

Letter to Shareholders

Dear Shareholders:

Thanks to our shareholders' full support over the past year. Pili is an original story of Taiwan, and also a brand with original intellectual property (IP) originating in Taiwan. The innovations of Pili, without deviating from the spirit or nature of traditional culture, feature multi-faceted thinking and the integration of diverse elements. They generate products that are more audience-friendly, penetrating and lively. Embracing the philosophy of "taking deeper cultural roots and going high-tech," Pili is increasing its presence in the world.

I. 2017 performance report

Consolidated operating revenue in 2017 was NT\$636,316,000, a slight drop of around 9.15% from NT\$700,390,000 of the previous year. Gross profit was NT\$358,354,000, a slight decrease of around 7.96% from NT\$389,345,000 of the previous year. Net profit after tax was NT\$3,458,000, a drastic decline of around 97.85% from NT\$160,861,000 of the previous year. Earnings per share (EPS) was NT\$0.09. 2017 consolidated operating results of the Company are as follows:

(I) Business plan outcomes

Unit: NT\$1,000

Item	2017		2016		Difference	Percentage of Increase (Decrease)
	Amount	%	Amount	%		
Net Operating Revenue	636,316	100	700,390	100	(64,074)	(9.15)
Operating Cost	277,962	44	311,045	44	(33,083)	(10.64)
Gross Profit	358,354	56	389,345	56	(30,991)	(7.96)
Operating Expenses	306,218	48	245,129	35	61,089	24.92
Operating Profit	52,136	8	144,216	21	(92,080)	(63.85)
Non-Operating Incomes & Expenses	45,832	7	58,415	8	(12,583)	(21.54)
Net Profit Before Tax	6,304	1	202,631	29	(196,327)	(96.89)

Net Profit After Tax	3,458	1	160,861	23	(157,403)	(97.85)
Net Earnings Per Share (in dollars)	0.09		3.66			

(II) Analysis of Revenues, Expenses and Profitability

Item		2017	2016
Financial Structure	Debt-Asset Ratio (%)	21.80	22.75
	Ratio of Long-Term Capital to Property, Plant and Equipment (%)	642.17	754.04
Solvency	Current Ratio (%)	416.42	832.66
	Quick Ratio (%)	365.60	761.41
	Interest Coverage Ratio (Multiple)	2.25	24.67
Profitability	Return on Assets (%)	0.35	7.46
	Return on Equity (%)	0.21	10.38
	Ratio of Income Before Tax to Paid-In Capital (%)	1.31	42.32
	Profit Margin (%)	0.54	22.97
	Earnings per Share (NTD)	0.09	3.66

II. Summary of 2018 Business Plan

Pili International Multimedia was the first cultural & creativity enterprise to go public. Since our formal entry into the capital market, we have continued to strengthen the quality of corporate governance, expand our business and enhance the rights and interests of shareholders. Unconventional marketing techniques were also aggressively used to boost the international visibility of Pili to facilitate the introduction of international talent and expertise (such as professional foreign voice actors, audio-mixing techniques, and animators). In 2016, Taiwanese-Japanese glove puppetry television series “Thunderbolt Fantasy: Sword Seekers” was formally released. Shortly after its release, the series won warm reception in Japan, Taiwan, Mainland China, Europe and the U.S. It was a shining record that contributed a lot of to Pili’s rapid rise to fame across the globe. At the end of 2017, “Thunderbolt Fantasy: The Sword of Life and Death” was released with a strong box office performance. Without receiving any negative comments on the

Internet, the film had box office revenue of over NT\$1 million at the first weekend it was shown in theaters around Taiwan. It was shown in theaters in Japan for as long as 4 months. The film even made the top three hits on China's Douban website while getting a score of 9.7, almost a full mark, on the well-known Bilibili website in China. All these records are testimony to the warm reception of Pili in many countries.

This year is very special to Pili. It is the 30th year since Pili glove puppet theater's main male character Su Huan-chen, dubbed "Fresh and Fragrant White Lotus," debuted. It is not only a landmark for Pili but also an achievement that glove puppetry-driven cultural and creative industries in Taiwan can be proud of. For this reason, Pili will hold a series of events to celebrate the 30th anniversary of Su's debut, starting from an activity on April 29 marking the white lotus's birthday. They include "Pili Fantasy World of Puppet Art," to be held at the Chiang Kai-shek Memorial Hall in the summer. It is an exhibition that combines virtual reality with physical reality to allow traditional puppets to have a burst of new colors in their interaction with modern technology. The legendary character Su thus gets a new interpretation and definition. In addition, this year will see some of Pili's classic dramas remade with the latest video technology. For instance, "Pili: Strange Days," which was a great hit back at the time it was shown on television, gets a new version. At the end of the year, a large Pili-themed concert will be held. The series of events marking the 30th anniversary of Su's debut is surely worth the wait. In addition to the afore-mentioned events, "Thunderbolt Fantasy: Sword Seekers 2" is set to air in October. Meanwhile, a stage adaptation of "Thunderbolt Fantasy: Sword Seekers 2," presented by Japanese musical theater troupe Takarazuka Revue, will be performed in Taipei and Kaohsiung between October and November of this year. With Pili presenting a remade version of an early-period Pili drama and new Thunderbolt Fantasy-series in the same year, 2018 will definitely be a year of milestones for the Company.

III. Future Development Strategy

Apart from continued consolidation and development in the Taiwan market, Pili is also focusing on new markets in Japan and mainland China. In its cultivation of the Taiwan market, Pili continues to sell its television drama series DVDs at convenience

stores across the country while endeavoring to develop its pay television business in hopes of making a breakthrough and building a completely new business model. As for the Japanese market, Pili continues to keep “Thunderbolt Fantasy: Sword Seekers” a hot topic among locals and extend the fan effect arising from it. The Company is enthusiastic about extending the IP influence of the series. It hopes to produce new products of a similar kind at a steady pace. The aim is to gain a foothold in anime markets in Japan and elsewhere in the world. Pili’s development strategy for the market in mainland China is driven by two main engines: shows played by real actors based on glove puppet shows and management and development of the pay television business. The target is set at developing new IP and remaking old IP in markets in Japan and mainland China. It is hoped that an entirely new film and television milestone will be set accordingly and that a new model of generating revenues from overseas operations will be built. Pili’s unique cultural and creative value can be maximized in the long run.

In years to come, Pili will further expand its movie production capacity, planning to release, starting from 2020, a “big movie” every spring. Borrowing ideas from The Avengers series of movies, Pili intends to use film adaptations to re-interpret 70 Pili glove puppetry dramas, the total running time of which exceeds 2,600 hours. Fans and audience can get a new understanding of Pili glove puppetry dramas from an entirely different perspective. The first Pili movie to be made in the direction is expected to be one that features Su Huan-chen, the “Fresh and Fragrant White Lotus.” It will bring for all viewers a new world view shaped by Pili, also creating another avenue for the operation and production of Pili IP.

IV. Impact from external competition, regulatory environment, and the overall economic climate

The Company has established a solid and positive relationship with consumers and fans through its rich content and extensive service channels. The volatile global economic climate contributes to intensifying competition in the industry. In response, we will not only continue to follow market trends and meet consumer demands even more closely but also continue to invest in the creation and development of new products. The Company will continue to uphold its philosophy of ethical management by implementing

corporate governance best practices. We will also continue to innovate and leverage the competitive edge of market differentiation to create more value for shareholders.

Best

regards

Pili International Multimedia Co., Ltd.

Chairperson: Wen-Chang Huang