

FORMOSA TAFFETA CO., LTD.

2019 ANNUAL SHAREHOLDERS' MEETING

MEETING HANDBOOK (SUMMARY)

(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 20, 2019

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FORMOSA TAFFETA CO., LTD.

2019 ANNUAL SHAREHOLDERS' MEETING PROCEDURE

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

FORMOSA TAFFETA CO., LTD.
2019 ANNUAL SHAREHOLDERS' MEETING AGENDA

Time: 10:00 a.m., Thursday, June 20th, 2019

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

I. Report Items

1. 2018 Business Report
2. Audit Committee's Review Report on the 2018 Financial Statements
3. Report on 2018 Compensation of Employees and Directors

II. Ratification Items

1. 2018 Business Report and Financial Statements
2. Proposal for Distribution of 2018 Earnings

III. Discussion Items

1. Amendment to the Procedures for Acquisition and Disposal of Assets
2. Amendment to the Procedures for Engaging in Derivatives Trading
3. Amendment to the Procedures for Loaning Funds to other Parties
4. Amendment to the Procedures for Providing Endorsements and Guarantees to other Parties

Report Items

1. The business status of fiscal year 2018, referred to the Business Report (on page 4 of this Handbook.)
2. The Company's Audit Committee members reviewed the 2018 Business Report and Financial Statements and issued their Review Report (on page 11 of this Handbook) according to the applicable laws.
3. Report on 2018 Compensation of Employees and Directors:
The pre-tax profit prior to deducting employees' compensation and directors' compensation is NT\$ 5,271,576,238, with no accumulated loss. 0.2% of that profit, NT\$ 10,543,152 is allocated as employees' compensation and another 0.1%, NT\$ 5,271,576, as directors' compensation in accordance with Article 30 of Articles of Incorporation. The total amount of the aforementioned employees' and directors' compensation is NT\$ 15,814,728, all of which is to be distributed in cash.

Formosa Taffeta Company Limited

2018 Annual Business Report

1. 2018 Business Performance

The Company's consolidated revenue grew by 9.4%, from NT\$ 40,705.66 million in 2017 to NT\$44,545.05 million in 2018, an increase of NT\$ 3,839.39 million, with consolidated pretax profit increasing by 19%, from NT\$ 5,276.48 million to NT\$6,280.36 million, an increase of NT\$ 1,003.88 million.

2. 2018 Business Status

The business of 2018 had been influenced by the global financial environment. The main attributor was a loose monetary policy that rendered new high of capital-market indices of stocks, futures, and bonds, which in turn resulted in the rise of prices of raw materials and oil. However, the increased costs of materials and pays were not easy to be passed on to consumers due to weaker-than-expectation consumption power and acute competition in the downstream sector.

Following inventory reduction in the fourth quarter in 2018, sports, fashion, and functional apparel brands in the U.S. and Europe resumed purchase in the first quarter of 2019 while tariffs and the present international supply chain are being impacted by trade disputes arose from trade deficits which the U.S. had with its major trade partners, including China, Germany, and Japan. Should the disputes be settled smoothly, the Company expects to attain its 2019 growth target, given robust economy and rising consumption power in Northern America.

3. 2019 Business Plan and Outlook

Business plans and outlooks for the seven major products in 2019 are as follows:

(1) Filament woven and dyed fabrics:

In 2018, with continuous slow growth of the apparel consumption market and the approach of completion of inventory adjustment on the

end market, sales of autumn and winter apparels picked up, leading to increase of orders from brand vendors. In 2019, the U.S. apparel market is expected to remain robust and sports and casual wear featuring coziness, functionality, and fashion will be market mainstream, providing the 2019 apparel market growth momentum, as a result of which orders from major sports brands will increase. Meanwhile, in line with branded vendors' plan to integrate fabrics, consolidate supply chain for garment production, in the hope of shortening delivery time and increasing local sourcing. In 2019, the Company's Vietnamese plant is expected to see phenomenal growth in orders from branded vendors and sales of the mainland Chinese plants will also grow while the Taiwanese plants will focus on the development of differentiated products, functioning as the platform for product development and innovation and business integration for brand projects so as to sustain growth of orders.

There are four end markets for the Company's filament woven fabrics: outdoor performance wear, sportswear, casual wear, and umbrella. In response to international brands' development trend crossing fashion and sportswear, the Company will increase the proportion of high niche and environment-friendly differentiated products, such as light weight micro-denier textiles, spandex fabric, environment-friendly materials, special breathable waterproof laminated fabric, and coated textiles, meeting customized demands of emerging brand customers with potential.

For production and marketing, the Company's R&D team takes charge of product innovation and upgrade while the marketing team focuses on market exploration and augmentation of market share. As to the ordinary management, the Company has been pushing process upgrading, lowering failure cost, conserving energy, and introducing AI and industry 4.0 to consolidate the quality of core products, enhance productivity and boost product competitiveness. On operation, to respond to local sourcing and take advantage of regional preferential

tariffs, the Company has been working on effective use and integration of respective advantages of five production bases in Taiwan, mainland China, and Vietnam and optimization of its product portfolio so as to maximize synergy.

The market of filament woven fabrics in 2019 is about to be of challenge as a result of uncertainties of external financial and economic circumstances. Even with high expectation for 2019 orders from main brands, to attain the 2019 growth target, the Company has to strive for lead generation, intensify strategic partnership with various brands, and ally with their designated apparel suppliers.

(2) Tire cord fabric:

Trade disputes between the U.S. and its major trading partners, including China, Germany, and Japan, had made worldwide impacts all through 2018. Auto and related assembly manufacturing suffered a heavy blow, which had a ripple effect on production and sales of the Company's tire cord fabric. Besides such circumstances, unfavorable tariffs and smaller production scale than that of competitors also challenge the operation of the Company's Taiwanese Tire cord Plant. To survive, the Company has still strived to beat the odds via a flexible separate-production-n-centralized-distribution strategy through taking the Vietnamese Plant as the distribution/production center for exploitation of the zero-tariff privilege for exports to ASEAN (Association of Southeast Asian Nations) markets, gains of orders from ASEAN, China, Korea, Japan, India, Europe and the U.S., and acceptance of orders of zero-profit products if they are produced in the Taiwanese Plant. With completion of its expansion project, the Vietnamese Plant can adjust its product portfolio to meet the needs of customers.

In 2019, along with solicitation of more orders from existing domestic and overseas customers, the Company will intensify efforts to

seek new customers, develop new products with different specifications, expand business for low-denier high-margin bread-winning products, and raise prices for slim-margin products. In addition, it will improve process, such as an increase of the speed of dipping machines, the control of repair-maintenance expenses and inventory level, etc., negotiate with material supplies, especially tire cord yarn suppliers, for price cut, and take customers' demands in physical properties as requirements for quality. The parent plant in Taiwan will continue raising its share in the market of the world's top 30 tire brands, as well as the share of differentiated products and those with high added value. 2019 profits are expected to be higher than the 2018 level.

(3) Gas stations:

As of the end of 2018, Formosa Petroleum Station had had 106 gas stations, making it one of the top 5 gas-station brands in Taiwan for years. With international oil prices rising continuously, thanks to agreement of output reduction by oil-producing countries, revenue grew. Formosa Petroleum Station has been able to maintain steady profits for years, thanks to the policy of removing inferior gas stations through assessment of their performance, locations, plus the length of lease contract. Profit in Q4 2018 was affected by the government policy of freezing oil prices, which reduced the valuation of oil in stockpile. Given fluctuation in international oil prices in recent three years, inventory level of oil tanks should be closely monitored and adjusted flexibly. The number of gas stations with self-service has been increased to 93, such increase will go on if benefits justify. 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. Efforts have also been made to diversify income sources, such as service of patented car washers and sales of travel and daily-life goods and auto accessories via B2C channel. Formosa Petroleum Station has been continuously offering various training courses, such as SOP, 5S, and

TPM, to station workers to attain quality service and standardized management. Its business scope is planned to include the operation of charging stations for electronic products, service of car inspection, and sales of products for car detailing and maintenance. In 2019, the volume of sold oil is anticipated to swell, which benefits from the government's advocacy of domestic tourism; its revenue is expected to be stable even with the fluctuation of international oil prices.

(4) Cotton yarn:

Despite the double impacts of the competition of increasing amount of imported yarn and shrinking domestic demands, the Company is able to flexibly respond with the rapid development capability by consolidating regular-yarn business of the domestic market with branded vendors and channel partners, penetrating the markets of functional yarn and regular yarn in Latin America, Southeast Asia, and Korea, leading to growth in revenue and profits in 2018.

In 2019, the Company will continue tapping overseas markets, actively tapping business of customers of protective-gear yarn, and launching operation of multi-function spinning machines, accommodating the product portfolio of branded customers, as a result of which sales of cotton yarn are expected to score slight growth.

(5) Special fabrics:

Sales of special fabrics reached the objective in 2018, thanks to increased open-bidding orders for petroleum-worker uniforms and orders for fireproof fabric for military and policemen clothes. Due to the requirement of lightweight, the Company's ballistic fabric is replaced by high-strength lightweight PE, and only Indonesian open-bidding order of ballistic fabric for ballistic helmets is received. Orders for anti-static fabric also dropped, as a result of price competition by Chinese suppliers. However, thanks to the contribution of high-priced medical fabric and fabric for paint spray coveralls, revenue and profits managed to grow in

2018.

In 2019, sales of special fabrics are expected to grow further, thanks to expected supply of near-infrared fire-proof laminated camouflage fabric to the military, the just concluded three-year contract for supply of petroleum-worker uniforms to Southeast Asia, and orders of anti-static fabric for permeable paint spray coveralls and anti-bacterial clothes for food manufacturing.

(6) Carbon-fiber composite materials:

Major products in this category include 3k and 12k carbon-fiber fabric, 12k reinforcement material, 12k/24k one-way prepreg, 3k two-way prepreg, and carbon-fiber panel, mainly for supply to domestic manufacturers of bike components and parts, sports gear, reinforcement construction materials, and 3Cs, plus exports to Japan, Korea, Thailand, Indonesia, Brazil, and Europe. Sales shot up in 2018, thanks in part to lower comparison base in 2017.

In 2019, the Company should focus on seeking civil-engineering business via open bidding for reinforced materials, developing high Tg (with glass transition temperature of 180 °C, 250 °C, or 300 °C) resin prepreg, and tapping high value-added robotic arm markets. In addition, it has to tap the markets of yacht, ship, and turbine blade for multi-axis/-layer carbon fiber fabric, the markets of robotic arm and auto accessories for expansion-fiber textiles, the water-transport robotic arm market for carbon fiber panel, and the 3C market for thermoplastic and thermoset carbon fiber panel. Sales are expected to expand further in 2019.

(7) Plastic bags:

Following strike by some customs employees in Chile in the fourth quarter of 2017, influx of orders from South America resumed in the first quarter of 2018, which, plus increased orders from 7-11 in Japan, the largest overseas market, enabled 2018 sales to score slight growth, but efforts to hike unit price and effectively respond to fluctuation of the

exchange rate between NT dollar and Japanese yen have to be made for better performance.

Sales are expected to drop significantly in 2019 as Japan's 7-11 channels will push biodegradable plastic bags, then charging fee for plastic bags. In response, the Company has rolled out T-shirt bags with biodegradable materials, which has higher added value, and will have the product certified.

4. Conclusion

In 2019, energy and raw material prices are expected to rise, which, plus climate change and price competition, will pose major difficulty and challenge for business operation, especially in the consolidation and upholding of the existing supply chain. In response, the Company will push various improvement projects, invest in new capacities and new technologies, flexibly adjust the division of labor, in terms of regional sales, global marketing, and specialty-based production, among the five production bases in Taiwan, China, and Vietnam. The Company will take pains in eliminating failure cost, do the right things, pursue high added value, uniform standards, and refined quality, and create and expand synergy, in addition to intensifying corporate governance and fulfillment of corporate social responsibilities and promoting environmental protection, in line with the global current so as to attain performance target, co-benefits and co-prosperity with supply-chain partners, a sustainable win-win outcome with customers, and the vision of creating sustainable growth for investment returns for shareholders.

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 2018 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:

Cheng, Yu

March 15, 2019

Ratification Items

Proposal 1

Proposal: To accept the 2018 business report and financial statements

Proposed by the Board of Directors

Explanation:

- 1.The preparation of the Company's 2018 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 15, 2019 and audited by independent auditors, CPA Mr. Han-Chi Wu and CPA Mr. Chien-Hung Chou, 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 59 through page 71 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 2018 earnings

Proposed by the Board of Directors

Explanation:

Please refer to page 72 of this Handbook for the 2018 Earnings Distribution Proposal, reviewed by the Audit Committee members of Formosa Taffeta Co., Ltd. and approved by the Board of Directors on March 15, 2019. Please approve the Earnings Distribution Proposal.

Resolution:

Discussion Items

Proposal 1

Proposal: To amend the Articles of Procedures for Acquisition and Disposal of Assets

Proposed by the Board of Directors

Explanation:

To comply with the requirements provided in the order Jin-Guan-Zheng-Fa-Zi No. 1070341072 dated November 26, 2018 by the Financial Supervisory Commission, certain articles of the Procedures for Acquisition and Disposal of Assets provided by the Company have been 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	Article after Amendment
Article 1	When acquiring or disposing of the following assets, the Company and its subsidiaries shall follow the Procedures for Acquisition or Disposal of Assets (hereinafter referred to as the “Procedures”): 1. Investments in stocks, government bonds, corporate bonds, bank debentures, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, asset-backed securities, etc. 2. Real property (including land, houses and buildings, investment property, and land use rights) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. <u>5.</u> Claims of financial institutions (including receivables, bills	Article 1	When acquiring or disposing of the following assets, the Company and its subsidiaries shall follow the Procedures for Acquisition or Disposal of Assets (hereinafter referred to as the “Procedures”): 1. Investments in stocks, government bonds, corporate bonds, bank debentures, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, asset-backed securities, etc. 2. Real property (including land, houses and buildings, investment property) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. <u>5.</u> <u>Right-of-use assets</u> <u>6.</u> Claims of financial institutions (including receivables, bills

Article	Article before Amendment	Article	Article after Amendment
	<p>purchased and discounted, loans, and overdue receivables).</p> <p>6. Derivatives.</p> <p>7. Assets acquired or disposed through mergers, demergers, acquisitions, or assignment of shares in accordance with law.</p> <p>8. Other major assets.</p>		<p>purchased and discounted, loans, and overdue receivables).</p> <p>7. Derivatives.</p> <p>8. Assets acquired or disposed through mergers, demergers, acquisitions, or assignment of shares in accordance with law.</p> <p>9. Other major assets.</p>
Article 2	<p>The limit amount of investments for non-operating real property or securities (the original investment), by the Company and each subsidiary, shall not exceed 60% of the book value of total assets; for an individual securities investment, the limit amount shall not exceed 50% of the foresaid limit amount, i.e. 30% of the book value of total assets.</p>	Article 2	<p>The limit amount of investments for non-operating real property <u>and right-of-use assets</u> or securities (the original investment), by the Company and each subsidiary, shall not exceed 60% of the book value of total assets; for an individual securities investment, the limit amount shall not exceed 50% of the foresaid limit amount, i.e. 30% of the book value of total assets.</p>
Article 3	<p>Terms used in these Procedures are defined as follows:</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, <u>and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests.</u> The term "forward contracts" does not include insurance contracts, performance contracts, post-sale service contracts, long-term lease contracts, and long-term procurement (sales) <u>agreements.</u></p> <p>2. Assets acquired or disposed</p>	Article 3	<p>Terms used in these Procedures are defined as follows:</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, <u>or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term "forward contracts" does not include</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>through mergers, demergers, acquisitions, or assignment of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act and other acts, or to shares acquired from another company through issuance of new shares of its own as the consideration therefor (hereinafter "acquisition of shares") under <u>paragraph 8 of Article 156 of the Company Act.</u></p> <p>3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent</p>		<p>insurance contracts, performance contracts, post-sales service contracts, long-term leasing contracts, and long-term purchase (sales) <u>contracts.</u></p> <p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or assignment of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act and other acts, or to shares acquired from another company through issuance of new shares of its own as the consideration therefor (hereinafter "acquisition of shares") under <u>Article 156-3 of the Company Act.</u></p> <p>3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions,</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>6. Mainland China area investment: Refers to investments in the Mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>		<p>or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>6. Mainland China area investment: Refers to investments in the Mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>
Article 4	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions in relation to the assets acquired or disposed, shall <u>not be a related party of any party to the transaction.</u></p>	Article 4	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions in relation to the assets acquired or disposed, shall <u>meet the following requirements:</u></p> <p>1. <u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking</u></p>

Article	Article before Amendment	Article	Article after Amendment
			<p><u>Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>2. May not be a related party or de facto related party of the Company.</u></p> <p><u>3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p>
Article 6	<p>Where an acquisition or disposition of assets of the Company shall be approved by the Board of Directors according to the Procedures or other relevant laws, the independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</p> <p>A major asset transaction or a derivatives transaction shall be approved by more than half of all</p>	Article 6	<p>Where an acquisition or disposition of assets of the Company shall be approved by the Board of Directors according to the Procedures or other relevant laws, the independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</p> <p>A major asset transaction or a <u>major</u> derivatives transaction shall be approved by more than half of</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>audit committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p>		<p>all audit committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p>
Article 7	<p>In acquiring or disposing of real property <u>or</u> equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be proposed for approval in advance by the Board of Directors, <u>and</u> the same 	Article 7	<p>In acquiring or disposing of real property, <u>equipment, or right-of-use assets thereof</u> where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a <u>domestic</u> government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof</u> for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be proposed for approval in advance by the Board of

Article	Article before Amendment	Article	Article after Amendment
	<p>procedure shall be followed for any <u>future</u> changes to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF) of Republic of China and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or</p>		<p>Directors; the same procedure shall <u>also</u> be followed for any <u>subsequent</u> changes to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF) of Republic of China and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>		<p>appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>
Article <u>8-1</u>	<p>In acquiring or disposing of <u>membership cards or intangible assets</u> where the transaction amount reaches 20 percent or more of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government institution, shall obtain a CPA's opinion on the reasonableness of the transaction price prior to the date of occurrence of the event. The CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.</p>	Article <u>9</u>	<p>In acquiring or disposing of <u>intangible assets or right-of-use assets thereof or membership cards</u> where the transaction amount reaches 20 percent or more of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a <u>domestic</u> government institution, shall obtain a CPA's opinion on the reasonableness of the transaction price prior to the date of occurrence of the event. The CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.</p>
Article <u>8-2</u>	<p>The calculation of the transaction amounts referred to in the preceding three articles shall be</p>	Article <u>10</u>	<p>The calculation of the transaction amounts referred to in the preceding three articles shall be</p>

Article	Article before Amendment	Article	Article after Amendment
	done in accordance with paragraph 2 of Article <u>26</u> , herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.		done in accordance with paragraph 2 of Article <u>28</u> , herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
Article <u>9</u>	Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.	Article <u>11</u>	Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
Article <u>10</u>	Where the Company acquires or disposes of assets shall be conducted by the authorization to the Chairman by the Board of Directors in accordance with the authorization limits of the Company.	Article <u>12</u>	Where the Company acquires or disposes of assets shall be conducted by the authorization to the Chairman by the Board of Directors in accordance with the authorization limits of the Company.
Article <u>11</u>	When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of the Chapter 2 and this Chapter, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's	Article <u>13</u>	When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of the Chapter 2 and this Chapter, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's

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	<p>opinion in compliance with the provisions of Chapter 2.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article <u>8-1</u>.</p>		<p>opinion in compliance with the provisions of Chapter 2.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article <u>10</u>.</p>
<p>Article <u>12</u></p>	<p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness 	<p>Article <u>14</u></p>	<p>When the Company intends to acquire or dispose of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property <u>or right-of-use</u>

Article	Article before Amendment	Article	Article after Amendment
	<p>of the preliminary transaction terms in accordance with Article <u>13</u> through <u>15</u>.</p> <p>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with paragraph 2 of Article <u>26</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors need not be counted toward the transaction amount.</p> <p>With respect to the <u>acquisition or</u></p>		<p><u>assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article <u>15</u> through <u>17</u>.</p> <p>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with paragraph 2 of Article <u>28</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors</p>

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	<p><u>disposal of business-use equipment</u> between the Company and its parent or subsidiaries, the Company's Board of Directors may pursuant to Article <u>10</u> delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently proposed to and ratified by the next Board of Directors meeting.</p> <p>When a matter is proposed for discussion by the Board of Directors pursuant to paragraph 1 of this Article, the independent Directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</p> <p>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p>		<p>need not be counted toward the transaction amount.</p> <p>With respect to the <u>types of transactions listed below, when to be conducted</u> between the Company and its parent or subsidiaries, <u>or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital,</u> the Company's Board of Directors may pursuant to Article <u>12</u>, delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently proposed to and ratified by the next Board of Directors meeting:</p> <ol style="list-style-type: none"> 1. <u>Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u> 2. <u>Acquisition or disposal of real property right-of-use assets held for business use.</u> <p>When a matter is proposed for discussion by the Board of Directors pursuant to paragraph 1 of this Article, the independent Directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</p> <p>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If</p>

Article	Article before Amendment	Article	Article after Amendment
			the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.
Article <u>13</u>	<p>The Company shall evaluate the reasonableness of the transaction costs by the following means if it intends to acquire real property from a related party:</p> <ol style="list-style-type: none"> 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value 	Article <u>15</u>	<p>The Company shall evaluate the reasonableness of the transaction costs by the following means if it intends to acquire real property <u>or right-of-use assets thereof</u> from a related party:</p> <ol style="list-style-type: none"> 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial

Article	Article before Amendment	Article	Article after Amendment
	<p>of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>When acquiring real property from a related party, the Company shall evaluate the cost of the real property in accordance with <u>paragraph 1 and paragraph 2</u> and shall also engage a CPA to review the evaluation and render a specific opinion.</p>		<p>institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>When acquiring real property <u>or right-of-use assets thereof</u> from a related party, the Company shall evaluate the cost of the real property <u>or right-of-use assets thereof</u> in accordance with <u>the preceding two paragraphs</u> and shall also engage a CPA to review the evaluation and render a specific opinion.</p>
<p>Article <u>14</u></p>	<p>Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article <u>12</u>, and Article <u>13</u> does not apply:</p> <ol style="list-style-type: none"> 1. The related party acquired the real property through inheritance or as a gift. 2. More than 5 years have elapsed from the time the related party 	<p>Article <u>16</u></p>	<p>Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article <u>14</u>, and Article <u>15</u> does not apply:</p> <ol style="list-style-type: none"> 1. The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift.

Article	Article before Amendment	Article	Article after Amendment
	<p>signed the contract to obtain the real property to the signing date for the current transaction.</p> <p>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p>		<p>2. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction.</p> <p>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p> <p>4. <u>The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>
<p>Article <u>15</u></p>	<p>When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of Article <u>13</u> are uniformly lower than the transaction price, the matter shall be handled in compliance with Article <u>16</u>. However, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, Article 16 shall not apply:</p> <p>1. Where the related party acquired</p>	<p>Article <u>17</u></p>	<p>When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of Article <u>15</u> are uniformly lower than the transaction price, the matter shall be handled in compliance with Article <u>18</u>. However, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, Article 16 shall not apply:</p> <p>1. Where the related party acquired</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in the preceding two articles, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) <u>Completed</u> transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property</p>		<p>undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in the preceding two articles, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) <u>Transactions</u> by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market <u>sale or</u></p>

Article	Article before Amendment	Article	Article after Amendment
	<p>market practices.</p> <p>(3) <u>Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</u></p> <p>2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions <u>completed</u> for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p><u>Completed</u> transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding</p>		<p><u>leasing</u> practices.</p> <p>2. Where the Company acquiring real property, or <u>obtaining real property right-of-use assets through leasing</u>, from a related party provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p><u>Transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or <u>right-of-use assets thereof.</u></u></p>

Article	Article before Amendment	Article	Article after Amendment
	year refers to the year preceding the date of occurrence of the acquisition of the real property.		
Article <u>16</u>	<p>Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with <u>Article 13 through 15</u> are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> 1. A special earnings reserve shall be set aside in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and such difference may not be distributed or used for capital increase by issuance of new shares. Where the Company uses the equity method to account for its investment in another company, then the special earnings reserve called for under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. 2. Audit Committee shall supervise the Company's execution of the aforesaid matter. 3. Actions taken pursuant to <u>subparagraph 1 and subparagraph 2</u> shall be reported to a shareholders meeting, and the 	Article <u>18</u>	<p>Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with <u>the preceding three Articles</u> are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> 1. A special earnings reserve shall be set aside in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property <u>or right-of-use assets thereof</u> transaction price and the appraised cost, and such difference may not be distributed or used for capital increase by issuance of new shares. Where the Company uses the equity method to account for its investment in another company, then the special earnings reserve called for under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. 2. Audit Committee shall supervise the Company's execution of the aforesaid matter. 3. Actions taken pursuant to <u>the preceding two subparagraphs</u>

Article	Article before Amendment	Article	Article after Amendment
	<p>details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company having set aside a special earnings reserve under the preceding paragraph may not utilize the special earnings reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent authority for securities has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>		<p>shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company having set aside a special earnings reserve under the preceding paragraph may not utilize the special earnings reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent authority for securities has given its consent.</p> <p>When the Company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>
Article <u>17</u>	Any derivatives trading of the Company shall be conducted in accordance with the "Procedures for Engaging in Derivatives Transactions" of the Company, and when doing so, the Company shall pay attention to issues of risk management and auditing to fulfill	Article <u>19</u>	Any derivatives trading of the Company shall be conducted in accordance with the "Procedures for Engaging in Derivatives Transactions" of the Company, and when doing so, the Company shall pay attention to issues of risk management and auditing to fulfill

Article	Article before Amendment	Article	Article after Amendment
	the Internal Control System of the Company.		the Internal Control System of the Company.
Article <u>18</u>	The Company that conducts a merger, demerger, acquisition, or assignment of shares shall, prior to convening the Board of Directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and propose the opinion to the Board of Directors for deliberation and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.	Article <u>20</u>	The Company that conducts a merger, demerger, acquisition, or assignment of shares shall, prior to convening the Board of Directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and propose the opinion to the Board of Directors for deliberation and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
Article <u>19</u>	The Company participating in a merger, demerger, or acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting, together	Article <u>21</u>	The Company participating in a merger, demerger, or acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting, together

Article	Article before Amendment	Article	Article after Amendment
	<p>with the expert opinion referred to in Article <u>18</u> when sending notice of the shareholders meeting, for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p>		<p>with the expert opinion referred to in Article <u>20</u> when sending notice of the shareholders meeting, for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p>
<p>Article <u>20</u></p>	<p>When the Company participates in a merger, demerger, or acquisition, it shall convene a board of directors meeting and shareholders meeting on the same date on which the other companies participating in the merger, demerger, or acquisition convene their board of directors and shareholders meeting to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent</p>	<p>Article <u>22</u></p>	<p>When the Company participates in a merger, demerger, or acquisition, it shall convene a board of directors meeting and shareholders meeting on the same date on which the other companies participating in the merger, demerger, or acquisition convene their board of directors and shareholders meeting to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>authority for securities is notified in advance of extraordinary circumstances and grants consent. The Company and other companies participating in an assignment of shares shall call their respective board of directors meeting on the same day, unless another act provides otherwise or the competent authority for securities is notified in advance of extraordinary circumstances and grants consent.</p> <p>When the Company participates in a merger, demerger, acquisition, or assignment of shares, it shall prepare a full written record of the following information and retain the record for 5 years for reference. In addition, the information set out in the subparagraphs 1 and 2 of the following paragraph shall be reported in the prescribed format and via the Internet-based information system to the competent authority for securities for recordation within two days commencing immediately from the date of passage of a resolution by the Board of Directors.</p> <p>1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger,</p>		<p>authority for securities is notified in advance of extraordinary circumstances and grants consent. The Company and other companies participating in an assignment of shares shall call their respective board of directors meeting on the same day, unless another act provides otherwise or the competent authority for securities is notified in advance of extraordinary circumstances and grants consent.</p> <p>When the Company participates in a merger, demerger, acquisition, or assignment of shares, it shall prepare a full written record of the following information and retain the record for 5 years for reference. In addition, the information set out in the subparagraphs 1 and 2 of the following paragraph shall be reported in the prescribed format and via the Internet-based information system to the competent authority for securities for recordation within two days commencing immediately from the date of passage of a resolution by the Board of Directors.</p> <p>1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger,</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>demerger, acquisition, or assignment of shares prior to disclosure of the information.</p> <p>2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the engagement of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>Where the Company participating in a merger, demerger, acquisition, or assignment of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall enter into an agreement with such party and shall comply with the preceding paragraph of this Article.</p>		<p>demerger, acquisition, or assignment of shares prior to disclosure of the information.</p> <p>2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the engagement of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>Where the Company participating in a merger, demerger, acquisition, or assignment of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall enter into an agreement with such party and shall comply with the preceding paragraph of this Article.</p>
<p>Article <u>21</u></p>	<p>Every person participating in or privy to the plan for merger, demerger, acquisition, or assignment of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name</p>	<p>Article <u>23</u></p>	<p>Every person participating in or privy to the plan for merger, demerger, acquisition, or assignment of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name</p>

Article	Article before Amendment	Article	Article after Amendment
	of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or assignment of shares.		of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or assignment of shares.
Article <u>22</u>	<p>When participating in a merger, demerger, acquisition, or assignment of shares, the Company shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or assignment of shares:</p> <ol style="list-style-type: none"> 1. Capital increase by cash injection, issuance of convertible corporate bonds, or the issuance of stock dividend, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities. 2. An action, such as a disposal of major assets that affects the Company's financial operations. 3. An event, such as a major disaster or major change in technology that affects shareholder equity or share price. 4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or assignment of shares buys back treasury stock. 5. An increase or decrease in the 	Article <u>24</u>	<p>When participating in a merger, demerger, acquisition, or assignment of shares, the Company shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or assignment of shares:</p> <ol style="list-style-type: none"> 1. Capital increase by cash injection, issuance of convertible corporate bonds, or the issuance of stock dividend, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities. 2. An action, such as a disposal of major assets that affects the Company's financial operations. 3. An event, such as a major disaster or major change in technology that affects shareholder equity or share price. 4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or assignment of shares buys back treasury stock. 5. An increase or decrease in the

Article	Article before Amendment	Article	Article after Amendment
	<p>number of entities or companies participating in the merger, demerger, acquisition, or assignment of shares.</p> <p>Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.</p>		<p>number of entities or companies participating in the merger, demerger, acquisition, or assignment of shares.</p> <p>Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.</p>
<p>Article <u>23</u></p>	<p>The contract for participation by the Company in a merger, demerger, acquisition, or assignment of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or assignment of shares, and shall also record the following:</p> <ol style="list-style-type: none"> 1. Handling of breach of contract. 2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged. 3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof. 4. The manner of handling changes in the number of participating entities or companies. 5. Preliminary progress schedule for plan execution, and anticipated completion date. <p>Scheduled date for convening the</p>	<p>Article <u>25</u></p>	<p>The contract for participation by the Company in a merger, demerger, acquisition, or assignment of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or assignment of shares, and shall also record the following:</p> <ol style="list-style-type: none"> 1. Handling of breach of contract. 2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged. 3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof. 4. The manner of handling changes in the number of participating entities or companies. 5. Preliminary progress schedule for plan execution, and anticipated completion date. <p>Scheduled date for convening the</p>

Article	Article before Amendment	Article	Article after Amendment
	legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.		legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
Article <u>24</u>	After public disclosure of the information, if the Company participating in the merger, demerger, acquisition, or assignment of shares intends further to carry out a merger, demerger, acquisition, or assignment of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or assignment of share ; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.	Article <u>26</u>	After public disclosure of the information, if the Company participating in the merger, demerger, acquisition, or assignment of shares intends further to carry out a merger, demerger, acquisition, or assignment of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or assignment of share ; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
Article <u>25</u>	Where any of the companies participating in a merger, demerger, acquisition, or assignment of shares is not a public company, the Company shall sign an agreement with the non-public company in accordance with the provisions of Article <u>20</u> , Article <u>21</u> , and Article <u>24</u> .	Article <u>27</u>	Where any of the companies participating in a merger, demerger, acquisition, or assignment of shares is not a public company, the Company shall sign an agreement with the non-public company in accordance with the provisions of Article <u>22</u> , Article <u>23</u> , and Article <u>26</u> .

Article	Article before Amendment	Article	Article after Amendment
Article <u>26</u>	<p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the website designated by the competent authority for securities in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises. 2. Merger, demerger, acquisition, or assignment of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company. 	Article <u>28</u>	<p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the website designated by the competent authority for securities in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises. 2. Merger, demerger, acquisition, or assignment of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the

Article	Article before Amendment	Article	Article after Amendment
	<p>4. Where <u>the type of asset acquired or disposed is</u> equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is more than NT\$1 billion.</p> <p>5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is more than NT\$500 million.</p> <p>6. An asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area where the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, provided this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Trading of <u>bonds</u> under repurchase/resale agreements or the subscription or repurchase of money market</p>		<p>procedures adopted by the Company.</p> <p>4. Where equipment/machinery <u>or right-of-use assets thereof</u> for business use are <u>acquired or disposed of</u>, and <u>furthermore</u> the trading counterparty is not a related party, and the transaction amount is more than NT\$1 billion.</p> <p>5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the trading counterparty is not a related party</u>, and the amount the Company expects to invest in the transaction is more than NT\$500 million.</p> <p>6. An asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area where the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, provided this shall not apply to the following circumstances:</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. <p>"Within the preceding year" as used in the paragraph 2 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p>		<ol style="list-style-type: none"> (3) Trading of <u>domestic</u> government bonds. (4) Trading of bonds under repurchase/resale agreements or the subscription or repurchase of money market funds issued by domestic securities investment trust enterprises. <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property <u>or right-of-use assets thereof</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. <p>"Within the preceding year" as used in the paragraph 2 refers to the year preceding the date of occurrence of the current</p>

Article	Article before Amendment	Article	Article after Amendment
			transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.
Article <u>27</u>	When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days from the date when is the Company becomes aware of the error or omission.	Article <u>29</u>	When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days from the date when is the Company becomes aware of the error or omission.
Article <u>28</u>	The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company headquarters, where they shall be retained for 5 years except where another act provides otherwise.	Article <u>30</u>	The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company headquarters, where they shall be retained for 5 years except where another act provides otherwise.
Article <u>29</u>	Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the <u>Article 26 through 28</u> , a public report of relevant information shall be made on the information reporting website designated by the competent authority for securities within 2 days commencing immediately from the date of occurrence of the event:	Article <u>31</u>	Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the <u>preceding three Articles</u> , a public report of relevant information shall be made on the information reporting website designated by the competent authority for securities within 2 days commencing immediately from the date of occurrence of the event:

Article	Article before Amendment	Article	Article after Amendment
	<p>1. Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>2. The merger, demerger, acquisition, or assignment of shares is not completed by the scheduled date set forth in the contract.</p> <p>Change to the originally publicly announced and reported information.</p>		<p>1. Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>2. The merger, demerger, acquisition, or assignment of shares is not completed by the scheduled date set forth in the contract.</p> <p>Change to the originally publicly announced and reported information.</p>
Article <u>30</u>	<p>Information required to be publicly announced and reported in accordance with the provisions of Chapter <u>6</u> on acquisitions and disposals of assets by a subsidiary of the Company that is not a public company in Taiwan shall be reported by the Company.</p> <p>The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to <u>paragraph 1 of Article 26</u> requiring a public announcement and regulatory filing <u>in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.</u></p>	Article <u>32</u>	<p>Information required to be publicly announced and reported in accordance with the provisions of <u>the preceding Chapter</u> on acquisitions and disposals of assets by a subsidiary of the Company that is not a public company in Taiwan shall be reported by the Company.</p> <p>The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to <u>the threshold</u> requiring a public announcement and regulatory filing <u>under paragraph 1 of Article 28.</u></p>
Article <u>31</u>	<p>The Company’s controlling and monitoring procedures towards the acquisition or disposal of assets by its subsidiaries are as follows:</p> <p>1. The Company shall urge its subsidiaries to establish and execute their own “Procedures</p>	Article <u>33</u>	<p>The Company’s controlling and monitoring procedures towards the acquisition or disposal of assets by its subsidiaries are as follows:</p> <p>1. The Company shall urge its subsidiaries to establish and execute their own “Procedures</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>for Acquisition of Disposal of Assets”.</p> <p>2. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall deliver a written notice to the Company of this kind of violation. The Company shall know the condition of dealing with the violation(s) and of the resulting improvements.</p>		<p>for Acquisition of Disposal of Assets”.</p> <p>2. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall deliver a written notice to the Company of this kind of violation. The Company shall know the condition of dealing with the violation(s) and of the resulting improvements.</p>
Article <u>32</u>	Should there be any violation of the procedures when the persons-in-charge of the Company deal with acquisition or disposal of assets, subsequent penalization is subject to the relevant HR policies of the Company.	Article <u>34</u>	Should there be any violation of the procedures when the persons-in-charge of the Company deal with acquisition or disposal of assets, subsequent penalization is subject to the relevant HR policies of the Company.
Article <u>34</u>	For the calculation of 10 percent of total assets under the Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.	Article <u>35</u>	For the calculation of 10 percent of total assets under the Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.
Article <u>35</u>	After the Procedures are approved by the Board of Directors, <u>the Procedures shall be</u> submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedure. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included	Article <u>36</u>	The Procedures shall be approved by the Board of Directors <u>and</u> submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedure. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

Article	Article before Amendment	Article	Article after Amendment
	<p>in the minutes of the Board of Directors meeting.</p> <p>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p>		<p>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p>

Resolution:

Discussion Items	Proposal 2
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Proposal: To amend the Articles of Procedures for Engaging in Derivatives Trading

Proposed by the Board of Directors

Explanation:

To comply with the requirements provided in the order Jin-Guan-Zheng-Fa-Zi No. 1070341072 dated November 26, 2018 by the Financial Supervisory Commission, certain articles of the Procedures for Engaging in Derivatives Transactions of the Company have been 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
Article 1	The “Procedures for Engaging in Derivatives Transactions” (hereinafter referred to as the “Procedures”) of Formosa Plastics Corporation (hereinafter referred to as the “Company”) was established in accordance with Article <u>17</u> of the “Procedures for Acquisition or Disposal of Assets” of the Company.	The “Procedures for Engaging in Derivatives Transactions” (hereinafter referred to as the “Procedures”) of Formosa Plastics Corporation (hereinafter referred to as the “Company”) was established in accordance with Article <u>19</u> of the “Procedures for Acquisition or Disposal of Assets” of the Company.
Article 2	Derivatives referred to herein are defined as forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, <u>and compound contracts combining the above products</u> , whose value is derived from <u>assets</u> , interest rates, foreign exchange <u>rates</u> , <u>indexes</u> or <u>other interests</u> .	Derivatives referred to herein are defined as forward contracts, options contracts, futures contracts, leverage contracts, <u>or</u> swap contracts, whose value is derived from <u>a specified interest rate</u> , <u>financial instrument price</u> , <u>commodity price</u> , foreign exchange rate, <u>index of prices or rates</u> , <u>credit rating or credit index</u> , or <u>other variable</u> ; or <u>hybrid contracts combining the above contracts</u> ; or <u>hybrid contracts or structured products containing embedded derivatives</u> .

Article	Article before Amendment	Article after Amendment
Article 3	Forward contracts referred to herein do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sales) contracts.	Forward contracts referred to herein do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sales) contracts.
Article 6	The transaction personnel of the Department, which is in charge of derivatives trading, shall follow the trading strategy in accordance with the approved deal terms and conditions of derivatives transactions. Also, the transaction personnel shall execute trades directly with counterparties. After the foresaid trades are done, the transaction personnel shall deliver the relevant transaction receipts to the settlement personnel to conduct the settlement procedures. The settlement personnel shall proceed contracts signing, bank accounts opening, settlement, accounts closing, etc. with counterparties in accordance with the trading conditions. The unit executing trading is the task force under the <u>finance department</u> . The authorized quota is US\$1 million per transaction, with the excess amount needing presentation of analysis for approval before trading.	The transaction personnel of the Department, which is in charge of derivatives trading, shall follow the trading strategy in accordance with the approved deal terms and conditions of derivatives transactions. Also, the transaction personnel shall execute trades directly with counterparties. After the foresaid trades are done, the transaction personnel shall deliver the relevant transaction receipts to the settlement personnel to conduct the settlement procedures. The settlement personnel shall proceed contracts signing, bank accounts opening, settlement, accounts closing, etc. with counterparties in accordance with the trading conditions. The unit executing trading is the task force under the <u>President's office</u> . The authorized quota is US\$1 million per transaction, with the excess amount needing presentation of analysis for approval before trading.

Article	Article before Amendment	Article after Amendment
Article 14	<p>The derivatives trading positions of the Company shall be evaluated at least once a week by the in-charge department, but the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-charge department shall pay attention to the risk control and monitoring of derivatives transactions from time to time, and periodically supervise and evaluate the derivatives transactions to check whether they are conducted in accordance with the related procedures formulated by the Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be given to a high-level manager(s) authorized by the Board of Directors <u>for review</u>. If there is any abnormal situation highlighted in the market evaluation reports (e.g. the holding position has reached the maximum loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors. There shall be independent directors attending the Board of Directors meeting and expressing their opinions.</p>	<p>The derivatives trading positions of the Company shall be evaluated at least once a week by the in-charge department, but the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-charge department shall pay attention to the risk control and monitoring of derivatives transactions from time to time, and periodically supervise and evaluate the derivatives transactions to check whether they are conducted in accordance with the related procedures formulated by the Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be given to a high-level manager(s) authorized by the Board of Directors. If there is any abnormal situation highlighted in the market evaluation reports (e.g. the holding position has reached the maximum loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors. There shall be independent directors attending the Board of Directors meeting and expressing their opinions.</p>

Resolution:

Discussion Items Proposal 3

Proposal: To amend the Articles of the Procedures for Loaning Funds to other Parties

Proposed by the Board of Directors

Explanation:

To comply with the requirements provided in the order Jin-Guan-Zheng-Shen-Zi No. 1080304826 dated March 7, 2019 by the Financial Supervisory Commission, certain articles of the Procedures for Loaning Funds to other Parties of the Company have been 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	Article after Amendment
Article 6	The tenor of the loan shall not be longer than one year <u>in the case the borrower does not have business relationship with the Company but has a short-term necessary financing facility</u> . The interest rates of the loans shall not be lower than the then current lowest lending interest rates announced by the general financial institutions.	Article 6	The tenor of the loan shall not be longer than one year. The interest rates of the loans shall not be lower than the then current lowest lending interest rates announced by the general financial institutions.
Article 8	<u>A loan to the borrower may be extended for a certain period, provided the extension of the loan has been approved by the Board of Directors. The total duration of the loan after the above-mentioned extension shall meet the requirement of Article 6. If the extension of the loan is not approved by the Board of Directors, the borrower shall repay the principal and the accrued interests in full on the due date. If the borrower fails to perform, the Company shall claim the overdue amount via legal proceedings.</u>		<u>(Article deleted)</u>

Article	Article before Amendment	Article	Article after Amendment
Article <u>9</u>	The Company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated.	Article <u>8</u>	The Company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated.
Article <u>10</u>	The Company's internal auditors shall audit the Procedures for Lending Funds to other Parties and the implementation thereof no less frequently than quarterly and prepare written records accordingly. During the auditing, the internal auditor shall immediately correct violation(s) upon finding any violation. If any material violation is found, in addition to notifying the Audit Committee promptly in writing, the personnel who violate the Procedures shall be penalized in accordance with the related rules of the Company.	Article <u>9</u>	The Company's internal auditors shall audit the Procedures for Lending Funds to other Parties and the implementation thereof no less frequently than quarterly and prepare written records accordingly. During the auditing, the internal auditor shall immediately correct violation(s) upon finding any violation. If any material violation is found, in addition to notifying the Audit Committee promptly in writing, the personnel who violate the Procedures shall be penalized in accordance with the related rules of the Company.
Article <u>11</u>	If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee for its approval and then to the Board of Directors for a resolution, and shall complete the rectification according to the timeframe set out in the plan.	Article <u>10</u>	If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee for its approval and then to the Board of Directors for a resolution, and shall complete the rectification according to the timeframe set out in the plan.

Article	Article before Amendment	Article	Article after Amendment
Article <u>12</u>	<p>Procedures for controlling and managing loans of funds to others by subsidiaries of the Company are as follows:</p> <ol style="list-style-type: none"> 1. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Procedures for Loaning Funds to other Parties in compliance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, and it shall comply with the Procedures when loaning funds. 2. The subsidiaries shall compile and submit the schedule, including the details and status of fund-lending as of the end of the previous month to the Company for review by the fifth day of the current month. <p>If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall promptly notify the Company in writing of any material violation found. The Company shall know how the subsidiary deals with the violation(s), admonish the subsidiary to improve and keep itself informed of the improvement process.</p>	Article <u>11</u>	<p>Procedures for controlling and managing loans of funds to others by subsidiaries of the Company are as follows:</p> <ol style="list-style-type: none"> 1. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Procedures for Loaning Funds to other Parties in compliance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, and it shall comply with the Procedures when loaning funds. 2. The subsidiaries shall compile and submit the schedule, including the details and status of fund-lending as of the end of the previous month to the Company for review by the fifth day of the current month. <p>If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall promptly notify the Company in writing of any material violation found. The Company shall know how the subsidiary deals with the violation(s), admonish the subsidiary to improve and keep itself informed of the improvement process.</p>
Article <u>13</u>	<p>The Company shall announce and report the related information of fund-lending to others in compliance with the following requirements:</p> <ol style="list-style-type: none"> 1. The Company shall enter the 	Article <u>12</u>	<p>The Company shall announce and report the related information of fund-lending to others in compliance with the following requirements:</p> <ol style="list-style-type: none"> 1. The Company and subsidiaries

Article	Article before Amendment	Article	Article after Amendment
	<p><u>previous month's loan balances of its head office and subsidiaries to the information reporting website designated by the competent authority for securities by the 10th day of each month.</u></p> <p>2. <u>The Company whose loans of funds reach one of the following levels shall announce and report such event on the information reporting website designated by the competent authority for securities within two days commencing immediately from the date of occurrence:</u></p> <p>(1) <u>The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</u></p> <p>(2) <u>The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.</u></p> <p>(3) <u>The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</u></p> <p>3. <u>The Company shall announce and report on behalf of any subsidiary thereof that is not a</u></p>		<p><u>shall publicly announce and report the information of fund-lending in accordance with the relevant laws, rules and regulations.</u></p> <p>2. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report. The percentage of the aggregate balance of loans to others over net worth of the subsidiary shall be calculated as the subsidiary's balance of loans to others to the Company's net worth.</p> <p>3. The Company shall evaluate the status of its fund-lending and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>public company of the Republic of China any matters that such subsidiary is required to announce and report <u>pursuant to subparagraphs of the preceding paragraph</u>. The percentage of the aggregate balance of loans to others over net worth of the <u>above-mentioned</u> subsidiary shall be calculated as the subsidiary's balance of loans to others to the Company's net worth.</p> <p>4. The Company shall evaluate the status of its fund-lending and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.</p>		

Article	Article before Amendment	Article	Article after Amendment
Article <u>14</u>	<p>The Procedures are approved by the Board of Directors and submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedures. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</p> <p>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p>	Article <u>13</u>	<p>The Procedures are approved by the Board of Directors and submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedures. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</p> <p>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p>

Resolution:

Discussion Items	Proposal 4
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Proposal: To amend the Articles of the Company’s “Procedures for Providing Endorsements and Guarantees to other Parties

Proposed by the Board of Directors

Explanation:

To comply with the requirements provided in the order Jin-Guan-Zheng-Shen-Zi No. 1080304826 dated March 7, 2019 by the Financial Supervisory Commission, certain articles of the Procedures for Providing Endorsements and Guarantees to other Parties of the Company have been 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	Article after Amendment
Article 10	The Company <u>shall enter the previous month's balance of endorsements/guarantees of itself and its subsidiaries to the information reporting website designated by the competent authority for securities by the 10th day of each month.</u>	Article 10	The Company and its subsidiaries <u>shall publicly announce and report the information of endorsements/guarantees in accordance with the relevant laws, rules and regulations.</u>
<u>Article 11</u>	<u>In addition to announcing and reporting the monthly balance of endorsements/guarantees in compliance with Article 10, in the event that the amount of the Company's endorsements/guarantees reaches one of the following levels, the Company shall announce and report such event on the information reporting website designated by the competent authority for securities within two days commencing immediately from the date of occurrence:</u> 1. <u>The aggregate amount of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial</u>		<u>(Article deleted)</u>

Article	Article before Amendment	Article	Article after Amendment
	<p><u>statement.</u></p> <p>2. <u>The amount of endorsements/guarantees by the Company and its subsidiaries for any single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</u></p> <p>3. <u>The amount of endorsements/guarantees by the Company and its subsidiaries for any single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees, long-term investment, and loans to that enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</u></p> <p><u>The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</u></p>		
Article <u>12</u>	<p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the subparagraphs of <u>Article 11</u>. The percentage of the balance of endorsements/guarantees over the net worth of the Company <u>under the preceding paragraph</u> shall be calculated by the ratio of the subsidiary's balance of endorsements/guarantees to the Company's net worth.</p>	Article <u>11</u>	<p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report. The percentage of the balance of endorsements/guarantees over the net worth of the Company shall be calculated by the ratio of the subsidiary's balance of endorsements/guarantees to the Company's net worth.</p>

Article	Article before Amendment	Article	Article after Amendment
Article <u>13</u>	The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide its certified public accountants with relevant information for implementation of necessary auditing procedures to issue proper audit reports.	Article <u>12</u>	The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide its certified public accountants with relevant information for implementation of necessary auditing procedures to issue proper audit reports.
Article <u>14</u>	<p>After the Procedures are approved by the Board of Directors, the same shall be submitted for approval by the shareholders meeting before its implementation. Any amendment is subject to the same procedures. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</p> <p>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p>	Article <u>13</u>	<p>After the Procedures are approved by the Board of Directors, the same shall be submitted for approval by the shareholders meeting before its implementation. Any amendment is subject to the same procedures. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</p> <p>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p>

Resolution:

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

Items	Notes	Years ended December 31				
		2018		2017		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(19) and 7	\$ 44,545,053	100	\$ 40,705,664	100
5000	Operating costs	6(5)(22)(23) and 7	(39,264,007)	(88)	(35,566,893)	(87)
5900	Net operating margin		<u>5,281,046</u>	<u>12</u>	<u>5,138,771</u>	<u>13</u>
	Operating expenses	6(22)(23) and 7				
6100	Selling expenses		(1,774,767)	(4)	(1,727,181)	(5)
6200	General and administrative expenses		(966,574)	(2)	(890,287)	(2)
6300	Research and development expenses		(80,976)	(1)	(59,813)	-
6000	Total operating expenses		<u>(2,822,317)</u>	<u>(7)</u>	<u>(2,677,281)</u>	<u>(7)</u>
6900	Operating profit		<u>2,458,729</u>	<u>5</u>	<u>2,461,490</u>	<u>6</u>
	Non-operating income and expenses					
7010	Other income	6(20) and 7	2,908,802	6	2,697,364	7
7020	Other gains and losses	6(21)	885,932	2	108,885	-
7050	Finance costs	6(24)	(211,415)	-	(185,189)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	<u>238,313</u>	<u>1</u>	<u>193,934</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>3,821,632</u>	<u>9</u>	<u>2,814,994</u>	<u>7</u>
7900	Profit before income tax		6,280,361	14	5,276,484	13
7950	Income tax expense	6(25)	(959,661)	(2)	(516,468)	(1)
8200	Profit for the year		<u>\$ 5,320,700</u>	<u>12</u>	<u>\$ 4,760,016</u>	<u>12</u>

(Continued)

FORMOSA TAFFETA CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Years ended December 31								
		2018				2017				
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(17) and 7	\$ 27,593,484	100	\$ 25,713,839	100				
5000	Operating costs	6(5)(20)(21) and 7	(25,442,866)	(92)	(23,215,460)	(90)				
5900	Net operating margin		2,150,618	8	2,498,379	10				
	Operating expenses	6(20)(21) and 7								
6100	Selling expenses		(1,397,836)	(5)	(1,396,951)	(5)				
6200	General and administrative expenses		(528,989)	(2)	(496,956)	(2)				
6000	Total operating expenses		(1,926,825)	(7)	(1,893,907)	(7)				
6900	Operating profit		223,793	1	604,472	3				
	Non-operating income and expenses									
7010	Other income	6(18) and 7	2,820,730	10	2,664,014	10				
7020	Other gains and losses	6(19) and 7	924,798	3	(168,551)	(1)				
7050	Finance costs	6(22)	(103,358)	-	(117,088)	-				
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	1,389,799	5	1,500,573	6				
7000	Total non-operating income and expenses		5,031,969	18	3,878,948	15				
7900	Profit before income tax		5,255,762	19	4,483,420	18				
7950	Income tax expense	6(23)	(518,356)	(2)	(203,549)	(1)				
8200	Profit for the year		\$ 4,737,406	17	\$ 4,279,871	17				
	Other comprehensive income (net)	6(16)								
	Components of other comprehensive income that will not be reclassified to profit or loss									
8311	Actuarial gains (losses) on defined benefit plans		\$ 153,145	1	(\$ 330,584)	(1)				
8316	Unrealized loss on valuation of financial assets at fair value through other comprehensive income	6(3)	(2,635,914)	(10)	-	-				
8330	Share of other comprehensive loss of associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss		(693,862)	(3)	-	-				
8310	Other comprehensive income that will not be reclassified to profit or loss		(3,176,631)	(12)	(330,584)	(1)				
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations		154,507	1	(927,654)	(4)				
8362	Unrealized gain on valuation of available-for-sale financial assets	12(4)	-	-	2,127,178	8				
8380	Share of other comprehensive income of associates and joint ventures accounted for under equity method that will be reclassified to profit or loss		14,914	-	-	-				
8360	Other comprehensive income that will be reclassified to profit or loss		169,421	1	1,199,524	4				
8300	Total other comprehensive (loss) income for the year		(\$ 3,007,210)	(11)	\$ 868,940	3				
8500	Total comprehensive income for the year		\$ 1,730,196	6	\$ 5,148,811	20				
			Before	Tax	After	Tax	Before	Tax	After	Tax
9750	Basic earnings per share	6(24)	\$ 3.12		\$ 2.82		\$ 2.66		\$ 2.54	
	Assuming shares held by subsidiary are not deemed as treasury stock:									
	Basic earnings per share		\$ 3.12		\$ 2.81		\$ 2.66		\$ 2.54	

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

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

Assets	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,391,896	4	\$ 4,942,919	5
1110	Financial assets at fair value through profit or loss - current	6(2)	479,490	1	630,396	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	3,674,217	4	-	-
1125	Available-for-sale financial assets - current		-	-	3,649,141	4
1140	Current contract assets	6(19)	788,643	1	-	-
1150	Notes receivable, net	6(4)	116,511	-	164,311	-
1160	Notes receivable - related parties	7	4,429	-	13,007	-
1170	Accounts receivable, net	6(4)	4,110,277	4	3,567,731	4
1180	Accounts receivable - related parties	7	1,228,428	1	1,168,315	1
1200	Other receivables	7	326,802	-	449,044	-
130X	Inventory	6(5) and 8	8,710,037	9	8,452,053	9
1410	Prepayments		457,003	1	519,506	1
1470	Other current assets		483,826	1	425,720	-
11XX	Total current assets		<u>23,771,559</u>	<u>26</u>	<u>23,982,143</u>	<u>25</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	46,512,701	50	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	43,994,286	47
1543	Financial assets carried at cost - non-current	7 and 12(4)	-	-	5,786,870	6
1550	Investments accounted for under equity method	6(6)	3,216,506	3	3,123,456	3
1600	Property, plant and equipment	6(7) and 8	18,770,958	20	17,022,278	18
1840	Deferred income tax assets	6(25)	93,797	-	140,445	-
1900	Other non-current assets	6(8)	660,972	1	653,557	1
15XX	Total non-current assets		<u>69,254,934</u>	<u>74</u>	<u>70,720,892</u>	<u>75</u>
1XXX	Total assets		<u>\$ 93,026,493</u>	<u>100</u>	<u>\$ 94,703,035</u>	<u>100</u>

(Continued)

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

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

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(9) and 8	\$ 3,638,538	4	\$ 2,805,690	3
2110	Short-term notes and bills payable	6(10)	-	-	1,299,806	2
2120	Financial liabilities at fair value	6(11)				
	through profit or loss - current		774	-	-	-
2150	Notes payable		251,576	-	199,518	-
2160	Notes payable - related parties	7	335,830	-	239,553	-
2170	Accounts payable		1,312,601	2	1,446,070	2
2180	Accounts payable - related parties	7	996,011	1	1,147,976	1
2200	Other payables	6(12) and 7	1,949,497	2	1,811,607	2
2230	Current income tax liabilities	6(25)	391,662	1	198,319	-
2300	Other current liabilities	6(13)	314,741	-	265,356	-
21XX	Total current liabilities		<u>9,191,230</u>	<u>10</u>	<u>9,413,895</u>	<u>10</u>
Non-current liabilities						
2540	Long-term borrowings	6(13)	8,022,299	9	11,083,572	12
2570	Deferred income tax liabilities	6(25)	292,165	-	170,798	-
2600	Other non-current liabilities	6(14)	552,109	-	852,200	1
25XX	Total non-current liabilities		<u>8,866,573</u>	<u>9</u>	<u>12,106,570</u>	<u>13</u>
2XXX	Total liabilities		<u>18,057,803</u>	<u>19</u>	<u>21,520,465</u>	<u>23</u>
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(15)	16,846,646	18	16,846,646	18
Capital surplus						
3200	Capital surplus	6(16)	1,268,860	1	274,323	-
Retained earnings						
3310	Legal reserve	6(17)	7,567,594	8	7,139,607	7
3320	Special reserve		2,214,578	2	2,214,578	2
3350	Unappropriated retained earnings		9,743,048	11	5,398,225	6
Other equity interest						
3400	Other equity interest	6(18)	31,291,978	34	37,525,951	40
3500	Treasury stocks	6(15)	(19,500)	-	(19,935)	-
31XX	Equity attributable to owners of the parent		<u>68,913,204</u>	<u>74</u>	<u>69,379,395</u>	<u>73</u>
36XX	Non-controlling interest	6(18)	<u>6,055,486</u>	<u>7</u>	<u>3,803,175</u>	<u>4</u>
3XXX	Total equity		<u>74,968,690</u>	<u>81</u>	<u>73,182,570</u>	<u>77</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 93,026,493</u>	<u>100</u>	<u>\$ 94,703,035</u>	<u>100</u>

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

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

Assets	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,447,966	2	\$ 851,569	1
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	398	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	1,717,779	2	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	1,911,496	2
1150	Notes receivable, net		109,709	-	114,555	-
1160	Notes receivable - related parties	7	4,429	-	13,007	-
1170	Accounts receivable, net	6(4)	2,128,150	3	1,948,346	3
1180	Accounts receivable - related parties	7	220,365	-	194,371	-
1200	Other receivables	7	290,656	1	415,375	1
130X	Inventory	6(5)	4,893,736	6	4,963,569	6
1410	Prepayments		92,227	-	149,485	-
1470	Other current assets		194,023	-	188,207	-
11XX	Total current assets		<u>11,099,040</u>	<u>14</u>	<u>10,750,378</u>	<u>13</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	40,556,651	50	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	43,363,486	51
1543	Financial assets carried at cost - non-current	7 and 12(4)	-	-	266,009	-
1550	Investments accounted for under equity method	6(6)	21,385,854	27	22,905,965	27
1600	Property, plant and equipment	6(7) and 7	6,785,900	8	7,432,389	9
1760	Investment property - net	7	473,658	1	498,499	-
1840	Deferred income tax assets	6(23)	79,023	-	124,629	-
1900	Other non-current assets		119,377	-	162,805	-
15XX	Total non-current assets		<u>69,400,463</u>	<u>86</u>	<u>74,753,782</u>	<u>87</u>
1XXX	Total assets		<u>\$ 80,499,503</u>	<u>100</u>	<u>\$ 85,504,160</u>	<u>100</u>

(Continued)

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

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

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(8)	\$ -	-	\$ 7,386	-
2110	Short-term notes and bills payable	6(9)	-	-	1,299,806	2
2120	Financial liabilities at fair value	6(10)				
	through profit or loss - current		774	-	-	-
2150	Notes payable		127,600	-	135,455	-
2160	Notes payable - related parties	7	331,828	-	239,553	-
2170	Accounts payable		484,745	1	684,049	1
2180	Accounts payable - related parties	7	964,825	1	1,062,882	1
2200	Other payables	7	854,276	1	837,873	1
2230	Current income tax liabilities	6(23)	104,403	-	51,445	-
2300	Other current liabilities		85,154	-	90,457	-
21XX	Total current liabilities		<u>2,953,605</u>	<u>3</u>	<u>4,408,906</u>	<u>5</u>
Non-current liabilities						
2540	Long-term borrowings	6(11)	7,900,000	10	10,800,000	13
2570	Deferred income tax liabilities	6(23)	290,513	-	170,157	-
2600	Other non-current liabilities	6(12)	442,181	1	745,702	1
25XX	Total non-current liabilities		<u>8,632,694</u>	<u>11</u>	<u>11,715,859</u>	<u>14</u>
2XXX	Total liabilities		<u>11,586,299</u>	<u>14</u>	<u>16,124,765</u>	<u>19</u>
Equity						
Share capital						
3110	Share capital - common stock	6(13)	16,846,646	21	16,846,646	20
Capital surplus						
3200	Capital surplus	6(14)	1,268,860	2	274,323	-
Retained earnings						
3310	Legal reserve	6(15)	7,567,594	9	7,139,607	8
3320	Special reserve		2,214,578	3	2,214,578	3
3350	Unappropriated retained earnings		9,743,048	12	5,398,225	6
Other equity interest						
3400	Other equity interest	6(16)	31,291,978	39	37,525,951	44
3500	Treasury stocks	6(13)	(19,500)	-	(19,935)	-
3XXX	Total equity		<u>68,913,204</u>	<u>86</u>	<u>69,379,395</u>	<u>81</u>
Commitments and contingent liabilities						
Subsequent event						
3X2X	Total liabilities and equity		<u>\$ 80,499,503</u>	<u>100</u>	<u>\$ 85,504,160</u>	<u>100</u>

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent													
Notes	Retained Earnings					Other Equity Interest				Treasury stocks	Total	Non-controlling interest	Total equity
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets					
Year ended December 31, 2017													
	\$ 16,846,646	\$ 266,458	\$ 6,791,478	\$ 1,708,542	\$ 4,830,100	\$ 13,387	\$ -	\$ 36,313,040	(\$ 21,501)	\$ 66,748,150	\$ 3,531,750	\$ 70,279,900	
	-	-	-	-	4,279,871	-	-	-	-	4,279,871	480,145	4,760,016	
6(18)	-	-	-	-	(330,584)	(927,654)	-	2,127,178	-	868,940	102,504	971,444	
	-	-	-	-	3,949,287	(927,654)	-	2,127,178	-	5,148,811	582,649	5,731,460	
6(17)	-	-	348,129	-	(348,129)	-	-	-	-	-	-	-	
	-	-	-	506,036	(506,036)	-	-	-	-	-	-	-	
	-	-	-	-	(2,526,997)	-	-	-	(2,526,997)	-	-	(2,526,997)	
6(15)(16)	-	2,891	-	-	-	-	-	-	1,566	4,457	-	4,457	
6(16)	-	33	-	-	-	-	-	-	-	33	18	51	
6(16)	-	3,439	-	-	-	-	-	-	-	3,439	-	3,439	
6(16)	-	1,502	-	-	-	-	-	-	-	1,502	-	1,502	
6(18)	-	-	-	-	-	-	-	-	-	-	(311,242)	(311,242)	
	\$ 16,846,646	\$ 274,323	\$ 7,139,607	\$ 2,214,578	\$ 5,398,225	(\$ 914,267)	\$ -	\$ 38,440,218	(\$ 19,935)	\$ 69,379,395	\$ 3,803,175	\$ 73,182,570	
Year ended December 31, 2018													
	\$ 16,846,646	\$ 274,323	\$ 7,139,607	\$ 2,214,578	\$ 5,398,225	(\$ 914,267)	\$ -	\$ 38,440,218	(\$ 19,935)	\$ 69,379,395	\$ 3,803,175	\$ 73,182,570	
	-	-	-	-	4,890,917	-	33,680,146	(38,440,218)	-	130,845	33,939	164,784	
	16,846,646	274,323	7,139,607	2,214,578	10,289,142	(914,267)	33,680,146	-	(19,935)	69,510,240	3,837,114	73,347,354	
	-	-	-	-	4,737,406	-	-	-	-	4,737,406	583,294	5,320,700	
6(18)	-	-	-	-	153,145	169,421	(3,329,776)	-	-	(3,007,210)	(144,442)	(3,151,652)	
	-	-	-	-	4,890,551	169,421	(3,329,776)	-	-	1,730,196	438,852	2,169,048	
6(17)	-	-	427,987	-	(427,987)	-	-	-	-	-	-	-	
	-	-	-	-	(3,200,863)	-	-	-	(3,200,863)	-	-	(3,200,863)	
6(15)(16)	-	1,041	-	-	-	-	-	-	435	1,476	-	1,476	
6(16)(18)	-	5,264	-	-	1,562	-	(1,562)	-	-	5,264	-	5,264	
	-	-	-	-	4,347	-	(3,804)	-	-	543	(20,129)	(19,586)	
6(16)	-	982,053	-	-	-	-	(118,806)	-	-	863,247	(1,105)	862,142	
6(16)	-	4,357	-	-	-	-	-	-	-	4,357	-	4,357	
6(16)	-	1,822	-	-	-	-	-	-	-	1,822	-	1,822	
6(3)	-	-	-	-	(1,813,704)	-	1,810,626	-	-	(3,078)	3,114	36	
	-	-	-	-	-	-	-	-	-	-	(380,089)	(380,089)	
6(18)	-	-	-	-	-	-	-	-	-	-	2,177,729	2,177,729	
	\$ 16,846,646	\$ 1,268,860	\$ 7,567,594	\$ 2,214,578	\$ 9,743,048	(\$ 744,846)	\$ 32,036,824	\$ -	(\$ 19,500)	\$ 68,913,204	\$ 6,055,486	\$ 74,968,690	

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

FORMOSA TAFFETA CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

Notes	Share capital - common stock	Capital Surplus	Retained Earnings			Financial statements translation differences of foreign operations	Other Equity Interest		Treasury stocks	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets		
Year ended December 31, 2017										
	\$ 16,846,646	\$ 266,458	\$ 6,791,478	\$ 1,708,542	\$ 4,830,100	\$ 13,387	\$ -	\$ 36,313,040	(\$ 21,501)	\$ 66,748,150
	-	-	-	-	4,279,871	-	-	-	-	4,279,871
6(16)	-	-	-	-	(330,584)	(927,654)	-	2,127,178	-	868,940
	-	-	-	-	3,949,287	(927,654)	-	2,127,178	-	5,148,811
Appropriations of 2016 earnings:										
6(15)	-	-	348,129	-	(348,129)	-	-	-	-	-
	-	-	-	506,036	(506,036)	-	-	-	-	-
	-	-	-	-	(2,526,997)	-	-	-	-	(2,526,997)
6(13)	-	2,891	-	-	-	-	-	-	1,566	4,457
	-	33	-	-	-	-	-	-	-	33
	-	3,439	-	-	-	-	-	-	-	3,439
	-	1,502	-	-	-	-	-	-	-	1,502
	\$ 16,846,646	\$ 274,323	\$ 7,139,607	\$ 2,214,578	\$ 5,398,225	(\$ 914,267)	\$ -	\$ 38,440,218	(\$ 19,935)	\$ 69,379,395
Year ended December 31, 2018										
	\$ 16,846,646	\$ 274,323	\$ 7,139,607	\$ 2,214,578	\$ 5,398,225	(\$ 914,267)	\$ -	\$ 38,440,218	(\$ 19,935)	\$ 69,379,395
12(4)	-	-	-	-	4,890,917	-	33,680,146	(38,440,218)	-	130,845
	16,846,646	274,323	7,139,607	2,214,578	10,289,142	(914,267)	33,680,146	-	(19,935)	69,510,240
	-	-	-	-	4,737,406	-	-	-	-	4,737,406
6(16)	-	-	-	-	153,145	169,421	(3,329,776)	-	-	(3,007,210)
	-	-	-	-	4,890,551	169,421	(3,329,776)	-	-	1,730,196
Appropriations of 2017 earnings:										
	-	-	427,987	-	(427,987)	-	-	-	-	-
	-	-	-	-	(3,200,863)	-	-	-	-	(3,200,863)
6(13)	-	1,041	-	-	-	-	-	-	435	1,476
	-	5,264	-	-	1,562	-	(1,562)	-	-	5,264
	-	-	-	-	4,347	-	(3,804)	-	-	543
	-	982,053	-	-	-	-	(118,806)	-	-	863,247
	-	4,357	-	-	-	-	-	-	-	4,357
	-	1,822	-	-	-	-	-	-	-	1,822
6(3)	-	-	-	-	(1,813,704)	-	1,810,626	-	-	(3,078)
	\$ 16,846,646	\$ 1,268,860	\$ 7,567,594	\$ 2,214,578	\$ 9,743,048	(\$ 744,846)	\$ 32,036,824	\$ -	(\$ 19,500)	\$ 68,913,204

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

(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,	
		2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 6,280,361	\$ 5,276,484
Adjustments			
Adjustments to reconcile profit (loss)			
(Reversal of impairment) provision for bad debts expense		-	(2,223)
Reversal of expected credit loss		(5,090)	-
Depreciation	6(7)(22)	2,340,290	2,177,955
Interest expense	6(24)	211,415	185,189
Interest income	6(20)	(26,553)	(26,315)
Dividend income	6(20)	(2,677,904)	(2,411,958)
Gain on disposal of investments	6(21)	-	(275,611)
Gain on valuation of financial assets	6(2)(21)	(2,283)	(2,774)
Loss (gain) on valuation of financial liabilities	6(12)(21)	774	(1,381)
Share of profit of associates and joint ventures accounted for under equity method	6(6)	(238,313)	(193,934)
Cash dividends from investments accounted for under equity method		255,669	232,953
Gain on disposal and scrap of property, plant and equipment	6(21)	(903,034)	(38,696)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(297,011)	-
Notes receivable		47,800	26,783
Notes receivable - related parties		8,578	(1,364)
Accounts receivable, net		(537,456)	(1,118)
Accounts receivable - related parties		(60,113)	24,854
Other receivables		(36,846)	97,196
Inventory		(650,204)	(595,626)
Prepayments		62,503	329,103
Other current assets		(58,106)	(23,442)
Changes in operating liabilities			
Notes payable		52,058	2,648
Notes payable - related parties		96,277	109,847
Accounts payable		(133,469)	(315,440)
Accounts payable - related parties		(151,965)	20,210
Other payables		168,607	218,519
Other current liabilities		17,984	(6,045)
Other non-current liabilities		(151,084)	(335,181)
Cash inflow generated from operations		3,612,885	4,470,633
Interest received		25,972	24,509
Cash dividends received		2,672,387	2,411,958
Interest paid		(216,169)	(199,036)
Income tax paid		(527,736)	(372,240)
Net cash flows from operating activities		<u>5,567,339</u>	<u>6,335,824</u>

(Continued)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,	
		2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 766,058)	\$ -
Acquisition of available-for-sale financial assets		-	(934,669)
Proceeds from disposal of available-for-sale financial assets		-	524,055
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	769,609	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		5,780	-
Acquisition of financial assets carried at cost		-	(785,138)
Proceeds from capital reduction of financial assets carried at cost		-	23,549
Acquisition of property, plant and equipment	6(27)	(4,563,815)	(2,845,591)
Proceeds from disposal of property, plant and equipment		1,397,713	90,034
(Increase) decrease in other non-current assets		(48,202)	10,284
Proceeds from disposal of financial assets at fair value through profit or loss		153,189	-
Net cash flows used in investing activities		(3,051,784)	(3,917,476)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(28)	832,848	(183,693)
(Decrease) increase in short-term notes and bills payable	6(28)	(1,299,806)	299,979
Payment of long-term borrowings		(4,633,083)	(11,314,825)
Increase in long-term borrowings		1,600,000	10,942,085
Cash dividends paid- non-controlling interest		(380,089)	(311,242)
Cash dividends paid	6(17)	(3,200,863)	(2,526,997)
Change in share of consolidated subsidiaries		862,142	-
Change in non-controlling interest		2,177,729	-
Net cash flows used in financing activities		(4,041,122)	(3,094,693)
Effect of foreign exchange rate		(25,456)	(34,590)
Net decrease in cash and cash equivalents		(1,551,023)	(710,935)
Cash and cash equivalents at beginning of year	6(1)	4,942,919	5,653,854
Cash and cash equivalents at end of year	6(1)	\$ 3,391,896	\$ 4,942,919

FORMOSA TAFFETA CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,	
		2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 5,255,762	\$ 4,483,420
Adjustments			
Adjustments to reconcile profit (loss)			
Reversal of impairment of receivable		-	(1,995)
Reversal of expected credit loss		(5,386)	-
Depreciation (including depreciation on investment property)	6(7)(20) and 7	740,702	804,763
Interest expense	6(22)	103,358	117,088
Interest income	6(18)	(5,537)	(1,883)
Dividend income	6(18)	(2,531,826)	(2,310,238)
Loss (gain) on valuation of financial assets	6(2)(19)	398	(398)
Loss on valuation of financial liabilities	6(10)(19)	774	-
Receipt of cash dividends from investment accounted for under the equity method		893,308	898,499
Share of profit of subsidiaries and associates accounted for under the equity method	6(6)	(1,389,799)	(1,500,573)
Gain on disposal and scrap of property, plant and equipment	6(19) and 7	(870,873)	(46,693)
Unrealized (gain) loss on disposal and scrap of property, plant and equipment, net	6(19) and 7	(43,894)	1,078
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		4,846	(8,144)
Notes receivable - related parties		8,578	(1,364)
Accounts receivable, net		(174,418)	4,368
Accounts receivable - related parties		(25,994)	653
Other receivables		55,398	(67,673)
Inventories		69,833	(599,219)
Prepayments		57,258	318,583
Other current assets		(5,816)	(8,539)
Changes in operating liabilities			
Notes payable		(7,855)	(25,869)
Notes payable - related parties		92,275	109,847
Accounts payable		(199,304)	(180,892)
Accounts payable - related parties		(98,057)	(51,877)
Other payables		34,188	(31,210)
Other current liabilities		(5,303)	11,275
Other non-current assets		(147,909)	(347,246)
Cash inflow generated from operations		1,804,707	1,565,761
Interest received		5,537	1,883
Dividends received		2,526,309	2,310,238
Interest paid		(107,748)	(120,511)
Income tax paid		(230,114)	(179)
Net cash flows from operating activities		3,998,691	3,757,192

(Continued)

FORMOSA TAFFETA CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,	
		2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of available-for-sale financial assets		\$ -	(\$ 85,852)
Proceeds from disposal of financial assets at fair value through other comprehensive income		693,200	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		5,780	-
Acquisition of financial assets measured at cost		-	(\$ 198,066)
Proceeds from capital reduction of financial assets measured at cost		-	23,549
Acquisition of investments accounted for under the equity method		(\$ 566,417)	(\$ 585,073)
Proceeds from disposal of investments accounted for under the equity method		3,039,857	-
Acquisition of property, plant, and equipment	6(25)	(\$ 446,701)	(\$ 570,916)
Proceeds from disposal of property, plant and equipment		1,236,614	86,080
Decrease (increase) in other non-current assets		43,428	(\$ 59,498)
Net cash flows from (used in) investing activities		<u>4,005,761</u>	<u>(\$ 1,389,776)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		(\$ 7,386)	(\$ 12,776)
(Decrease) increase in short-term notes and bills payable		(\$ 1,299,806)	299,979
Increase in long-term borrowings		1,600,000	10,900,000
Payment of long-term borrowings		(\$ 4,500,000)	(\$ 11,200,000)
Cash dividends paid	6(15)	(\$ 3,200,863)	(\$ 2,526,997)
Net cash flows used in financing activities		<u>(\$ 7,408,055)</u>	<u>(\$ 2,539,794)</u>
Net increase (decrease) in cash and cash equivalents		596,397	(\$ 172,378)
Cash and cash equivalents at beginning of year	6(1)	<u>851,569</u>	<u>1,023,947</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,447,966</u>	<u>\$ 851,569</u>

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

FORMOSA TAFFETA CO., LTD
Earnings Distribution Proposal
For the year of 2018

Unit : NT\$

Items	Amount	Items	Amount	Explanation
Available for Distribution:		Distribution Items:		
(1) Unappropriated retained earnings of previous years	1,769,375,501	(1) Appropriation of legal reserve (10% of the after-tax profit)	473,740,589	<ol style="list-style-type: none"> 1. The Company's registered capital is \$16,846,646,370, and shares for distribution are 1,684,664,637. 2. The Company plans to distribute dividends of \$2.1 per share for the current year (among which, \$1.14 will be distributed as dividends and \$0.96 will be distributed as bonus); all of which are cash dividends. 3. All distributed dividends and bonus are from net profit after tax of 2018. 4. While the amount of distributed cash dividends to each individual shareholder is less than 1 dollar, it will be rounded to the nearest dollar. 5. Other comprehensive income reclassified to unappropriated retained earnings of current year, all of which are adjustment for actuarial pension valuation. 6. Adjustments for adjusting unappropriated retained earnings according to IAS include change of share under equity method, changes in equity interests in subsidiaries and the disposal of equity instruments at fair value through other comprehensive income.
Plus: First applicable to IFRS9 & IFRS15 of Unappropriated earnings adjustment at the beginning of current year	4,890,916,950	(2) Distribution of dividends and bonus in cash (\$2.1 per share)	3,537,795,738	
(2) Net profit after tax of current year	4,737,405,894	Unappropriated retained earnings carried forward to next year	5,731,512,292	
Plus: Other comprehensive income reclassified to unappropriated retained earnings of current year	153,145,068			
Minus: Other Adjustments	-1,807,794,794			
Total	9,743,048,619	Total	9,743,048,619	

Independent Auditor’s Report (Consolidated Financial Statements)

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, 2018 and 2017, 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 accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, 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 as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, 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 consolidated financial statements of the current period. 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 consolidated financial statements of the current period are stated as follows:

Valuation of allowance for uncollectible accounts

Description

Refer to Note 4(10) for accounting policy on impairment of financial assets, Note 5(3) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2018, the Group’s accounts receivable and allowance for uncollectible accounts amounted to NT\$4,110,277 thousand and NT\$71,033 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 consider 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 includes:

- 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 balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventory

Description

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5(4) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation loss. As of December 31, 2018, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$9,394,237 thousand and NT\$684,200 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 consider 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 includes:

- 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 other independent accountants

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including

investments accounted for using equity method) of NT\$11,856,625 thousand and NT\$10,614,122 thousand, constituting 13% and 11% of consolidated total assets as of December 31, 2018 and 2017, respectively, and operating income of NT\$6,050,124 thousand and NT\$5,125,079 thousand, constituting 14% and 13% of consolidated total operating income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the accounts included in the financial statements relative to these subsidiary and investees, is based solely on the audit reports of the other independent accountants.

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, 2018 and 2017.

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 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.

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

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

- 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 auditor's 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 auditor's 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 auditor's 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.

Wu, Han-Chi
For and on behalf of PricewaterhouseCoopers, Taiwan
March 15, 2019

Chou, Chien-Hung

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 Auditor’s Report (Parent Company Only Financial Statements)

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

Opinion

We have audited the accompanying balance sheets of Formosa Taffeta Co., Ltd. (the “Company”) as at December 31, 2018 and 2017, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, 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 generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group’s consolidated 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(2) 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, 2018, the Company’s accounts receivable amounted to NT\$2,128,150 thousand (excluding allowance for bad debts amounting to NT\$31,678 thousand), respectively.

The Company assesses the collectability 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 consider 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(3) 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, 2018, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$5,334,258 thousand and NT\$440,522 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 consider 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 accountants

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\$7,464,179 thousand and NT\$7,133,622, constituting 9% and 8% of total assets as of December 31, 2018 and 2017, respectively, and comprehensive income was NT\$382,256 thousand and NT\$412,764 thousand, constituting 22% and 8% of total comprehensive income for the years then ended, respectively. The financial statements of these investees were audited by other independent accountants 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 accountants.

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

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

- A. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 auditor’s 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 auditor’s 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 financial statements, including the disclosures, and whether the 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 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Wu, Han-Chi

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2019

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 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.

Articles of Incorporation of Formosa Taffeta Co., Ltd.

Amended by the Annual Shareholders' Meeting on June 24, 2016

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: 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 total number of shares held by the directors of the Company shall follow the rules promulgated by the competent authority for securities.

The Company shall have 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 two-thirds or more of all the directors. The directors shall elect among them three Managing Directors. The Managing Directors shall elect among them a Chairman and a Vice Chairman for the execution of all Company's businesses by

the way of the preceding election pursuant to laws, Articles of Incorporation, and resolutions of shareholders' meetings and of the board of directors.

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 and submit the same to the shareholders' meeting for resolution.

Preceding special earning reserves include:

1. The earning reserved recognized for special purpose
2. Investment income recognized under the equity method
3. The 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-lot and government bonds if the fund is more than the planned budget for employee welfare.
- Article 35: These Articles of Incorporation were adopted on March 16, 1973. The 1st Amendment was on April 7, 1973; 2nd Amendment on June 10, 1973; 3rd Amendment on March 11, 1974; 4th Amendment on Dec. 20, 1974; 5th Amendment on May 31, 1975; 6th Amendment on March 31, 1976; 7th Amendment on June 28, 1977; 8th Amendment on April 3, 1978; 9th Amendment on Dec. 14, 1978; 10th Amendment on March 20, 1979; 11th Amendment on Nov. 19, 1979; 12th Amendment on March 18, 1980; 13th Amendment on Feb. 28, 1981; 14th Amendment on Sep. 10, 1981; 15th Amendment on Feb. 26, 1982; 16th Amendment on Feb. 26, 1983; 17th Amendment on Feb. 14, 1984; 18th Amendment on March 15, 1985; 19th Amendment on April 30, 1986; 20th Amendment on April 28, 1987; 21st Amendment on May 3, 1988; 22nd Amendment on May 3, 1989; 23rd Amendment on May 4, 1990; 24th Amendment on May 2, 1991; 25th Amendment on May 4, 1992; 26th Amendment on May 7, 1993; 27th Amendment on April 28, 1994; 28th Amendment on May 10, 1995; 29th Amendment on May 13, 1996; 30th Amendment on May 13, 1997; 31st Amendment on May 15, 1998; 32nd Amendment on June 3 1999; 33rd Amendment on June 2,

2000; 34th Amendment on May 24, 2001; 35th Amendment on June 14, 2002; 36th Amendment on June 13, 2003; 37th Amendment on June 11, 2004; 38th Amendment on June 17, 2005; 39th Amendment on June 29, 2006; 40th Amendment on June 28, 2007; 41st Amendment on June 27, 2008; 42nd Amendment on June 26, 2009; 43rd Amendment on June 29, 2010; 44th Amendment on June 26, 2012; 45th Amendment on June 27, 2013; 46th 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.

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

Amended by the Annual Shareholders' Meeting on June 22, 2018

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, the dissolution, merger, or demerger of the corporation, or any matter under paragraph 1 of Article 185 of the Company Act or Articles 26-1 and 43-6 of the Securities and Exchange Act, Articles 56-1 and 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the causes to convene the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a written 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.

Prior to the book closure date before an annual shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, 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, 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. 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 Directors, the meeting agenda shall be set by the Board of Directors. 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 call 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 holds a shareholders' meeting, it may allow the shareholders to exercise voting rights in writing or by way of electronic transmission. 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.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the Chair, provided that all monitoring personnel shall be shareholders of the Company.

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 as directors and the numbers of votes with which they were 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 Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

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, 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.

Procedures for Acquisition or Disposal of Assets of Formosa Taffeta Co., Ltd.

Amended by the Annual Shareholders' Meeting on June 22, 2018

Chapter 1 General Provisions

Article 1: When acquiring or disposing of the following assets, Formosa Taffeta Co., Ltd. (hereinafter referred to as the "Company") and its subsidiaries shall follow the Procedures for Acquisition or Disposal of Assets (hereinafter referred to as the "Procedures"):

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, asset-backed securities, etc.
2. Real property (including land, houses and buildings, investment property, and land use rights) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

Article 2: The limit amount of investments for non-operating real property or securities (the original investment), by the Company and each subsidiary, shall not exceed 60% of the book value of total assets; for an individual securities investment, the limit amount shall not exceed 50% of the foresaid limit amount, i.e. 30% of the book value of total assets.

Article 3: Terms used in these Procedures are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and

compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, post-sale service contracts, long-term leasing contract, and long-term procurement (sales) agreements.

2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "acquisition of shares") under Article 156, paragraph 8 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the Mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations

Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 4: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions in relation to the assets acquired or disposed, shall not be a related party of any party to the transaction.

Article 5: The procedures for the assessment, determination of transaction terms and conditions, and price of acquiring or disposing of assets by the Company shall be in accordance with the following requirements:

1. Transactions relating to short-term securities investments and derivatives, which are mentioned in Article 1, should be assessed and executed by the financial department; long-term securities investment should be assessed by the Company's President Office ("President Office") and executed by the financial department after the approval; except for the foresaid assets, the other asset transactions should be assessed by the Company's President Office and executed by the related departments after the approval.
2. The price of transactions described in the preceding paragraph, except which are traded in the centralized securities exchange market or on over-the-counter markets, shall be determined via public bidding, price bidding, or price negotiation based on reference to the market conditions.

Article 6: Where an acquisition or disposition of assets of the Company shall be approved by the Board of Directors in accordance with the provisions of the Procedures or other relevant laws, the independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

A major asset transaction or a derivatives transaction shall be approved by more than half of all audit committee members

and submitted to the Board of Directors for a resolution. If approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Chapter 2 Acquisition or Disposal of Assets

Article 7: In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20

published by the Accounting Research and Development Foundation in Taiwan (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

- (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
- (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 8: The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authority for securities.

Article 8-1: In acquiring or disposing of membership cards or intangible assets where the transaction amount reaches 20 percent or

more of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government institution, shall engage a CPA to render an opinion on the reasonableness of the transaction price prior to the date of occurrence of the event. The CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 8-2: The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 26, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 9: Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 10: Where the Company acquires or disposes of assets shall be conducted by the Chairman delegated by the Board of Directors or in accordance with the authorization limits of the Company.

Chapter 3 Related Party Transactions

Article 11: When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of Chapter 2 and this Chapter, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Chapter 2.

The calculation of the transaction amount referred to in the

preceding paragraph shall be made in accordance with Article 8-1.

Article 12: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 13 through Article 15.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the fund utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the

preceding paragraph shall be made in accordance with Article 26, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Company's Board of Directors may pursuant to Article 10 delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.

When a matter is submitted for discussion by the Board of Directors pursuant to paragraph 1 of this Article, the independent Directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

The matters which paragraph 1 requires submitting to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Article 13: The Company shall evaluate the reasonableness of the transaction costs by the following means if it intends to acquire real property from a related party:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending

rate announced by the Ministry of Finance.

2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

When acquiring real property from a related party, the Company shall evaluate and appraise the cost of the real property in accordance with paragraph 1 and paragraph 2 and shall also engage a CPA to review the appraisal and render a specific opinion.

Article 14: Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 12, and Article 13 does not apply:

1. The related party acquired the real property through inheritance or as a gift.
2. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.

Article 15: When the results of the Company's appraisal conducted in accordance with Article 13, paragraph 1 and paragraph 2

herein are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 16. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

(1) Where undeveloped land is appraised in accordance with the means in the preceding two Articles, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.

(3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are

similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

Article 16: Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 13 through Article 15 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and such difference may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. Audit Committee shall supervise the Company's execution of the aforesaid matter.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Where the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent authority for securities has given its consent.

When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

Chapter 4 Engaging in Derivatives Trading

Article 17: Any derivatives trading of the Company shall be conducted in accordance with the "Procedures for Engaging in Derivatives Transactions" of the Company, moreover, the Company shall pay strict attention to control the risk management and to audit the Internal Control System of the Company.

Chapter 5 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

Article 18: Where the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit the opinion to the Board of Directors for deliberation and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries'

issued shares or authorized capital.

Article 19: Where the Company participates in a merger, demerger, or acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting, together with the expert opinion referred to in Article 18 when sending notification of the shareholders meeting, for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 20: Where the Company participates in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the date which the other companies participating in the merger, demerger, or acquisition convene their Board of Directors and shareholders meeting to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent authority for securities is notified in advance of extraordinary circumstances and grants consent. Where the Company and the other companies participating in a transfer of shares shall call their respective Board of Directors meeting on the same day, unless another act provides otherwise or the competent authority for securities is notified in advance of extraordinary circumstances and grants consent.

Where the Company participates in a merger, demerger,

acquisition, or transfer of shares shall prepare a full written record of the following information and retain the record for 5 years for reference. In addition, the information set out in the subparagraphs 1 and 2 of the following paragraph shall be reported in the prescribed format and via the Internet-based information system to the competent authority for securities for recordation within two days commencing immediately from the date of passage of a resolution by the Board of Directors.

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the engagement of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

Where any of the companies participates in a merger, demerger, acquisition, or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall enter into an agreement with such party and shall comply with the preceding paragraph of this Article.

Article 21: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger,

acquisition, or transfer of shares.

Article 22: Where the Company participates in a merger, demerger, acquisition, or transfer of shares, the Company shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
2. An action, such as a disposal of major assets that affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 23: The contract for participation by the Company in a merger, demerger, acquisition, or transfer of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are

permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 24: After public disclosure of the information, if the Company participates in the merger, demerger, acquisition, or transfer of shares and intends further to carry out a merger, demerger, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or transfer of share ; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

Article 25: Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company in accordance with the provisions of Article 20, Article 21, and Article 24.

Chapter 6 Public Disclosure of Information

Article 26: Under any of the following circumstances, where the Company acquires or disposes of assets shall publicly announce and report the relevant information on the website designated by the competent authority for securities in the appropriate format as prescribed by regulations within 2 days

commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
4. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is more than NT\$1 billion.
5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is more than NT\$500 million.
6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area where the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, provided this shall not apply to the following circumstances:
 - (1) Trading of government bonds.

- (2) Trading of bonds under repurchase/resale agreements or the subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the paragraph 2 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

Article 27: When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date when the Company becomes aware of the error or omission.

Article 28: Where the Company acquires or disposes of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

Article 29: Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly

announced and reported in accordance with the Article 26 through 28, a public report of relevant information shall be made on the information reporting website designated by the competent authority for securities within 2 days commencing immediately from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

Chapter 7 Additional Provisions

Article 30: Information required to be publicly announced and reported in accordance with the provisions of Chapter 6 on acquisitions and disposals of assets by a subsidiary of the Company that is not a public company in Taiwan shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 26, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

Article 31: The Company's controlling and monitoring procedures towards the acquisition or disposal of assets by its subsidiaries are as follows:

1. The Company shall urge its subsidiaries to establish and execute their own "Procedures for Acquisition of Disposal of Assets" in accordance with this Procedures.
2. Where any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall promptly notify the Company in writing of any material violation found. The Company shall know how the subsidiaries deals

with the violations, admonish the subsidiary to improve and keep itself informed of the improvement process.

Article 32: Should there be any violation of the procedures when the persons-in-charge of the Company deal with acquisition or disposal of assets, subsequent penalization is subject to the relevant HR policies of the Company.

Article 33: (Deleted)

Article 34: For the calculation of 10 percent of total assets under this Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 35: After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to the Shareholders Meeting for approval before implementation. Any amendment is subject to the same procedure. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

The matters which paragraph 1 requires submitting to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Procedures for Engaging in Derivatives Trading of Formosa Taffeta Co., Ltd.

Amended by the Annual Shareholders' Meeting on June 22, 2018

Chapter 1 General Provision

- Article 1: The “Procedures for Engaging in Derivatives Transactions” (hereinafter referred to as the “Procedures”) of Formosa Taffeta Co., Ltd. (hereinafter referred to as the “Company”) was established in accordance with Article 17 of the “Procedures for Acquisition or Disposal of Assets” of the Company.
- Article 2: Derivatives referred to herein are defined as forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests.
- Article 3: Forward contracts referred to herein do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sales) contracts.
- Article 4: The principle of the Company’s derivatives transactions is to hedge against the fluctuation of foreign exchange rates, interest rates, asset price, etc.

Chapter 2 Operation Procedures

- Article 5: The total contract amount of derivatives transactions of the Company shall not exceed 50% of the Company’s net worth, and the maximum loss limit is 10% of the contract amount for all contracts in aggregate or for any individual contract. The content of individual derivatives contract shall be approved by high-level manager(s) authorized by the Board of Directors based on the level of the authorization of the Company. Major derivatives transactions of the Company shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution. If the

approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting

Article 6: The transaction personnel of the Department, which is in charge of derivatives trading, shall follow the trading strategy in accordance with the approved deal terms and conditions of derivatives transactions. Also, the transaction personnel shall execute trades directly with counterparties. After the foresaid trades are done, the transaction personnel shall deliver the relevant transaction receipts to the settlement personnel to conduct the settlement procedures. The settlement personnel shall proceed contracts signing, bank accounts opening, settlement, accounts closing, etc. with counterparties in accordance with the trading conditions. The authorized quota is US\$1 million per transaction, with the excess amount needing presentation of analysis for approval before trading.

Article 7: For the derivatives transactions of the Company, the Company shall establish a comprehensive management information system towards the balance position of the transactions, profit/loss analysis, etc. to control risk properly and to respond to abnormal situations immediately.

Chapter 3 Announcement and Reporting Procedures

Article 8: The Company shall compile monthly report on the status of derivatives transactions engaged in up to the end of the previous month by itself and fill out the information in the regulated form on the information reporting website designated by the competent authority for securities before the tenth day of each month. If derivatives transactions of which maximum loss 10% of contract amount, or any amendment, termination or cancellation of the original contract occurs, the Company shall report and make public announcements accordingly on the information reporting website designated

by the competent authority for securities within two days from the date of occurrence of the event.

Article 9: When the Company's subsidiaries are not public companies of the Republic of China and are participating in derivatives transactions, the Company shall follow the requirements of Article 8 hereof to report and make public announcements on behalf of its subsidiaries.

Article 10: The Company shall report its public announcement on all items if there is any error or omission in the Company's required public announcement.

Article 11: The Company shall upload the audit report regarding the derivatives transactions and the implementation status of annual audit plans of internal audits in the regulated form to the information reporting website designated by the competent authority for securities before the end of February every year.

Article 12: The Company shall upload the improvement situation for any abnormal affairs regarding the Procedures to the information reporting website designated by the competent authority for securities before the end of May every year.

Chapter 4 Internal Control and Internal Audit

Article 13: The Company engaging in derivatives transactions shall adopt appropriate risk management practices with regards to credit risk, market price risk, liquidity risk, cash flow risk, operation risk and legal risk. The confirmation personnel and settlement personnel shall not serve concurrently to one another. Regarding the appropriateness assessment towards the risk measurement, supervision and control, and risk management procedures, the President Office of the Company should periodically report to the high-level manager(s) authorized by the Board of Directors.

Article 14: The derivatives trading positions of the Company shall be evaluated at least once a week by the in-charge department, and the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-

charge department shall pay attention to the risk control and supervision of derivatives transactions from time to time, and periodically supervise and evaluate the performance of derivatives transactions to check whether they are conducted in accordance with the related procedures formulated by the Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be submitted to a high-level manager(s) authorized by the Board of Directors for review. If there is any abnormal situation highlighted in the market evaluation reports (e.g. the holding position has reached the maximum loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors. There shall be independent directors attending the Board of Directors meeting and expressing their opinions.

Article 15: The Company shall establish a log book to record all its derivatives transaction information, including types, amounts and relevant information of derivatives transactions, and matters require evaluating cautiously in accordance with Article 14 hereof. The Company's internal audit personnel shall access the appropriateness of the internal control regarding the derivatives transactions periodically, shall conduct monthly audit to evaluate whether the trading department conform to the Procedures, and shall prepare the monthly audit report accordingly. If any material violation is discovered, the Audit Committee shall be notified in writing and the Company should, depending on the status of such material violation, penalize the relevant personnel in accordance with the Human Resources Management Policies of the Company.

Article 16: The Company's control and supervision procedures towards the derivatives transactions by the Company's subsidiaries are as follows:

1. If the Company's subsidiaries intend to conduct derivatives

transactions, the Company shall ensure that its subsidiaries establish their own “Procedures for Engaging in Derivatives Transactions”.

2. The Company’s subsidiaries shall submit the reference content of the derivatives transactions of the previous month to the Company for review by the fifth date every month.
3. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall submit a written notice to the Company of such violations. The Company shall closely monitor the violations and the resulting improvements.

Chapter 5 Additional Provision

Article 17: After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedure.

The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

The matters which paragraph 1 require submitting to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Procedures for Loaning Funds to Other Parties of Formosa Taffeta Co., Ltd.

Amended by the Annual Shareholders' Meeting on June 22, 2018

- Article 1: Formosa Taffeta Co., Ltd. (hereinafter referred to as the “Company”) shall comply with the “Procedures for Loaning Funds to other Parties” (hereinafter referred to as the “Procedures”) when making loans to others.
- Article 2: The borrower to which the Company may loan funds shall be limited to where an inter-company or inter-firm business transaction calls for a loan arrangement; or where an inter-company or inter-firm has no business transaction but has a short-term necessary financing facility.
- Article 3: When making loans to the Company/firm having business relationship with the Company, the Company shall comply with Article 4, subparagraph 2 hereof. As to loaning funds to a company/firm, which has no business relationship with the Company, for short term financing needs, the borrower shall be:
1. Affiliates of the Company which a short-term financing facility is necessary to meet their business needs.
 2. Companies/firms other than affiliates of the Company which need short term financing for materials purchase, working capital, or general business needs.
- Article 4: Limitation on the aggregate amount of loans and the maximum amount to a single borrower:
1. The aggregate amount of loans to all borrowers shall not exceed 50% of the net worth of the Company. Moreover, the aggregate amount of loans to companies/firms which do not have business relationship with the Company but are in need of short-term financing shall not exceed 40% of the Company's net worth.
 2. The aggregate amount of loans to each company/firm, which has a business relationship with the Company, shall not exceed the total transaction amount between the two

parties. The foresaid “total transaction amount” shall be the total purchasing or selling amount over the latest year, whichever is higher and shall not exceed 25% of the Company’s net worth.

3. The aggregate amount of loans to each company/ firm in need of short-term financing, which is an affiliate of the Company, shall not exceed 25% of the Company’s net worth; as to the other borrowers, the aggregate amount of loans to each of them shall not exceed 20% of the Company’s net worth.

4. Whenever making advances in accordance with Article 7 hereof, the authorized maximum limit of loans to one borrower shall not exceed 10% of the Company’s net worth.

Article 5: Before the Company makes loans to a funds borrower, the Company shall do an investigation and assessment of the following aspects: the purposes of the borrowing, the terms of the security for the borrowing, and the impact on the Company’s business operations, financial conditions and shareholders’ equity. The limit or maximum amount of lending, tenor and interest calculation terms shall be determined based on these findings, and then submitted to the Board of Directors for approval.

The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

When the Company making major loans to others, it requires approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Article 6: The tenor of the loan shall not be longer than one year in the case the borrower does not have business relationship with the

Company but has a short-term necessary financing facility. The interest rates of the loans shall not be lower than the then current lowest lending interest rates announced by the general financial institutions.

Article 7: Loans of funds between the Company and its parent company or subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to Article 5, and the Chairman may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

Article 8: A loan to the borrower may be extended for a certain period, provided the extension of the loan has been approved by the Board of Directors. The total duration of the loan after the above-mentioned extension shall meet the requirement of Article 6. If the extension of the loan is not approved by the Board of Directors, the borrower shall repay the principal and the accrued interests in full on the due date. If the borrower fails to perform, the Company shall claim the overdue amount via legal proceedings.

Article 9: The Company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated.

Article 10: The Company's internal auditors shall audit the Procedures for Lending Funds to other Parties and the implementation thereof no less frequently than quarterly and prepare written records accordingly. During the auditing, the internal auditor shall immediately correct violation(s) upon finding any violation. If any material violation is found, in addition to notifying the Audit Committee promptly in writing, the personnel who violate the Procedures shall be penalized in accordance with

the related rules of the Company.

Article 11: If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee for its approval and then to the Board of Directors for a resolution, and shall complete the rectification according to the timeframe set out in the plan.

Article 12: Procedures for controlling and managing loans of funds to others by subsidiaries of the Company are as follows:

1. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Procedures for Loaning Funds to other Parties in compliance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, and it shall comply with the Procedures when loaning funds.
2. The subsidiaries shall compile and submit the schedule, including the details and status of fund-lending as of the end of the previous month to the Company for review by the fifth day of the current month.
3. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall promptly notify the Company in writing of any material violation found. The Company shall know how the subsidiary deals with the violation(s), admonish the subsidiary to improve and keep itself informed of the improvement process.

Article 13: The Company shall announce and report the related information of fund-lending to others in compliance with the following requirements:

1. The Company shall enter the previous month's loan balances of itself and its subsidiaries to the information reporting website designated by the competent authority for securities by the 10th day of each month.

2. The Company whose loans of funds reach one of the following levels shall announce and report such event on the information reporting website designated by the competent authority for securities within two days commencing immediately from the date of occurrence:
 - (1) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (2) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
 - (3) The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.
3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraphs of the preceding paragraph. The percentage of the aggregate balance of loans to others over net worth of the above-mentioned subsidiary shall be calculated as the subsidiary's balance of loans to others to the Company's net worth.
4. The Company shall evaluate the status of its fund-lending and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

Article 14: After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to the Shareholders' Meeting for approval before its implementation. Any amendment is subject to the same procedures. The

independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Procedures for Providing Endorsements and Guarantees to Other Parties of Formosa Taffeta Co., Ltd.

Amended by the Annual Shareholders' Meeting on June 22, 2018

Chapter 1 General Provision

Article 1: Formosa Taffeta Co., Ltd. (hereinafter referred to as the "Company") shall comply with the "Procedures for Providing Endorsements and Guarantees to other Parties" (hereinafter referred to as the "Procedures") when making endorsements or guarantees for others.

Article 2: The term "endorsements/guarantees" as used in the Procedures refers to the following:

1. Financing endorsements/guarantees, including:

(1) Bill discount financing.

(2) Endorsement or guarantee made to meet the financing needs of another company, including any creation of a pledge or mortgage on the Company's chattel or real property as security for the loans of another company.

(3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.

2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.

3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

Article 3: The Company may make endorsements/guarantees for the following companies :

1. A company with which it does business.

2. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.

3. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.

4. Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
5. Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages. Capital contribution referred to in the paragraph shall mean capital contribution directly by the Company, or through a subsidiary in which the Company holds 100% of the voting shares.

Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Chapter 2 Formulation of Operation Procedures

Article 4: The ceiling on the total outstanding amount of making endorsements or guarantees of the Company or the Company and its subsidiaries:

1. The aggregate amount of making endorsements or guarantees shall not exceed 1.3 times of the net value of the Company.
2. For any one endorsee or guarantee, the amount shall not exceed 50% of the aggregate amount above.
3. The total outstanding amount of endorsement to each of the companies, which has a business relationship with the Company, shall not exceed the total transaction amount between the two parties. The foresaid “total transaction amount” shall be the total purchasing or selling amount or contract price, whichever is highest, provided that the highest

amount shall in no event exceed the amount set forth in the preceding item.

Where the Company needs to exceed the limits set out in the Procedures to satisfy its business needs, it shall obtain approval from the Board of Directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement or guarantee. It shall also amend the Procedures accordingly and submit the same to the Shareholders Meeting for ratification. If the shareholders meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.

Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Procedures, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee and to the Board of Directors for a resolution, and shall complete the rectification according to the timeframe set out in the plan.

Article 5: Any endorsement/guarantee provided by the Company shall be approved in advance by the Board of Directors, provided that the Board of Directors can authorize the chairman to approve, in advance, any endorsement or guarantee within a certain amount without the approval of the Board of Directors. After that, the chairman needs to submit the results for ratification by the Board of Directors.

The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

Major endorsement/guarantee provided by the Company requires approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all

Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Before making any endorsement/guarantee pursuant to Article 3, paragraph 2, a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's Board of Directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, one hundred percent (100%) of their total outstanding shares with voting rights.

Article 6: Before providing endorsement/guarantee to a company, the in-charge department of the Company shall conduct the assessment on the necessity, reasonableness, risk, the financial condition of the Company and the impact on the Company's shareholders' rights and interests of providing endorsement/guarantee to that company, and the assessment shall be placed on record. If it is deemed necessary, the Company shall require collateral for the endorsement/guarantee from the endorsed/guaranteed company. The assessment report of providing the endorsement/guarantee to that company, containing the counterparty, kind of endorsement/guarantee, reasons for providing endorsement/guarantee and amount, shall be submitted to the Chairman of the Company for approval. Each month, the finance department shall key in data of each new endorsement/guarantee or the cancellation of each endorsement/guarantee into the ERP system for controlling and shall print out the detailed list hereof in lieu of the memorandum book.

Any endorsement/guarantee provided by the Company to one of the Company's subsidiaries with a net worth of less than 50% of the subsidiary's paid-in capital shall be reviewed by the in-charge department of the Company on a quarterly basis.

Article 7: The Company shall use the corporate chop registered with the

Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the Board of Directors, and the change of a designated person is subject to the same procedures. The designated person may use the chop to seal or issue negotiable instruments only when the same is in line with the operational procedure prescribed by the Company. When making a guarantee for a foreign company, the Company shall have the Guarantee Agreement signed by the chairman or president authorized by the Board of Directors.

Article 8: The Company's internal auditors shall audit the execution of the endorsement/guarantee operation thereof no less frequently than quarterly and prepare written records accordingly. The internal auditor, during the auditing, shall immediately correct violation(s) upon finding of any violation. If any material violation is found, in addition to notifying the Audit Committee promptly in writing, the personnel who violate the Procedures shall be penalized in accordance with the Human Resources Policies of the Company.

Article 9: The procedures regarding the Company's control of providing endorsement/guarantee to other companies by the subsidiaries of the Company are as follows.

1. When the subsidiaries intend to provide endorsements/guarantees to other companies, the Company shall require its subsidiaries to establish relevant procedures for providing endorsement/guarantee to other companies in accordance with the requirements of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and to comply with such procedures.
2. The subsidiaries shall compile and submit the schedule which includes the details of endorsement/guarantee made in the previous month to the Company for review by the fifth day of each month.
3. If any material violation is found by the internal auditors of the subsidiaries, the internal auditors shall deliver a written

notice to the Company of this kind of violation. The Company shall know how the subsidiary deals with the violations(s), admonish the subsidiary to improve and keep itself informed of the improvement results.

Chapter 3 Announcement and Reporting

Article 10: The Company shall enter the previous month's balance of endorsements/guarantees of itself and its subsidiaries to the information reporting website designated by the competent authority for securities by the 10th day of each month.

Article 11: In addition to announcing and reporting the monthly balance of endorsements/guarantees in compliance with Article 10, in the event that the amount of the Company's endorsements/guarantees reaches one of the following levels, the Company shall announce and report such event on the information reporting website designated by the competent authority for securities within two days commencing immediately from the date of occurrence:

1. The aggregate amount of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
2. The amount of endorsements/guarantees by the Company and its subsidiaries for any single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
3. The amount of endorsements/guarantees by the Company and its subsidiaries for any single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees, long-term investment, and loans to that enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more,

and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

Article 12: The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to Article 11. The percentage of the balance of endorsements/guarantees over the net worth of the subsidiary under the preceding paragraph shall be calculated by the ratio of the subsidiary's balance of endorsements/guarantees to the Company's net worth.

Article 13: The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide its certified public accountants with relevant information for implementation of necessary auditing procedures to issue proper audit reports.

Chapter 4 Additional Provisions

Article 14: After the Procedures are approved by the Board of Directors, the same shall be submitted for approval by the shareholders meeting before its implementation. Any amendment is subject to the same procedures. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Formosa Taffeta Co., Ltd.
Current Shareholdings of Directors

Title	Name	Shareholding (share)
Chairman	Formosa Chemicals & Fibre Corporation Representative: Wong, Wen-Yuan	630,022,431
Vice Chairman	Kai-Fu Co., Ltd. Representative: Hsie, Shih-Ming	113,000
Managing Director (Independent Director)	Cheng, Yu	0
Independent Director	Wang, Kung	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: Huang, Dong-Terng	630,022,431
Director	Formosa Chemicals & Fibre Corporation Representative: Lee, Ming-Chang	630,022,431
Director	Formosa Chemicals & Fibre Corporation Representative: Tsai, Tien-Shuan	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

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 22, 2019, 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\$ 10,543,152
Employees' stock compensation	NT\$ 0
Directors' cash compensation	NT\$ 5,271,576
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 2019 Annual Shareholders' Meeting:

Not applicable since the Company does not propose the stock dividend distribution to the 2019 Annual Shareholders' Meeting and is not required to prepare its financial forecast information.