

# YIEH PHUI ENTERPRISE CO., LTD.

## 2018 Shareholders' Meeting

Time: 9:30 AM, June 21, 2018

Location: Ziyi Community Center, No.57, Jinxue Rd., Ziyi Vil., Ziguan Dist., Kaohsiung City

Attendants : The number of shares present with the stockholders attending in person is 1,240,200,547, or 68.09% of the shares outstanding 1,821,176,011 shares, above the quorum for the stockholders' meeting.

Director attendance :

Director	Mr.Wu, Lin-Maw
Independent Director	Mr.Sun, Chin-Su
Independent Director	Mr.Yang Der-Yuan
Independent Director	Mr.Chang, Wen-Yi
Audit Committee	Mr.Sun, Chin-Su
Audit Committee	Mr.Yang Der-Yuan
Audit Committee	Mr.Chang, Wen-Yi
Remuneration Committee	Mr.Sun, Chin-Su
Remuneration Committee	Mr.Yang Der-Yuan
Remuneration Committee	Mr.Chang, Wen-Yi
Vice Chief Finance Officer	Mr.Chin, Yung-Hsien
SR. Assistant Vice President	Mr. Paul. Y. F. Yang
Marketing &Sales	
Attorney	Mr.Lin,Ching-Yun
CPA	Mr. Hsieh Yen-Yao

Chairperson : Mr.Wu, Lin-Maw

Minute taker : Huang, Shu-Huei

**I. Meeting called to order :** at 9:30AM, the shares present of the stockholders and their delegates have reach the quorum.

**II. Chairperson Remark :** The chairman could not be present and had asked the general manager to preside the stockholders' meeting instead.

### III. Company Report

1. 2017 Operation Report(See p.4 of the Program)
2. The Auditing Committee audits the final financial statement of 2017(See p. 26 of the Program )
3. The report on the remuneration of the employees and directors for 2017(See p. 27 of the Program)

### IV. Matters to Be Approved

Proposal 1 : Proposed by the board of directors

Brief : Approval of the 2017 Final Financial Statement

Explain : 1. The 2017 operating report, the individual entity report and consolidated financial statement. See p. 4-25 of the Program

2. The individual entity report and the consolidated financial statement have been done and audited by accounts Huang, Ling-Wen and Hsieh Yen-Yao of Crowe Horwath (TW)

CPAs.

3. The above financial statements and operating report has been audited by the Auditing Committee.

4. To be approved.

Resolution: approve. The shares present are 1,240,199,487, for 1,225,458,964, against 414,438 and abstain 14,326,085

Proposal 2 : Proposed by the board of directors

Brief : Approve the distribution of retained earnings for 2017

Explain : Yieh Phui plans to distribute earnings of 2017 as the table below:

Yieh Phui Enterprise Co., Ltd	
Earnings Distribution Table	
2017	Unit:NT\$
Item	Amount
Undistributed earnings at the beginning of the term	1,042,657,220
— : Re-measure amount of confirmed benefit plans recognized as retained earnings	(19,139,437)
— : Variation of affiliated enterprises and joint ventures recognized adopting equity method	(1,329,517)
— : Change of ownership equity of subsidiaries	(22,995,635)
+ : Net loss after tax of this term	1,367,404,267
— : Legal reserve	(136,740,427)
— : Special reserve	(380,897,725)
Earnings available for distribution	1,920,958,746
— : Shareholders' dividend	(910,588,012)
<u>Unappropriated earnings</u>	<u>1,010,370,734</u>

Resolution: approve. The shares present 1,240,199,487, for 1,225,423,414, against, 484,988 and abstain 14,291,085

## V. Matters for Discussion

Proposal 1 : Proposed by the Board of Directors.

Brief : 1. The cash and stock dividends to be issued and turning the retained earnings into stockholders' equity for 2017.

Explain : 1. To implement according to the distribution of earnings of 2017.

2. The cash dividend to be paid is NT\$364,235,202, or NT\$0.2 per share. Herein kindly asks the stockholders' meeting to allow the board of directors to set the ex-dividend day. Hereafter, if the shares outstanding are affected by the company's share purchase, which in turn may affect the dividend yield, then the board of directors is permitted deal with the issue all necessary means.

The cash dividend to be paid is calculated to integer. The amount under NT\$1 will be collected as the company's other revenues.

The amount of stock dividend is NT\$546,352,810 to be used to issue new stocks to increase the capital.

3. The amount of stock dividend is NT\$546,352,810 to be used to issue new stocks to increase the capital.

- (i) The amount to increase the capital is NT\$546,352,810 or 54,635,281 shares and the capital after the new issue is NT\$18,758,112,920 or 1,875,811,292 shares
- (ii) The increased capital with the stockholder's bonuses will be used to pay back loans, future projects of factory expansion, purchase of machinery and equipment, or for the investment for other projects.
- (iii) The issue of new stocks stated above will be done according to the list of stockholders with 30 shares per 1,000 shares. If later on the outstanding shares are changed due to the company's share buyback and the dividend yield is changed as a result, the board of directors asks for the permission of the stockholders' meeting to deal with all related matters with all necessary means.
- (vi) If the stock dividend above is less than one share, it will be paid by cash instead and authorize the chairman to ask designated person(s) to purchase it at par.
- (v) The new shares issued have the same rights and obligation as the original.
- (vi) After the approval of the authority, the board of directors ask the stockholders' meeting for permission to set the ex-dividend day.

Resolution: approve. The shares present are 1,240,200,547, for 1,224,955,233, against 952,025, and abstain 14,293,289.

Proposal 2 : Proposed by the Board of Directors

Brief : To modify the corporate charter of Yieh-Phui.

Explain : 1. Due to the demand of the operation of the company and to comply with related laws, the corporate charter of the Company has to be modified.

2. The comparison table of the "Corporate Charter" before/after the changes are listed at attachment 1 and 2. See p. 29-30 and p. 31-35 of the program.

Resolution: approve. The shares present are 1,240,200,547, for 1,225,435,566, against 449,604 and abstain 14,315,377..

**VI. Extempore Motions : None**

**VII. Adjournment**

## II Company Report

### 1. 2017 Operation Report

With China's acceleration of supply side reform, 65 million tons of capacity has been cut in 2016 and that of 2017 is over 50 million tons and that of medium frequency induction furnace and substandard steel is 140 million tons. The total reduction in capacity is over 115 million tons, excluding medium frequency induction furnace and substandard steel. With such effective reduction in production, the steel market has stabilized. However, in China, medium frequency induction furnaces have been converted to electric furnaces and the increase in price has pushed blast furnace mills to increase production, coupled with the strengthening in the industry, there will be many challenges in 2018. Yieh Phui is of the mid-stream of the industry with the major products of metallic coated and prepainted steel sheets for sale all over the world, having been able to control the costs and gain steady profits when confronting the competition from China.

#### The outline of 2017 operation report

Comparing 2017 with 2016, the volume of Yieh Phui increases 7.32% and that of revenue is NT\$5.312 billion, while that of Yieh Phui (China) is NT\$11.585 billion due to new production line and the increase in steel price. The volume of Yieh Hsing rises and the increase in revenue is NT\$720 million. Overall, the consolidated revenue is NT\$71.159 billion, an increase of 34.65% compared to the previous year of NT\$52.847 billion. The consolidated net income after tax is NT\$1.345 billion, a reduction of 43.44% from NT\$2.379 billion of last year, of which NT\$1.367 is for the mother company, comparing with last year of NT\$2.502 billion, a reduction of 45.35%.

#### 1. The Performance of Business Plan :

##### Consolidated Information of Financial Statements

Unit NT\$ in (000)

Item \ Year	2017	2016	Changes	Changes%
Operaiton Revenue	71,158,662	52,847,410	18,311,252	34.65
Operaiton Costs	64,859,279	45,641,051	45,641,051	42.11
Operaiton Gross Profit(Loss)	6,299,383	7,206,359	-960,976	-12.59
Operaiton Expenses	4,088,009	3,362,322	725,687	21.58
Operaiton Net Profit(Loss)	2,211,374	3,844,037	-1,632,663	-42.47
Non-operation Revenue and Expenses	-406,009	-471,965	65,956	13.97
Net Profit (Loss) before Tax	1,805,365	3,372,072	-1,566,707	-46.46
Income Tax Expenses	460,055	993,527	-533,472	-53.69
Net Profit (Loss) after Tax	1,345,310	2,378,545	-1,033,235	-43.44
Other Comprehensive Income (net)	-504,626	-904,716	400,090	44.22

Total Amount of Comprehensive Income in this Term	840,684	1,473,829	-633,145	-42.96
Net Profit that Belongs to the Owner of the Parent Company	1,367,405	2,502,005	-1,134,600	-45.35
Net Profit that Belongs to the Non-controlling equity	-22,095	-123,460	101,365	82.10
Total Amount of Comprehensive Income that Belongs to the Owner of the Parent Company	878,961	1,612,620	-733,659	-45.49
Total Amount of Comprehensive Income that Belongs to the Non-controlling equity	-38,277	-138,791	100,514	72.42

#### Financial Information of Company

Item \ Year	2017	2016	Changes	Changes%
Operaiton Revenue	29,179,218	23,867,665	5,311,553	22.25
Operaiton Costs	25,389,583	20,009,747	5,379,836	26.89
Operaiton Gross Profit(Loss)	3,789,635	3,857,918	-68,283	-1.77
Operaiton Expenses	2,328,306	1,793,191	535,115	29.84
Operaiton Net Profit(Loss)	1,461,329	2,064,727	-603,398	-29.22
Non-operation Revenue and Expenses	208,432	948,024	-739,592	-78.01
Net Profit (Loss) before Tax	1,669,761	3,012,751	-1,342,990	-44.58
Income Tax Expenses	302,356	510,746	-208,390	-40.80
Net Profit (Loss) after Tax	1,367,405	2,502,005	-1,134,600	-45.35

2. Execution of the Budget: Yieh-Phui has not disclosed financial guidance and is not applicable to the rules on disclosing the execution of the budget.

3. Analysis of the Revenue/Expenditure and Profitability :

#### Consolidated Financial Report Information

Item	2017	2016
Net cash inflow of operation activities (thousand dollars)	-1,462,060	3,375,039
Equity/Assets (%)	33.98	36.87
Liabilities/Assets (%)	66.02	63.13

Item	2017	2016
Long-term Funds accounting for the ratio of real estates, plants and equipments (%)	152.91	153.50
Current ratio (%)	100.90	102.10
Quick ratio (%)	52.82	58.52
Return on assets (%)	2.69	3.83
Return on equity (%)	4.49	8.03
Net profit margin (%)	1.89	4.50
Earnings per share (dollar)	0.75	1.46
Number of shares by the end of the year (share)	1,821,176,011	1,718,090,576

#### Financial Information of Company

Item	2017	2016
Net cash inflow of operation activities (thousand dollars)	537,316	2,003,887
Equity/Assets (%)	54.65	57.09
Liabilities/Assets (%)	45.35	42.91
Long-term Funds accounting for the ratio of real estates, plants and equipments (%)	473.70	434.09
Current ratio (%)	73.79	74.03
Quick ratio (%)	38.28	38.51
Return on assets (%)	3.42	5.98
Return on equity (%)	4.94	9.37
Net profit margin (%)	4.69	10.48
Earnings per share (dollar)	0.75	1.46
Number of shares by the end of the year (share)	1,821,176,011	1,718,090,576

#### The Summary for Research and Development

Starting from 2007, Yieh Phui has developed the market for coated steel to be used for household appliances and has been recognized by famous appliance producers such as Whirlpool, Fisher & Paykel, SHARP, and Panasonic.

Confronting with fierce market competition, Yieh Phui has been vigorously developing high end quality products for high end market and cooperating with Japanese steel firms to expand in the overseas market. We have seen good results from this collaboration since December 2013 with the volume increasing each month every year, contributing to our earnings and expecting the cumulative

total sales to reach 120,000 tons landmark in 2017.

On product differentiation, Yieh Phui has successfully developed anti-microbial metallic coated steel sheets – regular spangle, used for the pipes for air-conditioning, and gained recognition by the public construction projects of Hong Kong, such as MRT and hospitals, and those of Macao. Yieh Phui continues to develop other high end prepainted steel sheets and Al-Zn coated steel sheets for inner panels of ovens. The sales have steadily increased in 2016 and expected to expand in the projects of other appliances. In addition, Yieh Phui has finalized the production of Printed Prepainted Steel Sheets (wood & hairline patterns) for special applications in the industry and will deliver those products in 2017, enhancing the market prospect and the diversity of our offers. In 2017, Yieh Phui plans to develop coated steel with anti-microbial plus and anti-fingerprint treatment to be used in ducting and green construction materials in hospitals and luxurious residences, enhancing market expansion and product diversification.

The trend of globalization has triggered the EU to issue the regulation of RoHS and WEEE, which focus on the recycling of electronic appliances, environment friendly production and their re-use. This policy has won the recognition of the whole world and Yieh Phui has developed products compliant with those regulations and earned big and long-term orders of major appliance producers. Later on in 2007 the EU issued REACH, controlling 16 ingredients in the materials, mixtures and products exporting to EU that may cause cancers, deformation and toxicity to the human reproductive system. Up to the end of 2016, there have been 173 such items and they have been put into Yieh Phui's quality control and auditing system to protect the environment and the health of consumers. In September 2018, EU may have new environmental instructions on construction materials like metallic and color coated steel sheets. The company has been aggressively and speedily developing multi-combination and multi-purpose products with suppliers of surface treatment and paints, becoming the first among Taiwan's competitors to produce outdoor environmentally protective coated steel products. Yieh Phui will cooperate with the sales channels of the supply chain of dealers and roll formers, making sure that our products will reach the world market seamlessly and in a timely fashion to score another great performance in expansion and sales.

## Corporate Strategies for Future Development

The vision of Yieh Phui is to become the best steel maker and service provider in the world. To achieve this goal and with the TPM Campaign reaching the fifth stage, Yieh Phui Production & Service System (YPS) will move forward from the fourth stage of "YPS=TPM+MOT" to the fifth "YPS is excellent, TPM is perfect and MOT is outstanding". Since 2013, Yieh Phui has started a series of changes to deal with the volatility of the steel market. Thus, 2013 is the very first year of Yieh Phui to start the "campaign for changes". The slogan for the year is "adapting to the trend of steel market, changing the attitude and eager to change". The slogan for the second year, 2014, is "change and more changes, better than better." As the campaign reaches the third year, the slogan becomes there is "Just as water retains no constant shape, so in warfare there are no constant conditions. Change with constantly changing conditions. Changes are normality." We must

endeavor to make all necessary adjustments. For the efforts of the past three years, the corporate culture of Yieh Phui has evolved and reached a landmark of being awarded the “Advanced Special Award for TPM Achievement”. The YPS campaign has evolved from “touching service” to “supreme service”. Thus, the campaign for changes has now been turned to innovation and 2016 is the first year of innovation with the slogan “catalyzing creativity through learning and modeling--changing and improving,” short for utilization, learning from others, collaboration and innovation. 2017 is the second year of innovation and the slogan is “keep innovating and expanding product and service differentiation, creating greatest value for customers and Yieh Phui”. 2018 is the third year of innovation with the slogan of “new epoch, new realities, new thinking, and new forms commit to growth not only in volume but value.”

With excellence in production and outstanding services to promote sales and explore potential markets, the company will continue to innovate to offer more differentiation in products, services and marketing, creating the best value for customers and Yieh Phui coupled with enhancing the satisfaction for services and targeting the sales level of individual positions. In addition to satisfying the demand of customers and outstanding services, the company will make every effort to reduce the cost of sales and increase profitability.

In addition to Yieh Phui’s steady growth in Taiwan, since 2015 Yieh Phui (China) has expanded its operation in Changshu Economic Development Zone, Jiangsu, China, producing one million tons of cold-rolled steel sheets for automobiles and 400,000 tons of hot-dip galvanized steel sheets for automobiles, advancing its technology in the market of steel sheets for automobiles. The first stage of this expansion of pickling and tandem cold mill (PLTCM) had been finished and started production on February 15, 2015, while the production of continuous annealing line (CAL) was done on August 15, 2015, No. 3 continuous coil coating line on February 21, 2017, and No. 4 continuous hot-dip galvanizing line has been available on January 18, 2018. Besides aiming for the 700,000 car market in Riverside Industrial Park, Changshu, Yieh Phui (China) also focuses on the market of cars and car parts around the world. China is a member of ASEAN and its steel enjoys preferential tariff treatment. As a result, the steel products in China are more competitive than those produced in Taiwan for the sale in ASEAN. Then, the production of coated steel sheets in Yieh Phui (China) will reach 1.3 million tons, equivalent to Yieh Phui’s once highest record of 1.3 million tons in Taiwan. For the combined eight production lines of hot-dip galvanizing lines in Taiwan and China, the capacity will reach 2.6 million tons.

## Independent Auditors' Report

To Yieh Phui Enterprise Co., Ltd.

### **Auditors' Opinions**

We have audited the Consolidated Balance Sheet of Yieh Phui Enterprise Co., Ltd. and its subsidiaries (hereinafter referred to as Yieh Phui Group) as of 31 December 2017 and 2016, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the periods from January 1 to December 31, 2017 and 2016.

In our opinion, based on our audits and other auditors' reports (please refer to other paragraphs), the afore-mentioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Yieh Phui Group as of December 31, 2017 and 2016, and its consolidated financial performance and consolidated cash flows for the periods from January 1 to December 31, 2017 and 2016 in conformity with 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) to the extent endorsed and effected by the Financial Supervisory Commission.

### **Basis for Opinion**

We planned and conducted our audits in accordance with Rules Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards in the Republic of China. Our responsibility under the above mentioned regulations will be further explained in the section titled "Accountant's Responsibility in Auditing the Consolidated Financial Statements". We have stayed independent from Yieh Phui Group as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the norm. Based on our audits and other auditors' reports, we believe we have obtained sufficient and appropriate audit evidence to serve as a basis for our opinion.

### **Key Audit Matters**

Key Audit Matters refer to most vital matters in the process of auditing of 2017 Consolidated Financial Statement of Yieh Phui Group based on our professional judgment. Such matters have been dealt with in the course of of auditing and compiling the Consolidated

Financial Statements and in the preparation of our audit opinion. As such, we do not respond to each key matter individually. Key Audit Matters for the Yieh Phui Group's Consolidated Financial Statements for the year ended December 31, 2017 are stated as follows:

I. Timing of Sales Revenue Recognition

Please see Note 4(29) of the Consolidated Financial Statements for accounting policies regarding revenue recognition; please see note 5(2)1 of the Consolidated Financial Statements for critical accounting estimates and assumptions regarding revenue recognition; please see note 6(31) of the Consolidated Financial Statement for details regarding revenue recognition.

Description of key audit matters:

The timing of sales revenue recognition has to do with confirming the time of transfer of ownership and risk to the customer. Since the sales conditions for each major customer may differ, Yieh Phui Group determines whether to transfer the ownership and risk of goods sold to the customer according to the trading conditions of each order. As the timing of recognizing the sales revenue may have a major impact on Yieh Phui Group's financial performance, we have thus included it as one of the key audit matters.

#### Audit Process Adopted:

Our audit process included understanding and testing the effectiveness of the design and execution of internal control over the timing of sales revenue recognition; sampling and testing the trading terms between the Company and its major customers, and performing deadline test to determine the appropriateness of revenue recognition timing.

#### II. Inventory Valuation

Please refer to Note 4(13) of the Consolidated Financial Statements for accounting policies regarding inventory valuation; please refer to Note 5(2)5. of the Consolidated Financial Statements for critical accounting estimates and assumptions regarding inventory valuation and Note 6(7) of the Consolidated Financial Statements for details of inventory valuation.

#### Description of key audit matters:

Yieh Phui Group's inventory amounted to NT\$ 9,993,445 thousand (net of NT\$ 10,353,869 thousand of total inventory costs less NT\$ 360,424 thousand of allowance for inventory valuation losses) as of 31 December 2017, which accounted for 11.46% of total assets. The inventory valuation is measured at the lower of the value of inventory cost and net realizable value. Given that the valuation of net realizable value of inventory has a significant impact on critical judgments and estimates and since inventory valuation is dependent on the influence of frequently volatile fluctuations of international metal price, we have thus included this item in the key audit matters.

#### Audit Process Adopted:

Our major audit process included obtaining management's assessment information which determines the lower of the value of inventory cost and net realizable value of inventory, sampling estimated selling prices to the most recent sales records, and assessing the appropriateness of management's basis for estimating the net realizable value.

#### **Other Matters**

We do not audit the financial statements of some associates that have been included in the afore-mentioned Consolidated Financial Statements. They were audited by other auditors. Therefore, any value of such financial statements we have used to form our opinion for the afore-mentioned Consolidated Financial Statements are based on other auditors' reports. The value of investments in the afore-mentioned associates recognized under the equity method as of December 31, 2017 and 2016 were NT\$ 5,394,163 thousand and NT\$ 5,358,441 thousand respectively, accounting for 6.18% and 6.53% of total assets. The share of profit (loss) of associates and joint ventures recognized under equity method in 2017 and 2016 were NT\$ 82,282 thousand and NT\$ 146,399 thousand respectively, accounting for 4.56% and 4.34% of income before tax.

Yieh Phui Enterprise Co., Ltd. has prepared its Parent Only Financial Statements, on which we have issued an unqualified audit report for reference.

**Responsibility of the management and the governing body for the Consolidated Financial Statements**

It is the management's responsibility to fairly present the Consolidated Financial Statements in conformity with 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) to the extent endorsed and effected by the Financial Supervisory Commission, and to sustain internal controls respecting preparation of the Consolidated Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the Consolidated Financial Statements, the responsibility of management includes assessing Yieh Phui Group's ability to continue as a going concern, disclosing going concern matters, as well as adopting going concern accounting, unless the management intends to liquidate Yieh Phui Group or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Yieh Phui Group (including the Audit Committee) have the responsibility to oversee the financial reporting process. The Accountants' Responsibility in Auditing the Consolidated Financial Statements

The purpose of our audit is to provide reasonable assurance that the Consolidated Financial Statements as a whole contains no material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. "Reasonable assurance" refers to a high level of assurance. Nevertheless, our audit, which was carried out according to GAAS, does not guarantee that a material misstatement(s) will be detected in the Consolidated Financial Statements. There may still be material misstatements due to fraud or errors. If it could have been reasonably anticipated that misstated amounts, individually or in aggregate, could have influenced the economic decisions made by the users of the Consolidated Financial Statements, it will be deemed as material.

We have exercised professional judgment and maintained professional skepticism while abiding by GAAS in our audit. The following tasks have also been performed:

1. Identified and evaluated the risk of a material misstatement(s) due to fraud or errors in the Consolidated Financial Statements; designed and carried out appropriate countermeasures for the assessed risks; and obtained sufficient and appropriate evidence as the basis for the audit report. As fraud may involve collusion, forgery, deliberate omissions, false statements, or violations of internal controls, the risk of an undetected material misstatement due to fraud is greater than that due to errors.
2. Acquired necessary understanding of internal controls pertaining to the audit so as to provide appropriate audit procedures under such circumstances. Nevertheless, the purpose of such an understanding is not to provide any opinion on the effectiveness of the internal controls of Yieh Phui Group.
3. Evaluated the appropriateness of the accounting policies adopted by management and the rationality of the accounting estimates and the relevant disclosures.
4. Concluded on the appropriateness of the management's use of going concern basis of accounting, and determined whether there existed events or circumstances that might cast significant uncertainty over Yieh Phui Group's ability to continue as a going concern. If we believe there may be factors causing significant uncertainties, we are required to remind the users of the Consolidated Financial Statements in our audit report of the relevant disclosures therein, or to amend our report if inappropriate disclosure was made. Our conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or circumstances may cause Yieh Phui Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the Consolidated Financial Statements (including the related notes), and determined whether the Consolidated Financial Statements present related transactions and events fairly.
6. Obtained adequate and appropriate audit evidence regarding financial information of

members of the Group so as to express opinions for the Consolidated Financial Statements. We are responsible for the direction, supervision and execution of auditing the Group, and for formation of an audit opinion.

Communications between us and the company's governing body take account of the scope and timing of the planned audit and significant audit findings, including any significant deficiencies in the internal controls during the audit process.

We have also provided the governing body with our statement of independence in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and communicated with the governing body all relationships and other matters that may be deemed to have an influence on our independence (including safeguard measures).

From the matters communicated with the governing body, we determined the key audit matters for Yieh Phui Group's Consolidated Financial Statements for the year ended in December 31, 2017. Such matters have been explicitly stated in our audit report, unless laws or regulations prevent their disclosures, or, in extremely rare cases, we decide not to communicate such matters in our audit report in consideration that the reasonably anticipated adverse impacts of such communication would be greater than the public interest it would promote.

Crowe Horwath (TW) CPAs

CPA: Huang Ling-Wen

CPA: Hsieh, Jen-Yao

No. of the official approval: FSC No. 10200032833

March 21, 2018

Yieh Phui Enterprise Co., Ltd. and Its Subsidiaries  
Consolidated Balance Sheets  
December 31, 2017, and December 31, 2016

Unit: In Thousands of New Taiwan Dollars

Code	Assets	Notes	December 31, 2017		December 31, 2016:		Code	Liabilities and Equity	Notes	December 31, 2017		December 31, 2016:	
			Amount	%	Amount	%				Amount	%	Amount	%
1100	Cash and Cash Equivalents	6(1)					Current liabilities						
1110	Financial assets at fair value through profit or loss - current	6(2)	\$7,704,425	9	\$8,133,181	10	2100	Short-term loan	6(17)	\$15,825,523	19	\$10,514,507	13
			49,534	-	119,868	-	2110	Short-term bills payable	6(18)	989,011	1	679,013	1
1150	Notes receivable - net	6(3)					2120	Financial liabilities at fair value through profit or loss - current	6(2)	21,033	-	-	-
1170	Accounts receivable- Net	6(4)	1,389,916	2	730,552	1							
1180	Accounts receivable - related parties, net	7	2,511,585	3	2,171,582	3	2150	Notes payable		1,816,494	2	2,094,250	3
1190	Construction contract receivable	6(5)	759,908	1	922,244	1	2170	Accounts payable		1,114,431	1	1,193,816	1
1195	Construction contract receivables - related parties	6(5)、7	175,452	-	301,108	-	2190	Construction contract payable	6(5)	14,331	-	-	-
1200	Other receivables	6(6)	192,200	-	344,415	-	2200	Other payables	6(19)	1,634,147	2	1,700,788	2
1220	Current income tax assets		277,705	-	256,374	-	2230	Current income tax liabilities		1,124	-	381,176	-
130X	Inventories	6(7)	12,308	-	1,611	-	2250	Provision - current	6(20)	102,183	-	70,347	-
1410	Prepayments	6(8)	9,993,445	12	8,249,118	11	2310	Advance receipt		1,888,764	2	2,132,926	3
1476	Other financial assets - current	6(9)	3,032,728	3	2,172,408	3	2320	Long-term liabilities - current portion	6(21)	3,685,344	4	5,115,562	6
			1,236,064	1	1,011,781	1							
11XX	Total current assets		27,335,270	31	24,414,242	30	21XX	Total current liabilities		27,092,385	31	23,911,787	29
	Non-current assets							Non-current liabilities					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	9,999	-	9,999	-	2540	Long-term loans	6(23)	29,282,172	34	26,632,474	33
1523	Available-for-sale financial assets - non-current	6(11)					2570	Deferred income tax liabilities	6(36)	227,177	-	115,349	-
1543	Financial assets carried at cost - non-current	6(12)	44,910	-	46,575	-	2630	Long-term deferred revenue	6(25)	35,669	-	38,396	-
1546	Bond investments with no active market-non-current	6(13)	551,462	1	484,126	1	2640	Net defined benefit liability - non-current	6(24)	940,445	1	1,075,766	1
			554,755	1	206,305	-	2645	Deposits received		14,639	-	18,739	-
1550	Investments accounted for using equity method	6(10)											
1600	Property, plant and equipment	6(14)	17,412,043	20	17,060,270	21	25XX	Total non-current liabilities		30,500,102	35	27,880,724	34
1760	Investment property, net	6(15)	39,326,842	45	37,867,059	46							
1780	Intangible assets		988,576	1	944,835	1	2XXX	Total liabilities		57,592,487	66	51,792,511	63
1840	Deferred income tax assets	6(36)	8,880	-	9,533	-		Equity attributable to shareholders of the parent company					
1920	Refundable deposits		609,736	1	569,580	1		Capital					
1980	Other financial assets - non-current	8	69,570	-	64,492	-	3110	Capital of common shares	6(26)	18,211,760	21	17,180,905	21
1985	Long-term prepaid rent	6(16)	63,827	-	95,928	-	3200	Capital surplus	6(27)	4,873,770	6	4,737,131	6
			252,478	-	263,546	-		Retained earnings					
15XX	Total non-current assets		59,893,078	69	57,622,248	70	3310	Legal reserve	6(28)	2,698,462	3	2,448,261	3
							3320	Special reserve	6(28)	327,757	-	327,757	-
							3350	Undistributed earnings	6(28)	2,366,597	3	3,010,948	4
							3400	Other equity	6(29)	-636,655	-1	-167,351	-
							31XX	Total equity attributable to shareholders of the parent company		27,841,691	32	27,537,651	34
							36XX	Non-controlling interests	6(30)	1,794,170	2	2,706,328	3
							3XXX	Total equity		29,635,861	34	30,243,979	37
1XXX	Total asset		\$87,228,348	100	\$82,036,490	100	1XXX	Total liabilities and equity		\$87,228,348	100	\$82,036,490	100

(Please refer to Notes to the Financial Statements)

Chairperson: Lin, I-Shou

Manager: Wu Lin-Mao

Accounting Manager: LIN, CHIEN-HUNG

Yieh Phui Enterprise Co., Ltd. and Its Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1, 2017 ~ December 31, 2017

Unit: In Thousands of New Taiwan Dollars

Code	Item	Note	2017		2016	
			Amount	%	Amount	%
4000	Operating revenue	6(31)	\$71,158,662	100	\$52,847,410	100
5000	Operating costs	6(7)	64,859,279	91	45,641,051	86
5900	Gross profit (loss)		6,299,383	9	7,206,359	14
	Operating expenses					
6100	Selling expense		2,895,049	3	2,284,023	4
6200	Administrative expense		1,096,333	2	976,487	2
6300	Research and development expenses		96,627	-	101,812	-
6000	Total operating expenses		4,088,009	5	3,362,322	6
6900	Operating income (loss)		2,211,374	4	3,844,037	8
	Non-operating income and expenses					
7010	Other income	6(32)	287,320	-	265,050	-
7020	Other gains and losses	6(33)	263,704	-	-177,374	-
7050	Finance costs	6(34)	-1,120,195	-1	-789,831	-1
7060	Share of the loss (profit) of associates and joint ventures recognized under equity method		163,162	-	230,190	-
7000	Total non-operating income and expenses		-406,009	-1	-471,965	-1
7900	Net income (loss) before tax		1,805,365	3	3,372,072	7
7950	Income tax expense (gains)	6(36)	460,055	1	993,527	2
8200	Net income (loss)		1,345,310	2	2,378,545	5
	Other comprehensive income (loss), net					
	Items that are not reclassified subsequently to profit or loss:					
8311	Remeasurement of defined benefit plans		2,578	-	-71,478	-
8320	Share of other comprehensive income (loss) of associates and joint ventures recognized under equity method		-30,121	-	-26,336	-
8349	income tax expenses (benefits) related to items that are not subsequently reclassified		-6,312	-	-11,383	-
	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences on translation of foreign financial statements		-337,699	-	-849,812	-2
8362	Unrealized valuation gain (loss) on available-for-sale financial assets		-1,665	-	-5,850	-
8370	Share of other consolidated loss (profit) of associates and joint ventures recognized under equity method		-229,281	-	-104,959	-
8399	Income tax expense (profit) relating to items that may be reclassified to profit or loss.		-85,250	-	-142,336	-
8300	Other comprehensive income (loss), net	6(37)	-504,626	-1	-904,716	-2
8500	Total comprehensive income (loss)		\$840,684	1	\$1,473,829	3
	Net income (loss) attributable to:					
8610	Shareholders of the parent company (net income/loss)		1,367,405	2	2,502,005	5
8620	Non-controlling interest (net income/loss)		-22,095	-	-123,460	-
8600	Total		\$1,345,310	2	\$2,378,545	5
	Total comprehensive income (loss) attributable to:					
	Shareholders of the parent company (net income/loss)		878,961	1	1,612,620	3
8720	Non-controlling interest (net income/loss)		-38,277	-	-138,791	-
8700	Total		\$840,684	1	\$1,473,829	3
	Basic earnings per share (NTD)					
9750	Basic earnings per share	6(38)	\$0.75		\$1.37	

(Please refer to Notes to the Financial Statements)

Chairperson: Lin, I-Shou

Manager: Wu Lin-Mao

Accounting Manager: LIN, CHIEN-HUNG

Yieh Phui Enterprise Co., Ltd. and Its Subsidiaries  
 Consolidated Statements of Changes in Equity  
 January 1, 2017 ~ December 31, 2017  
 January 1, 2016 ~ December 31, 2016

Unit: In Thousands of New Taiwan Dollars

Item	Capital		Retained earnings			Other Equity Items				Total Equity
	Capital of common shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) of available-for-sale financial assets	Profit (loss) on the effective portion of cash flow hedging	Non-controlling interests	
Balance, January 1, 2016	\$17,180,905	\$4,673,787	\$2,448,261	\$327,757	\$608,642	\$583,467	\$54,642	\$7,080	\$3,119,304	\$29,003,845
Net income (loss)	-	-	-	-	2,502,005	-	-	-	-123,460	2,378,545
Other comprehensive income (loss)	-	-	-	-	-76,845	-809,765	-7,080	4,305	-15,331	-904,716
Total comprehensive income (loss)	-	-	-	-	2,425,160	-809,765	-7,080	4,305	-138,791	1,473,829
Changes in associated companies and joint ventures accounted for using equity method	-	9,543	-	-	-11,648	-	-	-	-566	-2,671
Difference between the price received from acquisition or disposal of interest in subsidiaries and book value	-	45,136	-	-	-	-	-	-	-45,136	-
Changes in ownership interests in subsidiaries	-	8,665	-	-	-11,206	-	-	-	2,541	-
Non-controlling interests	-	-	-	-	-	-	-	-	-231,024	-231,024
Balance, December 31, 2016	17,180,905	4,737,131	2,448,261	327,757	3,010,948	-226,298	47,562	11,385	2,706,328	30,243,979
Earnings allocation and distribution:										
Legal reserve	-	-	250,201	-	-250,201	-	-	-	-	-
Cash dividends for common stocks	-	-	-	-	-687,236	-	-	-	-	-687,236
Stock dividends for common stocks	1,030,855	-	-	-	-1,030,855	-	-	-	-	-
Total	1,030,855	-	250,201	-	-1,968,292	-	-	-	-	-687,236
Net income (loss)	-	-	-	-	1,367,405	-	-	-	-22,095	1,345,310
Other comprehensive income (loss)	-	-	-	-	-19,140	-471,480	7,171	-4,995	-16,182	-504,626
Total comprehensive income (loss)	-	-	-	-	1,348,265	-471,480	7,171	-4,995	-38,277	840,684
Changes in associated companies and joint ventures accounted for using equity method	-	5,404	-	-	-1,328	-	-	-	107	4,183
Difference between the price received from acquisition or disposal of interest in subsidiaries and book value	-	131,235	-	-	-	-	-	-	-131,235	-
Changes in ownership interests in subsidiaries	-	-	-	-	-22,996	-	-	-	22,996	-
Non-controlling interests	-	-	-	-	-	-	-	-	-765,749	-765,749
Balance, December 31, 2017	\$18,211,760	\$4,873,770	\$2,698,462	\$327,757	\$2,366,597	\$-697,778	\$54,733	\$6,390	\$1,794,170	\$29,635,861

(Please Refer to Notes to the Consolidated Financial Statements)

Chairperson: Lin, I-Shou

Manager: Wu Lin-Mao

Accounting Manager: LIN, CHIEN-HUNG

Yieh Phui Enterprise Co., Ltd. and Its Subsidiaries  
Consolidated Statements of Cash Flows  
January 1, 2017 ~ December 31, 2017  
January 1, 2016 ~ December 31, 2016

Unit: In Thousands of New Taiwan Dollars

Item	2017	2016
Cash flows from operating activities		
Net income (loss) before tax	\$1,805,365	\$3,372,072
Adjustments:		
Income and expense item:		
Depreciation	1,660,759	1,474,184
Amortization	23,492	1,377
Bad debt provision (restated as income)	-174	-
Net loss (gain) from financial assets and liabilities at fair value through profit or loss	35,418	-12,682
Interest expense	1,120,195	789,831
Interest income	-101,638	-49,136
Dividend income	-73,952	-8,250
Share of the loss (profit) of associates and joint ventures recognized under equity method	-163,162	-230,190
Loss (gain) on disposal and retirement of property, plant and equipment	-309,013	25,766
Reclassification of property, plant and equipment to expense	9,211	17,355
Gain (loss) on disposal of investment	-15	-200
Impairment loss on financial assets	1,060	-
Impairment loss on non-financial assets	13,534	52,796
Others	-217	-217
Total income and expense items	2,215,498	2,060,634
Changes in operating assets and liabilities:		
Net changes in operating assets		
(Increase) decrease in held-for-trading financial assets	55,105	17,814
(Increase) decrease in notes receivable	-659,449	-251,768
(Increase) decrease in accounts receivable	-339,650	-660,075
(Increase) decrease in accounts receivable - related parties	161,920	-153,344
(Increase) decrease in construction contract receivables	277,871	-213,569
(Increase) decrease in other receivables	-17,074	-90,234
(Increase) decrease in inventories	-1,744,327	-2,468,253
(Increase) decrease in prepayments	-860,320	-362,043
(Increase) decrease in other financial assets	-615	2,204
Total net changes in operating assets	-3,126,539	-4,179,268
Net changes in operating liabilities		
Increase (decrease) in notes payable	-277,756	1,345,152
Increase (decrease) in accounts payable	-79,385	233,856
Increase (decrease) in construction contract payable	-15,071	-1,530
Increase (decrease) in other payables	-99,234	280,274
Increase (decrease) in provision	31,836	-34,173
Increase (decrease) in advance receipts	-244,162	1,542,648
Increase (decrease) in defined benefit liability, net	-132,743	-42,793
Total net changes in operating liabilities	-816,515	3,323,434
Total net changes in operating assets and liabilities	-3,943,054	-855,834
Total adjustments	-1,727,556	1,204,800
Cash inflow (outflow) from operations	77,809	4,576,872
Interest received	97,381	49,113
Dividend received	179,347	25,950
Interest paid	-1,126,859	-801,322
Income tax refunded (paid)	-689,738	-475,574
Net cash provided by (used in) operating activities	-1,462,060	3,375,039

(to be continued)

Item	2017	2016
Cash flows from investing activities:		
Acquisition of Bond investments with no active market	-348,450	-206,305
Acquisition of financial assets measured at cost	-68,396	-21,913
Disposal of financial assets carried at cost	15	150
Acquisition of investment accounted for using equity method	-585,976	-408,132
Acquisition of subsidiaries (less the cash received)	13	-
Subscriptions returned due to capital reduction of investees accounted for using equity method	620	1,097
Acquisition of property, plant and equipment	-3,428,503	-4,174,303
Disposal of property, plant and equipment	361,381	837
Increase in refundable deposits	-5,078	-
Decrease in refundable deposits	-	1,124
Acquisition of intangible assets	-	-8,208
Acquisition of investment property	-16,263	-44,067
Increase in other financial assets	-191,567	-396,034
Decrease in other non-current assets	11,068	8,793
	-----	-----
Net cash provided by (used in) investing activities	-4,271,136	-5,246,961
	-----	-----
Cash flows from financing activities:		
Increase in short-term loans	5,311,016	-
Decrease in short-term loans	-	-1,669,412
Increase in short-term bills payables	310,000	-
Decrease in short-term bills payables	-	-85,539
Repayment of Bonds	-278,940	-1,237,560
Increase in long-term loan	9,984,035	4,284,850
Repayment of long-term loan	-8,480,026	-979,287
Increase in deposits received	-	9,011
Decrease in deposits received	-4,100	-
Decrease in other non-current liabilities	-2,727	-5,672
Cash dividends distributed	-687,236	-
Changes in non-controlling interests	-767,816	-231,024
	-----	-----
Net cash provided by (used in) financing activities	5,384,206	85,367
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	-79,766	331,670
	-----	-----
Net increase (decrease) in cash and cash equivalents	-428,756	-1,454,885
Cash and cash equivalents, beginning of the period	8,133,181	9,588,066
	-----	-----
Cash and cash equivalents, end of the period	\$7,704,425	\$8,133,181
	=====	=====

(Please Refer to Notes to the Consolidated Financial Statements)

Chairperson: Lin, I-Shou

Manager: Wu Lin-Mao

Accounting Manager: LIN, CHIEN-HUNG

## Independent Auditors' Report

To Yieh Phui Enterprise Co., Ltd.

### **Auditors' Opinions**

We have audited the Standalone Balance Sheet of Yieh Phui Enterprise Co., Ltd. as of 31 December 2017 and 2016, the Standalone Statements of Comprehensive Income, Standalone Statements of Changes in Equity, Standalone Statements of Cash Flows, and Notes to Standalone Financial Statements (including Summary of Significant Accounting Policies) for the periods from January 1 to December 31, 2017 and 2016.

In our opinion, based on our audits and other auditors' reports (please refer to other paragraphs), the afore-mentioned Standalone Financial Statements present fairly, in all material respects, the standalone financial position of Yieh Phui Enterprise Co., Ltd. as of December 31, 2017 and 2016, and its standalone financial performance and standalone cash flows for the periods from January 1 to December 31, 2017 and 2016 in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We planned and conducted our audits in accordance with Rules Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards in the Republic of China. Our responsibility under the above mentioned regulations will be further explained in the section titled "Accountant's Responsibility in Auditing the Standalone Financial Statements". We have stayed independent from Yieh Phui Enterprise Co., Ltd. as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the norm. Based on our audits and other auditors' reports, we believe we have obtained sufficient and appropriate audit evidence to serve as a basis for our opinion.

### **Key Audit Matters**

Key Audit Matters refer to most vital matters in the process of auditing of 2017 Standalone Financial Statement of Yieh Phui Enterprise Co., Ltd. based on our professional judgment. Such matters have been dealt with in the course of of auditing and compiling the Standalone Financial

Statements and in the preparation of our audit opinion. As such, we do not respond to each key matter individually. Key Audit Matters for the Standalone Financial Statements of Yieh Phui Enterprise Co., Ltd. for the year ended December 31, 2017 are stated as follows:

#### Timing of Sales Revenue Recognition

Please see Note 4(25) of the Standalone Financial Statements for accounting policies regarding revenue recognition; please see note 5(2)1 of the Standalone Financial Statements for critical accounting estimates and assumptions regarding revenue recognition; please see note 6(26) of the Standalone Financial Statement for details regarding revenue recognition.

#### Description of key audit matters:

The timing of sales revenue recognition has to do with confirming the time of transfer of ownership and risk to the customer. Since the sales conditions for each major customer may differ, Yieh Phui Enterprise Co., Ltd. determines whether to transfer the ownership and risk of goods sold to the customer according to the trading conditions of each order. As the timing of recognizing the sales revenue may have a major impact on the financial performance of Yieh Phui Enterprise Co., Ltd., we have thus included it as one of the key audit matters.

#### Audit Process Adopted:

Our audit process included understanding and testing the effectiveness of the design and execution of internal control over the timing of sales revenue recognition; sampling and testing the trading terms between the Company and its major customers, and performing cut off test to determine the appropriateness of revenue recognition timing.

## II. Inventory Valuation

Please refer to Note 4(12) of the Standalone Financial Statements for accounting policies regarding inventory valuation; please refer to Note 5(2)5. of the Standalone Financial Statements for critical accounting estimates and assumptions regarding inventory valuation and Note 6(7) of the Standalone Financial Statements for details of inventory valuation.

#### Description of key audit matters:

Inventory of Yieh Phui Enterprise Co., Ltd. amounted to NT\$ 4,145,137 thousand (net of NT\$ 4,146,681 thousand of total inventory costs less NT\$ 1,544 thousand of allowance for inventory valuation losses) as of 31 December 2017, which accounted for 8.14% of total assets. The inventory valuation is measured at the lower of the value of inventory cost and net realizable value. Given that the valuation of net realizable value of inventory has a significant impact on critical judgments and estimates and since inventory valuation is dependent on the influence of frequently volatile fluctuations of international metal price, we have thus included this item in the key audit matters.

#### Audit Process Adopted:

Our major audit process included obtaining management's assessment information which determines the lower of the value of inventory cost and net realizable value of inventory, sampling estimated selling prices to the most recent sales records, and assessing the appropriateness of management's basis for estimating the net realizable value.

### **Other Matters**

We do not audit the financial statements of some associates that have been included in the afore-mentioned Standalone Financial Statements. They were audited by other auditors. Therefore, any value of such financial statements we have used to form our opinion for the afore-

mentioned Standalone Financial Statements are based on other auditors' reports. The value of investments in the afore-mentioned associates recognized under the equity method as of December 31, 2017 and 2016 were NT\$ 5,248,378 thousand and NT\$ 4,422,752 thousand respectively, accounting for 10.30% and 9.17% of total assets. The share of profit (loss) of associates and joint ventures recognized under equity method in 2017 and 2016 were NT\$ 86,232 thousand and NT\$ 123,277 thousand respectively, accounting for 5.16% and 4.09% of income before tax.

### **Responsibility of the management and the governing body for the Standalone Financial Statements**

It is the management's responsibility to fairly present the Standalone Financial Statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to sustain internal controls respecting preparation of the Standalone Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the Standalone Financial Statements, the responsibility of management includes assessing the ability of Yieh Phui Enterprise Co., Ltd. to continue as a going concern, disclosing going concern matters, as well as adopting going concern accounting, unless the management intends to liquidate Yieh Phui Enterprise Co., Ltd. or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Yieh Phui Enterprise Co., Ltd. (including the Audit Committee) have the responsibility to oversee the financial reporting process.

### **The Accountants' Responsibility in Auditing the Standalone Financial Statements**

The purpose of our audit is to provide reasonable assurance that the Standalone Financial Statements as a whole contains no material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. "Reasonable assurance" refers to a high level of assurance. Nevertheless, our audit, which was carried out according to GAAS, does not guarantee that a material misstatement(s) will be detected in the Standalone Financial Statements. There may still be material misstatements due to fraud or errors. If it could have been reasonably anticipated that misstated amounts, individually or in aggregate, could have influenced the economic decisions made by the users of the Standalone Financial Statements, it would be deemed as material.

We have exercised professional judgment and maintained professional skepticism while abiding by GAAS in our audit. The following tasks have also been performed:

1. Identified and evaluated the risk of a material misstatement(s) due to fraud or errors in the Standalone Financial Statements; designed and carried out appropriate countermeasures for the assessed risks; and obtained sufficient and appropriate evidence as the basis for the audit report. As fraud may involve collusion, forgery, deliberate omissions, false statements, or violations of internal controls, the risk of an undetected material misstatement due to fraud is greater than that due to errors.
2. Acquired necessary understanding of internal controls pertaining to the audit so as to provide appropriate audit procedures under such circumstances. Nevertheless, the purpose of such an understanding is not to provide any opinion on the effectiveness of the internal controls of Yieh Phui Enterprise Co., Ltd..
3. Evaluated the appropriateness of the accounting policies adopted by management and the rationality of the accounting estimates and the relevant disclosures.
4. Concluded on the appropriateness of the management's use of going concern basis of accounting, and determined whether there existed events or circumstances that might cast significant uncertainty over the ability of Yieh Phui Enterprise Co., Ltd. to continue as a going

concern. If we believe there may be factors causing significant uncertainties, we are required to remind the users of the Standalone Financial Statements in our audit report of the relevant disclosures therein, or to amend our report if inappropriate disclosure was made. Our conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or circumstances may cause Yieh Phui Enterprise Co., Ltd. to cease to continue as a going concern.

5. Evaluated the overall presentation, structure and content of the Standalone Financial Statements (including the related notes), and determined whether the Standalone Financial Statements present related transactions and events fairly.
6. Obtained adequate and appropriate audit evidence regarding financial information of entities within the Company so as to express opinions for the Standalone Financial Statements. We are responsible for the direction, supervision and execution of auditing Yieh Phui Enterprise Co., Ltd., and for formation of an audit opinion.

Communications between us and the Company's governing body take account of the scope and timing of the planned audit and significant audit findings, including any significant deficiencies in the internal controls during the audit process.

We have also provided the governing body with our statement of independence in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and communicated with the governing body all relationships and other matters that may be deemed to have an influence on our independence (including safeguard measures).

From the matters communicated with the governing body, we determined the key audit matters for Standalone Financial Statements of Yieh Phui Enterprise Co., Ltd. for the year ended in December 31, 2017. Such matters have been explicitly stated in our audit report, unless laws or regulations prevent their disclosures, or, in extremely rare cases, we decide not to communicate such matters in our audit report in consideration that the reasonably anticipated adverse impacts of such communication would be greater than the public interest it would promote.

Crowe Horwath (TW) CPAs

CPA: Huang Ling-Wen

CPA: Hsieh, Jen-Yao

No. of the official approval: FSC No. 10200032833

March 21, 2018

Yieh Phui Enterprise Co., Ltd.  
Balance Sheets  
December 31, 2017, and  
December 31, 2016

Unit: In Thousands of New Taiwan Dollars

Code	Assets	Notes	December 31, 2017		December 31, 2016:		Code	Liabilities and Equity	Notes	December 31, 2017		December 31, 2016:	
			Amount	%	Amount	%				Amount	%	Amount	%
	Current assets						Current liabilities						
1100	Cash and Cash Equivalents	6(1)	\$1,469,705	3	\$1,545,921	3	2100	Short-term loan	6(16)	\$8,180,776	16	\$6,185,868	13
1110	Financial assets at fair value through profit or loss - current	6(2)	33,634	-	91,783	-	2110	Short-term bills payable	6(17)	649,616	1	339,777	1
							2120	Financial liabilities at fair value through profit or loss - current	6(2)	1,751	-	-	-
1150	Notes receivable - net	6(3)	20,494	-	865	-							
1170	Accounts receivable- Net	6(4)	1,253,935	2	1,246,049	3	2150	Notes payable		635,683	1	642,048	1
1180	Accounts receivable - related parties, net	7	328,289	1	182,160	-	2170	Accounts payable		529,357	1	700,059	1
1190	Construction contract receivable	6(5)	175,452	-	301,108	1	2190	Construction contract payable	6(5)	14,397	-	29,465	-
1195	Construction contract receivables – related parties	6(5)7	194,461	-	345,888	1	2200	Other payables	6(18)	514,312	1	567,757	1
1200	Other receivables	6(6)	171,214	-	134,250	-	2230	Current income tax liabilities		-	-	275,785	1
1210	Other receivable - related party	7	966,250	2	323,800	1	2250	Provision - current	6(19)	67,890	-	40,271	-
1220	Current income tax assets		6,508	-	-	-	2310	Advance receipt		1,275,342	3	1,508,314	3
130X	Inventories	6(7)	4,145,137	9	3,650,015	7	2320	Long-term liabilities - current portion	6(20)	671,777	1	787,147	2
1410	Prepayments	6(8)	308,860	1	284,301	1							
1476	Other financial assets - current	8	180,149	-	93,817	-							
			-----	----	-----	----	21XX	Total current liabilities		12,540,901	24	11,076,491	23
11XX	Total current assets		9,254,088	18	8,199,957	17				-----	----	-----	----
	Non-current assets						2540	Long-term loans	6(20)	9,683,048	20	8,803,213	19
1510	Financial assets at fair value through profit or loss - non-current	6(2)	9,999	-	9,999	-	2570	Deferred income tax liabilities	6(31)	227,145	-	108,870	-
							2640	Net defined benefit liability - non-current	6(21)	647,450	1	704,847	1
1523	Available-for-sale financial assets - non-current	6(10)	44,910	-	46,575	-	2645	Deposits received		2,000	-	2,000	-
1543	Financial assets carried at cost - non-current	6(11)	549,321	1	481,984	1				-----	----	-----	----
1546	Bond investments with no active market - non-current	6(12)	433,401	1	170,654	-	25XX	Total non-current liabilities		10,559,643	21	9,618,930	20
										-----	----	-----	----
1550	Investments accounted for using equity method	6(9)	30,713,470	60	29,046,325	60	2XXX	Total liabilities		23,100,544	45	20,695,421	43
1600	Property, plant and equipment	6(13)	8,106,718	16	8,559,554	18				-----	----	-----	----
1760	Investment property, net	6(14)	1,332,100	3	1,287,158	3		Capital					
1840	Deferred income tax assets	6(31)	366,936	1	296,756	1	3110	Capital of common shares	6(22)	18,211,760	35	17,180,905	35
1920	Refundable deposits		43,932	-	3,844	-	3200	Capital surplus	6(23)	4,873,770	10	4,737,131	10
1980	Other financial assets - non-current	8	857	-	40,857	-		Retained earnings					
1985	Long-term prepaid rent	6(15)	86,503	-	89,409	-	3310	Legal reserve	6(24)	2,698,462	5	2,448,261	5
			-----	----	-----	----	3320	Special reserve	6(24)	327,757	1	327,757	1
15XX	Total non-current assets		41,688,147	82	40,033,115	83	3350	Undistributed earnings	6(24)	2,366,597	5	3,010,948	6
							3400	Other equity	6(25)	-636,655	-1	-167,351	-
			-----	----	-----	----	3XXX	Equity		27,841,691	55	27,537,651	57
1XXX	Total asset		\$50,942,235	100	\$48,233,072	100	1XXX	Total liabilities and equity		\$50,942,235	100	\$48,233,072	100

Chairperson: Lin, I-Shou

(Please refer to Notes to Standalone Financial Statements)

Manager: Wu Lin-Mao

Accounting Manager: LIN, CHIEN-HUNG

Yieh Phui Enterprise Co., Ltd.  
Statements of Comprehensive Income  
January 1, 2017 ~ December 31, 2017

Unit: In Thousands of New Taiwan Dollar

Code	Item	Note	2017		2016	
			Amount	%	Amount	%
4000	Operating revenue	6(26)	\$29,179,218	100	\$23,867,665	100
5000	Operating costs	6(7)	25,389,583	87	20,009,747	84
			-----	---	-----	---
5900	Gross profit (loss)		3,789,635	13	3,857,918	16
	Operating expenses					
6100	Selling expense		1,944,199	7	1,396,827	5
6200	Administrative expense		384,107	1	396,364	2
			-----	---	-----	---
6000	Total operating expenses		2,328,306	8	1,793,191	7
			-----	---	-----	---
6900	Operating income (loss)		1,461,329	5	2,064,727	9
			-----	---	-----	---
	Non-operating income and expenses					
7010	Other income	6(27)	210,426	1	113,804	-
7020	Other gains and losses	6(28)	-121,104	-	-20,049	-
7050	Finance costs	6(30)	-396,624	-1	-355,796	-1
7070	Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method		515,734	1	1,210,065	5
			-----	---	-----	---
7000	Total non-operating income and expenses		208,432	1	948,024	4
			-----	---	-----	---
7900	Net income (loss) before tax		1,669,761	6	3,012,751	13
7950	Income tax expense (gains)	6(31)	302,356	1	510,746	2
			-----	---	-----	---
8200	Net income (loss)		1,367,405	5	2,502,005	11
			-----	---	-----	---
	Other comprehensive income (loss), net					
	Items that are not reclassified subsequently to profit or loss:					
8311	Remeasurement of defined benefit plans		9,353	-	-51,013	-
	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		-34,051	-	-37,215	-
			-----	---	-----	---
8349	income tax expenses (gains) related to items that are not reclassified subsequently to profit or loss:		-5,558	-	-11,383	-
	Items that may be reclassified subsequently to profit or loss:					
8362	Unrealized valuation gain (loss) on available-for-sale financial assets		-1,665	-	-5,850	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures recognized under equity method		-552,889	-2	-949,026	-3
8399	Income tax expense (gains) relating to items that may be reclassified to profit or loss.		-85,250	-	-142,336	-1
			-----	---	-----	---
8300	Other comprehensive income (loss), net	6(32)	-488,444	-2	-889,385	-4
			-----	---	-----	---
8500	Total comprehensive income (loss)		\$878,961	3	\$1,612,620	7
			=====	=====	=====	=====
	Basic earnings per share (NTD)					
9750	Basic earnings per share	6(33)	\$0.75		\$1.37	
			=====	=====	=====	=====

(Please refer to Notes to Standalone Financial Statements)

Chairperson: Lin, I-Shou

Manager: Wu Lin-Mao

Accounting Manager:

Yieh Phui Enterprise Co., Ltd.  
 Statements of Changes in Equity  
 January 1, 2017 ~ December 31, 2017  
 January 1, 2016 ~ December 31, 2016

Unit: In Thousands of New Taiwan Dollars

Item	Capital		Retained earnings			Exchange differences on translation of foreign financial statements	Unrealized gain or loss for available-for-sale financial assets	The effective portion of gains and losses of financial instruments designated as cash flow hedges	Total Equity
	Capital of comm	Capital surplus	Legal reserve	Special reserve	Undistributed earn				
Balance, January 1, 2016	\$17,180,905	\$4,673,787	\$2,448,261	\$327,757	\$608,642	\$583,467	\$54,642	\$7,080	\$25,884,541
Net income (loss)	-	-	-	-	2,502,005	-	-	-	2,502,005
Other comprehensive income (loss)	-	-	-	-	-76,845	-809,765	-7,080	4,305	-889,385
Total comprehensive income (loss)	-	-	-	-	2,425,160	-809,765	-7,080	4,305	1,612,620
Changes in associates and joint ventures accounted for using equity method	-	9,543	-	-	-11,648	-	-	-	-2,105
Difference between the price received from acquisition or disposal of interest in subsidiaries and book value	-	45,136	-	-	-	-	-	-	45,136
Changes in ownership interests in subsidiaries	-	8,665	-	-	-11,206	-	-	-	-2,541
Balance, December 31, 2016	17,180,905	4,737,131	2,448,261	327,757	3,010,948	-226,298	47,562	11,385	27,537,651
Earnings allocation and distribution:									
Legal reserve	-	-	250,201	-	-250,201	-	-	-	-
Cash dividends for common stocks	-	-	-	-	-687,236	-	-	-	-687,236
Stock dividends for common stocks	1,030,855	-	-	-	-1,030,855	-	-	-	-
Total	1,030,855	-	250,201	-	-1,968,292	-	-	-	-687,236
Net income (loss)	-	-	-	-	1,367,405	-	-	-	1,367,405
Other comprehensive income (loss)	-	-	-	-	-19,140	-471,480	7,171	-4,995	-488,444
Total comprehensive income (loss)	-	-	-	-	1,348,265	-471,480	7,171	-4,995	878,961
Changes in associates and joint ventures accounted for using equity method	-	5,404	-	-	-1,328	-	-	-	4,076
Difference between the price received from acquisition or disposal of interest in subsidiaries and book value	-	131,235	-	-	-	-	-	-	131,235
Changes in ownership interests in subsidiaries	-	-	-	-	-22,996	-	-	-	-22,996
Balance, December 31, 2017	\$18,211,760	\$4,873,770		\$327,757	\$2,366,597	\$-697,778	\$54,733	\$6,390	\$27,841,691

Chairperson: Lin, I-Shou

Manager: Wu Lin-Mao

Accounting Manager: LIN,CHIEN-HUNG

Yieh Phui Enterprise Co., Ltd.  
Statements of Cash Flows  
January 1, 2017 ~ December 31, 2017  
January 1, 2016 ~ December 31, 2016

Unit: In Thousands of New Taiwan Dollars

Item	2017	2016
Cash flows from operating activities		
Net income (loss) before tax	\$1,669,761	\$3,012,751
Adjustments:		
Income and expense item:		
Depreciation	555,656	528,387
Net loss (gain) from financial assets and liabilities at fair value through profit or loss	912	2,118
Interest expense	396,624	355,796
Interest income	-31,238	-3,696
Dividend income	-73,652	-7,906
Share of loss (gains) of subsidiaries, associates and joint ventures accounted for using equity method	-515,734	-1,210,065
Loss (gain) on disposal and retirement of property, plant and equipment	27,786	18,408
Reclassification of property, plant and equipment to expense	8,539	15,848
Gain (loss) on disposal of investment	-15	-150
Impairment loss on financial assets	1,060	
Impairment loss on non-financial assets		2,564
Others	19,995	52,192
Total income and expense items	389,933	-246,504
Changes in operating assets and liabilities:		
Net changes in operating assets		
(Increase) decrease in held-for-trading financial assets	58,988	6,206
(Increase) decrease in notes receivable	-19,714	47,801
(Increase) decrease in accounts receivable	-7,385	-296,416
(Increase) decrease in accounts receivable - related parties	-146,545	268,590
(Increase) decrease in construction contract receivables	277,083	-198,384
(Increase) decrease in other receivables	-37,716	-62,151
(Increase) decrease in inventories	-495,122	-1,460,500
(Increase) decrease in prepayments	-24,559	-77,572
Total net changes in operating assets	-394,970	-1,772,426
Net changes in operating liabilities		
Increase (decrease) in notes payable	-6,365	37,215
Increase (decrease) in accounts payable	-170,702	184,523
Increase (decrease) in construction contract payable	-15,068	-1,467
Increase (decrease) in other payables	-42,864	110,841
Increase (decrease) in provision	27,619	-35,580
Increase (decrease) in advance receipts	-232,972	1,150,161
Increase (decrease) in defined benefit liability, net	-48,044	-22,657
Total net changes in operating liabilities	-488,396	1,423,036
Total net changes in operating assets and liabilities	-883,366	-349,390
Total adjustments	-493,433	-595,894
Cash inflow (outflow) from operations	1,176,328	2,416,857
Interest received	29,540	3,298
Dividend received	179,047	25,606
Interest paid	-401,853	-354,151
Income tax refunded (paid)	-445,746	-87,723
Net cash provided by (used in) operating activities	537,316	2,003,887

Cash flows from investing activities:		
Acquisition of Bond investments with no active market	-262,747	-170,654
Acquisition of financial assets measured at cost	-68,397	-21,913
Disposal of financial assets carried at cost	15	150
Acquisition of investment accounted for using equity method	-1,751,426	-976,981
Acquisition of property, plant and equipment	-178,732	-181,034
Disposal of property, plant and equipment	-	76
Increase in refundable deposits	-40,088	-
Decrease in refundable deposits	-	1,871
Increase in other receivable - related party	-640,000	-310,000
Acquisition of investment property	-16,263	-
Increase in other financial assets	-46,332	-32,186
Increase in other non-current assets	-	-6,709
Decrease in other non-current assets	2,906	-
	-----	-----
Net cash provided by (used in) investing activities	-3,001,064	-1,697,380
	-----	-----
Cash flows from financing activities:		
Increase in short-term loans	1,994,908	-
Decrease in short-term loans	-	-1,723,197
Increase in short-term bills payables	310,000	-
Decrease in short-term bills payables	-	-100,000
Increase in long-term loan	4,600,000	1,600,000
Repayment of long-term loan	-3,830,140	-291,200
Cash dividends distributed	-687,236	-
	-----	-----
Net cash provided by (used in) financing activities	2,387,532	-514,397
	-----	-----
Net increase (decrease) in cash and cash equivalents	-76,216	-207,890
Cash and cash equivalents, beginning of the period	1,545,921	1,753,811
	-----	-----
Cash and cash equivalents, end of the period	\$1,469,705	\$1,545,921
	=====	=====

(Please refer to Notes to Standalone Financial Statements)

Chairperson: Lin, I-Shou

Manager: Wu Lin-Mao

Accounting Manager: LIN,CHIEN-HUNG

## 2. The Auditing Committee Audits the Final Financial Statement of 2017

### **Report of the Auditing Committee**

#### **Yieh Phui Enterprise Co., Ltd**

The board of directors has prepared the 2017 operating report, consolidated financial statement, which includes the individual entity report, and the declaration of dividends, among which has been audited and signed off by Crowe Horwath (TW)CPAs. The operating report, consolidated financial statement and the declaration of dividends have been audited by the auditing committee and no abnormality found. Thus, the report has been released according to Article 14-4 and Article 219 of the Company Act. Herein kindly ask for approval.

To

the 2018 the Stockholder's Meeting of Yieh Phui

**Chairman of the Auditing Committee: Sun Chin-Su**

March 21, 2018

## VII Appendix

### Appendix 1

## YIEH PHUI ENTERPRISE CO., LTD Comparison Table for the “Corporate Charter”

Before and After Revision

BEFORE THE REVISION	AFTER THE REVISION
Chapter 4 Directors <u>and supervisors</u>	Chapter 4 Directors
<p>Article 18: The Company is with 7 directors appointed by a nomination system. They are elected among the competent shareholders in the shareholders meeting in accordance with Article 198 of the Company Act. Directors and supervisors are appointed for a term of 3-year and can be appointed for the 2nd term. Also, the minimum shareholding ratio of the directors shall comply with the requirements of the securities competent authorities.</p> <p>A majority of the Company’s directors should not be in any of the following relationships:</p> <ol style="list-style-type: none"> <li>1. Spouse</li> <li>2. Secondary relatives</li> </ol> <p><u>At least one of the Company’s directors shall not be in any of the relationship stated in preceding paragraph, unless otherwise approved by the competent authorities.</u></p>	<p>Article 18: The Company is with 7 directors appointed by a nomination system. They are elected among the competent shareholders in the shareholders meeting in accordance with Article 198 of the Company Act. Directors and supervisors are appointed for a term of 3-year and can be appointed for the 2nd term. Also, the minimum shareholding ratio of the directors shall comply with the requirements of the securities competent authorities.</p> <p>A majority of the Company’s directors should not be in any of the following relationships:</p> <ol style="list-style-type: none"> <li>1. Spouse</li> <li>2. Secondary relatives</li> </ol>
<p>Article 24: The motions resolved in the board meeting must be documented in the minutes of meeting, which must be signed and sealed by the Chairman and then distributed to all directors within 15 days after the meeting. The gist and result of the proceeding should be documented in the minutes of meeting; also, the minutes of meeting should be kept for records at the Company’s along with the shareholder’s attendance registry and proxies.</p>	<p>Article 24: The motions resolved in the board meeting must be documented in the minutes of meeting, which must be signed and sealed by the Chairman and then distributed to all directors within <u>20</u> days after the meeting. The gist and result of the proceeding should be documented in the minutes of meeting; also, the minutes of meeting should be kept for records at the Company’s along with the shareholder’s attendance registry and proxies.</p>
Chapter 5 Managers and employees	Chapter 5 Managers and employees