

Stock Code: 1313

UPC Technology Corporation

2018 Annual General Shareholders' Meeting

Handbook

The original of this handbook is written in Chinese language. If there is any discrepancy between the Chinese version and this English translation, the Chinese version shall prevail.

June 8, 2018

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Agenda of Annual General Shareholders' Meeting of UPC Technology Corporation in 2018

Date: June 8, 2018 (Friday) 10:00 a.m.

Place: Po Shou Hall, 5th floor of Grand Hotel Kaohsiung, No. 2, Yuanshan Road,
Niaosong District, Kaohsiung City

1. Chairperson Remarks:

2. Reports:

(1) 2017 Business Report

(2) Audit Committee's Review Report

(3) 2017 employees' compensation and directors' compensation
distribution report

3. Adoptions:

(1) Adoption of the 2017 Business Report and Financial Statements

(2) Adoption of the 2017 Profits Distribution Proposal

4. Discussions:

(1) Proposal for a new share issue through capitalization of earnings

(2) Proposal for an Amendment of the Articles of Incorporation

(3) Proposal for an Amendment to the Operational Procedures for Loaning
Funds to Others

5. Election: Election of the 15th-term directors

6. Other Motions: Releasing directors from non-compete clauses to be discussed

7. Extemporaneous Motion

8. Adjournment

Reports

1. The 2017 Business Report of the Company is presented for review.

Explanation: Please see Attachment 1 of the meeting handbook.

2. Audit Committee's Review Report on 2017 financial statements b is presented for review.

Explanation: Please see Attachment 2 of the meeting handbook.

3. The 2017 employees' compensation and directors' compensation distribution report is presented for review.

Explanation: 1. According to Article 28 of the Articles of Incorporation, "if the Company has any profit for a fiscal year after the accumulated loss has been deducted, the Company shall appropriate an amount of not less than 1% of the profit for the employees' compensation, and an amount of not more than 1% for the directors' compensation."

2. The board of directors resolves to distribute the employees' compensation in an amount of NT\$36,000,000 and the directors' compensation in an amount of NT\$8,000,000 for 2017. Both compensations are distributed in cash.

Adoptions

Motion 1

【Proposed by the Board of Directors】

Subject: The 2017 Business Report and Financial Statements of the Company are presented for being adopted.

Explanation: 1. The 2017 Business Report and Financial Statements certified by CPAs has been audited by Audit Committee. For relevant information, please see Attachment 1, Attachment 2 and Attachment 3 of the meeting handbook.

2. The Business Report and Financial Statements are presented for being adopted.

Resolution:

Motion 2

【Proposed by the Board of Directors】

Subject: The 2017 Profits Distribution Proposal is presented for being adopted.

Explanation: 1. The Company's earnings of the year 2017 are proposed to be distributed as stated in the following table:

UPC Technology Corporation
Earning Distribution 2017

Unit: NTD	
Undistributed earnings at the beginning of the year	1,329,572,158
Less: Defined benefit plan remeasurement recognized in retained earnings	4,753,653
Undistributed earnings after adjustment	1,324,818,505

Add: Profit after tax of the year		2,342,412,580
Less: Allocated legal reserve		234,241,258
Distributable earnings		3,432,989,827
Allocated item:	Cash dividends: NT\$ 1.0 per share	1,179,557,064
Shareholders' Bonus	Stock dividends: NT\$ 0.8 per share	943,645,650
Undistributed earnings at the end of the year		1,309,787,113

2. The Company allocates the shareholders' bonus in an amount of NT\$2,123,202,714. The amount is determined based on the 1,179,557,064 shares with rights to participating in earning allocation. In case of increase or decrease in treasury stocks to influence the number of outstanding shares which results in changes in the ratio of shareholders' bonus to be allocated, Chairperson of the Company shall be authorized at this Annual General Shareholders' Meeting to make necessary adjustments.
3. Earnings of the year 2017 are first distributed in the proposal of earning distribution.
4. The cash dividend distributed in the proposal of earning distribution is calculated to the whole number. The sum of fractional cash dividend each of which is less than NT\$1 will be listed as other incomes of the Company. The stock dividend is also calculated rounded to the whole number.
5. The said proposal is presented for being adopted.

Resolution:

Discussions

Motion 1

【 Proposed by the Board of Directors 】

Subject: The Company plans to increase capital by transferring the earnings of NT\$943,645,650 to capital and issue 94,364,565 new shares. The plan is presented for review and approval.

Explanation: 1. To increase its working capital and strengthen the financial structure, the Company plans to increase its capital by transferring the earnings of NT\$943,645,650 to capital and issue 94,364,565 new shares with each valued a par value of at NT\$10. 80 shares are unconditionally distributed for every one thousand shares held by a shareholder whose name has been recorded in the roster of shareholders on the record date for capital increase. In case of increase or decrease in treasury shares to influence the number of outstanding shares which results in changes in the ratio of shareholders' bonus to be allocated, Chairperson of the Company shall be authorized at this Annual General Shareholders' Meeting to make necessary adjustments.

2. As for fractional shares, each of which is less than a share, issued to shareholders, shareholders may try to combine them at the Company's share service agency, i.e. Dept. of Agency, CTBC Bank, within 5 days after the record date for capital increase. The fractional shares not combined within the provided period or are still less than 1 share even after being combined, cash dividends (rounded to an integer) will be distributed to replace the fractional shares. Chairperson is authorized to contact and designate a

- person to subscribe the shares in cash at par value.
3. The rights and obligations pertaining to the new shares issued this time are same as those pertaining to old shares.
 4. After the issuance of new shares has been resolved at this Annual General Shareholders' Meeting and reported to and approved by the competent authority, the board of directors shall determine the record date for capital increase to distribute such new shares.
 5. The issuance is presented for review and approval.

Resolution:

Motion 2

【Proposed by the Board of Directors】

Subject: The amendment to Articles of Incorporation is presented for review and approval.

Explanation: 1. According to the law and to meet the actual need of the Company's business, the Articles of Incorporation is to be amended accordingly.

2. The Comparison of Amended and Pre-amended Articles of Incorporation is presented for review and approval. Please see Attachment 4 of the meeting handbook.

Resolution:

Motion 3

【Proposed by the Board of Directors】

Subject: The amendment to the Operational Procedures for Loaning Funds to Others provided by the Company is presented for review and approval.

Explanation: 1. To meet legal requirements, the Operational Procedures for Loaning

Funds to Others provided by the Company are to be amended accordingly.

2. The Comparison of Amended and Pre-amended Operational Procedures is hereto attached. Please see Attachment 5 of the meeting handbook. This motion is presented for review and approval.

Resolution:

Election

【Proposed by the Board of Directors】

Subject: Election of the 15th-term directors of the Company.

- Explanation:
1. The term of office of the 14th-term directors expires on June 22, 2018. The Company intends to elect 8 directors, including 3 independent directors, for the 15th term, who shall take office on the date of election.
 2. The term of office of the 15th-term directors is 3 years, from June 8, 2018 to June 7, 2021.
 3. The list of director candidates was reviewed and approved by the board of director on Apr. 27, 2018. For relevant information, please see Attachment 6 of the meeting handbook.
 4. Please conduct the election.

Election Result:

Other Motions

【Proposed by the Board of Directors】

Subject: Please release the 15th-term directors from non-compete Restrictions.

This motion is proposed for review and approval.

Explanation: 1. The motion of releasing the 15th-term directors from non-compete Restrictions in accordance with Article 209 of the Company Act is presented on the premise that the Company’s interests are not impaired. If a corporate director changes its representative during the term of office, the resolution of the motion is also applicable to the new representative.

2. New directors to be released from non-compete Restrictions are listed as follows:

Name of Director	Also serves as
Matthew Feng-Chiang Miao	Director of Taita Chemical Company, Limited
Chun Chen (Representative of Lien Hwa Industrial Corp.)	Independent director of USI Corporation
Wenent P. PAN	Independent director of China Petrochemical Development Corporation
Y. S. KO	Director of Taita Chemical Company, Limited Director of Asia Polymer Corporation

3. The motion is presented for review and approval.

Resolution:

Extemporary Motion

Adjournment

UPC Technology Corporation Business Report

Looking back on 2017, global economy recovered, political risk in the Eurozone reduced, and global economic growth went better than expected. Our overall operating results and profits have grown stably after we completed business layout in Greater China and Southeast Asia, adjusted organization and focused on products and creation of core competitiveness.

I. Business Result of 2017

The consolidated revenue was NT\$ 50,600.13 million in 2017. Compared with that of the preceding year, it has increased by 19%. The profit after tax was NT\$ 2,342 million. Compared with that of the preceding year, it has increased by NT \$ 1,254 million. The earning per share after tax was NT\$2.02.

The production and sales volume of the Group in 2017 have reached a new record. The total production volume was 1.81 million tons. Compared with that of the preceding year, it has increased by 14%. The total sales volume was 1.59 million tons. Compared with that of the preceding year, it has increased by 9%.

II. Business Plan of 2018

Prospecting 2018, the US tax reform will motivate economy and profits of enterprises, European economic recovery will accelerate, and economic structure of China will become better. The world economy is expected to be growing continuously.

Our Operating Layout:

With 7 major business units in Taiwan, South China, East China, Southwest China, Northeast China, Malaysia and Southeast Asia, we cover Greater China and Southeast Asia, and we are also expanding to markets in South Asia, North Asia, Northeast Asia and Central and South Americas.

Our Operating Strategy:

1. In respect of the framework of organization, each business unit (BU) is defined as a profit center equipped with 9 professional functions which effectuate system establishment and resource integration and assist each business unit in managing its operating activities effectively to create profits and achieve operating goals.
2. In respect of supply of raw materials, we consistently expand cooperation and alliance with suppliers in China and overseas to get stable supply and ensure to deploy raw materials flexibly.
3. In respect of logistics, trade and energy service, we use our current resources, geographical advantages and robust channels to reduce operating costs and increase profits and also develop toward a sustainable entity.
4. In respect of core products, we develop and produce environmentally friendly and odorless plasticizers and bio-plasticizers that contain no benzene. In respect of fine and specific chemicals, we accelerate development of environmentally friendly and special chemical

products.

5. We cooperate with international enterprises to develop high-value products.
6. In respect of safety, fire prevention and manufacturing safety, we use advanced monitoring and management systems to identify potential risks, aiming to achieve a zero work injury rate. In respect of protection of environment, we take advantage of circular economy to conserve energy and reduce carbon emission to achieve the goal of zero emission.
7. We use Industry 4.0 as the blueprint to develop UPC 4.0 and take advantage of Internet of Things and Big Data to enhance production competitiveness and management efficiency.
8. We emphasize cultivation of talents and transfer of experience to satisfy our growing demand for manpower.

As a global leading company in production of phthalic anhydride and plasticizer, we will continuously develop various environmentally friendly plasticizers and enhance core competitiveness as well as the philosophy of innovation, so as to create outstanding business results to reward all shareholders and the society.

Thank you.

Chairperson Matthew Feng-Chiang Miao

General Manager Y. S. KO

Accounting Supervisor Wu, Sheng-Chien Simon

UPC Technology Corporation
Audit Committee's Review Report

The Financial Statements of the Company for the year 2017 (from Jan. 1, 2017 to Dec. 31, 2017) prepared by the board of directors has been audited by Wen-Chi Kuo and Chien-Liang Liu, CPAs of Deloitte & Touche. The aforementioned financial statements together with the 2017 Business Report and Earning Allocation have been audited by this Audit Committee and this Committee is of the opinion that said documents are in compliance with the Company Act and applicable laws. The report is hereby issued in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

This is submitted to the Annual General Shareholders' Meeting of UPC Technology Corporation held in 2018.

UPC Technology Corporation Audit Committee Meeting Convener: Paul P. Wang

Mar. 20, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
UPC Technology Corporation

Audit Opinion

We have audited the consolidated balance sheet of UPC Technology Corporation and its subsidiaries as of Dec. 31, 2017 and Dec. 31, 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 important accounting policies).

In our opinion, the above consolidated financial statements are prepared, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as International Financial Reporting Standards, International Accounting Standards, interpretations and announcements recognized and issued by Financial Supervisory Commission, and present fairly the consolidated financial position of UPC Technology Corporation and its subsidiaries on Dec. 31, 2017 and Dec. 31, 2016 and the consolidated financial results and cash flows for the years then ended.

Basis for Audit Opinion

We performed our audits in accordance with the Rules Governing the Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibility under these standards is specified below in Section of Our Responsibility in these consolidated financial statements. We, the certified public accountants of the Firm subject to regulation on auditor independence, keep independent from UPC Technology Corporation and its subsidiaries in compliance with the Norm of Professional Ethics for Certified Public Accountant and perform other responsibilities provided in the Norm. We believe that we have acquired sufficient and proper audit evidence which can provide the reasonable basis for the expressed opinion.

Key Audit Matters

Key audit matters refer to the most important matters audited based on our professional judgment for the 2017 consolidated financial statements of UPC Technology Corporation and its

subsidiaries. These matters have been taken care of in the process whereby the consolidated financial statements are audited and the audit opinion is formed. We do not express our opinion on these matters separately.

Key audit matters for the 2017 consolidated financial statements of UPC Technology Corporation and its subsidiaries are explained as follows:

Impairment of Inventories

The impairment amount of inventories of UPC Technology Corporation and its subsidiaries is estimated and determined by the management and the actual result may influence the profit significantly, so impairment of inventories is listed as one of key audit matters. We have not only understood the accounting policy used to measure inventories and the method to calculate cost of inventories, but also participated in inventory counts at the end of the year to observe whether inventories were inactive and obsolete. We have also evaluated reasonableness of the estimate adopted for the net realizable value of inventories. For the book value of inventory valuation loss, please see note 12 of the notes to the consolidated financial statements.

Deferred Tax Assets Recognition

The amount recognized as deferred tax assets of UPC Technology Corporation and its subsidiaries is estimated and determined by the management and the actual result may influence the profit significantly, so impairment of inventories is listed as one of key audit matters. We have not only checked accuracy of each income tax asset calculated, but also understood whether the future financial results of these companies would provide enough profits or taxable temporary differences in order to evaluate realizability of deferred tax assets. For the book value of deferred tax assets, please see note 26 of the notes to the consolidated financial statements.

Other Matters

UPC Technology Corporation has prepared its financial statements of 2017 and 2016. For these financial statements, we have issued an audit report with unqualified opinion.

Responsibility of Management and Governing Unit for Consolidated Financial Statements

The responsibility of the management is to prepare the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations and announcements recognized and issued by Financial Supervisory Commission, and maintain the internal control necessary for the preparation of the consolidated financial statements in order to ensure that the consolidated financial statements are free from material misstatement due to fraud or error.

For preparation of the consolidated financial statements, the responsibility of the management also includes evaluation of the ability of UPC Technology Corporation and its subsidiaries to operate continuously, disclosure of relevant matters and use of the going concern basis of accounting unless the management intends to liquidate or wind up UPC Technology Corporation and its subsidiaries or unless there is no feasible scheme instead of liquidation or windup.

The governing units of UPC Technology Corporation and its subsidiaries (including Audit Committee) have the responsibility of supervising the financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

We audit the consolidated financial statements to reasonably ensure that the consolidated financial statements are free from material misstatements due to fraud or error and to issue an audit report. However, the audit conducted in accordance with generally accepted auditing standards does not guarantee that all material misstatements in the consolidated financial statements could be detected. Misstatements may be resulted from fraud or error. If a misstated amount or sum may be reasonably expected to influence the economic decisions made by users of the consolidated financial statements, the amount or sum shall be regarded as a material misstatement.

We exercise our professional judgement when auditing in accordance with generally accepted auditing standards. We have also conducted the following work:

1. Identify and evaluate the risks of material misstatements due to fraud or error in the consolidated financial statements; design and take proper measures to respond to the evaluated risks; obtain sufficient and proper audit evidence to be the basis for our audit opinion. As fraud involves conspiracy, falsification, intended omission, misstatement or transgression of internal control, the risk of not detecting misstatements due to fraud is higher than the risk of not detecting misstatements due to error.
2. Obtain necessary knowledge about the internal control essential to the audit in order to design an audit procedure appropriate for the circumstances. However, the purpose is not to express opinion about effectiveness of the internal control of UPC Technology Corporation and its subsidiaries.
3. Evaluate appropriateness of the accounting policies used by the management and reasonableness of estimates and relevant disclosures.
4. Make a conclusion with respect to appropriateness of the going concern basis of accounting applied by the management based on the audit evidence obtained, and whether there is any significant uncertainty to the event or situation that may generate significant doubt of the ability of UPC Technology Corporation and its subsidiaries to operate continuously. When we think that there is significant uncertainty to such event or situation, we shall, in the audit

report, remind users of the consolidated financial statements to pay attention to disclosures in the consolidated financial statements, or modify our audit opinion when such disclosures are improper. Our conclusion is made based on the audit evidence obtained as of the date of audit. However, future events or situations may make UPC Technology Corporation and its subsidiaries loss their ability of operating continuously.

5. Evaluate the overall expression, structure and contents of the consolidated financial statements (including attached notes) and whether the consolidated financial statements fairly express relevant transactions and events.
6. Obtain sufficient and proper audit evidence for financial information of the Group in order to express our opinion about the consolidated financial statements. We are responsible for directing, supervising and conducting the audit and for forming the audit opinion about the Group.

The matters that we have communicated with the governing units include the scope and time of the audit planned, and important findings in the audit (including obvious defects identified in internal control during the audit).

We have also provided the governing units with a declaration stating that we, the certified public accountants of the Firm subject to regulation on auditor independence, maintain independent in compliance with the Norm of Professional Ethics for Certified Public Accountant, and have also communicated with the governing units for all relations that may be thought to influence independency of a certified public account and other matters (including relevant protection measures).

From the matters about which we have communicated with the governing units, we determine the key audit matters to be audited in the consolidated financial statements of UPC Technology Corporation and its subsidiaries for the year 2017. We have stated such matters in the audit report. Unless disclosure of specific matters is not permitted by law, or in rare situations, we decide not to communicate the specific matters in the audit report; therefore, it can be reasonably expected that the negative influence generated from the communication is greater than the public interests to be enhanced.

Deloitte & Touche

Wen-Chi Kuo, CPA

Securities and Futures Commission

Approved File No.:

Tai-Cai-Zheng-6-Zi No. 0920123784

Chien-Liang Liu, CPA

Financial Supervisory Commission Approved

File No.:

Jin-Guan-Zheng-Shen-Zi No. 1000028068

March 16, 2018

Notice to Readers

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

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

UPC Technology Corporation and Subsidiaries

Consolidated Balance Sheet

Dec. 31, 2017 and Dec. 31, 2016

Unit: NTD Thousand

Code	Asset	Dec. 31, 2017		Dec. 31, 2016	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	\$ 6,471,303	15	\$ 4,604,140	13
1110	Financial assets at fair value through profit or loss (Note 7)	-	-	33,070	-
1125	Available-for-sale financial assets (Notes 8 and 34)	927,511	2	1,180,782	3
1147	Bond investment without active market (Notes 10 and 34)	13,663	-	55,890	-
1150	Notes receivable (Note 11)	334,141	1	209,348	1
1170	Accounts receivable (Note 11)	3,168,702	7	2,976,021	8
1200	Other receivables (Note 11)	98,710	-	70,779	-
1210	Other receivables – Concerned parties (Note 33)	2,091	-	2,425	-
1220	Current tax assets (Note 26)	35,856	-	71,230	-
130X	Inventories (Note 12)	7,601,388	17	5,266,704	15
1412	Prepaid lease payments (Notes 16 and 34)	36,867	-	37,660	-
1470	Other current assets (Note 17)	<u>1,911,506</u>	<u>4</u>	<u>1,041,723</u>	<u>3</u>
11XX	Total current assets	<u>20,601,738</u>	<u>46</u>	<u>15,549,772</u>	<u>43</u>
	Non-current assets				
1523	Available-for-sale financial assets (Note 8)	5,811,708	13	4,050,795	11
1543	Financial assets measured at cost (Note 9)	426,348	1	466,661	1
1550	Investments accounted for using equity method (Note 14)	30,179	-	32,506	-
1600	Property, plant and equipment (Notes 15 and 34)	15,459,853	34	13,589,704	37
1801	Computer software	7,448	-	2,140	-
1840	Deferred tax assets (Note 26)	301,522	1	630,073	2
1985	Long-term prepaid lease payments (Notes 16 and 34)	1,593,083	3	1,667,376	5
1990	Other non-current assets (Notes 17 and 33)	<u>778,100</u>	<u>2</u>	<u>409,290</u>	<u>1</u>
15XX	Total non-current assets	<u>24,408,241</u>	<u>54</u>	<u>20,848,545</u>	<u>57</u>
1XXX	Total assets	<u>\$ 45,009,979</u>	<u>100</u>	<u>\$ 36,398,317</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 18)	\$ 7,234,070	16	\$ 3,829,853	11
2110	Short-term notes and bills payable (Note 18)	2,099,184	5	699,800	2
2120	Financial liabilities at fair value through profit or loss (Note 7)	18,729	-	-	-
2150	Notes payable (Note 19)	321,448	1	193,970	1
2170	Accounts payable (Notes 19 and 33)	2,466,741	6	1,939,778	5
2219	Other payables (Note 20)	1,541,214	3	1,010,925	3
2230	Current tax liabilities (Note 26)	115,468	-	74,499	-
2250	Provisions (Note 21)	131,090	-	145,823	-
2320	Long-term borrowings due within one year (Notes 18 and 34)	803,520	2	806,250	2
2399	Other current liabilities (Note 20)	<u>343,783</u>	<u>1</u>	<u>327,757</u>	<u>1</u>
21XX	Total current liabilities	<u>15,075,247</u>	<u>34</u>	<u>9,028,655</u>	<u>25</u>
	Non-current liabilities				
2540	Long-term borrowings (Notes 18 and 34)	8,058,563	18	8,456,294	23
2550	Provisions (Note 21)	3,630	-	3,146	-
2570	Deferred tax liabilities (Note 26)	182,638	-	180,998	1
2630	Long-term deferred revenue (Note 29)	233,005	1	137,843	-
2640	Net defined benefit liability (Note 22)	187,173	-	177,159	-
2645	Guarantee deposits received	<u>5,817</u>	<u>-</u>	<u>5,768</u>	<u>-</u>
25XX	Total non-current liabilities	<u>8,670,826</u>	<u>19</u>	<u>8,961,208</u>	<u>24</u>
2XXX	Total liabilities	<u>23,746,073</u>	<u>53</u>	<u>17,989,863</u>	<u>49</u>
	Equity (Note 23)				
3110	Ordinary shares	<u>11,995,571</u>	<u>27</u>	<u>11,712,366</u>	<u>32</u>
3200	Capital surplus	<u>1,147,117</u>	<u>3</u>	<u>1,111,644</u>	<u>3</u>
	Retained earnings				
3310	Legal reserve	2,029,552	4	1,920,671	5
3320	Special reserve	341,773	1	341,773	1
3350	Unappropriated earnings	<u>3,667,231</u>	<u>8</u>	<u>2,401,350</u>	<u>7</u>
3300	Total retained earnings	<u>6,038,556</u>	<u>13</u>	<u>4,663,794</u>	<u>13</u>
3400	Other equity	<u>2,400,287</u>	<u>5</u>	<u>1,288,202</u>	<u>4</u>
3500	Treasury shares	<u>(317,625)</u>	<u>(1)</u>	<u>(367,552)</u>	<u>(1)</u>
3XXX	Total equity	<u>21,263,906</u>	<u>47</u>	<u>18,408,454</u>	<u>51</u>
	Total liabilities and equity	<u>\$ 45,009,979</u>	<u>100</u>	<u>\$ 36,398,317</u>	<u>100</u>

UPC Technology Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
Jan. 1 to Dec. 31, 2017 and Jan. 1 to Dec. 31, 2016

Unit: NTD Thousand;
except EPS (NTD)

Code		2017		2016	
		Amount	%	Amount	%
	Operating revenue (Note 24)				
4100	Sales revenue	\$ 50,545,326	100	\$ 42,337,401	100
4800	Other operating revenue	<u>54,799</u>	-	<u>54,611</u>	-
4000	Total operating revenue	<u>50,600,125</u>	<u>100</u>	<u>42,392,012</u>	<u>100</u>
	Operating costs (Note 25)				
5110	Cost of goods sold (Notes 12 and 33)	46,694,609	92	39,356,367	93
5800	Other operating costs	<u>45,165</u>	-	<u>42,659</u>	-
5000	Total operating costs	<u>46,739,774</u>	<u>92</u>	<u>39,399,026</u>	<u>93</u>
5900	Gross profit from operations	<u>3,860,351</u>	<u>8</u>	<u>2,992,986</u>	<u>7</u>
	Operating expenses (Notes 25 and 33)				
6100	Selling expenses	929,059	2	782,927	2
6200	Administrative expenses	<u>936,380</u>	<u>2</u>	<u>946,639</u>	<u>2</u>
6000	Total operating expenses	<u>1,865,439</u>	<u>4</u>	<u>1,729,566</u>	<u>4</u>
6900	Net operating income	<u>1,994,912</u>	<u>4</u>	<u>1,263,420</u>	<u>3</u>
	Non-operating income and expenses				
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 14)	(620)	-	(679)	-
7190	Other incomes (Notes 25 and 33)	762,005	2	949,960	2
7020	Other gains and losses (Note 25)	547,757	1	(558,133)	(1)
7050	Finance costs (Note 25)	<u>(369,774)</u>	<u>(1)</u>	<u>(279,995)</u>	<u>(1)</u>
7000	Total non-operating income and expenses	<u>939,368</u>	<u>2</u>	<u>111,153</u>	<u>-</u>

(Continued on next page)

(Brought forward from previous page)

Code		2017		2016	
		Amount	%	Amount	%
7900	Profit before tax	\$ 2,934,280	6	\$ 1,374,573	3
7950	Tax expense (Note 26)	<u>591,867</u>	<u>1</u>	<u>285,760</u>	<u>-</u>
8200	Net profit	<u>2,342,413</u>	<u>5</u>	<u>1,088,813</u>	<u>3</u>
	Other comprehensive income (Note 23)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurements of defined benefit plan	(5,724)	-	(31,348)	-
8349	Tax relating to items that will not be reclassified (Note 26)	<u>970</u>	<u>-</u>	<u>5,320</u>	<u>-</u>
		(<u>4,754</u>)	<u>-</u>	(<u>26,028</u>)	<u>-</u>
8360	Items likely to be reclassified to profit or loss in subsequent period:				
8361	Exchange differences on translation of foreign financial statements	(551,852)	(1)	(1,385,113)	(3)
8362	Unrealized gain on available-for -sale financial assets	1,635,207	3	1,096,234	2
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	790	-	(2,194)	-
8399	Tax relating to items that will be reclassified to profit (Note 26)	<u>27,940</u>	<u>-</u>	<u>6,380</u>	<u>-</u>
		<u>1,112,085</u>	<u>2</u>	(<u>284,693</u>)	(<u>1</u>)
8300	Current other comprehensive income (Net after tax)	<u>1,107,331</u>	<u>2</u>	(<u>310,721</u>)	(<u>1</u>)
8500	Current total comprehensive income	<u>\$ 3,449,744</u>	<u>7</u>	<u>\$ 778,092</u>	<u>2</u>
	Earnings per share (Note 27)				
9710	Basic	<u>\$ 2.02</u>		<u>\$ 0.93</u>	
9810	Diluted	<u>\$ 2.01</u>		<u>\$ 0.93</u>	

UPC Technology Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
Jan. 1 to Dec. 31, 2017 and Jan. 1 to Dec. 31, 2016

Unit: NTD Thousand

Code		Ordinary shares	Capital surplus	Retained earnings			Other equity		Treasury shares	Total equity		
				Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign financial statements			Unrealized gains (losses) on available-for-sale financial assets	
A1	Balance as of Jan. 1, 2016	\$ 11,712,366	\$ 1,111,644	\$ 1,920,671	\$ 341,773	\$ 1,567,129	\$ 3,829,573	\$ 1,960,928	(\$ 388,033)	\$ 1,572,895	(\$ 228,272)	\$ 17,998,206
B5	Earnings distributed for 2015 Cash dividends to shareholders of the company	-	-	-	-	(228,564)	(228,564)	-	-	-	-	(228,564)
D1	Profit of 2016	-	-	-	-	1,088,813	1,088,813	-	-	-	-	1,088,813
D3	Other comprehensive income after tax for 2016	-	-	-	-	(26,028)	(26,028)	(1,378,733)	1,094,040	(284,693)	-	(310,721)
D5	Total comprehensive income for 2016	-	-	-	-	1,062,785	1,062,785	(1,378,733)	1,094,040	(284,693)	-	778,092
L1	Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(139,280)	(139,280)
Z1	Balance as of Dec. 31, 2016	11,712,366	1,111,644	1,920,671	341,773	2,401,350	4,663,794	582,195	706,007	1,288,202	(367,552)	18,408,454
B1	Earnings distributed for 2016 Legal reserve	-	-	108,881	-	(108,881)	-	-	-	-	-	-
B5	Cash dividends to shareholders of the company	-	-	-	-	(679,692)	(679,692)	-	-	-	-	(679,692)
B9	Stock dividends to shareholders of the company	283,205	-	-	-	(283,205)	(283,205)	-	-	-	-	-
D1	Profit of 2017	-	-	-	-	2,342,413	2,342,413	-	-	-	-	2,342,413
D3	Other comprehensive income after tax for 2017	-	-	-	-	(4,754)	(4,754)	(523,912)	1,635,997	1,112,085	-	1,107,331
D5	Total comprehensive income for 2017	-	-	-	-	2,337,659	2,337,659	(523,912)	1,635,997	1,112,085	-	3,449,744
N1	Treasury shares transferred to employees	-	35,473	-	-	-	-	-	-	-	49,927	85,400
Z1	Balance as of Dec. 31, 2017	\$ 11,995,571	\$ 1,147,117	\$ 2,029,552	\$ 341,773	\$ 3,667,231	\$ 6,038,556	\$ 58,283	\$ 2,342,004	\$ 2,400,287	(\$ 317,625)	\$ 21,263,906

UPC Technology Corporation and Subsidiaries

Consolidated Statement of Cash Flows

Jan. 1 to Dec. 31, 2017 and Jan. 1 to Dec. 31, 2016

Unit: NTD Thousand

Code		2017	2016
	Cash flows from (used in) operating activities		
A10000	Current Profit before tax	\$ 2,934,280	\$ 1,374,573
A20010	Incomes and expenses having no effect on cash flows		
A20300	Bad debt expenses	12,087	230
A20100	Depreciation expenses	1,121,602	1,192,766
A20200	Amortization expenses	148,744	149,401
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	50,451	(33,070)
A20900	Finance costs	369,774	279,995
A21200	Interest income	(107,974)	(88,067)
A21300	Dividend income	(368,591)	(251,308)
A21900	Compensation cost of treasury shares transferred to employees	32,345	-
A23100	Loss (gain) on disposal of investments	(458,148)	(2,383)
A22300	Share of loss of associates and joint ventures accounted for using equity method	620	679
A22500	Loss (gain) on disposal of property, plant and equipment	15,390	4,971
A23500	Impairment loss on financial assets at cost	-	2,681
A23800	Gain on price recovery of inventories	(20,120)	(102,840)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	(125,267)	91,291
A31150	Accounts receivable	(205,095)	(799,678)
A31180	Other receivables	(27,014)	48,882
A31190	Other receivables – Concerned parties	334	1,458
A31200	Inventories	(2,312,060)	(1,203,725)
A31240	Other current assets	(869,138)	368,998
A32130	Notes payable	127,478	72,479
A32150	Accounts payable	526,963	258,906
A32180	Other payables	374,495	167,944
A32200	Provisions	(14,249)	(13,837)
A32230	Other current liabilities	16,026	18,092
A32210	Long-term deferred revenue	97,034	-
A32240	Net defined benefit liability	4,290	(275,321)
A33000	Cash inflow generated from operations	1,324,257	1,263,117

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Code		2017	2016
A33100	Interest received	\$ 107,057	\$ 89,487
A33500	Tax paid	(156,423)	(16,496)
AAAA	Net cash flows from operating activities	<u>1,274,891</u>	<u>1,336,108</u>
	Cash flows from (used in) investing activities		
B00300	Acquisition of available-for-sale financial assets	(7,295)	(64,574)
B00400	Proceeds from disposal of available-for-sale financial assets	595,983	9,451
B00600	Acquisition of investments in debt instrument without active market	(14,645)	(61,668)
B00700	Proceeds from disposal of investments in debt instrument without active market	55,292	40,209
B01200	Acquisition of financial assets at cost	-	(25,000)
B01300	Proceeds from disposal of financial assets at cost	34,867	256
B01400	Capital reduction of financial assets at cost	-	68,740
B02700	Acquisition of property, plant and equipment	(3,425,309)	(3,412,864)
B02800	Proceeds from disposal of property, plant and equipment	4,478	19,921
B03700	Increase in refundable deposits	(3,206)	(4,744)
B03800	Decrease in refundable deposits	5,371	269
B04500	Purchase of computer software	(6,628)	(621)
B06700	Increase in other non-current assets	(381,780)	(33,377)
B07300	Increase in long-term prepaid lease payments	-	(69,589)
B07600	Cash dividends received	<u>368,591</u>	<u>251,308</u>
BBBB	Net cash flows used in investing activities	<u>(2,774,281)</u>	<u>(3,282,283)</u>
	Cash flows from (used in) financing activities		
C00600	Increase in short-term notes and bills payable	1,399,384	699,800
C00100	Increase in short-term borrowings	17,520,349	10,145,395
C00200	Decrease in short-term borrowings	(14,070,138)	(12,214,526)
C01600	Increase in long-term borrowings	10,774,564	7,474,443
C01700	Repayment of long-term borrowings	(10,981,471)	(7,215,286)
C03000	Increase in guarantee deposits received	652	4,025
C03100	Decrease in guarantee deposits received	(603)	(1,534)
C04500	Cash dividends paid	(679,692)	(228,564)
C04800	Treasury shares transferred to employees	53,055	-
C04900	Payments to acquire treasury shares	-	(139,280)
C05600	Interest paid	(361,184)	(271,326)
CCCC	Net cash flows from (used in) financing activities	<u>3,654,916</u>	<u>(1,746,853)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>(288,363)</u>	<u>(578,946)</u>

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<u>Code</u>		<u>2017</u>	<u>2016</u>
EEEE	Increase (decrease) in cash and cash equivalents	\$ 1,867,163	(\$ 4,271,974)
E00100	Cash and cash equivalents at beginning of period	<u>4,604,140</u>	<u>8,876,114</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 6,471,303</u>	<u>\$ 4,604,140</u>

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

UPC Technology Corporation

Audit Opinion

We have audited the balance sheet of UPC Technology Corporation as of Dec. 31, 2017 and Dec. 31, 2016 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements (including important accounting policies).

In our opinion, the above financial statements are prepared, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and present fairly the financial position of UPC Technology Corporation on Dec. 31, 2017 and Dec. 31, 2016 and its financial results and cash flows for the years then ended.

Basis for Audit Opinion

We performed our audits in accordance with the Rules Governing the Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibility under these standards is specified below in Section of Our Responsibility in these financial statements. We, the certified public accountants of the Firm subject to regulation on auditor independence, keep independent from UPC Technology Corporation in compliance with the Norm of Professional Ethics for Certified Public Accountant and perform other responsibilities provided in the Norm. We believe that we have acquired sufficient and proper audit evidence which can provide the reasonable basis for the expressed opinion.

Key Audit Matters

Key audit matters refer to the most important matters audited based on our professional judgment for the 2017 financial statements of UPC Technology Corporation. These matters have been taken care of in the process whereby the financial statements are audited and the audit opinion is formed. We do not express our opinion on these matters separately.

Key audit matters for the 2017 financial statements of UPC Technology Corporation are explained as follows:

Impairment of Inventories

The impairment amount of inventories of UPC Technology Corporation is estimated and determined by the management and the actual result may influence the profit significantly, so impairment of inventories is listed as one of key audit matters. We have not only understood the accounting policy used to measure inventories and the method to calculate cost of inventories, but also participated in inventory counts at the end of the year to observe whether inventories were inactive and obsolete. We have also evaluated reasonableness of the estimate adopted for the net realizable value of inventories. For the book value of inventory valuation loss, please see note 11 of the notes to the financial statements.

Deferred Tax Assets Recognition

The amount recognized as deferred tax assets of UPC Technology Corporation is estimated and determined by the management and the actual result may influence the profit significantly, so impairment of inventories is listed as one of key audit matters. We have not only checked accuracy of each income tax asset calculated, but also understood whether the future financial results of the company would provide enough profits or taxable temporary differences in order to evaluate realizability of deferred tax assets. For the book value of deferred tax assets, please see note 22 of the notes to the financial statements.

Responsibility of Management and Governing Unit for Financial Statements

The responsibility of the management is to prepare the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintain the internal control necessary for the preparation of the financial statements in order to ensure that the financial statements are free from material misstatement due to fraud or error.

For preparation of the financial statements, the responsibility of the management also includes evaluation of the ability of UPC Technology Corporation to operate continuously, disclosure of relevant matters and use of the going concern basis of accounting unless the management intends to liquidate or wind up UPC Technology Corporation or unless there is no feasible scheme instead of liquidation or windup.

The governing units of UPC Technology Corporation (including Audit Committee) have the responsibility of supervising the financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

We audit the financial statements to reasonably ensure that the financial statements are free from material misstatements due to fraud or error and to issue an audit report. However, the audit conducted in accordance with generally accepted auditing standards does not guarantee that all material misstatements in the financial statements could be detected. Misstatements may be resulted from fraud or error. If a misstated amount or sum may be reasonably expected to

influence the economic decisions made by users of the financial statements, the amount or sum shall be regarded as a material misstatement.

We exercise our professional judgement when auditing in accordance with generally accepted auditing standards. We have also conducted the following work:

1. Identify and evaluate the risks of material misstatements due to fraud or error in the financial statements; design and take proper measures to respond to the evaluated risks; obtain sufficient and proper audit evidence to be the basis for our audit opinion. As fraud involves conspiracy, falsification, intended omission, misstatement or transgression of internal control, the risk of not detecting misstatements due to fraud is higher than the risk of not detecting misstatements due to error.
2. Obtain necessary knowledge about the internal control essential to the audit in order to design an audit procedure appropriate for the circumstances. However, the purpose is not to express opinion about effectiveness of the internal control of UPC Technology Corporation.
3. Evaluate appropriateness of the accounting policies used by the management and reasonableness of estimates and relevant disclosures.
4. Make a conclusion with respect to appropriateness of the going concern basis of accounting applied by the management based on the audit evidence obtained, and whether there is any significant uncertainty to the event or situation that may generate significant doubt of the ability of UPC Technology Corporation to operate continuously. When we think that there is significant uncertainty to such event or situation, we shall, in the audit report, remind users of the financial statements to pay attention to disclosures in the financial statements, or modify our audit opinion when such disclosures are improper. Our conclusion is made based on the audit evidence obtained as of the date of audit. However, future events or situations may make UPC Technology Corporation loss its ability of operating continuously.
5. Evaluate the overall expression, structure and contents of the financial statements (including attached notes) and whether the financial statements fairly express relevant transactions and events.
6. Obtain sufficient and proper audit evidence for financial information of UPC Technology Corporation in order to express our opinion about the financial statements. We are responsible for directing, supervising and conducting the audit and for forming the audit opinion about UPC Technology Corporation.

The matters that we have communicated with the governing units include the scope and time of the audit planned, and important findings in the audit (including obvious defects identified in internal control during the audit).

We have also provided the governing units with a declaration stating that we, the certified public accountants of the Firm subject to regulation on auditor independence, maintain independent in compliance with the Norm of Professional Ethics for Certified Public Accountant, and have also communicated with the governing units for all relations that may be thought to influence independency of a certified public account and other matters (including relevant protection measures).

From the matters about which we have communicated with the governing units, we determine the key audit matters to be audited in the financial statements of UPC Technology Corporation for the year 2017. We have stated such matters in the audit report. Unless disclosure of specific matters is not permitted by law, or in rare situations, we decide not to communicate the specific matters in the audit report; therefore, it can be reasonably expected that the negative influence generated from the communication is greater than the public interests to be enhanced.

Deloitte & Touche

Wen-Chi Kuo, CPA

Chien-Liang Liu, CPA

Securities and Futures Commission

Approved File No.:

Tai-Cai-Zheng-6-Zi No. 0920123784

Financial Supervisory Commission Approved

File No.:

Jin-Guan-Zheng-Shen-Zi No. 1000028068

March 16, 2018

Notice to Readers

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

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

UPC Technology Corporation
Balance Sheet
Dec. 31, 2017 and Dec. 31, 2016

Unit: NTD Thousand

Code	Asset	Dec. 31, 2017		Dec. 31, 2016	
		Amount	%	Amount	%
	Current assets				
1100	Cash (Note 6)	\$ 284,644	1	\$ 194,210	1
1150	Notes receivable (Note 10)	68,743	-	57,248	-
1170	Accounts receivable (Notes 10 and 28)	314,754	1	339,826	1
1200	Other receivables (Note 28)	4,792	-	4,776	-
1220	Current tax assets (Note 22)	2,470	-	21,110	-
130X	Inventories (Note 11)	1,053,629	3	813,610	3
1470	Other current assets (Note 14)	34,565	-	22,605	-
11XX	Total current assets	<u>1,763,597</u>	<u>5</u>	<u>1,453,385</u>	<u>5</u>
	Non-current assets				
1523	Available-for-sale financial assets (Note 8)	5,806,396	18	4,041,656	15
1543	Financial assets measured at cost (Note 9)	95,677	-	95,677	-
1550	Investments accounted for using equity method (Note 12)	24,078,488	72	20,594,439	74
1600	Property, plant and equipment (Note 13)	1,581,872	5	1,560,184	6
1840	Deferred tax assets (Note 22)	66,950	-	38,450	-
1990	Other non-current assets (Note 14)	29,289	-	36,717	-
15XX	Total non-current assets	<u>31,658,672</u>	<u>95</u>	<u>26,367,123</u>	<u>95</u>
1XXX	Total assets	<u>\$ 33,422,269</u>	<u>100</u>	<u>\$ 27,820,508</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 15)	\$ 2,340,000	7	\$ 1,400,000	5
2110	Short-term notes and bills payable (Note 15)	2,099,184	6	699,800	3
2170	Accounts payable (Notes 16 and 28)	552,257	2	368,767	1
2219	Other payables (Note 17)	247,364	1	143,552	1
2230	Current tax liabilities (Note 22)	11,100	-	-	-
2399	Other current liabilities (Note 17)	19,200	-	24,731	-
21XX	Total current liabilities	<u>5,269,105</u>	<u>16</u>	<u>2,636,850</u>	<u>10</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 15)	6,510,000	19	6,408,133	23
2550	Provisions (Note 18)	3,630	-	3,146	-
2570	Deferred tax liabilities (Note 22)	182,638	-	180,998	1
2640	Net defined benefit liability (Note 19)	187,173	1	177,159	-
2645	Guarantee deposits received (Note 28)	5,817	-	5,768	-
25XX	Total non-current liabilities	<u>6,889,258</u>	<u>20</u>	<u>6,775,204</u>	<u>24</u>
2XXX	Total liabilities	<u>12,158,363</u>	<u>36</u>	<u>9,412,054</u>	<u>34</u>
	Equity (Note 20)				
3110	Ordinary shares	11,995,571	36	11,712,366	42
3200	Capital surplus	1,147,117	4	1,111,644	4
	Retained earnings				
3310	Legal reserve	2,029,552	6	1,920,671	7
3320	Special reserve	341,773	1	341,773	1
3350	Unappropriated earnings	3,667,231	11	2,401,350	9
3300	Total retained earnings	<u>6,038,556</u>	<u>18</u>	<u>4,663,794</u>	<u>17</u>
3400	Other equity	2,400,287	7	1,288,202	4
3500	Treasury shares	(317,625)	(1)	(367,552)	(1)
3XXX	Total equity	<u>21,263,906</u>	<u>64</u>	<u>18,408,454</u>	<u>66</u>
	Total liabilities and equity	<u>\$ 33,422,269</u>	<u>100</u>	<u>\$ 27,820,508</u>	<u>100</u>

UPC Technology Corporation
Statement of Comprehensive Income
Jan. 1 to Dec. 31, 2017 and Jan. 1 to Dec. 31, 2016
Unit: NTD Thousand; except EPS (NTD)

Code		2017		2016	
		Amount	%	Amount	%
4100	Sales revenue (Note 28)	\$ 4,727,014	100	\$ 4,339,746	100
5110	Cost of goods sold (Notes 11, 21 and 28)	<u>4,149,442</u>	<u>88</u>	<u>3,773,328</u>	<u>87</u>
5900	Gross profit	<u>577,572</u>	<u>12</u>	<u>566,418</u>	<u>13</u>
	Operating expenses (Notes 21 and 28)				
6100	Selling expenses	142,082	3	124,876	3
6200	Administrative expenses	<u>272,650</u>	<u>5</u>	<u>213,489</u>	<u>5</u>
6000	Total operating expenses	<u>414,732</u>	<u>8</u>	<u>338,365</u>	<u>8</u>
6900	Net operating income	<u>162,840</u>	<u>4</u>	<u>228,053</u>	<u>5</u>
	Non-operating income and expenses				
7070	Share of profit (loss) of subsidiaries accounted for using equity method	1,983,398	42	751,596	17
7190	Other incomes (Notes 21 and 28)	344,338	7	255,325	6
7020	Other gains and losses (Note 21)	(30,347)	(1)	2,934	-
7050	Finance costs (Note 21)	(<u>103,933</u>)	(<u>2</u>)	(<u>104,245</u>)	(<u>2</u>)
7000	Total non-operating income and expenses	<u>2,193,456</u>	<u>46</u>	<u>905,610</u>	<u>21</u>
7900	Profit before tax	2,356,296	50	1,133,663	26
7950	Tax expense (Note 22)	<u>13,883</u>	<u>-</u>	<u>44,850</u>	<u>1</u>
8200	Net profit	<u>2,342,413</u>	<u>50</u>	<u>1,088,813</u>	<u>25</u>

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Code		2017		2016	
		Amount	%	Amount	%
	Other comprehensive income (Notes 19 and 20)				
	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurements of defined benefit plan	(\$ 5,724)	-	(\$ 31,348)	(1)
8349	Tax relating to items that will not be reclassified	970	-	5,320	-
8310		<u>(4,754)</u>	<u>-</u>	<u>(26,028)</u>	<u>(1)</u>
	Items likely to be reclassified to profit or loss in subsequent period:				
8361	Exchange differences on translation of foreign financial statements	(548,068)	(12)	(1,384,198)	(32)
8362	Unrealized gain on available-for -sale financial assets	1,764,740	37	790,657	19
8380	Share of other comprehensive income of subsidiaries accounted for using equity method	(132,527)	(3)	302,468	7
8399	Tax relating to items that will be reclassified	27,940	1	6,380	-
8360		<u>1,112,085</u>	<u>23</u>	<u>(284,693)</u>	<u>(6)</u>
8300	Current other comprehensive income (Net after tax)	<u>1,107,331</u>	<u>23</u>	<u>(310,721)</u>	<u>(7)</u>
8500	Current total comprehensive income	<u>\$ 3,449,744</u>	<u>73</u>	<u>\$ 778,092</u>	<u>18</u>
	Earnings per share (Note 23)				
9750	Basic	<u>\$ 2.02</u>		<u>\$ 0.93</u>	
9850	Diluted	<u>\$ 2.01</u>		<u>\$ 0.93</u>	

UPC Technology Corporation
Statement of Changes in Equity
Jan. 1 to Dec. 31, 2017 and Jan. 1 to Dec. 31, 2016

Unit: NTD Thousand

Code		Ordinary shares	Capital surplus	Retained earnings			Other equity		Treasury shares	Total		
				Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign financial statements			Unrealized gains (losses) on available-for-sale financial assets	
A1	Balance as of Jan. 1, 2016	\$ 11,712,366	\$ 1,111,644	\$ 1,920,671	\$ 341,773	\$ 1,567,129	\$ 3,829,573	\$ 1,960,928	(\$ 388,033)	\$ 1,572,895	(\$ 228,272)	\$ 17,998,206
	Earnings distributed for 2015											
B5	Cash dividends to shareholders	-	-	-	-	(228,564)	(228,564)	-	-	-	-	(228,564)
D1	Profit of 2016	-	-	-	-	1,088,813	1,088,813	-	-	-	-	1,088,813
D3	Other comprehensive income after tax for 2016	-	-	-	-	(26,028)	(26,028)	(1,378,733)	1,094,040	(284,693)	-	(310,721)
D5	Total comprehensive income for 2016	-	-	-	-	1,062,785	1,062,785	(1,378,733)	1,094,040	(284,693)	-	778,092
L1	Purchase of treasury share	-	-	-	-	-	-	-	-	-	(139,280)	(139,280)
Z1	Balance as of Dec. 31, 2016	11,712,366	1,111,644	1,920,671	341,773	2,401,350	4,663,794	582,195	706,007	1,288,202	(367,552)	18,408,454
	Earnings distributed for 2016											
B1	Legal reserve	-	-	108,881	-	(108,881)	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	(679,692)	(679,692)	-	-	-	-	(679,692)
B9	Stock dividends to shareholders	283,205	-	-	-	(283,205)	(283,205)	-	-	-	-	-
D1	Profit of 2017	-	-	-	-	2,342,413	2,342,413	-	-	-	-	2,342,413
D3	Other comprehensive income after tax for 2017	-	-	-	-	(4,754)	(4,754)	(523,912)	1,635,997	1,112,085	-	1,107,331
D5	Total comprehensive income for 2017	-	-	-	-	2,337,659	2,337,659	(523,912)	1,635,997	1,112,085	-	3,449,744
N1	Treasury shares transferred to employees	-	35,473	-	-	-	-	-	-	-	49,927	85,400
Z1	Balance as of Dec. 31, 2017	\$ 11,995,571	\$ 1,147,117	\$ 2,029,552	\$ 341,773	\$ 3,667,231	\$ 6,038,556	\$ 58,283	\$ 2,342,004	\$ 2,400,287	(\$ 317,625)	\$ 21,263,906

UPC Technology Corporation

Statement of Cash Flows

Jan. 1 to Dec. 31, 2017 and Jan. 1 to Dec. 31, 2016

Unit: NTD Thousand

Code		2017	2016
	Cash flows from (used in) operating activities		
A10000	Current profit before tax	\$ 2,356,296	\$ 1,133,663
A20010	Incomes and expenses having no effect on cash flows		
A20300	Bad debt (reversal of provision) expenses	(522)	1,554
A20100	Depreciation expenses	51,172	53,033
A20200	Amortization expenses	10,659	10,376
A20900	Finance costs	103,933	104,245
A21200	Interest income	(235)	(298)
A21300	Dividend income	(312,317)	(215,862)
A21900	Compensation cost of treasury shares transferred to employees	32,345	-
A22400	Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(1,983,398)	(751,596)
A22500	Loss (gain) on disposal of property, plant and equipment	136	118
A23800	Inventory valuation loss (Gain on price recovery)	(5,542)	2,789
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	(11,602)	(28,143)
A31150	Accounts receivable	25,701	(86,635)
A31180	Other receivables	(16)	1,399
A31200	Inventories	(234,477)	21,455
A31240	Other current assets	(11,960)	(5,385)
A32150	Accounts payable	183,490	42,660
A32180	Other payables	105,508	46,632
A32200	Provisions	484	392
A32230	Other current liabilities	(5,531)	4,194
A32240	Net defined benefit liability	<u>4,290</u>	<u>(275,321)</u>
A33000	Cash inflow generated from operations	308,414	59,270
A33100	Interest received	235	298
A33500	Tax returned (paid)	<u>17,907</u>	<u>(4,680)</u>
AAAA	Net cash flows from operating activities	<u>326,556</u>	<u>54,888</u>

(Continued on next page)

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Code		2017	2016
	Cash flows from (used in) investing activities		
B01400	Capital reduction of financial assets at cost	\$ -	\$ 20,714
B01800	Increase in investments accounted for using equity method	(2,208,809)	(1,672,967)
B02400	Capital reduction of the invested companies using equity method	-	494,223
B02700	Acquisition of property, plant and equipment	(82,554)	(19,850)
B02800	Proceeds from disposal of property, plant and equipment	230	870
B03700	Increase in refundable deposits	(1,638)	(4,622)
B03800	Decrease in refundable deposits	5,355	269
B06700	Increase in other current assets	(1,055)	(472)
B07600	Received cash dividends distributed to subsidiaries and others	<u>339,880</u>	<u>228,670</u>
BBBB	Net cash flows used in investing activities	(<u>1,948,591</u>)	(<u>953,165</u>)
	Cash flows from (used in) financing activities		
C00600	Increase in short-term notes and bills payable	1,399,384	699,800
C00100	Increase in short-term borrowings	8,930,000	4,700,000
C00200	Decrease in short-term borrowings	(7,990,000)	(4,150,000)
C01600	Increase in long-term borrowings	9,650,000	5,760,000
C01700	Repayments of long-term borrowings	(9,550,000)	(5,850,000)
C03000	Increase in guarantee deposits received	652	4,025
C03100	Decrease in guarantee deposits received	(603)	(1,534)
C04500	Cash dividends paid	(679,692)	(228,564)
C04900	Payments to acquire treasury shares	-	(139,280)
C05100	Treasury shares transferred to employees	53,055	-
C05600	Interest paid	(<u>100,327</u>)	(<u>100,108</u>)
CCCC	Net cash flows from financing activities	<u>1,712,469</u>	<u>694,339</u>
EEEE	Increase (decrease) in cash	90,434	(203,938)
E00100	Cash at beginning of period	<u>194,210</u>	<u>398,148</u>
E00200	Cash at end of period	<u>\$ 284,644</u>	<u>\$ 194,210</u>

UPC Technology Corporation
The Comparison of Amended and Pre-amended Articles of
Incorporation

Amended Articles	Original Articles	Reason of Amendment
<p>Article 2: Business items of this company are as follows:</p> <ol style="list-style-type: none"> 1. C801010 Basic industrial chemical manufacturing 2. C801020 Petrochemical manufacturing 3. C801100 Synthetic resin & plastic manufacturing 4. C801990 Other chemical materials manufacturing 5. C802120 Industrial catalyst manufacturing 6. C802990 Other chemical products manufacturing 7. F401010 International trade 8. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval 	<p>Article 2: Business items of this company are as follows:</p> <ol style="list-style-type: none"> 1. Manufacturing of the flowing products: <ol style="list-style-type: none"> (1)Organic acids, acid anhydride and derivatives (2)Plastic toughening agent (3)Resin and plastic materials (4)Organic alcohol (5)Other specific chemicals (6)Air separation products (7)High-purity hydrogen peroxide, sulphuric acid, Hydrofluoric acid, ammonium hydroxide, orthophosphoric acid, Hydrochloric acid, nitric acid, Ammonium fluoride, acetone, isopropanol and other chemicals for electronic. (The products listed in the above paragraphs (1) to (7) shall be limited to those approved by Investment Commission.) 2. Sale, distribution, quotation, tender and processing of the above products 3. General import and export (except the business items requiring permission) 4. Manufacturing of containers and steel structures, various piping, manufacturing of machines, and contract for engineering work 5. Maintenance and repair of vehicles 6. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval 	<p>To give codes for business items in accordance with applicable laws</p>
<p>Article 5: The capital of The Company is NT\$20,000,000,000 to be divided into 2,000,000,000 shares with each share par value at NT\$10. Of these shares, 100,000,000 shares are reserved for conversion of employee stock ownership plans, and authorized Board of Directors to issue in installments; the rest that has not been issued will be issued in installments afterwards depending on the necessity determined by the Board of Directors.</p>	<p>Article 5: The capital of The Company is NT\$16,000,000,000 to be divided into 1,600,000,000 shares with each share par value at NT\$10. Of these shares, 100,000,000 shares are reserved for conversion of employee stock ownership plans, and authorized Board of Directors to issue in installments; the rest that has not been issued will be issued in installments afterwards depending on the necessity determined by the Board of Directors.</p>	<p>To meet the need of practical operations of The Company</p>

Amended Articles	Original Articles	Reason of Amendment
<p>Article 18: The Company shall have 7 to 10 directors, who shall be elected from among the capable persons at the shareholders' meeting. Of the above directors, independent directors shall be not less than 3 persons. After election, the board of directors shall resolve to acquire liability insurance for The Company's directors. The board of directors shall be authorized to determine the directors' remuneration based on the level of remuneration in the industry. Effective from election of the 14th-term directors of The Company, the candidate nomination system is adopted in accordance with The Company Act. Directors shall be elected from the list of candidates by shareholders. The total amount of the registered shares held by all directors of The Company shall be subject to the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies issued by the competent authority.</p>	<p>Article 18: The Company shall have 7 to 9 directors, who shall be elected from among the capable persons at the shareholders' meeting. Of the above directors, independent directors shall be not less than 3 persons. After election, the board of directors shall resolve to acquire liability insurance for The Company's directors. The board of directors shall be authorized to determine the directors' remuneration based on the level of remuneration in the industry. Effective from election of the 14th-term directors of The Company, the candidate nomination system is adopted in accordance with The Company Act. Directors shall be elected from the list of candidates by shareholders. The total amount of the registered shares held by all directors of The Company shall be subject to the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies issued by the competent authority.</p>	<p>To meet the need of practical operations of The Company</p>
<p>Article 31: These Articles of Incorporation were established through the resolution made at the meeting of founders on Apr. 25, 1976.(The above is omitted.) The 35th amendment was made on June 14, 2016. The 36th amendment was made on June 8, 2018.</p>	<p>Article 31: These Articles of Incorporation were established through the resolution made at the meeting of founders on Apr. 25, 1976.(The above is omitted.) The 35th amendment was made on June 14, 2016.</p>	<p>To add date of further amendment</p>

UPC Technology Corporation
The Comparison of Amended and Pre-amended Operational Procedures
for Loaning Funds to Others

Amended Articles	Original Articles	Reason of Amendment
<p>Article 2 (Borrower) 1 to 2 (Omitted) 3. The restriction in Subparagraph 2 of Paragraph 1 shall not apply to inter-company loans of funds between foreign companies in which The Company holds 100% of the voting shares, directly or indirectly. Loans of funds shall not exceed the net worth of the lending company and the loan period shall not exceed 3 years in principle.</p>	<p>Article 2 (Borrower) 1 to 2 (Omitted) 3. The restriction in Subparagraph 2 of Paragraph 1 shall not apply to inter-company loans of funds between foreign companies in which The Company holds 100% of the voting shares, directly or indirectly. Loans of funds shall not exceed the net worth of the lending company and the loan period shall not exceed 3 years in principle. In case of any need of business or special situation, the loan period shall be extended once after being approved by the board of directors of the lending company.</p>	<p>To amend in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies</p>
<p>Article 4 (Aggregate Amount of Loans, and Maximum Amount to a Borrower) 1. (Omitted) 2. Companies and entities with which The Company does business: It shall not exceed 40% of the net worth stated in The Company's latest financial statements certificated or approved by CPAs. The amount loaned to a borrower shall not exceed the total amount of the transactions between both parties in the latest year or 5% of the aforementioned net worth, whichever is less. The amount of transactions refers to purchases or sales between both parties, whoever is higher. 3. (Omitted)</p>	<p>Article 4 (Aggregate Amount of Loans, and Maximum Amount to a Borrower) 1. (Omitted) 2. Companies and entities with which The Company does business: It shall not exceed 40% of the net worth stated in The Company's latest financial statements certificated or approved by CPAs. The amount loaned to a borrower shall not exceed 20% of the aforementioned net worth. 3. (Omitted)</p>	<p>To amend in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies</p>
<p>Article 7 (Subsequent Measures for Control and Management of Loans, and Procedures for Handling Delinquent Creditor's Rights) 1. After the amount of the loan is appropriated, the financial status, business and credit of the borrower and its guarantor shall be paid attention to frequently. For the collateral provided, the change of the value of the collateral shall be also paid attention to. The borrower shall be informed, prior to the maturity date, and requested to repay the principal</p>	<p>Article 7 (Subsequent Measures for Control and Management of Loans, and Procedures for Handling Delinquent Creditor's Rights) 1. After the amount of the loan is appropriated, the financial status, business and credit of the borrower and its guarantor shall be paid attention frequently. For the collateral provided, the change of the value of the collateral shall be also paid attention to. The borrower shall be informed, prior to the maturity date, and requested to repay the</p>	<p>To amend in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies</p>

Amended Articles	Original Articles	Reason of Amendment
<p>and interest on the maturity date. The staff in charge shall prepare the statement of loaned funds of the previous month every month and submit it to the immediate supervisor for review and approval. 2 to 3 (Omitted)</p>	<p>principal and interest or complete the procedure of extension on the maturity date. The staff in charge shall prepare the statement of loaned funds of the previous month every month and submit it to the immediate supervisor for review and approval. 2 to 3 (Omitted)</p>	
<p>Article 14 (Date of Amendment) The operational procedures were amended on May 30, 2003. The 2nd amendment was made on June 16, 2009. The 3rd amendment was made on June 14, 2010. The 4th amendment was made on June 17, 2013. The 5th amendment was made on June 23, 2015. The 6th amendment was made on June 8, 2018.</p>	<p>Article 14 (Date of Amendment) The operational procedures were amended on May 30, 2003. The 2nd amendment was made on June 16, 2009. The 3rd amendment was made on June 14, 2010. The 4th amendment was made on June 17, 2013. The 5th amendment was made on June 23, 2015.</p>	<p>To add date of further amendment</p>

**Influence of Issuance of Bonus Shares Proposed at the Shareholders'
Meeting on Business Results and EPA of The Company**

Type of Candidate	Name of Candidate	Major Education and Experience	Major Current Position	Shareholding	Name of Represented Corporation
Director	Chun Chen	Visiting Fellow at Geothe-University Frankfurt am Main (DAAD); Master from College of Law, National Taiwan University; Vice Premier & Premier of Executive Yuan; Chairman, Financial Supervisory Commission, Executive Yuan; Chairman, SinoPac Holdings Co., Ltd.; Chairman, KGI Securities Co., Ltd.; Chairman, Taiwan Cooperative Bank; Chairman, Taiwan Stock Exchange Corporation; Deputy Minister of Ministry of Finance	Professor, Simenar on Law and Commerce, Soochow University; Chairman, Appacus Foundatio; Independent Director, USI Corporation;	374,808,632	Lien Hwa Industrial Corp.
Director	Matthew Feng-Chiang Miao	Master of Business Administration from Santa Clara University, USA; Bachelor of Electrical Engineering from University of California, Berkeley; Chairman, UPC Technology Corporation; Chairman, Lien Hwa Industrial Corporation; Chairman, Synnex Technology International Corporation; Chairman, MiTAC Holdings Corporation; Chairman, MiTAC Inc.; Director, Getac Technology Corporation; Chairman, MiTAC Information Technology Corporation; Chairman, MiTAC Inc.; Director, Getac Technology Corporation; Director, MiTAC Information Technology Corporation	Chairman, UPC Technology Corporation; Chairman, Lien Hwa Industrial Corporation; Chairman, Synnex Technology International Corporation; Chairman, MiTAC Holdings Corporation; Chairman, MiTAC Inc.; Director, Getac Technology Corporation; Director, MiTAC Information Technology Corporation; Director, Linde Lienhwa Industrial Gases Co., Ltd.; Director, Winbond Electronics Corp.;	4,724,838	

			Director, Synnex Corporation; Independent Director, Cathay Financial Holdings Co., Ltd.; Independent Director, Cathay Life Insurance Company, Ltd.; Independent Director, Cathay Century Insurance Co., Ltd.; Independent Director, Cathay United Commercial Bank Co., Ltd.; Independent Director, Cathay Securities Co., Ltd.		
Director	John Miao	Master of Economic Engineering from Santa Clara University, USA; General Manager of MiTAC Inc.; Chairman, Linde Lienhwa Industrial Gases Co., Ltd.; Chairman, HanTech Venture Capital Corp.;	Vice Chairman, Lien Hwa Industrial Corporation; Director, MiTAC Inc.; Director, MiTAC Information Technology Corporation; Honorary Chairman, Linde Lienhwa Industrial Gases Co., Ltd.; Director, Great Wall Enterprise Co., Ltd.; Chairman, Taiwan High Pressure Gas Industrial Association	891,285	
Director	Y. S. KO	Department of Chemical Engineering, Chung Yuan Christian University; United Nylon Company; China Phosphate Company; TSRC Corporation	Chairman, UPC Chemicals (Zhenjiang), UPC Chemicals (Zhongshan), UPC Chemicals (Zhuhai), Hua Cheng (Zhongshan), UPC Chemicals (Taishan), Tai Zhou Warehouse Company, Tai Zhou Plastic Company, Suzhou Logistics Company, Guangdong Logistics Company, UPC Chemicals (Panjin), Panjin Warehouse Company, Panjin Logistics Company, UPC Chemicals (Nanchong), Zichuan Logistics Company;	2,222,593	

			Executive Director, Lian Ju (Zhenjiang); Director, Tailian International, UPC Venture Capital, Lien Hwa United LPG Co., Ltd., Taita Chemical Co., Ltd., Huayun Warehouse, Asia Polymer Corporation, UPC CHEMICALS (MALAYSIA)		
Director	Chang-Wei Hsueh	Master from business school of Cornell University; Master of Engineering from University of California, Irvine Vice Chairman, China Real Estate Management	Chairman, Huan Wei Enterprise Co., Ltd; Vice Chairman, China Real Estate Management; Director, Dah Chung Bills Finance Corp.;	4,364,090	
Independent Director	Paul P. Wang	PhD from Carnegie Mellon University, USA; Senior Manager and Advisor, IBM, USA; Advisor, Industrial Technology Research Institute and Institute for Information Industry, Executive Yuan; Chairman, Sercomm Corporation; Chairman, Pacific Venture Partners; Chairman, Monde Jode Science and Technology Association of Taiwan	Chairman, Sercomm Corporation; Director, Taiwan Cement Corporation; Director, Prosperity Dielectrics Co., Ltd.; Independent Director, Taishin Financial Holding Co., Ltd.; Chairman, Monte Jade Global Science and Technology Association	0	
Independent Director	Wenent P. PAN	PhD of Chemical Engineering from University of Wyoming, USA; Chairman & Manager of CPC Corporation, Taiwan; Chairman, Kuo Kuang Power Co., Ltd.	Chairman, Gintech Energy Corporation; Chairman, CTCI Foundation; Director, CTCI Corporation; Director, Taiwan Styrene Monomer Corporation; Independent Director, China Petrochemical Development Corporation	0	
Independent Director	Jung-Chiou Hwang	Harvard Kennedy School – Leader Training Program in Taiwan PhD of Information Engineering from National Chiao Tung University;	Part-time Honorary Professor at Chung Yuan Christian University; Director, Hao-shi Foundation; Director, Sun Yun-suan Foundation;	0	

		<p>Master from Graduate School of Computer Science, National Chiao Tung University; Bachelor from Department of Electronics Engineering, Chung Yuan Christian University; Chairman, Taiwan Power Company; Vice Premier, Ministry of Economic Affairs; Executive Director and Deputy Minister, State-owned Enterprise Commission, Ministry of Economic Affairs; Part-time researcher, Science and Technology Advisory Group, Executive Yuan; Deputy Executive Secretary, National Information and Communications Initiative Committee, Executive Yuan; Deputy Director and Director, Department of Industrial Technology, Ministry of Economic Affairs</p>	<p>Executive Director, Chinese Association for Energy Economics</p>		
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