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

Pou Chen Corporation 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 2,135,423,075votes 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).

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	The Company transfers its		Amended as
	treasury shares to employees,		Company Act and
	issues employee stock option		the Company's
	certificates, issues restricted		management
	shares for employee, and reserves		operations to add
	the issuance of common shares in		this article.
	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.		
Article 7	The Company's shares shall be	The Company's shares shall be	Amended as the
	registered, bear the signatures or	registered and numbered, bear	Company Act.
	personal seals of the Director	the signatures or personal seals of	
	representing the Company, and	at least three Directors, and be	
	shall be duly certified or	issued upon certification by the	
	authenticated by the bank which	competent authority or its	

<u></u> -	Amended Provisions	Pre-amended Provisions	Commentary
	is competent to certify shares	designated registration agency.	
	under the laws. The Company	The Company may issue shares	
	may issue shares without	without certificates, or issue one	
	certificates which shall be	certificate for the total number of	
	registered with a central	shares newly issued at the time	
	securities depository.	which shall be registered or	
		deposited with a central securities	
	1	depository.	
Article 17	The board of Directors' meeting	The board of Directors' meeting	Amended as the
	shall be convened at least once	shall be convened at least once	Company Act to add
	every quarter of each year.	every quarter of each year.	the sixth item.
	In calling a board of Directors'	In calling a board of Directors'	
	meeting, a notice setting forth the	meeting, a notice setting forth the	
	item(s) to be discussed at the	item(s) to be discussed at the	
	meeting shall be given to each	meeting shall be given to each	
	Director at least seven days prior	Director at least seven days prior	
	to the scheduled meeting date,	to the scheduled meeting date,	
	unless in the event of emergency,	unless in the event of emergency,	
	Directors' meeting may be	Directors' meeting may be	
	convened at any time.	convened at any time.	
	Conventions of meetings under	Conventions of meetings under	
	the preceding paragraph may be	the preceding paragraph may be	
	done in writing or by facsimile or	done in writing or by facsimile or	
	electronically.	electronically.	
	Except as otherwise prescribed	Except as otherwise prescribed	
	by laws, any resolution of the	by laws, any resolution of the	
	board of Directors shall only be	board of Directors shall only be	
	adopted with the approval by	adopted with the approval by	
	more than half of the Directors	more than half of the Directors	
	present at the meeting attended	present at the meeting attended	
	by more than half of all	by more than half of all	
	Directors.	Directors.	
	A Director who has personal	A Director who has personal	
	interests in any of the items on	interests in any of the items on	
	the meeting agenda shall disclose		
	the material aspects of such	the material aspects of such	
	personal interest at the meeting.	personal interest at the meeting.	
	Where the spouse, a blood	When board of Directors'	
	relative within the second degree	meetings are held by means of	
	of kinship of a director, or any	video conference, the Directors	

	Amended Provisions	Pre-amended Provisions	Commentary
	company which has a controlling	participating in such meetings via	:
	or subordinate relation with a	webcam shall be deemed to have	
	director has interests in the	attended the meetings in person.	
	matters under discussion in the	If a Director is unable to attend a	
	meeting of the preceding	meeting for any reason, such	
	paragraph, such director shall be	Director may appoint another	
	deemed to have a personal	Director as his or her proxy by	
	interest in the matter.	using a letter of appointment	
:	When board of Directors'	setting forth the scope of	
	meetings are held by means of	authorization with respect to each	
	video conference, the Directors	subject to be discussed at the	
	participating in such meetings via	meeting. A Director may only be	·
	webcam shall be deemed to have	appointed as proxy by one other	
	attended the meetings in person.	Director.	
	If a Director is unable to attend a	The Company's board of	
	meeting for any reason, such	Directors may establish different	
	Director may appoint another	types of functional committees.	
	Director as his or her proxy by		
	using a letter of appointment	ļ	
	setting forth the scope of		
	authorization with respect to each		
	subject to be discussed at the		
	meeting. A Director may only be		
	appointed as proxy by one other		
	Director.		
	The Company's board of		
	Directors may establish different		
	types of functional committees.		
Article 23-1	The Company's annual net	The Company's annual net	Amended as
	profits should be appropriated as	profits should be appropriated as	Company Act and
	follows:	follows:	the Company's
	(1) For paying taxes.	(1) For paying taxes.	management
	(2) For offsetting deficits.	(2) For offsetting deficits.	operations.
	(3) For legal reserve at 10% of	(3) For legal reserve at 10% of	
	the remaining profits, and	the remaining profits, and for	
	for special reserve to be	special reserve to be appropriated	
I	appropriated and distributed	and distributed according to	
	according to regulations or	regulations or upon request by	
	upon request by the FSC.	the FSC.	
	(4) The total of any remaining	(1) The total of any remaining	·

	Amended Provisions	Pre-amended Provisions	Commentary
	profits after the	profits after the	
	appropriations mentioned	appropriations mentioned	
	above plus any accumulated	above plus any accumulated	
	unappropriated earnings	unappropriated earnings	
	from prior years may be	from prior years may be	
	partially retained and then	partially retained and then	
	distributed the remainder as	distributed the remainder as	
	proposed according to stock	proposed according to stock	
	ownership proportion.	ownership proportion.	
	The board of Directors proposes	Profits may be distributed after	
	an earnings distribution in the	taking into consideration	
	form of new shares shall be	financial, business and	
	approved following the	operational factors. The	
	resolution of the shareholders'	distribution of profits shall be	
	meetings. Distribution of	proposed by the board of	
	dividends and bonuses or	Directors, and submitted to the	
	distribution of the legal reserve	shareholders' meeting for	
	and capital surplus in whole or in	approval. The ratio of distribution	
	part by cash shall be resolved by	shall be not less than 30% of the	
	a majority vote at a meeting	net income for each fiscal year,	
	attended by more than two thirds	and a portion for cash dividend	
1	of the total number of directors,	shall be not less than 30% of total	
	and such distribution shall be	distribution. If there are material	
	reported at the shareholders'	changes in the operating	
	meeting.	environment, the Company can	
	Profits may be distributed after	adjust the ratio and amounts of	
	taking into consideration	distribution of profits.	
	financial, business and		
	operational factors. The		
	distribution of profits shall be	1	
	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		

	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	These Articles of Incorporation	Date of
	was adopted on August 15, 1969.	was adopted on August 15, 1969.	Amendment added.
	The first amendment was made	The first amendment was made	
•	on April 18, 1971 <u>The</u>	on April 18, 1971 The	<u> </u>
	forty-sixth amendment was made	forty-fifth amendment was made	
	on June 13, 2019. These Articles	on June 15, 2017.These Articles	
	of Incorporation and any	of Incorporation and any	
	amendments thereafter shall	amendments thereafter shall	
	become effective upon resolution	become effective upon resolution	
	at the shareholders' meeting.	at the shareholders' meeting.	

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

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

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

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

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

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

	Amended Provisions	Pre-amended Provisions	Commentary
	exceeds NT\$ 100 million	Company's chairman, who	
	but is less than NT\$ 300	is authorized to approve	
	million, the transaction	transactions; if the	
	shall be approved by the	transaction price amount is	
	Company's chairman, who	NT\$ 300 million or more,	
	is authorized to approve	the transaction shall be	
•	transactions; if the	approved by the board of	
	transaction price amount is	Directors.	
	NT\$ 300 million or more,	(2) The acquisition or disposal	
	the transaction shall be	of equipment shall be	
	approved by the board of	conducted by means of	
	Directors.	price inquiry, price	
	(2) The acquisition or disposal	comparison, price	
	of equipment or	negotiation or bidding. In	
	right-of-use equipment	the event where the amount	
	shall be conducted by	is NT\$ 10 million or less,	
	means of price inquiry,	the transaction shall be	
	price comparison, price	approved in accordance	
	negotiation or bidding. In	with the Company's levels	
	the event where the amount	of authorization; in the	
	is NT\$ 10 million or less,	event where the amount	
	the transaction shall be	exceeds NT\$ 10 million	
	approved in accordance	but is less than NT\$ 100	
	with the Company's levels	million, the transaction	
	of authorization; in the	shall be approved by the	
	event where the amount	president; in the event	
	exceeds NT\$ 10 million	where the amount is NT\$	
	but is less than NT\$ 100	100 million or more, the	
	million, the transaction	transaction shall be	
	shall be approved by the	approved by the board of	
	president; in the event	Directors.	
	where the amount is NT\$	3. Implementation unit	
	100 million or more, the	The Company's acquisition or	
	transaction shall be	disposal of real estate or	
	approved by the board of	equipment shall be approved in	
	Directors.	accordance with the levels of	
	3. Implementation unit	authorization specified in the	
	The Company's acquisition or	preceding paragraph and shall	
	disposal of real estate,	be implemented by the	
	right-of-use real estate,	department (or management	1

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

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

Amended Provisions 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.

2. Assessment and Operating Procedures In the event where the Company engages in any acquisition or disposal of real estate or right-of-use real estate from or to a related party, or engages in any acquisition or disposal of assets other than real estate or right-of-use 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 domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of

Pre-amended Provisions

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.

2. Assessment and Operating **Procedures** 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

Commentary 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".

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

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

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

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

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

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

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

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

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

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

Amended Provisions	Pre-amended Provisions	Commentary
 exists, the acquisition shall	acquired the real estate	
be conducted in accordance	by virtue of inheritance	
with the Assessment and	or as a gift.	
Operating Procedures under	B. Where more than 5 years	
paragraph 2 of this Article,	has lapsed between the	
and paragraph 3,	time the related party	
subparagraphs (1), (2) and	executed the agreement	
(3) of this Article shall not	to acquire the real estate	
apply:	and the execution date	
A. Where the related party	of the current	
acquired the real estate_	transaction.	
or real estate right-of-	C. Where the real estate is	
use assets by virtue of	acquired through	
inheritance or as a gift.	executing a joint	
B. Where more than 5 years	development agreement	
has lapsed between the	with a related party, or	
time the related party	through engaging a	
executed the agreement	related party to build	
to acquire the real estate	real estate, either on the	
or real estate right-of-	Company's own land or	
use assets and the	on rented land.	
execution date of the	(7) In the event where the	
current transaction.	Company acquires real	
C. Where the real estate is	estate from a related party,	
acquired through	it shall also comply with	
executing a joint	paragraph 3, subparagraph	
development agreement	(5) of this Article if there is	
with a related party, or	other evidence indicating	
through engaging a	that the acquisition was not	į
related party to build	an arm's length transaction.	
real estate, either on the	3	
Company's own land or		Ē
on rented land.		
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		

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

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

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

	Amended Provisions	Pre-amended Provisions	Commentary
		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	
	1	published by the ARDF.	
Article 12	Procedures for Acquisition or	Procedures for Acquisition or	Revised the scope of
	Disposal of Derivatives	Disposal of Derivatives	the Derivatives in
	1. Trading Principles and	1. Trading Principles and	accordance to
	Strategies	Strategies	coordinate with the
	(1) Types of Derivatives	(1) Types of Derivatives	amendment of the
	A. The derivatives engaged	A. The derivatives engaged	"Regulations
	by the Company refer to	by the Company refer to	Governing the
	transaction agreements,	transaction agreements,	Acquisition and
	whose value is derived	whose value is derived	Disposal of Assets
	from a specified interest	from assets, interest	by Public
	rate, financial instrument	rates, foreign exchange	Companies".
	price, commodity price,	rates, indexes or other	
	foreign exchange rates,	interests (such as	
	index of prices or rates,	forward contracts,	
	credit rating or credit	options, futures, interest	
	index, or other variable;	or foreign exchange	
	or hybrid contracts	rates, swaps, and	
	combining the above	compound contracts	
	contracts; or hybrid	combining the products	
	contracts or structured	mentioned above).	
	products containing	(omitted)	
	embedded derivatives.	5. Monitoring and Management	
	The term "forward	Principles of the Board of	
	contracts" does not	Directors when Engaging in	
	include insurance	Derivatives Transactions	
	contracts, performance	(omitted)	
	contracts, after-sales	(3) The Company shall report	
	service contracts,	to the next board of	
	long-term leasing	Directors' meeting after it	
	contracts, or long-term	authorizes relevant	
	purchase (sales)	personnel to handle the	
	contracts.	derivatives transactions in	<u> </u>

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

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

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

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

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

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

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

	Amended Provisions	Pre-amended Provisions	Commentary
	to.		
	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.		
Article 3	Total Loan Amount and Loan	Total Loan Amount and Loan	1.Adjusted the total
	Limits of each Recipient	Limits of each Recipient	amount of funds loaned
	1. Total Loan Amount:	1. Total Loan Amount:	and short-term
	The total amount of funds	The total amount of funds	financing loaned in
	loaned by the Company shall	loaned by the Company shall	accordance to
	not exceed 40% of the	not exceed 30% of the	Company's operational
	Company's net value,	Company's net value,	requirements.
	amongst which:	amongst which:	2.Revised the third
	(1) For companies or firms	(1) For companies or firms	paragraph and added
	engaging in business	engaging in business	the fourth paragraph in
	with the Company, the	with the Company, the	accordance to
	total amount of funds	total amount of funds	coordinate with the
	loaned shall not exceed	loaned shall not exceed	amendment of the
	10% of the Company's	10% of the Company's	"Regulations
	net value.	net value.	Governing Loaning of
	(2) For companies or firms	(2) For companies or firms	Funds and Making of
	with short-term financing	1	Endorsements/Guaran
	requirements from the	requirements from the	es by Public
	Company, the total	Company, the total	Companies."
	amount of funds loaned	amount of funds loaned	
	shall not exceed 40% of	shall not exceed 30% of	
	the Company's net value.	1	
	(omitted)	(omitted)	
	3. Between foreign companies	3. Between foreign companies	
	that require fund loaning for	that require fund loaning for	
	financing, which the	financing, which the	
	Company directly or	Company directly or	
	indirectly holds 100% of	indirectly holds 100% of	

	Amended Provisions	Pre-amended Provisions	Commentary
	voting shares, the monetary	voting shares, the monetary	
	amount limitations in the	amount limitations in the	
	preceding two paragraphs	preceding two paragraphs	
	shall not apply. However, the	shall not apply. However, the	
	loaning company shall	loaning company shall	
	nonetheless stipulate the	nonetheless stipulate the	
	total loan amount and loan	loan amount and term in its	
	limits to each Recipient and	fund lending procedures.	
	loan term in its fund lending		
	procedures.	1	
	4. 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.		
Article 12	Repayment of Loaned Funds	Repayment of Loaned Funds	The Borrower should pay
	1. After the loan has been	1. After the loan has been	off the principal and
	appropriated, the financial,	appropriated, the financial,	interest on the expiration
	business, credit, and other	business, credit, and other	date and should not
	statuses of the Borrower and	statuses of the Borrower and	extend its loan term in
	guarantor shall be noted on a	guarantor shall be noted on a	accordance to Company
	regular basis. For recipients	regular basis. For recipients	operational requirements
	who have provided	who have provided	
	collateral, circumstances	collateral, circumstances	
	where any changes to	where any changes to	
	collateral value shall be	collateral value shall be	
	noted. The Borrower shall be	noted. The Borrower shall be	
	notified two months prior the	notified to pay off the	
	expiration of the loan term to	principal and interest on the	
	pay off the principal and	expiration date of the loan or	
	interest on the expiration	extend its loan term, two	
	date of the loan.	months prior the expiration	
		of the loan term.	
	Disclosure of Information	Disclosure of Information	Revised in accordance t
Article 17	Disclosure of information	District of America	

	Amended Provisions	Pre-amended Provisions	Commentary
	5. The term "date of	5. The term "date of	amendment of the
	occurrence" under this	occurrence" under this	"Regulations Governing
	Procedure shall mean the	Procedure shall mean the	Loaning of Funds and
	earlier of the date of	earlier of the date of	Making of
	contract, date of payment,	execution of a transaction,	Endorsements/Guarantees
	date of board of Directors'	date of payment, date of	by Public Companies."
	resolution, or any other dates	board of Directors'	
	that can confirm the	resolution, or any other dates	
	counterpart and amount of	that can confirm the	
	the loan.	transaction's counterpart and	
	ine tomi.	amount.	
Article 19	Implementation and	Implementation and	Revised the first
Article 17	Amendment	Amendment	paragraph and added the
	1. After approved by at least	This Procedure is passed by	second, third paragraph i
	half of Audit Committee	the Audit Committee and the	accordance to coordinate
	members and the board of	board of Directors and	with the amendment of
	Directors, the Procedures	submitted for approval by a	the "Regulations
	shall be submitted to the	shareholders' resolution prior	Governing Loaning of
	shareholders' meeting for	to implementation. The board	Funds and Making of
	approval and take effect. If	of Directors in its discussion,	Endorsements/Guarantee
	any Director expresses	shall fully consider the	by Public Companies."
	his/her dissent and whose	opinions of independent	
	dissent is recorded or	Directors and include in the	
	represented in writing, the	minutes of the board of	
	Company shall deliver such	Directors meeting, record the	
	dissent to the shareholders'	opinion of the independent	
	meeting for discussion. The	Director (specifically, their	
	same shall apply for	consent or dissent, and the	
	amendments of this	reasons of his/her dissent). If	
	Procedure.	any Director expresses his/her	
	2. If approval is not obtained	dissent and whose dissent is	
	from at least half of all Audit		
	Committee members in the	writing, the Company shall	
	preceding Paragraph, it may	1	
	be approved by two-thirds or		
	more of all directors and the		
	resolution of the Audit	apply for amendments of this	
	Committee shall be specified	Procedure.	
	in the Board of Directors	<u> </u>	

 Amended Provisions	Pre-amended Provisions	Commentary
 meeting minutes.		
3. All Audit Committee	1	
members and all directors	1	
referred to in the preceding	1	
Paragraph are calculated		
based on the actual number		
of members and directors.		

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

	Amended Provisions	Pre-amended Provisions	Commentary
	negotiable instrument to a	negotiable instrument to a	
	non-financial enterprise	non-financial enterprise	
]	as security for the	as security for the	
	purposes of the	purposes of the	
	Company's financing	Company's financing	
	needs.	needs.	
	II. Customs duty endorsements	II. Customs duty endorsements	
	and guarantees, which shall	and guarantees, which shall	
	mean the endorsements and	mean the endorsements and	
	guarantees, made for the	guarantees, made for the	
	Company itself or other	Company itself or other	
	companies in connection	companies in connection	
	with customs duty matters.	with customs duty matters.	
	III.Other endorsements and	III.Other endorsements and	
	guarantees, which shall	guarantees, which shall	
	mean the endorsements and	mean the endorsements and	
	guarantees made in	guarantees made in	
	connection with matters	connection with matters	
	beyond the scope of the	beyond the scope of the	
	preceding two	preceding two paragraphs.	
	subparagraphs.	IV.The Company's creation of	
	IV. The Company's creation of	a pledge or mortgage on its	
	a pledge or mortgage on its	chattel or real property as	
	chattel or real property as	security for the loans of	
	security for the loans of	another company shall also	!
	another company shall also	comply with the	
	comply with the	Procedures.	
	Procedures.		
Article 3	The Company may make	The Company may make	Revised the wording
131 11010 0	endorsements and guarantees	endorsements and guarantees	
	for the following parties:	for the following parties:	
	(omitted)	(omitted)	
	V. Where the Company	V. Where the Company	
	provides mutual guarantees		
	in accordance with the	in accordance with the	
	contract for another	contract for another	
	company in the same	company in the same	
	industry or for joint	industry or for joint	
	constructers to meet the	constructers to meet the	

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

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

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

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

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)

Туре	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

Туре	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:

Туре	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

Туре	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:

Туре	Newly elected directors	Released Restriction
		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.
	CI Y M'	Director of Ruen Chen Investment Holding Co., Ltd.
Director	Chan, Lu-Min	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 of Key Team Investments Limited
		Director of Golden Brands Developments Limited
-		Managing Director and Executive Director of Yue Yuen Industrial
Director	Tsai, Pei-Chun	(Holdings) Limited
Difector	Isai, I Ci-Ciidii	Director of Chih-Chun Co., Ltd.
		Non-executive Director of Pou Sheng International (Holdings) Limited

Type	Newly elected directors	Released Restriction	
		Director of Chih-Chun Co., Ltd.	
Director	Tsai, Min-Chieh	Director of Nan Shan Life Insurance Co., Ltd.	
		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	Lu, Chin-Chu	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	
		Executive Director of Yue Yuen Industrial (Holdings) Limited	
Director	Tsai, Ming-Lun	Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited	
		Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited	
Director	Ho, Yue-Ming	Director of Elitegroup Computer Systems Co., Ltd.	
		Director of Hua Jian Industrial Holding Co., Limited	
Independent		Independent Non-executive Director of Pou Sheng International	
Director	Chen, Huan-Chung	(Holdings) Limited	

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	2018		2017	
Item		Amount	%	Amount	%	+(-)%
Operating reve	nue	293,316,089	100%	278,631,872	100%	5,27%
Gross profit		75,471,295	26%	73,068,324	26%	3.29%
Income from c	perations	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 fo	The year	16,371,866	6%	21,730,590	. 8%	(24.66%)
Net income	Owners of the Company	10,708,646	4%	12,921,606	5%	(17.13%)
attributable to	Non-controlling interests	5,663,220	2%	8,808,984	3%	(35.71%)
Earnings per s	hare (Basic)	3,63		4.38		

Schedule 1-1: Separate Financial Statements

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

Year	2018		2017	+(-)%	
Item	Amount	%	Amount	%	
Operating revenue 2	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%	(1/13%)
Basic earnings per share	3.63		4.38		

Schedule 2

(In NT\$ thousands)

Year	2018		2017		
Primary business	Amount	%	Amount	%	
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 collaborates 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 strengthens 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 valued 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 柱 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.

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

				
Leonato		 _	2017 Amount	
ASSETS	Autoutt	***	1311104-40	,,
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) Available-for-sale financial assets - current (Notes 4 and 10)	15,065,002	5	14,590,513	5
Held-to-maturity financial assets - current (Notes 4 and 11)		;	1,359,820	ı
Financial assets measured at cost - current (Notes 4 and 9) Debt investments with no active market - current (Notes 4 and 12)	2,660,995	l -	372,848	-
Notes receivable (Notes 4 and 13)	1,295	-	54,953	-
Notes receivable from related parties (Notes 4, 13 and 40) Accounts receivable (Notes 4 and 13)	38,938,365	13	64 36,805,201	12
Accounts receivable from related parties (Notes 4, 13 and 40)	56,405	2	61,539 3,665,966	î
Other receivables (Notes 4 and 13) Inventories - menufacturing and retailing (Notes 4 and 14)	5,133,235 54,571,450	18	47,776,580	16
Inventories - construction (Notes 4 and 14)	4,780,007	1	4,777,895 138,455	2
Prepayments for leases (Note 4) Non-current assets hold for sale (Notes 4 and 15)	151,206	-	23,659	-
Other current assets (Notes 4 and 16)	9.928.307	3	9,834,604	3
Total current assets	<u>_164,383,958</u>	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) Available-for-sale financial assets - non-current (Notes 4 and 10)	768,212	-	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	-	495,121	-
Financial assets measured at cost - non-current (Notes 4 and 17) Debt investments with no active market - non-current (Notes 4, 12 and 41)	-		40,029	•
lavestments accounted for using equity method (Notes 4 and 19) Property, plant and equipment (Notes 4 and 20)	31,228,219 79,162,641	10 26	40,826,193 71,517,038	14 24
Investment properties (Notes 4 and 21)	2,312,021	1	2,247,431	1
Goodwill (Notes 4 and 22)	8,866,746 3,187,467	3 1	8,691,600 3,703,027	3 1
Other intengible assets (Notes 4 and 23) Deferred tax assets (Notes 4 and 31)	1,951,026	1	1,418,577	1
Long-term prepayments for leases (Note 4) Other non-current assets (Notes 4 and 16)	6,455,195 4,826,645	2 2	5,575,528 6,707,255	2
	139.878.455	46	147,237,065	42
Total non-current assets				
TOTAL	<u>\$. 304,262,413</u>	100	<u>\$ 301,904,430</u>	<u>_100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES	\$ 37,560,974	12	\$ 33,448,199	11
Short-term borrowings (Note 24) Short-term bills payable (Note 24)	2,869,225	1	2,966,334	ı
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	719,322 9,332	-	232,577 51,547	-
Notes payable (Notes 4 and 25) Notes payable to related parties (Notes 4, 25 and 40)	74	-	11,250	-
Accounts payable (Notes 4 and 25)	13,581,756 1,520,085	5 I	12,730,775 1,126,538	4
Accounts payable to related parties (Notes 4, 25 and 40) Other payables (Note 26)	25,243,368	8	26,027,401	9
Current tax liabilities (Notes 4 and 31)	2,478,784 4,194,398	! 1	2,497,360 750,000	I -
Current portion of long-term borrowings (Note 24) Other current liabilities	5,125,762	2	4,619,043	2
Total current liabilities	93,303,080	31	<u>84.461,024</u>	28
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 24)	53,695,306 1,353,400	18	54,461,632 1,121,029	18 1
Deferred tax linbilities (Notes 4 and 31) Long-term payables (Note 26)	151,483		151,364	
Net defined benefit liabilities (Notes 4 and 27)	3,493,669 67,769	1	3,284,204 45,231	I .
Other non-current liabilities		12	59,063,460	20
Total non-corrent liabilities Total Vabilities	152,064,707		143,524,484	48
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 28)				
Share capital			AB 450 000	4.0
Common shares	29.467.872 4.600,092	<u>10</u> L	<u>29,467,872</u> 4,615,341	<u> 10</u> 1
Copital surplus Retained earnings	 -			
Legal reserve Special reserve	13,811,050 13,917,230	4 5	12,518,889 13,636,368	4 5
Unappropriated earnings	38,360,517	13	37,294,138	12
Total retained earnings	66,088,797 (22,293,369)	<u></u>	<u>63,449,395</u> (13,917,230)	<u>21</u> (5)
Other equity		26	83,615,378	27
Total equity attributable to owners of the Company	77,863,392			
NON-CONTROLLING INTERESTS	<u>74,334,314</u>		<u>74.764.568</u>	<u>25</u>
Total equity	<u> 152,197,706</u>	50	<u>158,379,946</u>	52
TOTAL	\$ 304,262,413	100	<u>\$_301,904,430</u>	<u>100</u>

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

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

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>	205,563,548	<u>_74</u>
GROSS PROFIT	<u>75,471,295</u>	<u>26</u>	73,068,324	<u>26</u>
OPERATING EXPENSES (Notes 27 and 30) Selling and marketing expenses General and administrative expenses Research and development expenses	35,045,995 20,385,218 6,230,618	12 7 2	30,051,746 19,517,193 6,431,287	11 7 2
Total operating expenses	61,661,831	<u>21</u>	<u>56,000,226</u>	20
INCOME FROM OPERATIONS	<u>13,809,464</u>	5	17,068,098	6
NON-OPERATING INCOME AND EXPENSES Other income (Note 30) Other gains and losses (Note 30) Net gain on derecognition of financial assets at	3,637,248 (170,459)	1 -	4,131,649 (179,369)	2 -
amortized cost Finance costs (Note 30)	5,477 (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>	2	5,783,201	2
Total non-operating income and expenses	6,450,919	2	7,749,406	3
INCOME BEFORE INCOME TAX	20,260,383	7	24,817,504	9
INCOME TAX EXPENSE (Notes 4 and 31)	(3,888,517)	_(1)	(3,086,914)	_(1)
NET INCOME FOR THE YEAR	16,371,866	6	21,730,590	8
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3) Items that will not be reclassified subsequently to profit or loss: Remeasurement of defined benefit plan (Note 27) Unrealized gain on investments in equity	38,359	-	(494,241)	-
instruments designed at fair value through other comprehensive income	199,697	-	- (Co	- ontinued)

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 Items that may be reclassified subsequently to profit or loss:	(504,544)	-	(40,298)	-
Exchange differences on translating foreign operations Unrealized gain on available-for-sale financial	2,581,218	1	(3,497,789)	(1)
assets	-	-	1,033,280	-
Share of the other comprehensive (loss) income of associates and joint ventures	(25,647,596)	<u>(9)</u>	3,718,571	_1
Other comprehensive (loss) income for the year, net of income tax	(23,332,866)	(8)	719,523	_
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (6,961,000)</u>	(2)	<u>\$ 22,450,113</u>	8
NET INCOME ATTRIBUTABLE TO: Owners of the Company Non-controlling interests	\$ 10,708,646 5,663,220	4 2	\$ 12,921,606 <u>8,808,984</u>	5
	<u>\$ 16,371,866</u>	<u>6</u>	<u>\$ 21,730,590</u>	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company Non-controlling interests	\$ (13,545,977) <u>6,584,977</u>	(4) 2	\$ 12,255,237 	4 4
	<u>\$ (6,961,000)</u>	(2)	<u>\$ 22,450,113</u>	8
EARNINGS PER SHARE (Note 32) Basic Diluted	\$ 3.63 \$ 3.62		\$ 4.38 \$ 4.37	

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

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

Equity Attributable to Owners of the Company

							Other Equ	nutr				
	1				ı	Exchange		Univalized Gain (Loss) on Financial Assets at Falt Value				
		•		Retained Eornings	Unappropriated	Differences on Translating Foreign	Available-for-sale	Comprehensive	3	, T	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserva	Earnings	Operations	Financial Assets	amount Theorem		•	97 305 560	\$ 163 010,704
BALANCE AT JANDARY 1, 2017	\$ 29.467,872	\$ 4,540,163	\$ 11,213,184	S 11.305,595	S 32,214,698	S 3,109,173	s (16,745,893)		355	#1750/15/ 6		
Aypropriation of 2016 cernings (Note 28) Legal reserve Special reserve Cash dividenta			205,205,105	£77,087,1	(1,305,705) (1,730,773) (4,420,181) (7,456,652)	``				- (4.420.181) (4.420.181)		(4.420.181)
Net income for the vest ended December 31, 2017	"	'	'		12,921,606				. ;	12,921,606	8,808.984	21,730,590
Other comprehensive (loss) income for the year ended December 31, 2017 Total commentarity income (loss) for the year ended December 31, 2017	1 1				(385.507)	(4,899,702.)	4,618.754		3 3	12.255.237	10.194.876	22,450,113
Excess of the consideration received over the currying amount of the subsidiatives het assess during extrast dipposal or acquisition (Notes 4 and 28)		(47,650) (472,77)								(47,550) (7,579)		(47,650) (7,579)
Share of thatpes in equipme to sussemment (votes ************************************		130,497								130,407	(22.775.868)	130.407
Сваце із пов-соліго]іне іністера	"	27. 27.	1 305 705	1.730.773	5.079.440	(4,899,702)	4.618.754	1 1	' %	7,910,234	(12.540.992)	(4.650.758)
Change in equity for the year ended Decomber 31, 2017 BALANCE AT DECEMBER 31, 2017	29,461.872	4,615.341	12,518,889	13,656.368	37,294,138	(1,790,529)	(12,127,139)	1,860,011	438 (506.873)	83,615,378 13,772,386	74.764.568	158,579,946
EBect of recognetive application BALANCE AT JANUARY 1, 2018 AS RESTATED	29,467,872	4,615,341	12,518,889	13,636,368	37,586,249	(925.097,1)		1,860,011	(506,437)	97,387,764	74,764,568	172,152,532
Appropriation of 2017 earnings (Note 23) Legal tearrer Legal tearrer Casb dividends			1,292,161	280,862	(380,862) (380,862) (5,893,574) (7,465,592)					. (5,893,574) (5,893,574) (3,893,574)	5.663,220	- (5.893.574) (5.893.574) 16,371.866
Net income for the year ended December 31, 2018 Other commethensive (loss) income for the year ended December 31, 2018	.		' 		(64,539)	1,478,405		(12,677,612)	(12,990,877)	(24.254.623)	6 584 977	(23.532.866)
Total comprehensive income (ass.) for the year ended Describer 31, 2018 Share of changes in equities of subsidiaries (Notes 4 and 28)	'	(15,653)		,	10.644.107 (572,72)	1,478,405			1	(85225)	'	(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)	, ,		2,333,670	.	404	(16231)	(1823)9,77
Change in non-controlling interests Change in equity for the year ended Desember 31, 2018 BALANCE AT DECEMBER 31, 2018	27 457.872	115.249) 8. 4.500.092	1292.161. 3	280.862	714.268	1,478,405		. (8,483,943)	(12,990,877) \$_(13,497,314)	(<u>9, 77, 863, 372</u>)	(430.254) \$ 24.334.14	(3237 <u>97.79</u> (8

The accompanying notes are an integral purt of the consolidated financial statements. (With Deloitte & Touche exait report clated March 25, 2019)

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)	((0,5,0,50)
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	(1.52.070)	(37,984)
Net gain on disposal of subsidiaries, associates and joint ventures	(153,872)	(480,603)
Recognized of impairment loss	(116)	161,865
Reversal of impairment loss	(116)	(2.220)
Gain from bargain purchase - acquisition of subsidiaries	(13,280)	(2,320)
Changes in operating assets and liabilities		615,937
Financial instruments held for trading	1,435,134	013,931
Financial assets mandatorily at fair value through profit or loss	53,658	(32,210)
Notes receivable	55,058	(47)
Notes receivable from related parties	(2,199,224)	
Accounts receivable	5,134	(7,383)
Accounts receivable from related parties Other receivables	(1,565,090)	• • • • •
Inventories	(6,796,982)	
Other current assets	(93,703)	• • • •
Other current assets Other operating assets	(178,814)	-
Notes payable	(42,215)	
Notes payable to related parties	(11,176)	
Accounts payable	850,981	(458,653)
Accounts payable to related parties	393,547	(323,479)
Other payables	(2,096,272)	
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)	
Income tax paid	(4,207,115	
		(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

Net cash generated from operating activities 10.543.202 16.808.648 CASH FLOWS FROM INVESTING ACTIVITIES Acquisition of financial assets design at fair value through profit or loss -		2018	2017
Acquisition of financial assets design at fair value through profit or loss Proceeds on sale of financial assets design at fair value through profit or loss Proceeds from return of capital of financial assets at fair value through other comprehensive income Purchases of financial assets at amortized cost (5,040,644) - Proceeds from sale of financial assets at amortized cost (5,040,644) - Proceeds from sale of financial assets at amortized cost (5,040,644) - Proceeds from sale of debt investments with no active market (687,838) Proceeds on sale of debt investments with no active market (672,677) Proceeds on held-to-maturity financial assets (672,677) Proceeds on held-to-maturity financial assets (672,677) Proceeds on held-to-maturity financial assets (70,000) Proceed on sale of financial assets measured at cost (70,000) Acquisition of fassociates and joint ventures (70,000) Proceeds from disposal of associates and joint ventures (70,000) Proceeds from disposal of associates and joint ventures (74,380) Proceeds from disposal of subsidiaries (74,380) Proceeds from disposal of subsidiaries (74,380) Proceeds from disposal of property, plant and equipment (14,389,558) Acquisition of property, plant and equipment (10,01,490) Increase in refundable deposits (86,196) Proceeds from disposal of properties (74,180) Proceeds from disposal of prope	Net cash generated from operating activities	10,543,202	16,808,648
Proceeds on sale of financial assets design at fair value through profit or loss - 11,654	CASH FLOWS FROM INVESTING ACTIVITIES	,	
Proceeds on sale of financial assets design at fair value through profit or loss - 11,654	Acquisition of financial assets design at fair value through profit or		
or loss Proceeds from return of capital of financial assets at fair value through other comprehensive income Purchases of financial assets at amortized cost (5,040,644)	loss	-	(595,200)
Proceeds from return of capital of financial assets at fair value through other comprehensive income Purchases of financial assets at amortized cost Proceeds from sale of financial assets at amortized cost Acquisition of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of financial assets Proceed on sale of financial assets Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed from disposal of associates and joint ventures Proceeds from disposal of subsidiaries Proceeds from disposal of property, plant and equipment Proceeds from disposal of property, plant and equipment Proceeds from disposal of investment properties Proceeds from disposal of long-term prepayments for leases Proceeds from disposal of long-term prepayments for leases Proceeds from disposal of long-term prepayments for	Proceeds on sale of financial assets design at fair value through profit		
other comprehensive income Purchases of financial assets at amortized cost Proceeds from sale of financial assets at amortized cost Acquisition of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of financial assets Proceeds on sale of financial assets Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceeds from disposal of associates and joint ventures Proceeds from disposal of associates and joint ventures Proceeds from disposal of subsidiaries Proceeds from disposal of subsidiaries Proceeds from disposal of subsidiaries Proceeds from disposal of property, plant and equipment Proceeds from disposal of property, plant and equipment Proceeds from disposal of property, plant and equipment Proceeds from disposal of property plant and equipment Proceeds from disposal of properties Proceeds from disposal of investment properties Proceeds from disposal of long-term prepayments for leases Proceeds from disposal of long-term		_	11,654
Purchases of financial assets at amortized cost Proceeds from sale of financial assets at amortized cost Acquisition of debt investments with no active market Acquisition of held-to-maturity financial assets Proceeds on sale of debt investments with no active market Proceeds on held-to-maturity financial assets Proceeds on held-to-maturity financial assets Proceed on sale of financial assets Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceeds from disposal of associates and joint ventures Proceeds from disposal of associates and joint ventures Proceeds from disposal of subsidiaries Proceeds from disposal of subsidiaries Proceeds from disposal of subsidiaries Proceeds from disposal of property, plant and equipment Proceeds from disposal of property, plant and equipment Proceeds from disposal of property, plant and equipment Proceeds from disposal of intengible assets Proceeds from disposal of investment properties Proceeds from disposal of long-term prepayments for leases Proceeds from disposal of long-term prepayments of leases Proceeds from long-term borrowings Proceeds from lon		(0.400	
Proceeds from sale of financial assets at amortized cost Acquisition of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on held-to-maturity financial assets Proceeds on held-to-maturity financial assets Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceeds from disposal of associates and joint ventures Proceeds from disposal of associates and joint ventures Proceeds from disposal of subsidiaries Proceeds from disposal of subsidiaries Proceeds from disposal of property, plant and equipment Proceeds from disposal of property, plant and equipment Proceeds from disposal of property, plant and equipment Proceeds from disposal of properties Proceeds from disposal of investment properties Proceeds from disposal of long-term prepayments for leases Proceeds from long-term borrowings Proceeds from long-term		-	-
Acquisition of debt investments with no active market Proceeds on sale of debt investments with no active market Proceeds on sale of debt investments with no active market Acquisition of held-to-maturity financial assets Proceeds on held-to-maturity financial assets Acquisition of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceeds from disposal of associates and joint ventures Proceeds from disposal of property, plant and equipment Proceeds from disposal of investment properties Proceeds from disposal of long-term prepayments for leases Proceeds from short-term borrowings Proceeds from short-term bills payable Proceeds from short-term bills payable Proceeds from long-term borrowings Pr			-
Proceeds on sale of debt investments with no active market		8,044,692	((07.020)
Acquisition of held-to-maturity financial assets	Acquisition of debt investments with no active market	-	• • •
Proceeds on held-to-maturity financial assets		-	•
Acquisition of financial assets measured at cost Proceed on sale of financial assets measured at cost Proceed on sale of financial assets measured at cost Acquisition of associates and joint ventures Proceeds from disposal of associates and joint ventures Reference of the cash outflow on acquisition of subsidiaries Ret cash outflow on acquisition of subsidiaries Ret cash outflow (inflow) on disposal of subsidiaries Ret cash outflow (inflow) on disposal of subsidiaries Requisition of property, plant and equipment Requisition of property, plant and equipment Reference of the company of	Acquisition of held-to-maturity financial assets	-	•
Proceed on sale of financial assets measured at cost Acquisition of associates and joint ventures Proceeds from disposal of property plant and equipment Proceeds from disposal of property, plant and equipment Proceeds from disposal of properties Proceeds from disposal of investment properties Proceeds from disposal of long-term prepayments for leases Proceeds from short-term borrowings Proceeds from short-term borrowings Proceeds from short-term bills payable Proceeds from short-term bills payable Proceeds from long-term borrowings		-	
Acquisition of associates and joint ventures Proceeds from disposal of associates and joint ventures Net cash outflow on acquisition of subsidiaries Net cash outflow (inflow) on disposal of subsidiaries Acquisition of property, plant and equipment Acquisition of property, plant and equipment Proceeds from disposal of property, plant and equipment Increase in refundable deposits Acquisition of intangible assets Acquisition of intangible assets Acquisition of intengible assets Acquisition of investment properties Acquisition of long-term prepayments for leases Acquisition of long-term berowings Acquisition of long		-	
Proceeds from disposal of associates and joint ventures Net cash outflow on acquisition of subsidiaries Net cash outflow (inflow) on disposal of subsidiaries Net cash outflow (inflow) on disposal of subsidiaries Net cash outflow (inflow) on disposal of subsidiaries Acquisition of property, plant and equipment Increase in refundable deposits Acquisition of intangible assets Acquisition of intangible assets Acquisition of investment properties Proceeds from disposal of investment properties Increase in other non-current assets Increase in other non-current assets Acquisition of long-term prepayments for leases Acquisition of long-term prepayments for leases Proceeds from disposal of long-term prepayments for leases Acquisition of long-term prepayments for leases Acquisition of long-term prepayments for leases Total Cash dividends from reduction of capital surplus from associates Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term borrowings Repayments of short-term bills payable Proceeds from long-term borrowings Repayments of short-term bills payable Proceeds from long-term borrowings Repayments of short-term bills payable Proceeds from long-term borrowings Activities Cash dividend Change in non-controlling interests Total Rate (74,380) 1,825,248 1,7438 1,7438 1,7438 1,825,411 1,7438 1,744,840 1,825,411 1,745 1,017,436		(70,000)	•
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 (2,192) (978) Proceeds from disposal of investment properties (236,267) - 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 2,559,368 3,307,163 Cash dividends from reduction of capital surplus from associates 108,705 - Net cash used in investing activities (6,707,486) <td>Acquisition of associates and joint ventures</td> <td></td> <td>•</td>	Acquisition of associates and joint ventures		•
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 108,705 - Net cash used in investing activities (6,707,486) (10,668,186) CASH FLOWS FROM FINANCING ACTIVITES (98,000) - 42	Proceeds from disposal of associates and joint ventures	•	
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 interestment properties (2,192) (978) Proceeds from disposal of investment properties (236,267) - Increase in other non-current assets (236,267) - Increase in prepayments for equipment (566,128) (15,469) Proceeds from disposal 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 (6,707,486) (10,668,186) CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term borrowings (98,000) - Repayments of short-term bills payable (98,000) - Proceeds from long-term borrowings (98,000) - Proceeds from long-term borrowings (5,893,574) (4,420,181) Increase in guarantee deposits (5,893,574) (4,420,181) Change in non-controlling interests (7,015,231) (22,735,868)	Net cash outflow on acquisition of subsidiaries	•	•
Proceeds from disposal of property, plant and equipment Increase in refundable deposits Acquisition of intangible assets Acquisition of investment properties Acquisition of long-term prepayments Acquisition of long-term prepayments for leases Acquisition of long-term prepayments for leas	Net cash outflow (inflow) on disposal of subsidiaries		·
Increase in refundable deposits Acquisition of intangible assets Acquisition of investment properties Proceeds from disposal of investment properties Proceeds from disposal of investment properties Increase in other non-current assets Increase in prepayments for equipment Acquisition of long-term prepayments for leases Proceeds from disposal of long-term prepayments for leases Froceeds from disposal of long-term prepayments for leases Increase in prepayments for leases Proceeds from disposal of long-term prepayments for leases Interest received Proceeds from disposal of long-term prepayments for leases Interest received Proceeds from reduction of capital surplus from associates Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term borrowings Proceeds from short-term bills payable Proceeds from short-term bills payable Repayments of short-term bills payable Proceeds from long-term borrowings Increase in guarantee deposits Cash dividend Cash dividend Cash dividend Cash dividend Change in non-controlling interests (10,15,231) (17,3,888) (43,314) (22) (43,314) (22) (42,000 (23,6267) - 86,103 (15,469) - 7,836 (25,542 (15,469) - 7,836 (25,542 (15,469) - 7,836 (25,542 (15,469) - 7,836 (25,542 (15,469) - 7,836 (25,542 (15,469) - 422,961 - 422,961 - 422,961 - 422,961 - 422,961 - 422,961 - 422,961 - 422,060 - 422,00	Acquisition of property, plant and equipment		
Acquisition of intangible assets Acquisition of investment properties Acquisition of investment properties Proceeds from disposal of investment properties Increase in other non-current assets Increase in prepayments for equipment Acquisition of long-term prepayments for leases Acquisition of long-term prepayments for leases Proceeds from disposal of long-term prepayments for leases Acquisition of long-term prepayments for leases Proceeds from disposal of long-term prepayments for leases Interest received Cash dividends received Cash dividends from reduction of capital surplus from associates Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term borrowings Proceeds from short-term bills payable Repayments of short-term bills payable Repayments of short-term bills payable Proceeds from long-term borrowings Increase in guarantee deposits Cash dividend			
Acquisition of investment properties Proceeds from disposal of investment properties Increase in other non-current assets Increase in prepayments for equipment Acquisition of long-term prepayments for leases Proceeds from disposal of long-term prepayments for leases Proceeds from received Proceeds from reduction of capital surplus from associates Proceeds from reduction of capital surplus from associates Proceeds from short-term borrowings Proceeds from short-term borrowings Proceeds from short-term bills payable Repayments of short-term bills payable Proceeds from long-term borrowings Proceeds from long-term bor		•	
Proceeds from disposal of investment properties Increase in other non-current assets Increase in prepayments for equipment Acquisition of long-term prepayments for leases Proceeds from disposal of long-term prepayments for leases Proceeds from reduction of capital surplus from associates Proceeds from reduction of capital surplus from associates Proceeds from short-term borrowings Proceeds from short-term borrowings Proceeds from short-term bills payable Proceeds from long-term borrowings Proceeds from long-te		•	- ,
Increase in other non-current assets Increase in prepayments for equipment Acquisition of long-term prepayments for leases Proceeds from disposal of long-term prepayments for leases Interest received Proceeds from reduction of capital surplus from associates Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term bills payable Repayments of short-term bills payable Proceeds from long-term borrowings Proceeds from long-term borrowings Increase in guarantee deposits Cash dividend Change in non-controlling interests (236,267) (2,140,235) (15,469) (15,469) (15,469) (25,593,68 3,307,163 (25,593,68 3,307,163 (10,668,186) (10,668,186) (10,668,186)		(2,192)	• •
Increase in prepayments for equipment	•	(236.267)	-
Acquisition of long-term prepayments for leases Proceeds from disposal of long-term prepayments for leases Interest received Interest received Toividends received Toividends from reduction of capital surplus from associates Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term borrowings Proceeds from short-term bills payable Repayments of short-term bills payable Proceeds from long-term borrowings Increase in guarantee deposits Cash dividend Change in non-controlling interests (566,128) (15,469) (15,469) (15,469) (12,559,368 (18,857) (10,668,186) (10,668,186) (10,668,186) (10,668,186)		(230,207)	(2.140.235)
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 108,705 — Net cash used in investing activities (6,707,486) (10,668,186) CASH FLOWS FROM FINANCING ACTIVITIES 4,112,775 9,417,079 Proceeds from short-term borrowings 4,112,775 9,417,079 Proceeds from 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 (7,015,231) (22,735,868)	Increase in prepayments for equipment	(566 128)	
Interest received Dividends received Cash dividends from reduction of capital surplus from associates Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term borrowings Proceeds from short-term bills payable Repayments of short-term bills payable Proceeds from long-term borrowings Increase in guarantee deposits Cash dividend Change in non-controlling interests 722,961 618,857 722,961 618,857 618,	Acquisition of long-term prepayments for leases		
Dividends received Cash dividends from reduction of capital surplus from associates Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term borrowings Proceeds from short-term bills payable Repayments of short-term bills payable Proceeds from long-term borrowings Increase in guarantee deposits Cash dividend Change in non-controlling interests 2,559,368 3,307,163 108,705 4,112,775 9,417,079 9,417,079 9,422,000 1098,000 1			
Cash dividends from reduction of capital surplus from associates Net cash used in investing activities (6,707,486) CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term borrowings Proceeds from short-term bills payable Repayments of short-term bills payable Proceeds from long-term borrowings Increase in guarantee deposits Cash dividend Change in non-controlling interests (10,668,186) (10,668,186) 4,112,775 9,417,079 9,417,079 9,422,000 10,668,186) 4,112,775 9,417,079 10,668,186) (22,735,868)	 -	• • • • • • • • • • • • • • • • • • •	
CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term borrowings Proceeds from short-term bills payable Repayments of short-term bills payable Proceeds from long-term borrowings Increase in guarantee deposits Cash dividend Change in non-controlling interests 4,112,775 9,417,079 422,000 (98,000) - 2,642,419 5,156,200 5,913 (4,420,181) (7,015,231) (22,735,868)			
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 (7,015,231) (22,735,868)	Net cash used in investing activities	<u>(6,707,486</u>)	(10,668,186)
Proceeds from short-term bills payable Repayments of short-term bills payable Proceeds from long-term borrowings Increase in guarantee deposits Cash dividend Change in non-controlling interests 422,000 (98,000) - 2,642,419 5,156,200 22,538 5,913 (4,420,181) (7,015,231) (22,735,868)	CASH FLOWS FROM FINANCING ACTIVITIES		
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 (7,015,231) (22,735,868)		4,112,775	
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 (7,015,231) (22,735,868)		-	422,000
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 (7,015,231) (22,735,868)	Repayments of short-term bills payable		
Increase in guarantee deposits 22,538 5,913 Cash dividend (5,893,574) (4,420,181) Change in non-controlling interests (7,015,231) (22,735,868)	Proceeds from long-term borrowings		
Cash dividend (5,893,574) (4,420,181) Change in non-controlling interests (7,015,231) (22,735,868)			
	Cash dividend		
	Change in non-controlling interests	<u>(7,015,231</u>)	

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	(6,229,073)	(12,154,857)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	537,005	4,443,590
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,856,352)	(1,570,805)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	34,108,353	<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 s	tatements.	
(With Deloitte & Touche audit report dated March 25, 2019)		(Concluded)

ii.

Deloitte.

勤業眾信

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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.

BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	Amount	%	Amount	%
AUGE 15				
CURRENT ASSETS			4	
Cash and cash equivalents (Notes 4 and 6)	\$ 194,630	-	\$ 1,199,584	1
Pinancial assets at fair value through other comprehensive income - current (Notes 4 and 8)	5,005,749	4	4,685,590	4
Available-for-sale financial assets - current (Notes 4 and 9) Financial assets at amortized cost - current (Notes 4 and 10)	689,271	1	4,000,000	-
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)	<u>57,190</u>		132,375	
Total current assets	<u>8,327,151</u>	7	7,863,357	7
logal current assets	<u> </u>		1,005,557	
NON-CURRENT ASSETS	(0.00)			
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	60,756	-	282,432	-
Held-to-maturity financial assets - non-current (Notes 4 and 14)	-	•	61,000	-
Financial assets measured at cost - non-current (Notes 4 and 15)	98,566,569	86	100,234,720	87
Investments accounted for using equity method (Notes 4 and 16) 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	<u>-</u> -
·				00
Total non-current assets	106,494,094	<u>93</u>	107,805,113	<u>93</u>
TOTAL	<u>\$ 114,821,245</u>	<u>100</u>	<u>\$ 115,668,470</u>	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 71,461	I
Other current liabilities	177,126		71,401	<u> </u>
Total current liabilities	23,043,635	<u>20</u>	<u>14,887,657</u>	<u>13</u>
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)	<u>46,516</u>	_	37,749	
Total non-current liabilities	<u>13,914,218</u>	_12	<u> 17,165,435</u>	<u>15</u>
Total liabilities	<u>36,957,853</u>	32	32,053,092	28
EQUITY (Notes 4 and 23)				
Share capital	** ***		AA 449 0H=	
Common shares	29,467,872	<u> 26</u>	<u>29,467,872</u>	
Capital surplus	<u>4,600,092</u>	4	4,615,341	4
Retained carnings	13,811,050	12	12,518,889	11
Legal reserve	13,917,230	12	13,636,368	12
Special reserve 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	<u>83,615,378</u>	<u>72</u>
TOTAL	<u>\$ 114,821,245</u>	_100	<u>\$ 115,668,470</u>	<u> 100</u>
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The accompanying notes are an integral part of the financial statements.

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

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)			13,533	
REALIZED GROSS PROFIT	4,610,127	<u>38</u>	3,982,222	_34
OPERATING EXPENSES (Notes 22 and 25) Selling and marketing expenses General and administrative expenses Research and development expenses	67,731 2,286,232 1,778,265	19 	68,949 1,785,903 1,648,447	1 15 <u>14</u>
Total operating expenses	4,132,228	_34	<u>3,503,299</u>	_30
INCOME FROM OPERATIONS	477,899	4	478,923	4
NON-OPERATING INCOME AND EXPENSES Other income (Notes 25 and 32) Other gains and losses (Note 25) Net loss on derecognition of financial assets at	589,671 1,026,890	5 8	670,751 (1,424,361)	6 (12)
amortized cost	(224)	- (2)	(313,483)	(3)
Finance costs (Note 25) Share of the profit of subsidiaries and associates (Notes 4 and 16)	(319,999) <u>9,835,610</u>	(3) _82	13,932,128	119
Total non-operating income and expenses	11,131,948	92	12,865,035	<u>110</u>
INCOME BEFORE INCOME TAX	11,609,847	96	13,343,958	114
INCOME TAX EXPENSE (Notes 4 and 26)	(901,201)	_(7)	(422,352)	<u>(3</u>)
NET INCOME FOR THE YEAR	<u>10,708,646</u>	<u>89</u>	12,921,606	<u>111</u>

OTHER COMPREHENSIVE (LOSS) INCOME (Note

Items that will not be reclassified subsequently to profit or loss:

(Continued)

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) Unrealized gain on investments in equity instruments at fair value through other	(37,152)	-	(206,462)	(2)
comprehensive income	316,990	. 2	-	-
Share of the other comprehensive loss of subsidiaries and associates Items that may be reclassified subsequently to profit	(378,343)	(3)	(179,045)	(1)
or loss:				
Unrealized gain on available-for-sale financial assets	-	-	217,073	2
Share of the other comprehensive loss of subsidiaries and associates	(24,156,118)	(200)	(497,935)	<u>(5</u>)
Other comprehensive loss for the year, net of income tax	(24,254,623)	<u>(201</u>)	(666,369)	<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 Diluted	\$ 3.63 \$ 3.62		\$ 4.38 \$ 4.37	

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 51, 2018 AND 2017 (In Thousands of New Thiwan Dollars)

Total Equity	\$ 75 705 144	,	(4.420,181) (4.420,181) (12,921,606	(666.369)	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	(47.650) (7,579)	130.407 83,615,378	97.387.764	(<u>\$.893.574</u>) (5.893.574) 10,708.646	(24.254.623) (13.545.977)	404 (85.225) (19.524.572) \$ 77.863.352
Others	350	777		99 2	76		1 854	(506,437)		(12,990,877)	(12.99.21)
(Loss) on Financial Assets at Fair Value through Other Comprehensive						1 1		1.850.011		(12,677,612) (12,677,612)	2,333,670 (10,243,92)
Unrelized Loss on Available-for-sale Financial A serie	FINESTOCIES PASCES	\$ (16.745,893)		4,618,754	4.618.754	y .	(12,127,139)	12,127,139			
Exchange Differences on Translating	roreign Operations	\$ 3,109,173		(4,899,702)	(4.899.702)	•	(1,790,529)	(1.790.529)		1.478.405	1,478,405 S. (312,124)
Page 1	Earmings	\$ 32,214,69R	(1,305,705) (1,730,773) (4,420,18,1) (7,456,652)	(385,507)	12,536,099		37,294,138	292,111	(1,292,161) (280,862) (5,893,574) (7,466,597)	19,708,000 19,644,107	(2,555,670) (69,572) 774,268 \$_38,340,517
Retained Barnings	Special Reserve	\$ 11,905,595	1,730,773	' ' 			13,636,368	13.636368	280,862	'	280852
	Legal Reserve	\$ 11,215,184	1,305,705				12,518.889	12,518,889	1,292,161	.]]	3252.161 \$ 13.811.050
'	Capital Surplus	\$ 4,540,163		.		(47.650) (7,579)	130,407	4.615.341		.	404 (15.653) (15.242) \$ 4.600.092
	Share Capital	\$. 29.467.872	1 1 1	•	1		29,467,872	29.467.872		.]	7.3.754 62. 3
		BALANCE AT JANUARY 1, 2017	Appropriation of 2016 samings (Note 23) Legal reserve Special reserve Cash dividends	Net income for the year ended December 31, 2017 Other comprehensive (loss) income for the year ended December 31, 2017	Total comprehensive income (loss) for the year ended December 31, 2017	Excess of the consideration received over the carrying amount of the subsidiaries' net essets during actual disposal or acquisition (Notes 4 and 23). Share of chames in contines of subsidiaries (Notes 4 and 23).	Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 23) BALANCE AT DECEMBER 31, 2017	Effect of indeoperative application Balance at January 1, 2018 as restated	Appropriation of 2017 enruings (Note 23) Legal reserve Special reserve Cash dividends	Net income for the year ended December 31, 2018 Other comprehensive (loss) income for the year ended December 31, 2018 Total comprehensive income (loss) for the year ended December 31, 2018	Change in capital surplus from investments in associates eccumned for using the equity method (Notes 4 and 23) Share of changes in equities of subsidiaries (Notes 4 and 23) Change in equity for the year ended December 31, 2018 BALANCE AT DECEMBER 51, 2018

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

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

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			005 101
Financial instruments held for trading		-	285,121
Financial assets mandatorily at fair value through profit or loss		399,256	(22 (70)
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 6,437
Other receivables		98,966	37,607
Inventories		(13,218) 74,933	(71,095)
Other current assets		9,299	(24,766)
Other operating assets		(40,172)	31,174
Notes payable		(11,137)	(14,513)
Notes payable to related parties		100,967	(201,396)
Accounts payable		38,448	(56,825)
Accounts payable to related parties		(453,168)	850,727
Other payables 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)
income tax para	_	<u> </u>	
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)

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

(In Thousands of New Taiwan Dollars)	(In	Thousands	of New	Taiwan	Dollars)
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	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	70,067	
Net cash (used in) generated from investing activities	<u>(565,430</u>)	3,727,613
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	- (2.2.5)
Decrease in guarantee deposits		(305)
Net cash (used in) financing activities	(401,715)	(1,660,286)
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>	540,793
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