

POYA International Co., Ltd.
Minutes of 2018 Annual General Shareholders' Meeting
(Translation)

Time: 9 a.m., June 5, 2018 (Tuesday)

Place: No.74, Sec.3, Minzu Rd., Tainan City (6-Floor Meeting Room)

Attendance: All shareholders and their proxy holders, representing 86,793,980 shares (including 66,709,334 shares the voting rights of which are exercised by the electronic means), or 88.85% of the total 97,685,031 outstanding shares. Chen Zong-Cheng(Director), Lin Tsai-Yuan(Independent Director) and Liu Zhi-Hong(Independent Director) were present and the present directors were more than one-third of total directors(7 members).

Chairperson: Chen Zong-Cheng (Proxy)

Minute Recorder: Shen Hong-Yu

Guests: Mr. Liu Tzu-Meng, CPA, PricewaterhouseCoopers Taiwan

Chairperson's Opening Remarks: The chairman did not attend the meeting due to other scheduled activity, and Mr. Chen Zong-Cheng(Director) was appointed as the chairperson.

A. Call the Meeting to Order (shareholdings of the attendance has formed a quorum)

B. Chairman's Remarks (omitted)

C. Reports

I. 2017 Business Report (See Appendix I)

II. 2017 Audit Committee's Review Report (See Appendix II)

III. 2017 Distribution of Employees' and Directors' Remuneration

Explanation :

1. In accordance with the Article 21-1 of Articles of Incorporation, the monetary amount of employees' remuneration is NT\$ 92,000,000 accounting for 5.1% and the monetary amount of directors' remuneration is NT\$ 4,800,000 accounting for 0.3%.
2. The employees' and directors' remuneration mentioned above shall be treated as expenses in 2017. There is no difference between the amount of recognized expenses and the amount of employees' and directors' remuneration passed by the Board of Directors.
3. The distribution of employees' remuneration has been passed by the 7th-term Board of Directors in the 7th Board meeting and the distribution of directors' remuneration has been passed by the 3rd-term Remuneration Committee in the 4th Remuneration Committee meeting.

D. Acknowledgements

Proposal 1: Adoption of the 2017 Business Report and Financial Statements (Proposed by the Board)

Explanation:

1. The Company's 2017 Financial Statements were audited by PricewaterhouseCoopers Taiwan. Also Business Report and Financial Statements have been approved by the Audit Committee, with the review report included in the meeting minute.
2. Business report is attached as Appendix I. The auditing report of the certified accountants and the financial statements mentioned above are attached as Appendix III.
3. Please acknowledge the 2017 Business Report and Financial Statements.

Resolution: the voting results are as followed:

86,793,980 shares were represented at the time of voting (including 66,709,334 shares the voting rights of which are exercised by the electronic means)

Voting results	Propotion to the total represented shares present
Affirmative votes 84,607,080 shares (including 64,522,434 shares the voting rights of which are exercised by the electronic means)	97.48%
Dissenting votes 4,114 shares (including 4,114 shares the voting rights of which are exercised by the electronic means)	0.00%
Invalid votes and vote abstention 2,182,786 shares (including 2,182,786 shares the voting rights of which are exercised by the electronic means)	2.52%

The proposal has been adopted by voting without any modification.

Proposal 2: Adoption of the proposal for distribution of 2017 profits (Proposed by the Board)

Explanation:

1. The Distribution Table of 2017 Profits (Attached as Appendix IV) has been submitted to the Company's Audit Committee for approval and been passed by the 7th-term Board of Directors in the 7th Board meeting.
2. The Board of Directors shall be fully authorized by the Regular Shareholders' Meeting to handle the matters related to that the shares or profits to be distributed to each share based on the number of actual shares outstanding on the record date for distribution change because of the change of capital.
3. Upon the proposal of share dividends and cash dividends being approved by the Regular

Shareholders' Meeting, the Board of Directors shall be authorized to resolve the date of share distribution by capitalization, the ex-dividend date, and other relevant issues.

4. Please acknowledge the proposal for distribution of 2017 profits.

Resolution: the voting results are as followed:

86,793,980 shares were represented at the time of voting (including 66,709,334 shares the voting rights of which are exercised by the electronic means)

Voting results	Propotion to the total represented shares present
Affirmative votes 84,608,356 shares (including 64,523,710 shares the voting rights of which are exercised by the electronic means)	97.48%
Dissenting votes 2,838 shares (including 2,838 shares the voting rights of which are exercised by the electronic means)	0.00%
Invalid votes and vote abstention 2,182,786 shares (including 2,182,786 shares the voting rights of which are exercised by the electronic means)	2.52%

The proposal has been adopted by voting without any modification.

E. Discussion and Election

Proposal 1: Amendments to part of Articles of Incorporation (Proposed by the Board)

Explanation:

1. In order to conform to the actual operational needs, amendments are to be made to certain clauses of Articles of Incorporation. The comparison table for the amendments to Articles of Incorporation before and after revision is attached as Appendix V.
2. Please discuss the amendments to part of articles of Incorporation.

Resolution: the voting results are as followed:

86,793,980 shares were represented at the time of voting (including 66,709,334 shares the voting rights of which are exercised by the electronic means)

Voting results	Propotion to the total represented shares present
Affirmative votes 82,913,417 shares (including 62,828,771 shares the voting rights of which are exercised by the electronic means)	95.53%
Dissenting votes 1,696,731 shares (including 1,696,731 shares the voting rights of which are exercised by the electronic means)	1.95%
Invalid votes and vote abstention 2,183,832 shares (including 2,183,832 shares the voting rights of which are exercised by the electronic means)	2.52%

The proposal has been adopted by voting without any modification.

F. Extemporary motions: None.

G. Adjournment: 9:22 a.m., June 5, 2018

Poya International Co., Ltd.
2017 Business Report

1. 2017 Business Results

(1) The implementation of the business plan

Unit : NTD 1,000

Title/amount	FY2017	FY2016	Change in amount	Change in proportion (%)
Operating revenue	13,262,071	12,423,746	838,325	6.75%
Operating Cost	(7,583,371)	(7,316,193)	267,178	3.65%
Net operating margin	5,678,700	5,107,553	571,147	11.18%
Operating expenses	(3,956,878)	(3,746,697)	210,181	5.61%
Operating profit	1,721,822	1,360,856	360,966	26.52%
Non-operating income and expenses	1,023	49,312	(48,289)	(97.93%)
Profit before income tax	1,722,845	1,410,168	312,677	22.17%
Profit for the year	1,429,057	1,169,484	259,573	22.20%
Basic earnings per share (in dollars)	14.63	12.01	2.62	21.82%

The growth of operating revenue and national store number remain stable. The growth rate of store number in 2017 is 12.74%.

Unit : Stores/NTD 10,000

Title/year	FY2014	FY2015	FY2016	FY2017
Operating revenue	916,759	1,068,783	1,242,375	1,326,207
Total store number (Note)	109	131	157	177

Note : The store number in 2016, which was 157, was used as the basis for the calculation of the growth rate of new stores.

(2) Financial structure and profitability analysis

Title		FY2017	FY2016
Financial Structure	Ratio of liabilities to assets (%)	51.79	51.53
	Ratio of long-term capital to property, plant, and equipment (%)	168.74	173.91

Profitability	Return on assets (ROA) (%)	20.55	19.39
	Return on equity (ROE) (%)	42.19	39.77
	Profit ratio (%)	10.78	9.41
	Basic EPS (NTD) (in retrospect) (Note)	14.63	12.01

Note : EPS is calculated on the basis of the weighted average quantity of outstanding shares for the year.

2. 2018 Business plan

In 2017, global economy entered in the upswing stage of business cycle and got rid of stagnant growth. Since the first half of 2017, economic recovery of developed countries inspired energy of global investment, international trading, and industrial production, made enterprises and consumers regain confidence and activated financial market. Almost 75% of economy in the world accelerated to grow in the same period. Economic performance was higher than expectation. As for domestic consumption, the revised Labor Standards Act, one fixed day off and one flexible rest day in early 2017, impact price level and labor market. Also, pension reform inhibits partial consumption power. In the second half of 2017, the market had already reflected negative news from government policy. In addition, stock market hit record highs repeatedly and government planned to raise the pay of public sector. Confidence of consumption market started to go stable. However, because low-waged environment has lasted for a long time, income of general people grows slowly and distribution of income level becomes bipolarity. Overall domestic consumption market still tends to be pessimistic and conservative. Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. estimates that growth rates of real consumption in 2017 and 2018 are 2.14% and 2.07% respectively.

Owing to the competitive and changeable economic environment and the impacts from population and climate change, Poya shall keep making differentiation by market positioning and upgrading its services to pursue better operating performance. With the support of all personnel and the management, there are 177 stores national wide by the end of 2017. The operating revenue and profit for the year after tax in 2017 are NTD 13.2 billion and NTD 1.4billion respectively, both of which reached the record highs.

In terms of the business operation, Poya introduces 5th generation stores to upgrade the

image of market position and to activate the selling place with the spirits of “Beauty, Trendy, Color” since 2016. In addition to creating brand value, Poya will also focus on product quality. With the core value of offering high CP ratio products (Cost-Performance Ratio), Poya can raise the satisfaction level of the customers. As there is the trend of consuming fair-priced and fashion products, Poya will irregularly offer promotion and hold activities to reward our customers. We hope to intensify the positive feeling in fair-price for our customers, and provide great fun when they make the purchase. Moreover, Poya will keep providing better services, tracing the consuming behaviors of the members periodically, and maintaining the permanent value of the customers.

3 、 Business policy

(1) Introduce the 5th generation stores to make differentiated market position

Hold the core spirits of “Beauty, Trendy, Color”, Poya introduced 5th generation stores since 2016. Poya will not only focus on the brand image intensification, store beautification and medium visibility, but also put emphasis on optimization of the product display and exhibition of hotspots in the selling space in order to create a store with human warmth. By creating innovated business operation and offering more comfortable, brighter shopping space, Poya can deepen the market position and image; also, lead to a new century.

(2) Intensify the competitive ability of stores by differentiated marketing

Poya can cultivate specific selling points to increase the traffic, sales and net profits by means of effective market researches which help to understand the customers’ demands and market position, outstanding advantages which help to create brand value, and differentiated marketing activities of each store which help to intensify the competitive ability of stores in each market region.

(3) Enhance the competitive ability of product management

Poya devotes itself to greater product competitiveness, more effective inventory control, deeper product categories and higher completeness of product mix in order to satisfy the customers’ needs at different levels, to increase the selling opportunity of products in different area, and to remain the leading position in the industry.

Poya aims at the objective of becoming as “A more preferred Poya by the customers”, and hopes to provide better products and services so that customers will give priority to Poya whenever making a purchase. In addition, Poya will implement the sustainable spirit on environment, society and corporate governance for perpetual growth and corporate sustainability. On behalf of the management, we are appreciated to the supports of all shareholders, customers and suppliers, and the dedication of all personnel. We will spare no efforts in raising corporate value for our shareholders. Wish everyone health and luck!

Poya International Co., Ltd.

Chen Jian-Zao, Chairman

Chen Zong-Cheng, General Manager

Shen Hung-Yu, Financial and Accounting Manager

POYA International Co., Ltd.
Audit Committee's Review Report

The Board of Directors have passed the business report, financial statements and profit distribution proposal for the year 2017, among which the financial statements (balance sheets, statements of comprehensive income, of changes in equity and of cash flows) have been audited and reviewed by Liu Tzu-Meng and Lin Tzu-Shu, who are both certified accountants from the accounting firm of PwC Taiwan, and they have issued an audit report. The Audit Committee is responsible for supervision of the process of the Company's financial reports.

Certified accountants assured the Company's financial statements for the year 2017 and communicated with the Audit Committee matters as follows:

1. The scope and time of examination planned by certified accountants are free of material misstatement.
2. Accounting staff provided to the Audit Committee by certified accountants are subject to independence regulation and has followed independence-related statements in the code of professional ethics. No other relationships and matters which are possible to affect independence of accountants are discovered.
3. The critical matters of examination that shall be communicated in audit report have been communicated between certified accountants and the Audit Committee and included in audit report.

The financial statements, business report, and profit distribution proposal for the year 2017 resolved by board of directors have been reviewed by the Audit Committee and the Audit Committee are of the opinion that they are in order, and hereby issue this report in accordance to Article 219 of the Company Act.

2018 Regular Shareholders' Meeting

POYA International Co., Ltd.

Convener of Audit Committee: Tsai-Yuan Lin

February 26, 2018

To the Board of Directors and Stockholders of POYA International Co., Ltd.

Opinion

We have audited the accompanying balance sheets of Poya International Co., Ltd. as of December 31, 2017 and 2016, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the contract of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Completeness and accuracy of franchising retail sales revenue

Description

Please refer to Note 4(18) “Revenue recognition” for accounting policies on retail franchising.

In retail franchising, merchandise information such as name, cost, retail price, price changes and annual sales discount is first established. The point of sales system (henceforth POS) is used to run the merchandise information automatically. Each store gathers sales transactions by the end of the day. The system will aggregate all the information of transactions then upload to ERP system for generating sales revenue journal entries. In addition, each store has to file cash report daily including cash, gift vouchers, credit cards, and electronic payment devices and reconcile with system data.

Cash collections are deposited with the banks periodically.

Due to numerous transactions with small amount, retail franchising highly rely on POS and ERP system to generate reliable and accurate data. This will be effect company's completeness and accuracy of recognized sales revenue. Thus, franchising retail sales revenue a key audit matter.

How our audit addressed the matter

Our procedures relation to the above key audit matter included:

1. Checking randomly whether the merchandise information has been properly approved and attached with relevant evidence whenever merchandise information is created or changed;
2. Checking randomly whether the merchandise information has been transferred to POS system;
3. Checking randomly whether all the sales that were recorded in the POS are periodically transferred to ERP system and recorded in operating revenue journal entry automatically;
4. Reviewing the reasons and the relevant evidences for manual adjusting journal entries that are related to retail franchising sales revenue; and
5. Reviewing whether stores' cash deposits amounts recorded on the daily cash report are in accordance with bank remittance amounts.

Calculation cost to retail ratio of retail inventory method

Description

Please refer to accounting policies on inventory in Note 4(6) and Note 6(3) "Inventory" for related information on inventory and cost of sales.

Due to various kinds of merchandise, retail inventory method is used to estimate cost of inventory and cost of goods sold which are both calculated using the rate of cost of goods purchased to retail value of goods purchased (known as cost to retail ratio). The calculation of cost to retail ratio was launched automatically by ERP system and highly relies on the goods purchased both at cost and retail price. Thus, we identified the accuracy and reliability of calculation of cost to retail ratio of retail inventory method a key audit matter.

How our audit addressed the matter

Our procedures relation to the above key audit matter included:

1. Conducting interviews with management to obtain an understanding of the calculation of cost to retail ratio in the calculation system of retail inventory method and determining whether it has been consistently applied in the comparative periods of financial statements;
2. Checking randomly whether the merchandise information has been properly approved and attached with relevant evidence whenever merchandise information is created or changed;
3. Confirming whether the records of cost of inventory purchased and retail price of inventory purchased in POS are transferred to ERP periodically and completely and the records could not be changed manually; and
4. Checking the computation for the correctness of cost to retail ratio.

Responsibilities of management and those charged with governance for the

financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and also maintain the internal control for the preparation of financial statements to avoid material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report and disclose in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in

internal control that we identify during auditing.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that the matters should not be disclosed in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such disclosures.

PricewaterhouseCoopers, Taiwan

Independent Accountants

Liu Tsu-Meng

Lin Tsu-Shu

February 26, 2018

POYA INTERNATIONAL CO.,LTD
BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

			December 31, 2017		December 31, 2016			
Assets			Notes	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$	972,751	13	\$	833,134	13
1150	Notes receivable, net			8,307	-		10,419	-
1170	Accounts receivable, net	6(2)		678,875	9		655,900	10
1200	Other receivables			7,595	-		3,482	-
130X	Inventories	5(2) and 6(3)		2,638,948	35		2,314,815	36
1410	Prepayments	6(4)		101,032	2		93,790	1
1476	Other current financial assets	8		23,151			30,612	1
11XX	Total Current Assets			4,430,659	59		3,942,152	61
Non-current assets								
1600	Property, plant and equipment	6(5)		2,621,317	35		2,217,895	33
1840	Deferred income tax assets	6(18)		32,698	-		28,330	-
1920	Refundable deposits	6(20) and 8		283,840	4		252,195	4
1980	Other non-current financial assets	8		4,200	-		4,200	-
1985	Long-term prepaid rents			144,352	2		98,293	2
1990	Other non-current assets			12,063	-		10,765	-
15XX	Total Non-current Assets			3,098,470	41		2,521,678	39
1XXX	Total Assets		\$	7,529,129	100	\$	6,463,830	100

(Continued)

POYA INTERNATIONAL CO.,LTD
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

		December 31, 2017		December 31, 2016		
Liabilities and Equity		Notes	AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ 58,027	1	\$ 614,262	10
2170	Accounts payable		1,644,272	22	969,035	15
2200	Other payables	6(6)(17)	644,116	9	569,960	9
2230	Current income tax liabilities	6(18)	173,229	2	150,265	2
2310	Receipts in advance		9,487	-	16,527	-
2320	Long-term liabilities, current portion	6(7)	536,665	7	405,679	6
2399	Other current liabilities		22,765	-	20,140	-
21XX	Total Current Liabilities		3,088,561	41	2,745,868	42
Non-current liabilities						
2540	Long-term borrowings	6(7)	793,335	11	556,275	9
2570	Deferred income tax liabilities	6(18)	3,431	-	3,160	-
2640	Net defined benefit liabilities-non-current	6(8)	7,640	-	7,676	-
2645	Guarantee deposits received		6,337	-	6,498	-
25XX	Total Non-current Liabilities		810,743	11	573,609	9
2XXX	Total Liabilities		3,899,304	52	3,319,477	51
Equity						
Share capital						
3110	Common stock	6(9)(11)(17)	976,850	13	964,760	15
3200	Capital surplus	6(9)(10)	640,419	8	552,861	9
	Retained earnings	6(9)(11)(17)(18)				
3310	Legal reserve		569,643	8	452,695	7
3350	Unappropriated retained earnings		1,442,913	19	1,174,037	18
3XXX	Total equity		3,629,825	48	3,144,353	49
Significant Contingent Liabilities and Unrecognized Contract Commitments		6(20) and 9				
3X2X	Total liabilities and equity		\$ 7,529,129	100	\$ 6,463,830	100

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

Chairman : Chen Jian-Zao

General Manager : Chen Zong-Cheng

Financial and Accounting Manager : Shen Hung-Yu

POYA INTERNATIONAL CO.,LTD
STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except for basic and diluted earnings per share)

Items	Notes	2017		2016	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(12)	\$ 13,262,071	100	\$ 12,423,746	100
5000 Operating costs	6(3)(8)(16)(17)(20)	(7,583,371)	(57)	(7,316,193)	(59)
5900 Net operating margin		<u>5,678,700</u>	<u>43</u>	<u>5,107,553</u>	<u>41</u>
Operating expenses	6(8)(16)(17)(20) and 7				
6100 Selling expenses		(3,350,051)	(25)	(3,107,195)	(25)
6200 General & administrative expenses		(606,827)	(5)	(639,502)	(5)
6000 Total operating expenses		<u>(3,956,878)</u>	<u>(30)</u>	<u>(3,746,697)</u>	<u>(30)</u>
6900 Operating profit		<u>1,721,822</u>	<u>13</u>	<u>1,360,856</u>	<u>11</u>
Non-operating income and expenses					
7010 Other income	6(13)	50,953	-	49,570	-
7020 Other gains and losses	6(14)	39,671	-	(8,013)	-
7050 Finance costs	6(5)(15)	(10,259)	-	(8,271)	-
7000 Total non-operating income and expenses		<u>1,023</u>	<u>-</u>	<u>49,312</u>	<u>-</u>
7900 Profit before income tax		<u>1,722,845</u>	<u>13</u>	<u>1,410,168</u>	<u>11</u>
7950 Income tax expense	6(18)	(293,788)	(2)	(240,684)	(2)
8200 Net income for the year		<u>\$ 1,429,057</u>	<u>11</u>	<u>\$ 1,169,484</u>	<u>9</u>
Other comprehensive income (loss) (Net) income (loss) that will not be reclassified to profit or loss					
8311 Remeasurement of defined benefit obligations	6(8)	(\$ 1,557)	-	(\$ 6,542)	-
8349 Income tax relating to the components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(18)	<u>265</u>	<u>-</u>	<u>1,112</u>	<u>-</u>
8300 Total other comprehensive (loss) income for the year		<u>(\$ 1,292)</u>	<u>-</u>	<u>(\$ 5,430)</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 1,427,765</u>	<u>11</u>	<u>\$ 1,164,054</u>	<u>9</u>
Earnings per share (in dollars)					
9750 Basic	6(19)	<u>\$ 14.63</u>		<u>\$ 12.01</u>	
9850 Diluted	6(19)	<u>\$ 14.58</u>		<u>\$ 11.97</u>	

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

Chairman : Chen Jian-Zao

General Manager : Chen Zong-Cheng

Financial and Accounting Manager : Shen Hung-Yu

POYA INTERNATIONAL CO.,LTD
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016.
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Capital surplus	Retained Earnings		
	Notes	Common stock	Additional paid-in capital	Legal reserve	Unappropriated retained earnings	Total equity
<u>For the year ended December 31, 2016</u>						
Balance at January 1, 2016		\$ 952,774	\$ 473,319	\$ 357,480	\$ 953,167	\$ 2,736,740
Distribution of 2015 net income:						
Legal reserve		-	-	95,215	(95,215)	-
Cash dividends	6(11)	-	-	-	(838,441)	(838,441)
Stock dividends	6(9)(11)	9,528	-	-	(9,528)	-
Employees' stock bonuses	6(9)(21)	2,458	79,542	-	-	82,000
Net income for the year ended December 31,2016		-	-	-	1,169,484	1,169,484
Other comprehensive income for the year ended December 31,2016		-	-	-	(5,430)	(5,430)
Balance at December 31, 2016		<u>\$ 964,760</u>	<u>\$ 552,861</u>	<u>\$ 452,695</u>	<u>\$ 1,174,037</u>	<u>\$ 3,144,353</u>
<u>For the year ended December 31, 2017</u>						
Balance at January 1, 2017		\$ 964,760	\$ 552,861	\$ 452,695	\$ 1,174,037	\$ 3,144,353
Distribution of 2016 net income:						
Legal reserve		-	-	116,948	(116,948)	-
Cash dividends	6(11)	-	-	-	(1,032,293)	(1,032,293)
Stock dividends	6(9)(11)	9,648	-	-	(9,648)	-
Employees' stock bonuses	6(9)(21)	2,442	87,558	-	-	90,000
Net income for the year ended December 31,2017		-	-	-	1,429,057	1,429,057
Other comprehensive income for the year ended December 31,2017		-	-	-	(1,292)	(1,292)
Balance at December 31, 2017		<u>\$ 976,850</u>	<u>\$ 640,419</u>	<u>\$ 569,643</u>	<u>\$ 1,442,913</u>	<u>\$ 3,629,825</u>

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

Chairman : Chen Jian-Zao

General Manager : Chen Zong-Cheng

Financial and Accounting Manager : Shen Hong-Yu

POYA INTERNATIONAL CO.,LTD
STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax for the year		\$ 1,722,845	\$ 1,410,168
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(16)	445,546	387,934
(Gain) loss on disposal of property, plant and equipment	6(14)	38,309	(9,089)
Interest income	6(13)	(2,277)	(2,337)
Interest expense	6(15)	10,259	8,271
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,112	(3,180)
Accounts receivable		(22,975)	(89,174)
Other receivables		(4,113)	(1,126)
Inventories		(324,133)	(247,177)
Prepayments		(7,242)	13,651
Changes in operating liabilities			
Notes payable		(556,235)	51,971
Accounts payable		675,237	(41,783)
Other payables		127,050	152,949
Receipts in advance		(7,040)	3,737
Other current liabilities		2,625	3,961
Net defined benefit liabilities-non-current		(1,593)	(1,735)
Cash inflow generated from operations		2,098,375	1,637,041
Interest received		2,277	2,337
Interest paid		(10,259)	(8,271)
Income tax paid		(274,656)	(212,998)
Net cash provided by operating activities		1,815,737	1,418,109
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other current financial assets		7,461	(24,562)
Cash paid for acquisition of property, plant and equipment	6(21)	(937,682)	(972,666)
Interest paid for acquisition of property, plant and equipment	6(5)(15)(21)	(3,252)	(1,544)
Cash received from disposal of property, plant and equipment		763	258,102
Increase in refundable deposits		(31,645)	(45,903)
Increase in other non-current financial assets		-	(1,650)
(Increase) decrease in long-term prepaid rent		(46,059)	(17,487)
(Increase) decrease in other non-current assets		(1,298)	(359)
Net cash flows used in investing activities		(1,011,712)	(806,069)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		1,460,000	911,841
Repayment of long-term borrowings		(1,091,954)	(617,386)
Increase in guarantee deposits received		(161)	1,472
Cash dividends paid	6(11)	(1,032,293)	(838,441)
Net cash flows used in financing activities		(664,408)	(542,514)
Net increase (decrease) in cash and cash equivalents		139,617	69,526
Cash and cash equivalents at beginning of year	6(1)	833,134	763,608
Cash and cash equivalents at end of year	6(1)	\$ 972,751	\$ 833,134

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

Chairman : Chen Jian-Zao

General Manager : Chen Zong-Cheng

Financial and Accounting Manager : Shen Hong-Yu

POYA International Co., Ltd.

2017 Profits Distribution Table

Unit: New Taiwan Dollars

Items	Amount		Note:
	Sub-total	Grand Total	
Beginning unappropriated retained earnings		15,148,832	The industry that the company is in continues to evolve with many changes; the corporate lifecycle is currently in a phase of steady growth. After the confirmation of the financial statements each year, the Company shall pay the income tax and also offset losses for previous years. If after this, retained earning remains, the Company shall set aside 10% as legal reserve and may set aside or reverse more amount as special reserve based on the law. The remaining profits are distributable earnings for the current period, being added to the accumulated retrained earnings from the previous year to be equal to accumulated distributable earnings.
Less: 2017 adjustment to retained earnings		<u>(1,292,406)</u>	
Adjusted unappropriated retained earnings		13,856,426	
Add: Net earnings after tax for the current year		<u>1,429,056,635</u>	The Company's dividend policy shall be determined based on the industry the Company stay and after the Board of Directors takes account of the future business development, the reinvestment environment, and the shareholders' interests. The distribution of shareholders' dividends and bonuses shall be made after the distribution of the Company's earnings raised by the Board of Directors has been submitted to the Shareholders Meeting for approval Every year, 50%-100% of the
Distributable earnings for the current period		1,442,913,061	
Less: Legal reserve		<u>(142,905,664)</u>	
Accumulated distributable earnings		1,300,007,397	
Distribution items:			
Shareholders dividend —Cash \$ 13.0/share		<u>(1,269,905,403)</u>	
Unappropriated retained earnings		<u>\$30,101,994</u>	

			<p>accumulated distributable earnings shall be allocated as shareholders' dividends and bonuses. The shareholders' dividends and bonuses shall be distributed in cash or stock, cash dividends of which shall not be less than 1% of total dividends. If cash dividend is lower than NT\$ 0.5 per share, stock dividend shall be substituted for cash dividend</p> <p>New shares or cash shall be issued from the legal reserve with the limitation that the monetary amount of new shares or cash shall not exceed 25% of the part which legal reserve is in excess of the paid-in capital.</p>
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Cash dividends were calculated based on allocated percentage and in a dollar amount (round down to a dollar amount). The total amount of fractional cash dividends less than a dollar shall be sorted by the number after decimal point from big to small and be adjusted by the order of account number with the purpose of compliance with the total distributed amount of cash dividends.

Complied with the implementation of Imputation System, the Company shall pay Additional 10% Surtax on Undistributed Retained Earnings according to Article 66-9 of Income Tax Act. In accordance with Ministry of Finance, 30 April 1998, Tai Tsai Shui No. 871941343, the Company shall first allocate earnings from the current period by using the specific identification method.

Chairman : Chen Jian-Zao General Manager : Chen Zong-Cheng Finance and Accounting Manager : Shen Hung-Yu

POYA International Co., Ltd.

**Comparison table of clauses affected by the amendment to
“Operational Procedures for Acquisition or Disposal of Assets”**

Articles	Article after amendment	Article before amendment	Explanation
Article 2	<p>Business of the Company shall be listed as follows: :</p> <p>...(Omitted)</p> <p><u>24</u> F106010 Wholesale of <u>Ironware</u></p> <p><u>25</u> F206010 Retail Sale of Ironware</p> <p><u>26</u> F118010 Wholesale of <u>Computer Software</u></p> <p><u>27</u> F218010 Retail Sale of Computer Software</p> <p><u>28</u> F108021 Wholesale of <u>Drugs and Medicines</u></p> <p><u>29</u> F208021 Retail Sale of Drugs and Medicines</p> <p><u>30</u> F113070 Wholesale of <u>Telecom Instruments</u></p> <p><u>31</u> F213060 Retail Sale of Telecom Instruments</p> <p><u>32</u> F301020 Supermarkets</p> <p><u>33</u> JZ99110 Body Shaping Services</p> <p><u>34</u> F102020 Wholesale of Edible Oil</p> <p><u>35</u> F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products</p> <p><u>36</u> F204110 Retail sale of</p>	<p>Business of the Company shall be listed as follows: :</p> <p>...(Omitted)</p> <p><u>24</u> F206010 Retail Sale of Ironware</p> <p><u>25</u> F218010 Retail Sale of Computer Software</p> <p><u>26</u> F208021 Retail Sale of Drugs and Medicines</p> <p><u>27</u> F213060 Retail Sale of Telecom Instruments</p> <p><u>28</u> F301020 Supermarkets</p> <p><u>29</u> JZ99110 Body Shaping Services</p> <p><u>30</u> F102020 Wholesale of Edible Oil</p> <p><u>31</u> F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products</p> <p><u>32</u> F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products</p>	<p>1. Complied with the actual operating needs, the Company hereby adds and adjusts business item.</p>

Articles	Article after amendment	Article before amendment	Explanation
	Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products	<u>33</u> F205040 Retail sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures	
	<u>37</u> F205040 Retail sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures	<u>34</u> F105050 Wholesale of Furniture, Bedclothes Kitchen Equipment and Fixtures	
	<u>38</u> F105050 Wholesale of Furniture, Bedclothes Kitchen Equipment and Fixtures	<u>35</u> F109070 Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	
	<u>39</u> F109070 Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	<u>36</u> F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	
	<u>40</u> F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	<u>37</u> F113050 Wholesale of Computing and Business Machinery Equipment	
	<u>41</u> F113050 Wholesale of Computing and Business Machinery Equipment	<u>38</u> F213030 Retail sale of Computing and Business Machinery Equipment	
	<u>42</u> F213030 Retail sale of Computing and Business Machinery Equipment	<u>39</u> F208040 Retail Sale of Cosmetics	
	<u>43</u> F108040 Wholesale of <u>Cosmetics</u>	<u>40</u> F399040 Retail Business Without Shop	
	<u>44</u> F208040 Retail Sale of Cosmetics	<u>41</u> F399990 Retail sale of Others	
	<u>45</u> F399040 Retail Business Without Shop	<u>42</u> G202010 Parking Garage Business	
		<u>43</u> G801010 Warehousing and Storage	
		<u>44</u> IZ06010 Cargoes Packaging	

Articles	Article after amendment	Article before amendment	Explanation
	<p><u>46</u> F399990 Retail sale of Others</p> <p><u>47</u> G202010 Parking Garage Business</p> <p><u>48</u> G801010 Warehousing and Storage</p> <p><u>49</u> IZ06010 Cargoes Packaging</p> <p><u>50</u> <u>F107050 Wholesale of Manure</u></p> <p><u>51</u> <u>F207050 Retail Sale of Manure</u></p> <p><u>52</u> <u>F116010 Wholesale of Photographic Equipment</u></p> <p><u>53</u> <u>F216010 Retail Sale of Photographic Equipment</u></p> <p><u>54</u> <u>F301010 Department Stores</u></p> <p><u>55</u> <u>F399010 Convenience Stores</u></p> <p><u>56</u> <u>A102060 Grain Commerce</u></p> <p><u>57</u> <u>C501010 Lumbering</u></p> <p><u>58</u> <u>C501030 Plywood Manufacturing</u></p> <p><u>59</u> <u>C501040 Reconstituted Wood Manufacturing</u></p> <p><u>60</u> <u>C501990 Other Wooden Products Manufacturing</u></p> <p><u>61</u> <u>C501060 Wooden Container Manufacturing</u></p> <p><u>62</u> <u>I401010 General Advertising Services</u></p> <p><u>63</u> ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p>	<p><u>45</u> ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p>	

Articles	Article after amendment	Article before amendment	Explanation
Article 23	1. Adds the statement of “The 23th amendment was made on June 5, 2018” based on the original Article.	...(Omitted)	Add the latest amended record.