. Removed rights-of-use land in Subparagraph 2 to Subparagraph 5 in accordance to coordinate with

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>interests in funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>2. Real estate (including land, houses and buildings, investment property and construction enterprise inventory) and equipment.</p> <p>3. Memberships.</p> <p>4. Intangible Assets: including Patents, copyrights, trademarks, franchise rights.</p> <p><u>5. Right-of-use assets.</u></p> <p><u>6. Claims of financial institutions</u> (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p><u>7. Derivatives.</u></p> <p><u>8. Assets acquired or disposed of</u> in connection with mergers, spin-offs, acquisitions, or transfers of shares in accordance with the law.</p> <p><u>9. Other major assets.</u></p>	<p>interests in funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>2. Real estate (including land, houses and buildings, investment property, <u>rights-of-use land</u>, and construction enterprise inventory) and equipment.</p> <p>3. Memberships.</p> <p>4. Intangible Assets: including Patents, copyrights, trademarks, franchise rights, <u>and other intangible assets.</u></p> <p><u>5. Claims of financial institutions</u> (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p><u>6. Derivatives.</u></p> <p><u>7. Assets acquired or disposed of</u> in connection with mergers, spin-offs, acquisitions, or transfers of shares in accordance with the law.</p> <p><u>8. Other major assets.</u></p>	<p>the amendment of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p> <p>2.Revised Subparagraph 4 wording.</p>
Article 4	<p>Definitions</p> <p>1.Derivatives: forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from <u>a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing</u></p>	<p>Definitions</p> <p>1.Derivatives: forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, <u>and compound contracts combining the above products</u>, whose value is derived from <u>assets, interest rates, foreign exchange rates, indexes or other interests</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing</p>	<p>1.Revised Subparagraph 1 and Subparagraph 2 in accordance to coordinate with the amendment of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p> <p>2. Delete the Subparagraph 7 and Subparagraph</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	<p><u>embedded derivatives</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>contracts</u>.</p> <p>2. Assets acquired or disposed through mergers, spin-offs, acquisitions, or transfer of shares in accordance with law: refers to assets acquired or disposed through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through the issuance of new shares of its own as the consideration (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>(omitted)</p> <p>6. Mainland China area investment: refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	<p>contracts, or long-term purchase (sale) <u>agreements</u>.</p> <p>2. Assets acquired or disposed through mergers, spin-offs, acquisitions, or transfer of shares in accordance with law: refers to assets acquired or disposed through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through the issuance of new shares of its own as the consideration (hereinafter "transfer of shares") under Article 156, <u>paragraph 8</u> of the Company Act.</p> <p>(omitted)</p> <p>6. Mainland China area investment: refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>7. The term "within one year" <u>means the year preceding the date of acquisition or disposal</u>. <u>Items that have been announced or declared will</u></p>	<p>8 that have been clearly defined in the relevant article of the Procedures.</p>

	Amended Provisions	Pre-amended Provisions	Commentary
		<p><u>not be counted towards the calculation.</u></p> <p>8. The term “most recent <u>financial statement</u>” means the <u>financial statement that has been certified or examined by a certified public accountant prior to the Company’s acquisition or disposal of asset and has been published in accordance with laws and regulations.</u></p>	
Article 5	<p>Amount of the investment in real estate for non-business use ,<u>real estate right-of-use assets held for non-business use</u> and the investment in securities</p> <p>The amount of the aforementioned assets acquired by the Company and each of its subsidiaries are as follows:</p> <p><u>1.Limit of investment by the Company:</u></p> <p>(1) <u>Real estate for non-business use and real estate right-of-use assets held for non-business use shall not exceed 100% of the company's paid-in capital.</u></p> <p>(2) <u>The total amount of investments in securities shall not exceed 150% of the Company's net value; the total amount of investments in individual securities shall not exceed 40% of the Company's net value.</u></p> <p><u>2.Limit of Investment by</u></p>	<p>Amount of the investment in real estate for non-business use and the investment in securities</p> <p>The amount of the aforementioned assets acquired by the Company and each of its subsidiaries are as follows:</p> <p><u>1. The acquisition amount of real estate for non-business use shall not exceed 100% of the Company’s paid-in capital.</u></p> <p><u>2. The amount of investment in securities (including the Company and its subsidiary’s investment in securities) shall not exceed 150% of the net worth of the investment’s occupancy of the debt-to-equity ratio. However, this limit shall not apply in the event where the invested business is related to the Company’s operations, and the proof of such an investment is not considered by the Company to be materially abnormal, or where, according to the most recent financial</u></p>	<p>Limit of investment in real estate for non-business use and real estate right-of-use assets held for non-business use and securities for the Company and its Subsidiaries is hereby established for business purposes, and situations in which the limits shall not apply are incorporated.</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	<p><u>Subsidiaries:</u></p> <p>(1) <u>Real estate for non-business use and real estate right-of-use assets held for non-business use shall not exceed 100% of the Company's paid-in capital.</u></p> <p>(2) <u>The total amount of investments in securities shall not exceed 150% of the Company's net value; the total amount of investments in individual securities shall not exceed 40% of the Company's net value.</u></p> <p><u>The Company and its Subsidiaries shall not be subject to the aforementioned limits in the following situations:</u></p> <p>1. <u>Investments in acquired stocks are associated with the Company's main business focus.</u></p> <p>2. <u>The company group is restructuring its organizational structure.</u></p>	<p><u>statement, there are no additional stock investments.</u></p> <p>3. <u>The amount of investment in each of the securities shall not exceed 40% of the Company's net worth.</u></p>	
Article 6	<p><u>Procedure of the appraisal reports or opinions published by qualified expert</u></p> <p>Professional appraisers and their appraisal officers, certified public accountants, attorneys and securities underwriters, who provide the Company with appraisal reports, certified public accountants opinions, attorney's opinions, or underwriter's opinions. <u>The qualification of appraisal reports or opinions</u></p>	<p>Professional appraisers and their appraisal officers, certified public accountants, attorneys and securities underwriters, who provide the Company with appraisal reports, certified public accountants opinions, attorney's opinions, or underwriter's opinions, <u>shall not be a related party of any party to the transaction.</u></p>	<p>Revised in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	should comply with article 5 of <u>“Regulations Governing the Acquisition and Disposal of Assets by Public Companies”</u> .		
Article 7	<p>Procedures for Acquisition or Disposal of Real Estate, <u>Right-Of-Use Real Estate, Equipment or Right-of-use Equipment</u></p> <p>1. Assessment and Operating Procedures The Company’s acquisition or disposal of real estate, <u>right-of-use real estate, equipment or right-of-use equipment</u> shall abide by the revolving procedures of real estate, factories and facilities in the Company’s internal control system.</p> <p>2. Decision Procedures for Transaction Terms and Authorized Amount</p> <p>(1) In the event of acquisition or disposal of real estate <u>or right-of-use real estate</u>, the terms of transaction and the transaction price shall be determined by referring to the announced current value, appraised value and actual transaction price of neighboring real estate, and an analysis report shall be submitted to the Company’s president. If the transaction price is NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction price</p>	<p>Procedures for Acquisition or Disposal of Real Estate or Equipment</p> <p>1. Assessment and Operating Procedures The Company’s acquisition or disposal of real estate or equipment shall abide by the revolving procedures of real estate, factories and facilities in the Company’s internal control system.</p> <p>2. Decision Procedures for Transaction Terms and Authorized Amount</p> <p>(1) In the event of acquisition or disposal of real estate, the terms of transaction and the transaction price shall be determined by referring to the announced current value, appraised value and actual transaction price of neighboring real estate and an analysis report shall be submitted to the Company’s president. If the transaction price is NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction price exceeds NT\$ 100 million but is less than NT\$ 300 million, the transaction shall be approved by the</p>	<p>1. Included rights-of-use assets to article 7 and revised exemption scope in paragraph 4 in accordance to coordinate with the amendment of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p> <p>2. Revised wording of first subparagraph, 4 paragraph.</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>exceeds NT\$ 100 million but is less than NT\$ 300 million, the transaction shall be approved by the Company's chairman, who is authorized to approve transactions; if the transaction price amount is NT\$ 300 million or more, the transaction shall be approved by the board of Directors.</p> <p>(2) The acquisition or disposal of equipment <u>or right-of-use equipment</u> shall be conducted by means of price inquiry, price comparison, price negotiation or bidding. In the event where the amount is NT\$ 10 million or less, the transaction shall be approved in accordance with the Company's levels of authorization; in the event where the amount exceeds NT\$ 10 million but is less than NT\$ 100 million, the transaction shall be approved by the president; in the event where the amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.</p> <p>3. Implementation unit The Company's acquisition or disposal of real estate, <u>right-of-use real estate,</u></p>	<p>Company's chairman, who is authorized to approve transactions; if the transaction price amount is NT\$ 300 million or more, the transaction shall be approved by the board of Directors.</p> <p>(2) The acquisition or disposal of equipment shall be conducted by means of price inquiry, price comparison, price negotiation or bidding. In the event where the amount is NT\$ 10 million or less, the transaction shall be approved in accordance with the Company's levels of authorization; in the event where the amount exceeds NT\$ 10 million but is less than NT\$ 100 million, the transaction shall be approved by the president; in the event where the amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.</p> <p>3. Implementation unit The Company's acquisition or disposal of real estate or equipment shall be approved in accordance with the levels of authorization specified in the preceding paragraph and shall be implemented by the department (or management</p>	

	Amended Provisions	Pre-amended Provisions	Commentary
	<p><u>equipment</u> or <u>right-of-use equipment</u> shall be approved in accordance with the levels of authorization specified in the preceding paragraph and shall be implemented by the department (or management department) which intends to use the real estate or the equipment.</p> <p>4. Appraisal report on real estate, <u>right-of-use real estate</u>, <u>equipment</u> or <u>right-of-use equipment</u></p> <p>In the event of the Company's acquisition or disposal of real estate, <u>right-of-use real estate</u>, <u>equipment</u> or <u>right-of-use equipment</u> where the transaction amount reaches 20% of the Company's paid-in capital or NT\$ 300 million or more, except for transactions with <u>domestic</u> governments, engaging others to build on their land, engaging others to build on rented land, or acquiring or disposing of <u>equipment</u> or <u>right-of-use equipment</u> for business use, the Company shall obtain an appraisal report from a professional appraiser prior to the date of occurrence and shall comply with the following provisions:</p> <p>(1) In the event where, due to special circumstances, the transaction price shall refer to a limited price, a</p>	<p>department) which intends to use the real estate or the equipment.</p> <p>4. Appraisal report on real estate or equipment</p> <p>In the event of the Company's acquisition or disposal of real estate or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$ 300 million or more, except for transactions with governments, engaging others to build on their land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, the Company shall obtain an appraisal report from a professional appraiser prior to the date of occurrence and shall comply with the following provisions:</p> <p>(1) In the event where, due to special circumstances, the transaction price shall refer to a limited price, a specified price or a special price that is necessary in serving as reference, such a transaction shall be submitted for the board of Directors' prior approval, and the same procedure shall apply if there are <u>future</u> changes to the terms and conditions of the transaction.</p> <p>(omitted)</p>	

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>specified price or a special price that is necessary in serving as reference, such a transaction shall be submitted for the board of Directors' prior approval, and the same procedure shall apply if there are changes to the terms and conditions of the transaction.</p> <p>(omitted)</p>		
Article 8	<p>Procedures for Acquisition or Disposal of Securities (omitted)</p> <p>4. Obtaining Professional Opinion (omitted)</p> <p>(3) The transaction amount shall be calculated in accordance with subparagraph <u>(8)</u>, paragraph <u>1</u> of Article <u>14</u> of this Procedure.</p>	<p>Procedures for Acquisition or Disposal of Securities (omitted)</p> <p>4. Obtaining Professional Opinion (omitted)</p> <p>(3) The transaction amount shall be calculated in accordance with subparagraph <u>(6)</u>, paragraph <u>4</u> of Article <u>7</u> of this Procedure.</p>	Unified the transaction amount of Article, paragraph, subparagraph.
Article 9	<p>Procedures for Acquisition or Disposal of Assets with a Related Party</p> <p>1. In the event where the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that necessary resolutions are adopted and that the reasonableness of the term of the transaction has been evaluated in accordance with this Procedure, if the transaction amount reaches 10% of the Company's total</p>	<p>Procedures for Acquisition or Disposal of Assets with a Related Party</p> <p>1. In the event where the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that necessary resolutions are adopted and that the reasonableness of the term of the transaction has been evaluated in accordance with this Procedure, if the transaction amount reaches 10% of the Company's total</p>	<p>1. Revised the first paragraph to unify the transaction amount of Article, paragraph, subparagraph.</p> <p>2. Revised subparagraph 3, paragraph 2 and subparagraph 5, paragraph 3 wording.</p> <p>3. Revised paragraph 2, item A-(c), subparagraph 4, paragraph 3,</p>

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	<p>assets, the Company shall also obtain an appraisal report from a professional appraiser or a certified public accountants opinion in accordance with Article 7 of this Procedure. The aforementioned transaction amount shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14 of this Procedure. When determining whether a trading counterparty is a related party, in addition to the legal formalities, the substance of the relationship shall also be considered.</p> <p>2. Assessment and Operating Procedures</p> <p>In the event where the Company engages in any acquisition or disposal of real estate <u>or right-of-use real estate</u> from or to a related party, or engages in any acquisition or disposal of assets other than real estate <u>or right-of-use real estate</u> from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$ 300 million or more, except for the trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of</p>	<p>assets, the Company shall also obtain an appraisal report from a professional appraiser or a certified public accountants opinion in accordance with Article 7 of this Procedure. The aforementioned transaction amount shall be calculated in accordance with subparagraph (6), paragraph 4 of Article 7 of this Procedure. When determining whether a trading counterparty is a related party, in addition to the legal formalities, the substance of the relationship shall also be considered.</p> <p>2. Assessment and Operating Procedures</p> <p>In the event where the Company engages in any acquisition or disposal of real estate from or to a related party, or engages in any acquisition or disposal of assets other than real estate from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$ 300 million or more, except for the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust</p>	<p>added item D, subparagraph 6, paragraph 3 and included rights-of-use assets to article 9 in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

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	<p>money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction agreement or make a payment until the following matters have been approved by the board of Directors and the audit committee:</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reasons for choosing the related party as a trading counterparty.</p> <p>(3) In the event where the Company acquires real estate <u>or right-of-use real estate</u> from a related party, information concerning the evaluation of the reasonableness of the preliminary terms of the transaction in accordance with from subparagraphs (1) to (4), paragraph 3 of this Article.</p> <p>(4) The date and price at which the related party originally acquired the real estate, its original trading counterparty, and the counterparty's relationship to the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the coming year commencing from the anticipated month of</p>	<p>enterprises, the Company may not proceed to enter into a transaction agreement or make a payment until the following matters have been approved by the board of Directors and the audit committee:</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reasons for choosing the related party as a trading counterparty.</p> <p>(3) In the event where the Company acquires real estate from a related party, information concerning the evaluation of the reasonableness of the preliminary terms of the transaction in accordance with from subparagraphs (1) to (4), paragraph 3 of this Article.</p> <p>(4) The date and price at which the related party originally acquired the real estate, its original trading counterparty, and the counterparty's relationship to the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the coming year commencing from the anticipated month of executing the agreement, and the evaluation of the necessity of the transaction</p>	

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	<p>executing the agreement, and the evaluation of the necessity of the transaction and the reasonableness of the utilization of the funds.</p> <p>(6) The appraisal report provided by a professional appraiser and the opinion of a certified public accountant obtained in accordance with the preceding paragraph.</p> <p>(7) The restrictive terms of this transaction and other important agreements in connection with the transaction.</p> <p>The transaction amount under this paragraph shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14. The term "within one year" as used herein means the year preceding the date of occurrence of this transaction. Items that have been approved by the board of Directors and the audit committee will not be counted towards the calculation.</p> <p>With respect to the <u>types of transactions listed below use between the Company and its subsidiary, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, if the transaction amount is within NT\$ 500 million, the chairman</p>	<p>and the reasonableness of the utilization of the funds.</p> <p>(6) The appraisal report provided by a professional appraiser and the opinion of a certified public accountant obtained in accordance with the preceding paragraph.</p> <p>(7) The restrictive terms of this transaction and other important agreements in connection with the transaction.</p> <p>The transaction amount under this paragraph shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14. The term "within one year" as used herein means the year preceding the date of occurrence of this transaction. Items that have been approved by the board of Directors and the audit committee will not be counted towards the calculation.</p> <p>With respect to the <u>acquisition or disposal of equipment for business use</u> between the Company and its subsidiary, if the transaction amount is within NT\$ 500 million, the chairman is authorized to approve the transaction. The chairman's approval shall subsequently be submitted to and ratified by the next board of Directors' meeting.</p> <p>In the event where matters are</p>	

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	<p>is authorized to approve the transaction. The chairman's approval shall subsequently be submitted to and ratified by the next board of Directors' meeting:</p> <p>(1) <u>Acquisition or disposal of equipment or right-of- use equipment thereof held for business use.</u></p> <p>(2) <u>Acquisition or disposal of real estate right-of-use assets held for business use.</u></p> <p>In the event where matters are submitted to the board of Directors for discussion pursuant to this Article, the board of Directors shall take each independent Director's opinion into consideration. If an independent Directors' objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of Directors' meeting.</p> <p>3. Assessment of the Reasonableness of Transaction Costs</p> <p>(1) In the event where the Company acquires real estate <u>or real estate right-of-use assets</u> from a related party, the reasonableness of the transaction costs shall be assessed by the following means:</p> <p>A. Based on the related party's transaction price</p>	<p>submitted to the board of Directors for discussion pursuant to this Article, the board of Directors shall take each independent Director's opinion into consideration. If an independent Directors' objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of Directors' meeting.</p> <p>3. Assessment of the Reasonableness of Transaction Costs</p> <p>(1) In the event where the Company acquires real estate from a related party, the reasonableness of the transaction costs shall be assessed by the following means:</p> <p>A. Based on the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The term "necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; however, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of</p>	

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	<p>plus necessary interest on funding and the costs to be duly borne by the buyer. The term "necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; however, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>B. In the event where the related party previously mortgaged the real estate as security for a loan to a financial institution, the total loan value evaluation shall be made by the financial institution towards the real estate; however, the actual cumulative amount loaned by the financial institution shall reach 70% or more of the financial institution's evaluated loan value of the real estate, and the period of the loan shall have exceeded one year or more. This shall not apply if the financial institution is a related party to one of the</p>	<p>Finance.</p> <p>B. In the event where the related party previously mortgaged the real estate as security for a loan to a financial institution, the total loan value evaluation shall be made by the financial institution towards the real estate; however, the actual cumulative amount loaned by the financial institution shall reach 70% or more of the financial institution's evaluated loan value of the real estate, and the period of the loan shall have exceeded one year or more. This shall not apply if the financial institution is a related party to one of the trading counterparties.</p> <p>(2) In the event that land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs of the land and building may be evaluated separately in accordance with either of the methods listed in the preceding subparagraph.</p> <p>(3) In the event where the Company acquires real estate from a related party, the Company shall evaluate</p>	

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	<p>trading counterparties.</p> <p>(2) In the event that land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs of the land and building may be evaluated separately in accordance with either of the methods listed in the preceding subparagraph.</p> <p>(3) In the event where the Company acquires real estate <u>or real estate right-of-use assets</u> from a related party, the Company shall evaluate the costs of the real estate <u>or real estate right-of-use assets</u> in accordance with paragraph 3, subparagraphs (1) and (2) of this Article, and shall engage a certified public accountant to review the evaluation and render a specific opinion.</p> <p>(4) In the event where the Company acquires real estate <u>or real estate right-of-use assets</u> from a related party, and the results of the evaluation conducted in accordance with paragraph 3, subparagraphs (1) and (2) of this Article are uniformly lower than the transaction price, paragraph 3, subparagraph (5) of this Article shall</p>	<p>the costs of the real estate in accordance with paragraph 3, subparagraphs (1) and (2) of this Article, and shall engage a certified public accountant to review the evaluation and render a specific opinion.</p> <p>(4) In the event where the Company acquires real estate from a related party, and the results of the evaluation conducted in accordance with paragraph 3, subparagraphs (1) and (2) of this Article are uniformly lower than the transaction price, paragraph 3, subparagraph (5) of this Article shall apply.</p> <p>However, this restriction shall not apply in the event that the following events exist, objective evidence has been submitted and specific opinions on their reasonableness from a professional real estate appraiser and a certified public accountant have been obtained:</p> <p>A. In the event where the related party acquires undeveloped land or leases land for development, it may submit proof of compliance with one of the following conditions:</p>	

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	<p>apply. However, this restriction shall not apply in the event that the following events exist, objective evidence has been submitted and specific opinions on their reasonableness from a professional real estate appraiser and a certified public accountant have been obtained:</p> <p>A. In the event where the related party acquires undeveloped land or leases land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(a) Where undeveloped lands are evaluated in accordance with paragraph 3 of this Article, and buildings according to the related party's construction cost plus reasonable construction profit, the cumulative value exceeds the actual transaction price. The term "reasonable construction profit" shall be deemed the average gross operating profit</p>	<p>(a) Where undeveloped lands are evaluated in accordance with paragraph 3 of this Article, and buildings according to the related party's construction cost plus reasonable construction profit, the cumulative value exceeds the actual transaction price. The term "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years, or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(b) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands,</p>	

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	<p>margin of the related party's construction division over the most recent 3 years, or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(b) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands, where the land area and the transaction terms are similar, after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>B. In the event where the Company acquires real estate <u>or leased real estate right-of-use assets</u> from a related party and provides evidence that the terms of the transaction are similar to</p>	<p>where the land area and the transaction terms are similar, after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>(c) <u>Completed leasing transactions by unrelated parties for other floors of the same property within the preceding year, where the transaction terms are similar, after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</u></p> <p>B. In the event where the Company acquires real estate from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring land of a similar size by unrelated parties within the</p>	

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	<p>the terms of transactions completed for the acquisition of neighboring land of a similar size by unrelated parties within the preceding year.</p> <p>The aforementioned “transactions completed for the acquisition of neighboring land” refers to parcels on the same or adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction, or the announced value of the land is close to that of the subject matter; the term “similar size” refers to transactions completed by unrelated parties where the land area is no less than 50% of the land area of the transaction’s subject matter.</p> <p>The aforementioned term “within one year” refers to the year preceding the date of the acquisition of the real estate <u>or real estate right-of- use assets</u>.</p> <p>(5) In the event where the Company acquires real estate <u>or real estate right-of-use assets</u> from a related party, and the results of the evaluation conducted in accordance with subparagraphs (1) and (2), paragraph 3 of this</p>	<p>preceding year.</p> <p>The aforementioned “transactions completed for the acquisition of neighboring land” refers to parcels on the same or adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction, or the announced value of the land is close to that of the subject matter; the term “similar size” refers to transactions completed by unrelated parties where the land area is no less than 50% of the land area of the transaction’s subject matter.</p> <p>The aforementioned term “within one year” refers to the year preceding the date of the acquisition of the real estate.</p> <p>(5) In the event where the Company acquires real estate from a related party, and the results of the evaluation conducted in accordance with subparagraphs (1) and (2), paragraph 3 of this Article are uniformly lower than the transaction price, the following actions shall be taken:</p> <p>A. A special reserve shall be set aside in accordance with paragraph 1 of Article</p>	

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	<p>Article are uniformly lower than the transaction price, the following actions shall be taken:</p> <p>A. A special reserve shall be set aside in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real estate <u>or real estate right-of-use assets</u> transaction price and the evaluated cost, and may not be distributed or used for capital increase or issuance of bonus shares. In the event where a public company uses the equity method to account for its investment in the Company, the special reserve under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set side pro rata in a proportion consistent with the public company's equity stake in the Company.</p> <p>B. Independent Directors of the audit committee shall comply with Article 218 of the</p>	<p>41 of the Securities and Exchange Act against the difference between the real estate transaction price and the evaluated cost, and may not be distributed or used for capital increase or issuance of bonus shares. In the event where a public company uses the equity method to account for its investment in the Company, the special reserve under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set side pro rata in a proportion consistent with the public company's equity stake in the Company.</p> <p>B. Independent Directors of the audit committee shall comply with Article 218 of the Company Act.</p> <p>C. Actions that are taken in accordance with items <u>1 and 2 of subparagraph (5) in paragraph 3</u> of this <u>Article</u> shall be reported to a shareholders' meeting, and the details of the</p>	

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	<p>Company Act.</p> <p>C. Actions that are taken in accordance with items <u>A</u> and <u>B</u> of this <u>subparagraph</u> shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual (and any other) prospectus.</p> <p>In the event where the Company has set aside a special reserve in accordance with the <u>subparagraph</u>, the Company may not utilize the special reserve until it has recognized a loss on due to decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of <u>or terminated the leased</u>, or adequate compensation has been made, or status quo ante has been restored, or there is other evidence confirming that the transaction was not unreasonable, and which the FSC has approved.</p> <p>(6) In the event where the Company acquires real estate <u>or real estate right-of- use assets</u> from a related party and one of the following circumstances</p>	<p>transaction shall be disclosed in the annual (and any other) prospectus.</p> <p>In the event where the Company has set aside a special reserve in accordance with the <u>preceding paragraph</u>, the Company may not utilize the special reserve until it has recognized a loss on due to decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or status quo ante has been restored, or there is other evidence confirming that the transaction was not unreasonable, and which the FSC has approved.</p> <p>(6) In the event where the Company acquires real estate from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Assessment and Operating Procedures under paragraph 2 of this Article, and paragraph 3, subparagraphs (1), (2) and (3) of this Article shall not apply:</p> <p>A. Where the related party</p>	

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	<p>exists, the acquisition shall be conducted in accordance with the Assessment and Operating Procedures under paragraph 2 of this Article, and paragraph 3, subparagraphs (1), (2) and (3) of this Article shall not apply:</p> <p>A. Where the related party acquired the real estate <u>or real estate right-of-use assets</u> by virtue of inheritance or as a gift.</p> <p>B. Where more than 5 years has lapsed between the time the related party executed the agreement to acquire the real estate <u>or real estate right-of-use assets</u> and the execution date of the current transaction.</p> <p>C. Where the real estate is acquired through executing a joint development agreement with a related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.</p> <p><u>D. The real estate right-of-use assets for business use are acquired by the Company or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the</u></p>	<p>acquired the real estate by virtue of inheritance or as a gift.</p> <p>B. Where more than 5 years has lapsed between the time the related party executed the agreement to acquire the real estate and the execution date of the current transaction.</p> <p>C. Where the real estate is acquired through executing a joint development agreement with a related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.</p> <p>(7) In the event where the Company acquires real estate from a related party, it shall also comply with paragraph 3, subparagraph (5) of this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	

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	<p><u>issued shares or authorized capital.</u></p> <p>(7) In the event where the Company acquires real estate <u>or real estate right-of- use assets</u> from a related party, it shall also comply with paragraph 3, subparagraph (5) of this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>		
Article 10	<p>Procedures for Acquisition or Disposal of <u>Intangible Assets or Right-Of-Use Intangible Assets or Memberships</u></p> <p>1. Assessment and Operating Procedures</p> <p>In the event of the Company's acquisition or disposal of <u>intangible assets or right-of-use intangible assets or memberships</u>, the Company shall abide by the revolving <u>property, plant and equipment</u> procedures in the Company's internal control system.</p> <p>2. Decision Procedures for Transaction Terms and Authorized Amount</p> <p>(1) In the event of the Company's acquisition or disposal of intangible assets <u>or right-of-use intangible assets</u>, the terms and price of the transaction shall be determined by referring to an appraisal report issued by an expert or by referring to the fair price in the market, and an</p>	<p>Procedures for Acquisition or Disposal of <u>Memberships</u> or Intangible Assets</p> <p>1. Assessment and Operating Procedures</p> <p>In the event of the Company's acquisition or disposal of <u>memberships</u> or intangible assets, the Company shall abide by the revolving <u>investment</u> procedures in the Company's internal control system.</p> <p>2. Decision Procedures for Transaction Terms and Authorized Amount</p> <p>(1) In the event of the Company's acquisition or disposal of memberships, the terms and price of transaction shall be determined by referring to the fair price in the market, and an analysis report shall be submitted to the Company's president. If the transaction amount is <u>1% or less of the Company's paid-in capital</u></p>	<p>1. Included rights-of-use assets to article 10 in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>2. Aligned the queue between intangible assets and memberships, and also between the first subparagraph and second subparagraph of the second paragraph.</p> <p>3. Revised the second paragraph and 4 paragraph by the Company's management operations.</p>

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	<p>analysis report shall be submitted to the <u>president</u>. If the transaction amount is NT\$ <u>300</u> million or less, the transaction shall be approved by the president; if the transaction amount is NT\$ <u>300</u> million or more, the transaction shall be approved by the board of Directors.</p> <p>(2) In the event of the Company's acquisition or disposal of memberships, the terms and price of transaction shall be determined by referring to the fair price in the market, and an analysis report shall be submitted to the Company's president. If the transaction amount is NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.</p> <p>3. Implementation Unit</p> <p>The Company's acquisition or disposal of intangible assets <u>or right-of-use intangible assets or memberships</u> shall be approved in accordance with the preceding paragraph and shall be implemented by the department which intends to use the memberships or</p>	<p><u>or</u> NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.</p> <p>(2) In the event of the Company's acquisition or disposal of intangible assets, the terms and price of the transaction shall be determined by referring to an appraisal report issued by an expert or by referring to the fair price in the market, and an analysis report shall be submitted to <u>the board of Directors</u>. If the transaction amount is <u>1% or less of the Company's paid-in capital</u> <u>or</u> NT\$ <u>100</u> million or less, the transaction shall be approved by the president; if the transaction amount is NT\$ <u>100</u> million or more, the transaction shall be approved by the board of Directors.</p> <p>3. Implementation Unit</p> <p>The Company's acquisition or disposal of <u>memberships or</u> intangible assets shall be approved in accordance with the preceding paragraph and shall be implemented by the department which intends to use the memberships or</p>	

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	<p>intangible assets and the finance department, or the administration department.</p> <p>4. <u>The Company shall engaged CPA to render a specific opinion if the transaction amount reach certain condition</u></p> <p>In the event where the transaction amount of the Company's acquisition or disposal of intangible assets or <u>right-of-use intangible assets or memberships</u> reaches NT\$ 300 million or more, except for trading with <u>domestic</u> governments, the Company shall engage a certified public accountant to issue an opinion on the reasonableness of the transaction price prior to the date of occurrence. The certified public accountant shall issue his/her opinion in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>intangible assets and the finance department, or the administration department.</p> <p>4. <u>Appraisal Report on Memberships and Intangible Assets</u></p> <p>(1) <u>In the event that the transaction amount of the Company's acquisition or disposal of memberships reaches 1% or more of the Company's paid-in capital or NT\$ 100 million or more, the Company shall obtain an expert's appraisal report.</u></p> <p>(2) <u>In the event that the transaction amount of the Company's acquisition or disposal of intangible assets reaches 1% or more of the Company's paid-in capital or NT\$ 100 million or more, the Company shall obtain an expert's appraisal report.</u></p> <p>(3) In the event where the transaction amount of the Company's acquisition or disposal of <u>memberships or</u> intangible assets reaches <u>20% or more of the Company's paid-in capital or NT\$ 300 million or more</u>, except for trading with governments, the Company shall engage a certified public accountant to issue an opinion on the reasonableness of the</p>	

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		transaction price prior to the date of occurrence. The certified public accountant shall issue his/her opinion in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	
Article 12	Procedures for Acquisition or Disposal of Derivatives 1. Trading Principles and Strategies (1) Types of Derivatives A. The derivatives engaged by the Company refer to transaction agreements, whose value is derived from <u>a specified interest rate, financial instrument price, commodity price, foreign exchange rates, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term " <u>forward contracts</u> " does not include <u>insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</u>	Procedures for Acquisition or Disposal of Derivatives 1. Trading Principles and Strategies (1) Types of Derivatives A. The derivatives engaged by the Company refer to transaction agreements, whose value is derived from <u>assets, interest rates, foreign exchange rates, indexes or other interests (such as forward contracts, options, futures, interest or foreign exchange rates, swaps, and compound contracts combining the products mentioned above).</u> (omitted) 5. Monitoring and Management Principles of the Board of Directors when Engaging in Derivatives Transactions (omitted) (3) The Company shall report to the next board of Directors' meeting after it authorizes relevant personnel to handle the derivatives transactions in	Revised the scope of the Derivatives in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".

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	<p>(omitted)</p> <p>5. Monitoring and Management Principles of the Board of Directors when Engaging in Derivatives Transactions</p> <p>(omitted)</p> <p>(3) The Company shall report to the next board of Directors' meeting after it authorizes relevant personnel to handle the derivatives transactions in accordance with this Procedure.</p> <p>(4) When engaging in derivatives transactions, the Company shall establish a log book, which shall record in detail the types, amounts, the board of Directors' approval dates and the matters required to be carefully evaluated under subparagraph (2), paragraph 4, and subparagraphs (1) and (2), paragraph 5 of this article.</p>	<p>accordance with this Procedure.</p> <p>(4) When engaging in derivatives transactions, the Company shall establish a log book, which shall record in detail the types, amounts, the board of Directors' approval dates and the matters required to be carefully evaluated under subparagraph (2), paragraph 4, and subparagraphs (1) and (2), paragraph 5 of this article.</p>	
Article 14	<p>Procedures of public disclosure</p> <p>1. Items and standards for public announcement and report</p> <p>(1) Acquisition or disposal of real estate <u>or right-of-use real estate</u> from or to a related party, or acquisition or disposal of assets <u>or right-of-use real estate</u> other than real estate from or to a related party where the transaction amount</p>	<p>Procedures of public disclosure</p> <p>1. Items and standards for public announcement and report</p> <p>(1) Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital,</p>	<p>1. Included rights-of-use assets to article 14 and revised 3,5,6 subparagraph in first paragraph in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets or NT\$ 300 million or more; provided that this shall not apply to the trade of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Mergers, spin-offs, acquisitions or transfers of shares.</p> <p>(3) Losses from derivative transactions reaching the upper limits on aggregate losses of all transactions or the loss of individual transactions set forth in the procedures adopted by the Company.</p> <p>(4) Where the type of asset acquired or disposed is <u>equipment or right-of-use equipment</u> for business use, the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion.</p> <p>(5) Acquisition or disposal by the Company in the construction business of real estate <u>or right-of-use real estate</u> for construction use, where the counterparty</p>	<p>10% or more of the Company's total assets or NT\$ 300 million or more; provided that this shall not apply to the trade of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Mergers, spin-offs, acquisitions or transfers of shares.</p> <p>(3) Losses from derivative transactions reaching the upper limits on aggregate losses of all transactions or the loss of individual transactions set forth in the procedures adopted by the Company.</p> <p>(4) Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion.</p> <p>(5) Acquisition or disposal by the Company in the construction business of real estate for construction use, where the counterparty is not a related party, and the transaction amount reaches NT\$ 500 million.</p> <p>(6) Where land is acquired under an arrangement on</p>	<p>Disposal of Assets by Public Companies".</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>is not a related party, and the transaction amount reaches NT\$ 500 million. <u>If the Company disposal the real estate to unrelated party which was built and completed by the Company, the transaction amount will be reached NT\$ 1 billion.</u></p> <p>(6) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented lands, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, <u>where the counterparty is unrelated party</u> and the Company's estimated investment amount in the transaction reaches NT\$ 500 million.</p> <p>(7) Where an asset transaction other than any of those referred to in the preceding six provisions or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT \$300 million; provided that this shall not apply to any of the following circumstances:</p> <p>A. Trading <u>domestic</u> government bonds.</p> <p>B. Trading of bonds under</p>	<p>engaging others to build on the Company's own land, engaging others to build on rented lands, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, and the Company's estimated investment amount in the transaction reaches NT\$ 500 million.</p> <p>(7) Where an asset transaction other than any of those referred to in the preceding six provisions or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT \$300 million; provided that this shall not apply to any of the following circumstances:</p> <p>A. Trading government bonds.</p> <p>B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(8) The amount of the transactions referred to in the above subparagraphs (1) to (7) of this paragraph</p>	

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(8) The amount of the transactions referred to in the above subparagraphs (1) to (7) of this paragraph shall be calculated as follows. The term "Within the preceding year" as used in the paragraph below refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the relevant regulations shall not be counted towards the transaction amount.</p> <p>A. The amount of each individual transaction.</p> <p>B. The cumulative transaction amount of the acquisitions and disposals of the same type of assets with the same counterparty within the preceding year.</p> <p>C. The cumulative transaction amount of real estate <u>or right-of-use real estate</u> acquisitions and disposals (cumulative acquisitions</p>	<p>shall be calculated as follows. The term "Within the preceding year" as used in the paragraph below refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the relevant regulations shall not be counted towards the transaction amount.</p> <p>A. The amount of each individual transaction.</p> <p>B. The cumulative transaction amount of the acquisitions and disposals of the same type of assets with the same counterparty within the preceding year.</p> <p>C. The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) under the same development project within the preceding year.</p> <p>D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding</p>	

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>and disposals, respectively) under the same development project within the preceding year.</p> <p>D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(omitted)</p>	<p>year.</p> <p>(omitted)</p>	
Article 15	<p>Procedures complied with by the Company's subsidiaries</p> <p>1. Each of the Company's subsidiaries (the "Subsidiary" hereinafter) shall establish its "Procedures for Acquisition and Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". The Subsidiary's "Procedures for Acquisition and Disposal of Assets" shall be approved by its board of Directors or shareholders' meeting, and this procedure shall also apply to the amendments thereafter.</p> <p>2. Any of the Subsidiary's acquisition or disposal of assets shall abide by the relevant regulations of the Company.</p> <p>3. In the event where the Subsidiary is a non-public</p>	<p>Procedures complied with by the Company's subsidiaries</p> <p>1. Each of the Company's subsidiaries (the "Subsidiary" hereinafter) shall establish its "Procedures for Acquisition and Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". The Subsidiary's "Procedures for Acquisition and Disposal of Assets" shall be approved by its board of Directors or shareholders' meeting, and this procedure shall also apply to the amendments thereafter.</p> <p>2. Any of the Subsidiary's acquisition or disposal of assets shall abide by the relevant regulations of the Company.</p> <p>3. In the event where the Subsidiary is a non-public</p>	<p>Revised the third and fourth paragraph in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	company, and where its acquisition or disposal of assets has reached the announcement standard stipulated by “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the Company shall announce and report the relevant matters on behalf of the Subsidiary.	company, and where its acquisition or disposal of assets has reached the announcement standard stipulated by “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the Company shall announce and report the relevant matters on behalf of the Subsidiary.	
	4. In the event of the subsidiary’s, The term of the Company’s paid-in capital or the Company’s total assets” stipulated in the Subsidiary’s announcement and report standards refers to the Company’s paid-in capital or total assets.	4. In the event of the subsidiary’s, The term <u>reaches 20%</u> of the Company’s paid-in capital or <u>10% of the</u> Company’s total assets” stipulated in the Subsidiary’s announcement and report standards refers to the Company’s paid-in capital or total assets.	

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

Voting Results: Shares represented at the time of voting: 2,531,168,146 votes.

Voting results*	% of the total represented share present
Votes in favor: 2,154,389,939 votes (1,771,937,654 votes)	85.11%
Votes against: 6,722,827 votes (6,722,827 votes)	0.26%
Votes abstained: 370,055,380 votes (356,762,594 votes)	14.61%

*including votes casted electronically (numbers in brackets)

3. Discussion on the amendments to the Company’s “Operational Procedures for Loaning of Company Funds”. (proposed by the Board of Directors)
 - a.To amend the Company’s “Operational Procedures for Loaning of Company Funds” in accordance with certain provisions of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” as amended and promulgated by the Financial Supervisory Commission on March 7, 2019 Letter No. Financial-Supervisory-Securities-Auditing-1080304826 and in fulfillment of the Company’s operational needs.
 - b.Comparisons of pre-amended and amended “Operational Procedures for Loaning of Company Funds” are set forth below.

	Amended Provisions	Pre-amended Provisions	Commentary
Article 2	<p>Recipients of Loaned Funds</p> <p><u>1.</u>In accordance with Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other recipients except under the following circumstances:</p> <p>(1) To companies or firms that engage in business with the Company.</p> <p>(2) To companies or firms that require short-term financing from the Company. The term “short-term” shall mean the longer of one year or one operating cycle period of the Company. The reasons and necessary circumstances of loaning funds to recipients shall be limited to the following circumstances:</p> <p><u>A</u> To recipients engaging in business with the Company and require short-term financing.</p> <p><u>B</u> To subsidiaries of the Company, whom due to operational turnover and other business requirements, require short-term financing.</p> <p><u>C</u> To other recipients whom the Company's board of Directors approves fund loaning</p>	<p>Recipients of Loaned Funds</p> <p>In accordance with Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other recipients except under the following circumstances:</p> <p><u>1.</u> To companies or firms that engage in business with the Company.</p> <p><u>2.</u> To companies or firms that require short-term financing from the Company. The term “short-term” shall mean the longer of one year or one operating cycle period of the Company. The reasons and necessary circumstances of loaning funds to recipients shall be limited to the following circumstances:</p> <p>(1) To recipients engaging in business with the Company and require short-term financing.</p> <p>(2) To subsidiaries of the Company, whom due to operational turnover and other business requirements, require short-term financing.</p> <p>(3) To other recipients whom the Company's board of Directors approves fund loaning to.</p>	<p>Revised in accordance to coordinate with the amendment of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and added paragraph.</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>to.</p> <p><u>2. The responsible person of a company who has violated the provisions of the preceding Paragraph shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.</u></p>		
Article 3	<p>Total Loan Amount and Loan Limits of each Recipient</p> <p>1. Total Loan Amount: The total amount of funds loaned by the Company shall not exceed <u>40%</u> of the Company's net value, amongst which:</p> <p>(1) For companies or firms engaging in business with the Company, the total amount of funds loaned shall not exceed 10% of the Company's net value.</p> <p>(2) For companies or firms with short-term financing requirements from the Company, the total amount of funds loaned shall not exceed <u>40%</u> of the Company's net value.</p> <p>(omitted)</p> <p>3. Between foreign companies that require fund loaning for financing, which the Company directly or indirectly holds 100% of</p>	<p>Total Loan Amount and Loan Limits of each Recipient</p> <p>1. Total Loan Amount: The total amount of funds loaned by the Company shall not exceed <u>30%</u> of the Company's net value, amongst which:</p> <p>(1) For companies or firms engaging in business with the Company, the total amount of funds loaned shall not exceed 10% of the Company's net value.</p> <p>(2) For companies or firms with short-term financing requirements from the Company, the total amount of funds loaned shall not exceed <u>30%</u> of the Company's net value.</p> <p>(omitted)</p> <p>3. Between foreign companies that require fund loaning for financing, which the Company directly or indirectly holds 100% of</p>	<p>1. Adjusted the total amount of funds loaned and short-term financing loaned in accordance to Company's operational requirements.</p> <p>2. Revised the third paragraph and added the fourth paragraph in accordance to coordinate with the amendment of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>voting shares, the monetary amount limitations in the preceding two paragraphs shall not apply. However, the loaning company shall nonetheless stipulate the <u>total loan amount and loan limits to each Recipient and loan term</u> in its fund lending procedures.</p> <p>4. <u>The responsible person of a company who has violated the provisions of the preceding Paragraph shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.</u></p>	<p>voting shares, the monetary amount limitations in the preceding two paragraphs shall not apply. However, the loaning company shall nonetheless stipulate the loan amount and term in its fund lending procedures.</p>	
Article 12	<p>Repayment of Loaned Funds</p> <p>1. After the loan has been appropriated, the financial, business, credit, and other statuses of the Borrower and guarantor shall be noted on a regular basis. For recipients who have provided collateral, circumstances where any changes to collateral value shall be noted. The Borrower shall be notified <u>two months prior the expiration of the loan term</u> to pay off the principal and interest on the expiration date of the loan.</p>	<p>Repayment of Loaned Funds</p> <p>1. After the loan has been appropriated, the financial, business, credit, and other statuses of the Borrower and guarantor shall be noted on a regular basis. For recipients who have provided collateral, circumstances where any changes to collateral value shall be noted. The Borrower shall be notified to pay off the principal and interest on the expiration date of the loan <u>or extend its loan term, two months prior the expiration of the loan term.</u></p>	<p>The Borrower should pay off the principal and interest on the expiration date and should not extend its loan term in accordance to Company's operational requirements.</p>
Article 17	<p>Disclosure of Information (omitted)</p>	<p>Disclosure of Information (omitted)</p>	<p>Revised in accordance to coordinate with the</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>5. The term “date of occurrence” under this Procedure shall mean the earlier of the date of <u>contract</u>, date of payment, date of board of Directors’ resolution, or any other dates that can confirm the counterpart and amount of <u>the loan</u>.</p>	<p>5. The term “date of occurrence” under this Procedure shall mean the earlier of the date of <u>execution of a transaction</u>, date of payment, date of board of Directors’ resolution, or any other dates that can confirm the <u>transaction’s</u> counterpart and amount.</p>	<p>amendment of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.”</p>
Article 19	<p>Implementation and Amendment</p> <p>1. <u>After approved by at least half of Audit Committee members and the board of Directors, the Procedures shall be submitted to the shareholders' meeting for approval and take effect.</u> If any Director expresses his/her dissent and whose dissent is recorded or represented in writing, the Company shall deliver such dissent to the shareholders’ meeting for discussion. The same shall apply for amendments of this Procedure.</p> <p>2. <u>If approval is not obtained from at least half of all Audit Committee members in the preceding Paragraph, it may be approved by two-thirds or more of all directors and the resolution of the Audit Committee shall be specified in the Board of Directors</u></p>	<p>Implementation and Amendment</p> <p><u>This Procedure is passed by the Audit Committee and the board of Directors and submitted for approval by a shareholders' resolution prior to implementation. The board of Directors in its discussion, shall fully consider the opinions of independent Directors and include in the minutes of the board of Directors meeting, record the opinion of the independent Director (specifically, their consent or dissent, and the reasons of his/her dissent).</u> If any Director expresses his/her dissent and whose dissent is recorded or represented in writing, the Company shall deliver such dissent to the shareholders’ meeting for discussion. The same shall apply for amendments of this Procedure.</p>	<p>Revised the first paragraph and added the second, third paragraph in accordance to coordinate with the amendment of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.”</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	<u>meeting minutes.</u> 3. <u>All Audit Committee</u> <u>members and all directors</u> <u>referred to in the preceding</u> <u>Paragraph are calculated</u> <u>based on the actual number</u> <u>of members and directors.</u>		

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

Voting Results: Shares represented at the time of voting: 2,531,168,146 votes.

Voting results*	% of the total represented share present
Votes in favor: 1,722,502,322 votes (1,340,050,037 votes)	68.05%
Votes against: 429,645,326 votes (429,645,326 votes)	16.97%
Votes abstained: 379,020,498 votes (365,727,712 votes)	14.97%

*including votes casted electronically (numbers in brackets)

4. Discussion on the amendments to the Company's "Operational Procedures for Making Endorsements and Guarantees". (proposed by the Board of Directors)

a.To amend the Company's "Operational Procedures for Making Endorsements and Guarantees" in accordance with certain provisions of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" as amended and promulgated by the Financial Supervisory Commission on March 7, 2019 Letter No. Financial- Supervisory - -Securities-Auditing-1080304826 and in fulfillment of the Company's operational needs.

b.Comparisons of pre-amended and amended "Operational Procedures for Making Endorsements and Guarantees" are set forth below.

	Amended Provisions	Pre-amended Provisions	Commentary
Article 2	The following matters shall fall within the scope of the Procedures : I. Financing endorsements and guarantees, including: i. Discounted bill financing. ii. Endorsements and guarantees made for the purposes of another company's financing needs. iii. Issuance of another	The following matters shall fall within the scope of the Procedures : I. Financing endorsements and guarantees, including: i. Discounted bill financing. ii. Endorsements and guarantees made for the purposes of another company's financing needs. iii. Issuance of another	Revised the wording

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>negotiable instrument to a non-financial enterprise as security for the purposes of the Company's financing needs.</p> <p>II. Customs duty endorsements and guarantees, which shall mean the endorsements and guarantees, made for the Company itself or other companies in connection with customs duty matters.</p> <p>III. Other endorsements and guarantees, which shall mean the endorsements and guarantees made in connection with matters beyond the scope of the preceding two <u>subparagraphs</u>.</p> <p>IV. The Company's creation of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.</p>	<p>negotiable instrument to a non-financial enterprise as security for the purposes of the Company's financing needs.</p> <p>II. Customs duty endorsements and guarantees, which shall mean the endorsements and guarantees, made for the Company itself or other companies in connection with customs duty matters.</p> <p>III. Other endorsements and guarantees, which shall mean the endorsements and guarantees made in connection with matters beyond the scope of the preceding two <u>paragraphs</u>.</p> <p>IV. The Company's creation of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.</p>	
Article 3	<p>The Company may make endorsements and guarantees for the following parties: (omitted)</p> <p>V. Where the Company provides mutual guarantees in accordance with the contract for another company in the same industry or for joint constructors to meet the demand under a</p>	<p>The Company may make endorsements and guarantees for the following parties: (omitted)</p> <p>V. Where the Company provides mutual guarantees in accordance with the contract for another company in the same industry or for joint constructors to meet the demand under a</p>	Revised the wording

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>construction project, or where all shareholders making Capital Contribution to a jointly invested company make endorsements and guarantees for such company in proportion to their shareholding ratio, such endorsements and guarantees may be made free of the restrictions under the preceding <u>Subparagraph</u>.</p> <p>The “Capital Contribution” under Subparagraph V refers to direct capital contribution by the Company or the capital contribution by the company in which the Company holds one hundred percent (100%) of the shares.</p>	<p>construction project, or where all shareholders making Capital Contribution to a jointly invested company make endorsements and guarantees for such company in proportion to their shareholding ratio, such endorsements and guarantees may be made free of the restrictions under the preceding <u>Subparagraph I to Subparagraph IV</u>.</p> <p>The “Capital Contribution” under Subparagraph V refers to direct capital contribution by the Company or the capital contribution by the company in which the Company holds one hundred percent (100%) of the shares.</p>	
Article 8	<p>Announcement and reporting procedures (omitted)</p> <p>II. In the event that the endorsement and guarantee amount reaches any of the following standards, the Company shall make the announcement and report within two days from the Date of Occurrence:</p> <p>i. The aggregate balance of endorsements and guarantees by the Company and its subsidiaries reaches fifty percent (50%) or more of</p>	<p>Announcement and reporting procedures (omitted)</p> <p>II. In the event that the endorsement and guarantee amount reaches any of the following standards, the Company shall make the announcement and report within two days from the Date of Occurrence:</p> <p>i. The aggregate balance of endorsements and guarantees by the Company and its subsidiaries reaches fifty percent (50%) or more of</p>	<p>Revised in accordance to coordinate with the amendment of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.”</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>the Company's net worth as stated in its latest financial statement.</p> <p>ii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches twenty percent (20%) or more of the Company's net worth as stated in its latest financial statement.</p> <p>iii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements and guarantees for, <u>the book amount of investments accounted for using equity method</u>, and balance of loans to such enterprise reaches thirty percent (30%) or more of Company's net worth as stated in its latest financial statement</p> <p>iv. The amount of new endorsements and guarantees by the Company or its subsidiaries reaches NT\$ 30 million or more and five percent (5%) or more of the Company's</p>	<p>the Company's net worth as stated in its latest financial statement.</p> <p>ii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches twenty percent (20%) or more of the Company's net worth as stated in its latest financial statement.</p> <p>iii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements and guarantees for, <u>investment of a long-term nature in</u>, and balance of loans to such enterprise reaches thirty percent (30%) or more of Company's net worth as stated in its latest financial statement</p> <p>iv. The amount of new endorsements and guarantees by the Company or its subsidiaries reaches NT\$ 30 million or more and five percent (5%) or more of the Company's net worth as stated in its</p>	

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>net worth as stated in its latest financial statement.</p> <p>(omitted)</p> <p>V. The “Date of Occurrence” in the Procedures refers to the earlier of: <u>date of contract</u>, <u>date of payment</u>, <u>date of the boards of Directors’ resolution</u>, or other date when the counterparty and the amount <u>for making endorsements and guarantees</u> can be confirmed.</p>	<p>latest financial statement.</p> <p>(omitted)</p> <p>V. The “Date of Occurrence” in the Procedures refers to the earlier of: <u>execution date of the transaction</u>, <u>date of payment</u>, <u>date of the boards of Directors’ resolution</u>, or other date when the counterparty and the amount <u>of the transaction</u> can be confirmed.</p>	
Article 12	<p><u>Implementation and amendment</u></p> <p>1. After <u>approved by at least half of all Audit Committee members</u> and the board of Directors, the Procedures shall be submitted to the shareholders' meeting for approval and take effect. <u>If any Director expresses his/her dissent and whose dissent is recorded or represented in writing</u>, the Company shall <u>deliver such dissent</u> to the shareholders' meeting for discussion. The same shall apply for amendments of this Procedure.</p> <p>2. <u>If approval is not obtained from at least half of all Audit Committee members in the preceding Paragraph</u>, it may be approved by <u>two-thirds or more of all directors and the resolution of the Audit</u></p>	<p><u>Enactment and amendment</u></p> <p>After <u>adoption of the Procedures by the Audit Committee</u> and the board of Directors, the Procedures shall be submitted to the shareholders' meeting for approval and take effect. <u>The board of Directors shall fully consider the opinions of each independent Director in their discussion, and the independent Directors' opinions expressly stating assent or dissent as well as the reasons for dissent shall be recorded in the minutes of the board of Directors' meeting.</u> <u>Where any Director expresses dissent and such dissent is recorded in the minutes or stated in a written statement</u>, the Company shall <u>submit the dissenting opinions</u> to the shareholders' meeting for discussion. The same shall apply to any amendments to the</p>	<p>Revised the first paragraph and added the second, third paragraph in accordance to coordinate with the amendment of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.</p>

	Amended Provisions	Pre-amended Provisions	Commentary
	<u>Committee shall be specified in the Board of Directors meeting minutes.</u> <u>3. All Audit Committee members and all directors referred to in the preceding Paragraph are calculated based on the actual number of members and directors.</u>	Procedures.	

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

Voting Results: Shares represented at the time of voting: 2,531,168,146 votes.

Voting results*	% of the total represented share present
Votes in favor: 2,154,377,797 votes (1,771,925,512 votes)	85.11%
Votes against: 6,732,596 votes (6,732,596 votes)	0.26%
Votes abstained: 370,057,753 votes (356,764,967 votes)	14.62%

*including votes casted electronically (numbers in brackets)

D. Election Matter

1. Election of all Directors, including three independent Directors, of the Company (proposed by the Board of Directors)
 - a. The term of the 22nd-term Board of Directors will expire on June 14, 2019, and the annual meeting of shareholders is planned to elect the 23rd-term Board of Directors on June 13, 2019.
 - b. According to Article 192-1 of the Company Act and Article 15 of the Company's "Articles of Incorporation", nine directors (including three independent directors) shall be elected by adopting the candidate nomination system from a list of candidates during the shareholders' meeting. New directors shall assume office on the day of the election for a total term of three years starting from June 13, 2019 to June 12, 2022.
 - c. List of candidates of directors (including independent directors) is as follows:

Pou Chen Corporation
List of independent Director Candidate (proposed by the Board of Directors)

Type	Candidates	Education	Experience	Share Ownership
Director	PC Brothers Corporation (Representative: Chan, Lu-Min)	Statistics Department, National Chung Hsing University	Chairman of Pou Chen Corporation Executive Director of Yue Yuen Industrial (Holdings) Limited President of the Administration Management Department of Pou Chen Corporation	213,280,710
Director	Tsai, Pei-Chun	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	Director of Pou Chen Corporation Managing Director and Executive Director of Yue Yuen Industrial (Holdings) Limited Non-executive Director of Pou Sheng International (Holdings) Limited	4,177,779
Director	Tzong Ming Investments Co., Ltd. (Representative: Tsai, Min-Chieh)	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	Director of Pou Chen Corporation Financial Analytics, Bloomberg News, USA	6,340,933
Director	Ever Green Investments Corporation (Representative: Lu, Chin-Chu)	Master Degree in Business Administration, National Chung Hsing University	Director of Pou Chen Corporation Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited President of Pou Chen Corporation	23,216,045
Director	Sheachang Enterprise Corporation (Representative: Tsai, Ming-Lun)	Master Degree in Design Studies, Harvard University, USA	Director of Pou Chen Corporation Executive Director of Yue Yuen Industrial (Holdings) Limited Vice President of Pou Chen Corporation	4,413,010
Director	Lai Chia Investments Co., Ltd. (Representative: Ho, Yue-Ming)	Master Degree in Laws, National Taiwan University	Director of Pou Chen Corporation Vice President of Pou Chen Corporation Vice President of HTC Corporation	2,677,700
Independent Director	Chen, Bor-Liang	Ph.D. in Applied Mathematics, National Chiao Tung University	Professor of Business Administration, National Taichung University of Science and Technology Professor of Applied Mathematics Department, Tunghai University Independent Director of Pou Chen Corporation	3,374

Type	Candidates	Education	Experience	Share Ownership
Independent Director	Chiu, Tien-I	S.J.D., Tunghai University	Managing Partner, Chiu & Chien, Attorneys at Law Adjunct Assistant Professor of Financial and Economic Law Department, Chung Yuan Christian University Adjunct Assistant Professor of the Business Administration Department, National Central University Independent Director of Pou Chen Corporation	0
Independent Director	Chen, Huan-Chung	Industrial Management Department, National Taiwan University of Science and Technology	Vice President of E.Sun Bills Finance Corporation Supervisor of Pou Chen Corporation Independent Director of Pou Chen Corporation Independent Non-executive Director of Pou Sheng International (Holdings) Limited Partner of Wang Tong & Co., CPAs	0

d. Hereby submitted for election.

Result of the election: The Directors (including three Independent Directors) with votes received was as followed:

Type	ID	Name	Votes received
Director	11	PC Brothers Corporation (Representative: Chan, Lu-Min)	2,102,099,631
Director	179619	Tsai, Pei-Chun	2,066,136,130
Director	65990	Tzong Ming Investments Co., Ltd. (Representative: Tsai, Min-Chieh)	1,947,457,789
Director	65988	Ever Green Investments Corporation (Representative: Lu, Chin-Chu)	2,026,374,254
Director	31497	Sheachang Enterprise Corporation (Representative: Tsai, Ming-Lun)	1,888,534,941
Director	55639	Lai Chia Investments Co., Ltd. (Representative: Ho, Yue-Ming)	1,822,686,030

Type	ID	Name	Votes received
Independent Director	L12058****	Chen, Bor-Liang	1,715,535,790
Independent Director	H12051****	Chiu, Tien-I	1,711,572,206
Independent Director	D10144****	Chen, Huan-Chung	1,710,962,096

E. Other Matters

1. Proposal for release the Directors 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 newly elected directors of the Company from participation in competitive business as follow:

Type	Newly elected directors	Released Restriction
Director	Chan, Lu-Min	Chairman of Barits Development Corporation
		Chairman of Song Ming Investments Co., Ltd.
		Chairman of Yu Hong Development Co., Ltd.
		Chairman of Techview International Technology Inc.
		Chairman of Pou Zhi Investments Co., Ltd.
		Executive Director of Yue Yuen Industrial (Holdings) Limited
		Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited
		Director of the subsidiaries of Wealthplus Holdings Limited
		Director of Pou Chien Enterprise Co., Ltd.
		Director of Ruen Chen Investment Holding Co., Ltd.
		Director of Nan Shan Life Insurance Co., Ltd.
		Director of Footwear & Recreation Technology Research Institute
		Director of Oftenrich Holdings Limited
		Director of Brilliant Ocean Limited
		Director of Often Best Limited
		Director of Vantage Capital Investments Limited
		Director of Pearl Dove International Limited
		Director of Metro Power Technology Limited
Director	Tsai, Pei-Chun	Director of Key Team Investments Limited
		Director of Golden Brands Developments Limited
		Managing Director and Executive Director of Yue Yuen Industrial (Holdings) Limited
		Director of Chih-Chun Co., Ltd.
		Non-executive Director of Pou Sheng International (Holdings) Limited

Type	Newly elected directors	Released Restriction
Director	Tsai, Min-Chieh	Director of Chih-Chun Co. , Ltd.
		Director of Nan Shan Life Insurance Co. , Ltd.
Director	Lu, Chin-Chu	Chairman of Pou Chien Technology Co., Ltd.
		Chairman of Pou Chien Enterprise Co., Ltd.
		Chairman of Pou Hui Investments Co., Ltd.
		Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited
		Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited
		Director of the subsidiaries of Wealthplus Holdings Limited
		Director of Barits Development Corporation
		Director of Yue Dean Technology Corporation
		Director of San Fang Chemical Industry Co., Ltd.
		Non-executive Director of Prosperous Industrial (Holdings) Ltd.
		Director of Zhong Ao Multiplex Management Group Co., Ltd.
		Director of Best Focus Holdings Limited
		Director of Crystalyte Industrial Limited
		Director of Hong Kong Jian Long Limited
Director	Tsai, Ming-Lun	Executive Director of Yue Yuen Industrial (Holdings) Limited
		Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited
Director	Ho, Yue-Ming	Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited
		Director of Elitegroup Computer Systems Co., Ltd.
		Director of Hua Jian Industrial Holding Co., Limited
Independent Director	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: 2,531,168,146 votes.

Voting results	% of the total represented share present
Votes in favor: 2,086,274,554 votes (1,703,822,269 votes)	82.42%
Votes against: 6,864,178 votes (6,864,178 votes)	0.27%
Votes abstained: 438,029,414 votes (424,736,628 votes)	17.30%

Note: Including votes casted electronically (numbers in brackets)

F. Extraordinary Motions: None

G. Adjournment Time: The meeting was adjourned at 10:11 a.m.

2018 Business and Financial Reports

a. Business Report

i. Operational Review

The Company's non-consolidated revenue in 2018 was 12.1 billion, the consolidated revenue was 293.3 billion, which reflects an increase of 5.27% compared to the previous year (2017: NT\$278.6 billion), and the net income attributed to owners of the Company was NT\$10.7 billion, a decrease of 17.13% compared to the previous year (2017: NT\$12.9 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 61% and 39% of consolidated revenue respectively. (Schedule 2)

The Company's consolidated revenue in 2018 increased by NT\$14.7 billion compared to the previous year, mainly due to the sales increase by retailing of sporting goods and brand licensing business which was attributed to the continuous expansion of the sales network and the growth of same store sales.

(2) Income from operations

Accompanied by the continuous growth of its consolidated revenue, the Company's consolidated gross profit from operations in 2018 was NT\$75.5 billion, an increase 3.29% from previous year (NT\$73.1 billion). Consolidated gross profit margin in 2018 decreased from 26.2% in the previous year to 25.7%, primarily due to the adverse effects of order and product portfolio changes on the footwear business.

The Company's consolidated net operating income in 2018 was NT\$13.8 billion, a decreased 19.09% from previous year (NT\$17.1 billion). Consolidated net operating income margin in 2018 decreased from 6.1% in the previous year to 4.7%, primarily due to a slight increase in operating expenses from footwear manufacturing compared to previous year. In addition, the Company's retailing of sporting goods and brand licensing business were affected by sales network expansion and store renovation, causing increased market promotion and marketing expenses compared to previous year.

(3) Net income and Earnings per share

The net income attributable to owners of the Company in 2018 slightly decreased by NT\$2.2 billion compared to the previous year, resulting in EPS of NT\$3.63 which was a slight decrease of NT\$0.75 compared to the previous year (2017: NT\$4.38).

Schedule 1: Consolidated Financial Statements

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

Year		2018		2017		+(-)%
		Amount	%	Amount	%	
Operating revenue		293,316,089	100%	278,631,872	100%	5.27%
Gross profit		75,471,295	26%	73,068,324	26%	3.29%
Income from operations		13,809,464	5%	17,068,098	6%	(19.09%)
Income before income tax		20,260,383	7%	24,817,504	9%	(18.36%)
Net income for the year		16,371,866	6%	21,730,590	8%	(24.66%)
Net income attributable to	Owners of the Company	10,708,646	4%	12,921,606	5%	(17.13%)
	Non-controlling interests	5,663,220	2%	8,808,984	3%	(35.71%)
Earnings per share (Basic)		3.63		4.38		

Schedule 1-1: Separate Financial Statements

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

Year		2018		2017		+(-)%
		Amount	%	Amount	%	
Operating revenue		12,062,778	100%	11,704,905	100%	3.06%
Gross profit		4,610,127	38%	3,982,222	34%	15.77%
Income from operations		477,899	4%	478,923	4%	(0.21%)
Income before income tax		11,609,847	96%	13,343,958	114%	(13.00%)
Net income for the year		10,708,646	89%	12,921,606	111%	(17.13%)
Basic earnings per share		3.63		4.38		

Schedule 2

(In NT\$ thousands)

Year		2018		2017	
		Amount	%	Amount	%
Primary business					
Manufacturing of shoes		177,557,453	61%	185,597,169	67%
Retailing of sporting goods and brand licensing business		114,950,866	39%	92,101,627	33%
Other		807,770	-	933,076	-
Total		293,316,089	100%	278,631,872	100%

ii. Research and Development

In 2018, the Company invested 2.1% 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 issues of environmental sustainability, the Company maintains the effective operation of environmental pollution prevention mechanisms, promotes clean production, and reduces the environmental impact of production processes. Pou Chen is simultaneously committed to energy conservation and carbon reduction tasks. In addition to continuously introducing energy-saving equipment, reducing leakage of vapor gas and compressed air, and increasing equipment energy efficiency, the Company expects to build energy online monitoring systems in its plants as of 2019. Subsequently, we will continue to evaluate the feasibility of renewable energy applications in order to keep pace with international trends and meet the expectations of our customers.

(2) Safety and Health Management

The Company emphasizes risk management from the source, and adopts safety designs and professional review when a new plant is constructed, equipment is purchased, or during maintenance and renovation; testing and acceptance procedures have also been strengthened to ensure that requirements are met. Pou Chen will continue to strengthen occupational hazard prevention, improve environmental and occupational health and safety management mechanisms, and implement equipment improvement projects. In 2019, we will also begin promoting monthly labor safety events and professional environmental safety and health training programs for chief engineering staff members in our plants, with the hope of increasing our employees' safety awareness and professional skills.

(3) Compliance Management

By using internal evaluation mechanisms for environmental safety, health, and labor affairs, Pou Chen examines the compliance of its production divisions with the Group's code of conduct and local laws and regulations, thereby fulfilling the requirements of responsible

production. Improvement progress is regularly monitored to mitigate risks within the workplace. The Company plans to collaborate with internal functional units in 2019, integrate third-party resources, focus on labor-management issues handling measures and risk prevention, strengthen internal regulatory management, service functions, and auditing capabilities, and achieve sustainable development.

(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 trusts. By continuously organizing employee activities and friendly workplace promotions, the Company elucidates its core values, training interactive management through grassroots cadre, improves internal solidarity and organizational identity, promotes harmonious employee relations, and builds a friendly workplace.

iv. 2019 Business Plan

(1) Operating Guidelines

■ **Footwear Manufacturing**

(a) To upgrade production and continue to strengthen business capabilities

The Company continuously invests in automation technology, innovative technology, process re-engineering, and shoe material development, cultivates skilled experts in key technologies and processes, and establishes modularized production lines for more stable, faster, and flexible production patterns. Meanwhile, Pou Chen strictly controls its manufacturing cost and implements lean management to continuously improve production efficiency.

(b) To leverage local advantages to flexible capacity allocation

Vietnam, Indonesia, and China accounted for 46%, 37%, and 14% of the Company's total shoe production, respectively, in 2018, whereas Cambodia, Bangladesh, and Myanmar accounted for 3%. The Company will continue to focus on China, Vietnam and Indonesia as its main production bases in 2019. In view of the uncertainly global economics rising, the Company will continue to enhance the production optimization 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) To provide value-added service for solidifying relationship with brand customer

The Company continues to improve its competitive advantage to meet the high standards that our brand customers have set for product quality, delivery, R&D capacity, and corporate governance and sustainability issues. We offer brand customers a one-stop manufacturing service encompassing technological development, process re-engineering, flexible production, and product diversification, all in an effort to cooperate with brand customers in greater depth and width of the industry chain.

- (d) To engage in vertical integration for extending into the blue ocean market

Given the industrial trend and brand marketing strategies, Pou Chen continues to promote the effective integration and optimization of supply chain resources with the goals of improving material quality, accelerating its market response, and adopting green management practices to strive toward perfecting a sustainable supply chain system. In addition, the Company will keep thinking out of the box as it explores and identifies new opportunities in the industry chain to create greater added value.

■ Retailing of Sporting Goods and Brand Licensing

- (a) To strengthen retail management as a means of increasing sales operation efficiency

The Company will persist in the cultivation of its sales network across the Greater China region by adopting management strategies according to local conditions in order to elevate the operational efficiency of its stores. The Company continues to upgrade its sales management systems that provide more real-time and complete market information, which can serve as the basis for business decision making, thereby reinforcing the Company's management performance and operational efficiency.

- (b) To integrate online and offline networks ensures better omni-channel operation capabilities

Online and offline resources are constantly integrated to promote the upgrading of omni-channel operations, including to facilitate the planning and opening of new concept stores in a more flexible manner as well as to strengthen the deployment of online platforms. By building a more complete sales network, Pou Chen will continue to expand the scale of its sales operation and properly plan a wide range of product profiles for different sales channels in order to effectively increase sell-through rate and boost continuous revenue growth.

- (c) To 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 will continue to strengthen its local business strategy and marketing plans for co-operation brands. Furthermore, the Company will continue to seek opportunities for working with even more international brands.

- (d) To value consumer's experience and promote sports services

The Company will plan and organize a series of major sports events to attract the customer who is interested in sports, and also provide online APP which included unique sports service. The Company also striving to make sports as a part of daily life through operates experience-rich stores to sale the product, comprehensively improve consumers' experience, which will enable the effective sales of services and products.

(2) Prospects

Looking forward to 2019, a soft growth in global economy can be anticipated. However, the US-China trade war, geopolitical risks, and fragile emerging markets coupled with fierce industrial competition, rapid changes in consumption patterns, rising labor costs, and exchange rate fluctuations have introduced a number of variables in the business environments around the world.

Pou Chen will uphold the value of sound management, leverage its core competitive advantage in response to the impacts of various adverse factors, continue to strengthen its corporate governance and sustainable development, focus its business activities on manufacturing of shoes as well as retailing of sporting goods and brand licensing business, build the most valuable and diverse sports service platform steered by smart manufacturing and innovative services, foster its business management capabilities, pursue stable and quality growth, and create greater value for all of its stakeholders.

Regarding the business of shoe manufacturing, the Company will continue to promote automation and production optimization programs, increase production flexibility and efficiency, maintain the maximum flexibility in the timely expansion and adjustment of production allocation, and closely cooperate with strategic suppliers to fulfill the needs of its brand customers for better products and services and faster market response, thereby solidifying the cooperative relationship between the Company and its brand customers to safeguard the Company's leading position in the shoe manufacturing industry.

Regarding the retailing of sporting goods and brand licensing business, Pou Chen holds a positive view over the long-term development the sportswear market in the Greater China region. Thus, the Company will continuously expand omni-channel capabilities, enrich sports-related content and services, create the best shopping experiences for our consumers, and ensure proper data management for devising more rigorous procurement strategies, logistic processes and inventory management to constantly improve the overall operational performance.

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.

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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 referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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 (collectively referred to as the "consolidated financial statements").

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, 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, based on our audits and the report of other auditors,

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, 2018. 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, 2018.

Write-down of Inventory

As of December 31, 2018, the carrying amount of finished goods for retail included in the inventories was \$29,936,498 thousand. For the related disclosures, refer to Notes 4, 5 and 14 to the consolidated financial

statements.

The determination of net realizable value required an evaluation on the condition and quality of product market sales and assessment of obsolete and slow-moving inventory; the evaluation involved significant judgments and estimations made by management. Therefore, we considered write-down of inventory as a key audit matter.

We obtained the inventory valuation sheets prepared by 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 management. In addition, we selected samples from the inventory aging report prepared by 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, 2018, goodwill allocated to the manufacture and sale of footwear of the Group amounted to \$5,635,957 thousand and \$2,420,956 thousand, respectively. For related disclosures, refer to Notes 4, 5 and 22 to the consolidated financial statements.

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, we considered the impairment of goodwill as a key audit matter.

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, 2018 and 2017, the carrying amounts of the investment were \$8,403,275 thousand and \$16,659,984 thousand which constituted 2.76% and 5.52% of the Group's consolidated total assets, respectively. For the years ended December 31, 2018 and 2017, the profit of the associate were \$4,491,495 thousand and \$3,775,090 thousand which constituted 22.17% and 15.21% of the income which the Group recognized 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, 2018 and 2017 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, 2018 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 Ker-Chang Wu and Kenny Hong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 32,252,001	11	\$ 34,108,353	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	845,690	-	1,096,915	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	15,065,002	5	-	-
Available-for-sale financial assets - current (Notes 4 and 10)	-	-	14,590,513	5
Held-to-maturity financial assets - current (Notes 4 and 11)	-	-	1,359,820	1
Financial assets measured at cost - current (Notes 4 and 9)	2,660,995	1	-	-
Debt investments with no active market - current (Notes 4 and 12)	-	-	372,848	-
Notes receivable (Notes 4 and 13)	1,295	-	54,953	-
Notes receivable from related parties (Notes 4, 13 and 40)	-	-	64	-
Accounts receivable (Notes 4 and 13)	38,938,365	13	36,805,201	12
Accounts receivable from related parties (Notes 4, 13 and 40)	56,405	-	61,539	-
Other receivables (Notes 4 and 13)	5,133,235	2	3,663,966	1
Inventories - manufacturing and retailing (Notes 4 and 14)	54,571,450	18	47,776,580	16
Inventories - construction (Notes 4 and 14)	4,780,007	1	4,777,895	2
Prepayments for leases (Note 4)	151,206	-	138,455	-
Non-current assets held for sale (Notes 4 and 15)	-	-	23,659	-
Other current assets (Notes 4 and 16)	9,928,307	3	9,834,604	3
Total current assets	164,383,958	54	154,667,365	51
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	776,688	-	582,701	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	768,212	-	-	-
Available-for-sale financial assets - non-current (Notes 4 and 10)	-	-	1,146,061	-
Held-to-maturity financial assets - non-current (Notes 4 and 11)	-	-	4,286,504	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 41)	343,595	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 17)	-	-	495,121	-
Debt investments with no active market - non-current (Notes 4, 12 and 41)	-	-	40,029	-
Investments accounted for using equity method (Notes 4 and 19)	31,228,219	10	40,826,193	14
Property, plant and equipment (Notes 4 and 20)	79,162,641	26	71,517,038	24
Investment properties (Notes 4 and 21)	2,312,021	1	2,247,431	1
Goodwill (Notes 4 and 22)	8,866,746	3	8,691,600	3
Other intangible assets (Notes 4 and 23)	3,187,467	1	3,703,027	1
Deferred tax assets (Notes 4 and 31)	1,951,026	1	1,418,577	1
Long-term prepayments for leases (Note 4)	6,455,195	2	5,575,528	2
Other non-current assets (Notes 4 and 16)	4,826,645	2	6,707,255	2
Total non-current assets	139,878,455	46	147,217,065	49
TOTAL	\$ 304,262,413	100	\$ 301,904,430	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 24)	\$ 37,560,974	12	\$ 33,448,199	11
Short-term bills payable (Note 24)	2,869,225	1	2,966,334	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	719,322	-	232,577	-
Notes payable (Notes 4 and 25)	9,332	-	51,547	-
Notes payable to related parties (Notes 4, 25 and 40)	74	-	11,250	-
Accounts payable (Notes 4 and 25)	13,581,756	5	12,730,775	4
Accounts payable to related parties (Notes 4, 25 and 40)	1,520,085	1	1,126,538	-
Other payables (Note 26)	25,243,368	8	26,027,401	9
Current tax liabilities (Notes 4 and 31)	2,478,784	1	2,497,360	1
Current portion of long-term borrowings (Note 24)	4,194,398	1	750,000	-
Other current liabilities	5,125,762	2	4,619,043	2
Total current liabilities	93,303,080	31	84,461,024	28
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 24)	53,695,306	18	54,461,632	18
Deferred tax liabilities (Notes 4 and 31)	1,353,400	-	1,121,029	1
Long-term payables (Note 26)	151,483	-	151,364	-
Net defined benefit liabilities (Notes 4 and 27)	3,493,669	1	3,284,204	1
Other non-current liabilities	67,769	-	45,231	-
Total non-current liabilities	58,761,627	19	59,063,460	20
Total liabilities	152,064,707	50	143,524,484	48
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 28)				
Share capital	29,467,872	10	29,467,872	10
Common shares	4,600,092	1	4,613,341	1
Capital surplus	-	-	-	-
Retained earnings	13,811,050	4	12,518,889	4
Legal reserve	13,917,230	5	13,636,368	5
Special reserve	38,360,517	13	37,294,138	12
Unappropriated earnings	66,088,797	22	63,449,395	21
Total retained earnings	(22,293,369)	(7)	(13,917,230)	(5)
Other equity	-	-	-	-
Total equity attributable to owners of the Company	77,863,392	26	83,615,378	27
NON-CONTROLLING INTERESTS	74,334,314	24	74,764,568	25
Total equity	152,197,706	50	158,379,946	52
TOTAL	\$ 304,262,413	100	\$ 301,904,430	100

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

(With Deloitte & Touche audit report dated March 25, 2019)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 29 and 40)	\$ 293,316,089	100	\$ 278,631,872	100
OPERATING COSTS (Notes 27, 30 and 40)	<u>217,844,794</u>	<u>74</u>	<u>205,563,548</u>	<u>74</u>
GROSS PROFIT	<u>75,471,295</u>	<u>26</u>	<u>73,068,324</u>	<u>26</u>
OPERATING EXPENSES (Notes 27 and 30)				
Selling and marketing expenses	35,045,995	12	30,051,746	11
General and administrative expenses	20,385,218	7	19,517,193	7
Research and development expenses	<u>6,230,618</u>	<u>2</u>	<u>6,431,287</u>	<u>2</u>
Total operating expenses	<u>61,661,831</u>	<u>21</u>	<u>56,000,226</u>	<u>20</u>
INCOME FROM OPERATIONS	<u>13,809,464</u>	<u>5</u>	<u>17,068,098</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 30)	3,637,248	1	4,131,649	2
Other gains and losses (Note 30)	(170,459)	-	(179,369)	-
Net gain on derecognition of financial assets at amortized cost	5,477	-	-	-
Finance costs (Note 30)	(2,781,382)	(1)	(1,986,075)	(1)
Share of the profit of associates and joint ventures (Notes 4 and 19)	<u>5,760,035</u>	<u>2</u>	<u>5,783,201</u>	<u>2</u>
Total non-operating income and expenses	<u>6,450,919</u>	<u>2</u>	<u>7,749,406</u>	<u>3</u>
INCOME BEFORE INCOME TAX	20,260,383	7	24,817,504	9
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(3,888,517)</u>	<u>(1)</u>	<u>(3,086,914)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>16,371,866</u>	<u>6</u>	<u>21,730,590</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 27)	38,359	-	(494,241)	-
Unrealized gain on investments in equity instruments designed at fair value through other comprehensive income	199,697	-	-	-

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Share of the other comprehensive loss of associates and joint ventures	(504,544)	-	(40,298)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	2,581,218	1	(3,497,789)	(1)
Unrealized gain on available-for-sale financial assets	-	-	1,033,280	-
Share of the other comprehensive (loss) income of associates and joint ventures	<u>(25,647,596)</u>	<u>(9)</u>	<u>3,718,571</u>	<u>1</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(23,332,866)</u>	<u>(8)</u>	<u>719,523</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (6,961,000)</u>	<u>(2)</u>	<u>\$ 22,450,113</u>	<u>8</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 10,708,646	4	\$ 12,921,606	5
Non-controlling interests	<u>5,663,220</u>	<u>2</u>	<u>8,808,984</u>	<u>3</u>
	<u>\$ 16,371,866</u>	<u>6</u>	<u>\$ 21,730,590</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (13,545,977)	(4)	\$ 12,255,237	4
Non-controlling interests	<u>6,584,977</u>	<u>2</u>	<u>10,194,876</u>	<u>4</u>
	<u>\$ (6,961,000)</u>	<u>(2)</u>	<u>\$ 22,450,113</u>	<u>8</u>
EARNINGS PER SHARE (Note 32)				
Basic	<u>\$ 3.63</u>		<u>\$ 4.38</u>	
Diluted	<u>\$ 3.62</u>		<u>\$ 4.37</u>	

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

(With Deloitte & Touche audit report dated March 25, 2019)

(Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

(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 Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
BALANCE AT JANUARY 1, 2017	\$ 25,467,872	\$ 4,540,163	\$ 11,213,184	\$ 11,905,595	\$ 32,214,698	\$ 3,109,173	\$ (15,745,893)	\$ -	\$ 75,705,144	\$ 87,305,560	\$ 163,010,704
Appropriation of 2016 earnings (Note 28)	-	-	1,305,705	-	(1,305,705)	-	-	-	-	-	-
Legal reserve	-	-	(1,730,773)	1,730,773	(1,730,773)	-	-	-	(4,420,181)	-	(4,420,181)
Special reserve	-	-	-	-	(4,430,181)	-	-	-	(4,430,181)	-	(4,430,181)
Cash dividends	-	-	1,305,705	1,730,773	(7,456,653)	-	-	-	12,921,606	8,808,984	21,730,590
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	-	(566,339)	1,385,892	715,553
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,507)	(4,899,702)	4,618,724	85	12,255,247	10,124,876	22,450,113
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	4,618,724	85	(47,650)	-	(47,650)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 28)	-	(47,650)	-	-	-	-	-	-	(47,650)	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 28)	-	(7,579)	-	-	-	-	-	-	(7,579)	-	(7,579)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 28)	-	130,407	-	-	-	-	-	-	130,407	-	130,407
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(22,773,863)	(22,773,863)
Change in equity for the year ended December 31, 2017	29,467,872	4,615,341	12,518,889	13,656,368	37,254,138	(1,790,229)	(12,127,139)	1,860,011	97,387,764	74,764,568	172,152,332
BALANCE AT DECEMBER 31, 2017	29,467,872	4,615,341	12,518,889	13,656,368	37,508,837	(1,790,229)	(12,127,139)	1,860,011	97,387,764	74,764,568	172,152,332
Effect of retrospective application	-	-	-	-	-	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATE	29,467,872	4,615,341	12,518,889	13,656,368	37,508,837	(1,790,229)	(12,127,139)	1,860,011	97,387,764	74,764,568	172,152,332
Appropriation of 2017 earnings (Note 28)	-	-	1,292,161	-	(1,292,161)	-	-	-	-	-	-
Legal reserve	-	-	(280,862)	280,862	(280,862)	-	-	-	(5,895,574)	-	(5,895,574)
Special reserve	-	-	-	-	(3,853,574)	-	-	-	(3,853,574)	-	(3,853,574)
Cash dividends	-	-	1,292,161	280,862	(7,456,597)	-	-	-	10,708,646	5,663,220	16,371,866
Net income for the year ended December 31, 2018	-	-	-	-	10,708,646	-	-	-	(24,254,623)	921,257	(23,332,856)
Other comprehensive (loss) income for the year ended December 31, 2018	-	-	-	-	(64,833)	1,478,405	-	(12,677,612)	(12,890,677)	-	(6,961,000)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	10,644,107	1,478,405	-	(12,677,612)	(13,545,077)	6,584,257	(85,225)
Share of changes in equities of subsidiaries (Notes 4 and 28)	-	(15,653)	-	-	(89,372)	-	-	-	(85,225)	-	(85,225)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 28)	-	404	-	-	(2,533,670)	-	-	2,533,670	404	-	404
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,015,231)	(7,015,231)
Change in equity for the year ended December 31, 2018	-	(15,249)	1,292,161	280,862	774,268	1,478,405	-	(10,343,942)	(15,524,372)	(630,284)	(13,954,626)
BALANCE AT DECEMBER 31, 2018	29,467,872	4,600,092	13,811,050	13,937,230	38,556,517	(312,124)	-	(8,483,951)	77,863,392	70,334,314	148,197,706

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

(With Deloitte & Touche audit report dated March 25, 2019)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax for the year	\$ 20,260,383	\$ 24,817,504
Adjustments for:		
Depreciation expenses	9,849,129	8,895,832
Amortization expenses	700,342	689,903
Expected credit loss on accounts receivable/impairment reversed on accounts receivable	66,060	(141,115)
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	3,425	(956,473)
Finance costs	2,781,382	1,986,075
Net gain on derecognition of financial assets at amortized cost	(5,477)	-
Interest income	(615,620)	(605,978)
Dividends income	(898,686)	(856,941)
Compensation cost of employee share options	130,489	142,912
Share of profit of associates and joint ventures	(5,760,035)	(5,783,201)
Net loss on disposal of property, plant and equipment	524,208	821,180
Net gain on disposal of investment properties	-	(14,199)
Net gain on disposal of investments	-	(37,984)
Net gain on disposal of subsidiaries, associates and joint ventures	(153,872)	(480,603)
Recognized of impairment loss	-	161,865
Reversal of impairment loss	(116)	-
Gain from bargain purchase - acquisition of subsidiaries	(13,280)	(2,320)
Changes in operating assets and liabilities		
Financial instruments held for trading	-	615,937
Financial assets mandatorily at fair value through profit or loss	1,435,134	-
Notes receivable	53,658	(32,210)
Notes receivable from related parties	64	(47)
Accounts receivable	(2,199,224)	1,409,593
Accounts receivable from related parties	5,134	(7,383)
Other receivables	(1,565,090)	648,793
Inventories	(6,796,982)	(6,949,322)
Other current assets	(93,703)	(524,836)
Other operating assets	(178,814)	(153,730)
Notes payable	(42,215)	32,021
Notes payable to related parties	(11,176)	(15,559)
Accounts payable	850,981	(458,653)
Accounts payable to related parties	393,547	(323,479)
Other payables	(2,096,272)	605,563
Other current liabilities	506,719	(74,884)
Net defined benefit liabilities	247,824	(1,020,828)
Other operating liabilities	119	(7,966)
Cash generated from operations	17,378,036	22,379,467
Interest paid	(2,627,719)	(1,878,472)
Income tax paid	(4,207,115)	(3,692,347)

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Net cash generated from operating activities	<u>10,543,202</u>	<u>16,808,648</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets design at fair value through profit or loss	-	(595,200)
Proceeds on sale of financial assets design at fair value through profit or loss	-	11,654
Proceeds from return of capital of financial assets at fair value through other comprehensive income	48,408	-
Purchases of financial assets at amortized cost	(5,040,644)	-
Proceeds from sale of financial assets at amortized cost	8,044,692	-
Acquisition of debt investments with no active market	-	(687,838)
Proceeds on sale of debt investments with no active market	-	1,104,090
Acquisition of held-to-maturity financial assets	-	(672,677)
Proceeds on held-to-maturity financial assets	-	1,007,080
Acquisition of financial assets measured at cost	-	(4,085)
Proceed on sale of financial assets measured at cost	-	99,891
Acquisition of associates and joint ventures	(70,000)	(115,283)
Proceeds from disposal of associates and joint ventures	819,904	1,825,208
Net cash outflow on acquisition of subsidiaries	(74,380)	52,647
Net cash outflow (inflow) on disposal of subsidiaries	417,829	175,411
Acquisition of property, plant and equipment	(14,389,558)	(15,107,635)
Proceeds from disposal of property, plant and equipment	1,001,490	531,478
Increase in refundable deposits	(86,196)	(173,888)
Acquisition of intangible assets	(43,314)	(22)
Acquisition of investment properties	(2,192)	(978)
Proceeds from disposal of investment properties	-	86,103
Increase in other non-current assets	(236,267)	-
Increase in prepayments for equipment	-	(2,140,235)
Acquisition of long-term prepayments for leases	(566,128)	(15,469)
Proceeds from disposal of long-term prepayments for leases	77,836	25,542
Interest received	722,961	618,857
Dividends received	2,559,368	3,307,163
Cash dividends from reduction of capital surplus from associates	<u>108,705</u>	<u>-</u>
Net cash used in investing activities	<u>(6,707,486)</u>	<u>(10,668,186)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	4,112,775	9,417,079
Proceeds from short-term bills payable	-	422,000
Repayments of short-term bills payable	(98,000)	-
Proceeds from long-term borrowings	2,642,419	5,156,200
Increase in guarantee deposits	22,538	5,913
Cash dividend	(5,893,574)	(4,420,181)
Change in non-controlling interests	<u>(7,015,231)</u>	<u>(22,735,868)</u>

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Net cash used in financing activities	<u>(6,229,073)</u>	<u>(12,154,857)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>537,005</u>	<u>4,443,590</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,856,352)	(1,570,805)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>34,108,353</u>	<u>35,679,158</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 32,252,001</u>	<u>\$ 34,108,353</u>

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

(With Deloitte & Touche audit report dated March 25, 2019)

(Concluded)

ii. Separate Financial Statements and Independent Auditors' Report

Deloitte.

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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, 2018 and 2017, 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 (collectively referred to as the "financial statements").

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, 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 based on our audits and the report of other auditors.

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2018. 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. Below is the key audit matter of the financial statements for the year ended December 31, 2018.

Impairment Assessment on Goodwill - Investments Accounted for Using Equity Method

As described in Notes 4, 5, 16 and Table 6 to the financial statements, any excess of investment cost over the fair value of the investee's net identifiable assets is recognized as goodwill. Management performs impairment test of goodwill in accordance with IAS 36.

Management evaluates impairment of an asset by estimating the recoverable amount of such an asset based on forecast sales, estimated future cash flows, and discount rate. Impairment test involves the management's critical estimations and judgments. Therefore, we considered impairment assessment of goodwill of investments accounted for using equity method as a key audit matter for the year ended December 31, 2018.

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, 2018 and 2017, the carrying amounts of the investment were \$8,403,275 thousand and \$16,659,984 thousand which constituted 7.32% and 14.40% of the Company's total assets, respectively. For the years ended December 31, 2018 and 2017, the profit of the associate which the Company recognized were \$4,491,495 thousand and \$3,775,090 thousand which constituted 38.69% and 28.29% 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 and 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, 2018 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 Ker-Chang Wu and Kenny Hong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

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, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 194,630	-	\$ 1,199,584	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	5,005,749	4	-	-
Available-for-sale financial assets - current (Notes 4 and 9)	-	-	4,685,590	4
Financial assets at amortized cost - current (Notes 4 and 10)	689,271	1	-	-
Notes receivable (Notes 4 and 11)	1,180	-	54,923	-
Notes receivable from related parties (Notes 4, 11 and 32)	-	-	64	-
Accounts receivable (Notes 4 and 11)	1,127	-	48,466	-
Accounts receivable from related parties (Notes 4, 11 and 32)	1,981,697	2	1,445,747	2
Other receivables (Notes 4, 11 and 32)	344,215	-	257,958	-
Inventories (Notes 4 and 12)	52,092	-	38,650	-
Other current assets (Notes 4 and 13)	57,190	-	132,375	-
Total current assets	8,327,151	7	7,863,357	7
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	60,756	-	-	-
Held-to-maturity financial assets - non-current (Notes 4 and 14)	-	-	282,432	-
Financial assets measured at cost - non-current (Notes 4 and 15)	-	-	61,000	-
Investments accounted for using equity method (Notes 4 and 16)	98,566,569	86	100,234,720	87
Property, plant and equipment (Notes 4 and 17)	5,341,147	5	4,859,896	4
Investment properties (Notes 4 and 18)	1,985,597	2	2,039,425	2
Deferred tax assets (Notes 4 and 26)	4,532	-	3,510	-
Other non-current assets (Notes 4 and 13)	535,493	-	324,130	-
Total non-current assets	106,494,094	93	107,805,113	93
TOTAL	\$ 114,821,245	100	\$ 115,668,470	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 14,654,000	13	\$ 9,275,200	8
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	30,751	-	206,060	-
Notes payable (Notes 4 and 20)	7,678	-	47,850	-
Notes payable to related parties (Notes 4, 20 and 32)	74	-	11,211	-
Accounts payable (Notes 4 and 20)	1,224,211	1	1,123,244	1
Accounts payable to related parties (Notes 4, 20 and 32)	82,876	-	44,428	-
Other payables (Note 21)	1,954,626	2	2,352,183	2
Current tax liabilities (Notes 4 and 26)	717,895	-	1,006,020	1
Current portion of long-term borrowings (Note 19)	4,194,398	4	750,000	1
Other current liabilities	177,126	-	71,461	-
Total current liabilities	23,043,635	20	14,887,657	13
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	12,905,602	11	16,250,000	14
Deferred tax liabilities (Notes 4 and 26)	291,324	-	125,106	-
Net defined benefit liabilities (Notes 4 and 22)	670,776	1	752,580	1
Other non-current liabilities (Note 16)	46,516	-	37,749	-
Total non-current liabilities	13,914,218	12	17,165,435	15
Total liabilities	36,957,853	32	32,053,092	28
EQUITY (Notes 4 and 23)				
Share capital				
Common shares	29,467,872	26	29,467,872	25
Capital surplus	4,600,092	4	4,615,341	4
Retained earnings				
Legal reserve	13,811,050	12	12,518,889	11
Special reserve	13,917,230	12	13,636,368	12
Unappropriated earnings	38,360,517	33	37,294,138	32
Total retained earnings	66,088,797	57	63,449,395	55
Other equity	(22,293,369)	(19)	(13,917,230)	(12)
Total equity	77,863,392	68	83,615,378	72
TOTAL	\$ 114,821,245	100	\$ 115,668,470	100

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

(With Deloitte & Touche audit report dated March 25, 2019)

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 32)	\$ 12,062,778	100	\$ 11,704,905	100
OPERATING COSTS (Notes 25 and 32)	<u>7,452,651</u>	<u>62</u>	<u>7,736,216</u>	<u>66</u>
GROSS PROFIT	4,610,127	38	3,968,689	34
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>-</u>	<u>-</u>	<u>13,533</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>4,610,127</u>	<u>38</u>	<u>3,982,222</u>	<u>34</u>
OPERATING EXPENSES (Notes 22 and 25)				
Selling and marketing expenses	67,731	-	68,949	1
General and administrative expenses	2,286,232	19	1,785,903	15
Research and development expenses	<u>1,778,265</u>	<u>15</u>	<u>1,648,447</u>	<u>14</u>
Total operating expenses	<u>4,132,228</u>	<u>34</u>	<u>3,503,299</u>	<u>30</u>
INCOME FROM OPERATIONS	<u>477,899</u>	<u>4</u>	<u>478,923</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 25 and 32)	589,671	5	670,751	6
Other gains and losses (Note 25)	1,026,890	8	(1,424,361)	(12)
Net loss on derecognition of financial assets at amortized cost	(224)	-	-	-
Finance costs (Note 25)	(319,999)	(3)	(313,483)	(3)
Share of the profit of subsidiaries and associates (Notes 4 and 16)	<u>9,835,610</u>	<u>82</u>	<u>13,932,128</u>	<u>119</u>
Total non-operating income and expenses	<u>11,131,948</u>	<u>92</u>	<u>12,865,035</u>	<u>110</u>
INCOME BEFORE INCOME TAX	11,609,847	96	13,343,958	114
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(901,201)</u>	<u>(7)</u>	<u>(422,352)</u>	<u>(3)</u>
NET INCOME FOR THE YEAR	<u>10,708,646</u>	<u>89</u>	<u>12,921,606</u>	<u>111</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				

(Continued)

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Remeasurement of defined benefit plan (Note 22)	(37,152)	-	(206,462)	(2)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	316,990	2	-	-
Share of the other comprehensive loss of subsidiaries and associates	(378,343)	(3)	(179,045)	(1)
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	-	-	217,073	2
Share of the other comprehensive loss of subsidiaries and associates	<u>(24,156,118)</u>	<u>(200)</u>	<u>(497,935)</u>	<u>(5)</u>
Other comprehensive loss for the year, net of income tax	<u>(24,254,623)</u>	<u>(201)</u>	<u>(666,369)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME	<u>\$ (13,545,977)</u>	<u>(112)</u>	<u>\$ 12,255,237</u>	<u>105</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 3.63</u>		<u>\$ 4.38</u>	
Diluted	<u>\$ 3.62</u>		<u>\$ 4.37</u>	

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

(With Deloitte & Touche audit report dated March 25, 2019)

(Concluded)

POU CHEN CORPORATION

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**
(In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Others	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2017	\$ 29,467,872	\$ 4,340,163	\$ 11,213,184	\$ 11,905,595	\$ 32,214,698	\$ (16,745,823)	\$ 332	\$ 75,705,144
Appropriation of 2016 earnings (Note 23)	-	-	1,305,705	1,730,773	(1,305,705)	-	-	-
Legal reserve	-	-	-	-	(1,730,773)	-	-	(4,420,181)
Special reserve	-	-	-	-	(4,420,181)	-	-	(4,420,181)
Cash dividends	-	-	1,305,705	1,730,773	(7,456,652)	-	-	12,921,606
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	(666,362)
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,502)	-	86	12,255,237
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	(4,859,702)	-	86	-
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 23)	-	(47,650)	-	-	-	-	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 23)	-	(7,579)	-	-	-	-	-	(7,579)
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 23)	-	130,407	-	-	-	-	-	130,407
BALANCE AT DECEMBER 31, 2017	29,467,872	4,615,341	12,518,889	13,636,368	37,294,138	(12,127,139)	438	83,615,378
Effect of retrospective application	-	-	-	-	292,111	12,127,139	(506,875)	13,772,385
BALANCE AT JANUARY 1, 2018 AS RESTATED	29,467,872	4,615,341	12,518,889	13,636,368	37,586,249	(1,790,229)	(506,437)	97,387,764
Appropriation of 2017 earnings (Note 23)	-	-	1,292,161	280,862	(1,292,161)	-	-	-
Legal reserve	-	-	-	-	(280,862)	-	-	(3,893,574)
Special reserve	-	-	-	-	(3,893,574)	-	-	(3,893,574)
Cash dividends	-	-	1,292,161	280,862	(7,456,497)	-	-	10,708,646
Net income for the year ended December 31, 2018	-	-	-	-	10,708,646	-	-	(24,254,623)
Other comprehensive (loss) income for the year ended December 31, 2018	-	-	-	-	(64,539)	(12,677,612)	(12,990,877)	(13,545,977)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(1,478,405)	(12,677,612)	(12,990,877)	-
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 23)	-	404	-	-	-	-	-	404
Share of changes in equities of subsidiaries (Notes 4 and 23)	-	(13,655)	-	-	(69,572)	-	-	(85,225)
Change in equity for the year ended December 31, 2018	-	(13,249)	1,292,161	280,862	774,268	-	(12,990,877)	(13,524,372)
BALANCE AT DECEMBER 31, 2018	29,467,872	4,600,092	13,811,050	13,917,230	38,360,517	(3,12,124)	(13,497,314)	77,863,392

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 25, 2019)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 11,609,847	\$ 13,343,958
Adjustments for:		
Depreciation expenses	298,587	261,758
Net gain on fair value change of financial instruments at FVTPL	(574,565)	(60,430)
Finance costs	319,999	313,483
Net loss on derecognition of financial assets at amortized cost	224	-
Interest income	(30,808)	(27,010)
Dividends income	(291,438)	(275,865)
Share of the profit of subsidiaries and associates	(9,835,610)	(13,932,128)
Net loss on disposal of property, plant and equipment	30,723	21,149
Realized gain on the transactions with subsidiaries	-	(13,533)
Unrealized loss on foreign currency exchange	6,014	3,203
Changes in operating assets and liabilities		
Financial instruments held for trading	-	285,121
Financial assets mandatorily at fair value through profit or loss	399,256	-
Notes receivable	53,743	(33,670)
Notes receivable from related parties	64	(47)
Accounts receivable	47,339	(18,962)
Accounts receivable from related parties	(535,950)	409,030
Other receivables	98,966	6,437
Inventories	(13,218)	37,607
Other current assets	74,933	(71,095)
Other operating assets	9,299	(24,766)
Notes payable	(40,172)	31,174
Notes payable to related parties	(11,137)	(14,513)
Accounts payable	100,967	(201,396)
Accounts payable to related parties	38,448	(56,825)
Other payables	(453,168)	850,727
Other current liabilities	105,665	(41,571)
Net defined benefit liabilities	(118,956)	(1,243,050)
Cash generated from (used in) operations	1,289,052	(451,214)
Interest paid	(302,729)	(305,514)
Income tax paid	(1,024,131)	(651,808)
Net cash used in operating activities	(37,808)	(1,408,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(692,670)	-
Proceeds from financial assets at amortized cost	279,488	-
Proceeds on sale of debt investments with no active market	-	90,493
Acquisition of associates under equity method	(70,000)	(82,000)
Acquisition of property, plant and equipment	(794,936)	(604,314)
Proceeds from disposal of property, plant and equipment	99,197	64,548
Increase in refundable deposits	(671)	(1,964)

(Continued)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Decrease in refundable deposits	6,178	-
Loans to related parties	(189,000)	-
Increase in other current liabilities	(236,267)	-
Increase in prepayments for equipment	(3,667)	(13,974)
Increase in other prepayments	-	(226,594)
Interest received	34,691	29,825
Dividends received	932,160	4,471,593
Cash dividends from reduction of capital surplus from associates	<u>70,067</u>	<u>-</u>
Net cash (used in) generated from investing activities	<u>(565,430)</u>	<u>3,727,613</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	5,378,800	2,760,200
Proceeds from long-term borrowings	3,500,000	-
Repayments of long-term borrowings	(3,400,000)	-
Cash dividend	(5,893,574)	(4,420,181)
Increase in guarantee deposits	13,059	-
Decrease in guarantee deposits	<u>-</u>	<u>(305)</u>
Net cash (used in) financing activities	<u>(401,715)</u>	<u>(1,660,286)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,004,953)	658,791
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,199,584</u>	<u>540,793</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 194,631</u>	<u>\$ 1,199,584</u>

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

(With Deloitte & Touche audit report dated March 25, 2019)

(Concluded)

Audit Committee's Review Report on the 2018 Financial Statements

Audit Committee's Review Report

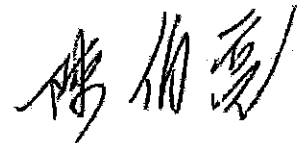
The Board of Directors has prepared and submitted the Company's 2018 business report and financial statements. Commissioned by the Board of Directors, the CPA firm Deloitte & Touch has audited the financial statements and issued an audit report relating to the Financial Statements.

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:

2019 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:



Chen, Bor-Liang

Date : March 26, 2019

Audit Committee's Review Report on Profit Distribution Plan

The Board of Directors has prepared and submitted the 2018 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:

2019 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:



Chen, Bor-Liang

Date : April 30, 2019