

Taiwan Hon Chuan Enterprise Co., Ltd.

2018 Annual Shareholders' Meeting Minutes

(Translation)

Time and Date: 9:00 a.m., June 15 (Fri.), 2018

Place: Hon Chuan Headquarters (International Convention Hall)

(3F, No.6, 2Rd. Taichung Industrial Park, Taiwan)

Addentents:

Total issued and outstanding shares: 292,878,879 shares.

Total shares represented by shareholders present in person or by proxy:

174,239,013 shares (including shares represented by shareholders present electronically: 116,424,114 shares); Percentage of shares held by shareholders present in person or by proxy: 59.49%.

Directors present:

Dai, Hung-Chuan, Tsao, Hsih-Chung, Liu, Yun-Chang, Chang, Chun-Shu, Dai, Hung-I

Independent directors present: Hung, Chao-Nan, Kung, Yi-Lu

Chairman: Dai, Hung-Chuan (the Chairman of the Board of Directors)

Recorder: Chen, Guan-Ling

The Shareholders presented have reached the quorum, Chairman announced to commence the meeting.

A. Report Items

Item 1: 2017 Business Report. Please submit for review.

Explanatory Notes:

- (1) 2017 Business Report, Financial Statements and CPA Audit Report are attached as Attachment 1 and 2. (Please refer to page 6~18)
- (2) Please review.

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

Please submit for review.

Explanatory Notes:

- (1) The Company's 2017 financial statements have been duly audited

and certified by the CPA and further audited by Audit Committee.
The CPA and Audit Committee issue auditors' report and Audit Committee's review report respectively. Please refer to Attachment 2 and 3. (page 8~19)

(2) Please review.

Item 3: 2017 Employees' Compensation and Directors' Remuneration Report.

Please submit for review.

Explanatory Notes:

- (1) In accordance with the 28th Article of the Company's Articles of Incorporation.
- (2) The 2017 profit of the Company is NT\$ 1,404,185,257. (That represents the pretax income before distribution of employees' compensation and directors' remuneration) The Company proposes to distribute 1.71% or NT\$ 24,048,000 as 2017 employees' compensation and 0.79% or NT\$ 11,077,747 as directors' remuneration. The payment will be made in cash.
- (3) After shareholders' meeting resolves, the Company shall proceed the distribution of employees' compensation and directors' remuneration.
- (4) Please review.

Item 4: Implementation Report of the Company's 1st Domestic Unsecured Corporate Bonds. Please submit for review.

Explanatory Notes:

- (1) The Company issues the 1st Domestic Unsecured Corporate Bonds in order to enrich long-term working capital, repay debt and reduce the risk of rate rise in the future, which has been resolved by the Board of Directors' meeting on March 27, 2018.
Implementation report is as below:

	The 1 st Domestic Unsecured Corporate Bonds in 2018
Date of Issuance	April 27, 2018
Term of Issuance	5 years
Object of Issuance	Enrich long-term working capital, repay debt and reduce

	the risk of rate rise in the future
Total Issuance Amount	NT\$ 3 Billion
Rate of Issuance	Fixed rate of 1.07%
Principal Payment	100% principal repayment upon maturity
Interest Calculation and Payment	From the date of issuance, a simple interest is calculated and distributed once a year per coupon rate. Each 1 million of bond interest is calculated to dollar and rounded off to dollar. If the day for repayment of principal and interest is the banks' closing day in the place of payment, then it shall repay at next business day without extra interest calculated and distributed. If receiving principal and interest after the day for repayment of principal and interest, it shall not calculate and distribute extra interest, either.

(2) Please review.

B. Approvals

Approval 1: Approval of 2017 Financial Statements and Business Report.

Please ratify. (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The 2017 Financial Statements and Business Report have been duly audited and certified by the CPA firm of Deloitte & Touche, and have been approved by the Board of Directors, and have also been reviewed and audited by Audit Committee and presented their audit report.
- (2) The 2017 Financial Statements and Business Report are attached as Attachment 2. (Please refer to page 8~18)
- (3) Please ratify.

Resolution:

174,239,013 shares were represented at the time of voting (including votes casted electronically: 116,424,114); 160,686,945 votes were in favor of the proposal (including votes casted electronically: 104,804,303); 91,466 votes were casted against the proposal (including votes casted

electronically: 91,466); 0 vote was casted invalidly of the proposal; 13,460,602 votes were abstained of the proposal (including votes casted electronically: 11,528,345). The proportion of 92.22% in favor of the proposal was casted.

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

Approval 2: Approval of 2017 Profit Distribution Proposal. Please ratify.

(Proposed by the Board of Directors)

Explanatory Notes:

(1) The Company's net profit after tax for 2017 was NT\$ 1,230,860,723 and adding the unappropriated retained earnings of previous years amounted NT\$ 1,661,705,164, the accumulated allocable earnings from profits was NT\$ 2,892,565,887 and to be allocated in accordance with the Articles of Incorporation.

(2) The Board of Directors has drafted proposal for Distribution of 2017 Profit as shown below and Attachment 4 is attached. (Please refer to page 20)

I . Legal capital reserve, NT\$ 123,086,072.

II . Special reserve, NT\$ 147,598,130.

III . Shareholders' Dividend –

Cash dividend NT\$ 2.5 per share, NT\$ 732,197,198.

(3) If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed so that the ratios of dividends are affected, the Board of Directors is authorized to make such adjustments.

(4) Please ratify.

Resolution:

174,239,013 shares were represented at the time of voting (including votes casted electronically: 116,424,114); 160,642,844 votes were in favor of the proposal (including votes casted electronically: 104,762,304); 133,465 votes were casted against the proposal (including votes casted electronically: 133,465); 0 vote was casted invalidly of the proposal; 13,462,704 votes were abstained of the proposal (including votes casted

electronically: 11,528,345). The proportion of 92.19% in favor of the proposal was casted.

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

C. Other Business and Special Motion: None.

D. Meeting Adjourned

Business Report

Looking back at the year of 2017, factors such as volatility in the global economy, technological disruptions across the industry, increasing regulatory requirements all have intensified competitions in the global market and shortened product life cycles. Given these changes in the macro environment, Taiwan Hon Chuan has focused on the areas of predicting market trends, leading customer behaviors, governing product quality, and creating product demand as part of the Company's strategic direction and development in the recent years. Although cost of raw materials and labor has progressively increased and interest rate has risen last year, the Company has increased its competitiveness by externally expanding into new markets and closing new accounts and internally enhancing capacity utilization, implementing budget control, improving purchase negotiation and developing innovative products. In 2017, the consolidated sales totaled at NT\$ 17,519,458,000, increased by 6.11% from NT\$ 16,510,678,000 in 2016. The profit after tax reached NT\$ 1,261,983,000, 6.02% higher than NT\$ 1,190,294,000 of last year. The earning per share is 4.20 dollars for the year of 2017 conclusively.

Taiwan Hon Chuan values food safety importantly and has placed strict control protocols on the production process. The Company values environmental sustainability and is devoted to waste reduction and increased efficiency. The Company values clients' needs and offers excellent products and services in our long-term partnerships with the clients. The Company values superior product quality and offers a variety of packaging options across different industries. The Company values employees' benefits and interests and creates a corporate culture that encourages teamwork and competitiveness. Although the year of 2018 comes with foreseeable challenges, Taiwan Hon Chuan is set to enhance its position by strengthening our business competitiveness and accomplishing our strategic objectives. The productions in Taiwan, China and South East Asia are expected to grow this year on the backbone of more advanced machineries raising efficiency and demands from new markets and long-term committed clients. Furthermore, entry into the African market will allow us to tap into over a large population (over a billion) and enhance growth in our packaging and beverage sectors. Research & development and innovation continue to be the center of the Company. We will continue to promote our proprietary built-in QR Codes technology, new material applications, design and usages for our packaging and caps, to create new value-added products and services for our clients.

In face of an ever-changing global market, our management team is more committed

than ever to product innovation, market expansion, cost reduction and talent development by way of adaptive strategies, steady growth, and bottom-up resources integration. Taiwan Hon Chuan will continue to commit itself to cost saving and budget control, in order to enhance our overall competitiveness.

Looking ahead, Taiwan Hon Chuan will continue to commit to our core values; “focusing on our core business, developing global markets, respecting our customers, caring for our employees and paying more contributions to social responsibility”. We aim to develop our corporate base in Taiwan, and apply our successes into China, South East Asia, Africa and other potential markets. We look forward to entering into a new phase of Taiwan Hon Chuan through our continuing efforts in 2018.

Thank you very much for your supports and advices as shareholders of Taiwan Hon Chuan sincerely.

Chairman :
Dai, Hung-Chuan

President :
Tsao, Hsih-Chung

Chief Accounting officer :
Cheng, Ya-Wen

**Independent Auditors' Report
(Consolidated Financial Statements)**

The Board of Directors and Shareholders
Taiwan Hon Chuan Enterprise Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section below), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows :

Revenue recognition

The Group manufactures and sells plastic caps and PET bottles, PET preforms and provides beverage filling OEM service. Because revenues from the main products are significant to the Group's revenues and profits, we have listed revenue recognition as a key audit matter. Please refer to Note 4 to the consolidated financial statements for the accounting policies on revenue recognition.

The key audit procedures we have performed in respect of the above area included the following:

1. We have understood and tested the design and operating effectiveness of the key controls over revenue recognition.
2. We selected samples from the daily sales reports for the main products for the year ended December 31, 2017 and we checked the reports against the customer order list, pre-approved original purchase order, quotation of prices and delivery order.
3. We verified the entries to the revenue subsidiary ledger by selecting sample entries for the main products and we checked the entries against the original order, quotation of prices, delivery order, invoice and receipt voucher. We also checked the entries against the documents acknowledged by customers for their receipt, delivery and order.

Evaluation of impairment inventory

The Group's inventory is measured at the lower of cost or net realizable value. The determination of net realizable value involved the use of significant judgments and estimates by the management. Thus, the evaluation of impairment of inventory is identified as a key audit matter. Please refer to Notes 4, 5 and 12 to the consolidated financial statements for the information about inventory.

The key audit procedures we have performed in respect of the above area included the following:

1. We understood and tested the design and operating effectiveness of the key controls over inventory.
2. We selected samples of inventory and checked that the value is the lower of cost or net realizable value. We evaluated whether expected sales price and variable expenses ratio are reasonable. We examined the accuracy of the calculation of net realizable value.
3. We observed year-end inventory taking. We selected samples and examined whether there were any defects or damages and confirmed the reasonableness of recognized loss on market price decline.

Other Matter

We did not audit the financial statements of PT Hon Chuan Indonesia, Hon Chuan Vietnam Co., Ltd. and Hon Chuan Malaysia Sdn. Bhd. as of and for the years ended December 31, 2017 and 2016. The total assets of these consolidated subsidiaries were 15.60% (NT\$4,412,758 thousand) and 15.54% (NT\$4,256,344 thousand) of the consolidated assets as of December 31, 2017 and 2016, respectively. The net sales of these subsidiaries were 10.42% (NT\$1,825,164 thousand) and

9.21% (NT\$1,520,507 thousand) of the consolidated net sales in 2017 and 2016, respectively. These investees' financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of other auditors.

We have also audited the parent company only financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified report with other matter paragraph.

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 IFRS, IAS, IFRIC, and 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 audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Done-Yuin Tseng and Li-Dong Wu.

Deloitte & Touche
Taichung, Taiwan
Republic of China
March 27, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,211,899	8	\$ 2,414,908	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	31,935	-	83,123	-
Debt investments with no active market - current (Notes 4 and 10)	352,063	1	31,613	-
Notes receivable from unrelated parties (Note 4)	189,106	1	158,671	1
Trade receivables from unrelated parties (Notes 4 and 11)	2,576,145	9	2,274,230	8
Trade receivables from related parties (Notes 4 and 30)	1,828	-	3,144	-
Inventories (Notes 4, 5 and 12)	2,337,063	8	1,745,646	6
Other current assets (Notes 16, 30 and 31)	<u>1,166,875</u>	<u>4</u>	<u>1,046,093</u>	<u>4</u>
Total current assets	<u>8,866,914</u>	<u>31</u>	<u>7,757,428</u>	<u>28</u>
NONCURRENT ASSETS				
Available for sale financial assets - noncurrent (Notes 4 and 8)	8,350	-	9,231	-
Financial assets measured at cost - noncurrent (Notes 4 and 9)	39,092	-	40,005	-
Long-term investments at equity-method (Notes 4 and 14)	22,814	-	28,639	-
Property, plant and equipment (Notes 4, 15, 31 and 32)	17,501,552	62	17,991,011	66
Computer software (Note 4)	3,507	-	5,860	-
Goodwill (Notes 4 and 17)	353,256	1	382,813	2
Deferred tax assets (Notes 4 and 24)	182,237	1	165,705	1
Prepayments for equipment	974,236	4	647,003	2
Other noncurrent assets (Note 16)	<u>332,569</u>	<u>1</u>	<u>363,611</u>	<u>1</u>
Total noncurrent assets	<u>19,417,613</u>	<u>69</u>	<u>19,633,878</u>	<u>72</u>
TOTAL	<u>\$ 28,284,527</u>	<u>100</u>	<u>\$ 27,391,306</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 31)	\$ 5,156,313	18	\$ 6,660,381	24
Short-term bills payable (Note 18)	-	-	300,000	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	15,955	-	-	-
Notes payable to unrelated parties	3,736	-	200,045	1
Trade payables to unrelated parties	910,731	3	622,514	2
Current tax liabilities (Notes 4 and 24)	80,427	1	108,505	1
Current portion of long-term liabilities (Notes 4, 18 and 31)	-	-	258,000	1
Preferred stock liabilities (Notes 4, 19 and 23)	-	-	583,188	2
Other current liabilities (Notes 20 and 30)	<u>863,635</u>	<u>3</u>	<u>917,266</u>	<u>3</u>
Total current liabilities	<u>7,030,797</u>	<u>25</u>	<u>9,649,899</u>	<u>35</u>
NONCURRENT LIABILITIES				
Long-term borrowings (Notes 4, 18 and 31)	7,999,920	28	4,978,194	19
Deferred tax liabilities (Notes 4 and 24)	44,129	-	36,105	-
Net defined benefit liabilities - noncurrent (Notes 4 and 21)	35,641	-	36,522	-
Other noncurrent liabilities (Note 20)	<u>11,277</u>	<u>-</u>	<u>14,413</u>	<u>-</u>
Total noncurrent liabilities	<u>8,090,967</u>	<u>28</u>	<u>5,065,234</u>	<u>19</u>
Total liabilities	<u>15,121,764</u>	<u>53</u>	<u>14,715,133</u>	<u>54</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Common stock	2,928,789	10	2,928,789	11
Capital surplus	5,507,513	20	5,127,397	19
Retained earnings				
Legal reserve	1,299,560	5	1,181,738	4
Special reserve	1,220,606	4	444,446	2
Unappropriated earnings	2,892,567	10	3,293,916	12
Other equity	<u>(1,368,204)</u>	<u>(5)</u>	<u>(1,220,606)</u>	<u>(5)</u>
Total equity attributable to owners of the parent	12,480,831	44	11,755,680	43
NON-CONTROLLING INTERESTS	<u>681,932</u>	<u>3</u>	<u>920,493</u>	<u>3</u>
Total equity	<u>13,162,763</u>	<u>47</u>	<u>12,676,173</u>	<u>46</u>
TOTAL	<u>\$ 28,284,527</u>	<u>100</u>	<u>\$ 27,391,306</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 27, 2018)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
SALES (Notes 4 and 30)	\$ 17,519,458	100	\$ 16,510,678	100
COST OF GOODS SOLD (Notes 4, 12, 23 and 30)	<u>14,198,877</u>	<u>81</u>	<u>13,108,263</u>	<u>79</u>
GROSS PROFIT	<u>3,320,581</u>	<u>19</u>	<u>3,402,415</u>	<u>21</u>
OPERATING EXPENSES (Notes 23 and 30)				
Selling and marketing expenses	902,855	5	801,332	5
General and administrative expenses	838,303	5	865,206	5
Research and development expenses	<u>69,043</u>	<u>-</u>	<u>64,680</u>	<u>1</u>
Total operating expenses	<u>1,810,201</u>	<u>10</u>	<u>1,731,218</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>1,510,380</u>	<u>9</u>	<u>1,671,197</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 19 and 23)	(225,642)	(1)	(231,701)	(1)
Other gains and losses (Notes 4 and 23)	240,427	1	140,085	1
Net foreign exchange gain (loss) (Note 4)	<u>21,829</u>	<u>-</u>	<u>(81,758)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>36,614</u>	<u>-</u>	<u>(173,374)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	1,546,994	9	1,497,823	9
INCOME TAX EXPENSE (Notes 4 and 24)	<u>285,011</u>	<u>2</u>	<u>307,529</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,261,983</u>	<u>7</u>	<u>1,190,294</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 21)	(7,266)	-	(7,387)	-
Income tax expense related to items that may be reclassified subsequently (Note 24)	1,235	-	1,256	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(82,281)	-	(961,340)	(6)

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Unrealized gain on available-for-sale financial assets	\$ (1,009)	-	\$ (1,901)	-
Other comprehensive income (loss) for the year, net of income tax	(89,321)	-	(969,372)	(6)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,172,662</u>	<u>7</u>	<u>\$ 220,922</u>	<u>1</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,230,861	7	\$ 1,178,224	7
Non-controlling interests	<u>31,122</u>	<u>-</u>	<u>12,070</u>	<u>-</u>
	<u>\$ 1,261,983</u>	<u>7</u>	<u>\$ 1,190,294</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,077,232	6	\$ 395,933	2
Non-controlling interests	<u>95,430</u>	<u>1</u>	<u>(175,011)</u>	<u>(1)</u>
	<u>\$ 1,172,662</u>	<u>7</u>	<u>\$ 220,922</u>	<u>1</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 4.20</u>		<u>\$ 4.02</u>	
Diluted	<u>\$ 4.20</u>		<u>\$ 3.97</u>	

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

(With Deloitte & Touche auditors' report dated March 27, 2018)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent										
	Share Capital (Note 22)	Capital Surplus (Notes 4 and 22)	Retained Earnings (Notes 4, 21, 22 and 24)			Other Equity		Treasury Shares (Note 22)	Total	Non-controlling Interests (Note 13)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available- for-sale Financial Assets				
BALANCE AT JANUARY 1, 2016	\$ 3,098,479	\$ 5,412,868	\$ 1,086,842	\$ 421,790	\$ 3,205,307	\$ (444,173)	\$ (273)	\$ (835,335)	\$ 11,945,505	\$ 1,057,492	\$ 13,002,997
Appropriation of 2015 earnings											
Legal reserve	-	-	94,896	-	(94,896)	-	-	-	-	-	-
Special reserve	-	-	-	22,656	(22,656)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(585,758)	-	-	-	(585,758)	-	(585,758)
Net profit for the year ended December 31, 2016	-	-	-	-	1,178,224	-	-	-	1,178,224	12,070	1,190,294
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(6,131)	(774,259)	(1,901)	-	(782,291)	(187,081)	(969,372)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	1,172,093	(774,259)	(1,901)	-	395,933	(175,011)	220,922
Cancellation of treasury shares	(169,690)	(285,471)	-	-	(380,174)	-	-	835,335	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(12,672)	(12,672)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	50,684	50,684
BALANCE AT DECEMBER 31, 2016	2,928,789	5,127,397	1,181,738	444,446	3,293,916	(1,218,432)	(2,174)	-	11,755,680	920,493	12,676,173
Appropriation of 2016 earnings											
Legal reserve	-	-	117,822	-	(117,822)	-	-	-	-	-	-
Special reserve	-	-	-	776,160	(776,160)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(732,197)	-	-	-	(732,197)	-	(732,197)
Net profit for the year ended December 31, 2017	-	-	-	-	1,230,861	-	-	-	1,230,861	31,122	1,261,983
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(6,031)	(146,589)	(1,009)	-	(153,629)	64,308	(89,321)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,224,830	(146,589)	(1,009)	-	1,077,232	95,430	1,172,662
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during disposal or acquisition	-	380,116	-	-	-	-	-	-	380,116	(380,116)	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	64,300	64,300
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(18,175)	(18,175)
BALANCE AT DECEMBER 31, 2017	\$ 2,928,789	\$ 5,507,513	\$ 1,299,560	\$ 1,220,606	\$ 2,892,567	\$ (1,365,021)	\$ (3,183)	\$ -	\$ 12,480,831	\$ 681,932	\$ 13,162,763

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

(With Deloitte & Touche auditors' report dated March 27, 2018)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,546,994	\$ 1,497,823
Adjustments for:		
Depreciation and amortization expenses	2,142,368	2,154,420
Impairment loss recognized (reversed) on trade receivables	3,461	894
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	16,090	(50,933)
Finance costs	225,642	231,701
Interest income	(20,854)	(23,745)
Loss recognized on associates under equity method	3,695	4,441
Loss on disposal of property, plant and equipment	9,071	5,788
Impairment loss on financial assets	-	86
Impairment loss recognized (reversed) on non-financial assets	15,339	(7,858)
Unrealized net loss (gain) on foreign currency exchange	(33,192)	103,279
Others	(2,069)	2,557
Net changes in operating assets and liabilities		
Financial assets held for trading	48,601	(13,280)
Notes receivable	(30,682)	(225)
Trade receivables	(387,604)	91,077
Inventories	(678,965)	(4,292)
Other current assets	(158,275)	73,133
Notes payable	(196,141)	(1,262)
Trade payables	320,837	197,668
Other payable	194,015	-
Other current liabilities	(223,268)	500,409
Net defined benefit liabilities	(8,147)	(11,165)
Cash generated from operations	2,786,916	4,750,516
Interest received	21,073	24,113
Interest paid	(209,050)	(209,704)
Income tax paid	(367,936)	(242,461)
Net cash generated from operating activities	<u>2,231,003</u>	<u>4,322,464</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of debt investments with no active market	(328,383)	-
Repayment debt investments with no active market at maturity	-	5,834
Return of capital from financial assets measured at cost	913	-
Acquisition of associates	-	(30,401)
Disposal of associates	-	29,221
Net cash outflow on acquisition of subsidiaries (Note 26)	-	(340,928)
Payments for property, plant and equipment	(1,037,842)	(702,260)
Proceeds from disposal of property, plant and equipment	13,440	132,834
Increase in refundable deposits	(5,788)	(1,052)
Purchase of intangible assets	(1,463)	-

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
Increase in other assets	\$ (19,923)	\$ -
Increase in prepayments for equipment	(1,379,067)	(1,164,022)
Increase in other prepayments	(3,495)	-
Other investing activities	<u>-</u>	<u>(1,152)</u>
Net cash used in investing activities	<u>(2,761,608)</u>	<u>(2,071,926)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(1,153,314)	(1,302,186)
Proceed from (repayments of) short-term bills payable	(300,000)	300,000
Repayments of corporate bonds	-	(575,500)
Proceeds from long-term borrowings	9,816,994	1,817,880
Repayments of long-term borrowings	(6,824,866)	(1,794,101)
Payments for preferred stock liabilities	(557,211)	-
Dividends paid to owners of the Corporation	(732,197)	(585,758)
Dividends paid to non-controlling interests	(18,175)	(12,672)
Changes in non-controlling interests	<u>64,300</u>	<u>28,967</u>
Net cash generated from (used in) financing activities	<u>295,531</u>	<u>(2,123,370)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>32,065</u>	<u>(134,219)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(203,009)	(7,051)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,414,908</u>	<u>2,421,959</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,211,899</u>	<u>\$ 2,414,908</u>

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

(With Deloitte & Touche auditors' report dated March 27, 2018)

(Concluded)

Taiwan Hon Chuan Enterprise Co., Ltd.

Audit Committees' Review Report

We hereby state as following:

This proposal is the presentation by the Board of Directors of the Company's 2017 Business Report, Financial Statements, and the Profit Allocation Proposal. Of these items, the Individual and Consolidated Financial Statements have been audited by external auditors Tseng, Done-Yuin and Wu, Li-Dong of Deloitte & Touche, Taiwan, and an unqualified opinion and report have been issued on the Financial Statements. The aforementioned items have been reviewed and determined to be correct and accurate by Audit Committee. Per the regulations in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To

2018 Annual Shareholders' Meeting of Taiwan Hon Chuan Enterprise Co., Ltd.

Taiwan Hon Chuan Enterprise Co., Ltd.

Audit Committee Chairman : Hung, Chao-Nan

Commissioner : Huang, Hsiang-Ying

Commissioner : Kung, Yi-Lu

March 27, 2018

Taiwan Hon Chuan Enterprise Co., Ltd.

Proposal for Distribution of 2017 Profits

Items	Unit : NT\$ Amount
Unappropriated retained earnings of previous years	1,667,736,210
Remeasurement of defined benefit obligation	<u>(6,031,046)</u>
Unappropriated retained earnings after adjustment	1,661,705,164
Net Income of 2017	1,230,860,723
10% for legal capital reserve	(123,086,072)
Special reserve	<u>(147,598,130)</u>
Retained Earnings Available for Distribution as of 2017	2,621,881,685
Shareholders' Dividend (NT\$ 2.5 per share)	<u>(732,197,198)</u>
Unappropriated Retained Earnings	<u><u>1,889,684,487</u></u>

(Note1) Shareholders' Dividend –Cash :

292,878,879 shares * NT\$ 2.5 = NT\$ 732,197,198

(Note2) The cash dividend distribution will be calculated to the nearest NT dollar. For fractional shares distributed which are less than one dollar that will be adjusted by the chairman who is authorized to contact specific person to deal with it.

(Note3) Board of Directors is authorized to determine the ex-dividend date for the cash dividend distributions upon the approval of the profit distribution proposal at the Annual Meeting of Shareholders.

(Note4) In response to the implementation of Imputation System, when computing tax levied at the rate of ten percent on undistributed surplus earnings in accordance with Article 66-9 of Income Tax Act, the Company will adopt specific identification method to distribute preferably from earnings of recent years based upon official letter No. 871941343 issued by Ministry of Finance on April 30, 1998.

(Note5) Afterward, if there is any reason to influence the total amount of outstanding shares of the Company, based on the proposed total amount of cash distributed to shareholders which resolved by this shareholders' meeting and actual amount of outstanding shares on the base day of interest distribution, please authorize the chairman to adjust distribution rate.

Explanatory Notes :

Unappropriated retained earnings of previous years : It represents the unappropriated retained earnings after making distribution of 2016 profits by the resolution of 2017 Shareholders' Meeting and is compiled based upon TIFRS GAAP.

Chairman :
Dai, Hung-Chuan

President :
Tsao, Hsih-Chung

Chief Accounting officer :
Cheng, Ya-Wen