FORMOSA TAFFETA CO., LTD.

2018 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 22, 2018

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2018 ANNUAL SHAREHOLDERS' MEETING PROCEDURE

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FORMOSA TAFFETA CO., LTD.
2018 ANNUAL SHAREHOLDERS' MEETING AGENDA

Time: 10:00 a.m., Friday, June 22nd, 2018
Venue: 317, Shiliou Rd., Touliou 640, Yunlin County, Taiwan

I. Report Items

1. The business of 2017
2. Audit Committee's review report
3. 2017 employees' profit sharing bonus and directors' compensation
4. Revision of the Codes of Ethical Conduct for Directors and Managerial Officers

II. Ratification Items

1. 2017 business report and financial statements
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III. Discussion Items

1. To revise the Rules of Procedure for Shareholders' Meeting
2. To revise the Procedures for Acquisition and Disposal of Assets
3. To revise the Handling Procedures to Engage in Derivatives Trading
4. To revise the Procedures for Loaning Funds to other Parties
5. To revise the Procedures for Providing Endorsements and Guarantees to other Parties

Report Items

1. The business of 2017, referred to the Business Report (on page 4 of this Handbook.)
2. The Audit Committee’s review report of the 2017 Business Report, Financial Statements and proposal for the distribution of earnings, referred to the Audit Committee’s Review Report (on page 11 of this Handbook.)
3. 2017 employees’ profit sharing bonus and directors’ compensation
   The pre-tax profit prior to deducting employees’ profit sharing bonus and directors’ compensation is NT$4,496,911,301, with no accumulated loss. 0.2% of that profit, NT$ 8,993,823 is appropriated as employees’ profit sharing bonus and another 0.1%, NT$ 4,496,911, as directors’ compensation in accordance with Article 30 of Articles of Incorporation. The total amount of the employees’ profit sharing bonus and directors’ compensation is NT$ 13,490,734, all of which are to be distributed in cash.
4. Revision of the Codes of Ethical Conduct for Directors and Managerial Officers
   To comply with the regulations of the competent authority in charge of securities affairs, the Company has established an Audit Committee in lieu of Supervisors. The Board of Directors approved the amendment to partial articles of the Company’s “Codes of Ethical Conduct for Directors and Managerial Officers” on June 23, 2017. The amended articles can be referred to page 12 through page 14 of the Handbook.

Formosa Taffeta Company Limited
2017 Annual Business Report

1.2017 Business Performance

The Company's consolidated revenue increased by 2.1% (US$28.7 million from US$1,335.1 million of 2016) to US$1,363.8 million in 2017; consolidated pre-tax profit rose by 17.9% (US$26.9 million from US$149.9 million of 2016) to US$176.8 million.

2.2017 Business Status

The business of 2017 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 downstream customers because of their acute competition while growth of the power of private consumption remained lower than expectation.

After inventory adjustment during chilly winter in late 2017, sportswear, fashion wear, and functional apparel branded customers in Europe and the U.S. are expected to resume a new round of procurement in 2018. Given expected upturn in consumption in North America thanks to the effect of the "America first" policy of "Trump economics" stimulating growth and strengthening greenback, it is of high opportunity for the Company to achieve the 2018 business target.

3.2017 Business Plan and Outlook

Business plans and outlooks for the seven major products in 2018 are as follows:

(1) Filament woven and dyed fabrics:

With gradual upturn of global economy in 2017 stimulating apparel consumption and driving down inventories at terminal markets, momentum for procurement was resumed from the second quarter. In view of rising online sales, branded venders will integrate physical and virtual channels, stepping up cooperation with e-commerce operators, which may bring more orders placed by the branded customers in 2018. End markets for the Company's filament woven fabrics consist of four major items: outdoor-performance clothes, sportswear, casual clothes, and umbrellas. With cross-field development of fashion wear and sportswear having become a current among international brands, the Company will raise the proportion of high niche and environment-friendly products, such as lightweight micro-diner textiles, spandex, environment-friendly materials, breathable waterproof laminated/coated textiles, etc., with differentiated features and tap the business of emerging potential branded customers by meeting their custom needs. Meanwhile, the Company will continue bettering its processes, eliminating failure cost, conserving energy, and introducing standard operating procedure (SOP), so as to enhance production management and quality control and further boost product competiveness.

In marketing filament woven textiles, the R&D unit will team up with marketing team in planning and designing latest fabric portfolio to make the Company in the driving seat of fashion products. In management, to take advantage of local supply and regional preferential tariffs, the Company integrates respective advantages of its five plants in Taiwan, China, and Vietnam in determining the adjustment of product mix and increases sales volume of compound functional spandex and moisture-permeable waterproof fabric so as to augment synergy.

In 2018, growth of global textile consumption is expected to be higher than that of 2017, boosting orders from branded customers. In addition, the Company will endeavor seeking new customers, intensifying strategic partnership with various branded ones, and expanding alliance with their designated apparel suppliers, and thereby growth of sales in 2018 is about to get better.

(2) Tyre cord fabric:

Operation scale of the Taiwanese plant has shrunk in recent years on loss of some orders for cord fabric with common specifications or transfer of production to the Vietnamese plants, due to a number of adverse factors, including higher tariffs, capacity expansion by peers, price competition, and overcapacity in Asia. Output of the Vietnamese plants focuses on bulk coarse diner textiles, mainly for shipment to Vietnamese domestic market, ASEAN (Association of Southeast Asian Nations), Korea, and China. Moreover, sales in Indian market have declined because of decreased demand for bias-ply truck and bus tires as a result of sales of China-made budget whole-steel-tread ones and doubled tariff to 20% for Taiwanese imported merchandises since Oct. 2017.

In 2018, thanks to completion of second-phase capacity reaching 12,000 tons a year, the Vietnamese plants will be able to pluralize and flexibly adjust its product mix because of expanded economic scale; thereby boosting its product competitiveness and accepting orders of budget products that are unfavorable to the competitiveness of the Taiwanese Plant. The Taiwanese Plant will have to step up effort soliciting business from the world's top 30 branded tire plants, strengthen its product mix, and raise the proportion of that mix of sales of differentiated products. Profits in 2018 are expected to be higher than that in 2017.

(3) Gas stations:

As of the end of 2017, Formosa Petroleum Station (FPS) had had 105 gas stations, making it the fifth largest gas-station brand in Taiwan. With international oil prices remaining stable, thanks to output reduction agreement among oil-producing countries, revenue grew in 2017. FPS has been able to maintain steady profits in recent years thanks to overall examinations on business performance, the station location and the lease term of respective station for years and the policy of removing inferior stations. With such mechanism, what FPS has to intensify is flexible control of the oil-tank storage level for fluctuation in global prices in recent three years. The number of gas stations with self-service filling has been increased to 91 and will gradually go up as long as benefits of expansion can be justified. Moreover, FPS has been working on gaining new contract customers, whose bills are settled once a month, such as enterprises and operators of agricultural machines and engineering machines, among others. To meet customers' plural needs, it also engages in car washing service via patented car-washing machines and sells leisure and daily-life products, auto accessories, and other auto goods through B2C channels. Furthermore, it has been continuously pushing personnel training for SOP, 5S, and TPM to strengthen quality services and standardized management, on top of tapping the markets of electronic products, auto-security inspection, and products for auto detailing and maintenance. In 2018, the volume of oil filling is expected to score slight growth and revenue will fluctuate according to the international oil prices, but such fluctuation is expected to be not too choppy.

(4) Cotton yarn:

In 2017, impact of the dumping of imported yarn with regular specifications on its channels in turn caused peers’ price competition at channels of functional yarn, whereas performance of branded channels can be well maintained, for instance, sales of thermal clothing at 7-11 convenience stores and sales of bamboo charcoal fiber, organic natural cotton fiber, silver fiver and PET bottle recycle fiber at branded and other channels.

In 2018, sales of cotton yarn are expected to score small-scale growth, thanks in part to the addition of new products, such as new (functional) staple, sb-free polyester staple, and second-generation silver fiber, the installation of new equipment for production of slub yarn and core yarn, and sales of custom-made products for branded customers.

(5) Special textiles:

In 2017, sales of DuPont’s flame retardant fabric on an OEM basis declined due to price competition. With DuPont’s high tenacity fabric, a tender for bullet-proof helmets in Indonesia is ongoing. Tank crew suits and anti-stab/slash vests are sold respectively to the domestic market and China. Through cooperation of DuPont, flame retardant fabric is sold to the international firefighter suits market, and the domestic markets for suits of servicemen, policemen, firefighters; repair/maintenance workers of Taiwan Power Company are further tapped; extended applications include flame retardant Camouflage print tank crew suits with 100% DuPont flame retardant fabric, anti-arc suits hazard risk category level 4 (HRC4), and low-end firefighter suits. For anti-static fabric, it is variously applied to car painting coveralls, food industry coveralls, nurse uniforms, and dyeable antistatic carbon fiber.

Sales of special textiles will grow further in 2018, with the ongoing development of new materials, such as flame retardant blending NIR camouflage printing 、PTFE lamination、stretch.

(6) Carbon-fiber composite material:

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 board, mainly for supply to domestic bicycle part manufacturers, sports goods manufacturers, construction reinforcement industry, and 3C manufacturers.

In 2018, the Company will step up effort attending open biddings to supply reinforcement materials to public engineering projects and seeking orders for reinforced materials from Formosa Plastics Group for chemical tank reinforcement orders; use one-way carbon-fiber fabric to develop high impact resistance prepreg; tap high value-added bike market and push end markets of high temperature (250℃) and low temperature prepreg; extend multi-layer carbon-fiber fabric business to markets of yachts, vessels, and wind-power blades; develop end markets of robotic-arm and auto-accessories with spread tow fabric; develop the footwear-materials market for carbon-fiber boards and application of thermosetting /thermoplastic carbon-fiber boards in 3Cs. Sales for 2018 are expected to grow.

(7) Plastic bags:

Sales of plastic bags declined in 2017, due to strike of employees of Chile customs and tariff hike of Bolivia, but orders from original customers have gradually expanded in 2018.

In line with restriction the use of plastic bags of governments of many worldwide nations, biodegradable plastic bags and functional plastic films are planned to be developed to tap substitution markets. In 2018, profits are expected to increase phenomenally.

4.Conclusion

In 2018, the general business environment is more difficult and challenging, due to weak U.S. dollar, price hike of raw materials and pays, oil-price hike, and price competition among peers. The Company will push various improvement programs, invest in new capacities and technologies, and flexibly adjust division of labor, including global marketing and specialization of production, among the five plants in Taiwan, China and Vietnam, focusing especially on elimination of failure cost, doing things right at the first time, and quest for high added value of products, consistency of standards, brand sophistication, and creation and expansion of synergy. In the year, the Company will attain performance target overcoming various challenges, attain mutual benefits and prosperity with supply-chain partners, and achieve the dual goals of sustainable customer relationship and fulfillment of social responsibility, thereby realizing the vision of continuous growth of investment returns for shareholders.

Chairman: Wen-Yuan Wong

President: Ming-Chang Lee

In-charge Accountant: Hung-Ning Cheng

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

The Company's 2017 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.

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

Yu Cheng

March 16, 2018

Formosa Taffeta Co., Ltd.
Code of Ethical Conduct for Directors and Managers

Amended by Board of Directors on June 23, 2017

Chapter 1 General Principles

Article 1: The Code of Ethical Conduct (the "Code") of Formosa Taffeta Co., Ltd. (the "Company") is established to stipulate rules for Directors and managers (including President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Chief Financial Officer, Chief Accounting Officer, and other persons authorized to manage affairs and sign documents on behalf of the Company) to abide by in terms of ethical conduct when engaging in business activities within the scope of their authority, to prevent unethical conduct or any conduct that may damage the interest of the Company and its shareholders.

Chapter 2 Content of the Code

Article 2: Directors and managers shall conduct corporate affairs on the basis of integrity, faithfulness, compliance with laws, fairness and righteousness and with an ethical, self-disciplined attitude.

Article 3: Directors and managers shall avoid any conflicts of interest arising when their personal interest intervenes, or is likely to intervene in the overall interest of the Company, including but not limited to unable to perform their duties in an objective and efficient manner, or taking advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship. To prevent conflicts of interest, any matters pertaining to lending funds, providing guarantees, and major asset transactions between the Company and the above-mentioned persons or their affiliated enterprise thereof shall be submitted to the Board of Directors for its approval in advance. The corresponding purchase (or sale) of goods shall be dealt with the best interest of the Company.

Article 4: When the Company has an opportunity for profit, the Directors and managers have the responsibility to conserve the reasonable and lawful benefits that can be obtained by the Company.

The Directors and managers shall not obtain personal gain by using the Company property or information or taking advantage of their positions. Unless otherwise stipulated in the Company Act or Articles of Incorporation, they shall not engage in activities that compete with the business of the Company.

Article 5: The Directors and managers shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.

Article 6:The Directors and managers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

Article 7: The Directors and managers shall have the responsibility to safeguard the Company’s assets, to use the assets for official business purpose properly, and to avoid any impact on the Company’s profitability resulting from theft, negligence in care or waste of the assets.

Article 8: The Directors and managers shall comply with applicable laws and the Company’s regulations.

Article 9: When a director or manager is found by employee to have committed a violation of a law, regulation or the Code, the employee shall report to the Audit Committee, their direct managers, president office personnel, chief internal auditor, or other appropriate personnel with sufficient evidence. Once the misconduct is confirmed, the Company will reward the above-mentioned employee in accordance with the Company's rules for employment management.

The Company shall handle the above-mentioned report properly and confidentially. The Company also shall use its best efforts to ensure the safety of the conscientious reporter and protect him/her from all kinds of reprisals.

Article 10: Where a director or manager is verified to have violated the Code, in addition to being subject to punishment under the Company's rules for employment management, the Company shall report the violation to the Board of Directors. The person involved in the violation shall be liable for civil, criminal or administrative responsibilities required by law and the Company shall disclose the violation on the Market Observation Post System ("MOPS") immediately, including: the date of the violation, description of the violation, the provisions of the Code violated, and the disciplinary actions taken.

Chapter 3 Procedures for Exemption

Article 11: Where a Director or manager is to be exempted from the Code due to special circumstances, such exemption shall be approved by an majority vote at a meeting of the Board of Directors attended by over two-third of the Directors in person or through representation. The Company shall immediately disclose on the MOPS, including: date of exemption granted by the Board of Directors, any opposing or qualified opinion expressed by the independent directors, and the period of, reasons for, and the provisions of the Code behind the application of the exemption for shareholders to evaluate the appropriateness and to safeguard the interests of the Company.

Chapter 4 Method of Information Disclosure

Article 12: The Company shall disclose the Code on the Company's website, annual reports, prospectuses, and the MOPS. Any amendment is subject to the same procedure.

Chapter 5 Supplementary Principles

Article 13: The Code shall be implemented after approval by the Board of Directors and shall be reported to a shareholders meeting. Any amendment is subject to the same procedure.

Ratification Items   Proposal 1

Proposal: To accept the 2017 business report and financial statements

Proposed by the Board of Directors

Explanation:

1. The preparation of the Company's 2017 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 16, 2018 and audited by independent auditors, CPA Mr. Chien-Hung Chou and CPA Ms. Man-Yu Juanlu, of PwC. The aforesaid Financial Statements together with the Business Report were reviewed by the Audit Committee, and the Audit Committee's Review Report in written form is presented.
2. The aforementioned Business Report can be referred to page 4 through page 10 of this Meeting Handbook. The Financial Statements can be referred to page 53 through page 65 of this Handbook. Please approve the Business Report and the Financial Statements.

Resolution:

Ratification Items   Proposal 2

Proposal: To accept the proposal for distribution of 2017 earnings

Proposed by the Board of Directors

Explanation:

The 2017 Earnings Distribution Proposal, which can be referred to on page 66 of this Handbook, was reviewed by the Audit Committee members of Formosa Taffeta Co., Ltd. and approved by the Board of Directors on March 16, 2018.

Resolution:

Discussion Items Proposal 1

Proposal: To revise the Rules of Procedure for Shareholders' Meeting

Proposed by the Board of Directors

Explanation:

To comply with the regulations of the competent authority in charge of securities affairs, the Company has established an Audit Committee in lieu of Supervisors. As such, the Company's "Rules of Procedure for Shareholders' Meeting" shall be amended accordingly. The corresponding comparison table for the articles before and after the revision is attached. Please discuss and resolve.

Article	Article before Revision	Article after Revision
Article 3	(Above Omitted) 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 <u>or supervisors</u>, 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'	(Above Omitted) 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.

	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 at 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.	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 the Company and at 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

	With the consent of the addressee, the meeting notice may be given in electronic form. Election or dismissal of directors or supervisors, 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 causes in the notice to convene the shareholders' meeting. None of the above matters may be raised by an extraordinary motion. (Below Omitted)	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 causes in the notice to convene the shareholders' meeting. None of the above matters may be raised by an extraordinary motion. (Below Omitted)
Article 6	(Above Omitted) 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 or supervisors, pre-printed ballots shall also be	(Above Omitted) 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.

	furnished. (Below Omitted)	(Below Omitted)
Article 7	(Above omitted) It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the Chairman, that a majority of the Directors <u>and at least one supervisor</u> 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. (Below omitted)	(Above omitted) 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. (Below omitted)
Article 14	The election of directors <u>or supervisors</u> 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	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

	announced on-site immediately, including the names of those elected as directors <u>and supervisors</u> and the numbers of votes with which they were elected. (Below Omitted)	on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected. (Below Omitted)

Resolution:

Discussion Items   Proposal 2

Proposal: To revise the Procedures for Acquisition and Disposal of Assets

Proposed by the Board of Directors

Explanation:

To comply with the regulations of the competent authority in charge of securities affairs, the Company has established an Audit Committee in lieu of Supervisors, 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 revision is hereby attached. Please determine whether the revision is reasonable.

Article	Article before Revision	Article after Revision
Article 6	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, if any director expresses dissent and such dissent is recorded in the meeting minutes or made by a written statement, the Company shall submit the dissenting opinions to each supervisor. Where the Company has established the position of independent director, the independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting. Where an audit committee has	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' 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-

	been established, 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.	thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.
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	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 <u>and recognized by the supervisors</u>: 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 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,	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 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

	and evaluation of the necessity of the transaction, and reasonableness of the funds 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 paragraph 2 of Article 26 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 <u>and recognized by the Supervisors</u> 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	necessity of the transaction, and reasonableness of the funds 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 paragraph 2 of Article 26 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

	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. Where the position of independent director has been established, 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. Where an audit committee has been established, the matters for which paragraph 1 requires approved by the Supervisors shall first 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	have the decisions subsequently proposed to and ratified by the next Board of Directors meeting. 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. 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.

	Board of Directors meeting.	
Article 16	Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 13 through 15 are uniformly lower than the transaction price, the following steps shall be taken: 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	Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 13 through 15 are uniformly lower than the transaction price, the following steps shall be taken: 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. <u>Supervisors</u> shall supervise the Company’s execution <u>of in accordance with the Article 218 of the Company Act</u>. 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. (Below Omitted)	the other company. 2. <u>Audit Committee</u> shall supervise the Company’s execution <u>of the aforesaid matter</u>. 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. (Below Omitted)
Article 33	If there is an audit committee established by the Company, the provision of Article 6, Article 12 and Article 34 of this Procedures regarding the Supervisor shall apply mutatis mutandis to the audit committee; in addition, subparagraph 2 of paragraph 1 of Article16 of this Procedures shall apply mutatis mutandis to the Independent Directors of the audit committee.	(Deleted)

Article 35	After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to each supervisor and the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedure. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to each supervisor. Where the Company has established the position of independent director, the independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting. Where an audit committee has been established, the adoption or amendment of this Procedures 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	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 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.

	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.	

Resolution:

Discussion Items　　Proposal 3

Proposal: To revise the Handling Procedures to Engage in Derivatives Trading

Proposed by the Board of Directors

Explanation:

To comply with the regulations of the competent authority in charge of securities affairs, the Company has established an Audit Committee in lieu of Supervisors, the Company's "Handling Procedures to Engage in Derivatives Trading" shall be amended accordingly. The corresponding comparison table for the articles before and after the revision is attached. Please discuss and resolve.

Article	Article before Revision	Article after Revision
Article 4	The Company engages in the derivatives trading, either for the purpose of hedging or trading, with different risk position limits, stop-loss limits, and accounting principles of the handling.	The Company engages in the derivatives trading, based on the principle of hedging risks of fluctuations in exchange rate, interest rate, and assets prices.
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 the high-level manager(s), authorized by the Board of Directors.	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 the high-level manager(s), authorized by the Board of Directors; the trading authority level is delegated in accordance with the levels of authority that are

		formulated by the Company. Major derivatives trading of the Company requires approval from more than half of all audit committee members and submission of such approval to the Board of Directors for a resolution. If there is no approval from more than half of all audit committee members, the trading may be carried out 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	Traders in the Company's unit in charge of derivatives trading should formulate trading strategies in accordance with contents of trading approved by the Company and should carry out transaction to trading counterparts directly. After completion of trading, traders should hand over trading documents to delivery staffers for carrying out delivery procedures of trading. Delivery staffers should conduct, based on trading contents and vis-a-vis trading counterparts, such affairs as contract signing, account opening, delivery, and	Traders in the Company's unit in charge of derivatives trading should formulate trading strategies in accordance with contents of trading approved by the Company and should carry out transaction with trading counterparts directly. After completion of trading, traders should hand over trading documents to delivery staffers for carrying out delivery procedures of trading. Delivery staffers should conduct, based on trading contents and vis-a-vis trading counterparts, such affairs as contract signing, account

	settlement. The unit executing trading is the task force under the financial division. The authorized quota is US$1 million per transaction, with the excess amount needing presentation of analysis for approval before trading.	opening, delivery, and settlement. The unit executing trading is the task force under the financial division. The authorized quota is US$1 million per transaction, with the excess amount needing presentation of analysis for approval before trading.
Article 7	For derivatives trading, the Company should formulate, from the angle of management system, complete information system on balance and analysis of profit and loss on the position of a division versus the entire Company, facilitating risk management and timely response to abnormalities.	For derivatives trading, the Company should formulate complete information system on balance and analysis of profit and loss on the position of the trading, facilitating risk management and timely response to abnormalities.
Article 8	Before 10th every month, the Company should upload contents of derivatives trading, including purposes for hedging and for trading, in designated format as of the end of the previous month onto the information reporting website designated by the securities regulator. Such uploading should be carried out within two days following trading which incurs loss reaching the loss limit of 10% of the contracted value or change,	Before 10th every month, the Company should upload contents of derivatives trading in designated format as of the end of the previous month onto the information reporting website designated by the securities regulator. Such uploading should be carried out within two days following trading which incurs loss reaching the loss limit of 10% of the contracted value or change, termination, or revocation of the original

	termination, or revocation of the original contract for trading.	contract for trading.
Article 9	When the Company's subsidiaries are not domestic public companies and are participating in derivatives trading, the Company shall follow the requirements of Article 8.	When the Company's subsidiaries are not domestic public companies and are participating in derivatives trading, the Company shall follow the requirements of Article 8 <u>hereof to report and make public announcements on behalf of its subsidiaries.</u>
<u>Chapter 4</u>	<u>Accounting Principles</u>	(Deleted)
<u>Article 13</u>	<u>For accounting treatment of derivatives trading, the Company complies with generally accepted accounting principles and statements of financial accounting standards published by the Accounting Research and Development Foundation.</u>	(Deleted)
<u>Article 14</u>	<u>In compiling regular financial statements (including annual, semiannual, quarterly, and consolidated financial statements), the Company complies with SFAS No.34, " Accounting for Financial Instruments," and SFAS No. 36, " Interpretations and Disclosure for Financial Instruments," issued by the Accounting Research and</u>	(Deleted)

	Development Foundation, making common disclosures for derivatives trading in accordance with its purpose in notes of financial statement.	
Article 15	For trading-oriented derivatives, besides common disclosure items, net profit/loss from current trading activities and where such profit/loss locates in income statements shall be disclosed in accordance with categories of traded derivatives.	(Deleted)
Article 16	For hedging-oriented derivatives, besides common disclosure items, the following items shall be disclosed: 1.Existing assets or liabilities with a purpose for hedging: (1) values of hedged assets or liabilities and categories of derivatives; (2) listed amount and definitely deferred amount of hedging profit or loss. 2.Anticipated trading (including committed future trading and anticipated future trading without commitment) with a purpose for hedging: (1) description of the	(Deleted)

	contents of anticipated trading; (2) description of the contents of categories of traded derivatives; (3) definitely deferred amount of hedging profit or loss.	
Chapter 5	Internal Control and Audit	Chapter 4 Internal Control and Audit
Article 17	In derivatives trading, the Company shall carry out risk management, in terms of credit, market prices, liquidity, cash flow, operation, and law. Derivatives traders should not undertake confirmation, delivery, and other related tasks for the trading at the same time. The presidential office should regularly brief ranking officials designated by the board of directors on evaluation of the assessment, supervision and control of risks, as well as risk-management procedure.	Article 13 In derivatives trading, the Company shall carry out risk management, in terms of credit, market prices, liquidity, cash flow, operation, and law. Derivatives traders should not undertake confirmation, delivery, and other related tasks for the trading at the same time. The presidential office should regularly brief ranking officials designated by the board of directors on evaluation of the assessment, supervision and control of risks, as well as risk-management procedure.
Article 18	The derivatives trading positions of the Company shall be evaluated at least once a week by the in-charge department, but the hedging trading made for business	Article 14 The derivatives trading positions of the Company shall be evaluated at least once a week by the in-charge department, but the hedging trading 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 trading 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 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. Where the Company has established the positions of independent director, there shall be independent directors attending the Board of	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 trading 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 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.

	Directors meeting and expressing their opinions.	
Article 19	The Company shall establish a log book to record all its derivatives transaction information, including types and amounts of derivatives transactions, and matters to be evaluated cautiously in accordance with Article 18 hereof. The Company's internal audit personnel shall be in charge of periodically assessing the appropriateness of the internal control regarding the derivatives transactions, and take the responsibility of auditing the trading department's compliance with the Procedures, analyzing the transaction cycle, preparing the monthly auditing report and submitting the auditing report to the high-level management personnel authorized by the Board of Directors. If any material violation is discovered, all supervisors shall be notified in writing and the Company should, depending on the status of such material violation, penalize the	Article 15 The Company shall establish a log book to record all its derivatives transaction information, including types and amounts of derivatives transactions, and matters to be evaluated cautiously in accordance with Article 14 hereof. The Company's internal audit personnel shall be in charge of periodically assessing the appropriateness of the internal control regarding the derivatives transactions, and take the responsibility of auditing the trading department's compliance with the Procedures, analyzing the transaction cycle, preparing the monthly auditing report and submitting the auditing report to the high-level management personnel authorized by the Board of Directors. 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

	relevant personnel in accordance with the Human Resources Management Policies.	violation, penalize the relevant personnel in accordance with the Human Resources Management Policies.
Article <u>20</u>	The Company's control and management procedure for engagement in derivatives trading by subsidiaries follows: 1.the Company should require subsidiaries formulating handling procedure for engagement in derivatives trading; 2.subsidiaries should submit contents of derivatives trading in the previous month to the Company for perusal by 5th every month. 3.When discovering major irregularities, in-house auditors of subsidiaries should notify the Company in written form and the Company should track how they handle and improve the irregularities subsequently.	Article <u>16</u> The Company's control and management procedure for engagement in derivatives trading by subsidiaries follows: 1.the Company should require subsidiaries formulating handling procedure for engagement in derivatives trading; 2.subsidiaries should submit contents of derivatives trading in the previous month to the Company for perusal by 5th every month. 3.When discovering major irregularities, in-house auditors of subsidiaries should notify the Company in written form and the Company should track how they handle and improve the irregularities subsequently.
<u>Chapter 6</u>	Supplementary Principles	<u>Chapter 5</u> Supplementary Principles
<u>Article 21</u>	After the Procedures are approved by the Board of Directors, the Procedures shall	<u>Article 17</u> After the Procedures are approved by the Board of Directors, the Procedures shall

	be submitted to each supervisor and the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedure. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to each supervisor. Where the Company has established the position of independent director, the independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors meeting.	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 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.

Resolution:

Discussion Items   Proposal 4

Proposal: To revise the Procedures for Loaning Funds to other Parties.

Proposed by the Board of Directors

Explanation:

To comply with the regulations of the competent authority in charge of securities affairs, the Company has established an Audit Committee in lieu of Supervisors, the Company's "Procedures for Loaning Funds to other Parties" shall be amended accordingly. The corresponding comparison table for the articles before and after the revision is attached. Please discuss and resolve.

Article	Article before Revision	Article after Revision
Article 3	When making loans to the company/firm having business relationship with the Company, the Company shall comply with <u>paragraph</u> 2 of Article 4 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.	When making loans to the company/firm having business relationship with the Company, the Company shall comply with <u>subparagraph</u> 2 of Article 4 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 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 operational risks, financial conditions and shareholders' rights and interests. 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.	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 operational risks, financial conditions and shareholders' rights and interests. 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

		<u>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.</u>
Article 10	The Company's internal auditors shall audit the Procedures for Loaning 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 <u>all the Supervisors</u> promptly in writing, the personnel who violate the Procedures shall be penalized in accordance with the related rules of the Company.	The Company's internal auditors shall audit the Procedures for Loaning 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 <u>the Audit Committee</u> 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 <u>Board of Directors</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 <u>Audit Committee</u>

	for its approval and then to all the supervisors and shall complete the rectification according to the timeframe set out in the plan.	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 14	After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to each supervisor and the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedures. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to each supervisor and for discussion by the Shareholders' Meeting. Where the Company has established the position of independent director, the independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.	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 which paragraph 1 requires be 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.

Resolution:

Discussion Items **Proposal 5**

Proposal: Amendment to the Procedures for Providing Endorsements and Guarantees to other Parties.

Proposed by the Board of Directors

Explanation:

To comply with the regulations of the competent authority in charge of securities affairs, the Company has established an Audit Committee in lieu of Supervisors, the Company's "Procedures for Providing Endorsements and Guarantees to other Parties" shall be amended accordingly. The corresponding comparison table for the articles before and after the revision is attached. Please discuss and resolve.

Article	Article before Revision	Article after Revision
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. Companies in which the parent Company holds, directly or indirectly, 90% or more of the voting shares, and the amount of endorsements / guarantees may not exceed 10% of the	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

	net worth of the parent Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the parent Company holds, directly or indirectly, 100% of the voting shares. 5. 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. 6. 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.	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. 6. 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.

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. 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	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. 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 the amount of making endorsements or guarantees exceeds the limits because of the change of the calculation bases or endorsees or guarantees later become unqualified under Article 3, the Company shall discharge the amount exceeding the limits or the endorsements or guarantees amount on the date the agreement term expires or within a designated period pursuant to an internal plan. The above timeframe shall be reported to the Board of Directors for its approval and	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

	then to the supervisors of the Company for their review. outstanding shares with voting rights in accordance with Paragraph 4 of Article 3, the prior approval from the Board of Directors of the parent Company shall be required; provided that this restriction does not apply to companies in which the Company's parent Company directly or indirectly hold one hundred percent (100%) of their total outstanding shares with voting rights.	plan. 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 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 <u>all the supervisors</u> promptly in writing, the personnel who violate the Procedures shall be penalized in accordance with the employee management rules of the Company.	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 <u>the Audit Committee</u> promptly in writing, the personnel who violate the Procedures shall be penalized in accordance with the employee management rules of the Company.
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 the <u>paragraphs</u> of Article 11. The percentage of the balance of	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 <u>subparagraphs</u> of Article 11. The percentage of the balance

	endorsements/guarantees over the net worth of the Company under the preceding paragraph shall be calculated by the ratio of the subsidiary's balance of endorsements / guarantees to the Company's net worth.	of endorsements/guarantees over the net worth of the Company 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 14	1. After the Procedures are approved by the Board of Directors, the same shall be submitted to each supervisor and for approval by the shareholders meeting before its implementation. Any amendment is subject to the same procedures. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to each supervisor and to the shareholders meeting for discussion. Where the Company has established the position of independent director, the independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the	2. 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

	minutes of the Board of Directors meeting.	<u>approved by more than two-thirds of all Directors,</u> <u>and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</u>

Resolution:

Appendix

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

			Year ended December 31			
			2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(21) and 7	$ 40,705,664	100	$ 39,848,986	100
5000	**Operating costs**	6(5)(24)(25) and 7	(35,566,893)	(87)	(34,354,879)	(86)
5900	**Net operating margin**		5,138,771	13	5,494,107	14
	Operating expenses	6(24)(25) and 7				
6100	Selling expenses		(1,727,181)	(5)	(1,728,789)	(4)
6200	General and administrative expenses		(890,287)	(2)	(939,161)	(3)
6300	Research and development expenses		(59,813)	-	(53,925)	-
6000	**Total operating expenses**		(2,677,281)	(7)	(2,721,875)	(7)
6900	**Operating profit**		2,461,490	6	2,772,232	7
	Non-operating income and expenses					
7010	Other income	6(22) and 7	2,697,364	7	1,941,094	5
7020	Other gains and losses	6(6)(23)	108,885	-	(445,983)	(1)
7050	Finance costs	6(26)	(185,189)	-	(177,762)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	193,934	-	385,218	1
7000	**Total non-operating income and expenses**		2,814,994	7	1,702,567	4
7900	**Profit before income tax**		5,276,484	13	4,474,799	11
7950	Income tax expense	6(27)	(516,468)	(1)	(634,299)	(1)
8200	**Profit for the year**		$ 4,760,016	12	$ 3,840,500	10

(Continued)

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	2017 AMOUNT	%	2016 AMOUNT	%
	Other comprehensive income	6(20)				
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans		($ 332,655)	(1)	$ 160,060	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(755,543)	(2)	(522,332)	(1)
8362	Unrealized gain on valuation of available-for-sale financial assets	6(3)	2,232,546	5	12,929,669	32
8370	Share of other comprehensive loss of associates and joint ventures accounted for under equity method		(172,904)	-	(109,839)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		1,304,099	3	12,297,498	31
8300	**Total other comprehensive income for the year**		$ 971,444	2	$ 12,457,558	31
8500	**Total comprehensive income for the year**		$ 5,731,460	14	$ 16,298,058	41
	Profit attributable to:					
8610	Owners of the parent		$ 4,279,871	11	$ 3,481,285	9
8620	Non-controlling interest		480,145	1	359,215	1
			$ 4,760,016	12	$ 3,840,500	10
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 5,148,811	13	$ 15,824,162	40
8720	Non-controlling interest		582,649	1	473,896	1
			$ 5,731,460	14	$ 16,298,058	41

	Items	Notes	2017 Before Tax	2017 After Tax	2016 Before Tax	2016 After Tax
	Basic and diluted earnings per share (in dollars)	6(28)				
9710	Profit for the year from continuing operations		$ 3.13	$ 2.83	$ 2.66	$ 2.28
	Non-controlling interest		(0.47)	(0.29)	(0.42)	(0.21)
9750	Profit attributable to common shareholders of the parent		$ 2.66	$ 2.54	$ 2.24	$ 2.07
	Assuming shares held by subsidiaries are not deemed as treasury stock:					
	Profit for the year from continuing operations		$ 3.13	$ 2.83	$ 2.66	$ 2.28
	Non-controlling interest		(0.47)	(0.29)	(0.42)	(0.21)
	Profit attributable to common shareholders of the parent		$ 2.66	$ 2.54	$ 2.24	$ 2.07

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

FORMOSA TAFFETA CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Items	Notes	2017 AMOUNT	2017 %	2016 AMOUNT	2016 %
4000	**Sales revenue**	6(19) and 7	$ 25,713,839	100	$ 24,595,183	100
5000	**Operating costs**	6(5)(22)(23) and 7	(23,215,460)	(90)	(21,821,589)	(89)
5900	**Net operating margin**		2,498,379	10	2,773,594	11
	Operating expenses	6(22)(23) and 7				
6100	Selling expenses		(1,396,951)	(5)	(1,384,211)	(6)
6200	General and administrative expenses		(496,956)	(2)	(548,545)	(2)
6000	**Total operating expenses**		(1,893,907)	(7)	(1,932,756)	(8)
6900	**Operating profit**		604,472	3	840,838	3
	Non-operating income and expenses					
7010	Other income	6(20) and 7	2,664,014	10	1,845,311	7
7020	Other gains and losses	6(6)(21) and 7	(168,551)	(1)	(231,772)	(1)
7050	Finance costs	6(24)	(117,088)	-	(115,565)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	1,500,573	6	1,429,173	6
7000	**Total non-operating income and expenses**		3,878,948	15	2,927,147	12
7900	**Profit before income tax**		4,483,420	18	3,767,985	15
7950	Income tax expense	6(25)	(203,549)	(1)	(286,700)	(1)
8200	**Profit for the year**		$ 4,279,871	17	$ 3,481,285	14
	Other comprehensive (loss) income	6(18)				
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans		($ 330,584)	(1)	$ 160,060	1
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation		(927,654)	(4)	(632,789)	(3)
8362	Other comprehensive income, before tax, available-for-sale financial assets	6(3)	2,127,178	8	12,815,606	52
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		1,199,524	4	12,182,817	49
8300	**Total other comprehensive income for the year**		$ 868,940	3	$ 12,342,877	50
8500	**Total comprehensive income for the year**		$ 5,148,811	20	$ 15,824,162	64

	Items	Notes	2017 Before Tax	2017 After Tax	2016 Before Tax	2016 After Tax
9750	**Basic earnings per share**	6(26)	$ 2.66	$ 2.54	$ 2.24	$ 2.07
	Assuming shares held by subsidiary are not deemed as treasury stock:					
	Basic earnings per share		$ 2.66	$ 2.54	$ 2.24	$ 2.07

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

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

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 4,942,919	5	$ 5,653,854	6
1110	Financial assets at fair value through profit or loss - current	6(2)	630,396	1	627,621	1
1125	Available-for-sale financial assets - current	6(3)	3,649,141	4	2,345,355	3
1150	Notes receivable, net		164,311	-	191,094	-
1160	Notes receivable - related parties	7	13,007	-	11,643	-
1170	Accounts receivable, net	6(4)	3,567,731	4	3,563,224	4
1180	Accounts receivable - related parties	7	1,168,315	1	1,193,169	1
1200	Other receivables	7	449,044	-	454,087	-
130X	Inventory	6(5) and 8	8,452,053	9	7,856,427	9
1410	Prepayments		519,506	1	848,609	1
1470	Other current assets	6(9)	425,720	-	465,903	-
11XX	**Total current assets**		23,982,143	25	23,210,986	25
	Non-current assets					
1523	Available-for-sale financial assets - non-current	6(3) and 7	43,994,286	47	42,381,294	46
1543	Financial assets carried at cost - non-current	6(6) and 7	5,786,870	6	5,438,697	6
1550	Investments accounted for under equity method	6(7)	3,123,456	3	3,428,263	4
1600	Property, plant and equipment	6(8) and 8	17,022,278	18	16,644,213	18
1840	Deferred income tax assets	6(27)	140,445	-	262,802	-
1900	Other non-current assets	6(10)	653,557	1	663,841	1
15XX	**Total non-current assets**		70,720,892	75	68,819,110	75
1XXX	**Total assets**		$ 94,703,035	100	$ 92,030,096	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11) and 8	$ 2,805,690	3	$ 2,989,383	3
2110	Short-term notes and bills payable	6(12)	1,299,806	2	999,827	1
2120	Financial liabilities at fair value through profit or loss - current	6(13)	-	-	1,381	-
2150	Notes payable		199,518	-	196,870	-
2160	Notes payable - related parties	7	239,553	-	129,706	-
2170	Accounts payable		1,446,070	2	1,761,510	2
2180	Accounts payable - related parties	7	1,147,976	1	1,127,766	1
2200	Other payables	6(14) and 7	1,811,607	2	1,564,711	2
2230	Current income tax liabilities	6(27)	198,319	-	188,151	-
2300	Other current liabilities	6(15)	265,356	-	334,222	1
21XX	**Total current liabilities**		9,413,895	10	9,293,527	10
	Non-current liabilities					
2540	Long-term borrowings	6(15)	11,083,572	12	11,432,277	13
2570	Deferred income tax liabilities	6(27)	170,798	-	163,632	-
2600	Other non-current liabilities	6(16)	852,200	1	860,760	1
25XX	**Total non-current liabilities**		12,106,570	13	12,456,669	14
2XXX	**Total liabilities**		21,520,465	23	21,750,196	24
	Equity attributable to owners of parent					
	Share capital	6(17)				
3110	Share capital - common stock		16,846,646	18	16,846,646	18
	Capital surplus	6(18)				
3200	Capital surplus		274,323	-	266,458	-
	Retained earnings	6(19)				
3310	Legal reserve		7,139,607	7	6,791,478	7
3320	Special reserve		2,214,578	2	1,708,542	2
3350	Unappropriated retained earnings		5,398,225	6	4,830,100	5
	Other equity interest	6(20)				
3400	Other equity interest		37,525,951	40	36,326,427	40
3500	**Treasury stocks**	6(17)	(19,935)	-	(21,501)	-
31XX	**Equity attributable to owners of the parent**		69,379,395	73	66,748,150	72
36XX	**Non-controlling interest**		3,803,175	4	3,531,750	4
3XXX	**Total equity**		73,182,570	77	70,279,900	76
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant event after the balance sheet	11				
3X2X	**Total liabilities and equity**		$ 94,703,035	100	$ 92,030,096	100

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

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

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 851,569	1	$ 1,023,947	1
1110	Financial assets at fair value through profit or loss - current	6(2)	398	-	-	-
1125	Available-for-sale financial assets - current	6(3)	1,911,496	2	1,611,938	2
1150	Notes receivable, net		114,555	-	106,411	-
1160	Notes receivable - related parties	7	13,007	-	11,643	-
1170	Accounts receivable, net	6(4)	1,948,346	3	1,950,719	2
1180	Accounts receivable - related parties	7	194,371	-	195,024	-
1200	Other receivables	7	415,375	1	372,699	1
130X	Inventory	6(5)	4,963,569	6	4,364,350	5
1410	Prepayments		149,485	-	468,176	1
1460	Non-current assets held for sale - net	6(9)	-	-	64,509	-
1470	Other current assets		188,207	-	177,927	-
11XX	**Total current assets**		10,750,378	13	10,347,343	12
	Non-current assets					
1523	Available-for-sale financial assets - non-current	6(3) and 7	43,363,486	51	41,654,803	50
1543	Financial assets carried at cost - non-current	6(6) and 7	266,009	-	91,493	-
1550	Investments accounted for under equity method	6(7)	22,905,965	27	22,438,793	27
1600	Property, plant and equipment	6(8) and 7	7,432,389	9	7,614,649	9
1760	Investment property - net	7	498,499	-	523,340	1
1840	Deferred income tax assets	6(25)	124,629	-	243,834	1
1900	Other non-current assets		162,805	-	103,307	-
15XX	**Total non-current assets**		74,753,782	87	72,670,219	88
1XXX	**Total assets**		$ 85,504,160	100	$ 83,017,562	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 7,386	-	$ 20,162	-
2110	Short-term notes and bills payable	6(11)	1,299,806	2	999,827	1
2120	Financial liabilities at fair value through profit or loss - current	6(12)	-	-	-	-
2150	Notes payable		135,455	-	161,324	-
2160	Notes payable - related parties	7	239,553	-	129,706	-
2170	Accounts payable		684,049	1	864,941	1
2180	Accounts payable - related parties	7	1,062,882	1	1,114,759	2
2200	Other payables	7	837,873	1	870,750	1
2230	Current income tax liabilities	6(25)	51,445	-	-	-
2300	Other current liabilities		90,457	-	79,182	-
21XX	**Total current liabilities**		4,408,906	5	4,240,651	5
	Non-current liabilities					
2540	Long-term borrowings	6(13)	10,800,000	13	11,100,000	14
2570	Deferred income tax liabilities	6(25)	170,157	-	162,434	-
2600	Other non-current liabilities	6(14)	745,702	1	766,327	1
25XX	**Total non-current liabilities**		11,715,859	14	12,028,761	15
2XXX	**Total liabilities**		16,124,765	19	16,269,412	20
	Equity					
	Share capital	6(15)				
3110	Share capital - common stock		16,846,646	20	16,846,646	20
	Capital surplus	6(16)				
3200	Capital surplus		274,323	-	266,458	-
	Retained earnings	6(17)				
3310	Legal reserve		7,139,607	8	6,791,478	8
3320	Special reserve		2,214,578	3	1,708,542	2
3350	Unappropriated retained earnings		5,398,225	6	4,830,100	6
	Other equity interest	6(18)				
3400	Other equity interest		37,525,951	44	36,326,427	44
3500	**Treasury stocks**	6(15)	(19,935)	-	(21,501)	-
3XXX	**Total equity**		69,379,395	81	66,748,150	80
	Commitments and contingent liabilities	9				
	Subsequent event	11				
3X2X	**Total liabilities and equity**		$ 85,504,160	100	$ 83,017,562	100

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

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

		Equity attributable to owners of the parent										
				Retained Earnings			Other Equity Interest					
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
Year ended December 31, 2016												
Balance at January 1, 2016		$ 16,846,646	$ 20,791	$ 6,508,610	$ 1,381,824	$ 3,819,939	$646,176	$ 23,497,434	($22,285)	$ 52,699,135	$ 3,369,595	$ 56,068,730
Appropriations of 2015 earnings:	6(19)											
Legal reserve		-	-	282,868	-	(282,868)	-	-	-	-	-	-
Special reserve		-	-	-	326,718	(326,718)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,021,598)	-	-	-	(2,021,598)	-	(2,021,598)
Profit for the year		-	-	-	-	3,481,285	-	-	-	3,481,285	359,215	3,840,500
Disposal of treasury stock	6(17)(18)	-	1,434	-	-	-	-	-	784	2,218	-	2,218
Changes in the net interest of associates recognised under the equity method	6(7)(18)	-	244,233	-	-	-	-	-	-	244,233	-	244,233
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	160,060	(632,789)	12,815,606	-	12,342,877	114,681	12,457,558
Cash dividends paid by consolidated subsidiaries	6(20)	-	-	-	-	-	-	-	-	-	(311,741)	(311,741)
Balance at December 31, 2016		$ 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
Year ended December 31, 2017												
Balance at January 1, 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
Appropriations of 2016 earnings:	6(19)											
Legal reserve		-	-	348,129	-	(348,129)	-	-	-	-	-	-
Special reserve		-	-	-	506,036	(506,036)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,526,997)	-	-	-	(2,526,997)	-	(2,526,997)
Profit for the year		-	-	-	-	4,279,871	-	-	-	4,279,871	480,145	4,760,016
Disposal of treasury stock	6(17)(18)	-	2,891	-	-	-	-	-	1,566	4,457	-	4,457
Changes in the net interest of associates recognised under the equity method	6(18)	-	33	-	-	-	-	-	-	33	18	51
Adjustment of cash dividends paid to consolidated subsidiaries	6(18)	-	3,439	-	-	-	-	-	-	3,439	-	3,439
Expired cash dividends transferred to capital surplus	6(18)	-	1,502	-	-	-	-	-	-	1,502	-	1,502
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	(330,584)	(927,654)	2,127,178	-	868,940	102,504	971,444
Cash dividends paid by consolidated subsidiaries	6(20)	-	-	-	-	-	-	-	-	-	(311,242)	(311,242)
Balance at December 31, 2017		$ 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

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

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

				Retained Earnings			Other Equity Interest			
	Notes	Share capital - common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total equity
Year ended December 31, 2016										
Balance at January 1, 2016		$ 16,846,646	$ 20,791	$ 6,508,610	$ 1,381,824	$ 3,819,939	$ 646,176	$ 23,497,434	($ 22,285)	$ 52,699,135
Appropriations of 2015 earnings (Note 1):	6(17)									
Legal reserve		-	-	282,868	-	(282,868)	-	-	-	-
Special reserve		-	-	-	326,718	(326,718)	-	-	-	-
Cash dividends		-	-	-	-	(2,021,598)	-	-	-	(2,021,598)
Profit for the year		-	-	-	-	3,481,285	-	-	-	3,481,285
Disposal of treasury stock	6(15)	-	1,434	-	-	-	-	-	784	2,218
Change in the net interest of associates recognized under the equity method	6(7)	-	244,233	-	-	-	-	-	-	244,233
Other comprehensive income for the year	6(18)	-	-	-	-	160,060	(632,789)	12,815,606	-	12,342,877
Balance at December 31, 2016		$ 16,846,646	$ 266,458	$ 6,791,478	$ 1,708,542	$ 4,830,100	$ 13,387	$ 36,313,040	($ 21,501)	$ 66,748,150
Year ended December 31, 2017										
Balance at January 1, 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
Appropriations of 2016 earnings (Note 2):	6(17)									
Legal reserve		-	-	348,129	-	(348,129)	-	-	-	-
Special reserve		-	-	-	506,036	(506,036)	-	-	-	-
Cash dividends		-	-	-	-	(2,526,997)	-	-	-	(2,526,997)
Profit for the year		-	-	-	-	4,279,871	-	-	-	4,279,871
Disposal of treasury stock	6(15)	-	2,891	-	-	-	-	-	1,566	4,457
Change in the net interest of associates recognized under the equity method		-	33	-	-	-	-	-	-	33
Adjustment of cash dividends paid to consolidated subsidiaries		-	3,439	-	-	-	-	-	-	3,439
Expired cash dividends transferred to capital surplus		-	1,502	-	-	-	-	-	-	1,502
Other comprehensive income for the year	6(18)	-	-	-	-	(330,584)	(927,654)	2,127,178	-	868,940
Balance at December 31, 2017		$ 16,846,646	$ 274,323	$ 7,139,607	$ 2,214,578	$ 5,398,225	($ 914,267)	$ 38,440,218	($ 19,935)	$ 69,379,395

Note 1:Directors' amd supervisors' remuneration amounting to $3,048 and employees' bonus amounting to $6,096 had been deducted from the Statement of Comprehensive Income in 2016.
Note 2:Directors' amd supervisors' remuneration amounting to $3,779 and employees' bonus amounting to $7,559 had been deducted from the Statement of Comprehensive Income in 2017.

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	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 5,276,484	$ 4,474,799
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debts expense transferred to other income	6(4)	(2,223)	(3,152)
Depreciation	6(8)(24)	2,177,955	2,641,041
Interest expense	6(26)	185,189	177,762
Impairment loss	6(6)(23)	-	207,066
Interest income	6(22)	(26,315)	(25,583)
Dividend income	6(22)	(2,411,958)	(1,637,777)
(Gain) loss on disposal of available-for-sale financial assets	6(23)	(275,611)	7,294
Gain on valuation of financial assets	6(2)(23)	(2,774)	(2,160)
(Gain) loss on valuation of financial liabilities	6(13)(23)	(1,381)	563
Share of profit of associates and joint ventures accounted for under equity method	6(7)	(193,934)	(385,218)
Cash dividends from investments accounted for under equity method		232,953	245,764
Gain on disposal and scrap of property, plant and equipment	6(23)	(38,696)	(23,058)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		-	30,371
Notes receivable, net		26,783	(119,066)
Notes receivable - related parties		(1,364)	(6,407)
Accounts receivable, net		(1,118)	206,662
Accounts receivable - related parties		24,854	84,163
Other receivables		97,196	961
Inventory		(595,626)	(28,707)
Prepayments		329,103	142,404
Other current assets		(23,442)	106,627
Changes in operating liabilities			
Notes payable		2,648	(3,258)
Notes payable - related parties		109,847	(10,676)
Accounts payable		(315,440)	159,481
Accounts payable - related parties		20,210	146,043
Other payables		218,519	(251,692)
Other current liabilities		(6,045)	(27,520)
Other non-current liabilities		(335,181)	(2,033,183)
Cash inflow generated from operations		4,470,633	4,073,544
Interest received		24,509	25,583
Cash dividends received		2,411,958	1,637,777
Interest paid		(199,036)	(194,123)
Income tax paid		(372,240)	(639,011)
Net cash flows from operating activities		6,335,824	4,903,770

(Continued)

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

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		($ 934,669)	($ 582,462)
Proceeds from disposal of available-for-sale financial assets		524,055	81,126
Acquisition of financial assets carried at cost		(785,138)	-
Proceeds from capital reduction of financial assets carried at cost		23,549	10,704
Acquisition of property, plant and equipment	6(29)	(2,845,591)	(2,378,135)
Proceeds from disposal of property, plant and equipment	7	90,034	49,228
Decrease in other non-current assets		10,284	268,189
Net cash flows used in investing activities		(3,917,476)	(2,551,350)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		(183,693)	(518,573)
Increase (decrease) in short-term notes and bills payable		299,979	(699,698)
Payment of long-term borrowings		(11,314,825)	(4,829,207)
Increase in long-term borrowings		10,942,085	5,997,500
Cash dividends paid	6(19)	(2,526,997)	(2,021,598)
Cash dividends paid-non-controlling interest		(311,242)	(311,741)
Net cash flows used in financing activities		(3,094,693)	(2,383,317)
Effect of foreign exchange rate		(34,590)	44,154
Net (decrease) increase in cash and cash equivalents		(710,935)	13,257
Cash and cash equivalents at beginning of year	6(1)	5,653,854	5,640,597
Cash and cash equivalents at end of year	6(1)	$ 4,942,919	$ 5,653,854

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

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

	Notes	For the years ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 4,483,420	$ 3,767,985
Adjustments			
Adjustments to reconcile profit (loss)			
Reversal of impairment of receivable	6(4)	(1,995)	(3,152)
Depreciation (including depreciation on investment property)	6(8)(22) and 7	804,763	830,144
Interest expense	6(24)	117,088	115,565
Impairment loss	6(6)(21)	-	138,044
Interest income	6(20)	(1,883)	(1,757)
Dividend income	6(20)	(2,310,238)	(1,568,757)
Loss on disposal of available-for-sale financial assets	6(21)	-	7,294
Gain on valuation of financial assets	6(2)(21)	(398)	-
Gain on valuation of financial liabilities	6(12)(21)	-	(277)
Receipt of cash dividends from investment accounted for under the equity method		898,499	865,788
Share of profit of subsidiaries and associates accounted for under the equity method	6(7)	(1,500,573)	(1,429,173)
Gain on disposal and scrap of property, plant and equipment	6(21) and 7	(46,693)	(126,300)
Unrealized gain on disposal and scrap of property, plant and equipment, net	6(21) and 7	1,078	102,982
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(8,144)	(41,436)
Notes receivable - related parties		(1,364)	(6,407)
Accounts receivable, net		4,368	131,386
Accounts receivable - related parties		653	(5,314)
Other receivables		(67,673)	(197,141)
Inventories		(599,219)	(100,361)
Prepayments		318,583	243,450
Other current assets		(8,539)	(1,167)
Changes in operating liabilities			
Notes payable		(25,869)	(9,063)
Notes payable - related parties		109,847	(10,676)
Accounts payable		(180,892)	(40,062)
Accounts payable - related parties		(51,877)	146,835
Other payables		(31,210)	(25,768)
Other current liabilities		11,275	(958)
Other non-current liabilities		(347,246)	(1,884,221)
Cash inflow generated from operations		1,565,761	897,483
Interest received		1,883	1,757
Dividends received		2,310,238	1,568,757
Interest paid		(120,511)	(114,547)
Income tax paid		(179)	(288,777)
Net cash flows from operating activities		3,757,192	2,064,673

(Continued)

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

	Notes	For the years ended December 31, 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds fom disposal of available-for-sale finanicial assets		$ -	$ 81,126
Acquisition of available-for-sale financial assets		(85,852)	(53,674)
Acquisition of financial assets measured at cost		(198,066)	-
Proceeds fom capital reduction of financial assets measured at cost		23,549	10,704
Acquisition of investments accounted for under the equity method		(585,073)	-
Acquisition of property, plant, and equipment	6(27)	(570,916)	(641,259)
Proceeds from disposal of property, plant and equipment		86,080	231,991
(Increase) decrease in other non-current assets		(59,498)	42,677
Net cash flows used in investing activities		(1,389,776)	(328,435)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		(12,776)	(286,629)
Increase (decrease) in short-term notes and bills payable		299,979	(699,698)
Increase in long-term borrowings		10,900,000	5,800,000
Payment of long-term borrowings		(11,200,000)	(4,700,000)
Payment of cash dividends	6(17)	(2,526,997)	(2,021,598)
Net cash flows used in financing activities		(2,539,794)	(1,907,925)
Net decrease in cash and cash equivalents		(172,378)	(171,687)
Cash and cash equivalents at beginning of year	6(1)	1,023,947	1,195,634
Cash and cash equivalents at end of year	6(1)	$ 851,569	$ 1,023,947

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

FORMOSA TAFFETA CO., LTD
Earnings Distribution Proposal
For the year of 2017

Unit：NT$

Items	Amount	Items	Amount	Explanation
Available for Distribution:		**Distribution Items:**		1. The Company’s registered capital is $16,846,646,370, and shares for distribution are 1,684,664,637.
(1) Unappropriated retained earnings of previous years	1,448,938,202- 330,584,011	(1) Appropriation of legal reserve (10% of the after-tax profit)	427,987,125	
			3,200,862,810	2. The Company plans to distribute dividends of $1.9 per share for the current year (among which, $0.93 will be distributed as dividends and $0.97 will be distributed as bonus); all of which are cash dividends.
(2) Other comprehensive income reclassified to unappropriated retained earnings of the current year	4,279,871,245	(2) Distribution of dividends and bonus in cash ($1.9 per share)	1,769,375,501	
(3) Net profit after tax of the current year		(3) Unappropriated retained earnings carried forward to next yea		3. The distribution of dividends for this time is based on the pattern of profits distribution of 1998 afterwards. 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.
Total	5,398,225,436	**Total**	5,398,225,436	

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, 2017 and 2016, 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, 2017 and 2016, 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.

Valuation of allowance for uncollectible accounts

<u>Description</u>

Please refer to Note 4(10) for accounting policy on impairment of financial assets, Note 5(2) 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, 2017, the Group's accounts receivable and allowance for uncollectible accounts amounted to NT$3,644,252 thousand and NT$76,521 thousand, respectively.

The Group assesses the collectibility 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. Assessing the reasonableness of policies and procedures in determining the allowance for uncollectible accounts, including the reasonableness of classification of customer's credit quality and aging analysis;
B. Assessing whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements;
C. Assessing the adequacy of allowance for uncollectible accounts estimated by management; and
D. Testing collections after balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventory

Description

Please refer to Note 4(12) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation loss. As of December 31, 2017, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$8,972,787 thousand and NT$520,734 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 the 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$10,614,122 thousand and NT$10,782,491, constituting 11% and 12% of consolidated total assets as of December 31, 2017 and 2016, respectively, and operating income of NT$5,125,079 thousand and NT$4,876,098, constituting 13% and 12% of consolidated total operating income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose report 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, 2017 and 2016.

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.

Chou, Chien-Hung Juanlu, Man-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan
March 16, 2018

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, 2017 and 2016, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

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.

Valuation of allowance for uncollectible accounts

Description

Refer to Note 4(9) on financial assets impairment, for accounting policy on allowance for uncollectible accounts, 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, 2017, the Company's accounts receivable and allowance for uncollectible accounts amounted to NT$1,985,410 thousand and NT$37,064 thousand, respectively.

The Company assesses the collectibility of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Company recognizes impairment with a credit to accounts receivable. The Company examines the reasonableness periodically. As the estimation of allowance for uncollectible accounts is subject to management's judgement, and given the significance of accounts receivable and allowance for uncollectible accounts to the financial statements, we 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. Assessing the reasonableness of policies and procedures in determining the allowance for uncollectible accounts, including the reasonableness of classification of customer's credit quality and aging analysis;
B. Assessing whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements;
C. Assessing the adequacy of allowance for uncollectible accounts estimated by management; and
D. Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventory

Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2017, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$5,207,447 thousand and NT$243,878 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$7,133,622 thousand and NT$ 7,490,647, constituting 8% and 9% of total assets as of December 31, 2017 and 2016, respectively, and comprehensive income was NT$412,764 thousand and NT$665,984 thousand, constituting 8% and 4% 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.

Chou, Chien-Hung 3. Juanlu, Man-Yu

4. For and on behalf of PricewaterhouseCoopers, Taiwan
5. March 16, 2018

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.

Information regarding the Proposed Employees' Profit Sharing Bonus and Directors' Compensation Adopted by the Board of Directors of the Company:

1. Amounts of employees' cash profit sharing bonus, stock profit sharing bonus, and Directors' compensation:	
Employees' cash profit sharing bonus	6. NT$ 8,993,823
Employees' stock profit sharing bonus	7. NT$ 0
Directors' cash compensation	8. NT$ 4,496,911
2. Shares of the proposed employees' stock profit sharing bonus and the percentage of the share amount to that of all stock dividend:	
9. Shares of employees' stock profit sharing bonus	10. 0 share
Percentage of the share amount to that of all stock dividend	11. 0%

The above-listed amounts of employees' profit sharing bonus and directors' compensation are consistent with the proposed amounts 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 2018 Annual Shareholders' Meeting:

Not applicable since the Company does not propose the stock dividend distribution to the 2018 Annual Shareholders' Meeting and not need to disclose its financial forecast information.