

# **FORMOSA TAFFETA CO., LTD.**

## **2023 ANNUAL SHAREHOLDERS' MEETING**

### **MEETING HANDBOOK**

(This English translation is prepared in compliance with the Chinese version and is for reference purposes only. If there are any inconsistency between the Chinese original and this translation, the Chinese version shall prevail.)

**JUNE 16, 2023**

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## **FORMOSA TAFFETA CO., LTD.**

### **2023 ANNUAL SHAREHOLDERS' MEETING PROCEDURE**

- I. Call Meeting to Order
- II. Chairman's Speech
- III. Report Items
- IV. Ratification Items
- V. Discussion Items (I)
- VI. Election Items
- VII. Discussion Items (II)
- VIII. Extraordinary Motions
- IX. Meeting Adjourned

# FORMOSA TAFFETA CO., LTD.

## 2023 ANNUAL SHAREHOLDERS' MEETING AGENDA

Time: 10:00 a.m., Friday, June 16<sup>th</sup>, 2023

Venue: 317, Shiliou Rd., Douliou 640, Yunlin County, Taiwan

Method of convening shareholders meeting: Physical Shareholders Meeting

### I. Report Items

1. 2022 Business Report
2. Audit Committee's Review Report on the Company's 2022 Financial Statements
3. Report on 2022 Compensation of Employees and Directors
4. Report of the Distribution of Cash Dividends for 2022

### II. Ratification Items

1. 2022 Business Report and Financial Statements
2. Proposal for Distribution of 2022 Earnings

### III. Discussion Items (I)

1. Amendment to the Articles of Incorporation of the Company

### IV. Election Items

The Company's Directors have their tenure nearly expired. Please elect the Board of Directors to conform to the applicable laws.

### V. Discussion Items (II)

1. Appropriateness of releasing the newly elected Directors and the juristic person shareholder which appointed their authorized representatives to be elected as directors, from non-competition restrictions. Please discuss and resolve.

## **Report Items**

1. The business status of fiscal year 2022, referred to the Business Report (on page 4 of this Handbook.)
2. The Company's Audit Committee members reviewed the 2022 Business Report and Financial Statements and issued their Review Report (on page 11 of this Handbook) according to the applicable laws.
3. Report on 2022 Compensation of Employees and Directors:  
The pre-tax profit prior to deducting employees' compensation and directors' compensation is NT\$ 3,654,264,814, with no accumulated loss. 0.2% of that profit, NT\$ 7,308,530 is allocated as employees' compensation and another 0.1%, NT\$ 3,654,265, as directors' compensation in accordance with Article 30 of Articles of Incorporation. The total amount of the aforementioned employees' and directors' compensation is NT\$ 10,962,795, all of which is to be distributed in cash.
4. Report of the Distribution of Cash Dividends for 2022:  
In accordance with Article 31 of the Articles of Incorporation of the Company, the Board of Directors approved to distribute cash dividends for a total of NT\$2,526,996,956 on March 3, 2023, which was NT\$1.5 per share approximately. The record date for distribution of cash dividends will be approved by the Board of Directors.

# **Formosa Taffeta Company Limited**

## **2022 Annual Business Report**

### **1. 2022 Business Performance**

The Company's consolidated revenue grew by 5.86%, from NT\$32,799.01 million in 2021 to NT\$34,722.66 million in 2022, an increase of NT\$ 1,923.65 million, with consolidated pretax profit increasing by 55.24%, from NT\$ 2,387.36 million to NT\$3,706.21 million, an increase of NT\$ 1,318.85 million.

### **2. 2022 Business Status**

In 2022, with the pandemic alleviating, countries around the world lifted their anti-pandemic restrictive measures successively, leading to gradual recovery of international travel and outdoor activities, which, plus resumption of international sports events, spurred demands for outdoor leisure products. Still, order placement was dampened by a number of factors, including Russia-Ukraine war boosting global energy, natural gas, and raw material costs, high inflation and interest rate hike curbing demands in major consumption markets in the U.S. and Europe, China's zero-COVID policy battering retail sales, and high inventory of major international brands.

In the face of the challenges in 2022, the Company set sights on outdoor functional and composite products for the post-pandemic market, invested heavily in R&D on high-value niche products, developed high-value environment-friendly products made of regenerated materials via introduction of high-specifications technology, and consolidated supply-chain partnership and strategic collaboration with branded customers resulting in a harmonious win-win outcome, thereby managing to attain sales growth.

### **3.2023 Business Plan and Outlook**

Business plans and outlooks for the seven major products in 2023 are as follows:

#### **(1) Filament woven and dyed fabrics:**

There are four end markets for the Company's filament woven fabrics: outdoor performance wear, sportswear, casual wear, and umbrella. In 2022, with various countries around the world successively lifting anti-pandemic restrictive measures following extensive vaccination, outdoor activities and international travel gradually recovered, boosting demand for sportswear, while resumption of major international sports events also induced growth of the textile and apparel industry. Still, order placement was hampered by a number of factors, including Russia-Ukraine war boosting global energy and raw material costs, high inflation in major consumption markets in the U.S. and Europe, China's zero-COVID policy battering retail sales, and high inventory of major international brands. However, the Company managed to score growth in revenue and profits in 2022, through the development of differentiated niche products, and price adjustment in reflection of higher raw-material and freight costs.

In 2023, along with lifting of border control worldwide, in-person visits to customers has been gradually resumed, alongside digital marketing, integrated R&D, and branded operating platform, enhancing market competitiveness significantly. In addition, the company consolidated strategic partnership with major international brands; intensified tapping the three major end markets of sportswear, outdoor functional wear, and fashion/casual clothes, while developing biotech and environment-friendly functional niche product and accelerating product innovation, thereby consolidating

its leading status on the market for woven functional fabric.

## **(2) Tire cord fabric:**

In 2022, tire makers and dealers slash their order placement in the first half, fearing effect of shipment jam at harbors. Sales of tire cord fabric remained in the doldrums in the second half, due to high inventory caused by weak consumption demands, due to reduced output of automakers resulting from automotive-chip shortage, China's stringent anti-pandemic measures, and global inflation.

In 2023, inventory reduction will still the priority task on the global tire cord fabric market in the first half, while demand is expected to recover gradually, due to stabilization in automotive-chip supply, alleviation of shipment congestion, and lifting of anti-pandemic restrictions worldwide. The tire cord fabric division will strive to boost sales by consolidating orders from existing customers, continuing development of products with high added value, and pushing environment-friendly PU6 tire cord fabric with ocean-recovered raw material in collaboration with major international bicycle makers, scheduled for mass production from Q2, to boost market share and profits.

## **(3) Gas stations:**

As of the end of 2022, Formosa Petroleum Station had had 106 gas stations, making it the fifth largest gas-station brand in Taiwan, thanks to its effort in services, marketing, and management over the past years. Formosa Petroleum Station still managed to remain profitable in the year, despite worse-than-expectation sales, due to international oil price hike on Russia-Ukraine war, the effect of pandemic dampening, reducing the outdoor activities among Taiwanese people, and inflation and high international oil prices.



In 2023, Formosa Petroleum Station will continue evaluating of each gas station's performance. In addition, given fluctuation in international oil prices, the Company will intensify control of oil-tank storage level flexibly. Effort will be intensified to increase the number of contracted customers with monthly settlement of bills, including enterprises and owners of agricultural or engineering machines to enhance margin. The number of gas stations with self-service, numbering 94 now, will be increased further, according to performance. Moreover, it will introduce plural payment methods, push sales of leisure and travel products and auto accessories via B2C channel and social media, and offer various training courses, such as SOP, 5S, and TPM, to station workers, in order to attain public safety, quality service, and standardized management, thereby creating a convenient and safe oil-filling and consumption environment for customers.

#### **(4)Functional yarn:**

In 2022, faced with raw-material price swing, due to a number of adverse factors, and shrinking consumption, the Company adjusted product mix flexibly and renovate equipment, to boost product quality and cut production cost, thereby coping with rapid market changes, which, plus successful inroads into the market of industrial protective yarn, enables sales and profits to grow 26.9% and 45.6%, respectively.

In 2023, the Company will consolidate its presence in the specific composite functional market for industrial yarn and branded sportswear, further renovation production equipment and replace outdated machines, increase first-time success rate, and optimize product mix to further boost sales and profit growth.

## **(5) Special fabrics:**

In 2022, while domestic sales of industrial fabric slackened, due to decrease of bids for public projects, orders for hi-tech factory fabric, anti-epidemic sterile- and isolation-gown fabric, and anti-static fabric increased, which, plus export orders for newly developed Aramid blended fabric made of fire-proof fiber, enabled both sales and profit growth.

In 2023, with alleviation of the pandemic and weakening demands for consumer electronic products, demands for anti-static fabric and fabric used for factory construction in technology industry are expected to drop. Except development of new products for various markets, the special-textile plant will actively develop flame retardant fabric with various proportions of materials, tap markets for low- and medium-price products, in line with various customer needs and market trend, and introduce new processing technologies for elastic, comfortable, environment-friendly fluorine-free, water-repellant fabrics, in order to attain the 2023 sales target.

## **(6) Carbon-fiber composite materials:**

In 2022, thanks to the alleviation of the pandemic worldwide, sales of carbon-fiber composite materials were stable, as demands, both in Taiwan or abroad, were robust from such sectors as fitness equipment, bicycles, mining vehicles, yachts and ships, drones, and reinforcement construction structural materials, plus development of fast-forming prepreg fabric and new resin via collaboration with local dealers and bicycle manufacturers, respectively. As a result, sales grew by 8.2% compared to 2021.

In 2023, in line with customer demands for tapping the

mainland Chinese and Southeast Asian markets, the Company will continue developing special fabric and engage in prepreg-fabric testing, collaboration with major customers, consolidate orders for multi-axis fabric for yacht builders, both in Taiwan and abroad, and increase product applications to meet the various demands of dealers, so as to sustain sales growth.

#### **(7)Plastic bags:**

In 2022, increased orders for vest bags from Japan, due to the closure of a plastic bag manufacturer in China, boosting share of the market in the company's sales to 85.5% and enabling the Company to rack up 8.3% sales and 282% profit growth.

In 2023, in addition to the focus on the high-margin Japanese market, the Company will notice change in material costs and exchange rate and boost shipment to the American market, in order to sustain profits.

### **4. Conclusion**

In 2023, given multiple uncertain factors, the Company will further strengthen the global supply chain and assure smooth production and delivery via proper capacity adjustment among the five factories in Taiwan, China, and Vietnam; push equipment renovation and process optimization, to enhance first-time success rate in production and reduce energy consumption and emissions; increase usage of recycled raw materials, introduce new processing technology, and develop environment-friendly products with high added value; and intensify collaboration with Schoeller Textil AG, in line with the strategy of " R&D in Europe and production in Asia," thereby augmenting operational synergy.

In line with the global ESG current, the Company continues to

establish a complete system in environment, social, and corporate governance, as well as a task force to push various related programs. To deal with the climate-change issue, the Company has been the TCFD supporter and engaged in SBTi (Science-Based Targets Initiative) actively, to materialize low-carbon economic transformation and endorse environment-protection advocacy, which has become a universal value. The Company was granted various honors in 2022 in acknowledging its effort, including continuing inclusion in FTSE4Good TIP Taiwan ESG Index and FTSE4Good Emerging Index, and rated as leadership in CDP climate change and water security.

In 2023, faced with multiple challenges, the Company will strive to attain performance targets, co-prosperity with supply-chain partners, and win-win outcome with customers, creating expanded investment returns for shareholders and materializing the corporate vision.

Chairman: Wong, Wen-Yuan

President: Lee, Ming-Chang

In-charge Accountant: Lee, Shu-Ming

**FORMOSA TAFFETA CO., LTD.**  
**The Audit Committee's Review Report**

The Company's 2022 Business Report, Financial Statements, including Consolidated and Parent Company Only ones, and Earnings Distribution Proposal have been prepared by the Board of Directors. An audit of the Financial Statements was conducted by the CPAs of PricewaterhouseCoopers Taiwan (PwC), and the audit reports were issued by PwC. The Audit Committee members of Formosa Taffeta Co., Ltd. reviewed the Business Report, Financial Statements, and Earnings Distribution Proposal and determined the information to be correct and accurate. According to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please be advised accordingly.

Formosa Taffeta Co., Ltd.  
Chairman of the Audit Committee:

Lin, Sheng-Chung

March 3, 2023

## **Ratification Items**

### **Proposal 1**

**Proposal: To accept the 2022 business report and financial statements**

Proposed by the Board of Directors

#### **Explanation:**

1. The preparation of the Company's 2022 Consolidated and Parent Company Only Financial Statements were completed; the same were reviewed by the Audit Committee and approved by the Board of Directors on March 3, 2023 and audited by independent auditors, CPA Mr. Han-Chi Wu and CPA Ms. Man-Yu Juanlu, of PwC. The aforesaid Financial Statements together with the Business Report were reviewed by the Audit Committee, and the written Audit Committee's Review Report form is presented.
2. Please refer to page 4 through page 10 of this Handbook for the aforementioned Business Report, and page 24 through page 36 for the Financial Statements. Please approve the Business Report and the Financial Statements.

#### **Resolution:**

## **Ratification Items**

### **Proposal 2**

**Proposal:** To accept the proposal for distribution of 2022 earnings

Proposed by the Board of Directors

#### **Explanation:**

Please refer to page 37 of this Handbook for the 2022 Earnings Distribution Proposal, reviewed by the Audit Committee members of Formosa Taffeta Co., Ltd. and approved by the Board of Directors on March 3, 2023. Please approve the Earnings Distribution Proposal.

#### **Resolution:**

**Discussion Items (I)****Proposal 1**

**Proposal:** Amendment to the Articles of Incorporation of the Company. Please discuss and resolve.

Proposed by the Board of Directors

**Explanation:**

In response to conform to the needs of commercial practice, the Articles of Incorporation of the Company is proposed to be amended. The comparison table for articles before and after amendment is hereby attached. Please determine whether the amendments are reasonable.

Article	Article before Amendment	Article after Amendment	Reason for Amendment
Article 14	The chairman of the board of directors shall preside over the shareholders' meetings; in the Chairman's absence, the Chairman shall designate one <u>Managing Director</u> to act on his behalf. If no such designation is made by the chairperson, the managing directors shall select one person from among themselves to serve as chair.	The chairman of the board of directors shall preside over the shareholders' meetings; in the Chairman's absence, the Chairman shall designate one director to act on his behalf. If no such designation is made by the chairperson, the managing directors shall select one person from among themselves to serve as chair.	To conform to the needs of commercial practice, the Company proposes to delete the placement of managing director.
Article 21	The Board shall be formed pursuant to a resolution adopted by a majority vote of a	The Board shall be formed pursuant to a resolution adopted by a majority vote of a	To conform to the needs of commercial practice, the



Article	Article before Amendment	Article after Amendment	Reason for Amendment
	meeting of the board of directors attended by over two-thirds or more of all the directors. <u>The directors shall elect among them three Managing Directors, including one independent director. The Managing Directors shall elect among them a Chairman in the same manner, and may elect a vice chairman of the board. The Chairman represents the Company externally.</u>	meeting of the board of directors attended by over two-thirds or more of all the directors. The directors shall elect among them one Chairman, and may elect a vice chairman of the board. The Chairman represents the Company externally.	Company proposes to delete the procedure of electing managing director.
Article 35	(omitted)	<b><u>The 48th amendment is added to the existing Article on June 16, 2023.</u></b>	Add the date of amendment and execution to the Article.

## Resolution:

## **Election Items**

**Proposal:** The Company's Directors have their tenure nearly expired. Please elect the Board of Directors to conform to the applicable laws.

Proposed by the Board of Directors

### **Explanation:**

1. The term of office of the Company's current directors and supervisors, who were elected on June 19, 2020, will expire on June 18, 2023. To conform to the applicable rule, the company shall elect 11 directors (including 3 independent directors) through cumulative voting system. The term of office of the new Directors (including independent directors) shall be three years, starting from June 16, 2023 to June 15, 2026.
2. In accordance with Article 192-1 of the Company Act and Article 18 of the Articles of the Company's Articles of Incorporation, the nomination system for candidates for the election of directors (including independent directors) of the Company shall be selected by the shareholders on the list of candidates and shall be held by the Company. The directors (including independent directors) jointly nominated by the shareholders who have issued more than 1% of the total number of the shares on April 18, 2023 have 11 candidates. The names of the 8 Directors Candidates are listed below:

Name	Education	Experience	Existing shareholding
Wong, Wen-Yuan, (Representative of Formosa Chemicals & Fibre Corporation).	Master in Industrial Engineering, University of Houston Bachelor in Chemical Engineering, University of Houston	Current Appointment: – Chairman of Taiwan Textile Federation – Chairman of Formosa Taffeta Co., Ltd. – Managing Director of Formosa Plastics Corporation, Nan Ya Plastics Corporation,	630,022,431

Name	Education	Experience	Existing shareholding
		<p>Formosa Chemicals &amp; Fibre Corporation, and Formosa Petrochemical Corporation</p> <p>Experiences:</p> <ul style="list-style-type: none"> <li>– Chairman of Chinese National Federation of Industries</li> <li>– Chairman of Formosa Chemicals &amp; Fibre Corporation</li> </ul>	
Hong, Fu-Yuan, (Representative of Formosa Chemicals & Fibre Corporation)	Bachelor in Department of Chemical Engineering, Chung Yuan Christian University	<p>Current Appointment: Chairman of Formosa Chemicals &amp; Fibre Corp.</p> <p>Experiences: Vice Chairman of Formosa Chemicals &amp; Fibre Corp.</p>	630,022,431
Lee, Ching-Fen (Representative of Formosa Chemicals & Fibre Corporation)	Department of Chemical Engineering, Tamkang University	<p>Current Appointment: Executive Vice President of Formosa Chemicals &amp; Fibre Corp.</p> <p>Experiences: Senior Vice President of Formosa Chemicals &amp; Fibre Corp.</p>	630,022,431

Name	Education	Experience	Existing shareholding
Lee Ming-Chang, (Representative of Formosa Chemicals & Fibre Corporation)	Bachelor in Textile Engineering, Feng Chia University	Current Appointment: President of Formosa Taffeta Co. ,Ltd. Experiences: Executive Vice President of Formosa Taffeta Co. ,Ltd.	630,022,431
Lee, Chien-Kuan, (Representative of Formosa Chemicals & Fibre Corporation)	Bachelor in Public Administration, National Chung Hsing University	Current Appointment: Vice President of Formosa Taffeta Co. ,Ltd. Experiences: Deputy Vice President of Formosa Taffeta Co. ,Ltd.	630,022,431
Chen, Kun-Yuan, (Representative of Formosa Chemicals & Fibre Corporation)	Associate of Textile Engineering, National Taipei Institute of Technology	Current Appointment: Vice President of Formosa Taffeta Co. ,Ltd. Experiences: Deputy Vice President of Formosa Taffeta Co. ,Ltd.	630,022,431
Lee Man-Chun, (Representative of Changhua County Shuwang Lai's Welfare and Charity Foundation)	Master in Accounting, National Chengchi University	Current Appointment: — CPA of Lee Man-Chun Accounting Firm — Chief Executive Officer of Shu-wang Lai's Welfare and Charity Foundation — Chairman and CEO of	4,151,942

Name	Education	Experience	Existing shareholding
		<p>Hsiung He Education Foundation</p> <p>—Adjunct Associate Professor of Department of Accounting of Feng Chia University</p> <p>—Adjunct Instructor of Department of Accounting of Providence University</p> <p>Experiences:</p> <p>— Auditor of National Audit Office</p>	
Hsieh Ming-Der	Degree of Mechanical Engineering, Kuang Wu Industry Junior College	<p>Current Appointment:</p> <p>— Chairman of Yu Yuan Enterprise CO., Ltd.</p> <p>—Chairman of Shun Chin Enterprise Co., Ltd.</p> <p>Experiences:</p> <p>— President of Yu Yuan Enterprise CO., Ltd.</p>	15,548,068

3 independent director candidates, the list is as follows:

Name	Education	Experience	Existing shareholding
Lin, Sheng-Chung	Doctorate in Institute of Natural Resources Management, National Taipei	<p>Current Appointment:</p> <p>– Independent director of SWANCOR, Taiwan Glass Industry Corp., and Century Iron and Steel Industrial Co., Ltd.</p>	0

Name	Education	Experience	Existing shareholding
	University	<ul style="list-style-type: none"> <li>– Consultant of Chinese National Association of Industry and Commerce, Taiwan.</li> </ul> <p>Experiences:</p> <ul style="list-style-type: none"> <li>– Chairman of CPC Corporation, Taiwan</li> <li>– Deputy Minister &amp; Vice Minister of Ministry of Economic Affairs.</li> <li>– Director-General of Construction Bureau of Taipei City Government.</li> <li>– Permanent Representative of the Observer Delegation of ROC to the World Trade Organization.</li> </ul>	
Kuo, Nein-Hsiung	Master in Urban Planning, National Chung Hsing University	<p>Current Appointment:</p> <p>Director of Taiwan Puritic Corp.</p> <p>Experiences:</p> <ul style="list-style-type: none"> <li>– Supervisor of Taiwan Innovation Development Corp.</li> <li>– President of Taiwan Land Development Corp. and China Development Asset Management Corp.</li> </ul>	0

Name	Education	Experience	Existing shareholding
		<ul style="list-style-type: none"> <li>– Deputy Director-General of Industrial Development Bureau, Ministry of Economic Affairs</li> <li>– Chief Secretary &amp; Section Chief of Construction and Planning Agency , Ministry of the Interior</li> </ul>	
Kuo Chia-Chi	Bachelor in Accounting, National Taiwan University	<p>Current Appointment:</p> <ul style="list-style-type: none"> <li>– CPA of Kuo Chia-Chi Accounting Firm,</li> <li>– Independent director of Fine Blanking &amp; Tool Co., Ltd.,</li> <li>– Director of Zongtai Real Estate Development Co., Ltd.</li> </ul> <p>Experiences:</p> <p>Auditor of Chung Yang and Yi Hsing CPA firms</p>	3,000

**Resolution:**

## **Discussion Items (II)**

### **Proposal 1**

**Proposal:** Release of restrictions on Directors of the Company, juristic person shareholders, and their authorized representatives, elected as Directors of the Company, from non-competition. Please discuss and resolve.

Proposed by the Board of Directors

#### **Explanation:**

1. According to Article 209 of the Company Act, a Director doing anything for himself/herself or on behalf of another person that is within the scope of the Company's business, shall explain the essential contents of such an act at the Shareholders' Meeting and secure Shareholders' approval.
2. Meanwhile, according to Explanation Letter No.89206938 on Article 209 of the Company Act, announced by the Ministry of Economic Affairs dated April 24, 2000, where the juristic person shareholder's authorized representatives are elected as directors according to Article 27-2 of the Company Act, both the juristic person shareholder and the authorized representatives shall be subject to the non-competition restrictions under Article 209 of the Company Act.
3. The list of newly-elected Directors and the juristic person shareholder who appoints its authorized representatives to be elected as directors in annual Shareholders' Meeting of 2023 as the same or similar duty in other companies within the scope of the Company's business is as follow. Based on the interest of the Company without impairment, it is proposed to release the Directors and juristic person shareholders which appoints its authorized representatives to be elected as directors after having assumed office from non-competition restrictions for approval following Article 209 of the Company Act.



Name	Positions In Other Company
Wong, Wen-Yuan, Representative of Formosa Chemicals & Fibre Corporation	Managing Director of Formosa Chemical & Fibre Corp. Managing Director of Formosa Petrochemical Corp. Managing Director of Nan Ya Plastics Corporation.
Hong, Fu-Yuan, Representative of Formosa Chemicals & Fibre Corporation	Chairman of Formosa Chemical & Fibre Corp. Director and President of Formosa Industries Corp. Chairman and President of Formosa FCFC Carpet Coporation Director of Schoeller Textil AG
Lee, Ching-Fen, Representative of Formosa Chemicals & Fibre Corporation	Director of Formosa Chemical & Fibre Corp. Director of Formosa Industries Corp.
Lee Ming-Chang, Representative of Formosa Chemicals & Fibre Corporation	Director of Formosa Industries Corp. Director of Quang Viet Enterprise Co., Ltd. Director of King Hamm Industrial Co., Ltd. Director of Schoeller Textil AG
Hsieh Ming-Der	Chairman of Yu Yuan Enterprise CO., Ltd. Chairman of Shun Chin Enterprise Co., Ltd. Director of Great King Garment Co., Ltd.

## Resolution:

**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items		Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 34,722,655	100	\$ 32,799,007	100
5000	Operating costs	6(6)(25)(26) and 7	( 30,953,904)	( 89)	( 28,625,437)	( 87)
5900	Net operating margin		3,768,751	11	4,173,570	13
	Operating expenses	6(25)(26) and 7				
6100	Selling expenses		( 1,757,329)	( 5)	( 1,790,536)	( 5)
6200	General and administrative expenses		( 741,597)	( 2)	( 832,867)	( 3)
6000	Total operating expenses		( 2,498,926)	( 7)	( 2,623,403)	( 8)
6900	Operating profit		1,269,825	4	1,550,167	5
	Non-operating income and expenses					
7100	Interest income	6(22)	55,498	-	9,357	-
7010	Other income	6(23)	1,726,347	5	535,366	2
7020	Other gains and losses	6(24)	244,042	1	( 163,887)	( 1)
7050	Finance costs	6(27)	( 221,691)	( 1)	( 154,409)	( 1)
7060	Share of profit of associates and joint ventures accounted for using the equity method	6(7)	632,193	2	610,761	2
7000	Total non-operating income and expenses		2,436,389	7	837,188	2
7900	<b>Profit before income tax</b>		3,706,214	11	2,387,355	7
7950	Income tax expense	6(28)	( 301,233)	( 1)	( 244,188)	( 1)
8200	<b>Profit for the year</b>		\$ 3,404,981	10	\$ 2,143,167	6

(Continued)

**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>	6(20)				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Actuarial gains (losses) on defined benefit plans		\$ 43,056	-	\$ 137,864	-
8316 Unrealized (losses) gains on valuation of financial assets at fair value through other comprehensive income		( 8,640,330)	( 25)	558,401	2
8320 Share of other comprehensive (loss) income of associates and joint ventures accounted for using the equity method		( 274,172)	( 1)	73,605	-
8310 Other comprehensive (loss) income that will not be reclassified to profit or loss		( 8,871,446)	( 26)	494,142	2
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		502,918	2	( 86,660)	-
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method		134,679	-	( 110,401)	( 1)
8360 Other comprehensive income (loss) that will be reclassified to profit or loss		637,597	2	( 197,061)	( 1)
8300 <b>Total other comprehensive (loss) income for the year</b>		( \$ 8,233,849)	( 24)	\$ 297,081	1
8500 <b>Total comprehensive (loss) income for the year</b>		( \$ 4,828,868)	( 14)	\$ 2,440,248	7
Profit attributable to:					
8610 Owners of the parent		\$ 3,404,981	10	\$ 2,143,167	6
8620 Non-controlling interest		-	-	-	-
		<u>\$ 3,404,981</u>	<u>10</u>	<u>\$ 2,143,167</u>	<u>6</u>
Comprehensive (loss) income attributable to:					
8710 Owners of the parent		( \$ 4,828,868)	( 14)	\$ 2,440,248	7
8720 Non-controlling interest		-	-	-	-
		<u>( \$ 4,828,868)</u>	<u>( 14)</u>	<u>\$ 2,440,248</u>	<u>7</u>
		<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
<b>Basic and diluted earnings per share (in dollars)</b>	6(29)				
Profit attributable to common shareholders of the parent		\$ 2.17	\$ 2.02	\$ 1.35	\$ 1.27
<b>Assuming shares held by subsidiaries are not deemed as treasury stock:</b>					
Profit attributable to common shareholders of the parent		\$ 2.16	\$ 2.02	\$ 1.35	\$ 1.27

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

**FORMOSA TAFFETA CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(18) and 7		\$ 26,182,568	100	\$ 24,490,081	100
5000 Operating costs	6(5)(22)(23) and 7		( 23,424,921)	( 89)	( 21,640,482)	( 89)
5900 Net operating margin			2,757,647	11	2,849,599	11
Operating expenses	6(22)(23) and 7					
6100 Selling expenses			( 1,437,115)	( 6)	( 1,428,737)	( 6)
6200 General and administrative expenses			( 522,101)	( 2)	( 555,244)	( 2)
6000 Total operating expenses			( 1,959,216)	( 8)	( 1,983,981)	( 8)
6900 Operating profit			798,431	3	865,618	3
Non-operating income and expenses						
7100 Interest income	6(19)		44,300	-	2,016	-
7010 Other income	6(20)		1,698,964	6	516,953	2
7020 Other gains and losses	6(21)		300,318	1	174,382	( 1)
7050 Finance costs	6(24)		( 123,143)	-	( 80,142)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(6)		924,432	4	1,136,130	5
7000 Total non-operating income and expenses			2,844,871	11	1,400,575	6
7900 Profit before income tax			3,643,302	14	2,266,193	9
7950 Income tax expense	6(25)		( 238,321)	( 1)	( 123,026)	-
8200 Profit for the year			\$ 3,404,981	13	\$ 2,143,167	9
Other comprehensive income	6(17)					
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Actuarial gains (losses) on defined benefit plan			\$ 43,056	-	( \$ 137,864)	-
8316 Unrealized (losses) gains on valuation of financial assets at fair value through other comprehensive income			( 8,640,330)	( 33)	558,401	2
8330 Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method			( 274,172)	( 1)	73,605	-
8310 Other comprehensive (loss) income that will not be reclassified to profit or loss			( 8,871,446)	( 34)	494,142	2
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Exchange differences on translation			592,034	3	( 194,287)	( 1)
8380 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method			45,563	-	( 2,774)	-
8360 Other comprehensive income (loss) that will be reclassified to profit or loss			637,597	3	( 197,061)	( 1)
8300 Other comprehensive (loss) income for the year			( \$ 8,233,849)	( 31)	\$ 297,081	1
8500 Total comprehensive (loss) income for the year			( \$ 4,828,868)	( 18)	\$ 2,440,248	10
			Before Tax	After Tax	Before Tax	After Tax
9750 Basic and diluted earnings per share	6(26)		\$ 2.17	\$ 2.02	\$ 1.35	\$ 1.27
Assuming shares held by subsidiaries are not deemed as treasury stock:						
Basic and diluted earnings per share			\$ 2.16	\$ 2.02	\$ 1.35	\$ 1.27

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

**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	5,216,541	7	\$	3,471,141	4
1120	Current financial assets at fair value through other comprehensive income	6(3)		1,225,249	2		1,489,451	2
1136	Current financial assets at amortized cost	6(4)		113,122	-		62,909	-
1150	Notes receivable, net	6(5)		72,548	-		57,955	-
1160	Notes receivable-related parties	7		8,147	-		8,505	-
1170	Accounts receivable, net	6(5)		2,691,404	4		3,563,413	5
1180	Accounts receivable-related parties	7		216,868	-		206,124	-
1200	Other receivables	7		322,665	-		212,832	-
130X	Inventory	6(6)		9,510,710	13		7,915,845	10
1410	Prepayments			391,733	-		567,287	1
1470	Other current assets			179,359	-		138,426	-
11XX	Total current assets			19,948,346	26		17,693,888	22
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		32,135,448	43		40,512,078	50
1535	Non-current financial assets at amortised cost	6(4)		44,092	-		-	-
1550	Investments accounted for using the equity method	6(7)		9,621,779	13		9,555,195	12
1600	Property, plant and equipment	6(8) and 8		11,529,353	15		11,541,908	14
1755	Right-of-use assets	6(9)		1,108,999	1		1,026,668	1
1760	Investment property, net	6(10)		551,629	1		575,852	1
1840	Deferred income tax assets	6(28)		102,189	-		71,876	-
1900	Other non-current assets			368,000	1		364,723	-
15XX	Total non-current assets			55,461,489	74		63,648,300	78
1XXX	Total assets		\$	75,409,835	100	\$	81,342,188	100

(Continued)

**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11) and 8	\$ 3,035,088	4	\$ 3,167,227	4
2110	Short-term notes and bills payable	6(12)	1,299,227	2	299,941	-
2120	Financial liabilities at fair value through profit or loss - current	6(13)	2,826	-	-	-
2150	Notes payable		160,641	-	221,284	-
2160	Notes payable-related parties	7	186,804	-	341,981	1
2170	Accounts payable		900,287	1	1,093,116	1
2180	Accounts payable-related parties	7	1,070,847	1	967,146	1
2200	Other payables	6(14) and 7	1,126,487	2	1,039,634	1
2230	Current income tax liabilities		324,210	-	197,485	-
2280	Current lease liabilities		141,747	-	82,334	-
2399	Other current liabilities		385,601	1	494,900	1
21XX	Total current liabilities		8,633,765	11	7,905,048	9
Non-current liabilities						
2540	Long-term borrowings	6(15)	9,600,000	13	9,700,000	12
2570	Deferred income tax liabilities	6(28)	325,309	-	349,420	-
2580	Non-current lease liabilities		752,771	1	728,999	1
2600	Other non-current liabilities		330,775	1	414,862	1
25XX	Total non-current liabilities		11,008,855	15	11,193,281	14
2XXX	Total liabilities		19,642,620	26	19,098,329	23
Equity attributable to owners of parent						
	Share capital	6(17)				
3110	Common stock		16,846,646	22	16,846,646	21
	Capital surplus	6(18)				
3200	Capital surplus		1,338,658	2	1,301,769	2
	Retained earnings	6(19)				
3310	Legal reserve		8,974,316	12	8,772,558	11
3320	Special reserve		2,214,578	3	2,214,578	3
3350	Unappropriated retained earnings		9,908,042	13	8,349,494	10
	Other equity interest	6(20)				
3400	Other equity interest		16,504,039	22	24,777,878	30
3500	Treasury stocks	6(17)	( 19,064)	-	( 19,064)	-
31XX	Equity attributable to owners of the parent		55,767,215	74	62,243,859	77
3XXX	Total equity		55,767,215	74	62,243,859	77
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant event after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 75,409,835	100	\$ 81,342,188	100

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

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

			December 31, 2022		December 31, 2021	
Assets		Notes	AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,874,339	6	\$ 2,383,268	3
1120	Current financial assets at fair value	6(3)				
	through other comprehensive income		1,225,249	2	1,489,451	2
1150	Notes receivable, net	6(4)	72,548	-	57,955	-
1160	Notes receivable-related parties	7	8,147	-	8,506	-
1170	Accounts receivable, net	6(4)	1,647,730	3	2,069,651	3
1180	Accounts receivable-related parties	7	174,169	-	165,496	-
1200	Other receivables		218,778	-	183,517	-
130X	Inventory	6(5)	5,766,666	8	4,392,093	6
1410	Prepayments		41,039	-	153,671	-
1470	Other current assets		189,465	-	154,078	-
11XX	Total current assets		13,218,130	19	11,057,686	14
Non-current assets						
1517	Non-current financial assets at fair	6(3)				
	value through other comprehensive					
	income		32,135,448	45	40,512,078	53
1550	Investments accounted for using	6(6)				
	equity method		18,430,889	26	17,451,181	23
1600	Property, plant and equipment	6(7) and 7	5,865,967	8	6,054,424	8
1755	Right-of-use assets	6(8)	826,970	1	744,479	1
1760	Investment property, net	7	463,132	1	485,103	1
1840	Deferred income tax assets	6(25)	102,189	-	71,876	-
1990	Other non-current assets		356,228	-	323,170	-
15XX	Total non-current assets		58,180,823	81	65,642,311	86
1XXX	Total assets		\$ 71,398,953	100	\$ 76,699,997	100

(Continued)

**FORMOSA TAFFETA CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 14,035	-	\$ 31,236	-
2110	Short-term notes and bills payable	6(10)	1,299,227	2	299,941	-
2120	Financial liabilities at fair value	6(11)				
	through profit or loss - current		2,826	-	-	-
2150	Notes payable		127,398	-	130,690	-
2160	Notes payable - related parties	7	186,163	-	318,401	1
2170	Accounts payable		550,969	1	647,539	1
2180	Accounts payable - related parties	7	1,024,264	2	722,715	1
2200	Other payables	7	885,027	1	818,631	1
2230	Current income tax liabilities		294,218	1	145,112	-
2280	Current lease liabilities		140,194	-	80,798	-
2399	Other current liabilities		168,653	-	137,162	-
21XX	Total current liabilities		4,692,974	7	3,332,225	4
Non-current liabilities						
2540	Long-term borrowings	6(12)	9,600,000	13	9,700,000	13
2570	Deferred income tax liabilities	6(25)	325,309	1	349,420	-
2580	Non-current lease liabilities		697,547	1	672,222	1
2670	Other non-current liabilities		315,908	-	402,271	1
25XX	Total non-current liabilities		10,938,764	15	11,123,913	15
2XXX	Total liabilities		15,631,738	22	14,456,138	19
Equity						
	Share capital	6(14)				
3110	Common stock		16,846,646	24	16,846,646	22
	Capital surplus	6(15)				
3200	Capital surplus		1,338,658	2	1,301,769	2
	Retained earnings	6(16)				
3310	Legal reserve		8,974,316	12	8,772,558	11
3320	Special reserve		2,214,578	3	2,214,578	3
3350	Unappropriated retained earnings		9,908,042	14	8,349,494	11
	Other equity interest	6(17)				
3400	Other equity interest		16,504,039	23	24,777,878	32
3500	Treasury shares		( 19,064)	-	( 19,064)	-
3XXX	Total equity		55,767,215	78	62,243,859	81
	Commitments and contingent liabilities	9				
	Subsequent event	11				
3X2X	Total liabilities and equity		\$ 71,398,953	100	\$ 76,699,997	100

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



FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent								
		Retained Earnings				Other Equity Interest				
		Share capital - common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total equity
Notes										
<u>Year ended December 31, 2021</u>										
Balance at January 1, 2021		\$ 16,846,646	\$ 1,297,081	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	(\$ 1,246,441 )	\$ 25,601,654	(\$ 19,064 )	\$ 61,483,588
Profit for the year		-	-	-	-	2,143,167	-	-	-	2,143,167
Other comprehensive income (loss)		-	-	-	-	( 142,262 )	( 197,061 )	636,404	-	297,081
Total comprehensive income (loss)		-	-	-	-	2,000,905	( 197,061 )	636,404	-	2,440,248
Appropriations of 2020 earnings	6(19)									
Legal reserve		-	-	212,351	-	( 212,351 )	-	-	-	-
Cash dividends		-	-	-	-	( 1,684,665 )	-	-	-	( 1,684,665 )
Paid expired cash dividends transferred to capital surplus	6(18)	-	( 97 )	-	-	-	-	-	-	( 97 )
Expired cash dividends transferred to capital surplus		-	2,592	-	-	-	-	-	-	2,592
Adjustment of cash dividends paid to consolidated subsidiaries acquired		-	2,193	-	-	-	-	-	-	2,193
Change in the net interest of associates recognized under the equity method		-	-	-	-	16,678	-	( 16,678 )	-	-
Balance at December 31, 2021		\$ 16,846,646	\$ 1,301,769	\$ 8,772,558	\$ 2,214,578	\$ 8,349,494	(\$ 1,443,502 )	\$ 26,221,380	(\$ 19,064 )	\$ 62,243,859
<u>Year ended December 31, 2022</u>										
Balance at January 1, 2022		\$ 16,846,646	\$ 1,301,769	\$ 8,772,558	\$ 2,214,578	\$ 8,349,494	(\$ 1,443,502 )	\$ 26,221,380	(\$ 19,064 )	\$ 62,243,859
Profit for the year		-	-	-	-	3,404,981	-	-	-	3,404,981
Other comprehensive income (loss)		-	-	-	-	39,695	637,597	( 8,911,141 )	-	( 8,233,849 )
Total comprehensive income		-	-	-	-	3,444,676	637,597	( 8,911,141 )	-	( 4,828,868 )
Appropriations of 2021 earnings	6(19)									
Legal reserve		-	-	201,758	-	( 201,758 )	-	-	-	-
Cash dividends		-	-	-	-	( 1,684,665 )	-	-	-	( 1,684,665 )
Paid expired cash dividends transferred to capital surplus	6(18)	-	( 21 )	-	-	-	-	-	-	( 21 )
Expired cash dividends transferred to capital surplus		-	3,537	-	-	-	-	-	-	3,537
Adjustment of cash dividends paid to consolidated subsidiaries acquired	6(18)	-	2,193	-	-	-	-	-	-	2,193
Change in the net interest of associates recognized under the equity method	6(18)(20)	-	31,180	-	-	( 207 )	-	207	-	31,180
Disposal of equity instruments at fair value through other comprehensive income	6(20)	-	-	-	-	502	-	( 502 )	-	-
Balance at December 31, 2022		\$ 16,846,646	\$ 1,338,658	\$ 8,974,316	\$ 2,214,578	\$ 9,908,042	(\$ 805,905 )	\$ 17,309,944	(\$ 19,064 )	\$ 55,767,215

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

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves					Retained Earnings			Other Equity Interest			Treasury stocks	Total equity
		Share capital - common stock	Treasury stock transactions	Capital Surplus, changes in ownership interests in subsidiaries	Donated assets received	Changes in net equity of associates and joint ventures accounted for using equity method	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		
<b>Year ended December 31, 2021</b>														
Balance at January 1, 2021		\$ 16,846,646	\$ 36,580	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 7,543	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	(\$ 1,246,441)	\$ 25,601,654	(\$ 19,064)	\$ 61,483,588
Profit for the year		-	-	-	-	-	-	-	-	2,143,167	-	-	-	2,143,167
Other comprehensive income (loss)	6(17)	-	-	-	-	-	-	-	-	( 142,262)	( 197,061)	636,404	-	297,081
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	2,000,905	( 197,061)	636,404	-	2,440,248
<b>Appropriations of 2020 earnings:</b>														
	6(16)													
Legal reserve		-	-	-	-	-	-	212,351	-	( 212,351)	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	-	( 1,684,665)	-	-	-	( 1,684,665)
Paid expired cash dividends transferred to capital surplus		-	-	-	-	-	( 97)	-	-	-	-	-	-	( 97)
Adjustment of cash dividends paid to consolidated subsidiaries acquired		-	2,193	-	-	-	-	-	-	-	-	-	-	2,193
Expired cash dividends transferred to capital surplus		-	-	-	-	-	2,592	-	-	-	-	-	-	2,592
Change in the net interest of associates recognized using the equity method		-	-	-	-	-	-	-	-	16,678	-	( 16,678)	-	-
Balance at December 31, 2021		\$ 16,846,646	\$ 38,773	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 10,038	\$ 8,772,558	\$ 2,214,578	\$ 8,349,494	(\$ 1,443,502)	\$ 26,221,380	(\$ 19,064)	\$ 62,243,859
<b>Year ended December 31, 2022</b>														
Balance at January 1, 2022		\$ 16,846,646	\$ 38,773	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 10,038	\$ 8,772,558	\$ 2,214,578	\$ 8,349,494	(\$ 1,443,502)	\$ 26,221,380	(\$ 19,064)	\$ 62,243,859
Profit for the year		-	-	-	-	-	-	-	-	3,404,981	-	-	-	3,404,981
Other comprehensive income (loss)	6(17)	-	-	-	-	-	-	-	-	39,695	637,597	( 8,911,141)	-	( 8,233,849)
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	3,444,676	637,597	( 8,911,141)	-	( 4,828,868)
<b>Appropriations of 2021 earnings:</b>														
	6(16)													
Legal reserve		-	-	-	-	-	-	201,758	-	( 201,758)	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	-	( 1,684,665)	-	-	-	( 1,684,665)
Paid expired cash dividends transferred to capital surplus		-	-	-	-	-	( 21)	-	-	-	-	-	-	( 21)
Adjustment of cash dividends paid to consolidated subsidiaries acquired		-	2,193	-	-	-	-	-	-	-	-	-	-	2,193
Expired cash dividends transferred to capital surplus		-	-	-	-	-	3,537	-	-	-	-	-	-	3,537
Change in the net interest of associates recognized using the equity method		-	-	-	-	31,180	-	-	-	( 207)	-	207	-	31,180
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	-	-	-	-	502	-	( 502)	-	-
Balance at December 31, 2022		\$ 16,846,646	\$ 40,966	\$ 1,650	\$ 2,032	\$ 1,280,456	\$ 13,554	\$ 8,974,316	\$ 2,214,578	\$ 9,908,042	(\$ 805,905)	\$ 17,309,944	(\$ 19,064)	\$ 55,767,215

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

**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 3,706,214	\$ 2,387,355
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(10)(25)	1,378,658	1,345,408
Amortization		-	3,163
Interest expense	6(9)(27)	221,691	154,409
Interest income	6(22)	( 55,498 )	( 9,357 )
Dividend income	6(23)	( 1,509,242 )	( 280,873 )
Loss on valuation of financial assets	6(2)(24)	-	82
Loss (gain) on valuation of financial liabilities	6(14)(25)	2,826	( 137 )
Share of profit of associates and joint ventures accounted for using the equity method	6(7)	( 632,193 )	( 610,761 )
Gain on disposal of investments	6(25)	( 6,196 )	-
Loss on disposal and scrap of property, plant and equipment	6(24)	9,555	5,335
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net	(	14,593 )	( 14,940 )
Notes receivable-related parties		358	( 4,245 )
Accounts receivable, net		871,069	( 457,946 )
Accounts receivable-related parties	(	10,744 )	( 44,538 )
Other receivables	(	104,055 )	8,191
Inventory	(	1,594,865 )	( 1,066,828 )
Prepayments		156,169	( 172,936 )
Other current assets	(	40,933 )	117,396
Changes in operating liabilities			
Notes payable	(	60,643 )	18,404
Notes payable-related parties	(	155,177 )	191,326
Accounts payable	(	192,829 )	( 14,128 )
Accounts payable-related parties		103,701	132,315
Other payables		11,650	104,407
Other current liabilities	(	109,299 )	51,301
Other non-current liabilities	(	41,032 )	( 55,065 )
Cash inflow generated from operations		1,934,592	1,787,338
Interest received		49,720	9,537
Cash dividends received		2,070,077	930,357
Interest paid	(	201,380 )	( 145,259 )
Income tax paid	(	228,931 )	( 148,881 )
Net cash flows from operating activities		3,624,078	2,433,092

(Continued)

**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at amortized cost		(\$ 94,305 )	(\$ 35,761 )
Return of capital upon dissolution of financial assets at fair value through other comprehensive income		502	-
Acquisition of investment accounted for using the equity method		( 523 )	-
Return of capital upon dissolution of investment accounted for using the equity method		27,857	-
Acquisition of property, plant and equipment	6(30)	( 852,287 )	( 469,841 )
Proceeds from disposal of property, plant and equipment		12,263	2,479
Increase in other non-current assets		( 3,060 )	( 174,264 )
Guarantee deposits paid (received)		389	( 12,123 )
Net cash flows used in investing activities		( 909,164 )	( 689,510 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease in short-term borrowings	6(31)	( 132,139 )	( 99,178 )
Increase (decrease) in short-term notes and bills payable	6(31)	999,286	( 200,038 )
Increase in long-term borrowings		14,500,000	10,300,000
Payment of long-term borrowings		( 14,600,000 )	( 9,499,170 )
Payment of lease principal	6(9)	( 156,771 )	( 152,699 )
Cash dividends paid		( 1,645,984 )	( 1,684,507 )
Decrease in guarantee deposits		-	1,736
Net cash flows used in financing activities		( 1,035,608 )	( 1,333,856 )
Effect of foreign exchange rate		66,094	( 21,907 )
Net increase in cash and cash equivalents		1,745,400	387,819
Cash and cash equivalents at beginning of year	6(1)	3,471,141	3,083,322
Cash and cash equivalents at end of year	6(1)	\$ 5,216,541	\$ 3,471,141

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

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 3,643,302	\$ 2,266,193
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including depreciation on investment property)	6(7)(8)(22)	807,510	808,112
Interest expense	6(24)	123,143	80,142
Interest income	6(19)	( 44,300 )	( 2,016 )
Dividend income	6(20)	( 1,509,242 )	( 280,873 )
Loss on valuation of financial assets	6(21)	-	82
Loss (gain) on valuation of financial liabilities	6(21)	2,826	( 137 )
Share of profit of associates and joint ventures accounted for using the equity method	6(6)	( 924,432 )	( 1,136,130 )
Gain on disposal and scrap of property, plant and equipment	6(21)	( 6,460 )	( 154 )
Realized gain on disposal and scrap of property, plant and equipment, net	6(21)	( 1,572 )	( 5,757 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 14,593 )	( 14,940 )
Notes receivable - related parties		359	( 4,246 )
Accounts receivable, net		421,921	( 234,832 )
Accounts receivable - related parties		( 8,673 )	( 48,814 )
Other receivables		( 40,526 )	88,220
Inventory		( 1,374,573 )	( 554,741 )
Prepayments		112,632	( 35,724 )
Other current assets		( 35,387 )	91,717
Changes in operating liabilities			
Notes payable		( 3,292 )	( 2,806 )
Notes payable - related parties		( 132,238 )	190,791
Accounts payable		( 96,570 )	73,360
Accounts payable - related parties		301,549	68,312
Other payables		( 2,171 )	67,587
Other current liabilities		31,491	13,058
Other non-current liabilities		( 43,306 )	( 55,718 )
Cash inflow generated from operations		1,207,398	1,370,686
Interest received		50,170	2,349
Dividends received		2,068,840	996,714
Interest paid		( 112,449 )	( 73,571 )
Income tax paid		( 143,638 )	( 58,907 )
Net cash flows from operating activities		<u>3,070,321</u>	<u>2,237,271</u>

(Continued)

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Return of capital upon dissolution of financial assets			
at fair value through other comprehensive income		\$ 502	\$ -
Acquisition of investment accounted for using the			
equity method		( 216,504 )	-
Acquisition of property, plant and equipment	6(27)	( 424,858 )	( 390,693 )
Proceeds from disposal of property, plant and			
equipment		11,280	1,892
Increase in other non-current assets		( 33,059 )	( 159,879 )
Net cash flows used in investing activities		( 662,639 )	( 548,680 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(28)	( 17,201 )	26,453
Increase (decrease) in short-term notes and bills	6(28)		
payable		999,286	( 200,038 )
Payment of lease principal		( 152,733 )	( 148,660 )
Increase in long-term borrowings	6(28)	14,500,000	10,300,000
Payment of long-term borrowings	6(28)	( 14,600,000 )	( 9,500,000 )
Payment of cash dividends		( 1,645,963 )	( 1,684,507 )
Net cash flows used in financing activities		( 916,611 )	( 1,206,752 )
Net increase in cash and cash equivalents		1,491,071	481,839
Cash and cash equivalents at beginning of year	6(1)	2,383,268	1,901,429
Cash and cash equivalents at end of year	6(1)	\$ 3,874,339	\$ 2,383,268

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

**FORMOSA TAFFETA CO., LTD**  
**Earnings Distribution Proposal**  
**For the year of 2022**

Unit : NT\$

Items	Amount	Items	Amount	Explanation
<b>Available for Distribution:</b>		<b>Distribution Items:</b>		
(1) Unappropriated retained earnings of previous years	6,463,071,626	(1) Appropriation of legal reserve	344,497,055	1. The Company's registered capital is \$16,846,646,370, and shares for distribution are 1,684,664,637.
(2) Net profit after tax of current year	3,404,981,341	(2) Distribution of dividends and bonus in cash (\$1.5 per share)	2,526,996,956	2. Pursuant to Article 31 of Articles of Incorporation of the Company, proposal concerning appropriation of cash dividend is authorized to resolute by the Board of Directors, and submitted to the shareholders' meeting.
Plus: Other comprehensive income reclassified to unappropriated retained earnings of current year	40,196,575	(3) Unappropriated retained earnings carried forward to next year	7,036,548,163	3. The Company plans to distribute dividends of \$1.5 per share for the current year (among which, \$0.82 will be distributed as dividends and \$0.68 will be distributed as bonus); all of which are cash dividends.
Minus: Other Adjustments	-207,368			4. All distributed dividends and bonus are from net profit after tax of 2022.
				5. While the amount of distributed cash dividends to each individual shareholder is less than 1 dollar, it will be rounded to the nearest dollar.
				6. Other comprehensive income reclassified to unappropriated retained earnings of current year, which are adjustment for actuarial pension valuation and disposal of financial assets at fair value through other comprehensive income.
				7. Adjustments for adjusting unappropriated retained earnings according to IAS is the change of share under equity method.
<b>Total</b>	9,908,042,174	<b>Total</b>	9,908,042,174	

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Formosa Taffeta Co., Ltd.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors (refer to the other matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.



Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

### **Valuation of allowance for uncollectible accounts**

#### Description

Refer to Note 4(11) for accounting policy on impairment of financial assets, Note 5(1) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(5) for details of allowance for uncollectible accounts. As of December 31, 2022, the Group's accounts receivable and allowance for uncollectible accounts amounted to NT\$2,691,404 thousand and NT\$63,735 thousand, respectively.

The Group assesses the collectability of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Group recognizes impairment with a credit to accounts receivable. The Group examines the reasonableness periodically. As the estimation of allowance for uncollectible accounts is subject to management's judgement, and given the significance of accounts receivable and allowance for uncollectible accounts to the financial statements, we considered the valuation of allowance for uncollectible accounts a key audit matter.

#### How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for uncollectible accounts included:

- A. Evaluating the reasonableness of the estimates used by management to estimate the expected credit losses of accounts receivable and obtaining relevant supporting documents, including: forward looking adjustments, accounting disputes, overdue status, post-account collections and indications that show that the customer cannot repay the loan as scheduled;
- B. Assessing the adequacy of allowance for uncollectible accounts estimated by management to confirm whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements and testing the related assessment to confirm the accuracy of ageing analysis of accounts receivable; and
- C. Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

## **Valuation of inventory**

### Description

Refer to Note 4(13) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of allowance for inventory valuation loss. As of December 31, 2022, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$10,320,800 thousand and NT\$810,090 thousand, respectively.

The Group is primarily engaged in fiber dyeing and finishing, manufacturing and sales of curtains. As the textile manufacturing market is competitive, there is higher risk of incurring loss on inventory valuation. The Group recognizes inventories at the lower of cost and net realizable value, and the net realizable value is calculated based on the average price less estimated selling expenses. Since the calculation of net realizable value involves subjective judgement and uncertainty and the inventory is material to the financial statements, we considered the valuation of inventory a key audit matter.

### How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for inventory valuation loss included:

- A. Assessing the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realizable value;
- B. Understanding the inventory management procedures, examining and participating in annual physical count and assessing the effectiveness of inventory management and inventory classification determined by management; and
- C. Checking the method in calculating the net realizable value of inventory and assessing the reasonableness of allowance for valuation loss.

### ***Other matter – Reference to the audits of other auditors***

We did not audit the financial statements of certain subsidiaries and investments accounted for under the equity method, which statements reflect total assets (including investments accounted for using the equity method) of NT\$12,023,782 thousand and NT\$11,856,057 thousand, constituting 16% and 15% of consolidated total assets as of December 31, 2022 and 2021, respectively, and operating income of NT\$5,964,462 thousand and NT\$5,195,106 thousand, constituting 17% and 16% of consolidated total operating income for the years then ended, respectively, and comprehensive (loss) income were

(NT\$33,760) thousand and NT\$711,791 thousand, constituting 1% and 29% of total comprehensive (loss) income for the years then ended, respectively.

***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Taffeta Co., Ltd. as at and for the years ended December 31, 2022 and 2021.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including members of the Audit Committee, are responsible for overseeing the Group's financial reporting process.

***Auditors' responsibilities for the audit of the consolidated financial statements***

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

professional judgment and professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Juanlu, Man-Yu

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 3, 2023

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Formosa Taffeta Co., Ltd.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Formosa Taffeta Co., Ltd. (the "Company") as at December 31, 2022 and 2021, and the related parent company only 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, based on our audits and the reports of other independent auditors, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, 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".

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements of the current period are stated as follows:

### **Valuation of allowance for uncollectible accounts**

#### Description

Refer to Note 4(9) for accounting policy on financial assets impairment, Note 5(1) for accounting estimates and assumption uncertainty in relation to accounts receivable, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2022, the Company's accounts receivable amounted to NT\$1,647,730 thousand, net of allowance for bad debts amounting to NT\$31,678 thousand.

The Company assesses the collectibility of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Company recognizes impairment with a credit to accounts receivable. The Company examines the reasonableness periodically. As the estimation of allowance for uncollectible accounts is subject to management's judgement, and given the significance of accounts receivable and allowance for uncollectible accounts to the financial statements, we considered the valuation of allowance for uncollectible accounts a key audit matter.

#### How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for uncollectible accounts included:

- A. Evaluating the reasonableness of the estimates used by management to estimate the expected credit losses of accounts receivable and obtaining relevant supporting documents, including: forward-looking adjustments, accounting disputes, overdue status, post-account collections and indications that show that the customer cannot repay the loan as scheduled;
- B. Assessing the adequacy of allowance for uncollectible accounts estimated by management to confirm whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements and testing the related assessment to confirm the accuracy of ageing analysis of accounts receivable; and
- C. Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

## **Valuation of inventory**

### Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2022, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$6,303,999 thousand and NT\$537,333 thousand, respectively.

The Company is primarily engaged in fiber dyeing and finishing, manufacturing and sales of curtains. As the textile manufacturing market is competitive, there is higher risk of incurring loss on inventory valuation. The Company recognizes inventories at the lower of cost and net realizable value, and the net realizable value is calculated based on the average price less estimated selling expenses. Since the calculation of net realizable value involves subjective judgement and uncertainty and the inventory is material to the financial statements, we considered the valuation of inventory a key audit matter.

### How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for inventory valuation losses included:

- A. Assessing the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realizable value;
- B. Understanding the inventory management procedures, examining and participating in annual physical count and assessing the effectiveness of inventory management and inventory classification determined by management; and
- C. Checking the method in calculating the net realizable value of inventory and assessing the reasonableness of allowance for valuation loss.



### ***Other matter - audits of the other independent auditors***

We did not audit the financial statements of certain investments accounted for under the equity method. The balance of these investments accounted for under the equity method amounted to NT\$8,486,274 thousand and NT\$7,972,893 thousand, constituting 12% and 10% of total assets as of December 31, 2022 and 2021, respectively, and comprehensive income was NT\$14,907 thousand and NT\$749,957 thousand, constituting (1%) and 31% of total comprehensive (loss) income for the years then ended, respectively. The financial statements of these investees were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements relative to these investees is based solely on the audit reports of the other independent auditors.

### ***Responsibilities of management and those charged with governance for the financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 members of the Audit Committee, are responsible for overseeing the Company’s financial reporting process.

### ***Auditors’ responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the parent company only 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 auditors' report to the related disclosures 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Juanlu, Man-Yu

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 3, 2023

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

# **Articles of Incorporation of Formosa Taffeta Co., Ltd.**

Amended by the Annual Shareholders' Meeting on June 24, 2022

## **Chapter 1 General Provisions**

Article 1: The Company shall be incorporated as a company limited by shares under the Company Act and its name is "Formosa Taffeta Co., Ltd.".

Article 2: The scope of business of the Company shall be as follows:

1. Production and selling of nylon taffeta and polyester fabric
2. Production and selling of umbrella ribs and tire cord fabric
3. Processing and selling of high polymer production and so on
4. Processing and selling of cotton yarn, artificial cotton yarn, synthetic fiber yarn, mixed yarn, woven cloth, commodities after dyeing and finishing, garments, bed sheets, bedspread and the like
5. Production and selling of articles of protective fabric, including (1) bulletproof vest/jacket/helmet/shield/mask, durable cloth, commodities made of composite materials (sports equipment, finishing tackle); (2) industrial coveralls, like fabric that is acid/alkali/fire/heat resistant, and commodities processed with aforementioned fabric, like fire-fighting coat, boiler suit, chemical industrial coveralls; (3) cleanroom articles (sterile gown, operating suit, medical covering cloth, antistatic clothes, etc.) and clean suits
6. Designing, manufacturing and selling of IT related software, hardware and components
7. Operation of the sight-seeing /recreation areas, children's amusement park, parks, camping sites, swimming pools, skating rink, zoo and comprehensive athletic field and rental business of equipment of aquatics and yachts
8. Operation of hotels and affiliated restaurants
9. Buying and selling of native producer, crafts, groceries, articles and apparel
10. Acting as an agent and a producer of various domestic and

foreign culture & art performances

11. Gas stations to sell gasoline, diesel kerosene, and small packages of petroleum commodities; selling of goods of automobiles/motorcycles, services of lubrication, simple repair & maintenance, car washing, periodic outsourced automobile inspections, setup of vending machines, and operations of convenient stores and parking lots
12. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

Article 3: The Company has its head office in Yunlin County and shall, as necessary, establish its subsidiaries upon the resolutions of the Board of Directors.

Article 4: Public announcements of the Company shall be published in accordance with Article 28 of the Company Act.  
The total investment amount of the Company may exceed forty percent of the paid-in capital. The Company may provide guarantees for related parties.

## **Chapter 2 Shares**

Article 5: The total capital of the Company shall be in the amount of 16,846,646,370 New Taiwan Dollars, divided into 1,684,664,637 shares, at a par value of 10 New Taiwan Dollars per share, issued in full.

Article 6: The Company may be exempted from printing any share certificates in accordance with relevant regulations. However, those shares shall be registered in a centralized securities depository enterprise.

Article 7: The shareholders shall submit their seal specimen to the Company for record. Afterward, the shareholders shall receive the dividend or exercise their rights in writing against the specimen kept by the Company. In the event that the seal specimen is lost or stolen, the shareholders shall fill out the application of lost seal with detailed share certificate numbers and shares and submit the same along with identity documents and copies, new seal specimen and share certificates to the Company for registration. The new seal

card will be replaced upon approval and will be effective on the next day of completed registration. When preceding replacement of seal specimen is entrusted to others or managed by communication, the individual shareholder shall also have the seal certificate issued by the Householder Registration Office enclosed; while the application shall be enclosed by the corporate shareholders.

Article 8: (deleted)

Article 9: (deleted)

Article 10: (deleted)

Article 11: No transfer of share certificates shall be permitted within 60 days prior to regular shareholders' meeting, 30 days prior to a special shareholders' meeting, or within 5 days prior to the record day on which a dividend, bonus, or any other benefit is scheduled to be paid by the Company.

### **Chapter 3 Shareholders' Meeting**

Article 12: The Company holds two types of shareholders' meetings. Regular meetings shall be convened by the Board of Directors within 6 months after the close of each fiscal year, and notices of those meetings shall be given to shareholders 30 days in advance.

Special meetings shall be convened pursuant to Company Act as necessary, and notices of those meetings shall be given to shareholders 15 days in advance.

The meeting notice and public announcement of those meetings shall specify reasons for convening a meeting; they can be given in electronic form with the consent of the addressee

Article 13: If a shareholder is unable to attend a meeting, the shareholder may, in accordance with the Article 177 of the Company Act, show the proxy and appoint a representative to attend it.

Article 14: The chairman of the board of directors shall preside over the shareholders' meetings; in the Chairman's absence, the Chairman shall designate one Managing Director to act on his behalf. If no such designation is made by the chairperson, the managing directors shall select one person from among

themselves to serve as chair.

Article 15: Each share of stock owned by shareholders shall be entitled for one vote, except for those shares without voting rights as set forth in Article 179, paragraph 2 of the Company Act.

Article 16: Resolution passed by shareholders, such shareholders holding not less than half of the Shares held by all Shareholders attending that meeting, and such meeting attended by Shareholders holding not less than half of all issued Shares of the Company.

Article 17: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting. Minutes shall include a summary of the essential points of the proceedings and the results of the meeting and be signed by or sealed with the chop of the chairman of the meeting and delivered to each shareholder within 20 days after that meeting. The electronic method may be adopted for the production and delivery of such minutes. Such minutes, together with the attendance list and proxies, shall be filed in the Company.

The distribution of preceding meeting minutes may be replaced with the announcement made on the MOPS.

#### **Chapter 4 Directors**

Article 18: 9~11 directors shall be elected for the Company at the shareholders' meeting from the nominees listed in the roster of candidates under the candidate nomination system. Their terms of office shall be three years; they shall be eligible for re-election.

The Company shall have at least three independent directors among the directors above. The matters regarding method of nomination and other matters shall be conducted in accordance with the Company Act and related regulations of competent authority for securities.

The Company shall have the Audit Committee organized by all independent directors in accordance with Article 14-4 of the Securities Exchange Act. For matters regarding the competence and related events, the Company shall follow the Securities Exchange Act and other relevant laws and

regulations.

The Board of Directors is authorized to determine the compensation of directors according to their degree of participation and contribution with normal standard in the same industry.

The Company may obtain directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship.

Article 19: When the number of Directors falls short by one-third of the total number of Directors elected, the Company shall convene a meeting for election of Directors immediately. In respect of a Director who is elected to fill a vacancy, the term of office of such Director shall not exceed the term that remained when the person who has ceased to be a Director ceased to hold.

Article 20: In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.

Article 21: The Board shall be formed pursuant to a resolution adopted by a majority vote of a meeting of the board of directors attended by over two-thirds or more of all the directors. The directors shall elect among them three Managing Directors, including one independent director. The Managing Directors shall elect among them a Chairman in the same manner, and may elect a vice chairman of the board. The Chairman represents the Company externally.

Article 22: The Company operational guidelines and other important issues shall be resolved to in the meeting of the board of directors. The first meeting of each term of the board of directors shall be convened by the director; the Chairman shall convey and preside the remaining meetings. In case the chairman of the board of directors is on leave or absent or cannot exercise his power and authority for any cause, the way of how to designate a representative to act in his/her behalf shall conform to Article 208 of Company Act.



The Board of the Directors may authorize the Chairman to exercise functions of the Board during the adjourned period. Except for the material interest or related parties transactions involved to be resolved by the Board of Directors pursuant to the laws of related articles, the content of authorization is as follows:

1. Approve all important contracts.
2. Approve the mortgage loan of real estate and other loans.
3. Approve acquisition or disposal of the general assets and real estate.
4. Assign the directors and supervisors of the investee.
5. Approve the record date of capital increment or reduction and divided distribution.

Article 23: The resolutions of the Board of Directors of the Company shall be adopted by a majority vote of the shareholders' present, who represent more than one-half of the total number of voting shares. If any Director of the Board of the Company cannot attend the meeting for any cause, he/she may issue a written proxy, stating the scope of the authorized power, to other directors for attending the meeting. However, a director may accept the appointment to act as the proxy with extinct extent of authorization of one other director only. In case a meeting of the Board of Directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

In calling a meeting of the Board of Directors, the notice with reasons specified shall be given to all directors within 7 days in advance. However, the meeting may be convened anytime for emergency events. The notice of the meeting of the Board of Directors may be made in writing, email or facsimile.

Article 24: Minutes shall be taken of the proceedings of the meeting of the board of directors. Minutes shall record the date, the place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential

points of the proceedings and results of the meeting, and be signed by or sealed with the chop of the chairman of the meeting and delivered to each shareholder within 20 days after that meeting. Minutes, together with the attendance list and proxies, shall be filed in the Company.

Article 25: (deleted)

### **Chapter 5 Managers**

Article 26: The Company may have one or more managerial personnel; appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with Article 29 of the Company Act.

Article 27: (deleted)

Article 28: (deleted)

Article 29: The fiscal year of the Company shall be from January 1 to December 31 every year. After the close of each fiscal year, the Board of Directors shall prepare following statements and records and submit the same to the general meeting of shareholders for ratification:

1. The business report;
2. The financial statements; and
3. The surplus earning distribution or loss off-setting proposals.

### **Chapter 6 Accounting**

Article 30: When allocating the net profits for each fiscal year, the Company shall set aside 0.05% to 0.5% of the balance of pre-tax profit prior to deducting employees' and directors' compensation as employees' compensation and 0.5% of that at most as directors' compensation. However, the Company's accumulated losses shall have been covered.

The resolution of employees' and directors' compensation shall conform to Article 235-1 of the Company Act.

Article 31: Where there is surplus of the annual final account, when allocating the net profits for each fiscal year, the Company shall first pay its income tax and offset its prior years' accumulated losses and set aside 10% legal capital reserve and special earning reserve as necessary followed by the dividend. For remaining

surplus incorporated with the accumulated earning in previous years, the Board of Directors shall prepare the proposal concerning the appropriation of net profits is authorized to distribute dividends paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by over two-thirds of the directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The dividends paid in stock shall be submitted for the approval in a shareholders' meeting.

Preceding special earning reserves include:

1. The earning reserved recognized for special purpose
2. Investment income recognized under the equity method
3. 3The net assessment income recognized due to financial product transactions, however, when the accumulated amount is reduced, the equal amount of special earning reserve shall be reduced simultaneously and up to the reserved number.

4. Other special earning reserve pursuant to laws and regulations

The Company is in matured phase of business cycle with stable profit every year. The dividend policies adopt the combination of cash dividend, capital increment by earning and by capital reserve. At least 50% of distributable earning deducted by the legal and special reserve shall be distributed, and the cash dividend shall be prioritized. Meanwhile, the percentage of capital increment by earning and capital reserve shall not exceed 50% of all dividend in that year.

### **Chapter 7 Additional provision**

Article 32: Organizational regulations and rules of the Company are stipulated by the Board of Directors.

Article 33: Matters not provided for in these Articles of Incorporation shall be governed by the Company Act and other relevant laws.

Article 34: The employee welfare committee may spend no more than 10% of the employee welfare fund of that fiscal year on purchase of the Company's odd lots and government bonds if the fund is more than the budget for employee welfare.

Article 35: These Articles of Incorporation were adopted on March 16, 1973. The 1<sup>st</sup> Amendment was on April 7, 1973; 2<sup>nd</sup>

Amendment on June 10, 1973; 3<sup>rd</sup> Amendment on March 11, 1974; 4<sup>th</sup> Amendment on Dec. 20, 1974; 5<sup>th</sup> Amendment on May 31, 1975; 6<sup>th</sup> Amendment on March 31, 1976; 7<sup>th</sup> Amendment on June 28, 1977; 8<sup>th</sup> Amendment on April 3, 1978; 9<sup>th</sup> Amendment on Dec. 14, 1978; 10<sup>th</sup> Amendment on March 20, 1979; 11<sup>th</sup> Amendment on Nov. 19, 1979; 12<sup>th</sup> Amendment on March 18, 1980; 13<sup>th</sup> Amendment on Feb. 28, 1981; 14<sup>th</sup> Amendment on Sep. 10, 1981; 15<sup>th</sup> Amendment on Feb. 26, 1982; 16<sup>th</sup> Amendment on Feb. 26, 1983; 17<sup>th</sup> Amendment on Feb. 14, 1984; 18<sup>th</sup> Amendment on March 15, 1985; 19<sup>th</sup> Amendment on April 30, 1986; 20<sup>th</sup> Amendment on April 28, 1987; 21<sup>st</sup> Amendment on May 3, 1988; 22<sup>nd</sup> Amendment on May 3, 1989; 23<sup>rd</sup> Amendment on May 4, 1990; 24<sup>th</sup> Amendment on May 2, 1991; 25<sup>th</sup> Amendment on May 4, 1992; 26<sup>th</sup> Amendment on May 7, 1993; 27<sup>th</sup> Amendment on April 28, 1994; 28<sup>th</sup> Amendment on May 10, 1995; 29<sup>th</sup> Amendment on May 13, 1996; 30<sup>th</sup> Amendment on May 13, 1997; 31<sup>st</sup> Amendment on May 15, 1998; 32<sup>nd</sup> Amendment on June 3 1999; 33<sup>rd</sup> Amendment on June 2, 2000; 34<sup>th</sup> Amendment on May 24, 2001; 35<sup>th</sup> Amendment on June 14, 2002; 36<sup>th</sup> Amendment on June 13, 2003; 37<sup>th</sup> Amendment on June 11, 2004; 38<sup>th</sup> Amendment on June 17, 2005; 39<sup>th</sup> Amendment on June 29, 2006; 40<sup>th</sup> Amendment on June 28, 2007; 41<sup>st</sup> Amendment on June 27, 2008; 42<sup>nd</sup> Amendment on June 26, 2009; 43<sup>rd</sup> Amendment on June 29, 2010; 44<sup>th</sup> Amendment on June 26, 2012; 45<sup>th</sup> Amendment on June 27, 2013; 46<sup>th</sup> Amendment on June 24, 2016, the articles in related with addition of Audit Committee and deletion of Supervisors will be applied upon the expiry of the term of office of Supervisors selected in the shareholders' meeting on June 26, 2014; 47<sup>th</sup> Amendment on June 24, 2022.

## **Rules of Procedure for Shareholders' Meetings of Formosa Taffeta Co., Ltd.**

Amended by the Annual Shareholders' Meeting on July 30, 2021

Article 1: To establish a strong governance system and sound supervisory capabilities for the Company's shareholders' meetings, and to strengthen management capabilities, these Rules are adopted pursuant to the Corporate Governance Best Practice Principles for Taiwan Stock Exchange Corp ("TWSE")/Taipei Exchange ("TPEX") Listed Companies.

Article 2: The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the Articles of Incorporation, shall be as provided in these Rules.

Article 3: Unless otherwise provided by law or regulation, the Company's Shareholders' Meetings shall be convened by the Board of Directors.

A notice to convene an annual shareholders' meeting shall be given to each shareholder no later than 30 days prior to the scheduled meeting date; while a notice may be given to registered shareholders who own less than 1,000 shares of nominal stocks no later than 30 days prior to the scheduled meeting date in the form of a public announcement on the Market Observation Post System (MOPS) of the TWSE. A notice to convene a special shareholders' meeting shall be given to each shareholder no later than 15 days prior to the scheduled meeting date. A public notice may be given to registered shareholders who own less than 1,000 shares of nominal stocks no later than 15 days prior to the scheduled meeting date in the form of a public announcement on the MOPS of the TWSE.

To convene a shareholders' meeting, the Company shall prepare a meeting handbook. The Company shall prepare electronic versions of a shareholders' meeting notice and proxy forms, and causes of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or

the election or dismissal of directors, and upload them to the MOPS no later than 30 days prior to the scheduled Annual Shareholders' Meeting date or no later than 15 days prior to the scheduled Special Shareholders' Meeting date. The Company shall prepare electronic versions of a shareholders' meeting handbook and supplemental meeting materials and upload them to the MOPS no later than 21 days prior to the scheduled Annual Shareholders' Meeting date or no later than 15 days prior to the scheduled Special Shareholders' Meeting date. In addition, the Company shall also have prepared a shareholders' meeting handbook and supplemental meeting materials and made them available for review by shareholders at any time no later than 15 days prior to the scheduled Shareholders' Meeting date. The Meeting Agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent engaged by the Company as well as being distributed on-site at the meeting place.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors, amendments to the Articles of Incorporation, capital reduction, application to be delisted from public offering, lifting of non-competition restriction of directors, capital increase by retained earnings, capital increase by capital reserve, dissolution, merger, or demerger of the corporation, or any matter under Paragraph 1 of Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

Where the meeting agenda has specified general re-elections of the directors and the terms of the directors' office, the terms of

office of the directors shall not be altered by raising an extraordinary motion or any other method upon the completion of the general elections at the shareholders' meeting.

A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a proposal for discussion at an annual shareholders' meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the Meeting Agenda. In addition, when the circumstances of any subparagraph of paragraph 4 of Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the Agenda. A shareholder may propose a recommendation for urging the corporation to promote public interests or fulfill its social responsibilities, and the providing procedure shall be in accordance with Article 172-1 of the Company Act.

Prior to the book closure date before an annual shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, the method of receiving such proposals (whether written or in electronic form), and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the Annual Shareholders' Meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the Shareholders' Meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

- Article 4: For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the power authorized to the proxy.
- A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company no later than 5 days prior to the Shareholders' Meeting date. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to revoke the previous proxy appointment.
- After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights in writing or by way of electronic transmission, a written notice of proxy rescission shall be submitted to the Company no later than 2 days prior to the meeting date. If the rescission notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.
- Article 5: The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
- Article 6: The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.
- The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.
- The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.
- Shareholders and their proxies (collectively, "shareholders")



shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company shall not impose arbitrary requirements on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Solicitors soliciting proxy forms shall also bring identification documents for verification.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. When the Chairman is on leave or for any reason unable to exercise the powers of the Chairman, the Vice Chairman shall act in place of the Chairman; if there is no Vice Chairman or the Vice Chairman also is on leave or for any reason unable to exercise the powers of the Vice Chairman, the Chairman shall appoint one of the Managing Director to act as chair, or, if there are no Managing Directors, one of the Directors shall be appointed to act as chair. Where the Chairman does not make such a designation, the Managing Directors or the Directors shall select from among themselves one person to serve as chair.

When a Managing Director or a Director serves as chair, as referred to in the preceding paragraph, the Managing Director or Director shall be one who has held that position for 6 months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the Chairman, and the Chairman who chairs the way can appoint the Vice Chairman, Managing Director or Director of familiar company's business to direct the proceeding agenda of shareholders' meeting, that a majority of the Directors attend in person, and that at least one member of each functional committee attend as representative. Attendance details should be recorded in the Shareholders

Meeting minutes. If a shareholders' meeting is convened by a party having the convening right but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

Article 8: The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9: Quorum at shareholders' meetings shall be calculated based on numbers of shares. The quorum shall be calculated according to the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised in writing or by way of electronic transmission.

The Chair shall call the meeting to order at the appointed meeting time and meanwhile shall announce the related information about the total number of shares held by shareholders having no voting right and the total number of shares represented by the shareholders present at the meeting. However, when the attending shareholders do not represent a majority of the total number of issued shares, the Chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the Chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to

in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to paragraph 1 of Article 175 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the Chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10: If a shareholders' meeting is convened by the Board of Director, the meeting agenda shall be set by the Board of Directors. The relevant proposals (including extraordinary motions and amendment to original proposals) shall be decided by voting on a case-by-case basis. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party having the convening right that is not the Board of Directors.

The Chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the Chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by a majority of the votes represented by the attending shareholders, and then continue the meeting.

The Chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the Chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the Chair may announce the

discussion closed and shall also arrange ample time for a vote.

Article 11: Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the Chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the Chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the Chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the Chair and the shareholder that has the floor; the Chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the Chair may respond in person or direct relevant personnel to respond.

Article 12: Voting at a shareholders' meeting shall be calculated based on the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

In case a director of the Company has created a pledge on the

Company's shares more than half of the Company's shares being held by him/her/it at the time he/she/it is elected, the voting power of the excessive portion of shares shall not be exercised.

The number of shares for which voting rights may not be exercised under the preceding two paragraphs shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a stock agency approved by the competent authority for securities, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of voting shares, otherwise, the portion of excessive voting rights shall not be counted.

Article 13: A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under paragraph 2 of Article 179 of the Company Act.

When the Company convenes a shareholders' meeting, shareholders shall exercise their voting rights by electronic means and may exercise their voting rights in writing. When voting rights are exercised in writing or by way of electronic transmission, the method for exercising the voting rights shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights in writing or by way of electronic transmission will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.

A shareholder intending to exercise voting rights in writing or by way of electronic transmission under the preceding paragraph shall deliver a written declaration of intent to the Company no later than 2 days prior to the scheduled shareholders' meeting date. When duplicate declarations of intent are delivered, the one received earliest by the Company shall prevail, except when a declaration is made to revoke the earlier declaration of intention.

After a shareholder has exercised voting rights in writing or by way of electronic transmission, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to rescind the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, no later than 2 days prior to the scheduled shareholders' meeting date. If the notice of rescission is submitted after that time, the voting rights already exercised in writing or by way of electronic transmission shall prevail. When a shareholder has exercised voting rights both in writing or by way of electronic transmission and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the adoption of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the Chair or a person designated by the Chair shall announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the Chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

In addition to the proposals on the meeting agenda, when a shareholder wishes to propose an extraordinary motion, the shareholder's voting rights shall represent at least 1% or more of the Company's total issued shares.

Vote counting for shareholders' meeting proposals or elections

shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article 14: The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected and not elected as directors, and the numbers of votes with which they were elected and not elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15: Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the Chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the Chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results (including the weight of the votes), and the number of weighted votes each candidate received in case of a Directors' elections, and shall be retained for the duration of the existence of the Company.

Article 16: On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under TWSE regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17: Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The Chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the Chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the Chair's correction, obstructing the proceedings and refusing to heed calls to stop, the Chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18: When a meeting is in progress, the Chair may announce a break based on time considerations. If a force majeure event occurs, the Chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to postpone or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19: These Rules and any amendments hereto, shall be implemented after adoption by shareholders' meetings.



## **Rules for Election of Directors of Formosa Taffeta Co., LTD.**

Amended by the Annual Shareholders' Meeting on July 30, 2021

- Article 1: Unless otherwise stipulated by the Company Act and this Company's charter, the election of this Company's directors shall be according to this Procedure.
- Article 2: The Company shall adopt a cumulative voting method where one share shall have the same voting rights as the number of directors to be elected, and the total number of votes per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates. The shareholder account number or attendance card numbers on the ballot may be used to replace the names of shareholders on the ballots.
- Article 3: When the election begins, the chairperson shall designate several vote readers and vote counters to perform their duties.
- Article 4: The number of directors will be as specified in the Company's Articles of Association. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
- Article 5: Elections of directors of the Company shall be conducted in accordance with the candidate nomination system pursuant to the Company's Articles of Association. The shareholders shall elect the directors from among the nominees listed in the roster of candidates. Independent directors and non-Independent directors shall be elected together. Quota for the independent director and non-independent director shall be counted separately pursuant to Article 4. At least one independent director-elect shall be equipped with accounting or financial expertise.
- Methods, seats, and venue for nomination and other relevant

matters for nomination of director candidates shall be announced prior to the book closure period before convening a Shareholders' Meeting. The nomination period shall be no less than 10 days.

The Board of Directors and shareholders holding 1% or more of the Company's issued shares shall be eligible to recommend a list of nominees for directors. However, the number of nominees cannot exceed the number of directors to be elected.

When providing the candidacy of nominees, shareholders and Board of Directors member shall specify the nominees' names, academic background, and experiences.

When the Board of Directors or other person with convening rights convenes a Shareholders' meeting, the nominees for directors shall be included in the roster of nominees for directors unless one of the following conditions apply:

- (1) A shareholder recommends a nominee outside of the nomination period.
- (2) A shareholder who wishes to recommend a nominee does not own 1% or more of the Company's shares before book closure pursuant to Article 165-2 or 165-3 of the Company Act.
- (3) The number of nominees has exceeded the number of directors to be voted on.
- (4) Where the nominating shareholder fails to describe the nominee's name, educational background, and work experience.

Article 6: Ballots shall be issued by the board of directors or other authorized conveners and given to electors based on their attendance pass number. Each elector shall be given the number of ballots equal to the number of the directors to be elected. The election votes of a shareholder shall be distributed proportionally to each ballot.

Article 7: The elector shall write down the director candidate's full name in the "candidate" column of the ballot based on the director

candidate list.

Article 8: A vote shall be considered invalid in any of the following circumstances:

- (1) The elector fails to use the ballot provided in Article 6.
- (2) The elector writes down two or more individuals on the ballot.
- (3) Any words other than the items provided in Article 7 are written.
- (4) The candidate's full name filled in the ballot does not conform to the director candidate list.
- (5) The handwriting on the ballot is illegible.

Article 9: Ballots are counted immediately after the voting has been completed. The results shall be announced by the chairperson, including the list of the elected directors and supervisors and the number of shares voting.

Ballot electoral matters in the preceding paragraph shall be sealed after tellers sign and safe kept for at least one year. But the shareholders file lawsuit in accordance with the Article 189 of the Companies Act, shall be kept until the end of the proceedings.

Article 10: The Regulations and any amendment to the Regulations shall be implemented after approval by a shareholders' meeting.

**Formosa Taffeta Co., Ltd.**  
**Current Shareholdings of Directors**

<b>Title</b>	<b>Name</b>	<b>Shareholding (share)</b>
Chairman	Formosa Chemicals & Fibre Corporation Representative: Wong, Wen-Yuan	630,022,431
Managing Director (Independent Director)	Lin, Sheng-Chung	0
Independent Director	Kuo, Nein-Hsiung	0
Independent Director	Kuo, Chia-Chi	3,000
Director	Formosa Chemicals & Fibre Corporation Representative: Hong, Fu-Yuan	630,022,431
Director	Formosa Chemicals & Fibre Corporation Representative: Lee, Ching-Fen	630,022,431
Director	Formosa Chemicals & Fibre Corporation Representative: Lee, Ming-Chang	630,022,431
Director	Formosa Chemicals & Fibre Corporation Representative: Lee, Chien-Kuan	630,022,431
Director	Chuanghua County Shu-Wang Lai's Private Social Welfare Charity Foundation Representative: Lee, Man-Chun	4,151,942
Director	Hsieh, Ming-Der	15,548,068
Director	Kai-Fu Co., Ltd. Representative: (Vacancy)	113,000

Note: According to Article 26 of Securities and Exchange Act, the minimum shareholdings of the Company's Directors are 40,431,952 shares. As of April 18, 2023, the actual shareholdings of the Company's Directors are 649,838,441 shares.

## **Information regarding the Proposed Employees' and Directors' Compensation Adopted by the Board of Directors of the Company:**

1. Amounts of employees' cash compensation, stock compensation, and Directors' compensation:	
Employees' cash compensation	NT\$ 7,308,530
Employees' stock compensation	NT\$ 0
Directors' cash compensation	NT\$ 3,654,265
2. Shares of the proposed employees' stock profit sharing bonus and the percentage of the share amount to that of all stock dividend:	
Shares of employees' stock compensation	0 share
Percentage of the share amount to that of all stock dividends capitalization	0%

The above-listed amounts of employees' and directors' compensation are consistent with the proposed ones adopted by the Board of Directors of the Company.

Effect upon Business Performance and Earnings Per Share of the Company by the Stock Dividend Distribution Proposed at the 2023 Annual Shareholders' Meeting:

Not applicable since the Company does not propose the stock dividend distribution to the 2023 Annual Shareholders' Meeting and is not required to prepare its financial forecast information.